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Our Ref
Your Ref

18th February 2020

Dear Councillor,

Council

YOU ARE HEREBY SUMMONED to attend the Meeting of the **Council** to be held in the **Council Chamber**, on **Wednesday, 26 February 2020** at **18:00** to transact the business set out on the attached agenda.

Yours faithfully,

Frank McArdle

Chief Executive

To:- **Conservative Group**
Councillor Muller (Chairman), Councillor Atkin (Vice-Chairman) and Councillors Angliss, Billings, Brady, Ms. Bridgen, Mrs. Brown, Churchill, Corbin, Dawson, Fitzpatrick, Ford, Ms. Haines, Hewlett, MacPherson, Mrs. Patten, Pegg, Dr. Perry, Roberts, Watson, Ms. Wheelton and Whittenham.

Labour Group
Councillors Bambrick, Dunn, Gee, Ms. Heath, Mulgrew, Dr. Pearson, Rhind, Richards, Shepherd, Singh, Southerd, Mrs. Stuart, Taylor and Tilley.

AGENDA

Open to Public and Press

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 any Exempt questions by Members of the Council pursuant to Council procedure Rule No. 11.

REPORT TO:	**COUNCIL**	**AGENDA ITEM: 7**
DATE OF MEETING:	**26th FEBRUARY 2020**	**CATEGORY:**
REPORT FROM:	**STRATEGIC DIRECTOR (SERVICE DELIVERY)**	**OPEN**
MEMBERS' CONTACT POINT:	**HANNAH PEATE, 01283 595973** **Hannah.peate@southderbyshire.gov.uk**	**DOC:**
SUBJECT:	**CARE LEAVER OFFER**	
WARD(S) AFFECTED:	**ALL**	**TERMS OF REFERENCE:**

1.0 Recommendations

1.1 That Council endorses the corporate parenting principles enshrined in the Children and Social Work Act 2017.

1.2 That Council approves the Care Leaver Offer outlined within the report.

1.3 That Council approves Officers to seek further additionality to the offer and to work with partner organisations to expand the offer locally.

1.4 That Council approves the request from Derbyshire County Council (DCC) to support the promotion and recruitment of Foster Families across the District.

1.5 That the Council agrees further work with partners to develop and sign a care leavers covenant.

2.0 Purpose of the Report

2.1 To seek Council approval to adopt and implement a Care Leaver offer across four key areas namely; Active Fostering - Physical Activity Programmes, Employment, Skills, Apprenticeships and Work Experience, Housing, and Council Tax (Already adopted February 2019). This will ensure consistency of a basic offer across all Districts and Boroughs in Derbyshire.

2.2 To seek Council approval to work with local partners and businesses to extend the Looked After Children and Care Leaver offer across the District.

2.3 To seek Council approval to support the promotion and recruitment of Foster Families across the District including across the Council's own workforce and through a range of promotional platforms that will be provided by Derbyshire County Council.

3.0 <u>Detail</u>

3.1 There are approximately 70,000 to 80,000 children in care in England at any one time. At the time of writing this report there are 843 children in care across Derbyshire, of these 122 children are in South Derbyshire and South Dales. Derbyshire County Council (DCC) currently has approximately 352 active foster families/carers, far fewer than is needed to meet demand. There are currently 18 Care Leavers in South Derbyshire aged 16-21 years. The number of care leavers aged 21-25 years is currently being determined.

3.2 Most of these children have had a very poor start in life, often experiencing family breakdown, family illness or bereavement or witnessing or being subject to abuse. At a time when playing, having fun and making friends should be the priority, many of these children are faced with difficult challenges and uncertainty.

3.3 When they leave care, many of these young people will face considerable disadvantage in their lives, compared to their peers. Whilst most young people will continue to rely upon their families well into early adulthood and beyond, young people leaving care often do so without family support. For a care leaver there is a very high risk that without continued support they will never reach their potential.

- More than one in four young care leavers have sofa surfed and 14% have slept rough.
- 39% of care leavers 19-21 are not in education, employment or training (NEET) (compared to around 12% of all young people).
- Nearly half of young men and two thirds of young women in custody aged 16-21 have recently been in care
- 6% of care leavers aged 19-21 are in higher education (compared to around 38% of all young people)
- Nearly half of England's care leavers may be suffering with mental health problems.

3.4 Section 2 of the Children & Social Care Act 2017 requires each local authority (including district councils) to publish a Local Offer for its care leavers (18 – 25 years). Through the Derbyshire Local Authorities Chief Executives Group and the newly formed Derbyshire Corporate Parenting Board, the County Council and Derbyshire District and Borough Councils agreed to collaborate to create one single 'Local Children in Care and Care Leaver Offer' for each of the District and Borough Councils to adopt and publish.

3.5 'Corporate Parenting' – Children and Social Work Act 2017 (CSW).

3.5.1 The role that councils play in 'looking after' children is one of the most important things they do. Local Authorities have a unique responsibility to the children they look after and their care leavers (relevant and former relevant children). In this context local authorities are often referred to as being the 'corporate parent' of these children and young people.

3.5.2 A strong ethos of corporate parenting recognises that looked-after children have the same needs – to be loved, cared for and feel safe – as other children. But also, that there are unique challenges that looked-after children and care leavers face. 60% of children become looked-after due to abuse or neglect and they have poorer educational and health outcomes than their peers (Department for Education). The care system is not just about keeping children safe, but should also promote recovery, resilience and well-being.

3.5.3 The Children and Social Work (CSW) Act 2017 is intended to improve support for looked-after children and care leavers and section one sets out seven principles of corporate parenting, which local authorities must have regard to in designing and delivering services. It builds on and refines earlier legislation set out in the Children Act 1989 and the Children Act 2004. The seven principles are:

(a) to act in the best interests, and promote the physical and mental health and well-being, of those children and young people;

(b) to encourage those children and young people to express their views, wishes and feelings;

(c) to take into account the views, wishes and feelings of those children and young people;

(d) to help those children and young people gain access to, and make the best use of, services provided by the local authority [i.e. the County Council] and its relevant partners;

(e) to promote high aspirations, and seek to secure the best outcomes, for those children and young people;

(f) for those children and young people to be safe, and for stability in their home lives, relationships and education or work;

(g) to prepare those children and young people for adulthood and independent living.

3.5.4 An eligible Care Leaver is defined within the Children (leaving Care) Act 2000 as:

- a young person aged 16 or 17 and currently in care and who has been ‘cared for’, for a period of 13 weeks (or periods amounting to 13 weeks) which began after their 14th birthday and must include at least one day whilst aged 16 or 17 years old. The exception is where there is a planned return home which was successful for more than six months. In which case they become a qualifying care leaver.
- A former relevant care leaver is someone who is over 18 and before reaching 18 was, or had been, a relevant young person.

3.5.5 Section two of the CSW Act requires local authorities to publish information about the services it offers to care leavers, which may assist them in preparing for adulthood and independent living. It includes health and wellbeing, education and training, employment, accommodation, and participation in society.

3.5.6 In Derbyshire, the County Council has the statutory Corporate Parenting responsibility.

3.5.7 Whilst the CSW Act 2017 refers to district councils as a local authority, South Derbyshire District Council is not a ‘local authority’ as defined in section 105 of the Children Act 1989 and so section one of the Children and Social Work Act does not apply to give such functions to a district council in a two-tier area.

3.5.8 The District Council does however, have a duty to co-operate under section 10 of the Children Act 2004 as a ‘relevant partner.’

3.5.9 The County Council has asked for the Borough and District Councils’ co-operation in developing and helping to deliver a countywide ‘Local Offer for Children in Care and Care Leavers.’

3.5.10 Whilst the District Council does not have a statutory corporate parenting responsibility, there is an expectation within the new legislation and guidance that it (along with partners from the private and voluntary sectors) will adopt and embed the seven corporate parenting principles in designing and delivering its own services. District Council housing, leisure and recreation and local taxation collection services were specifically identified as functions where consideration of corporate parenting principles should generally apply.

3.6 The current number of care leavers across Derbyshire at the time of producing the report:

District/Age	18 years old	19 years old	20 years old	21 years old	Total
Amber Valley	8	11	12		31
Bolsover	3	3	5		11
Chesterfield	20	9	14		43
Derbyshire Dales	3	2	1		6
Erewash	8	16	12	1	37
High Peak	9	6	10		25
North East Derbyshire	9	5	3	1	18
South Derbyshire	5	7	6		18
Total	65	59	63	2	189

3.7 The proposed consistent basic District and Borough ‘Local Offer for Children in Care and Care Leavers’;

3.7.1 Council Tax Discount for Derbyshire Care Leavers

The Rationale:
Managing budgets can be challenging for most people on low incomes; particularly so for vulnerable young people adjusting to living by themselves without the support of a family network. A 2015 report by The Children’s Society (The Wolf at the Door – How Council Tax debt collection is harming children) suggests that care leavers are a particularly vulnerable group for Council Tax debt.

The Offer:
A care leaver is defined as a young person aged 18-25 who was formerly a child in the care of Derbyshire County Council and becomes liable for council tax for a dwelling in this district. The discount will be awarded on the main residence of the care leaver up until their 25th birthday and will equate to 100% of their liability for council tax after all other relevant discounts and exemptions have been applied.

Full Council adopted Council Tax Exemption in February 2019. To date seven individuals have applied for this exemption.

3.7.2 Active Fostering – Wellness and Participation for Children in Care and Care Leavers

The Rationale:
A County-wide free access to leisure centres scheme has been operating since 2007 for Looked After Children, carers and their own children and for care leavers. Derbyshire County Council pay for this scheme directly to leisure providers.

This scheme has been well received and well used by the carers but has had little real impact on the Looked After Child or care leaver.

Children in Care and Care leavers have disproportionate underlying health issues, are more likely to suffer social isolation and financial instability often makes accessing local services difficult.

The Offer:
The benefits of physical activity in addressing some of these underlying physical and social issues is well documented. The free access scheme has been reviewed and re-branded as the Active Fostering Scheme. The range of activities offered has been widened to include free swimming lessons – a key life skill.

The scheme will be funded through DCC Public Health allocations to each district. Local initiatives will be proactively encouraged to utilise physical activity programmes to work with young people who are suffering from mental health problems, drug and alcohol dependence. Physical activity can help to build social connectedness and self-esteem.

Greater emphasis will be placed on marketing and promoting the 'offer' to care leavers and leisure centre staff will receive awareness training on some of the issues that care leavers face as they transition from the care system to living independently.

Since September 2018 in South Derbyshire, 42 different individuals across 23 families have taken up this offer which applies to both Looked After Children and their families and Care Leavers.

In addition to the core offer proposed above, Active Nation, the leisure contractor for South Derbyshire, has offered reduced rates for its holiday provision, Apex climbing centre and fun swim sessions. This is separately invoiced to DCC directly by Active Nation.

Regarding SDDC services, Active South Derbyshire and discounts for the Environmental Education Service offer will be offered, subject to Member approval.

With Council permission, locally the Council will aspire to bring additionality to the offer in the future with other key partners, who will be recompensed directly by DCC.

3.7.3 Employment, Skills, Apprenticeships and Work Experience for Care Leavers

The Rationale:
Working, whether paid or unpaid, is good for wellbeing. It contributes to happiness, helps to build confidence and self-esteem and contributes to building supportive relationships and friendships with colleagues. Employment can improve health by

increasing social capital, enhancing psychological wellbeing, providing income and reducing the negative health impacts of economic hardship.

Despite recent reforms to improve the educational attainment of children in care, it is still the case that only 14% of children in care achieved five good GCSEs (grade 5-9), compared to 53% of non-Looked After Children (Dept of Education 2015). Looked After Children are five times more likely to be temporarily excluded from school (2018 data) and are far more likely to have a special educational need (SEN) at age 11 (59% compared with 17% of non-Looked After Children). This limits the options open for care leavers when they leave school.

The Offer:
Working with DCC's Children's Services, all Districts and Boroughs will actively signpost care leavers to apprenticeship, work placement, work experience and mentoring opportunities within their own and partner organisations.

Led by Active Derbyshire, work has brought to Derbyshire the Coach Core programme created by the Royal Foundation, which aims to create inspirational sports coaches through a more exciting and community-based sports and activity coaching apprenticeship. It is targeted at 16-24-year-olds who are not in education and employment. It delivers an inclusive and impactful sports and activity coaching apprenticeship that develops the talents of young people and provides them with a range of vital skills for employment and life. Care leavers will be actively encouraged to sign up to the programme.

Locally the Council will work with DCC to inform them of any opportunities on an annual basis, through Heads of Service and Human Resources, to highlight any opportunities that may arise.

Locally colleagues in Economic Development will work to raise the profile of this scheme with local businesses to promote the benefits of being involved in such a scheme.

3.7.4 Housing Offer

The Rationale:
Local Connection
The definition of a 'local connection' for young people leaving care was amended by the Homelessness Reduction Act 2017 so that a young homeless care leaver has a local connection to the area of the local authority that looked after them. Additional provision is made for care leavers who have been placed in accommodation, under section 22A of the Children Act 1989, in a different district to that of the children's services authority that owes them leaving care duties. If they have lived in the other district for at least two years, including some time before they turned 16, they will also have a local connection with that district until they are 21.

Intentionally Homeless
The Minister for Housing, Communities and Local Government (MHCLG) considers that all attempts should be made by housing authorities to avoid the impact of intentionally homeless decisions in relation to care leavers aged 18 – 25. It will be a matter for the housing authority to determine whether a care leaver has become

homeless intentionally, taking into account all relevant facts. To inform this assessment, housing authorities should consult with the relevant children's services authority and obtain advice and information as to the young person's emotional and mental well-being, maturity and general ability to understand the impact of their actions.

Where a housing authority finds an eligible applicant has a priority need but is homeless intentionally and the relief duty has come to an end, they have a duty to secure accommodation which is available to the applicant to provide reasonable opportunity for them to find their own accommodation.

The Offer:
Housing Authorities will not make any decision regarding a care leaver being intentionally homeless without consulting their leaving care worker. In the event that a housing authority has found a care leaver to be intentionally homeless they will have a duty to secure accommodation which is available to the care leaver to provide a reasonable opportunity for them to find their own accommodation.

Derbyshire Care Leavers will be given a local connection to access housing in any District in Derbyshire irrespective of where they have been living.

Derbyshire Care Leavers exiting supported accommodation as a positive move on will be given priority for social housing in Derbyshire.

3.7.5 Promotion and Marketing.

The Derbyshire Local Authorities 'care offer' working group will develop a marketing and promotion strategy to ensure that all Care Leavers and other relevant partners are made aware of the offer and how to access services.

The group is also conscious that there is a significant national shortfall of foster carers and this ultimately impacts on the 'experiences' that Looked After Children have prior to leaving care. DCC currently has around 350 active foster families/carers, far fewer than is needed to meet demand. Effective and appropriate advertising, marketing and promotion is key to attracting and retaining quality foster carers across the County. Getting the right messages, the right level of emotional engagement, the right images and the right information to a larger audience will ensure that not only the number of enquiries will increase, but the number of successful recruitments will increase by ensuring that the applicant is clear from the outset what being a foster carer is all about.

Working with DCC Children's Services, District and Borough Councils will actively support the promotion and recruitment of foster carers through their many and varied communication channels, media and platforms. These will include but will not be limited to: printed newsletters, websites, social media and displays within public buildings with high footfall such as leisure centres.

3.7.6 **Care Leaver Covenant**

3.7.6.1 In July 2016, the Government published a major policy document 'Keep on Caring' to support young people from care to independence. A key policy commitment in the paper is a strategic pledge to introduce a Care leaver Covenant.

3.7.6.2 The Covenant is a promise made by the private, public and voluntary sectors to provide support for care leavers aged 16-25 to help them to live independently.

3.7.6.3 The aim of the Care Leaver Covenant, to which organisations commit, is to provide additional support for those leaving care; making available a different type of support and expertise from that statutorily provided by local authorities.

3.7.6.4 Each organisation that commits to the Care Leaver Covenant will be able to offer a support package to care leavers that is tailored to its specific expertise. The organisation would underpin its commitment to the covenant with a specific ‘offer’, setting out what it can provide.

3.7.6.5 The Care Leaver Covenant Outcomes will ensure that care leavers:

- Are better prepared and supported to live independently.
- Have improved access to employment, education and training.
- Experience stability in their lives and feel safe and secure.
- Have improved access to health and emotional support.
- Achieve financial stability.

3.7.6.6 All central government’s departments have signed the Care Leaver Covenant to demonstrate their commitment and have listed the specific offers they will deliver.

3.7.6.7 By supporting DCC in its corporate parenting role the District Council is effectively setting out its own ‘offer to care leavers’ as a further endorsement of promises made in the ‘Care Leaver Covenant.’

3.7.6.8 It is further proposed that the Council works with partners to finalise and then sign a Derbyshire-wide ‘Care Leaver Covenant declaration’.

4.0 Financial Implications

4.1 Section 13A of the Local Government and Finance Act 1992 allows local authorities to reduce council tax in addition to statutory discounts. There is a financial implication to awarding reliefs under Section 13A as the Council must finance all such reliefs from its own funds. As this can only be introduced as a local council tax discount, the cost is not shared with other preceptors and all the cost falls to South Derbyshire District Council. The Council has approved this element of the offer previously in February 2019, approving a £10,000 budget from the General Fund. To date seven people have qualified for the care leaver discount totaling £520.85.

4.2 The Active Fostering Scheme is part funded through DCC Public Health existing contracts with the Council. South Derbyshire District Council currently receives £1,416p.a. towards the delivery of this programme, which currently goes to the leisure provider Active Nation. There are no additional financial implications for this element of the offer.

4.3 There are no additional material costs associated with the proposed Employment, Skills, Apprenticeships and Work Experience offer. This strand of the proposal will be delivered through existing budgets and will largely involve improved processes, organisational links and communication.

4.4 Housing. The cost of care leaver housing advice and interventions is already covered within the Council's general fund and additional government grants to support the introduction of new duties in the Homelessness Reduction Act 2017.

4.5 The Marketing and Promotion element of the offer will not generate additional direct costs for the Council. DCC will be responsible for the design and content of the material, the District Council will provide the platforms for the promotion of the material through various avenues including internal staff, and through its website and social media to the residents of South Derbyshire.

4.6 The proposal seeks to reduce the risk of future poverty and deprivation. Increased financial resilience will increase personal resilience and potentially reduce demand for future services. The proposal therefore offers potential cost savings to the Council in the longer term.

5 Corporate Implications

Employment Implications

5.1 None

Legal Implications

5.2 Section 2 of the Children & Social Care Act 2017 requires each local authority (including District Councils) to publish a Local Offer for its care leavers (18 – 25 years).

5.3 Members need to be very careful to differentiate between the various references to "local authorities" and to identify with precision the respective functions of each local authority and the context of any function assigned to the local authority in question.

5.4 The County Council has the sole statutory responsibility in respect of the functions referred to in section 1(2) of the Children and Social Work Act 2017. The District Council is not the corporate parent in this context as Parliament has firmly placed such functions upon the County Council with its county fund.

5.5 The "corporate parenting principles" which the County Council is required to have regard to when discharging their assigned statutory functions are set out in section 1(1) of the Children and Social Work Act 2017. The County Council must have regard to the need to:

(a) to act in the best interests, and promote the physical and mental health and well-being, of those children and young people;

(b) encourage those children and young people to express their views, wishes and feelings;

(c) take into account the views, wishes and feelings of those children and young people;

(d) help those children and young people gain access to, and make the best use of, services provided by the local authority [i.e. the County Council] and its relevant partners;

(e) promote high aspirations, and seek to secure the best outcomes, for those children and young people;

(f) ensure those children and young people are safe and have stability in their home lives, relationships, education or work;

(g) prepare those children and young people for adulthood and independent living.

5.6 The County Council must, under section 10 of the Children Act 2004, make arrangements to promote co-operation between it and districts councils (and other relevant partners) within the two-tier area to improve well-being of “children” including those in the extended definition within section 10(9) of that Act.

5.7 Section 10(2) of that Act sets out the extent to which the County Council must make such arrangements. The arrangements are to be made with a view to improving the well-being of children in the County Council’s area so far as relating to –

(a) physical and mental health and emotional well-being;

(b) protection from harm and neglect;

(c) education, training and recreation;

(d) the contribution made by them to society;

(e) social and economic well-being.

5.8 The District Council as a “relevant partner” has a “duty to co-operate” under section 10(5) of that Act with the County Council in the County Council making such arrangements. This is not a “duty to discharge” the County Council’s corporate parenting duties and responsibilities under section 1 of the Children and Social Work Act 2017.

5.9 “Relevant partners” include a number of other bodies listed in section 10(4) of that Act including, inter alia, the chief officer of police, the local probation board, the youth offending team, and local clinical commissioning group.

5.10 The District Council as a “relevant partner” has discretion under section 10(5A) of that Act for the purposes of “section 10 arrangements” to provide the County Council with staff, goods, services, accommodation or other resources, and to make contributions to a fund out of which a payment may be made relating to expenditure that has been incurred by the County Council in the exercise of its functions in respect of such “section 10 arrangements”.

5.11 The County Council has discretion under section 10(5A) of that Act for the purposes of “section 10 arrangements” to provide the District Council or other relevant partners with staff, goods, services, accommodation or other resources, and to make contributions to such a fund.

5.12 Under section 10(8) of that Act each local authority must have regard to any relevant guidance issued by the Secretary of State in relation to making "section 10 arrangements".

5.13 Under section 13A (1) of the Local Government Finance Act 1992 there is provision to grant a local Council tax exemption/discount. When determining whether to grant such exemption/discount, the District Council must ensure that it has a clear rationale for any such decision to successfully defend any judicial or other challenge. Care leavers under the County Council are not the only individuals with vulnerability. Financial need can arise irrespective of age or parental history. The Equality Act 2010 must be fully considered, and it is a prerequisite for Members to read and consider the Equality Impact Assessment within this report before reaching their decision. The MHCLG expects that, where a local authority exercises its discretion to choose to provide exemptions or discounts, this is to be set out in their local offer.

5.14 Statutory provisions must be read subject to the fiduciary duty under the principle in Roberts v. Hopwood [1925] AC 578, namely that "a body charged with the administration for definite purposes of funds contributed in whole or in part by persons other than the members of that body owes, in my view, a duty to those latter persons to conduct that administration in a fairly businesslike manner, with reasonable care, skill and caution, and with a due and alert regard to the interest of those contributors who are not members of the body."

6 Corporate Plan Implications

6.1 Adoption of these offers for care leavers would meet the following key aims of the Corporate Plan:

Our People
- Supporting and safeguarding the most vulnerable
  - With partners encourage independent living and keep residents healthy and happy in their homes.
  - Promote health and wellbeing across the District.
  - Support social mobility to ensure people have the opportunity to access skilled jobs, higher and further education.

Our Future
- Develop skills and careers
  - Support unemployed residents back into work.

7 Risk Impact

7.1 None

8 Community Impact

Consultation

8.1 None required

Equality and Diversity Impact

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

8.3 The proposed Local Offer for Children in Care and Care Leavers has significant and positive benefits for those in care and those leaving care who are some of the most vulnerable residents in the District.

Social Value Impact

8.4 The aforementioned offers will assist care leavers in their transition from care into adult life and mitigate their chances of falling into debt, promote employment opportunities and enable them to lead active and healthy lives.

Environmental Sustainability

8.5 None

9 Conclusions

9.1 Children in care and care leavers face some of life's toughest challenges and are more likely to encounter many more barriers in life than those of their peers. With the right support, however, children in care and care leavers are capable of achieving their ambitions, aspirations and life goals.

9.2 As community leaders, District Councils have the potential to support both children in care and those leaving care. By raising awareness of the challenges, by promoting the opportunities and benefits of becoming a foster carer and by working collaboratively with others to provide opportunities to those leaving care, District and Borough Councils can significantly improve the life chances of these young people.

9.3 Adopting the proposals in this paper will deliver across a wide range of agendas in the corporate plan and support the County wide approach to this agenda.

10 Background Papers

10.1 None

REPORT TO:	**COUNCIL**	**AGENDA ITEM: 8**
DATE OF MEETING:	**26th FEBRUARY 2020**	**CATEGORY: DELEGATED**
REPORT FROM:	**CHIEF EXECUTIVE**	**OPEN**
MEMBERS' CONTACT POINT:	**FRANK MCCARDLE (frank.mcardle@southderbyshire.gov.uk) 595702**	**DOC:**
SUBJECT:	**NON-STRUCTURAL REFORM**	
WARD(S) AFFECTED:	**ALL**	**TERMS OF REFERENCE:**

1.0 Recommendations

1.1 That the progress on the development of a new Vision for Derbyshire and work to take forward non-structural reform be noted.

1.2 That the principles for collaboration, the areas of potential focus for future working and the next steps be noted.

1.3 That the Price Waterhouse Coopers (PWC) proposals for Phase 2 and the approach for taking plans forward and sharing identified costs as set out in this report are considered.

1.4 That the Council's active participation in Phase 2 and the associated costs of supporting PWC proposals be approved.

2.0 Purpose of the Report

2.1 To provide an update on work taking place with Derbyshire Councils on non-structural reform and to approve the Council's participation in Phase 2 and the associated costs.

3.0 Detail

3.1 In June 2019, Price Waterhouse Coopers (PWC) were commissioned by Derbyshire County Council to undertake a programme of work to explore the appetite for future collaborative working in Derbyshire. It was suggested that the new approach should look beyond traditional partnerships, towards a new collective and ambitious vision and model of collaboration, integration and shared leadership focused on achieving the greatest public value for local people and communities.

3.2 The key aims of the study were to:

- Identify and explore the existing level of ambition and appetite of stakeholders to progress non-structural reform in Derbyshire

- Establish the purpose and potential value of progressing the approach in Derbyshire and the conditions which would need to be in place to support future collaboration
- Identify and develop short, medium- and long-term options for collaboration
- Scope and establish the parameters for Phase 2

3.3 Derbyshire chief executives, and a sub group comprising a small number of Derbyshire councils, have led the work throughout this process to guide the work and future phases.

3.4 The study commenced in August 2019 through a series of semi-structured interviews with leaders and chief executives, led by a team from PwC. Key interview topics for discussion, included:

- Derby/Derbyshire as a place
- Existing level of alignment, successes and challenges
- Ambitions for future collaboration
- Potential outcomes and themes for collaboration
- Ways of working, culture and behaviours, enablers and barriers

3.5 Two exploratory workshops, held on 6 September 2019 and 4 October 2019, subsequently took place. The workshops started to explore the vision of place for Derbyshire with the first workshop exploring the "why" (why should councils work together). The second workshop focused on the "what" (what should councils work together on) with a small number of themes starting to emerge.

3.6 The third and final workshop took place on 25 October 2019 and sought to confirm priority themes and identify both barriers and enablers moving forward. The final workshop also explored how the councils could collectively maintain the momentum, energy and enthusiasm for joint working that has been built through the process and next steps.

3.7 All workshops, and the process of developing proposals have provided a space for an honest conversation about the opportunities and challenges for future collaboration. PWC have now set out, for consideration by the councils, proposals for future action together with a draft timeline. A number of principles for collaboration to guide future working have also been identified as follows:

- Improve outcomes – collaboration must enable us to improve outcomes for people and place
- Speak with one voice – collaboration must support us to speak to our residents, business, regional and national stakeholders with one voice
- Better coordination – collaboration must enable better coordination and use of resources, allowing us to make strategic choices according to the need of our place
- Provide a visible alternative to unitarisation – collaboration needs to represent a viable alternative to unitarisation, with greater flexibility to deal with strategic challenges of the future whilst maintaining appropriate local control
- Delivery to be sustainable – collaboration should be delivered within the means, both resource and financial, of all councils, so as to be sustainable.

3.8 During workshop activities a number of areas for future collaboration have emerged. These, whilst not exclusive, provide a potential focus for future working and include:

- Climate change

- Development of a strategic narrative
- Tourism
- Skills and employment
- Thriving communities/social mobility
- Economic prosperity

3.9 The ambition to work collectively together moving forward has revealed a number of success factors which councils acknowledged were critical. These indicate a step change in approach and ways of working to drive a truly different model of local government in Derbyshire and include:

- Working at pace, and building momentum.
- Working as a collective.
- Continue to strengthen leadership of place.

3.10 The work undertaken as part of the study marks a statement to develop a fundamentally new way of working together to deliver differently for the people of Derbyshire. Following discussions at Derbyshire Chief Executives meetings and the D2 Leaders, Committee for Economic Prosperity in November 2020, PWC were asked to develop and submit proposals for Phase 2 which are set out below.

Phase 2 Proposal

3.11 Phase 2 non-structural reform proposals aim to progress a new model of local government collaboration for Derbyshire. Detailed proposals build on the work carried out to date, with a view to:

- maintaining the momentum successfully built up during Phase 1 and extending engagement to a broader range of members, employees and partner organisations;
- developing a case for change and a proposition to Government; and
- designing and mobilising a dedicated team and delivery programme in order to accelerate implementation.

3.12 Phase 2 will enable councils to:

- foster even closer working relationship between councils in Derbyshire through a clear understanding of how a new model of local collaboration will work and deliver benefits;
- persuade central government to back the new model; and
- establish the operations of the new model and begin to deliver tangible results through enhanced collaboration across specific areas/themes, with climate change being the potential first theme to take forward.

Proposed Approach

3.13 To deliver identified outcomes, PWC have proposed the adoption of two workstreams, with a number of identified deliverables as follows:

3.14 Workstream	3.15 Activity
1. Development of case for change and proposition to government	• Confirm scope and structure of case for change with Steering Group • Collect and analyse baseline data • Interviews and engagement with Leaders and Chief Executives • Engagement events • Develop a functional model for collaborative working in Derbyshire • Develop the strategic narrative that will underpin collaborative working in Derbyshire • Assess potential financial and non-financial benefits • Write up the case for change • Produce a formal proposition for government • Support council in their discussions with government
2. Delivery programme mobilisation and acceleration 3.16	• Mobilise and provide both 1:1 and group coaching for the cross-council delivery team • Support the design of the delivery programme for the new model of collaboration • Provide embedded support for a period of three months, including running workshops to begin delivery of tangible results through the programme

3.17 An indicative project plan alongside detailed activities and deliverables for each workstream has also been developed and seeks to both focus and direct the work of both PWC and participating councils during the implementation period, which is anticipated to last six months. Completion of the programme will be dependent upon an agreed start date; however, participating councils are keen to maintain momentum and build on the impetus gathered through Phase 1, commencing Phase 2 as soon as practicable.

3.18 Proposals and deliverables have been discussed by all Leaders of Derbyshire councils at a recent D2 Joint Committee for Economic Prosperity which took place on 10 January 2020. The County Council and all eight district and borough councils have expressed an interest in participating in Phase 2, subject to the formal approval of the individual councils concerned. Derby City Council, whilst supportive of future collaborative working, has expressed a desire to not progress to Phase 2 at this time.

3.19 The total cost of taking forward PWC proposals is expected to be in the region of £350,000. Subject to individuals councils approval of proposals, it has been suggested that the costs of taking forward Phase 2 should be shared across authorities using the following split:

Council	%
County Council	62.5
District and borough councils	37.5 (8 councils)

3.20 The cost of supporting PWC proposals for the council is therefore estimated to be £17,000. Involvement in Phase 2 presents an opportunity for the council to participate in the development of an innovative and collaborative approach for Derbyshire.

3.21 Any additional costs of establishing and building a small core team to take forward work, alongside identified PWC activities, have yet to be identified. The core team will play an important role in implementation, building a dedicated resource to work on behalf of councils, working with the identified PWC embedded resource.

3.22 Wider engagement with leadership teams within participating councils, both at an officer and elected member level, has emerged as a significant element of the proposals and a key action which will feature strongly in the delivery of the approach. It will be important to ensure that the authority is engaged in proposals as they emerge and develop over forthcoming months to maximise the benefits for local people and communities in South Derbyshire.

3.23 Identifying the key actions which the council will need to undertake, and the resources and capacity required to participate fully in both the development and future implementation of proposals will be vital over forthcoming weeks. It is therefore recommended that a further report on progress, which sets out the resources required to support the development of the approach and the creation of a dedicated core team working on behalf of all councils, be presented for consideration to a future meeting of the Council.

3.24 Ensuring that plans are progressed at the earliest opportunity will be vital in maintaining momentum as well as maximising the benefits for local people and communities across Derbyshire.

4.0 Financial Implications

4.1 The Council's contribution in supporting PWC's proposals, as set out in the report, are estimated to be £17,000. As there is no budgetary provision for this, the contribution would need to be financed from the General Fund Reserve.

4.2 Any further costs would have to be set out in further reports for consideration, which identify actions the Council will need to undertake together with the resources and capacity required to participate in both the development and future implementation of proposals. This would need to include a full value for money assessment to determine whether any future proposals/actions are economical, efficient, effective and equitable for the Council.

5.0 Corporate Implications

Employment Implications

5.1 None.

Legal Implications

5.2 None.

Corporate Plan Implications

5.3 The Council's vision to ensure the District remains a great place to live, work and invest is identified in the three key priorities of, our environment, our people, and our District. The potential areas of focus for the non-structural reform reflect the ambitions of a prosperous and healthy South Derbyshire.

Risk Impact

5.4 Low.

6.0 Community Impact

Consultation

6.1 Not at this stage.

Equality and Diversity Impact

6.2 None.

Social Value Impact

6.3 To be determined following completion of Phase 2

Environmental Sustainability

6.4 To be considered as part of the review of Phase 2.

7.0 Conclusions

7.1 The report seeks Members approval to a contribution towards the work taking place on the concept of non-structural reform.

REPORT TO:	**COUNCIL**	**AGENDA ITEM: 9**
DATE OF MEETING:	**26th FEBRUARY 2020**	**CATEGORY: RECOMMENDED**
REPORT FROM:	**STRATEGIC DIRECTOR CORPORATE RESOURCES**	**OPEN**
MEMBERS' CONTACT POINT:	**KEVIN STACKHOUSE (01283 595811)** **Kevin.stackhouse@south-derbys.gov.uk**	**DOC:** u/ks/council tax and precepts/council tax support scheme/scheme 2021/SDDC local scheme regulations 2020
SUBJECT:	**COUNCIL TAX REDUCTION SCHEME REGULATIONS 2020**	**REF**
WARD (S) AFFECTED:	**ALL**	**TERMS OF REFERENCE: Article 4.02 paragraph 7**

1.0 Recommendations

1.1 Under Section 10 of the Local Government Finance Act 2012, a Local Council Tax Support Scheme for South Derbyshire is adopted for the financial year commencing 1 April 2020.

1.2 Regulations are approved and cited as the Council Tax Reduction Scheme Regulations (South Derbyshire District Council Local Scheme 2020) and come into force on 27 February 2020.

1.3 These regulations amend the Council Tax Reduction Schemes (Prescribed Requirements) (England) (Amendment) Regulations 2013, as amended, set out in the Schedule to those Regulations for the purposes of paragraph 4 of Schedule 1A to the Local Government Finance Act 1992, by:

- Continuing the insertion of Section 18a Class G: exempt persons who are not pensioners.
- Continuing the insertion of Section 18b Class H: persons who are not pensioners.
- Continuing the amendment to Regulation 32 to vary the maximum entitlement in prescribed cases, i.e. to give effect to the designation of war pensioners and the disabled as protected groups (in addition to pensioners under the Prescribed Requirements) and to reduce benefit entitlement in non-protected groups by 8.5% for persons on passported benefit and by 10% in all other cases.
- Continuing the amendment to Schedule 8 (20) to ensure the disregard of war pensions, to include other payments made under the Armed Forces Compensation Scheme.

- Continuing the insertion at Part 12 Chapter 6 the provision to increase the period of extended payments (as defined in the Regulations) from 4 to 8 weeks.

1.4 That the amounts of pensions, tax credits, income related and non-income related social security benefits and allowances, component parts, applicable amounts, premiums and deductions are uprated in accordance with the 2013 Regulations in 1.3 above as set out in Housing Benefit Circular HB A1/2020

2.0 Purpose of Report

2.1 To adopt the detailed regulations for the proposed Local Council Tax Reduction Scheme for South Derbyshire for the financial year 2020/21.

2.2 This is based on the recommendation of the Finance and Management Committee of 13 February 2020, to continue with the existing scheme for a further year with no changes.

2.3 As a billing authority, the Council is statutorily required to adopt a local scheme before 11 March 2020. The Regulations will come into force immediately and will be effective from 1 April 2020.

3.0 Detail

Council Tax Reduction Scheme

3.1 The South Derbyshire Regulations are based on the previous national scheme that applied to Council Tax Benefit prior to 2013/14.

3.2 In summary, the Local Scheme largely incorporates the previous parameters and thresholds for calculating Council Tax Reduction for claimants, adjusted to reflect the following parameters:

- That working age claimants currently receiving 100% benefit are deducted 8.5% from their entitlement calculated under the Local Scheme.

- That all other working age claimants are deducted 10% from their entitlement calculated under the Local Scheme.

- That full Council Tax Reduction for claimants entering work is extended from 4 weeks to 8 weeks in the Local Scheme.

- That working age only claimants receive the full child personal allowance for all children.

3.3 Within the Local Scheme, certain claimants are protected and continue to receive the same level of support as existed under the previous national scheme. Protection is afforded to the following groups:

- All claimants of pensionable age (this is a statutory requirement).

- All households who qualify for benefit through disability premiums.
- Working-age claimants with more than two children.
- All war widow and war disabled claimants.
- All military compensation payments are fully disregarded in calculating Council Tax Reduction.

3.4 The Local Scheme will also apply to all new claimants after 1 April 2020.

3.5 The detailed regulations, guidance and supporting information will be published on the Council's web site.

4.0 Financial Implications

4.1 Detailed implications were considered by the Finance and Management Committee on 13 February 2020. The cost of the Local Scheme is currently being contained within the Council's Budget and it is anticipated that this will continue for 2020/21.

5.0 Corporate Implications

Employment Implications

5.1 None

Legal Implications

5.2 None

Corporate Plan Implications

5.3 None directly, although the provision of Discounts helps to support the most vulnerable people. The administration of Council Tax support is a statutory obligation on the Council

Risk Impact

5.4 None

6.0 Community Impact

Consultation

6.1 None required.

Equality and Diversity Impact

6.2 A full Equality Impact Assessment was undertaken in August 2012 on the Council's Local Scheme. A local discretionary scheme that is awarding financial assistance has the potential to discriminate against one of the nine protected characteristics under the 2010 Equality Act and in particular those relating to age and disability.

6.3 A person’s age and whether they are of working age, together with disability, are factors that are considered in awarding some benefits as this data is collected in assessing entitlement.

6.4 Under the Council’s Local Scheme, Pensioners receive statutory protection and the Council has used its discretion to protect disability households. Additional liability falls on working age claimants.

6.5 It is not considered that the other seven characteristics are affected as they are not relevant to the calculation of Council Tax reduction (*this includes gender reassignment, marriage/civil partnership, pregnancy/maternity, race, religion/belief, sex or sexual orientation*).

6.6 In addition, the Local Scheme provides additional support to war widows and war disabled claimants under the Armed Forces Covenant.

Social Value Impact

6.7 As highlighted above.

Environmental Sustainability

6.8 None

7.0 Background Papers

7.1 None

REPORT TO:	**COUNCIL**	**AGENDA ITEM: 10**
DATE OF MEETING:	**26th FEBRUARY 2020**	**CATEGORY: RECOMMENDED**
REPORT FROM:	**STRATEGIC DIRECTOR (CORPORATE RESOURCES)**	**OPEN**
MEMBERS' CONTACT POINT:	**VICKI SUMMERFIELD (01283 595939)** victoria.summerfield@southderbyshire.gov.uk	**DOC:** s/finance/committee/2019-20/Council/Feb
SUBJECT:	**TREASURY MANAGEMENT STRATEGY AND PRUDENTIAL INDICATORS 2020/21**	**REF:**
WARD(S) AFFECTED:	**ALL**	**TERMS OF REFERENCE: FM 08**

1.0 Recommendations

1.1 The Treasury Management Strategy for 2020/21 is approved.

1.2 The Prudential Indicators and Limits for 2020/21 to 2024/25 are approved.

1.3 The Investment Policy for 2020/21 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, 20120/21 to 2024/25. 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 covered are:

- The CIPFA Prudential Code (2017) which requires the reporting of the Indicators for Capital Finance in Local Authorities.
- The Treasury Strategy in accordance with the CIPFA Code of Practice on Treasury Management.
- The Investment Strategy in accordance with Central Government guidance.

3.0 Summary

The Prudential System for Capital Finance

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

- Capital investment plans of local authorities are affordable and sustainable.

- Treasury management decisions are taken in accordance with best professional practice.

- Financial planning and asset management are integrated into the Council's overall corporate planning arrangements.

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

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

The Treasury Management Strategy

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

Prudential Indicators

3.5 The relevant indicators required under the regulations are detailed in the statement.

4.0 Financial Implications

4.1 As detailed in the report.

5.0 Corporate Implications

5.1 None directly

6.0 Community Impact

6.1 None directly

7.0 Background Papers

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

7.2 Local Government Act 2003 (Part 1)

7.3 Localism Act 2011 – Part 7 Chapter 3

South
Derbyshire
District Council

Treasury Management Strategy Statement 2020/21

February 2020

Introduction

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

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

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

Responsibility for Treasury Management

The Finance and Management Committee is responsible for setting and monitoring treasury activity at the Council. Under its terms of reference, this includes ensuring that the Council does not breach its borrowing limit.

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

The day-to-day operational activity is undertaken within the Financial Services Unit at the Council. The main officers who have responsibility for daily transactions are the Senior Accountant and the Service Accountants.

The Authorising Officers for transactions are the Chief Executive, Strategic Director (Corporate Resources), Head of Finance. 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 2020.

The Strategy

This strategy covers:

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

External Context

Economic background: The UK's progress negotiating its exit from the European Union, together with its future trading arrangements, will continue to be a major influence on the Authority's treasury management strategy for 2020/21.

UK Consumer Price Inflation (CPI) for September 2019 registered 1.7% year on year, unchanged from the previous month. Core inflation, which excludes the more volatile components, rose to 1.7% from 1.5% in August. The most recent labour market data for the three months to August 2019 showed the unemployment rate ticked back up to 3.9% while the employment rate was 75.9%, just below recent record-breaking highs. The headline 3-month average annual growth rate for pay was 3.8% in August 2019 as wages continue to rise steadily. In real terms, after adjusting for inflation, pay growth increased 1.9%.

GDP growth rose by 0.3% in the third quarter of 2019 from -0.2% in the previous three months with the annual rate falling further below its trend rate to 1.0% from 1.2%. Services and construction added positively to growth, by 0.6% and 0.4% respectively, while production was flat and agriculture recorded a fall of 0.2%. Looking ahead, the Bank of England's Monetary Policy Report (formerly the Quarterly Inflation Report) forecasts economic growth to pick up during 2020 as Brexit-related uncertainties dissipate and provide a boost to business investment helping GDP reach 1.6% in Q4 2020, 1.8% in Q4 2021 and 2.1% in Q4 2022.

The Bank of England maintained the Bank Base Rate at 0.75% in November 2019 following a 7-2 vote by the Monetary Policy Committee. Despite keeping rates on hold, MPC members did confirm that if Brexit uncertainty drags on or global growth fails to recover, they are prepared to cut interest rates as required. Moreover, the downward revisions to some of the growth projections in the Monetary Policy Report suggest the Committee may now be less convinced of the need to increase rates even if there is a Brexit deal.

Growth in Europe remains soft, driven by a weakening German economy which saw GDP fall -0.1% in Q2 and is expected to slip into a technical recession in Q3. Euro zone inflation was 0.8% year on year in September, well below the European Central Bank's target of 'below, but close to 2%' and leading to the central bank holding its main interest rate at 0% while cutting the deposit facility rate to -0.5%. In addition to maintaining interest rates at ultra-low levels, the ECB announced it would recommence its quantitative easing programme from November.

In the US, the Federal Reserve began easing monetary policy again in 2019 as a pre-emptive strike against slowing global and US economic growth on the back on of the ongoing trade war with China. At its last meeting the Fed cut rates to the range of 1.50-1.75% and financial markets expect further loosening of monetary policy in 2020. US GDP growth slowed to 1.9% annualised in Q3 from 2.0% in Q2.

Credit Outlook

Credit conditions for larger UK banks have remained relatively benign over the past year. The UK's departure from the European Union was delayed three times in 2019 and while there remains some concern over a global economic slowdown, this has yet to manifest in any credit issues for banks. Meanwhile, the post financial crisis banking reform is now largely complete, with the new ringfenced banks embedded in the market.

Challenger banks hit the news headlines in 2019 with Metro Bank and TSB Bank both suffering adverse publicity and falling customer numbers.

Looking forward, a global recession remains the major risk facing banks and building societies in 2020/21 and a cautious approach to bank deposits remains advisable.

Interest Rate Forecast

The Authority's treasury management adviser Arlingclose is forecasting that the Bank Base Rate will remain at 0.75% until the end of 2022. The risks to this forecast are deemed to be significantly weighted to the downside. The Bank of England, having previously indicated interest rates may need to rise if a Brexit agreement was reached, stated in its November Monetary Policy Report and its Bank Rate decision (7-2 vote to hold rates) that the MPC now believe this is less likely even in the event of a deal.

Gilt yields have risen but remain at low levels and only some very modest upward movement from current levels are expected based on Arlingclose's interest rate projections. The central case is for 10-year and 20-year gilt yields to rise to around 1.00% and 1.40% respectively over the time horizon, with broadly balanced risks to both the upside and downside. However, short-term volatility arising from both economic and political events over the period is a near certainty.

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 0.92% per year. The HRA's Financial Plan allows for this to rise to 3% to its repayment date in 2021/22.

Debt and Investment Projections

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

External Debt	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000
Debt 1st April	57,423	57,423	57,423	57,423	47,423	47,423
New Debt	0	0	0	0	0	0
Maturing Debt	0	0	-10,000	0	- 10,0000	0
Debt 31st March	**57,423**	**57,423**	**47,423**	**47,423**	**37,423**	**37,423**
Annual Change in Debt	0	0	-10,000	0	-10,000	0
Long-term Investments	4,000	4,000	4,000	4,000	4,000	4,000
Short-term Investments	50,000	47,000	45,000	32,000	23,000	15,000

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

Limits compared to Actual Debt	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000
Authorised Limit - General Fund	4,988	4,667	4,409	4,214	4,026	3,871
Authorised Limit - HRA	66,853	66,853	66,853	66,853	66,853	66,853
Financing Requirement	66,572	66,251	55,993	55,798	45,610	45,455
Operational Boundary	62,423	62,423	52,423	52,423	42,423	42,423
Gross Debt	57,423	57,423	47,423	47,423	37,423	37,423
Debt Less Short-term Investments	45,423	52,423	43,423	45,423	35,423	35,423

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

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

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

Management of Debt

As approved by the Council, treasury activities are accounted within two separate pools. This involves splitting borrowing between the General Fund and the HRA and then allocating new loans to each pool as required. This has been adopted for clarity and transparency and ensured there was no detriment to the General Fund on transition to HRA self-financing in 2012.

Treasury Management decisions on the structure and timing of borrowing is made separately for the General Fund and HRA.

Interest on loans is calculated in accordance with proper accounting practice and allocated to either pool accordingly. It is not anticipated that there will be a requirement to transfer loans between the two pools. Any proposals to do this will be considered and approved separately.

Internal Borrowing – Cash Management

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

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

Use of Financial Instruments

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

General Fund Debt

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

General Fund - Net Indebtedness	**2019/20 £'000**	**2020/21 £'000**	**2021/22 £'000**	**2022/23 £'000**	**2023/24 £'000**	**2024/25 £'000**
CFR / Borrowing Requirement	4,988	4,667	4,409	4,214	4,026	3,871
Estimated Reserves	8,951	8,838	8,016	6,911	5,328	2,839
Net Indebtedness	**-3,963**	**-4,171**	**-3,607**	**-2,697**	**-1,302**	**-1,032**

The 2020/21 Financial Plan outlines the balanced approach needed to address the projected deficit on the General Fund, through a combination of utilising reserves and identifying budget savings.

Although in budgeting terms expenditure is still greater than income over the medium-term, the Council does have a history of under spending on its General Fund. This is reviewed each year and budgets adjusted accordingly. However, if the net indebtedness does become positive, this may require some temporary borrowing at an additional cost, although this is not expected to occur until at least 2022/23 and indeed if ever over the life of the current MTFP due to the current level of Reserves.

HRA and Limit on Indebtedness

As previously mentioned, the debt cap for HRA self-financing was removed by the Government during 2018/19, but to ensure affordability the Chief Finance Officer has retained the former limit.
The Cap is shown in the following table with a comparison to the CFR and expected level of actual debt on the HRA.

HRA Limit on Indebtedness	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/24 £'000
HRA Debt Cap	66,853	66,853	66,853	66,853	66,853	66,853
HRA CFR	61,584	61,584	51,584	51,584	41,584	41,584
Difference	5,269	5,269	15,269	15,269	25,269	25,269
HRA Debt	57,423	57,423	47,423	47,423	37,423	37,423
Borrowing Headroom (Debt Cap minus Debt)	**9,430**	**9,430**	**19,430**	**19,430**	**29,430**	**29,430**

The next debt repayment is a variable rate loan of £10m in 2021/2022 and a fixed rate loan of £10m in 2023/24. The HRA's Financial Plan allows for sums to be set aside from its revenue account, as a provision to repay these and future loans, in accordance with the debt maturity profile.

Revenue Implications

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

Interest Payable and Receivable	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000
General Fund						
Interest Payable	0	0	0	0	0	0
Interest Received	-180	-180	-150	-129	-99	-82
HRA						
Interest Payable	1,793	1,793	1,793	1,493	1,493	1,493
Interest Received	-90	-90	-65	-47	-22	-5

Borrowing Strategy

The Authority currently holds £57.423m of loans. This relates wholly to the HRA. For many years, the Council has not entered into any other long-term borrowing arrangements and has managed new prudential borrowing internally through its cash reserves and balances. This has proved to be a cheaper form of borrowing compared to the interest earned by having those reserves on deposit.

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

	Current Rate	Balance as at 29.1.20 £'000
Less than one year		0
Between one and two years	0.79% Variable	10,000
Between two and five years	2.70% Fixed	10,000
Between five and ten years	3.01% Fixed	10,000
More than ten years	3.30% Fixed 3.44% Fixed 3.50% Fixed	10,000 10,000 7,423
TOTAL		**57,423**

The HRA's Financial Plan allows for these repayments by setting-aside resources from HRA surpluses.

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 0.92% up to 3% in 2020/21 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

Previously Authorities main source of borrowing was the PWLB but the government increased PWLB rates by 1% in October 2019 making it now a relatively expensive option. The Authority would look to borrow any long-term loans from other sources including banks, pensions and local authorities, and will investigate the possibility of issuing bonds and similar instruments, in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code.

Alternatively, the Authority may arrange forward starting loans, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.

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 2020/21 are as follows:

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

Investment Strategy

The Authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Authority's investment balance has ranged between £38 million and £59 million.

The approved investment policy is based on a counterparty list that has been carefully considered to select those institutions with the best financial structure and the ability to incur losses before a depositor bail-in. This is based on economic data, together with analysis and advice from the Council's treasury advisors. The list is kept under review and updated depending on the changing circumstances of selected counterparties.

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

The proposed lending list has been updated based on information from the Council's treasury advisors and is relevant as at 27th January 2020. Any proposed changes are reported to the Finance and Management Committee on a quarterly basis

General Lending Policy

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

Where regular investments are made with named financial institutions, this is generally undertaken via instant access accounts. This allows funds to be withdrawn at short notice if the financial situation of these institutions was to change. All other deposits, such as those with the Debt Management Office and other local authorities, tend to be on a fixed and longer-term basis.

Investment Counterparty and Liquidity Framework

The CIPFA Code requires the Authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. , Therefore, the primary principle governing the Council's investment criteria is the security and liquidity of its investments. Once that principle is achieved, then yield and length of investment are considered. The Council will also ensure that:

- It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.

- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security. This is set out in the Specified and Non-Specified investment sections below.

Specified Investments

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

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

Non-Specified Investments

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

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

Credit Quality

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

In 2014/15, the Council approved a fundamental shift in its lending policy. This moved away from a traditional model based solely on credit ratings, to that based on an assessment of a financial institutions' ability to incur losses before a depositor bail-in.

Besides this, the Council refers to the financial press, any implied Government support for banks and other market data. This is supplemented by information and advice from the Council's retained treasury advisors.

Negative interest rates

If the UK enters into a recession in 2020/21, there is a small chance that the Bank of England could set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options. This situation already exists in many other European countries. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.

Performance Indicators

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

	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
7-Day Rate (target)	0.47%	0.50%	0.50%	0.36%	0.35%	0.65%
Actual Rate	0.33%	0.31%	0.32%	0.25%	0.39%	0.66%

As at 29th January 2020, the Council's investment portfolio is as follows:

	Current Rate(s)	Balance at 27.01.20 £000
Local Authorities	0.70% - 0.90%	37,850
DMO	0.50%	5,000
Money Market Funds	0.70%	10,000
CCLA Property Funds	3.53%	4,000
Banks	0.50% - 0.65%	3,020
TOTAL		59,870

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	17%
Between two and five years	21%
Between five and ten years	35%
More than ten years	48%

Total Principal Funds Invested for Greater Than 364 Days

In October 2019 the Council invested a further £2m in the CCLA Property Fund, bringing its total investment in the fund to £4m. 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	Debt interest costs will	Higher investment balance

long-term fixed interest rates	rise; this is unlikely to be offset by higher investment income	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 2020/21

February 2020

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.

Estimated Capital Expenditure	2019/20 £	2020/21 £	2021/22 £	2022/23 £	2023/24 £	2024/25 £
General Fund	2,176,836	3,204,532	1,481,148	747,000	926,420	1,669,814
HRA	4,242,462	4,146,905	2,719,673	2,470,000	2,082,186	2,377,000
TOTAL	**6,419,298**	**7,351,437**	**4,200,821**	**3,217,000**	**3,008,606,**	**4,046,814**
Financed by						
Grants and Contributions	1,395,942	1,944,000	1,090,000	400,000	400,000	400,000
Council Resources	5,023,356	5,407,437	3,110,821	2,817,000	2,608,606	3,646,814
TOTAL	**6,419,298**	**7,351,437**	**4,200,821**	**3,217,000**	**3,008,606,**	**4,046,814**

The current year estimated expenditure on the General Fund relates to the final stage of a substantial vehicle upgrade program and a significant investment into the Council's ICT Strategy. The Council is also delivering projects across the District funded through the Better Care Fund. Subsequent years' expenditure relates to the continuing asset replacement program and investment onto the Council's ICT Strategy.

The general downward trend of HRA expenditure relates to the reduction in New Build Properties. The final phase of planned expenditure is to complete in 20/21 with the addition of 21 new properties. The major repairs have a 5 year plan for improving Council properties to decent homes standard.

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

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

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

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

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

The CFR does not necessarily represent the amount of actual external debt outstanding. This is due to the fact that not all borrowing previously allowed has in effect taken place against this requirement, but is being financed internally through cash deposits and reserves.

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

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

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

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

Expected CFR	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000
CFR b/fwd	66,900	66,572	66,251	55,993	55,798	45,610
Add New Financing	0	0	0	0	0	0
Less MRP	-197	-190	-182	-175	-168	-155
Less VRP	-131	-131	-76	-21	-21	0
Less Debt Repayment	0	0	-10,000	0	-10,000	0
CFR c/fwd	**66,572**	**66,251**	**55,993**	**55,798**	**45,610**	**45,455**
General Fund Proportion	4,988	4,667	4,409	4,214	4,026	3,871
HRA Proportion	61,584	61,584	51,584	51,584	41,584	41,584
	66,572	**66,251**	**55,993**	**55,798**	**45,610**	**45,455**

The VRP has reduced to zero due to the repayment of previous internal borrowing schemes 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 projects.

Debt Pools

The Council operates two separate Debt Pools, one for the General Fund and one for the Housing Revenue Account (HRA). There is no external debt currently outstanding on the General Fund, although it has a positive CFR representing an underlying borrowing need.

The General Fund CFR is reduced each year by a statutory revenue charge known as the Minimum Revenue Provision (MRP). In addition a Voluntary Revenue Provision (VRP) is made where borrowing has been undertaken on a prudential basis.

There is no requirement to make a MRP or VRP in the Housing Revenue Account. The HRA has debt outstanding of just over £57m. This represents the debt inherited under the self-financing framework for Council Housing.

Although no MRP is required for the HRA, money is being set-aside to repay the HRA debt in accordance with the maturity profile. This strategy is reflected in the HRA's Financial Plan. The expected CFRs over the current financial planning period to 2024/25 are detailed in the following table.

Expected CFR	**2019/20 £'000**	**2020/21 £'000**	**2021/22 £'000**	**2022/23 £'000**	**2023/24 £'000**	**2024/25 £'000**
General Fund	4,988	4,667	4,409	4,214	4,026	3,871
HRA	61,584	61,584	51,584	51,584	41,584	45,455

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	**2019/20 £'000**	**2020/21 £'000**	**2021/22 £'000**	**2022/23 £'000**	**2023/24 £'000**	**2024/25 £'000**
Gross Borrowing - HRA	57,423	57,423	47,423	47,423	37,423	37,423
Gross Borrowing - General Fund	0	0	0	0	0	0
Total Gross Borrowing	**57,423**	**57,423**	**47,423**	**47,423**	**37,423**	**37,423**
Total CFR	**66,572**	**66,251**	**55,993**	**55,798**	**45,610**	**45,445**

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

The Authorised Limit for External Debt

This is the limit beyond which external debt is prohibited. It is the statutory limit determined under section 3(1) of the Local Government Act 2003. The debt cap for HRA self-financing was removed by the Government in 2018/19.

The Operational Boundary for External Debt

This represents the expected external debt during the course of the year, but it is not a limit. It is designed to aid the Chief Finance Officer to manage treasury activity on a daily basis and acts as an early warning sign of any potential issues. It includes a provision for temporary borrowing of £5m. As in recent years, it is not expected that any temporary borrowing will be required, but is included as a contingency should cash flow become negative in the short-term.

The Limit and Boundary are summarised in the following table.

Debt Limits	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £’000
Authorised Limit - General Fund	4,988	4,667	4,409	4,214	4,026	3,871
Authorised Limit - HRA	66,853	66,853	66,853	66,853	66,853	66,853
Operational Boundary	62,423	62,423	52,423	52,423	42,423	42,423

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

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

Cost of Debt to Finance Capital Expenditure

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

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

Cost of Servicing Debt	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £’000
Estimated Net Interest Received - General Fund	-180,000	-180,000	-150,000	-129,000	-99,000	-82,000
Estimated Band D Properties (per MTFP)	33,302	34,474	35,345	36,216	37,087	37,958
Cost per Band D Property	**-£5.41**	**-£5.22**	**-£4.24**	**-£3.56**	**-£2.67**	**-£2.16**

Estimated Net Interest Payable - HRA	1,798,000	1,713,000	1,713,000	1,713,000	1,713,00	1,713,00
Estimated Dwellings (per MTFP)	2,946	2,928	2,913	2,898	2,886	2,880
Annual Cost per Dwelling	**£610.32**	**£585.04**	**£588.05**	**£591.10**	**£593.56**	**£594.79**

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

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

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

Estimated Usable Reserves	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £’000
General Fund	8,951	8,838	8,016	6,911	5,327	2,839
Earmarked	14,664	12,437	12,837	13,237	13,612	13,987
Capital Receipts and Grants	2,076	1,928	1,848	1,768	1,688	1,608
Debt Repayment	6,470	8,012	1,484	5,648	0	3,288
HRA General Reserve	7,055	7,277	6,068	4,510	3,338	3,122
TOTAL	**39,216**	**38,492**	**30,253**	**32,074**	**23,965**	**24,754**

The above table shows that overall the level of resources is expected to decrease over the financial period and it assumes in particular, that forecasted deficits on the General Fund will be financed from general reserves until budget savings or additional income are identified. When identified, the level of resources will remain higher.

It is estimated that the current level of earmarked reserves will gradually increase over the planning period due to S106 receipts and provisions for growth. The level of capital receipts is estimated to fluctuate due to the timing of receipts from council house and planned land sales, together with the timing of actual capital expenditure payments.

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

Ratio of Financing Costs to Net Revenue Stream

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

Financing Ratios	2019/20 £	2020/21 £	2021/22 £	2022/23 £	2023/24 £	2024/25 £
General Fund						
Estimated Council Tax Income	5,405,401	5,622,257	5,845,514	6,075,342	6,311,909	6,558,073
Net Interest Receivable	-180,000	-180,000	-150,000	-129,000	-99,000	-82,000
Proportion	**-3.33%**	**-3.20%**	**-2.57%**	**-2.12%**	**-1.57%**	**-1.25%**
HRA						
Estimated Rental Income	11,955,000	12,207,000	12,445,000	12,748,000	13,055,000	13,377,000
Estimated Interest Payable	1,797,805	1,713,000	1,713,000	1,713,000	1,713,000	1,713,000
Proportion	**15.04%**	**14.03%**	**13.76%**	**13.44%**	**13.12%**	**12.81%**

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

COUNTERPARTY LIST 2019/20
(As at 31st January 2020)

Institution	Limit	Maximum Term
Specified Investments		
• UK Debt Management Office (DMO)	**£20m**	364 Days
• Local, Police, Fire and Parish Authorities	**£5m** with any one Authority	364 Days
Non Specified Investments		
Named Counterparties		
• CCLA LAMIT Property Fund	**£4m**	Indefinite period, subject to quarterly review
• Money Market Funds	**£10m in total and £2m with any one Fund**	60 days
• HSBC • Lloyds Bank Plc • Bank of Scotland • Standard Chartered Bank • Close Brothers • Santander UK	**£2m** with any one Bank	6 months
• Barclays Bank • NatWest Bank • Royal Bank of Scotland • Ulster Bank Ltd • Goldman Sachs International	**£2m** with any one Bank	100 days
• Nationwide Building Society • Coventry Building Society	**5% of total deposits**	6 months
• Leeds Building Society	**5% of total deposits**	100 days
Foreign Counterparties		
• AAA rated institutions (*subject to separate approval by the Section 151 Officer*)	**£1m** with any one Bank	1 month
Independent Building Societies		
• *subject to separate approval by the Section 151 Officer*	**£1m** with any one society	100 days

REPORT TO:	**COUNCIL**	**AGENDA ITEM: 11**
DATE OF MEETING:	**26th FEBRUARY 2020**	**CATEGORY: RECOMMENDED**
REPORT FROM:	**STRATEGIC DIRECTOR (CORPORATE RESOURCES)**	**OPEN**
MEMBERS' CONTACT POINT:	**KEVIN STACKHOUSE (01283 595811)** **Kevin.stackhouse@southderbyshire.gov.uk**	**DOC:** u/ks/budgets/budget 2020 21/Section 25 Report 2020 Full Council
SUBJECT:	**ANNUAL REPORT OF THE SECTION 151 OFFICER**	
WARD(S) AFFECTED:	**ALL**	**TERMS OF REFERENCE: FM 08**

1.0 Recommendations

1.1 That the Annual Report of the Section 151 Officer is considered and noted.

1.2 That the Council has due regard to the Annual Report when approving the Budget for 2020/21 and when considering future proposals for new spending and the utilisation of resources.

2.0 Purpose of the Report

2.1 In their role as the Council's Section 151 (Chief Finance) Officer, the Strategic Director (Corporate Resources) is required, under Section 25 of the Local Government Act 2003, to provide an overall opinion on the robustness of the estimates included in budgets and the adequacy of Council reserves.

2.2 The Report also includes an assessment of the Council's financial sustainability based on its spending plans and projected resources available, as set out in its Medium Term Financial Plan (MTFP).

2.3 It is recommended that Elected Members of the Council pay due regard to the Annual Report when approving the Budget for 2020/21 and when considering proposals for new spending and the utilisation of resources.

3.0 Executive Summary

Overall Opinion of the Section 151 Officer

3.1 Based on the Budgets submitted for approval and the latest MTFP, the Council's overall financial position continues to look healthy.

3.2 Although there remains some uncertainty regarding Government funding beyond 2020/21, the current level of Reserves, together with provisions made in the MTFP to cover the costs associated with Growth, should ensure that the Council's financial position remains sustainable into the foreseeable future.

3.3 Based on current spending and the best estimate of resources, the MTFP forecasts some fairly large deficits in 2024 and 2025; these will need to be kept under review pending the outcome of the Government's funding review in 2020.

3.4 The Council's "Financial Resilience Index" compared to other shire districts broadly confirms the Council's position. Independent analysis shows that the Council's current level of Reserves places the Council at a lower risk of financial difficulties with its sustainability measure being high in comparison to many other authorities.

3.5 However, it also shows the Council to be at a higher risk when it comes to the reliance on Government funding, a key issue highlighted in the detailed opinion which follows.

3.6 Therefore, the Council should not become complacent and should continue to operate with a certain degree of caution. Where ever possible, opportunities to generate efficiency and budget savings should be pursued with the concept of providing Value for Money being at the core of all Council spending.

3.7 The Section 151 Officer is aware that proposals have been developed to meet certain spending pressures, which are currently being considered. These will have an impact on the General Fund and subject to analysis of the final costings, are affordable in the MTFP as it currently stands.

3.8 However, until the Council's future funding position is more certain, no new commitments beyond these proposals should be made against the General Fund Base Budget until the future funding position is clearer.

4.0 Detail

Basis of the Opinion

4.1 The Opinion is given within the general context detailed below, followed by a summary of each of the Council's main Accounts and their financing. The opinion, also considers a broad, but independent analysis of the Council's financial resilience.

General Context

4.2 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 (pensions, pay awards, etc.) together with provisions that recognise current cost pressures, Corporate Plan priorities and potential costs associated with Growth of the District.

4.3 The Budget for 2020/21 and forward projections are based on the most up-to-date economic forecasts for inflation and interest rates, etc. The Budget does not assume a vacancy rate for staffing and prudently assumes that all posts on the Council's Establishment are filled throughout the year.

4.4 In addition, a realistic but prudent view has been taken regarding projected income levels from fees, charges and short-term investments. This also includes a prudent reduction in Government funding in the form of Retained Business Rates and the New Homes Bonus (or its replacement) pending the outcome of the Government's Funding review.

4.5 Forward projections for Council Tax receipts are based on an increase in property numbers which are less that those contained in the Local Plan.

4.6 The compilation of detailed budgets has been undertaken in conjunction with service/budget 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 Finance and Management Committee, in addition to statutory reports regarding the Annual Accounts and the Annual Budget.

4.7 The Council traditionally spends within budget and generates additional income over that estimated. Although this is no guarantee of future performance, it does provide some comfort that budget preparation and budget management is sound.

4.8 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 (HRA). This provides an indication of the sustainability of spending plans and the projected level of Reserves. Consequently, this allows sufficient time in which remedial action can be implemented to address any issues in a planned and timely manner.

4.9 A full risk assessment, with mitigating actions, is considered alongside the MTFP for both the General Fund and the HRA.

Financial Resilience

4.10 The Chartered Institute of Public Finance and Accountancy (CIPFA) published a Financial Resilience Index in December 2019. The Index shows a Council's position on a range of measures associated with financial risk, with a comparison to similar authorities. There are 8 measures, although they can be distilled down to 3 categories to illustrate the Council's position as shown below.

Financial Stress Indicator	Comparison Rating
Level and Sustainability of Reserves	Lower Risk
Debt level and interest payable	Higher Risk
Financing	Higher Risk

Note: *The comparison rating is broadly similar whether compared against the Council's nearest neighbour grouping (**see Appendix 1**) or all shire districts*.

Reserves

4.11 The Council's current level of Reserves, show the Council in a much stronger position compared to many other shire districts.

Debt Level and Interest

4.12 The Council does have a high level of debt associated with the HRA which it inherited from the Government under the "self-financing system" in 2012/13. It is considered that the comparison with other authorities is influenced by the fact that many shire districts do not have their own housing stock, with over 50% of all authorities having transferred their stock to a Registered Social Landlord/Housing Association. This could skew the comparison.

4.13 Nevertheless, the level of outstanding debt is large at £58m. However, the cost of the debt and its repayment is affordable within the HRA's Financial Plan and the financial model for the HRA is designed to ensure sums are set-aside on an annual basis to repay the debt. £30m is due to be repaid over the life of the current Financial Plan.

Financing

4.14 The Council is placed at a higher risk due to its reliance on the Government's funding system. Although the Council does not receive any Revenue Support Grant, its level of income from Business Rates, due to Growth, is considerably above its Baseline Level set by the Government in the current funding system.

4.15 Therefore, the Council is at risk to changes in the funding system and in particular if/when the Baseline Level is reset. If the Council's need is assessed as far less than that currently due to its Growth, then the Council could be penalised through an increase in its Levy.

4.16 This would be exacerbated if the Council was not part of the Derbyshire Business Rates Pool as no Levy (50%) is paid on Growth above the Baseline.

*(**Note**: The Levy is effectively the amount that the Council pays to the Government from its 40% share of local Business Rates as part of the redistribution system of local authority resources)*

4.17 This is in addition to any changes in the New Homes Bonus System. As previously reported, the Council is potentially at risk from the outcomes of the Fair Funding Review, including changes to the Business Rates Retention System and this is highlighted in the Resilience Index.

4.18 The Index also shows that the Council does not generate as much income from fees and charges compared to other authorities. Again, this comparison may be influenced by the fact that the Council does not charge for car parking and will be in a minority of authorities who don't charge.

4.19 However, it is noted that the new Corporate Plan approved in November 2019, includes an action to identify and pursue commercial opportunities where appropriate, to generate additional income from fees and charges.

General Fund Account

4.20 The overall financial position continues to remain positive with a budget surplus projected for 2020/21.

4.21 Larger budget deficits are forecast in 2024 and 2025. Although this is considered to be the worst case scenario, the Council should not be complacent. As highlighted above, this is due to the uncertainty regarding Government funding beyond 2020/21 and in particular, proposals to replace the New Homes Bonus with a "*Housing Incentive*", together with the wider funding review.

4.22 As a Growth area, the Council should benefit from any system based on the delivery of new housing and business. However, this will depend on Government priorities and how much funding is awarded to shire districts for distribution.

4.23 As the Resilience Index highlights, the Council is at risk form changes in the current funding system and the current uncertainty makes future planning more difficult. The MTFP prudently assumes that overall funding will fall and if this is the outcome for the Council, potential deficits will need to be addressed later in this planning period.

4.24 Growth also brings additional demand on the Council's services and it is noted that the MTFP has prudently set-aside (as yet unallocated) sums in the Base Budget to meet future costs.

General Fund Reserve

4.25 The current level of the Reserve continues to remain healthy. The projected level of the Reserve over the medium-term planning period is summarised below.

2019/20	£8.9 million
2020/21	£8.8 million
2021/22	£8.0 million
2022/23	£6.9 million
2023/24	£5.3 million
2024/25	£2.8 million

4.26 The above table shows that the General Fund Reserve is projected to reduce quite significantly over the current planning period. This allows the financing of committed capital projects and asset replacements, together with budget deficits, which include provisions to increase spending arising from Growth.

4.27 The Council has set a minimum level of £1.5 million (10% of net expenditure) to be maintained by the end of 2024/25, and that target, based on current projections, should be achieved.

4.28 However, as the Budget Report highlights, there are more significant deficits projected from 2022/23. Therefore, the position will need to be kept under review in order that the Council does not become over reliant on reserves, unless they are replenished.

4.29 Overall, except for the outcome of the Government's funding review in 2020, there are no major concerns currently associated with the General Fund position.

Housing Revenue Account (HRA)

4.30 The HRA also remains in a healthy position and the current 10 year Financial Plan shows a sustainable position. It is noted that the Plan is based on annual rent increases of CPI + 1%.

4.31 Resources have been set-aside for further capital investment in the housing stock, together with New Build and Acquisition. Given that the level of the HRA General Reserve is currently forecast to fall to no lower than £2.9m over the current planning period, there is scope to expand the revenue base.

4.32 Resources have also been set-aside to repay debt. It is noted that the financial model for the HRA is designed to generate sufficient surpluses to maintain the original debt repayment schedule approved in 2012/13 as highlighted earlier in the Report.

4.33 The HRA's risk analysis shows that the main issues potentially are the continuing level of Right to Buys, future Government policy on Rents beyond 2023/24 and the financing of the Supporting People Programme.

4.34 However, given the current position of the HRA, any remedial action required can be achieved in a planned and timely manner. Overall, there are no major concerns currently associated with the HRA's position.

Capital Expenditure and Financing

4.35 Besides the HRA, there is no major capital projects associated with the General Fund programme, with all current commitments fully financed.

4.36 As reported, the Council has been steadily accumulating general capital receipts with additional receipts expected over the next 2 to 3 years from on-going regeneration projects in the District. Therefore, this provides resources for further capital investment and overall, there are no major concerns currently associated with capital expenditure and it's financing.

Treasury Management

4.37 The General Fund is currently debt free. Council expenditure is not reliant on any borrowing and given the current level of reserves and cash on deposit, it is unlikely that the Council will need to enter into any form of borrowing over the financial planning period.

4.38 The HRA debt is mainly at fixed interest rates and provision is being made in the HRA's financial plan to repay loans in accordance with a repayment schedule. A proportion of variable rate debt is currently costing significantly less than that budgeted so this provides some contingency should interest rates increase. This loan is due to be repaid in March 2022.

4.39 The Council is not reliant on interest rates increasing to generate a return on investments. A prudent assessment has been made in the MTFP for interest and dividends on investments and this is below the amount actually being generated. An increase in rates would be beneficial for the MTFP.

4.40 The Treasury Management Strategy includes a Lending Policy and Counterparty List. This is designed to ensure the liquidity and security of investments, rather than yield.

4.41 Overall, there are no major concerns currently associated with the Council's current treasury management position.

Other Usable and Earmarked Reserves

4.42 The Council 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 and community development projects.

4.43 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. On-going contributions to asset replacement reserves are provided for in the MTFP.

4.44 Overall, it is considered that current reserves will remain sufficient to meet commitments over the life of the current MTFP.

5.0 Financial Implications

5.1 None as a direct result of this report.

6.0 Corporate Implications

Employment Implications

6.1 None.

Legal Implications

6.2 None.

Corporate Plan Implications

6.3 None. The production of the Section 25 Report is a statutory requirement.

Risk Impact

6.4 None.

7.0 Community Impact

Consultation

7.1 None required.

Equality and Diversity Impact

7.2 None.

Social Value Impact

7.3 Not applicable.

Environmental Sustainability

7.4 Not applicable.

8.0 Background Papers

8.1 None

APPENDIX 1

CIPFA NEAREST NEIGHBOUR GROUP 2018

Amber Valley

Blaby

Chorley

East Cambridgeshire

East Northamptonshire

High Peak

Hinckley and Bosworth

Melton

Newark and Sherwood

North Kesteven

North West Leicestershire

Selby

South Derbyshire

South Ribble

Staffordshire Moorlands

Stroud

REPORT TO:	**COUNCIL**	**AGENDA ITEM: 12**
DATE OF MEETING:	**26th FEBRUARY 2020**	**CATEGORY:**
REPORT FROM:	**STRATEGIC DIRECTOR (CORPORATE RESOURCES)**	**OPEN**
MEMBERS CONTACT POINT:	**KEVIN STACKHOUSE (01283 595811)** **kevin.stackhouse@southderbyshire.gov.uk**	**DOC:** s/finance/committee/2019-20/Feb/Council/Council Tax setting report
SUBJECT:	**COUNCIL TAX SETTING 2020/21**	**REF:**
WARD(S) AFFECTED:	**ALL**	**TERMS OF REFERENCE:**

1.0 Recommendations

1.1 That the formal Council Tax resolutions for 2020/21 at **Appendix 1** are approved.

2.0 Purpose of the Report

2.1 To set out the statutory resolutions to enable the Council to calculate and set the Council Tax for 2020/21. This is in accordance with regulations under the Local Government Finance Act 1992, as amended by the Localism Act 2011.

2.2 The Council Tax for District (South Derbyshire) Services is based on budgeted spending levels for 2020/21, as recommended by the Finance & Management Committee on 13th February. The Finance and Management Committee have recommended a Council Tax increase of 1.95% for 2020/21, which has been reflected in the resolutions for approval.

2.3 The report is set out in the following sections / appendices:

- **Section 3: Executive Summary** – summarising the proposed Council Tax level for South Derbyshire residents including charges set by other precepting authorities, together with an explanation of the technical resolutions.

- **Appendix 1:** The formal Council Tax resolution to meet statutory requirements.

- **Appendix 2**: The detailed Tax Base, Precept and Band D rates for Parish Councils, together with the level of Council Tax Reduction Scheme (CTRS) Grant allocated to Parish Councils.

- **Schedules A to C**: These detail the level of Council Tax by Preceptor and by band, aggregated for each part of the District.

3.0 Executive Summary

3.1 The Council is required to calculate a Council Tax Requirement (CTR) for the forthcoming financial year, 2020/21. Not only is this the basis for the local Council Tax rate, the CTR is used to test whether an increase in Council Tax from year to year is excessive in accordance with criteria laid down by the Secretary of State.

Precepts

3.2 The precept levels of other precepting bodies have been received and these are detailed below.

Parish Councils

3.3 Parish Council precepts for 2020/21 as notified to the Council under Section 41 of the Local Government Finance Act 1992 are detailed in **Appendix 2** and total £848,025.

Derbyshire County Council

3.6 Derbyshire County Council met on 5th February 2020 and set their precept at £46,517,064. This results in a Band D Council Tax of £1,349.34 for 2020/21 (£1,322.88 in 2019/20). *This includes a specific Precept to fund Adult Social Care.*

Police and Crime Commissioner for Derbyshire

3.7 The Derbyshire Police and Crime Commissioner confirmed their precept on 7th February 2020 at £7,811,808. This results in a Band D Council Tax of £226.60 (£216.60 in 2019/20).

Derbyshire Fire and Rescue Service

3.8 The Derbyshire Fire and Rescue Authority met on 13th February 2020 and set their precept at £2,679,664. This results in a Band D Council Tax of £77.73 (£76.22 in 2019/20).

Overall Council Tax Level 2020/21

3.9 The recommendations of the Finance and Management Committee for District Council services are set out in the formal Council Tax Resolution in **Appendix 1**. If this resolution is approved, the total Band D Council Tax for 2020/21 will be as follows:

Overall Band D Council Tax (per year)	2019/20 £:p	2020/21 £:p	Increase £:p	Increase %
South Derbyshire District Council	162.31	165.48	3.17	1.95%
Derbyshire County Council	1,322.88	1,349.34	26.46	2.00%
Police and Crime Commissioner for Derbyshire	216.60	226.60	10.00	4.62%
Derbyshire Fire and Rescue Service	76.22	77.73	1.51	1.98%
TOTAL	**1,778.01**	**1,819.15**	**41.14**	**2.31%**

3.10 An explanation of the resolutions in **Appendix 1** is provided below.

Resolution 1 - Council Tax Base

3.11 This is the District Council's Tax Base, which was approved by the Finance and Management Committee at its meeting held on the 9th January 2020. The Tax Base was set at **34,474** and is known as **Item T.**

Resolution 2 – The Council Tax Requirement (CTR)

3.12 This is the amount of revenue expenditure to be met from Council Tax. It is the Council's Band D rate (excluding Parishes) multiplied by its Council Tax Base, as follows:

£165.48 * 34,474 = **£5,704,757**

Resolution 3 (a)

3.13 This is the Council's estimated gross expenditure for 2020/21 including the Housing Revenue Account and Parish Precepts and totals £45,295,904.

Resolution 3 (b)

3.14 This is the Council's estimated income for 2020/21. It includes all fees and charges, together with housing rents, specific government grants, contributions from reserves and declared surpluses on the Collection Fund. The total is £38,743,121.

Resolution 3 (c)

3.15 This is the difference between 3 (a) and 3 (b), i.e. £6,552,783 and is known as **Item R**. It represents the CTR for the year of £5,704,758 (Resolution 2) together with Parish Precepts of £848,025.

Resolution 3 (d)

3.16 This is the basic amount of Council Tax for 2020/21, including Parish Precepts and is item R divided by item T. i.e.

£6,552,783 / 34,474 = **£190.08**

Resolution 3 (e)

3.17 This is the total amount of Parish Precepts as detailed in **Appendix 2,** i.e. £848,025.

Resolution 3 (f)

3.18 This is the basic amount of Council Tax for areas where no Parish Precept applies, i.e.

£190.08 – (£848,025 / 34,474) = **£165.48**

Resolutions 4 and 5

3.19 These confirm the precepts levied by Parish Councils together with those notified to the Council by the County, Police/Crime Commissioner and Fire authorities. The equivalent tax rates by property band are shown in *Schedules A and B*.

Resolution 6

3.20 This is the *aggregate* amount of Council Tax for South Derbyshire as detailed in **Schedule C**.

Resolution 7

3.21 Schedule 5 of the Localism Act 2011, makes provision for a referendum to be held if an authority increases its Council Tax by an amount exceeding principles determined by the Secretary of State.

3.22 The Secretary has determined that for 2020/21, a Council Tax will be *deemed excessive* (and subject to a local Referendum) for shire district councils if the authority's relevant basic amount of Council Tax (i.e. Band D) for 2020/21 is:

(a) *2% greater than its relevant basic amount of Council Tax for 2019/20*; ***and***

(b) *£5 greater than its relevant basic amount of Council Tax for 2019/20*.

3.23 As shown in the table in **paragraph 3.9,** the District's Band D rate will increase following the recommendation of the Finance and Management Committee on 13th February 2020, by 1.95%. Therefore, under the principles set out by the Secretary of State, the Council's increase *is not* deemed excessive.

Appendix 1

<u>The Council is recommended to resolve as follows</u>:

1. It be noted that on 9th January 2020, the Finance and Management Committee calculated the Council Tax Base 2020/21:

   (a) For the whole area as 34,474 (Item T in the formula in Section 31B of the Local Government Finance Act 1992, as amended by the Localism Act 2011).

   (b) For dwellings in those parts of its area to which a Parish Precept relates as 23,536.

2. Calculate that the Council Tax Requirement for the Council's own purpose for 2020/21 (excluding Parish Precepts) is £5,704,758.

3. That the following amounts be calculated for the year 2020/21 in accordance with Sections 31 and 36 of the Localism Act 2011:

   (a) £45,295,904

   Being the aggregate of the amounts which the Council estimates for the items set out in Section 31A (2) of the Act taking into account all precepts issued to it by Parish Councils.

   (b) £38,743,121

   Being the aggregate of the amounts which the Council estimates for the items set out in Section 31A (3) of the Act.

   (c) £6,552,783

   Being the amount by which the aggregate of 3(a) above exceeds the aggregate of 3(b) above, calculated by the Council in accordance with Section 31A (4) of the Act as its Council Tax requirement for the year. (Item R in the formula in Section 31B of the Act).

   (d) £190.08

   Being the amount at 3(c) above (Item R) all divided by Item T (1a above) calculated by the Council in accordance with Section 31B of the Act, as the basic amount of its Council Tax for the year (including Parish Precepts).

(e) £848,025

Being the aggregate amount of all Parish Precepts referred to in Section 34 (1) of the Act.

(f) £165.48

Being the amount at 3 (d) above less the result given by dividing the amount at 3 (e) above by Item T (1a above) calculated by the Council in accordance with Section 34 (2) of the Act, as the basic amount of its Council Tax for the year for dwellings in those parts of its area to which no Parish Precept relates.

4. To note that Parish Councils have issued precepts to the Council in accordance with Section 41 of Local Government Finance Act 1992 for each category of dwellings in the Council's area as indicated in **Schedule A**

5. To note that the County Council, the Police and Crime Commissioner and the Fire and Rescue Service for Derbyshire, have issued Precepts to the Council in accordance with Section 40 of the Local Government Finance Act 1992 for each category of dwellings in the Council's area as indicated in **Schedule B**.

6. That the Council, in accordance with Sections 30 and 36 of the Local Government Finance Act 1992, hereby sets the aggregate amounts shown in **Schedule C**, as the amounts of Council Tax for 2020/21 for each part of its area and for each of the categories of dwellings, this being the *aggregate* of Schedules A and B.

7. That in accordance with Section 52 (ZB) of the Local Government Finance Act 1992, the Council determines that the amount of council tax shown at 3 (f) of £165.48 **is not** excessive compared to 2019/20 and therefore there is no requirement for a local referendum.

APPENDIX 2

ANALYSIS OF PARISH PRECEPTS, TAX BASE AND BAND D RATES

Parish	Precept 2019/20 £	Precept 2020/21 £	Tax Base 2019/20	Tax Base 2020/21	Band D 2019/20 £	Band D 2020/21 £	LCTR Grant 2019/20 £	LCTR Grant 2020/21 £
Aston-on-Trent	33,400	34,068	753	724	44.36	47.06	1,317	1,317
Barrow-on-Trent	11,000	11,551	247	241	44.53	47.93	452	452
Bretby	3,516	3,586	403	407	8.72	8.81	73	73
Burnaston	8,533	8,770	690	690	12.37	12.71	148	148
Castle Gresley	23,369	25,309	578	626	40.43	40.43	2,876	2,876
Church Broughton	7,650	12,650	240	241	31.88	52.49	151	151
Coton-in-the-Elms	6,910	7,117	268	277	25.78	25.69	989	989
Dalbury Lees	1,600	1,600	130	125	12.31	12.80	102	102
Egginton	11,495	11,783	258	257	44.55	45.85	199	199
Elvaston	13,820	13,820	986	1,062	14.02	13.01	210	210
Etwall	40,758	47,286	1,090	1,131	37.39	41.81	2,751	2,751
Findern	29,205	35,682	956	1,168	30.55	30.55	1,135	1,135
Foston & Scropton	8,568	8,568	239	247	35.85	34.69	433	433
Hartshorne	8,200	8,200	1,081	1,079	7.59	7.60	1,783	1,783
Hatton	57,590	58,742	883	883	65.22	66.53	2,100	2,100
Hilton	172,900	172,900	2,685	2,735	64.39	63.22	5,484	5,484
Linton	35,638	44,407	722	748	49.36	59.37	3,325	3,325
Melbourne	75,914	79,709	1,941	1,996	39.11	39.93	2,568	2,568
Netherseal	9,950	10,242	325	328	30.62	31.23	1,141	1,141
Newton Solney	5,000	6,000	298	336	16.78	17.86	171	171
Overseal	31,000	31,930	853	864	36.34	36.96	2,801	2,801
Repton	41,443	42,272	1,157	1,172	35.82	36.07	693	693
Rosliston	7,725	10,000	268	290	28.82	34.48	378	378
Shardlow & Great Wilne	16,032	20,917	413	424	38.82	49.33	1,399	1,399
Smisby	5,213	5,213	125	127	41.70	41.05	164	164
Stenson	3,000	3,000	1,493	1,500	2.01	2.00	736	736
Ticknall	12,450	12,450	296	303	42.06	41.09	822	822
Walton-on-Trent	5,878	6,378	311	311	18.90	20.51	607	607
Weston-on-Trent	13,500	13,500	479	567	28.18	23.81	535	535
Willington	40,100	40,740	1,000	1,016	40.10	40.10	4,392	4,392
Woodville	57,067	59,635	1,642	1,661	34.75	35.90	3,692	3,692
TOTAL PRECEPTS / AVERAGE BAND D	**798,424**	**848,025**	**22,810**	**23,536**	**32.36**	**34.22**	**43,627**	**43,627**

SCHEDULE A - DISTRICT COUNCIL TAX 2020/21

Part of Council's area:	**Valuation Band and Proportion to Band D**							
	A	B	C	D	E	F	G	H
Part of Council's area:	6/9	7/9	8/9	1.00	11/9	13/9	15/9	18/9
Parish of	£:p	£:p	£:p	£:p	£:p	£:p	£:p	£:p
Aston-on-Trent	141.69	165.31	188.92	212.54	259.77	307.00	354.23	425.08
Barrow-on-Trent	142.27	165.99	189.70	213.41	260.83	308.26	355.68	426.82
Bretby	116.19	135.56	154.92	174.29	213.02	251.75	290.48	348.58
Burnaston	118.79	138.59	158.39	178.19	217.79	257.39	296.98	356.38
Castle Gresley	137.27	160.15	183.03	205.91	251.67	297.43	343.18	411.82
Church Broughton	145.31	169.53	193.75	217.97	266.41	314.85	363.28	435.94
Coton-in-the-Elms	127.45	148.69	169.93	191.17	233.65	276.13	318.62	382.34
Dalbury Lees	118.85	138.66	158.47	178.28	217.90	257.52	297.13	356.56
Egginton	140.89	164.37	187.85	211.33	258.29	305.25	352.22	422.66
Elvaston	118.99	138.83	158.66	178.49	218.15	257.82	297.48	356.98
Etwall	138.19	161.23	184.26	207.29	253.35	299.42	345.48	414.58
Findern	130.69	152.47	174.25	196.03	239.59	283.15	326.72	392.06
Foston & Scropton	133.45	155.69	177.93	200.17	244.65	289.13	333.62	400.34
Hartshorne	115.39	134.62	153.85	173.08	211.54	250.00	288.47	346.16
Hatton	154.67	180.45	206.23	232.01	283.57	335.13	386.68	464.02
Hilton	152.47	177.88	203.29	228.70	279.52	330.34	381.17	457.40
Linton	149.90	174.88	199.87	224.85	274.82	324.78	374.75	449.70
Melbourne	136.94	159.76	182.59	205.41	251.06	296.70	342.35	410.82
Netherseal	131.14	153.00	174.85	196.71	240.42	284.14	327.85	393.42
Newton Solney	122.23	142.60	162.97	183.34	224.08	264.82	305.57	366.68
Overseal	134.96	157.45	179.95	202.44	247.43	292.41	337.40	404.88
Repton	134.37	156.76	179.16	201.55	246.34	291.13	335.92	403.10
Rosliston	133.31	155.52	177.74	199.96	244.40	288.83	333.27	399.92
Shardlow & Great Wilne	143.21	167.07	190.94	214.81	262.55	310.28	358.02	429.62
Smisby	137.69	160.63	183.58	206.53	252.43	298.32	344.22	413.06

Stenson	111.65	130.26	148.87	167.48	204.70	241.92	279.13	334.96
Ticknall	137.71	160.67	183.62	206.57	252.47	298.38	344.28	413.14
Walton-on-Trent	123.99	144.66	165.32	185.99	227.32	268.65	309.98	371.98
Weston-on-Trent	126.19	147.23	168.26	189.29	231.35	273.42	315.48	378.58
Willington	137.05	159.90	182.74	205.58	251.26	296.95	342.63	411.16
Woodville	134.25	156.63	179.00	201.38	246.13	290.88	335.63	402.76
All other parts of the Council's area	110.32	128.71	147.09	165.48	202.25	239.03	275.80	330.96

SCHEDULE B - MAJOR PRECEPTING AUTHORITIES COUNCIL TAX 2020/21

	Valuation Band and Proportion to Band D							
	A	B	C	D	E	F	G	H
	6/9	7/9	8/9	1.00	11/9	13/9	15/9	18/9
Precepting Authority	£:p	£:p	£:p	£:p	£:p	£:p	£:p	£:p
Derbyshire County Council	899.56	1,049.49	1,199.41	1,349.34	1,649.19	1,949.05	2,248.90	2,698.68
Police and Crime Commissioner for Derbyshire	151.07	176.24	201.42	226.60	276.96	327.31	377.67	453.20
Derbyshire Fire and Rescue Service	51.82	60.46	69.09	77.73	95.00	112.28	129.55	155.46

SCHEDULE C - AGGREGATED COUNCIL TAX FOR SOUTH DERYSHIRE 2020/21

Part of Council's area: Parish of	Valuation Band and Proportion to Band D							
	A	B	C	D	E	F	G	H
	£:p	£:p	£:p	£:p	£:p	£:p	£:p	£:p
Aston - on - Trent	1,244.14	1,451.50	1,658.85	1,866.21	2,280.92	2,695.64	3,110.35	3,732.42
Barrow - on - Trent	1,244.72	1,452.17	1,659.63	1,867.08	2,281.99	2,696.89	3,111.80	3,734.16
Bretby	1,218.64	1,421.75	1,624.85	1,827.96	2,234.17	2,640.39	3,046.60	3,655.92
Burnaston	1,221.24	1,424.78	1,628.32	1,831.86	2,238.94	2,646.02	3,053.10	3,663.72
Castle Gresley	1,239.72	1,446.34	1,652.96	1,859.58	2,272.82	2,686.06	3,099.30	3,719.16
Church Broughton	1,247.76	1,455.72	1,663.68	1,871.64	2,287.56	2,703.48	3,119.40	3,743.28
Coton - in - the - Elms	1,229.89	1,434.88	1,639.86	1,844.84	2,254.80	2,664.77	3,074.73	3,689.68
Dalbury Lees	1,221.30	1,424.85	1,628.40	1,831.95	2,239.05	2,646.15	3,053.25	3,663.90
Egginton	1,243.33	1,450.56	1,657.78	1,865.00	2,279.44	2,693.89	3,108.33	3,730.00
Elvaston	1,221.44	1,425.01	1,628.59	1,832.16	2,239.31	2,646.45	3,053.60	3,664.32
Etwall	1,240.64	1,447.41	1,654.19	1,860.96	2,274.51	2,688.05	3,101.60	3,721.92
Findern	1,233.13	1,438.66	1,644.18	1,849.70	2,260.74	2,671.79	3,082.83	3,699.40
Foston and Scropton	1,235.89	1,441.88	1,647.86	1,853.84	2,265.80	2,677.77	3,089.73	3,707.68
Hartshorne	1,217.83	1,420.81	1,623.78	1,826.75	2,232.69	2,638.64	3,044.58	3,653.50
Hatton	1,257.12	1,466.64	1,676.16	1,885.68	2,304.72	2,723.76	3,142.80	3,771.36
Hilton	1,254.91	1,464.07	1,673.22	1,882.37	2,300.67	2,718.98	3,137.28	3,764.74
Linton	1,252.35	1,461.07	1,669.80	1,878.52	2,295.97	2,713.42	3,130.87	3,757.04
Melbourne	1,239.39	1,445.95	1,652.52	1,859.08	2,272.21	2,685.34	3,098.47	3,718.16
Netherseal	1,233.59	1,439.18	1,644.78	1,850.38	2,261.58	2,672.77	3,083.97	3,700.76
Newton Solney	1,224.67	1,428.79	1,632.90	1,837.01	2,245.23	2,653.46	3,061.68	3,674.02
Overseal	1,237.41	1,443.64	1,649.88	1,856.11	2,268.58	2,681.05	3,093.52	3,712.22
Repton	1,236.81	1,442.95	1,649.08	1,855.22	2,267.49	2,679.76	3,092.03	3,710.44
Rosliston	1,235.75	1,441.71	1,647.67	1,853.63	2,265.55	2,677.47	3,089.38	3,707.26

Shardlow and Great Wilne	1,245.65	1,453.26	1,660.87	1,868.48	2,283.70	2,698.92	3,114.13	3,736.96
Smisby	1,240.13	1,446.82	1,653.51	1,860.20	2,273.58	2,686.96	3,100.33	3,720.40
Stenson Fields	1,214.10	1,416.45	1,618.80	1,821.15	2,225.85	2,630.55	3,035.25	3,642.30
Ticknall	1,240.16	1,446.85	1,653.55	1,860.24	2,273.63	2,687.01	3,100.40	3,720.48
Walton - on - Trent	1,226.44	1,430.85	1,635.25	1,839.66	2,248.47	2,657.29	3,066.10	3,679.32
Weston - on - Trent	1,228.64	1,433.41	1,638.19	1,842.96	2,252.51	2,662.05	3,071.60	3,685.92
Willington	1,239.50	1,446.08	1,652.67	1,859.25	2,272.42	2,685.58	3,098.75	3,718.50
Woodville	1,236.70	1,442.82	1,648.93	1,855.05	2,267.28	2,679.52	3,091.75	3,710.10
All other parts of the Council's area	1,212.77	1,414.89	1,617.02	1,819.15	2,223.41	2,627.66	3,031.92	3,638.30