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Date: 16 February 2015

Dear Councillor,

Finance and Management Committee

A Meeting of the **Finance and Management Committee** will be held in the **Council Chamber**, on **Thursday, 19 February 2015 at 18:00**. You are requested to attend.

Yours faithfully,

Chief Executive

To:- **Conservative Group**

Councillor Mrs. Watson (Chairman), Councillor Jones (Vice-Chairman) and Councillors Hewlett, Murray, Smith, Watson and Wheeler.

Labour Group

Councillors Bell, Rhind, Richards, Southerd, Taylor and Wilkins.



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AGENDA

Open to Public and Press

- 1 Apologies & to note any Substitutes appointed for the Meeting.
- 2 To note any declarations of interest arising from any items on the Agenda
- 3 To receive the Open Minutes of the Meeting held on 04.12.2014 and the Audit Sub-Committee Meeting held on 17.12.2014.
Open Minutes **5 - 12**

Audit Sub-Committee - 17.12.2014 **13 - 16**
- 4 To receive the Open Minutes of the Recruitment & Selection Working Panel held on 28.01.2015, 02.02.2015 & 03.02.2015.
Open Minutes 28.01.2015 **17 - 18**

Open Minutes 02.02.2015 **19 - 20**

Open Minutes 03.02.2015 **21 - 22**
- 5 To receive any questions by members of the public pursuant to Council Procedure Rule No.10.
- 6 To receive any questions by Members of the Council pursuant to Council procedure Rule No. 11.
- 7 Reports of Overview and Scrutiny Committee
- 8 TREASURY MANAGEMENT STRATEGY AND PRUDENTIAL INDICATORS 2015-16 **23 - 50**
- 9 FINAL BUDGET PROPOSALS 2015-16 AND FINANCIAL PLAN TO 2020 **51 - 76**
- 10 AMENDMENT TO LOCAL COUNCIL TAX DISCOUNT SCHEME (SECTION 13A LOCAL GOVERNMENT FINANCE ACT 1992) **77 - 86**

Exclusion of the Public and Press:

The Chairman may therefore move:-

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

- 11 To receive any Exempt questions by Members of the Council pursuant to Council procedure Rule No. 11.
- 12 To receive the Exempt Minutes of the Meeting held on 04.12.2014.
Exempt Minutes
- 13 To receive the Exempt Minutes of the Recruitment & Selection Working Panel held on 28.01.2015, 02.02.2015 & 03.02.2015.
Exempt Minutes 28.01.2015
Exempt Minutes 02.02.2015
Exempt Minutes 03.02.2015
- 14 RISK BASED VERIFICATION FRAMEWORK AND POLICY
- 15 PAY AND GRADING REVIEW
- 16 DEBTS SUBMITTED FOR WRITE OFF



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OPEN

FINANCE AND MANAGEMENT COMMITTEE

4th DECEMBER 2014

PRESENT:-

Conservative Group

Councillor Mrs Watson (Chairman) Councillors Jones (Vice Chairman), together with Councillors Mrs Hall, Murray, Stanton, Wheeler and Watson

Labour Group

Councillors Bell, Rhind, Richards. Southerd, Taylor and Wilkins

In Attendance

Councillors Mrs Plenderleith, Atkin and Harrison

FM/65 **APOLOGIES**

The Committee was informed that Councillor Hewlett and Councillor Smith had given their apologies. Councillors Stanton and Mrs Hall substituted for them.

FM/66 **DECLARATION OF INTEREST**

The Committee was informed that no declarations of Interest had been received from elected members of the Committee.

FM/67 **MINUTES**

The Open minutes of the meetings held on the 25th September and the 16th October were approved as a true record.

FM/68 **QUESTIONS BY MEMBERS OF THE PUBLIC PURSUANT TO COUNCIL PROCEDURE RULE NO.10**

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

FM/69 **QUESTIONS BY MEMBERS OF THE COUNCIL PURSUANT TO COUNCIL PROCEDURE RULE NO.11**

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

FM/70 **REPORTS OF THE OVERVIEW & SCRUTINY COMMITTEE**

The Committee heard about the progress made by the Overview & Scrutiny Committee (OSC) on its investigation into customer services and that a report would be submitted to the next meeting of the OSC.

Members welcomed the progress that had been made in the investigation.

FM/71 **CORPORATE PLAN PERFORMANCE MONITORING**

This report set out the progress which had been made against the Corporate Plan targets during the period 1st July to 30th September 2014 under the 'Value for Money' theme. Members were told that all targets for relevant projects and performance measures had been achieved, apart from one relating to Customer Access. The Committee was reminded that a review was underway to look at the viability of transferring some customer contact work from Planning Services to Customer Services. It was made clear that although the timetable for completing this review had slipped, this had not caused any significant problems.

Members were informed that overall performance on sickness absence levels had improved, but that the figures had been skewed by an increase in the number of employees absent due to long term sickness; from 7 to 9. These 9 absent employees, it was pointed out, accounted for 171 of the 262 days lost through sickness in September.

The Committee was told of the action that had been taken to address the problem. There were indications that the number of days lost due to illness was coming down and this should be reflected in the performance figures for the next quarter.

Members discussed the report. What emerged from this discussion was that there was no specific pattern for illnesses, especially among staff who were off for short periods of time. It was also made clear that the issue of 'trigger points' – or in other words the length of time after which point sickness absences could be investigated further – was being discussed with the trade unions. Finally, the Committee was told that a new Health & Safety Officer had been appointed, who was expected to start work before Christmas. Members welcomed this appointment and made it clear that they thought it important the authority have its own, on-site, health & safety expertise.

Resolved:-

To note and approve the progress towards achieving Corporate Plan performance targets.

FM/72 **BUDGET AND FINANCIAL MONITORING**

Members then considered the Budget & Financial Monitoring Report, which explained how Council had performed against its budgets during the first half of the 2014/15 financial year. The Committee heard that there was expected to be an budget surplus of about £147,000 and an estimated decrease in net expenditure of £476,000.

The Committee was told that since its last meeting, Derby City Council had agreed to participate in the Derbyshire Business Rates 'Pool' arrangement and to act as the 'accountable body' for its administration. Members welcomed this development.

The report also explained that the Council had now repaid a significant market loan. This would save the authority interest payments of approximately £828,000.

Members were reminded that they had agreed in September to revise the Council's lending policy and counterparty list, following on from changes in the rules regulating the banking sector and the potential impact of depositor 'bail-ins.' It was explained that it had already been necessary to update this list.

Members welcomed the report. They thanked the officers for their work in helping to ensure that the Council was in a robust financial position.

Resolved:-

To approve the first half-year budget and financial monitoring figures for 2014/15

FM/73 **COMPLAINTS, COMPLIMENTS AND FREEDOM OF INFORMATION REQUESTS**

The Committee received a report explaining that the authority had received 30 compliments and 37 complaints between 1st April and 30th September 2014. In addition, it had also received 324 Freedom of Information requests over the same period. This was an increase of 88 information requests compared to the previous year.

Some specific questions were asked about complaints relating to the Woodville ward. The Director of Finance & Corporate Services agreed to investigate these.

Members asked about the increase in the number of complaints relating to housing and customer services. Many of these complaints, it was explained, were about waiting times and how benefit claims had been handled.

Finally, the Committee heard that there were strict guidelines in place, prescribing the limited circumstances when public bodies can make charges for responding to Freedom of Information requests.

To note the complaints and freedom of information requests received by the authority during the first half of 2014-15.

FM/74 **CORPORATE SERVICES CONTRACT AND STRATEGIC PARTNERSHIP ANNUAL REPORT 2013/14**

Members then considered this report, which contained information on the Contract and wider partnership between the Council and Northgate Property Services (NPS). Under this Contract, NPS were required to achieve certain objectives. Their progress was monitored through a set of key performance indicators (KPI's). The report also explained that a sanctions framework exists, which could be imposed if the targets were not successfully achieved.

In this context, the report reminded members that there had been delays in processing housing benefits claims, which had been reported to the Committee at a previous meeting. It was recognised that the volume of work had increased because of nationally determined changes to the benefit system. However, it was also pointed out that a significant amount of public funds had been passed to the company to help them meet these challenges. The report explained that, taken together, there had been a total of 12 separate failures across Housing Benefits and other Customer Services during 2013/14. Discussions with the company had taken place to decide best to address these failings. Changes had been introduced and the time required for processing Housing Benefit applications was now falling. But it was not yet certain whether this improvement would be sustained over a longer period.

Concern was raised about how the backlog of benefit applications would be dealt with and the need to ensure that claimants continue to receive an appropriate level of service from the company when their applications are processed.

Members were also informed about performance on other aspects of the Contract. It was pointed out that they were still below target in terms of procurement savings. The Council had seconded an officer to assist NPS with this.

Similarly, it was pointed out that the Contract placed an obligation on the company to bring in a hundred jobs into South Derbyshire. It was explained that some progress had been on this and that plans were in place to bring extra posts into the service centre. These staff would carry out work for a range of authorities and not just South Derbyshire.

The Committee discussed the report. One of the points which emerged during this discussion was that there had been a very large increase in the number of phone enquiries dealt with. Members were concerned that many people may have to call multiple times and that sometimes they had to wait for unacceptably long periods before their calls were answered. Members gave examples of their own experience in this respect.

There was a general consensus that progress must be made to improve the amount of time taken to process housing benefit claims and to ensure that the Contract objectives were achieved. It was agreed that a further report be brought to the Committee in January 2015 on this, specifying what action had or was planned to be taken.

The Contract and Strategic Partnership Annual Report for 2013/14 be approved.

FM/75 **PROPOSED CAPITAL INVESTMENT AND EVALUATION OF BIDS**

Members were reminded that the Committee had previously discussed the way in which the Council could use capital funding to provide one-off support to pay for improvements in local communities.

In this context, the report recommended that £300k be allocated for this support. It also set out the practical arrangements that would have to be put into place for these allocations to be made. In particular, it recommended that the Service and Financial Planning Working Group now be convened in order to consider relevant bids in line with the approved evaluation criteria.

The Committee agreed to this proposal and appointed Councillors Watson, Harrison, Wheeler, Southerd and Taylor to serve on the Finance Planning Working Group. Given the tightness of the proposed timetable, it was also agreed that bids be encouraged from community and other groups as soon as possible for the Group to consider

Resolved:-

That an initial sum of £300,000 is set-aside from the General Reserve Fund Reserve to fund new capital investment on a one-off basis.

That the Service and Financial Planning Working Group be convened to consider relevant bids in with the approved evaluation criteria as set out in the report.

That Councillors Watson, Harrison, Wheeler, Southerd and Taylor serve on the group.

That the exercise be completed during the forthcoming budget round, with recommendations for funding reported back to the Committee at its meeting on the 19th February 2015

FM/76 **LOCAL COUNCIL TAX SUPPORT SCHEME 2015/16**

The Committee was asked to decide if it wished to retain the Local Council Tax Support Scheme during 2015/16. It was felt that the scheme had worked well and ought to be retained.

Resolved:-

That the current Local Council Tax Support Scheme be retained for the 2-15/16 financial year.

FM/77 **HOUSING REVENUE ACCOUNT BUSINESS PLAN**

The Committee was asked to approve the updated Housing Revenue Account Business Plan, which had been developed by a members and tenants sub group. The plan had been discussed and approved by the Housing and Community Services Committee. Members were informed that under the plan an additional 110 new build and acquisition properties could be afforded within the next five years, in addition to the 50 properties which had been agreed.

The Committee welcomed the Business Plan and especially the provision of additional affordable properties.

Resolved:

To approve the updated Housing Revenue Account Business Plan.

FM/78 **COMMITTEE WORK PROGRAMME**

The Committee considered its revised work programme for the year.

Resolved:-

To approve the updated work programme

FM/79 **EXCLUSION OF PUBLIC AND PRESS**

Resolved:-

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

FM/80 **EXEMPT QUESTIONS BY MEMBERS OF THE COUNCIL PURSUANT TO COUNCIL PROCEDURE RULE No 11**

The Committee was informed that no questions had been received.

FM/81 **TO RECEIVE THE EXEMPT MINUTES**

The Exempt minutes of the meetings held on the 25th September and the 16th October were approved as a true record.

FM/82 **MELBOURNE PUBLIC CONVENIENCES**

The Committee was asked to approve the sale of the public conveniences on Market Place Melbourne.

Resolved:-

That the recommendations be agreed

FM/83 **LAND AT SWADLINCOTE**

The Committee considered a report on a request by a resident to purchase part of the Council's open space to provide off street parking Following discussion, members agreed to follow officer advice and to reject the request.

Councillor Wilkins voted in favour of approving the request.

Resolved:

That the recommendation to reject the request be agreed.

CLLR ANN WATSON

CHAIRMAN OF THE MEETING

The meeting terminated at 7.35pm

AUDIT SUB-COMMITTEE

17th December 2014

PRESENT:-

Conservative Group

Councillors Harrison (Chairman) and Ford (Vice-Chairman)

Labour Group

Councillors Dunn and Shepherd

AS/16.

APOLOGIES

Councillor Murray

AS/17.

MINUTES

The Open Minutes of the Meeting held on 24th September 2014 were approved as a true record.

AS/18.

DECLARATIONS OF INTEREST

None received.

AS/19.

TO RECEIVE ANY QUESTIONS FROM MEMBERS OF THE PUBLIC PURSUANT TO COUNCIL PRODEDURE RULE NO 10.

None received.

AS/20.

TO RECEIVE ANY QUESTIONS FROM MEMBERS OF THE COUNCIL PURSUANT TO COUNCIL PRODEDURE RULE NO 11.

None received.

AS/21.

INTERNAL AUDIT QUARTERLY PROGRESS REPORT

The Sub-Committee considered the Internal Audit Quarterly Progress Report, prepared by Internal Audit. This summarised the performance and activity of Internal Audit between 1st September 2014 and 30th November 2014. Ten audit assignments were completed during the period, all of which received a comprehensive or reasonable rating so there were no specific issues to be brought to the Committee's attention.

It was reported that Customer Satisfaction ratings with the service delivery were high.

A question was raised in regard to the number of Key Financial Systems audits that yet to be undertaken. The Audit Manager explained that these are usually done early in the year closer to the financial year end.

The Audit Manager highlighted the details of the recommendation tracking with the majority of recommendations being implemented and some still being implemented, but it was considered a low number in comparison to other organisations. There were a total of 55 recommendations not reached by the agreed implementation date. The Audit Manager explained that more realistic date setting may be required for recommendations in order that they be achieved within time.

RESOLVED:-

That the report be accepted. No specific issues be reported back to the Finance & Management Committee arising from it.

AS/22.

EFFECTIVENESS OF AUDIT COMMITTEES

The Audit Manager presented the report providing a synopsis of the latest Chartered Institute of Public Finance and Accountancy (CIPFA) guidance on Audit Committees, together with the self-assessment on good practice.

The CIPFA Guidance:

- states the purpose of an audit committee
- sets out the CIPFA position statement.
- specifies the key regulations which could be addressed by the terms of reference of an Audit Committee and provides some suggested Terms of Reference.

The Sub Committee discussed the options for considering the CIPFA guidance and completion of the self-assessment. It was agreed that the rest of this report would be considered at the February 18th 2015 Sub-committee following a special meeting in January 2015 to complete the self-assessment.

RESOLVED:-

That a special meeting be arranged on Tuesday 27th January 2015 to discuss the report and to carry out a self-assessment based on the CIPFA template.

AS/23.

TERMS OF REFERENCE

The Sub-Committee considered a report from The Head of the Internal Audit Partnership. The report described that it is good practice to review the Committee's terms of reference on an annual basis and outlined the suggested amendments to the Committee's terms of reference following the annual review. Appendix 2 to the report highlighted the changes to the current Sub-Committee's terms of reference, which were set by Council in June 2006. The Sub Committee discussed the proposed changes to the terms of reference.

RESOLVED:-

That the proposed changes to the terms of reference be accepted and reported to Finance and Management Committee.

AS/24.

LOCAL CODE OF CORPORATE GOVERNANCE – WORK PLAN 2014/15

The Legal and Democratic Services Manager presented a report that reviewed the progress associated with updating and strengthening the Council's Corporate Governance arrangements as set out in the approved Work Plan. This plan was approved by the Committee in June 2014. Appendix 1 to the report described the progress of the agreed Work Plan for 2014/15.

The Sub-committee considered the report. Clarification was sought if Item 2 on the Work Plan to 'Introduce a new Leadership and Development Programme for Managers' had started. The Legal and Democratic Services Manager confirmed that the Programme has started.

In reference to item 4 of the Work Plan, concerns were raised that parishes are slow in taking up neighbourhood plans with only 1 so far looking at the process. It was confirmed that others were looking but further promotion of this was required. It was suggested this should be done through Parish Liaison in particular.

In response to a question relating to item 3 of the Work Plan, the Legal and Democratic Services Manager confirmed that an Induction Programme for Members is currently being set up.

RESOLVED:-

That progress on the Action Plan for 2014/15 be considered and noted.

J. HARRISON

CHAIRMAN

The meeting terminated at 4:30 p.m.

RECRUITMENT AND SELECTION WORKING PANEL

28th January 2015

PRESENT:-

Conservative Group

Councillor Hewlett (Chairman) and Councillors Watson and Wheeler.

Labour Group

Councillors Rhind and Taylor.

Officers

F. McArdle	Chief Executive
R. Kelly	Solace in Business
D. Clamp	Northgate Public Services

RS/1. **APPOINTMENT OF CHAIRMAN**

Councillor Hewlett was appointed as Chairman. Proposed by Councillor Wheeler, seconded by Councillor Rhind.

RS/2. **APOLOGIES**

None received.

RS/3. **DECLARATIONS OF INTEREST**

None raised.

MATTER DELEGATED TO WORKING PANEL

RS/4. **LOCAL GOVERNMENT ACT 1972 (AS AMENDED BY THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985)**

RESOLVED:-

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

RECRUITMENT OF THE DIRECTOR OF HOUSING AND ENVIRONMENTAL SERVICES

The Working Panel received an overview of the process that had been completed to date to recruit into the above post. They approved the candidates to be invited to the next stage of the selection process, which would be an assessment centre, and noted the arrangements.

J. HEWLETT

CHAIRMAN

RECRUITMENT AND SELECTION WORKING PANEL

2nd February 2015

PRESENT:-

Conservative Group

Councillor Hewlett (Chairman) and Councillors Watson and Wheeler.

Labour Group

Councillors Rhind and Taylor.

Officers

F. McArdle	Chief Executive
R. Kelly	Solace in Business
V. Wood-Williams	Solace in Business
V. Thornton	Solace in Business
D. Clamp	Northgate Public Services

RS/6. **APOLOGIES**

None received.

RS/7. **DECLARATIONS OF INTEREST**

None raised.

MATTER DELEGATED TO WORKING PANEL

RS/8. **LOCAL GOVERNMENT ACT 1972 (AS AMENDED BY THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985)**

RESOLVED:-

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

RECRUITMENT OF THE DIRECTOR OF HOUSING AND ENVIRONMENTAL SERVICES

The Working Panel received an overview of the activities completed at the assessment centre and the consequent outcomes for each candidate. They approved the candidates to be invited to the next stage of the selection process, which would be a final interview, and noted the arrangements.

J. HEWLETT

CHAIRMAN

RECRUITMENT AND SELECTION WORKING PANEL

3rd February 2015

PRESENT:-

Conservative Group

Councillor Hewlett (Chairman) and Councillors Watson and Wheeler.

Labour Group

Councillors Rhind and Taylor.

Officers

F. McArdle	Chief Executive
R. Kelly	Solace in Business
D. Clamp	Northgate Public Services

RS/10. **APOLOGIES**

None received.

RS/11. **DECLARATIONS OF INTEREST**

None raised.

MATTER DELEGATED TO WORKING PANEL

RS/12. **LOCAL GOVERNMENT ACT 1972 (AS AMENDED BY THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985)**

RESOLVED:-

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

RECRUITMENT OF THE DIRECTOR OF HOUSING AND ENVIRONMENTAL SERVICES

The Working Panel interviewed the candidates and agreed to make an offer to the position of Director of Housing and Environmental Services in accordance with the Senior Officer Recruitment and Selection Procedure.

J. HEWLETT

CHAIRMAN

REPORT TO:	FINANCE AND MANAGEMENT COMMITTEE	AGENDA ITEM: 8
DATE OF MEETING:	19th FEBRUARY 2015	CATEGORY: RECOMMENDED
REPORT FROM:	DIRECTOR OF FINANCE and CORPORATE SERVICES	OPEN
MEMBERS' CONTACT POINT:	KEVIN STACKHOUSE (01283 595811) Kevin.stackhouse@south-derbys.gov.uk	DOC: u/ks/treasury management/strategies/strategy 2015-16
SUBJECT:	TREASURY MANAGEMENT STRATEGY AND PRUDENTIAL INDICATORS 2015/16	REF:
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: FM 08

1.0 Recommendations

- 1.1 That the Treasury Management Strategy for 2015/16 is approved.
- 1.2 That the Prudential Indicators and Limits for 2015/16 to 2019/20 as set out in **Appendix 1** are approved.
- 1.3 That the Investment Strategy for 2015/16 including the associated counterparty (lending) list and policy is approved.
- 1.4 That the Council becomes a corporate member of the South Derbyshire Credit Union with an investment of £10,000.
- 1.5 That a further sum of £40,000 is made available to the Credit Union as an interest free loan and is subject to an annual review.

2.0 Purpose of the Report

- 2.1 To detail the Council's Prudential Indicators for its expected treasury operations for 2015/16. This is in accordance with the requirements of the Local Government Act 2003, updated for matters arising out of the Localism Act 2011. Three main areas are covered:
 - The CIPFA Prudential Code (2011) 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 Government guidance (2010).

2.2 The report also proposes financial support to the South Derbyshire Credit Union. This follows a resolution at the Full Council meeting in January 2014 (CL/63) which asked the Council to consider the practicalities of making an interest free loan of £50,000 to the Credit Union.

3.0 Executive Summary

The Prudential System for Capital Finance

3.1 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 the Government and the Council has to demonstrate that it can afford to service and repay the debt within its financial plan.

The Treasury Management Strategy

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

Prudential Indicators

3.5 The relevant indicators required under the regulations are summarised in the following sections.

Estimated Capital Expenditure

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

Estimated Capital Expenditure	2014/15 £	2015/16 £	2016/17 £	2017/18 £	2018/19 £	2019/20 £
General Fund	2,558,673	5,742,600	548,404	592,285	478,731	504,580
HRA	5,812,000	11,031,000	10,295,000	5,943,000	6,092,000	4,595,000
TOTAL	8,370,673	16,773,600	10,843,404	6,535,285	6,570,731	5,099,580

3.7 The capital expenditure programme will be financed mainly from government grants, external contributions, council reserves and capital receipts. Some external borrowing may be undertaken in 2016/17 depending upon further phases of the Council's New Build Programme for Council Housing.

Capital Financing Requirement (CFR) and Debt Outstanding

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

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

Debt Pools

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

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

3.12 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 take-on under the self-financing framework for Council Housing.

3.13 Although no MRP is made, in future years, money will be set-aside to repay the HRA debt in accordance with the maturity profile. This strategy is reflected in the HRA's Business Plan.

3.14 The expected CFRs over the current financial planning period to 2020 are detailed in the following table.

Expected CFRs	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
General Fund	6,540	6,375	6,020	5,673	5,335	5,005
HRA	61,583	61,583	61,583	61,583	61,583	61,583
TOTAL	68,123	67,958	67,603	67,256	66,918	66,588

3.15 The CFR on the General Fund will continue to reduce over the medium-term due to MRP/VRP. These charges, which are £352,000 in 2014/15 and £365,000 in 2015/16, are included in the Council's base budget.

3.16 The CFR in 2015/16 allows internal borrowing of £200,000 to finance the Grove Hall Extreme Sports Development project (as previously approved by the Committee).

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

Operational Boundaries and Limits

3.18 These are summarised in the following table.

Debt Limits	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
Authorised Limit - General Fund	6,540	6,375	6,020	5,673	5,335	5,005
Authorised Limit - HRA	66,853	66,853	66,853	66,853	66,853	66,853
Operational Boundary	62,423	62,423	62,423	62,423	62,423	62,423

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

Cost of Debt to Finance Capital Expenditure

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

Cost of Servicing Debt (per year)	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Band D Council Tax	-£1.30	-£0.94	-£1.46	-£2.13	-£1.94	-£1.92
Per Council Dwelling	£623	£552	£656	£686	£719	£728

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

Available Resources for Investment

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

Estimated Resources Available	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
TOTAL	15,797	16,145	12,561	13,748	15,414	16,666

3.23 The table shows that overall the level of resources is estimated to increase. This is due to resources being set-aside in the HRA to repay debt.

3.24 Base on this level of reserves, it is estimated that the Council will physically have an amount of at least £7m invested at each year end. In accordance with the Investment Strategy, this will continue to be held in short-term (less than 364 days) deposit accounts.

4.0 Detail

Prudential Indicators for Capital Expenditure and Borrowing

4.1 The Local Government Act 2003 requires the Council to adopt the Chartered Institute of Public Finance and Accountancy's (CIPFA) Prudential Code and in doing so, to calculate and monitor a set of prudential indicators. The Code and indicators should sit alongside the Council's main financial plan.

4.2 The prudential framework is designed to control the level of borrowing and investment activity at a local level. The indicators themselves either summarise the expected treasury activity or place limits upon the activity that reflect the outcome of the Council's underlying capital expenditure and borrowing requirements.

4.3 A fundamental part of the Code is the requirement to adopt and utilise a Treasury Management Strategy. The Council's proposed strategy for 2015/16 is detailed in **Appendix 2**. The Prudential Indicators are detailed in **Appendix 1** with comments and analysis in the following sections.

Capital Expenditure and Financing

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

Estimated Capital Expenditure	2014/15 £	2015/16 £	2016/17 £	2017/18 £	2018/19 £	2019/20 £
General Fund	2,558,673	5,742,600	548,404	592,285	478,731	504,580
HRA	5,812,000	11,031,000	10,295,000	5,943,000	6,092,000	4,595,000
TOTAL	8,370,673	16,773,600	10,843,404	6,535,285	6,570,731	5,099,580
Financed By						
Grants	1,448,143	1,548,637	456,000	446,000	446,000	446,000
Major Repairs Reserve	943,000	6,670,000	1,800,000	2,686,000	2,679,000	402,000
External / Partnership	134,394	771,076	0	0	0	0
Revenue Contributions	4,270,320	3,745,000	2,705,000	2,842,000	3,063,000	3,105,000
Earmarked Reserves	913,920	2,556,174	445,404	499,285	382,731	409,580
Capital Reserves	476,897	980,713	0	0	0	0
Loan	0	0	5,375,000	0	0	737,000
General Reserve	183,999	477,000	62,000	62,000	0	0
Sinking fund	0	25,000	0	0	0	0
TOTAL	8,370,673	16,773,600	10,843,404	6,535,285	6,570,731	5,099,580

4.5 The table highlights that the 5-year investment programme is fully funded.

There is no requirement to enter into any new external borrowing, i.e. there is no additional net financing requirement, subject to the HRA New Build Programme (see below).

4.6 If all financing is not secured, expenditure can 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 as a last resort to meet any shortfall; any new borrowing is undertaken prudentially within the Council's debt limit.

HRA New Build

4.7 As stated above, it is not expected that any additional borrowing will be required over the financial planning period. However, the HRA Business Plan does allow for additional borrowing up to the HRA's debt cap. This would allow a further £9.5m to finance New Build.

4.8 The full implications of future New Build programmes beyond the initial 1st phase are still subject to an options appraisal. This is unlikely to occur in 2015/16 and future treasury management considerations associated with New Build will form part of the options appraisal.

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

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

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

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

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

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

Expected CFRs	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
CFR b/fwd	69,475	68,123	67,958	67,603	67,256	66,918
Add Net Financing	0	200	0	0	0	0
Less MRP	-242	-233	-223	-215	-206	-198
Less VRP	-110	-132	-132	-132	-132	-132
Less Loan Repayments	-1,000	0	0	0	0	0
CFR c/fwd	68,123	67,958	67,603	67,256	66,918	66,588
General Fund Proportion	6,540	6,375	6,020	5,673	5,335	5,005
HRA Proportion	61,583	61,583	61,583	61,583	61,583	61,583

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

4.15 The VRP relates to the repayment of previous internal borrowing relating to the purchase of receptacles to extend the kerbside recycling scheme in 2013, together with the repayment of the internal borrowing for the Grove Hall project.

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

4.17 The loan repayment of £1m shown in the previous table, relates to the repayment of a remaining market loan. This was repaid in October 2014 as reported to the Committee in December. It was repaid in accordance with the current Treasury Management Strategy for 2014/15.

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

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

4.19 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.

Usable Reserves	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
General Fund	5,858	5,068	4,733	4,117	3,281	2,160
Earmarked Reserves	3,410	3,332	1,818	1,768	2,093	2,118
HRA	1,100	1,400	1,200	3,600	6,000	9,300
Capital Receipts	5,429	6,345	4,810	4,263	4,040	3,088
TOTAL	15,797	16,145	12,561	13,748	15,414	16,666

4.20 The table shows that overall the level of resources is estimated to increase. This is due to resources being set-aside in the HRA to repay debt. Other reserves show an incremental drawdown as planned expenditure is incurred.

4.21 Based on this level of reserves, it is estimated that the Council will physically have an amount of at least £7m invested at each year end. In accordance with the Investment Strategy, this will continue to be held in short-term (less than 364 days) deposit accounts.

Limits to Borrowing Activity

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

4.23 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	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
Gross Borrowing - HRA	57,423	57,423	57,423	57,423	57,423	57,423
Gross Borrowing - General Fund	27	27	27	27	27	27
Gross Borrowing - Total	57,450	57,450	57,450	57,450	57,450	57,450
Total CFR	68,123	67,958	67,603	67,256	66,918	66,588

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

4.25 The small level of debt on the General Fund relates to deposits held on account for Parish Councils and these are subject to repayment at short notice. The figures show the estimated year-end position and do not take into account any short-term cash deposits which could offset the CFR.

4.26 The Council's overall financial plans do not at this stage rely on any further new borrowing whether on a prudential or unsupported basis. As previously highlighted, the position on the HRA Business Plan will be kept under review.

The Authorised Limit for External Debt

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

The Operational Boundary for External Debt

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

Debt Limits	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
Authorised Limit - General Fund	6,540	6,375	6,020	5,673	5,335	5,005
Authorised Limit - HRA	66,853	66,853	66,853	66,853	66,853	66,853
Operational Boundary	62,423	62,423	62,423	62,423	62,423	62,423

Affordability Indicators

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

Ratio of Financing Costs to Net Revenue Stream

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

Financing Ratios	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
General Fund						
Council Tax Income	£4,465,881	£4,598,852	£4,736,806	£4,878,438	£5,023,840	£5,173,108
Net Interest	-£38,517	-£28,833	-£45,175	-£66,425	-£61,000	-£61,000
Proportion	-0.86%	-0.63%	-0.95%	-1.36%	-1.21%	-1.18%
HRA						
Rent Income	12,390,000	12,591,000	13,131,000	13,658,000	14,038,000	14,420,000
Net Interest	£1,861,000	£1,669,000	£2,006,000	£2,094,000	£2,186,000	£2,204,000
Proportion	15.02%	13.26%	15.28%	15.33%	15.57%	15.28%

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

Impact of Capital Investment on the Council Tax and Housing Rents

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

Cost of Servicing Debt	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Net Interest Received - Gen Fund	-£38,517	-£28,833	-£45,175	-£66,425	-£61,000	-£61,000
Estimated Band D Properties (per MTFP)	29,723	30,608	30,908	31,208	31,508	31,808
Cost per Band D Property	-£1.30	-£0.94	-£1.46	-£2.13	-£1.94	-£1.92
Estimated Interest - HRA	£1,861,000	£1,669,000	£2,006,000	£2,094,000	£2,186,000	£2,204,000
Estimated Dwellings	2,989	3,024	3,059	3,054	3,041	3,028
Annual Cost per Dwelling	£623	£552	£656	£686	£719	£728

Other Treasury Matters – Credit Union Loan

4.33 In January 2014, the Council resolved to support the local South Derbyshire Money Spider Credit Union with an interest free loan of £50,000. This was in recognition of:

- “A legitimate consumer demand among the communities of South Derbyshire for short-term loan facilities.
- A concern with the growth of heavily marketed payday lending companies which can allow financially challenged borrowers into unsustainable debt.

- *Encouraging increased access to not-for-profit credit unions including specifically Money Spider.* “

4.34 Consequently, liaison took place with the Money Spider Credit Union that covers South Derbyshire and East Staffordshire, based in Swadlincote. In accordance with the Council resolution, this examined the practicalities of £50,000 being made available through the Credit Union for subsequent lending (through loans) to help eligible local residents.

4.35 However, due to the framework in which the Credit Union is structured and regulated through the Financial Conduct and the Prudential Regulation Authorities, this is not practical.

4.36 The amount involved and the need to eventually repay the loan back to the Council, would not meet a key financial ratio (assets to liabilities) that governs the financing of the Credit Union.

4.37 Unless the Council gave a direct grant or financial contribution to the Credit Union without the requirement to repay it back, there does not appear to be a ready method available, which would satisfy the Regulators, for the Credit Union to make this money available for loans.

4.38 Therefore, alternative methods of making an amount of £50,000 available to the Credit Union, in the form of an interest free loan, in order for them to benefit in some other way have been considered.

4.39 Consequently, the proposal is still to provide an interest free loan, but this would provide working capital for the Credit Union as follows:

- £10,000 would enable the Council to become a corporate member of the Credit Union. Up to 70% of this amount would be available for the Credit Union to recycle in the form of loans to the local community. This amount and arrangement would satisfy the Regulator.
- £40,000 would be directly invested by the Credit Union into a 1-year interest earning bond. The Credit Union would be able to take advantage of favorable terms, with the return on this money enabling the Credit Union to meet day to day expenses and ease the burden of running costs.

4.40 The amount of £10,000 would effectively be a deposit which could be recalled at any time. However, to enable the Credit Union to have some certainty, it is recommended that the total loan is reviewed on an annual basis. This would also allow the Credit Union to enter into a fixed rate bond (with the £40,000) to achieve the best possible rate of return.

Legal Basis

4.41 The Council has the power to enter into this arrangement by virtue of the Localism Act 2011 and in particular the General Power of Competence contained in Section 1.

4.42 Under this provision, a local authority has power to do anything that individuals of full legal capacity may do, to give authorities the power to take reasonable action they need “*for the benefit of the authority, its area or persons resident or present in its area.*”

The Potential Costs and Risk

4.43 The cost to the Council would effectively be the loss of interest on the principal amount lent of £50,000. This is considered negligible at a current interest rate of 0.5%, the loss of interest equates to approximately £250 per year.

4.44 The element of £10,000 would attract an annual dividend payable to the Council. In recent years, this has been between 0.5% and 0.75%.

4.45 The Investment Bond proposed by the Credit Union for the £40,000 element is protected by the Government’s Deposit Guarantee Scheme which provides cover of up to £85,000 should the counterparty default.

4.46 In addition, the £10,000 element is also protected through the same scheme.

4.47 The principal amount would not be a charge on the revenue of the Council and can easily be accommodated from the Council’s reserve and cash balances. Effectively, it would be carried as a short-term investment on the Council’s Balance Sheet.

5.0 Financial Implications

5.1 As detailed in the report.

6.0 Corporate Implications

6.1. None directly

7.0 Community Implications

7.1 None directly

8.0 Background Papers

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

8.2 Local Government Act 2003 (Part 1)

8.3 Localism Act 2011 – Part 7 Chapter 3

Appendix1: LIST OF PRUDENTIAL INDICATORS 2014/15 to 2019/20

External Debt	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
Debt 1st April	58,457	57,450	57,450	57,450	57,450	57,450
New Debt	0	0	0	0	0	0
Maturing Debt	-1,007	0	0	0	0	0
Debt 31st March	57,450	57,450	57,450	57,450	57,450	57,450
Annual Change in Debt	-1,007	0	0	0	0	0
Long-term Investments	0	0	0	0	0	0
Short-term Investments	7,456	6,456	5,456	4,456	3,456	2,456

Limits compared to Actual Debt	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
Authorised Limit - General Fund	6,540	6,375	6,020	5,673	5,335	5,005
Authorised Limit - HRA	66,853	66,853	66,853	66,853	66,853	66,853
Financing Requirement	68,123	67,958	67,603	67,256	66,918	66,588
Operational Boundary	62,423	62,423	62,423	62,423	62,423	62,423
Gross Debt	57,450	57,450	57,450	57,450	57,450	57,450
Debt Less Investments	49,994	50,994	51,994	52,994	53,994	54,994

General Fund - Net Indebtedness	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
CFR	6,540	6,375	6,020	5,673	5,335	5,005
Estimated Reserves	9,268	8,400	6,551	5,885	5,374	4,278
Net Indebtedness	-2,728	-2,025	-531	-212	-39	727

HRA Limit on Indebtedness	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
HRA Debt Cap	66,853	66,853	66,853	66,853	66,853	66,853
HRA CFR	61,583	61,583	61,583	61,583	61,583	61,583
Difference	5,270	5,270	5,270	5,270	5,270	5,270
HRA Debt	57,423	57,423	57,423	57,423	57,423	57,423
Borrowing Headroom	9,430	9,430	9,430	9,430	9,430	9,430

Interest Payable and Receivable	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
General Fund						
Interest Payable	4	4	4	4	4	4
Interest Received	-49	-39	-58	-83	-86	-86
HRA						
Interest Payable	1,874	1,685	2,020	2,120	2,222	2,269
Interest Received	-13	-16	-14	-26	-36	-65



**South
Derbyshire
District Council**

Treasury Management and Investment Strategy 2015/16

February 2015

1.0 Introduction

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

Reporting Treasury Management

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

Responsibility for Treasury Management

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

External Support for Treasury Activity

- 1.11 All designated officers involved in treasury activity are covered under the Council's insurance. Officers are also supported by external treasury advisors who provide research material [page 57 of 66](#), together with general advice and guidance.

Audit Arrangements

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

The Strategy

1.13 This strategy covers:

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

2.0 Debt and Investment Projections

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

External Debt	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
Debt 1st April	58,457	57,450	57,450	57,450	57,450	57,450
New Debt	0	0	0	0	0	0
Maturing Debt	-1,007	0	0	0	0	0
Debt 31st March	57,450	57,450	57,450	57,450	57,450	57,450
Annual Change in Debt	-1,007	0	0	0	0	0
Long-term Investments	0	0	0	0	0	0
Short-term Investments	7,456	6,456	5,456	4,456	3,456	2,456

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

Limits compared to Actual Debt	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
Authorised Limit - General Fund	6,540	6,375	6,020	5,673	5,335	5,005
Authorised Limit - HRA	66,853	66,853	66,853	66,853	66,853	66,853
Financing Requirement	68,123	67,958	67,603	67,256	66,918	66,588
Operational Boundary	62,423	62,423	62,423	62,423	62,423	62,423
Gross Debt	57,450	57,450	57,450	57,450	57,450	57,450
Debt Less Investments	49,994	50,994	51,994	52,994	53,994	54,994

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

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

Management of Debt

2.5 As approved by the Finance and Management Committee on 23rd January 2012, the Council decided to adopt a “two pool” approach to debt management. This involves splitting borrowing between the General Fund and the HRA and then allocating new loans to each pool as required.

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

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

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

Internal Borrowing – Cash Management

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

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

Use of Financial Instruments

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

General Fund Debt

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

General Fund - Net Indebtedness	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
CFR	6,540	6,375	6,020	5,673	5,335	5,005
Estimated Reserves	9,268	8,400	6,551	5,885	5,374	4,278
Net Indebtedness	-2,728	-2,025	-531	-212	-39	727

2.13 However, the table also shows that by 2019/20, the underlying indebtedness increases to a position where borrowing may apply. This will depend on overall cash flow and this is likely to be a temporary position. However, it will be kept under review.

HRA and Limit on Indebtedness

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

2.15 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	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
HRA Debt Cap	66,853	66,853	66,853	66,853	66,853	66,853
HRA CFR	61,583	61,583	61,583	61,583	61,583	61,583
Difference	5,270	5,270	5,270	5,270	5,270	5,270
HRA Debt	57,423	57,423	57,423	57,423	57,423	57,423
Borrowing Headroom	9,430	9,430	9,430	9,430	9,430	9,430

2.16 It is expected that the CFR and actual debt on the HRA will remain fairly flat over the current MTFP. However, the HRA Business Plan does allow for additional borrowing up to the HRA's debt cap to utilise the borrowing headroom of £9.43m shown in the preceding table.

2.17 The full implications of future New Build programmes beyond the initial 1st phase are still subject to an options appraisal. This is unlikely to occur in 2015/16 and future treasury management considerations associated with New Build will form part of the options appraisal.

2.18 The next planned major debt repayment is a variable rate loan of £10m in 2022. The HRA Business Plan allows for sums to be set aside from its revenue account, commencing in 2017/18 as a provision to repay this and future loans, in accordance with the debt maturity profile.

Revenue Implications

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

Interest Payable and Receivable	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
General Fund						
Interest Payable	4	4	4	4	4	4
Interest Received	-49	-39	-58	-83	-86	-86
HRA						
Interest Payable	1,874	1,685	2,020	2,120	2,222	2,269
Interest Received	-13	-16	-14	-26	-36	-65

3.0 Current Economic Outlook

- 3.1 Since early 2013, the UK economy has been steadily growing. However, the latest growth forecasts have recently been revised down from 3% year on year, to 2.7%. It is considered that is due to a slowdown in household consumption, together with a more pessimistic outlook for continuing high employment levels and wage growth.
- 3.2 In addition, inflationary pressure is currently low with the latest CPI and RPI rates being 0.5% and 1.6% respectively (as at December 2014). These are the lowest rates since May 2000 and are being influenced by the continuing reduction in the price of crude oil feeding into fuel and energy prices.
- 3.3 Due to the low level of inflation and the factors underpinning the figures, it is considered that interest rates will remain at historically low levels until later in 2015, or even beyond. The current outlook for inflation of 2.5% by 2017/18 means that any interest rate rises will be small (0.25%) and incremental.
- 3.4 In deciding whether to increase the main Bank Base Rate, the Bank of England's Monetary Policy Committee pays particular attention to the rate of growth and wage inflation. If these were to accelerate sharply over the next year, this could mean a different strategy evolves in order to keep inflation to the Government's average target of 2%.

Borrowing Strategy 2015/16 and Longer-Term Plan

- 4.1 The only debt outstanding relates to the HRA following the debt take-on as part of the self-financing framework for Council Housing introduced in April 2012. For several years, the Council has not entered into any other long-term borrowing arrangements and has managed new prudential borrowing internally through its cash reserves and balances.
- 4.2 This has proved to be a cheaper form of borrowing with interest rates historically low, limiting the interest earned by having those reserves on deposit.

Existing Debt

- 4.3 The General Fund has no significant external borrowing outstanding.

HRA Debt

- 4.4 Total debt outstanding is £57.423m. Of this debt, £10m is at a variable rate and is forecast to increase from 0.6% in 2014/15, to 1.1% by the end of 2015/16. The remaining balance of the debt is all at fixed rates.
- 4.5 This debt is due to mature periodically between 2022 and 2042. The HRA Business Plan allows for these repayments by setting-aside resources from 2017/18.
- 4.6 The HRA debt will be reviewed regularly with the Council's treasury advisors to ensure that the portfolio continues to suit the Council.
- 4.7 During 2014/15, the Council repaid the only other major debt liability outstanding, i.e. a money market loan of £1m. This was to take advantage of early termination terms offered by the Lender and to save approximately £50,000 per year in future interest charges to 2032.

Debt restructuring

- 4.8 This will be kept under review and the Council has retained the services of treasury advisors to assist the Council. It is possible that the Council will be in a position to repay debt earlier and may also wish to reschedule some longer-term debt depending on future interest rates.
- 4.9 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.

Variable Rate Debt

- 4.10 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 HRA Business Plan. The Plan assumes that

the rate on this debt will rise to 2% over the MTFP in accordance with current forecasts for interest rates (it is currently 0.6%).

Additional Borrowing

- 4.11 The Prudential System for Capital Finance provides flexibility for local authorities to borrow within their overall limit. Effectively, councils can borrow money as long as they are able to demonstrate that the associated interest and principal repayments are affordable and sustainable within their longer-term financial resources.
- 4.12 Additional borrowing can also be undertaken on an “invest to save” basis, i.e. the cost of loan finance is met from the payback of the investment (efficiencies or additional income, etc.).
- 4.13 The Council has already approved (October 2014) some prudential borrowing, internally, to help deliver a major capital project in 2015/16. The effects of this borrowing have been included in the treasury indicators and the MTFP.
- 4.14 The HRA self-financing framework provides an opportunity for the Council to undertake additional borrowing as detailed in Section 2 (above). Although this is not anticipated over the current MTFP, it will be kept under review in accordance with the HRA’s Business Plan requirements.

Borrowing in Advance

- 4.15 The Council will only borrow in advance of need if it is felt that the benefits of borrowing at interest rates now, compared to where they are expected to be in the future, outweighs the current cost and risks associated with investing the proceeds until the borrowing was actually required. Any accounting matters and the general legality will also be considered on a case by case basis.
- 4.16 In summary, the key matters in the borrowing strategy for 2015/16 are as follows:
- Meeting the Council’s cash flow requirements (*although this will be primarily through its Investment Strategy in Sections 6 and 7*).
 - Keeping under review the HRA debt pool and in particular the variable rate borrowing.

5.0 Treasury Management Prudential Indicators and Limits on Activity

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

Upper limits on variable interest rate exposure

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

Upper limits on fixed interest rate exposure

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

Maturity structure of Fixed Rate Borrowing

- 5.5 Based on the HRA debt take-on and the money market loan outstanding, the maturing structure is as follows:

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

- 5.6 Although all fixed rate debt is expected to be repaid beyond 10 years, this is spread over a period up to a maximum of 28 years.

Total principal funds invested for greater than 364 days.

- 5.7 This indicator does not apply to the Council.

6.0 Investment Counterparty and Liquidity Framework

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

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

Specified Investments

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

6.3 In addition, short-term investments with bodies with "high credit ratings" will count as specified investments. It is left to each authority to determine these institutions, and the Council must determine investment limits, maximum periods and monitoring arrangements.

Non-Specified Investments

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

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

Credit Quality

6.6 The credit worthiness of counterparties remains paramount in any investment decision and this is reflected in the approved lending policy and counterparty list. This is currently pertinent given the restructuring of the banking sector in the UK and the move towards the principle of "bail ins."

- 6.7 During 2014/15, the Council approved a fundamental shift in its lending policy. This moved away from a traditional model based primarily on credit ratings, to that based on an assessment of a financial institutions' ability to incur losses before a depositor bail-in.
- 6.8 Besides this, the Council refers to the financial press, any government support for banks and other market data. This is backed up by information and advice from the Council's retained treasury advisors.
- 6.9 Based on these core principles, the strategy in Section 7 (below) has been adopted.

7.0 Investment Strategy 2015/16

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

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

General Policy

- 7.6 As approved, priority is given to specified investments in any investment decision. The length of investment is made in accordance with overall cash flow requirements.
- 7.7 The policy focuses on the credit quality of investment counterparties rather than amounts invested and returns.
- 7.8 Where regular investments are made with named financial institutions, this is generally undertaken via instant access accounts. This allows funds to be withdrawn at short notice if the financial situation of these institutions was to change,

Use of Non-Specified Investments

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

Use of Treasury Advisors

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

Performance Indicators

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

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

APPROVED LENDING LIST & POLICY

1. Approved Types of Investment

The Council uses the following types of investment when managing funds:

- Fixed Term Deposits
- On Call Deposits

2. Lending Policy and Counterparty List (last updated October 2014)

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

REPORT TO:	FINANCE AND MANAGEMENT COMMITTEE	AGENDA ITEM: 9
DATE OF MEETING:	19th FEBRUARY 2015	CATEGORY: RECOMMENDED
REPORT FROM:	DIRECTOR OF FINANCE and CORPORATE SERVICES	OPEN
MEMBERS' CONTACT POINT:	KEVIN STACKHOUSE (01283 595811) kevin.stackhouse@south-derbys.gov.uk	DOC: u/ks/budget round 201516base budget policy reports/final budget proposals 15 16
SUBJECT:	FINAL BUDGET PROPOSALS 2015/16 and FINANCIAL PLAN to 2020	REF:
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: FM 08

1.0 Recommendations

- 1.1 That a Council Tax Level and Band D equivalent rate for 2015/16 is recommended to Full Council on 2nd March 2015.
- 1.2 That estimated net General Fund Revenue Expenditure totalling £10,892,994 for 2014/15 (revised) and £10,996,355 or 2015/16 is recommended to Full Council on 2nd March 2015.
- 1.3 That the Medium-term Financial Plan to 2020 on the Council's General Fund Revenue Account as detailed in **Appendix 1** is approved.
- 1.4 That the financial projection on the Housing Revenue Account (HRA) to 2024 as detailed in **Appendix 2** is approved.
- 1.5 That the 5-year capital investment and financing plan to 2020 as detailed in **Appendix 3** is approved.
- 1.6 That the Councils estimated National Non-Domestic Rate Return (NNDR 1) for 2015/16 showing retained business rates (before the tariff) of £8.79m is noted.
- 1.7 That the report of the Council's Section 151 (Chief Finance) Officer under Section 25 of the Local Government Act 2003 is noted.

2.0 Purpose of the Report

- 2.1 To detail the Council's final budget proposals for 2015/16 and medium term financial projections on its main revenue and capital accounts. This includes an assessment of the overall budget and level of reserves as required by the

Local Government Act 2003. The proposals will form the basis of setting the Council Tax for 2015/16 by Full Council on 2nd March 2015.

- 2.2 The Council's overall proposed base budget for 2015/16 and projected medium-term financial position was reported in detail to the Committee on 15th January 2015 (details are available at: <http://south-derbys.cmis.uk.com/south-derbys/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/1731/Committee/367/Default.aspx>)
- 2.3 This report does not repeat those details but firms up the position following a period of scrutiny and consultation.
- 2.4 The remaining matter outstanding is to confirm the recommended level of Council Tax for 2015/16 and this is detailed within the report.
- 2.5 The report also provides an overview of the Housing Revenue Account and its updated financial projection that was considered and approved by the Housing and Community Services Committee on 5th February 2015. This included the rent increase for 2015/16.
- 2.6 The report is divided into the following sections.
 - Section 3: General Fund Revenue Account, including Council Tax
 - Section 4: Housing Revenue Account
 - Section 5: Capital Investment
 - Section 6: Report of the Chief Finance Officer under Section 25 of the Local Government Act 2003

Appendices

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

3.0 General Fund Revenue Account

- 3.1 As reported in January, the Council's Base Budget and Medium Term Financial Plan (MTFP) were reviewed ahead of 2015/16. This took account of the Local Government Financial Settlement for 2015/16, together with outcomes from a base budget review undertaken during the autumn.
- 3.2 The position has remained unchanged from that reported in January and is detailed in **Appendix 1**. An amount of £661,000 has been earmarked against the General Reserve in 2015/16 for new capital investment. Six projects were approved by the Committee in January and these are detailed later in the report.

3.3 Although there is an on-going budget deficit position in future years, the level of the General Reserve is well above the minimum level directed by the Financial Strategy. The projection (as reported) is summarised in the following table.

General Fund: Medium-Term Projection as at December 2014

Year	Budget Deficit / Surplus (-)	Sums Earmarked against Reserve	Balance of General Reserve
Base Budget 2014/15	-£149,586	£202,000	-£5,857,676
Proposed Budget 2015/16	-£91,189	£881,000	-£5,067,865
Projection 2016/17	-£84,724	£420,000	-£4,732,589
Projection 2017/18	£526,904	£90,000	-£4,115,685
Projection 2018/19	£814,773	£20,000	-£3,280,912
Projection 2019/20	£1,101,315	£20,000	-£2,159,597

3.4 Effectively, the General Fund has a budget surplus for 2015/16 and 2016/17 based on current projections. A deficit is then forecast from 2017/18 as expected reductions in core government funding take effect.

3.5 In the meantime, the balance on the General Reserve remains healthy and after allowing for the deficit in the 3 years after 2016/17, the projected level is £2.1m, well above the minimum contingency level of £1m.

Risks

3.6 The greatest risks to the financial plan are still considered to be the degree of future reductions in core government funding, together with underlying cost pressures. The Financial Settlement did not change the level of core funding for 2015/16, which was provisionally set last year.

3.7 However, the preceding Autumn Statement broadly confirmed that there would be some further reductions from 2016/17 and it is expected that local authorities will face some large reductions for a further 2 to 3 years. This will depend on the next spending review of the public finances expected after the next Parliament, later in 2015/16.

Future Core Funding

3.8 The current projections beyond 2015/16 have not been changed at this stage. The MTFP has built in on-going reductions in Revenue Support Grant (RSG) in future years. Moderate increases in New Homes Bonus (NHB) and Retained Business Rates (RBR) continue to be made in line with growth predictions which help to partly offset falling RSG.

Future Expenditure

- 3.9 Some additional cost pressures have been added to base budgets in 2015/16. These largely cover maintenance of assets and public facilities. Growth is steadily increasing across much of the District and this is realising additional income. It is important that further cost pressures associated with this growth are kept under review.
- 3.10 The overall financial position has been steadily improving over the last 2 years due to budget savings, together with positive out-turn positions compared to base budgets. Reserves should be further supplemented by the estimated underspend in 2014/15 (as reported in December 2014) although this has not been included in the MTFP at this stage as it is still to be confirmed.
- 3.11 The Budget continues to make on-going provision for some growth in expenditure and annual inflation. In addition, separate reserves are maintained to meet specific one-off costs. Even allowing for a margin of error in assumptions, the overall position is well placed.
- 3.12 However, the Council should remain cautious in the short-term, until the future funding position for local authorities is more certain and to remain flexible to meet any additional spending pressures. Future budget deficits are still projected based on increasing expenditure for current service provision, together with a reduction in core funding.

Council Tax

- 3.13 In January, the Committee proposed a Council Tax Freeze in 2015/16, supported partly by a specific Government Grant. This is subject to approval by Full Council on 2nd March 2015. The Committee is required to recommend a Council Tax rate to that meeting with the current Band D rate being £150.25.

Retained Business Rates

- 3.14 This part of the Council's core funding is not fixed and will depend on actual transactions during the year. As reported in January, the Council will become part of the Derbyshire Business Rates Pool in 2015/16.
- 3.15 The Council is still required to submit estimated figures to the Government through an annual return. This calculates the estimated net rates available for distribution; following the completion of the annual return, the distributable amounts are estimated as shown in the following table.

Central Government	£10,989,962
South Derbyshire District Council	£8,791,969
Derbyshire County Council	£1,978,193
Derbyshire Fire and Rescue Service	£219,799
Total Estimated Net Rates 2015/16	£21,979,923

- 3.16 The Council's estimated rates retention (before the Tariff payment) is £8,791,969. This is higher than the figure used by the Government in the financial settlement of £8,491,000 and is based on updated information locally.
- 3.17 If the out-turn is at the estimated level of £8.791m then additional resources will be retained locally in the Business Rates Pool compared to the provisional settlement for 2015/16 (of £8,491m).

4.0 Housing Revenue Account (HRA)

- 4.1 The based budget and medium term financial position was considered in detail by the Housing and Community Services Committee on 5th February. This Committee also set the rent increase for 2015/16 in accordance with the approved rent policy, i.e. **2.2%**.

<http://south-derbys.cmis.uk.com/south-derbys/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/1740/Committee/370/Default.aspx>

- 4.2 During 2014, the Business Plan for the HRA was subject to a detailed review and update. This was to consider the resources available for New Build and to update the financial projection following the first 2 years of "self-financing" together with the impact of changes to the national rent setting guidelines, to be implemented in April 2015.
- 4.3 The Business Plan review was undertaken by a group consisting of members and tenants, supported by officers. The group reported in November 2014 and the revised business plan, comprising a 30-year financial projection, was considered and approved by the Committee in December 2014.
- 4.4 The Financial Plan, approved in December 2014, was based on updated spending information following the 2013/14 budget out-turn for the HRA, together with changes following the previous review in January 2014.
- 4.5 The Plan was fully costed over its 30 year life and showed a sustainable financial position whilst delivering the existing capital investment programme, repaying debt and delivering the 1st phase of the New Build Programme.
- 4.6 This was on the basis that the HRA's General Reserve would remain at a minimum level of £1m from year to year as set out in the Council's Financial Strategy.

Longer term Plan

- 4.7 The 10-year projection included in the Business Plan is detailed in **Appendix 2**. The financial model is established and is designed so that a £1m minimum balance is maintained on the HRA's general reserve and that planned resources are set aside for debt repayment. These are the priority financial objectives to ensure that the Business Plan is sustainable.

- 4.8 Given that these two objectives are met, any increase or decrease in resources are reflected in the planned capital or new build programmes and these are flexed accordingly into the longer term. Effectively, the financial model is based on sustaining the core housing service.
- 4.9 Unless there is a significant change in resources in any year, this should not affect the short to medium term position. However, the cumulative effects of a change in one year, over 30-years, can affect the longer term aspirations built into the Plan.
- 4.10 The main focus of the Plan is over the medium term period of between 5 and 10 years. This ensures that any changes do not materially affect plans already in place to deliver the approved capital investment and new build programmes.
- 4.11 The HRA has 3 separate reserves as follows:

Working Balance or General Reserve	Held as a contingency with a minimum balance of £1m.
New Build Reserve	Accumulated Capital Receipts pending expenditure on building new properties. The financial model assumes that these are drawn down each year to finance New Build ahead of any further borrowing. Therefore, the carrying balance from year to year remains low.
Debt Repayment Reserve	Sums set-aside to repay the initial “self-financing” debt; contributions to the Reserve start from 2018/19 in accordance with the debt repayment profile.

HRA Financial Risks

- 4.12 The Plan remains affordable based on the assumptions and associated budgets in the overall Plan. As planned at the outset of the self-financing framework, the HRA starts to generate surpluses after 2018/19 in order to repay debt.
- 4.13 The biggest risk is still considered to be future rent rises. The Financial Plan is fundamentally based on the Government’s national rent guideline from 2015/16, i.e. inflation +1% year on year. If corresponding income levels are not achieved, this will have an effect on projected spending plans and investment.

New Build Programme

- 4.14 A Phase 1 programme has been approved and initial contractors appointed. Land has been identified and assembled and some initial works undertaken. The main projects are expected to commence in 2015/16.
- 4.15 This phase has a budget of £5.4m and is being financed mainly from resources already in the HRA and accumulated capital receipts. It is planned to provide up to 50 new properties.
- 4.16 The Plan also allows for the HRA to borrow a further £9m up to its debt cap over the life of the Business Plan. This is designed to maximise the amount of New Build within available resources.
- 4.17 Although the Plan allows for a further 60 properties by 2018 and then 130 up to 2024, each phase in the future will need to be subject to a separate financial assessment and appropriate approval. The Business Plan Group recommended that alternative delivery models should be considered in the future to achieve the aims set out in the Plan.

5.0 Capital Investment

- 5.1 The main areas of spend continue to be on council housing investment and the improvement of leisure and community facilities.
- 5.2 A substantial part of the investment programme is being financed from external sources, together with the Council's remaining capital reserves.
- 5.3 The full programme along with financing is detailed in **Appendix 3**. The relevant Prudential Indicators for the capital programme are detailed in the Treasury Management Strategy which is a separate report on this Committee's Agenda.

New Investment

- 5.4 In January, the Committee approved further projects totaling £661,000 which has now been earmarked against the General Fund Reserve. The projects are shown in the following table:

Project	Gross Cost £'000	External Funding £'000	Cost to SDDC £'000
Swadlincote Woodlands Nature Reserve	37	22	15
Rosliston Forestry Centre Play Facility	130	80	50
Private Sector Disabled Facility Grants	186	0	186
Community Partnership Scheme	300	0	300
Grove Hall Active Zone Redevelopment	100	0	100
Noise and Antisocial Behavior Prevention	10	0	10
TOTAL	763	102	661

Capital Receipts

- 5.5 With the implementation of the self-financing framework, Council policy is to reinvest all housing receipts (after any pooling payment to Government) from the sale of council houses and land, into the housing stock and in particular, for New Build.
- 5.6 As regards New Build, the Council has entered into an agreement with the Government to enable it to retain additional receipts generated above a target level of council house sales each year (known as 1-4-1 receipts) to be used on New Build.
- 5.7 As highlighted to the Committee in quarterly budget monitoring reports, a New Build Reserve is accumulating and currently stands at approximately £2m. This will need to be spent on delivering New Build on an incremental basis to satisfy the agreement with the Government.

General Fund Receipts

- 5.8 Future receipts are anticipated from the sale of land off William Nadin Way and as approved, this will be reinvested into relocating the Council Depot.
- 5.9 There is also an anticipated receipt in 2016/17, from the option to sell land previously approved. This is currently subject to a developer invoking their option to purchase the land before it is placed on the open market.
- 5.10 If this receipt is not realised, then other receipts would need to be identified in order for the on-going contribution, from capital receipts, for the replacement of vehicles and plant to be made.
- 5.11 At least £300,000 is currently required by 2017/18. Some additional receipts may also be received from the sale of the existing depot site once it is vacated.
- 5.12 The projected position is shown in the following table.

ESTIMATED GENERAL CAPITAL RECEIPTS	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
Balance b/fwd	2,152	1,586	1,364	764	714	464
Add Approved Land Sales	15	30				
Add Sale of Land at Williams Nadins Way		1,500	500	600		
Add Land Sale Option, subject to Contract			500			
Add Transfer of Land at Coton Park to HRA	200					
Add Transfer from General Reserve (Vehicles)			250			
Less - Financing of New Depot		-500	-1,600	-400		
Less - Contribution to Vehicle Renewals Fund	-250	-250	-250	-250	-250	-250
Less - Amount required to Fund GFund Schemes	-531	-1,002	0	0	0	0
Balance c/fwd	1,586	1,364	764	714	464	214

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

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

Comments of the Chief Finance Officer

6.2 This report and that considered on 15th January 2014, highlights the risks and uncertainties surrounding the Council's financial plans and in particular, future Government grant levels.

6.3 It is considered that estimates of expenditure are prudent in that they provide for inflation and other known variations, together with provisions that recognise both current cost pressures, together with potential costs associated with growth of the District. The Budget for 2015/16 and forward projections are based on the most up-to-date economic forecasts for inflation and interest rates, etc.

6.4 In addition, a realistic but prudent view has been taken regarding projected income levels from fees, charges and short-term investments. This also includes the likely effects of future funding in the form of Retained Business Rates and the New Homes Bonus.

6.5 The compilation of detailed budgets has been undertaken in conjunction with service managers, including wherever possible, a zero based approach to compiling budgets. It is recognised that the Council has well established performance and budget monitoring arrangements in place to help ensure that Council finances are monitored effectively. This includes a quarterly report to this Committee.

6.6 The Council's Financial Strategy directs the Council to plan its spending over a 5-year rolling period for the General Fund and 10 years for the Housing Revenue Account. This provides an indication of the sustainability of spending plans and allows sufficient time in which remedial action can be implemented to address any issues in a planned and timely manner.

6.7 The following table shows the projected level of revenue reserves over this planning period, 2015 to 2020.

Projected Level of Revenue Reserves

Revenue Reserves	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
General Fund	5,858	5,068	4,733	4,117	3,281	2,160
Earmarked Reserves	3,410	3,332	1,818	1,768	2,093	2,118
HRA	1,100	1,400	1,200	3,600	6,000	9,300
Estimated Balances	10,368	9,800	7,751	9,485	11,374	13,578

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

General Fund

6.9 The previous table shows that the level of reserves on the General Fund is currently healthy compared to the minimum target of £1m and are sustainable over the life of the MTFP.

6.10 Although the financial projection allows for on-going spending to be financed, the Council will need to be mindful of the projected budget deficit from 2017/18 and the potential to place an over reliance on using reserves to finance an on-going deficit.

6.11 Based on this latest projection, General Fund expenditure is still greater than income into the medium to longer term.

6.12 The Council does have a history of under spending on its General Fund. This is reviewed each year and budgets adjusted accordingly. However, future under spends are not guaranteed and therefore, should not be relied upon

6.13 As a growth area, income from planning fees, etc. are expected to increase. However, this cannot be guaranteed and this income can fluctuate significantly from year to year. Therefore, the base budget should be reviewed when the impact of growth that arises from the development of the Local Plan in particular, is known.

6.14 Future projections for core funding in the Business Rates Retention System, have taken into account the latest forecasts for national control totals. This will now be influenced by the performance of the Derbyshire Pool, which clearly could be positive.

6.15 Even with anticipated increases in New Homes Bonus and Business Rates income, overall funding is expected to reduce until 2018/19 in accordance with forecasts from the *Office of Budget Responsibility*.

6.16 Overall therefore, a cautious approach has been recommended pending the outcome of the next spending review, expected later in 2015/16.

Housing Revenue Account (HRA)

6.17 The overall financial position on the HRA continues to remain positive. If the financial plan regarding debt management and repayment, together with the approved rent policy in particular is followed, then the HRA should remain sustainable and deliver an initial New Build programme.

- 6.18 The increasing level of the General Reserve from 2017/18 reflects the surpluses being generated in order to set-aside amounts as a provision for debt repayment in accordance with the maturity profile.
- 6.19 Under self-financing, the HRA is less influenced by external factors unless there was to be a significant change to this framework. Financial risks are lower if fixed budgets for repairs and capital investment are met.
- 6.20 It is noted that funding provided to the HRA for Supported Housing may come under pressure and this will need to be kept under review. As with the General Fund, the 10-year plan allows for issues and remedial action to be addressed if there is any significant change.

Earmarked Reserves

- 6.21 The Council also maintains several reserves that are used to meet one-off/known commitments or to defray expenditure over a number of years, for example, ICT upgrades, vehicle replacements, community development projects and grounds maintenance.
- 6.22 It is considered that current reserves will remain sufficient overall to meet commitments over the life of the current MTFP. Reserves held to finance on-going community and sports development spending, will need to be kept under careful review if external and partnership contributions significantly reduce.
- 6.23 A list of all other reserves and funds is detailed in **Appendix 4** showing current balances.

Risk Analysis

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

Factor	Issue	Mitigation	Likely effect on Financial position
Core Funding	<ul style="list-style-type: none"> Further reductions in RSG and possible changes to redistribution systems. 	<ul style="list-style-type: none"> Current national trends anticipated in the MTFP. 	<p>High</p> <p>Cumulatively, a 1% variance in core funding equates to around £300,000 over the MTFP.</p>
Council Tax and the Collection Fund Balance	<ul style="list-style-type: none"> Collection rates reduce due to the economic climate. Demand for Council Tax Support increases 	<ul style="list-style-type: none"> "In built" surplus in the Collection Fund. Local growth is continuing and even at a 	<p>Medium</p> <p>Only 11% of the Balance is transferred to the Council's General Fund. In</p>

	<p>when resources are fixed.</p> <ul style="list-style-type: none"> • Empty properties increase reducing New Homes Bonus. 	<p>moderate pace is beneficial.</p> <ul style="list-style-type: none"> • Council will become a member of a Derbyshire Pool from 2015/16 for retention of growth receipts. 	<p>addition, effect is not immediate and costs can be spread.</p>
Growth	<ul style="list-style-type: none"> • A key factor influencing future levels of grant funding under the business rates redistribution system and NHB. • The number of local businesses declines which reduces base income. • Affects Council Tax income and other income streams such as Development Control (Planning). 	<ul style="list-style-type: none"> • The MTFP projects growth at 2% per year for Business Rates and 1% for the Council Tax Base; these rates are considered realistic and prudent based on recent years. • Future budgets for planning, land charges income, etc. are currently within actual levels for 2014/15. 	<p>High</p> <p>This could affect the MTFP either way. Growth is a determining factor for the Council's income and expenditure – and is subject to external factors. This will directly impact on the General Fund.</p>
Budget Overspend	<ul style="list-style-type: none"> • Underlying cost pressures due to growth yet to surface. • Unexpected costs. There are on-going cost pressures as identified in the Base Budget review for 2015/16. 	<ul style="list-style-type: none"> • Current level of general and specific reserves is healthy and MTFP allows contingencies for inflation and growth, etc. • The base budget has been scrutinised and monitoring arrangements in place allow early identification of issues. 	<p>Medium</p>
General Economic Conditions	<ul style="list-style-type: none"> • Higher price increases on key costs such as fuel and utilities. • Interest rates affect investment returns and debt payments. 	<ul style="list-style-type: none"> • Central inflation contingency for price increases. • The General Fund is currently “debt free” and not subject to movement in interest rates. 	<p>Low</p>

		<ul style="list-style-type: none"> • Sufficient balances allow “internal borrowing” if required. • Budgeted income from short-term investments is relatively low. 	
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Consultation and Provision of Information

6.25 The information and broad budget proposals, together with details on where the Council spends its money, have been presented across the District. Specifically, this has been undertaken via:

- Local Area Forums
- Consultation with the local businesses, together with the Community and Voluntary Sector, including a presentation at the South Derbyshire Partnership on 27th January 2015.

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

6.27 Although there were questions and queries, no substantive issues were raised. A record of all discussions has been minuted at each Area Forum, at the Overview and Scrutiny Committees on 21st January and 11th February 2015, together with the South Derbyshire Partnership on 27th January.

7.0 Financial Implications

As detailed in the report.

8.0 Corporate Implications

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

9.0 Community Implications

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

10.0 Background Papers

None

GENERAL FUND MEDIUM TERM FINANCIAL PROJECTION (December 2014)

	Approved Budget 2014/15 £	Proposed Budget 205/16 £	Projection 2016/17 £	Projection 2017/18 £	Projection 2018/19 £	Projection 2019/20 £
BASE BUDGET - Net Service Expenditure (incl. Inflation)	10,680,884	10,944,858	10,985,562	11,201,341	11,473,421	11,751,791
Reverse out depreciation	-515,369	-645,650	-645,650	-645,650	-645,650	-645,650
Add in MRP	242,480	232,781	223,470	214,531	205,950	197,712
VRP - Green bins for recycling	109,663	109,663	109,663	109,663	109,663	109,663
Contribution to bad debts provision	20,000	0	0	0	0	0
Increase in Factory Site Rent (as per lease agreement)	0	0	-10,000	-5,000	-5,000	-5,000
Anticipated Change in Net Interest Received	0	0	-6,497	-27,586	-21,999	-22,321
Pay and Grading - on-going costs	34,000	35,000	35,000	35,000	35,000	35,000
Incremental Salary Increases	0	0	17,000	17,000	17,000	17,000
Leisure Management Contract - Reducing Subsidy (increase 2017 /18)	0	0	-15,195	-18,061	-18,061	-18,061
HRA Recharges	0	0	0	0	0	0
Pay and grading review - additional on going resources	130,000	130,000	130,000	130,000	130,000	130,000
Contingent Sum - Inflation	148,795	89,704	264,780	321,079	327,371	333,809
Contingent Sum - Growth	100,000	100,000	100,000	100,000	100,000	100,000
District Election May 2015	0	0	-125,000	-125,000	-125,000	-125,000
HRA Post	20,158	0	0	0	0	0
Restructure Savings	-77,616	0	0	0	0	0
Approved / Anticipated Future Changes	212,110	51,497	77,569	105,975	109,273	107,152
TOTAL ESTIMATED SPENDING	10,892,994	10,996,355	11,063,131	11,307,316	11,582,694	11,858,943
FINANCING						
Revenue Support Grant	-2,563,000	-1,811,467	-1,378,000	-823,000	-811,000	-800,000
Share of redistributed business rates (after Tariff & Levies)	-2,248,000	-2,290,654	-2,374,000	-2,439,000	-2,506,000	-2,750,000
New Homes Bonus	-1,779,758	-2,322,405	-2,716,900	-2,728,626	-2,540,029	-2,162,835
Transfer to Homelessness	64,080	0	0	0	0	0
Payment to Parish Councils - Share of Council Tax Support Grant	43,627	43,627	43,627	43,627	43,627	43,627
Council Tax Freeze Grant 2014/15 and 2015/16	-49,648	-50,794	0	0	0	0
Council Tax Payers	-4,465,881	-4,598,852	-4,736,806	-4,878,438	-5,023,840	-5,173,108
Collection Fund Surplus	-20,000	-57,000	-20,000	-20,000	-20,000	-20,000
Subsidy Administration Grant	0	0	34,223	65,024	89,322	104,688
Section 31 Grant	-24,000	0	0	0	0	0
TOTAL FINANCING	-11,042,580	-11,087,545	-11,147,855	-10,780,413	-10,767,920	-10,757,628
Surplus (-) / Deficit	-149,586	-149,586	-84,724	526,904	814,773	1,101,315
GENERAL FUND RESERVE						

GENERAL FUND MEDIUM TERM FINANCIAL PROJECTION (December 2014)

	Approved Budget 2014/15 £	Proposed Budget 205/16 £	Projection 2016/17 £	Projection 2017/18 £	Projection 2018/19 £	Projection 2019/20 £
Balance b/f	-5,910,090	-5,857,676	-5,067,865	-4,732,589	-4,115,685	-3,280,912
(Surplus)/Deficit	-149,586	-91,189	-84,724	526,904	814,773	1,101,315
Pay and Grading Review	0	200,000	150,000	70,000	0	0
Contribution to vehicle replacement fund (previously in cost of services)	20,000	20,000	20,000	20,000	20,000	20,000
Contribution to Pensions Reserve	182,000	0	0	0	0	0
Provision for Capital Funding	0	661,000	250,000	0	0	0
Balance c/f	-5,857,676	-5,067,865	-4,732,589	-4,115,685	-3,280,912	-2,159,597

APPENDIX 2

HOUSING REVENUE ACCOUNT UPDATED FINANCIAL PROJECTION (as at January 2015)

Year	2014.15	2015.16	2016.17	2017.18	2018.19	2019.2	2020.21	2021.22	2022.23	2023.24
All figures in £'000	1	2	3	4	5	6	7	8	9	10
INCOME:										
Rental Income	12,390	12,591	13,131	13,668	14,038	14,420	14,812	15,215	15,933	16,612
Void Losses	-81	-82	-85	-89	-91	-94	-96	-99	-104	-108
Service Charges	140	140	140	140	140	140	144	147	151	155
Non-Dwelling Income	103	105	108	110	113	116	119	122	125	128
Grants & Other Income	284	284	285	285	285	286	287	288	289	289
Total Income	12,835	13,038	13,578	14,114	14,485	14,868	15,265	15,673	16,393	17,076
EXPENDITURE:										
General Management	-1,573	-1,617	-1,659	-1,703	-1,745	-1,789	-1,833	-1,879	-1,929	-1,980
Supported Housing	-837	-756	-775	-794	-814	-834	-855	-877	-898	-921
Bad Debt Provision	-43	-44	-46	-48	-49	-50	-52	-53	-56	-58
Responsive & Cyclical Repairs	-3,287	-3,395	-3,501	-3,588	-3,678	-3,770	-3,897	-4,055	-4,200	-4,353
Total Revenue Expenditure	-5,742	-5,812	-5,980	-6,133	-6,286	-6,443	-6,637	-6,864	-7,083	-7,312
Interest and Capital Adjustments										
Interest Paid	-1,599	-1,685	-2,020	-2,120	-2,220	-2,269	-2,379	-2,533	-2,265	-2,622
Cost of Servicing Debt	-275	-8	-10	-8	-9	-9	-10	-11	-12	-13
Interest Received from General Fund	13	16	14	26	36	65	125	89	45	45
Depreciation	-2,805	-2,853	-2,977	-3,037	-3,099	-3,162	-3,228	-3,352	-3,468	-3,595
Net Operating Income	2,427	2,696	2,604	2,842	2,908	3,049	3,135	3,003	3,611	3,579
APPROPRIATIONS:										
FRS 17 /Other HRA Reserve Adj	94	1,236	0	0	0	0	0	10,000	0	10,000
Revenue Contribution to Debt/Capital	-4,245	-3,745	-2,695	-2,832	-3,053	-3,095	-3,129	-13,013	-3,537	-13,643
Total Appropriations	-4,151	-2,508	-2,695	-2,832	-3,053	-3,095	-3,129	-3,013	-3,537	-3,643
ANNUAL CASHFLOW										
	-1,724	188	-91	10	-145	-46	7	-10	74	-64
Opening HRA Balance	2,810	1,087	1,275	1,184	1,194	1,050	1,003	1,010	1,000	1,074
Closing HRA Balance	1,087	1,275	1,184	1,194	1,050	1,003	1,010	1,000	1,074	1,010
New Build Units Planned	0	50	50	10				50	39	45
Variable Interest Rate	0.70%	1.10%	1.60%	1.80%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%

HRA Base Budgets 2014/15 to 2015/16	Approved	Proposed	Change	
	Budget	Budget		
	2014/15	2015/16		
	£'000	£'000	£'000	
INCOME				
Rental Income	12,390	12,591	201	
Void Losses	-81	-82	-1	
Service Charges	140	140	0	
Garage and Other Income	103	105	3	
Grants & Recharges	284	284	0	
Total Income	12,835	13,038	203	203
EXPENDITURE				
General Management	1,573	1,617	44	
Supported Housing	839	756	-83	
Bad Debt Provision	43	44	1	
Responsive & Cyclical Repairs	3,287	3,395	108	
Total Revenue Expenditure	5,742	5,812	70	70
Add : Interest/Capital Adjustments				
Interest Paid	1,599	1,685	86	
Cost of Servicing Debt	275	8	-267	
Interest Received from General Fund	-13	-16	-3	
Depreciation	2,805	2,853	48	
Total Expenditure	10,408	10,342	-66	-66
Net Operating Income	2,427	2,696	269	269
	5,232	5,549		

CAPITAL EXPENDITURE & FINANCING (as at JANUARY 2015)

	Approved Budget 2014/15 £	Approved B/fwd 2013/14 £	Adjs 2014/15 £	Total Budget 2014/15 £	Approved Budget 2015/16 £	Approved Budget 2016/17 £	Approved Budget 2017/18 £	Approved Budget 2018/19 £	Approved Budget 2019/20 £
COUNCIL HOUSE IMPROVEMENTS									
Major Improvements under Self-financing	5,150,000			5,150,000	5,298,044	5,430,495	5,566,258	5,705,414	4,198,984
Major Disabled Facilities Grant (Council Houses MRA)	300,000			300,000	307,500	315,180	323,070	331,140	339,420
Minor Disabled facilities Grant (Council - HRA)	50,000			50,000	51,250	52,530	53,845	55,190	56,570
Council New Build Programme Phase 1	312,297			312,297	5,374,075	4,496,675	0	0	0
Total Expenditure	5,812,297	0	0	5,812,297	11,030,869	10,294,880	5,943,173	6,091,744	4,594,974

Financed from

Major Repairs Reserve	849,966			849,966	5,434,228	1,800,220	2,686,925	2,678,525	402,356
Revenue Contribution	4,244,568			4,244,568	3,744,568	2,694,560	2,831,623	3,052,567	3,095,337
Capital Reserve	0			0	0	0	0	0	0
HCA Grant	0			0	190,000	0	0	0	0
Loan	0			0	0	5,374,970	0	0	737,145
Earmarked Reserve	717,763			717,763	1,662,073	425,130	424,625	360,652	360,136
Total Financing	5,812,297	0	0	5,812,297	11,030,869	10,294,880	5,943,173	6,091,744	4,594,974

PRIVATE SECTOR HOUSING RENEWAL

Disabled Facility Grants and other Works	389,618			389,618	398,000	398,000	398,000	336,000	336,000
Decent Homes	0			0	73,436	0	0	0	0
DECC Funded Project - Fuel Poverty	4,500			4,500	0	0	0	0	0
Housing Strategy Enforcement Work	2,500			2,500	0	0	0	0	0
Public Sector Stock Condition Survey	0	22,750		22,750	0	0	0	0	0
Empty Property Landlord Grants	0	42,943	0	42,943	0	0	0	0	0
Local Housing Needs Study	0	40,000	0	40,000	0	0	0	0	0
Total Expenditure	396,618	105,693	0	502,311	471,436	398,000	398,000	336,000	336,000

Financed from

External Contributions	0			0	73,436	0	0	0	0
General Fund	2,500			2,500	62,000	62,000	62,000	0	0
Derbyshire County Council	394,118			394,118	336,000	336,000	336,000	336,000	336,000
General Capital Receipts	0	105,693		105,693	0	0	0	0	0
Total Financing	396,618	105,693	0	502,311	471,436	398,000	398,000	336,000	336,000

GENERAL FUND INVESTMENT PROGRAM**COMMUNITY SERVICES**

Hilton Village Hall Extension	0	38,082	0	38,082	0	0	0	0	0
Swadlincote Woodlands Nature Reserve	0	0	0	0	37,000	0	0	0	0
Melbourne Leisure Centre	0	48,400	0	48,400	287,237	0	0	0	0
Melbourne Sports Partnership	200,000	0	0	200,000	1,150,917	330,000	600,000	0	0

CAPITAL EXPENDITURE & FINANCING (as at JANUARY 2015)

	Approved Budget 2014/15 £	Approved B/fwd 2013/14 £	Adjs 2014/15 £	Total Budget 2014/15 £	Approved Budget 2015/16 £	Approved Budget 2016/17 £	Approved Budget 2017/18 £	Approved Budget 2018/19 £	Approved Budget 2019/20 £
Eureka Park - Community Programme	0	470,078	0	470,078	0	0	0	0	0
Rosliston Forestry Centre - Play Project	0	0	0	0	130,000	0	0	0	0
Grove Hall Active Zone Redevelopment	500,000	0	0	500,000	500,000	0	0	0	0
Community Partnership Scheme	100,000	4,968	0	104,968	215,000	0	0	0	0
Open Space Development Project	0	4,068	0	4,068	0	0	0	0	0
Swadlincote Skate Park	35,320	20,000	0	55,320	0	0	0	0	0
Green Bank Leisure Centre Refurbishment - Phase 2	33,182	580,354	0	613,536	0	0	0	0	0
Etwall Leisure Centre - Fitness / Community Facilities	0	0	0	0	360,000	0	0	0	0
Etwall Leisure Centre - Artificial Grass Pitch	0	0	0	0	450,000	0	0	0	0

ENVIRONMENTAL AND DEVELOPMENT SERVICES

Swadlincote Heritage Opportunities project	139	0	0	139	0	0	0	0	0
Noise and Antisocial Behaviour Prevention	9,900	0	0	9,900	0	0	0	0	0
Partnership Schemes in Conservation Areas	3,080	0	0	3,080	0	156,920	120,000	120,000	120,000

PROPERTY AND OTHER ASSETS

Depot	0	0	0	0	0	0	0	0	0
Vehicle Replacements	47,198	0	0	47,198	898,844	250,000	250,000	250,000	250,000
Chestnut Avenue, Midway - Leisure Project	14,762	0	0	14,762	30,615	0	0	0	0
Repairs to Village Halls and Community Facilities	0	0	0	0	31,700	0	0	0	0
Public Buildings - Planned Maintenance Programme	0	0	0	0	58,032	0	0	0	0

Total Expenditure - General Fund

943,581	1,165,950	0	2,109,531	4,149,345	736,920	970,000	370,000	370,000
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Financed from

External Funding (Growth Point)	0	38,082	0	38,082	0	0	0	0	0
Partnership Funding	0	0	0	0	0	330,000	600,000	0	0
Derbyshire County Council	0	0	0	0	250,000	0	0	0	0
Sport England	0	0	0	0	50,000	0	0	0	0
ESC Lottery Fund	33,500	0	0	33,500	0				
Football Foundation	0	0	0	0	100,000	0	0	0	0
Growth Point	0	0	0	0	70,637	0	0	0	0
Trust Funders	0	0	0	0	40,000	0	0	0	0
Community Landfill	0	0	0	0	50,000	0	0	0	0
Big Lottery	0	0	0	0	50,000	0	0	0	0
Section 106	0	21,000	0	21,000	0	0	0	0	0
Derbyshire Sport	33,182	0	0	33,182	0	0	0	0	0
Leisure Management Contractor	0	85,000	0	85,000	0	0	0	0	0

CAPITAL EXPENDITURE & FINANCING (as at JANUARY 2015)

	Approved Budget 2014/15 £	Approved B/fwd 2013/14 £	Adjs 2014/15 £	Total Budget 2014/15 £	Approved Budget 2015/16 £	Approved Budget 2016/17 £	Approved Budget 2017/18 £	Approved Budget 2018/19 £	Approved Budget 2019/20 £
Revenue Contributions	0	20,000	0	20,000	0	0	0	0	0
Sport England - Inspired Facilities Grant	0	150,000	0	150,000	0	0	0	0	0
Earmarked Reserves	0	99,000	0	99,000	0	0	0	0	0
Leisure Management Contractor	0	0	0	0	105,000	0	0	0	0
External Contributions	0	0	0	0	110,000	0	0	0	0
Renewals (Sinking) Fund	0	0	0	0	25,000	0	0	0	0
Section 106	0	125,723	0	125,723	0	0	0	0	0
Heritage Lottery	0	344,355	0	344,355	0	0	0	0	0
Police Authority Funding	0	15,000	0	15,000	0	0	0	0	0
DCC Members Funding	0	4,000	0	4,000	0	0	0	0	0
Section 106	30,000	0	0	30,000	0	0	0	0	0
Revenue Contributions	5,320	0	0	5,320	0	0	0	0	0
Partnership Funding	0	1,000	0	1,000	0	0	0	0	0
Section 106	0	0	0	0	20,000	0	0	0	0
External Contributions	0	0	0	0	430,000	0	0	0	0
Section 106	0	4,068	0	4,068	0	0	0	0	0
Derbyshire County Council	0	0	0	0	0	30,000	10,000	10,000	10,000
Heritage Lottery	0	0	0	0	0	100,000	100,000	100,000	100,000
Revenue Contributions	3,080	0	0	3,080	0	26,920	10,000	10,000	10,000
Sport England	500,000	0	0	500,000	0				
Badminton England	0	0	0	0	15,000	0	0	0	0
Prudential borrowing	0	0	0	0	385,000	0	0	0	0
Police Authority Funding	20,000	0	0	20,000	0	0	0	0	0
Vehicle Replacement Reserve	27,198	0	0	27,198	898,844	250,000	250,000	250,000	250,000
National Forest	0	0	0	0	130,000	0	0	0	0
Land Fill Tax Credit Scheme	0	0	0	0		0	0	0	0
Forestry Commission	0	0	0	0		0	0	0	0
National Forest	0	0	0	0	16,000	0	0	0	0
Volunteer Time	0	0	0	0	6,000	0	0	0	0
External Funding	14,762	0	0	14,762	12,640	0	0	0	0
Earmarked Reserves	0	0	0	0	17,975	0	0	0	0
Earmarked Reserves	0	0	0	0	0	0	0	0	0
General Fund	110,039	0	0	110,039	365,000	0	0	0	0
General Capital Receipts	166,500	258,722	0	425,222	1,002,249	0	0	0	0

Total Financing - General Fund

943,581	1,165,950	0	2,109,531	4,149,345	736,920	970,000	370,000	370,000
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TOTAL EXPENDITURE - ALL SCHEMES

7,152,496	1,271,643	0	8,424,139	15,651,650	11,429,800	7,311,173	6,797,744	5,300,974
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CAPITAL EXPENDITURE & FINANCING (as at JANUARY 2015)

	Approved Budget 2014/15 £	Approved B/fwd 2013/14 £	Adjs 2014/15 £	Total Budget 2014/15 £	Approved Budget 2015/16 £	Approved Budget 2016/17 £	Approved Budget 2017/18 £	Approved Budget 2018/19 £	Approved Budget 2019/20 £
TOTAL FINANCING - ALL SCHEMES	7,152,496	1,271,643	0	8,424,139	15,651,650	11,429,800	7,311,173	6,797,744	5,300,974

General Capital Receipts

Melbourne Leisure Centre				0					
Melbourne Sports Partnership	166,500			166,500	700,917				
Melbourne Leisure Centre		48,400		48,400	76,600				
Community Partnership Scheme		4,968		4,968	15,000				
Repairs to Village Halls and Community Facilities				0	31,700				
Public Buildings - Planned Maintenance Programme				0	58,032				
Green Bank Leisure Centre Refurbishment - Phase 2		205,534		205,534					
Etwall Lesiure Centre - Fitness / Community Facilities				0	120,000				
	166,500	258,902	0	425,402	1,002,249	0	0	0	0

General Fund - New Schemes

Community Partnership Scheme	100,000			100,000	200,000				
Swadlincote Heritage Opportunities project	139			139					
Noise and Antisocial Behaviour Prevention	9,900			9,900					
Swadlincote Woodlands Nature Reserve				0	15,000				
Melbourne Leisure Centre					50,000				
Grove Hall Active Zone Redevelopment					100,000				
	110,039	0	0	110,039	365,000	0	0	0	0

ESTIMATED GENERAL CAPITAL RECEIPTS	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
	£'000	£'000	£'000	£'000	£'000	£'000
Balance b/fwd	2,152	1,586	1,364	764	714	464
Add Approved Land Sales	15	30				
Add Sale of Darklands Road Depot		1,500	500	600		
Add Land Sale Option, subject to Contract			500			
Add Transfer of Land at Coton Park to HRA	200					
Add Transfer from General Reserve (Vehicles)			250			
Less - Financing of New Depot		-500	-1,600	-400		
Less - Contribution to Vehicle Renewals Fund	-250	-250	-250	-250	-250	-250
Less - Amount required to Fund Gfund Schemes	-531	-1,002	0	0	0	0
Balance c/fwd	1,586	1,364	764	714	464	214

LIST OF EARMARKED RESERVES

Specific / Earmarked Reserves - Council Funds	Balance	Estimated	Estimated	Estimated	Notes
	b/fwd	Movement	Movement	Balance	
	1/4/14	14/15	15/16	31/3/16	
	£	£	£	£	
Vehicle Replacement Fund	581,530	70,000	-230,000	421,530	Capital expenditure and financing as planned
Dilapidation Works - Factory Site per Lease Agreement	260,870	0	-260,870	0	Ring fenced- to be spent in accordance with extended lease
IT Reserve	195,526	-50,000	-50,000	95,526	To fund major developments
Pensions Reserve	0	182,000	0	182,000	To fund increase in rates and for Auto Enrolment
Local Plan - Consultation and Implementation	200,000	-50,000	-150,000	0	
Green Bank Leisure Centre - Refurbishment Works	99,000	-99,000	0	0	
Repton Parish (Former Depot proceeds)	33,049	0	0	33,049	Ring fenced for new village hall
Corporate Services Innovation Fund	52,666	5,000	10,000	67,666	Ring fenced - partnership board to consider usage
Rosliston Forestry Centre / Café	34,772	5,000	5,000	44,772	Profit share transferred - no current proposals to utilise
Total - Specific / Earmarked Reserves	1,457,413	63,000	-675,870	844,543	

Specific Grants and Contributions - Discretionary

Public Open Space - Commuted Sums	452,757	-52,950	-79,650	320,157	Financing expenditure as planned in Base Budget
Youth Engagement Partnership	472,978	-65,600	-134,800	272,578	As above
Schools Sport Partnership Project	187,765	-65,400	-102,000	20,365	As above
Community Safety & Crime Reduction	456,611	-70,800	-106,950	278,861	As above
Young People's Cultural Partnership / Arts Development	42,326	0	-3,000	39,326	As above
Rosliston Business Units	10,719	-10,719	0	0	Balance for retention payments
Get Active in the Forest Partnership	112,410	-600	-85,450	26,360	Financing expenditure as planned in Base Budget
Environmental Education	56,912	0	0	56,912	No further projects currently planned
Tetron Point Storm Water Basin - S106 UK Coal	53,012	0	0	53,012	Ring fenced
Swadlincote Woodlands - Section 106	50,774	0	0	50,774	Held pending funding review in 2018/19
Rosliston Forestry Centre	35,892	-35,892	0	0	Contribution to current capital spending
New Play Equipment and Safety Surfacing	22,842	-22,842	0	0	As above
Maurice Lea Park NHLF Grant	23,012	-23,012	0	0	As above
BCU Funding	21,110	0	0	21,110	Subject to review
LSP Reserve	16,357	0	0	16,357	Subject to review
Housing Strategy	50,875	0	0	50,875	No further projects currently planned
Homelessness Prevention	176,581	-16,750	0	159,831	Financing expenditure as planned in Base Budget
Local Council Tax Support Scheme	14,006	-14,006	0	0	Balance held to meet impact of Welfare Reform in 2014/15
Welfare Reform	17,003	-17,003	0	0	As above
Community Right to Bid	12,728	5,000	0	17,728	Grant - to meet potential cost of listing assets
Community Right to Challenge	8,547	3,000	0	11,547	Grant - to meet potential cost of service reviews
Property Records - Data sharing	7,131	0	0	7,131	Grant - cost of system changes incurred in 2014/15
Discretionary Housing Payments	14,962	-14,962	0	0	Balance held to meet impact of Welfare Reform in 2014/15

LIST OF EARMARKED RESERVES

Specific / Earmarked Reserves - Council Funds	Balance	Estimated	Estimated	Estimated	Notes
	b/fwd	Movement	Movement	Balance	
	1/4/14	14/15	15/16	31/3/16	
	£	£	£	£	
Heritage Grants	10,000	-10,000	0	0	
Electoral Registration	38,401	-38,401	0	0	
Green Bank Lesiure Centre Refurbishment - retention	2,757	-27,577	0	-24,820	
Total - Specific Grants and Contributions	2,368,468	-478,514	-511,850	1,378,104	
Section 106 - Earmarked Funds	1,109,728	<i>tbc</i>	<i>tbc</i>	1,109,728	
TOTAL EARMARKED RESERVES	4,935,609	-415,514	-1,187,720	3,332,375	

REPORT TO:	FINANCE AND MANAGEMENT COMMITTEE	AGENDA ITEM: 10
DATE OF MEETING:	19th FEBRUARY 2015	CATEGORY: RECOMMENDED
REPORT FROM:	DIRECTOR OF FINANCE AND CORPORATE SERVICES	OPEN
MEMBERS' CONTACT POINT:	KEVIN STACKHOUSE (01283 595811) Kevin.stackhouse@south-derbys.gov.uk	DOC: u/ks/revenues and benefits/section 13a/update of sec13a discounts
SUBJECT:	AMENDMENT TO LOCAL COUNCIL TAX DISCOUNT SCHEME (SECTION 13A LOCAL GOVERNMENT FINANCE ACT 1992)	REF:
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: FM 12

1.0 Recommendations

- 1.1 To amend the delegated scheme for the award of local discounts.
- 1.2 To approve the revised Guidance Framework set out at **Appendix A**, to include Council Tax Reduction Scheme Discretionary Payments.

2.0 Purpose of Report

- 2.1 To update the current scheme of discretionary local discounts, following two appeals to the Valuation Tribunal for England which have potential implications for the Council.

3.0 History

- 3.1 Currently the Council operates a scheme of local discounts that are entirely linked to its Council Tax Empty Property Policy, introduced in April 2009 and subsequently updated in April 2013.
- 3.2 This Policy provides for:
 - A free period with no Council Tax payable , of three months, after a property becomes empty, thereafter a full charge is made, and
 - An empty property premium of 50%, on top of the full charge is levied after a property remains empty for two years or more.
- 3.3 In a number of exceptional cases the local discount, which effectively returns properties to their pre April 2009 position, applies where there are unavoidable

circumstances that render a property impossible or extremely difficult to either let or sell. For example:

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

3.4 At present there are just seven such properties.

4.0 Impact of Recent Case Law

4.1 Members will be aware of the Discretionary Housing Payment Scheme that applies to Private and Councils Tenants in receipt of Housing Benefit in respect of which the Council received a government grant of £91,226, in 2014/5.

4.2 This grant is normally fully utilised in supporting tenants meeting a shortfall between rent payable and their Housing Benefit award, where exceptional circumstances apply. Although legislation allows the Council to 'top-up' the grant, it has historically chosen not to do so because of budgetary constraints.

4.3 The criteria for eligibility are stringent, owing to the limited availability of funds and the need to ensure consistency in assessment of applications. In all cases, the overriding concern has to be, and has been, to support, as far as possible, tenants to stay in their homes.

4.4 At present the Council does not have a similar scheme for Council Tax Reduction. Instead, it relies on existing service support provisions such as awards of statutory discounts and exemptions (including the Council Tax Reduction Scheme) together with budgeting advice and use of other support mechanisms, such as referral of cases to partner agencies including the CAB, Money Advice and the County Council Welfare Advice Team.

4.5 However, recent case-law has determined that a person aggrieved by a decision not to grant a discretionary Council Tax Reduction Scheme payment under Section 13A may appeal to the Valuation Tribunal. That body may deal with the matter in the same way as it would deal with other appeals against Council Tax decisions taken by the Billing Authority (SDDC).

4.6 This puts the Council at risk of a legal challenge because it has not formally adopted a Council Tax Reduction Scheme Discretionary Payment Policy. Equally it should be noted that there has not been a decision to adopt a scheme. At the time of the introduction of CTRS it was considered that the general nature of the local discount arrangements under Section 13A were sufficiently broad to allow individual cases to be considered on their merits by Officers following the general 'Wednesbury' principles.

- 4.7 However, whilst it is considered that this approach still holds good it is nevertheless prudent, given the recent decisions of the Valuation Tribunal to formalise matters within a Policy agreed by Members, although it should be noted that no request has as yet been made for any discretionary Council Tax payment.
- 4.8 There are two extremely important factors that do need to be set down in the Policy, as a result of the judgement of the Valuation Tribunal. These are to ensure that the decision making process is unfettered. Namely that:
- Each case has to be considered entirely on its own merits.
 - No account may be taken of the Councils overall budgetary constraints.
- 4.9 Consequently, the proposed addition to the local discount (Section 2) scheme keeps the matter very simple and allows consideration of each application on a case by case basis, within an overall policy framework. Determination of eligibility will be by way of an individual income and expenditure assessment. It is considered that this approach meets the requirements propagated by the Valuation Tribunal.
- 4.10 As such the scheme comfortably sits alongside the Council's existing procedures for dealing with cases of this nature.

5.0 Community Implications

- 5.1 The very specific nature of the criteria for eligibility means that proposals will have a limited effect but will be available to support any residents who satisfy the criteria.

6.0 Financial Implications

- 6.1 The cost of current local discounts is less than £5,000 per year and is a charge to the Council's General Fund and not to the Collection Fund.
- 6.2 Any additional cases falling under the new arrangements will result in a cost to the Council, but the anticipated limited number of cases should mean that any impact will be absorbed within the normal budgetary provision.

7.0 Background Papers

- Local Government Act 2003
- Section 13A of the Local Government Finance Act 1992

- Council Tax (Prescribed Classes of Dwellings) (England) Regulations 2003
- Valuation Tribunal for England Appeal No 2001M113393 and 2001M117503
May 2014

**SOUTH DERBYSHIRE DISTRICT COUNCIL
COUNCIL TAX – DISCRETIONARY REDUCTIONS UNDER SECTION 13A
LOCAL GOVERNMENT FINANCE ACT 1992.**

GUIDANCE FOR DETERMINING APPLICATIONS

1 Empty Property Charges and Second Homes

Where an application for reduction in Council Tax under S13A LGFA 1992 is received in respect of the level of empty property charge including the Premium set against an individual property, it should be tested against the following:

- Local discount will be considered in those cases where either a charge is levied on long term empty properties, i.e. where the empty period is over 3 months or where 100% is charged on Second Homes

So far as cases that are subject to a Council Tax Premium are concerned an application will take into account these cases until such time as Government regulation specifies exemptions from this additional element, as initially proposed within the consultative documentation, but not subsequently enacted.

- The discount will be a maximum of 50% in the case of long-term empties over three months but fewer than two years, where a 100% charge applies, and 50% for second homes where a 10% charge applies and this will be the maximum that can be applied in each class of property.
- The discount will be a maximum of 100% in the case of long-term empties over two years where the Premium of 50% applies in addition to the 100% empty charge.
- The criteria for the award of the discount will centre on the reason(s) why the property remains empty or is treated as a second home, the degree of choice made by the individual concerned in arriving at that situation and the residual capital value of that property.

With these criteria in mind, there will be a **higher likelihood** of granting a reduction under S13A LGFA 1992 where the reasons put forward by the applicant show evidence of:

- A significant inability to enjoy, or otherwise benefit from, use of or access to the property, and/or related amenities, to which the Council Tax liability relates.
- A significant restriction on the ability to sell the property on the open market to a potential purchaser.
- A significant restriction on, or prohibition of, the ability to let the property on the open market to a potential tenant.

There will be a ***lower likelihood*** of granting a reduction where:

- The Council Tax liability is already, or can be, significantly reduced by other more specific discount or relief schemes.
- The claimant has already received, or is receiving some form of compensation (financial or otherwise) relevant to the reasons put forward where the level of compensation appears broadly commensurate with the hardship or detriment experienced.
- There remains sufficient equity in the property or availability of capital to allow the payment of Council Tax within a period of five years.

In determining an application evidence shall be required of

- any financial detriment experienced;
- the reduction in, or loss of use or access to property and/or related amenities;
- the reduction in, or loss of enjoyment or benefit from the use of property and/or related amenities;
- lease, security or other details that restrict enjoyment or benefit from the use of property:
- lease, covenant or other details that restrict the sale or let of the property on the open market:
- Period over which the financial detriment or reduction or loss of access, use or enjoyment or benefit from use of the property and/or related amenities is experienced:
- Value of property, if appropriate, less any residual encumbrance such as mortgage, registered charges or loans and of any other capital assets.

2 Council Tax Reduction Scheme Discretionary Payments

This Part sets out the Council's policy for administering the Council Tax Reduction Scheme Discretionary Payments (CTRSDP) to give South Derbyshire District Council the discretion to reduce the amount of Council Tax payable.

The purpose of the Discretionary Payment is to assist those people who may experience financial difficulty as a result of the Council Tax Reduction Scheme and where no other viable alternative for assistance is available.

The CTRSDP scheme aims to provide short term financial assistance with payment of Council Tax. The objectives of the Scheme are to:

- Alleviate poverty
- Help those who are helping themselves
- Support work incentives
- Support the vulnerable

This scheme is a discretionary fund to support people to meet their Council Tax liability where they are able to demonstrate exceptional hardship. The test of exceptional hardship will be determined by the applicant's individual circumstances and financial ability to make payment.

The process will be administered by the Council's Client Team.

Each application will be considered on its own merits. The applicant will have a liability to pay Council Tax.

Where appropriate we will continue to utilise the Council's on-going support mechanisms for debt management, maximising benefit or referrals to specialist advocacy services and partner organisations such as the CAB and Money Advice.

Co-operation by the applicant with such organisations will be element of the assessment process.

An award of Discretionary Council Tax Hardship payment will be considered to meet the costs of council tax liability where the applicant is able to demonstrate hardship.

For the purpose of claimants being treated as being in hardship, this will be interpreted as being where they cannot meet their immediate basic and essential needs.

Basic and essential needs are defined as those listed below, these are in line with Universal Credit regulations but note that this does not constitute an exhaustive list.

- Heating
- Food
- Hygiene

In assessing basic and essential needs we will take into consideration the claimant's age, health and status.

Expenditure which does not relate to basic and essential needs will not be taken into account when assessing hardship and examples of these items are listed below. However, this is not an exhaustive list.

- Rental charges for TV, Satellite and Internet
- Telephone charges for mobile and landline considered unreasonably high
- Credit cards
- Store cards
- Loans, other catalogue debts

Additionally applicants in genuine hardship will also be entitled to apply for assistance under the Discretionary Housing Payment scheme for help with accommodation costs.

The application should relate to THE current Council Tax Year unless the liable person has recently received a Council Tax Demand for a previous year.

Criteria for applying for Discretionary Council Tax hardship payment are:

- The applicant has an outstanding Council Tax liability
- There must be evidence of exceptional hardship or personal circumstances that support a Discretionary Council Tax Hardship payment
- The applicant has taken reasonable steps to resolve their situation prior to application i.e. have made efforts to access alternative source of support, claimed discounts, exemptions and Council Tax Support to which they may be entitled
- Co-operated with advice agencies, and/or the Council in matters relating to debt management

Satisfying the condition for applying does not give automatic entitlement to an award. The discretionary nature of this scheme will require consideration of individual circumstances based on supporting information to demonstrate severe hardship.

An award does not guarantee payment for the full difference up to the Council Tax Liability.

In the case of someone not in receipt of Council Tax Support the award will be up to the amount of daily council tax liability or any part thereof and would depend on the reason why CTRS could not be paid.

An award cannot be considered to cover the following:

- Penalties, Court and/or Bailiff costs applied to the account
- Charges relating to empty homes that are normally rented out on a commercial basis

No cash payments will be made. An award of Discretionary Council Tax hardship payment will be credited to the Council Tax account.

The assessment criteria for an award of Discretionary Council Tax Hardship payments is to support people suffering from hardship, whether or not they fall into the category of people with greatest need of support.

Applicants for Discretionary Council Tax Hardship Fund may initially apply in the following way and thereafter provide supporting information as necessary to determine the claim.

- Writing, with a form provided free for the purpose
- By means of electronic communication
- By Telephone

The claim should normally be made by the person liable for Council Tax. However, a person acting on their behalf, such as an appointee or advocate may also apply and submit an application if the customer is vulnerable and requires support. (the applicant must provide their consent in writing in these circumstances).

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Applicants may be notified of the decision for Discretionary Council Tax Hardship payment in the following ways:

- In writing
- By means of electronic communication
- By telephone

The Client Team will aim to process all applications for an award within 21 working days.

An award will be credited to the applicants Council Tax account.

An award of Discretionary Council Tax Hardship payment will be recovered if the Council determines that payment was made as a result of misrepresentation/failure to disclose information correctly

An award of Discretionary Council Tax that we have deemed to have been paid incorrectly will be recovered via a charge to be debited to the Council Tax account.

The Council will accept a written request for a review of its decision. Such requests must be made in writing to:

Client Team
South Derbyshire District Council
Civic Way
DE11 0AH

The applicant will be notified, in writing, of the outcome of the review within 28 days

NOTE: Each case is to be treated on its individual merits .This Guidance is intended to promote, and allow, consistency in the determination of applications made under Section 13A of the Local Government Finance Act 1992, as amended.

FAIR PROCESSING NOTICE

This authority is under a duty to protect the public funds it administers, and to this end may use the information you have provided in an application for a Section 13A Local Discount for the prevention and detection of fraud. It may also share this information with other bodies responsible for auditing or administering public funds for these purposes