

REPORT TO:	FINANCE AND MANAGEMENT COMMITTEE	AGENDA ITEM: 11
DATE OF MEETING:	15 th FEBRUARY 2018	CATEGORY: RECOMMENDED
REPORT FROM:	STRATEGIC DIRECTOR (CORPORATE RESOURCES)	OPEN
MEMBERS' CONTACT POINT:	KEVIN STACKHOUSE (01283 595811) kevin.stackhouse@south-derbys.gov.uk	DOC: s/finance/committee/2017-18/Feb19
SUBJECT:	FINAL BUDGET PROPOSALS 2018/2019 and FINANCIAL PLAN to 2023	REF:
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: FM 08

1.0 Recommendations

- 1.1 That a Council Tax increase for 2018/19 of 1.95% is recommended to Full Council on 26th February 2018.
- 1.2 That estimated net General Fund Revenue Expenditure totalling £11,949,397 for 2018/19 is recommended to Full Council on 26th February 2018.
- 1.3 That the Medium-term Financial Plan to 2023 on the Council's General Fund Revenue Account as detailed in **Appendix 1** is approved.
- 1.4 That a strategy and action plan is drawn up to generate budget savings on the General Fund ahead of 2019/20.
- 1.5 That the Financial Plan for the Housing Revenue Account (HRA) to 2028 as detailed in **Appendix 2** is approved.
- 1.6 That the 5-year capital investment and financing plan to 2023 as detailed in **Appendix 3** is approved.
- 1.7 That the Council's National Non-Domestic Rate Return (NNDR 1) for 2018/19, showing retained business rates of £13,123,996 for 2018/19 and £9,727,674 for 2017/18 is noted.
- 1.8 That the report of the Council's Section 151 (Chief Finance) Officer under Section 25 of the Local Government Act 2003 is noted.

2.0 Purpose of the Report

- 2.1 To detail the Council's final budget proposals for 2018/19 and medium-term financial projections on its main revenue and capital accounts. This includes an assessment of the overall budget and level of reserves as required by the Local Government Act 2003.
- 2.2 These proposals will form the basis of setting the Council Tax for 2018/19 by Full Council on 26th February 2018.
- 2.3 The Council's proposed base budget for 2018/19 and projected medium-term financial position was reported in detail to the Committee on 11th January 2018 (*details are available at: [CMIS > Meetings](#)*)
- 2.4 This report does not repeat those details but firms up the position following a period of scrutiny and consultation, together with confirmation of some provisional figures from January.
- 2.5 The report also provides an overview of the Housing Revenue Account and its updated financial projection that was considered and approved by the Housing and Community Services Committee on 11th January 2018. *That report is available at: [CMIS > Meetings](#)*
- 2.6 This report is divided into the following sections.
 - Section 3: General Fund Revenue Account, including Council Tax
 - Section 4: Housing Revenue Account
 - Section 5: Capital Investment
 - Section 6: Report of the Chief Finance Officer under Section 25 of the Local Government Act 2003

Appendices

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

3.0 General Fund Revenue Account

- 3.1 As reported in January, the Council's Base Budget and Medium Term Financial Plan (MTFP) were approved ahead of 2018/19. This took account of the New Homes Bonus allocation, together with proposals contained in the Service Base Budgets for 2018/19. The full impact of the Local Government Provisional Financial Settlement for 2018/19 had not been included and is still under review pending an assessment of the Authority being part of the Derbyshire Pilot to trial 100% Business Rates Retention.

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

General Fund Medium-Term Projection as at January 2018

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

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

The Final Financial Settlement for Local Government

Business Rates

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

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

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

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

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

Other Updates

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

Updated Projection

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

General Fund Medium-Term Projection as at February 2018

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

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

Financial Risks

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

Council Tax 2018/19

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

4.0 Housing Revenue Account (HRA)

- 4.1 The base budget and financial plan of the HRA was considered in detail by the Housing and Community Services Committee on 9th January 2018. This included reducing rents by 1% for council tenants in 2018/19 in accordance with provisions set out in the Government's Welfare Reform Act (2016).
- 4.2 As previously reported, Regulations included in this Act mean that rents are being reduced by 1% for 4 years, 2016/17 to 2019/20 inclusive. The detailed report to the Housing and Community Services Committee is available at:

[CMIS > Meetings](#)

The Position Entering the 2018/19 Budget Round

- 4.3 The position reported in October 2017, estimated a surplus on the HRA in 2018/19 of £1,150k, increasing the HRA's General Reserve to approximately £4.6m.
- 4.4 As previously reported, the longer-term financial position for the HRA was significantly changed in 2015 due to the Government legislating to reduce Council House rents by 1% per year to 2020. Consequently, planned capital expenditure was reduced in the 10-year financial plan to reflect this reduction in resources at that time.

HRA Financial Plan as at February 2018

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

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

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

HRA Financial Risks

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

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

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

Future Spending

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

5.0 Capital Investment

- 5.1 The main areas of spend continue to be on council housing investment and the acquisition of vehicles.
- 5.2 The full programme along with financing is detailed in **Appendix 3**. The relevant Prudential Indicators for the capital programme are detailed in the Treasury Management Strategy which is a separate report on this Committee's Agenda (Item 6).

Housing Capital Receipts

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

General Fund Receipts

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

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

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

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

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

Comments of the Chief Finance Officer

- 6.2 This report, together with that considered on 11th January 2018, highlights the challenge that the Council continues to face to ensure that its financial position remains robust and sustainable over the medium-term.

- 6.3 It is considered that estimates of income and expenditure included in the Base Budget and longer-term financial forecasts are prudent. They provide for inflation and other known variations, together with provisions that recognise both current cost pressures and potential costs associated with growth of the District.
- 6.4 It is noted that additional resources have been approved for “Growth” and that a separate reserve will be set-aside to provide on-going investment to meet additional demand on services.
- 6.5 The Budget for 2018/19 and forward projections are based on the most up-to-date economic forecasts for inflation and interest rates, etc.
- 6.6 In addition, a realistic but prudent view has been taken regarding projected income levels from fees, charges and short-term investments. This also includes the likely effects of future funding in the form of Retained Business Rates, the New Homes Bonus and Council Tax receipts, based on provisional allocations (updated for local factors) from Central Government for the period ending in March 2020. It is noted that the full financial benefit for the Council of being part of the Derbyshire 100% Business Rates Retention Pilot have still to be analysed and included in the Budget.
- 6.7 The compilation of detailed budgets has been undertaken in conjunction with service managers. It is recognised that the Council has well established performance and budget monitoring arrangements in place to help ensure that Council finances are monitored effectively. This includes quarterly reports to the Council.
- 6.8 The Council’s Financial Strategy directs the Council to plan its spending over a 5-year rolling period for the General Fund and 10 years for the Housing Revenue Account. This provides an indication of the sustainability of spending plans and allows sufficient time in which remedial action can be implemented to address any issues in a planned and timely manner.
- 6.9 The following table shows the projected level of Reserves over the planning period, 2018 to 2023.

Projected Level of Reserves

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

- 6.10 The Council, based on the recommendation of the Chief Finance Officer, has approved to set a minimum (contingency) level of General Reserves of £1.5m on the General Fund and £1m on the Housing Revenue Account. This meets the requirements of the Local Government Act 2003.

General Fund

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

current number of developments with outline and approved planning permissions.

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

Housing Revenue Account (HRA)

- 6.23 The financial position has improved and the HRA is forecast to remain sustainable based on current budgets and service levels. This will allow the existing minimum reserve balance of £1m to be maintained and ensure that sufficient amounts are set-aside to repay debt.
- 6.24 It is noted that the biggest risk is future income from rents and the direction of Central Government Policy following the current 4-year reduction in rent levels. It has been confirmed that rent increases will return to the former calculation of CPI + 1% beyond 2020 and this should help to sustain the HRA if this policy is implemented.
- 6.25 It is considered that the HRA is financially sustainable over the longer-term but should be kept under review and measures identified to mitigate the financial risks as detailed in the report.

Earmarked Reserves

- 6.26 The Council also maintains various reserves that are used to meet one-off/known commitments or to defray expenditure over a number of years, for example, ICT upgrades, vehicle replacements, community development projects and grounds maintenance.
- 6.27 It is considered that current reserves will remain sufficient overall to meet commitments over the life of the current MTFP. Reserves held to finance on-going community and sports development spending, will need to be kept under careful review if external and partnership contributions significantly reduce.

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

Risk Analysis

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

Factor	Potential Implications	Mitigation	Likely impact on Financial position
Changes in Central Government Policy	<ul style="list-style-type: none"> Further reductions in core funding (General Fund) and rent income (HRA) due to the national position or changes in redistribution systems. 	<ul style="list-style-type: none"> The MTFP has analysed and built in provisional allocations for future years, informed by the Financial Settlement and current growth forecasts. 	High Cumulatively a 1% variance in core funding equates to approximately £1/2m over the MTFP; a ½% reduction in rents equates to approximately £3/4m over 10-years.
Council Tax and the Collection Fund	<ul style="list-style-type: none"> Collection rates reduce due to the economic climate. Demand for Council Tax Support increases when resources are fixed. Empty properties increase reducing New Homes Bonus. Business Rates reduce due to appeals and a reduction in liable businesses. 	<ul style="list-style-type: none"> Council Tax Fund in surplus. Tax receipts increasing from new properties. Local Council Tax Support Scheme now matured. Continued membership of the Derbyshire Business Rates Pool. Part of Derbyshire Pilot for 100% Rates Retention Provisions made for Bad Debts and Appeals. 	Medium Only 11% of the Council Tax Fund is transferred to the Council's General Fund. In addition, the effect is not immediate and costs can be spread.
Growth	<ul style="list-style-type: none"> A key factor influencing future income and cost of service provision. 	<ul style="list-style-type: none"> The MTFP projects continuing growth in Council Tax receipts and New Homes Bonus which based on past performance and planning forecasts are less than actuals. Provision for cost of growth increased in 2017/18 Budget Round. Future budgets for 	High This could affect the MTFP either way. Growth is a determining factor for the Council's income and expenditure which could easily vary compared to that forecast.

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

Consultation and Provision of Information

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

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

6.31 Specifically, this dissemination of information has been undertaken via:

- Local Area Forums
- Consultation with the local businesses, together with the Community and Voluntary Sector, including a briefing at the South Derbyshire Partnership Board meeting on 31st January 2018.

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

6.33 Although many questions and queries were dealt with, no substantive issues were raised. A record of discussions has been minuted at each Area Forum, at the Overview and Scrutiny Committees on 17th January and 8th February 2018, together with the South Derbyshire Partnership on 31st January 2018.

7.0 Financial Implications

As detailed in the report.

8.0 Corporate Implications

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

9.0 Community Implications

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

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

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

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

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

Provisions

Provision for Employer's NIC on "off-payroll" payments	10,000	10,000	10,000	10,000	10,000	10,000
Contingent Sum - Growth	200,000	500,000	500,000	500,000	500,000	500,000
Contribution to Bad Debt Provision	100,000	0	0	0	0	0
Waste and Recycling	100,000	100,000	100,000	100,000	100,000	100,000
TOTAL PROJECTED SPENDING	11,056,308	11,949,397	12,589,229	12,728,315	12,944,218	13,167,436

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

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

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

[illegible]

HOUSING REVENUE ACCOUNT FINANCIAL PROJECTION - FEBRUARY 2018

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

HRA General Reserve

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

RESERVES

Debt Repayment Reserve

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

HOUSING REVENUE ACCOUNT FINANCIAL PROJECTION - FEBRUARY 2018

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

CAPITAL EXPENDITURE & FINANCING JANUARY 2018

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

Major Repairs Reserve	1,266,821	-1,266,821	0	0	0	0	0	0
Revenue Contribution	533,179	991,821	1,525,000	2,118,000	1,888,000	1,935,000	1,983,000	1,692,000
Earmarked Reserve	0	210,320	210,320	0	0	0	0	0
Capital Receipts Reserve	0	0	0	571,513	0	0	0	0
HCA Grant	0	0	0	180,000	0	0	0	0
Total Funding	1,800,000	-64,680	1,735,320	2,869,513	1,888,000	1,935,000	1,983,000	1,692,000

PRIVATE SECTOR HOUSING

Disabled Facility Grants and other Works	398,000	660,470	1,058,470	836,000	336,000	336,000	336,000	336,000
Strategic Housing Market Assessment	50,000	-50,000	0	50,000	0	0	0	50,000
Private Sector Stock Condition Survey	0	0	0	60,000	0	0	0	0
Total Expenditure	448,000	610,470	1,058,470	946,000	336,000	336,000	336,000	386,000

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

Total Funding	448,000	610,470	1,058,470	946,000	336,000	336,000	336,000	386,000
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GENERAL FUND INVESTMENT PROGRAM

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

Total Expenditure - Community Projects	464,376	-150,311	314,065	685,948	0	0	0	0
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National Forest	16,000	-16,000	0	0	0	0	0	0
Earmarked Reserve	0	0	0	16,000	0	0	0	0
Volunteer Time	6,000	-6,000	0	6,000	0	0	0	0
National Forest	80,000	-80,000	0	80,000	0	0	0	0
National Heritage	0	20,000	20,000	0	0	0	0	0
Revenue Contribution	0	1,720	1,720	0	0	0	0	0
Earmarked Reserve	0	1,308	1,308	0	0	0	0	0
Lottery	0	11,792	11,792	0	0	0	0	0
Tesco	0	1,900	1,900	0	0	0	0	0
Hubbub	0	3,768	3,768	0	0	0	0	0
Section 106	0	16,943	16,943	0	0	0	0	0
Councillor Contribution	0	500	500	0	0	0	0	0
External Contributions		5,000	5,000	0	0	0	0	0
Earmarked Reserve	0	2,044	2,044	0	0	0	0	0
Earmarked Reserve	0	13,500	13,500	0	0	0	0	0

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

Total Funding - Community Projects

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

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

Total Expenditure - Fixed Assets

2,786,401	-98,866	2,687,535	852,772	400,000	400,000	400,000	400,000
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Capital Receipts Reserve	1,438,398	318,743	1,757,141	89,732	0	0	0	0
Earmarked Reserve	1,301,003	-434,944	866,059	363,040	0	0	0	0
General Fund	47,000	17,335	64,335	400,000	400,000	400,000	400,000	400,000

Total Funding - Fixed Assets

2,786,401	-98,866	2,687,535	852,772	400,000	400,000	400,000	400,000
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ANALYSIS OF GENERAL FUND EARMARKED RESERVES

Specific/Earmarked Reserves	Balance b/fwd 01/04/17 £	Estimated Movement 2017/18 £	Estimated Movement 2018/19 £	Estimated Balance 31/03/19 £
Asset Renewal and Replacement Fund	0	130,000	130,000	260,000
Vehicle Replacement Fund	1,251,203	-800,800	-363,040	87,363
Dilapidation Works - Factory Site per Lease Agreement	78,236	-65,259	-12,977	-0
IT Reserve	140,706	0	-100,000	40,706
Pensions Reserve	182,000	-43,231	-29,706	109,063
Local Plan - Consultation and Implementation	108,904	-50,947	-29,592	28,365
Repton Parish (former Depot proceeds)	33,049	0	0	33,049
Corporate Services Innovation Fund	81,666	0	-25,000	56,666
Rosliston Forestry Centre / Café	138,576	0	-100,000	38,576
Planning - Staffing and Support Costs	62,409	-62,409	0	0
Growth Reserve	300,000	200,000	500,000	1,000,000
Facilities Development Fund	30,000	0	0	30,000
Civic Offices - Maintenance	21,069	0	-21,069	0
Leisure Maintenance	1,000	-1,000	0	0
Corporate Training and Development Programme	41,059	-25,000	-5,000	11,059
	2,469,876	-718,646	-56,384	1,694,846
Specific Grants and Contributions				
Public Open Space - Commuted Sums	1,295,584	-84,514	-80,514	1,130,556
Youth Engagement Partnership	579,852	-99,225	-95,322	385,305
School Sports Partnership Project	203,649	-94,598	-100,134	8,917
Community Safety & Crime Reduction	332,336	-67,975	-47,368	216,993
Young People's Cultural Partnership / Arts Development	8,980	-1,674	0	7,306
Get Active in the Forest Partnership	43,973	-15,003	-12,645	28,970
Environmental Education	37,347	-12,382	-12,765	12,200
Tetron Point Storm Water Basin - S106 UK Coal	53,012	0	0	53,012
Swadlincote Woodlands - S106	50,774	0	-16,000	34,774
New Play Equipment and Safety Surfacing	3,577	-370	-3,207	0
Maurice Lea Park NHLF Grant	23,012	0	0	23,012
South Derbyshire Partnership Reserve	20,051	-10,000	-10,000	51
Homelessness Prevention	88,598	-6,138	-1,209	81,251
Welfare Reform, Fraud and Compliance	247,073	-50,000	-50,000	147,073
Community Right to Bid	20,728	0	0	20,728
Community Right to Challenge	16,547	0	0	16,547
Property Records - Data Sharing	7,131	0	0	7,131
Electoral Registration	30,318	-23,208	-7,110	-0
Garden Village Fund	214,285	14,285	0	228,570
Heritage Grants	32,000	7,000	-39,000	0
Town Centre Improvement Reserve	26,397	0	-26,397	0
	3,335,224	-443,802	-501,671	2,402,396
Section 106 - Earmarked Funds	5,062,449	1,501,009	0	6,563,458
TOTAL GENERAL FUND EARMARKED RESERVES	10,867,549	338,561	-558,055	10,660,700

