South Derbyshire District Council

F B McArdle,
Chief Executive,
South Derbyshire District Council,
Civic Offices, Civic Way,
Swadlincote, Derbyshire DE11 0AH.

www.south-derbys.gov.uk
@SDDC on Twitter

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

Our Ref: DS
Your Ref:

Date: 4 October 2017

Dear Councillor,

Finance and Management Committee

A Meeting of the **Finance and Management Committee** will be held in the **Council Chamber**, on **Thursday, 12 October 2017** at **18:00**. You are requested to attend.

Yours faithfully,

Frank McArdle

Chief Executive

To:- **Conservative Group**
Councillor Harrison (Chairman), Councillor Mrs Plenderleith (Vice-Chairman) and Councillors Mrs Coe, Mrs Coyle, Ford, Hewlett, Smith, Watson and Wheeler
.
Labour Group
Councillors Rhind, Richards, Southerd and Wilkins

AGENDA

Open to Public and Press

12 COMMITTEE WORK PROGRAMME **100 - 103**

Exclusion of the Public and Press:

13 The Chairman may therefore move:-

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

14 To receive the Exempt Minutes for the following Meetings:-

Finance and Management Committee 22nd June 2017 Exempt Minutes

Finance and Management Committee 20th July 2017 Exempt Minutes

Finance and Management Committee 31st August 2017 Exempt Minutes

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

16 SWADLINCOTE MARKET

17 TEMPORARY CHANGES TO STAFFING IN PLANNING

18 PROPERTY IN SWADLINCOTE

19 REVIEW OF COUNCIL MANAGEMENT STRUCTURE - SUMMARY OF FORMAL CONSULTATION (Report circulated directly to Committee Members)

20 REVIEW OF COUNCIL MANAGEMENT STRUCTURE - GRADES FOR STRATEGIC DIRECTOR POSTS (Report circulated directly to Committee Members)

FINANCE AND MANAGEMENT COMMITTEE: SPECIAL – FINAL ACCOUNTS

22nd June 2017

PRESENT:-

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

Labour Group
Councillors Rhind, Richards, Southerd and Taylor (substituting for Councillor Wilkins)

In attendance
Councillor Atkin (Conservative Group)

FM/22 **APOLOGIES**

Apologies were received from Councillors Ford (Conservative Group) and Wilkins (Labour Group).

FM/23 **DECLARATIONS OF INTEREST**

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

FM/24 **QUESTIONS FROM MEMBERS OF THE PUBLIC PURSUANT TO COUNCIL PROCEDURE RULE NO 10**

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

FM/25 **QUESTIONS BY MEMBERS OF THE COUNCIL PURSUANT TO COUNCIL PROCEDURE RULE NO 11**

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

FM/26 **REPORTS OF THE OVERVIEW AND SCRUTINY COMMITTEE**

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

FM/27 **TREASURY MANAGEMENT ANNUAL REPORT 2016/17**

The Director of Finance and Corporate Services presented the report to Committee.

RESOLVED:

1.1 Members approved the Treasury Management Annual Report for 2016/17.

1.2 Members noted the Treasury Management Stewardship Report and Prudential Indicators for 2016/17 (as detailed in Appendix 1 to the report) and that the Council complied fully with all requirements.

1.3 Members recommended that the Statement on the Minimum Revenue Provision for 2016/17, as detailed in Section 5 to the report, be submitted to Council for approval.

FM/28 **BUDGET OUT-TURN AND FINAL ACCOUNTS 2016/17**

The Director of Finance and Corporate Services presented the report to Committee.

Members raised queries relating to Members' pensions, training and expenditure and the procurement of new fleet vehicles, both addressed by the Director.

RESOLVED:

1.1 Members approved the final out-turn position for:

- ***The General Fund Revenue Account 2016/17***
- ***The Housing Revenue Account 2016/17***
- ***Capital Expenditure and Financing 2016/17***
- ***The Collection Fund 2016/17***
- ***The Balance of Reserves and Provisions at 31st March 2017.***

1.2 That a net appropriation of £177,057 in 2016/17 is made from the General Fund Reserve to other Earmarked Reserves as detailed in the report.

1.3 That the following contributions are made to Bad Debt and Appeal Provisions in 2016/17:

Sundry Debtors	***-2,547***	***General Fund***
Temporary Accommodation	***4,091***	***General Fund***
Housing Benefit Overpayments	***108,222***	***General Fund***
Council Tax Arrears	***51,332***	***General Fund***
Business Rates Arrears	***35,625***	***General Fund***
Business Rates Appeals	***124,629***	***General Fund***
Planning Appeals	***-24,455***	***General Fund***
Housing Rent Arrears	***24,983***	***HRA***

FM/29 **LOCAL GOVERNMENT ACT 1972 (AS AMENDED BY THE LOCAL GOVERNMENT [ACCESS TO INFORMATION] ACT 1985)**

RESOLVED:-

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

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

The Committee was informed that no questions had been received.

CORPORATE SERVICES: FINAL ESTABLISHMENT AND PROPOSED BASE BUDGET (Paragraph 2)

Members approved the recommendations in the report.

The meeting terminated at 6.35pm.

COUNCILLOR J HARRISON

CHAIRMAN

FINANCE AND MANAGEMENT SPECIAL COMMITTEE

20th July 2017

PRESENT:-

Conservative Group
Councillor Harrison (Chairman), Councillor Mrs Plenderleith (Vice-Chairman) and Councillors Ford, Hewlett, MacPherson, Watson and Wheeler

Labour Group
Councillors Rhind, Richards, Southerd and Wilkins

In Attendance
Councillor Atkin (Conservative Group) and Councillor Taylor (Labour Group)

FM/32 **APOLOGIES**

Apologies were received from Councillors Mrs Coe, Mrs Coyle and Smith (Conservative Group).

FM/33 **DECLARATIONS OF INTEREST**

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

FM/34 **QUESTIONS FROM MEMBERS OF THE PUBLIC PURSUANT TO COUNCIL PROCEDURE RULE NO 10**

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

FM/35 **QUESTIONS BY MEMBERS OF THE COUNCIL PURSUANT TO COUNCIL PROCEDURE RULE NO 11**

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

FM/36 **REPORTS OF THE OVERVIEW AND SCRUTINY COMMITTEE**

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

FM/37 **LOCAL GOVERNMENT ACT 1972 (AS AMENDED BY THE LOCAL GOVERNMENT [ACCESS TO INFORMATION] ACT 1985)**

RESOLVED:-

That, in accordance with Section 100(A)(4) of the Local Government Act 1972 (as amended), the press and public be excluded from the remainder of the Meeting as it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that there would be

disclosed exempt information as defined in the paragraphs of Part 1 of the Schedule 12A of the Act indicated in brackets after each item.

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

The Committee was informed that no questions had been received.

HOUSING SERVICES – A WAY FORWARD - FORMAL CONSULTATION SUMMARY (Paragraph 2)

Members approved the recommendations in the report.

The meeting terminated at 6.40pm

COUNCILLOR J HARRISON

CHAIRMAN

OPEN

FINANCE AND MANAGEMENT COMMITTEE

31st August 2017

PRESENT:-

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

Labour Group
Councillors Rhind, Southerd, Taylor (substituting for Councillor Richards) and Wilkins.

FM/40 **APOLOGIES**

Apologies were received from Councillor Mrs Coe (Conservative Group), and Richards (Labour Group).

FM/41 **MINUTES**

The Open Minutes of the Meetings held on 15th June 2017 were taken as read, approved as a true record and signed by the Chairman.

FM/42 **DECLARATIONS OF INTEREST**

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

FM/43 **QUESTIONS FROM MEMBERS OF THE PUBLIC PURSUANT TO COUNCIL PROCEDURE RULE NO 10**

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

FM/44 **QUESTIONS BY MEMBERS OF THE COUNCIL PURSUANT TO COUNCIL PROCEDURE RULE NO 11**

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

FM/45 **REPORTS OF THE OVERVIEW AND SCRUTINY COMMITTEE**

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

FM/46 **CORPORATE PLAN 2016-21: PERFORMANCE REPORT (1 APRIL – 30 JUNE 2017)**

The Director of Finance and Corporate Services presented the report to Committee and updated Members on the final stages leading to the launch of the new Council website.

RESOLVED:

Members noted progress against performance targets.

FM/47 **DATA QUALITY & PERFORMANCE MANAGEMENT**

The Director of Finance and Corporate Services presented the report explaining the processes and levels of control in place to ensure the security of data.

RESOLVED:

1.1 Members noted progress made against the Data Quality Strategy Action Plan for 2016/17, as detailed in Appendix A to the report.

1.2 Members noted the recommendations and responses provided in the Data Quality and Performance Management Report 2016/17, Appendix B to the report.

1.3 Members approved the action plan for 2017/18, as detailed in Appendix C to the report.

FM/48 **BUDGET and FINANCIAL MONITORING 2017/18**

The Director of Finance and Corporate Services delivered the report to Committee, pointing out that savings from the transfer in-house from Northgate would be incorporated into the Medium Term Financial Plan. An increase in expenditure on vehicle replacement was reported, due to the procurement process to replace refuse vehicles. The Director advised Members on the changes proposed to the Counterparty List as a consequence of the banking restructure.

Councillor Southerd sought clarification on the status of the capital scheme for Swadlincote Woodlands Nature Reserve. The Director agreed to send a briefing note to Members with an update.

RESOLVED:

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

1.2 Members approved the updated Counterparty List for short-term investments and bank deposits as detailed in Appendix 2 to the report.

1.3 That restructuring in the UK banking sector and its potential effect upon the Council as detailed in the report was considered and noted by Members.

1.4 Members approved that the application of the EU Directive on market regulation as detailed in the report and its potential effect on the Council's Treasury Management operations be kept under review.

FM/49 **MONEY MARKET FUNDS**

The Director of Finance and Corporate Services presented the report to Committee, explaining that this investment would provide the option to diversify the cash the Council currently has on deposit. It was reported that such funds are used by many local authorities where the funds are liquid and the maximum length of investment is for sixty days.

***RESOLVED*:**

1.1 Members approved that the Council's Lending Policy and Counterparty List are updated to include the use of Money Market Funds as detailed in the report.

1.2 That a maximum overall limit of £10m be placed on deposits in Money Market Funds with a maximum of £2m invested in any one Fund.

1.3 That delegation be given to the Director of Finance and Corporate Services to select and monitor the use of individual Funds.

1.4 Members approved that the performance of Money Market Funds be reported to the Committee on at least a quarterly basis.

FM/50 **THE LOCAL AUTHORITIES' PROPERTY FUND**

The Director of Finance and Corporate Services presented the report to Committee, explaining the operation, governance, performance and potential yield as well as the risks and benefits of the fund. The Director highlighted that any investment into this pool would potentially only benefit if it is long term.

Councillor Wilkins addressed the Committee expressing his moral objection to the proposal as he felt that local authorities should not enter into money markets and property speculation. Members expressed their concerns, but many agreed that as local authorities are responsible for public money to deliver services to residents, opportunities to make this money work smarter needed to be explored in order to respond to continuing cuts.

***RESOLVED*:**

1.1 Members approved that the policy test for long-term investments, as detailed in the report, and the Council's Investment Strategy be updated accordingly.

1.2 That the CCLA Lamit Property Fund be added to the Council's approved Counterparty List and the Investment Policy and Treasury Management Strategy be updated accordingly.

1.3 Members approved that the Council invests £1m into the CCLA Lamit Property Fund for an indefinite period, subject to quarterly review.

1.4 That progress on the value of the cash deposit together with dividend returns be reported to the Committee on a quarterly basis.

FM/51 **COMMITTEE WORK PROGRAMME**

RESOLVED:-

Members considered and approved the updated work programme.

FM/52 **LOCAL GOVERNMENT ACT 1972 (AS AMENDED BY THE LOCAL GOVERNMENT [ACCESS TO INFORMATION] ACT 1985)**

RESOLVED:-

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

MINUTES

The Exempt Minutes of the Meetings held on 15th June 2017 were received.

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

The Committee was informed that no questions had been received.

PROPOSED WRITE OFFS: COUNCIL TAX, BUSINESS RATES, BENEFIT OVERPAYMENTS (Paragraph 1)

Members approved the recommendation in the report.

COMMUNITIES – AMENDMENTS TO SPORT AND HEALTH AND COMMUNITIES UNITS' STAFFING (Paragraph 2)

Members approved the recommendation in the report.

COMMUNITY SPORT ACTIVATION OFFICER (Paragraph 2)

Members approved the recommendation in the report.

The meeting terminated at 7.10pm.

COUNCILLOR J HARRISON

CHAIRMAN

REPORT TO:	**FINANCE & MANAGEMENT COMMITTEE**	**AGENDA ITEM: 7**
DATE OF MEETING:	**12th OCTOBER 2017**	**CATEGORY: OPEN DELEGATED**
REPORT FROM:	**DIRECTOR OF FINANCE and CORPORATE SERVICES**	
MEMBERS' CONTACT POINT:	**KEVIN STACKHOUSE (01283 595811)** **kevin.stackhouse@south-derbys.gov.uk**	**DOC:** u/ks/it/it strategy/2017/it and digital strategy cover paper Oct 2017
SUBJECT:	**INFORMATION TECHNOLOGY AND DIGITAL STRATEGY 2017 TO 2020**	**REF:**
WARD(S) AFFECTED:	**ALL**	**TERMS OF REFERENCE: FM 10**

1.0 Recommendations

1.1 That the Information Technology and Digital Strategy, together with the associated work plan for 2017 to 2020 as detailed in the report, is approved for implementation.

2.0 Purpose of Report

2.1 To detail an updated strategy and work plan for the development and use of ICT.

3.0 Detail

Background

3.1 Following the ending of the Corporate Services Contract with Northgate Public Services in February 2017, the IT service was transferred back to the Council. As part of that transfer, the establishment and budget for IT was approved by the Committee.

3.2 Since February, IT work has concentrated on stabilising operational services, together with ensuring the infrastructure has remained compliant with the Government's Public Service Network (PSN) requirements. This has included enhancements to security and business continuity functionality. The stabilisation programme is on-going and is planned to be fully completed by March 2018.

Development of a Future Strategy

3.3 The Committee has previously approved an overall vision for IT based on "cloud based" technology. In July, the Council commissioned an independent IT expert to review the Council's position and to draw up a strategy to deliver the overall vision.

3.4 This has culminated in the document appended to this report, which is a proposed Information Technology and Digital Strategy, together with a technology roadmap or work plan. This has been drawn-up to cover a medium-term period to 2020.

The IT Environment

3.5 Expectations for IT and the Digital Agenda continue to increase. The purpose of the Strategy is to provide direction for how technology can enable the Council to provide better services that meet these expectations. It is also intended to draw out efficiencies in service provision through transactional processing in particular.

3.6 Effectively, the Strategy is intended to provide a blueprint for IT service delivery and sets priorities for the next three years. It identifies the systems and services required and how these will contribute to the overall development of the Council.

The Approach Taken

3.7 The review considered the Council's current infrastructure and the phases required to migrate to the "Cloud". It also reviewed governance arrangements and the current mix of service provision.

3.8 As part of the review, consultation took place with corporate management, principal officers, Members and IT service staff.

3.9 The review identified areas to be developed in the Council's base infrastructure and these are effectively being dealt with as part of the current stabilisation programme. This will provide the foundation to migrate to cloud based solutions, together with the basis to deliver better customer interface and opportunities for mobile working - requirements identified during the review.

The Proposed Strategy

3.10 The Strategy is based on 4 principles:

- **Technology Infrastructure** – a cloud first approach to improve resilience, business continuity and reduce future capital costs. In addition, standardisation of end user devices and to enable mobile working where required.

- **Service Transformation** – functionality to enable a move towards greater digital based services for customer interface.

- **Governance and Security** – adhering to IT security standards and controlling project based work through a formal appraisal and sign-off process.

- **IT Services** – a mixed economy of service provision using in-house resources supported by external service providers as appropriate.

A Phased Implementation

3.11 It is proposed to deliver the Strategy through a series of phases and key projects. The “roadmap” or work plan is detailed in **Sections 6.3 and 6.4 of the Strategy Document.**

3.12 The key projects are detailed in the Appendices to the Strategy and include:

- Upgrading to Windows 10 operating system universally and implementing Office 365 cloud solution for email, messaging and collaboration.
- Upgrading telephony to cloud.
- Gradual movement towards Microsoft Azure cloud based services including back-up solutions.
- Reviewing digital technology on a case-by-case basis. This would include customer portals, integration tools to link systems, document management and a digital mail room.

Risks and Opportunities

3.13 The Council’s base infrastructure is generally fit for purpose but its end user environment (laptops, PCs, etc.) is becoming out-dated. The proposed programme is ambitious but is one which many other organisations have or are embarking on.

3.14 Microsoft Azure and Office 365 are becoming the favoured solution for many councils and central government. Microsoft is currently investing in technology for public services in order to overcome the added security functionality required by the public sector.

3.15 The risk of not developing IT is that the infrastructure will become outdated and inefficient; the Council could also fail to make better use of modern day technology, so the proposed strategy sets out a clear programme to improve.

3.16 The Council is at an early stage in developing so-called “Digital Services”. The implementation of the new web-site and the functionality this now allows for greater transactional processing is perhaps the first move in that direction.

3.17 Although there is a growing demand for digitisation, this form of service delivery may not suit all residents. Therefore, traditional customer access points will need to be kept available whilst the Council encourages and supports this move.

3.18 In addition, the programme will inevitably lead to a change in working practices internally and this will need to be managed through the Council’s Change Management Programme.

Resources

3.19 A limiting factor could be resources to deliver the Strategy. Since the transfer of the IT Service back to the Council, on-going resources have been employed (as approved) and the mix of service provision, as recommended in the Strategy, is being implemented.

3.20 In particular, a new service desk facility for end user support has been implemented and "3rd line" technical/analyst resources are in place.

3.21 These resources are intended to support operational delivery but are also available for project work. However, it is considered that the recruitment to the post of the IT and Business Change Manager will be a key element in delivering the proposed Strategy.

3.22 This post has been earmarked and will be dedicated to lead corporately, the delivery of the Strategy and to work with services to implement business change. The recruitment process is for this post has now commenced.

3.23 Besides staffing, the Council will need to provide capital investment and on-going budget provision to deliver the Strategy and this is detailed in Section 4 below.

4.0 Financial Implications

4.1 The proposed Strategy includes a costed plan and investment model. The Strategy is split into 3 phases as summarised in the following table.

Phase	**Detail**	**Estimated Cost (£)**
1 - 2017/18	Stabilisation	108,500
2 - 2018/19	Project Investment	417,500
3 - 2019/20	Project Investment	175,000

4.2 It is anticipated that there will be some cross-over. Not all identified projects proposed in the later stages of Phases 2 and 3 have been costed at this point. This includes projects such as a digital mail room and integration tools which will require separate appraisal.

4.3 As the table shows, the main cost is scheduled for 2018/19 which reflects the upgrade to Office 365 and replacement of end-user devices.

4.4 The total cost is estimated at £701,000. However, the investment will be delivered within budgetary provision and resources set-aside for IT.

4.5 The Strategy effectively guides how the budget should be deployed and in particular the use of the capital investment sum, together with the IT and Innovation Reserves.

4.6 The cost in 2017/18 is being met within the 2017/18 budget. Excluding this, the proposed investment in 2018/19 and 2019/20 is approximately £590,000. It is proposed to finance this investment as follows:

IT Reserve	£140,000
Innovation Reserve	£80,000
IT Capital Budget 2018/19 and 2019/20	£270,000
Investment Contingency 2017/18	£100,000
Total Financing available	**£590,000**

4.7 The IT and Innovation Reserves are funds previously set-aside to finance one-off investment. In accordance with current policy, any underspends on day-to-day IT budgets will be transferred to the IT Reserve following confirmation of the budget-out-turn position each year.

4.8 The IT capital budget is £135,000 per year. This is utilised to fund infrastructure replacement and end-user devices.

4.9 The investment contingency is funding set-aside from the overall budget savings made from the transfer of Corporate Services. This contingency is on-going but could be used in 2018/19 and 2019/20 in other service areas.

4.10 The above investment excludes on-going IT costs for licensing, ad-hoc replacements, repairs and maintenance, etc. This is funded within separate revenue budgets. In addition, individual service areas hold separate budgets to fund the cost of annual maintenance and support for functional software.

4.11 It is likely that revenue budgets will increase in future years to pay for cloud services as these are calculated on a per user basis. However, as there will be no requirement to host and maintain infrastructure locally (servers in particular) future capital investment will reduce.

4.12 Finally, as a current Microsoft customer, the Council's upgrade to Office 365 and Azure services, will be cost effective under current licensing arrangements.

5.0 Corporate Implications

5.1 The potential opportunities for service delivery and change management are detailed in the Strategy and the report.

5.2 The proposed governance arrangements are detailed in Section 8 of the Strategy. These arrangements are designed and structured to support the implementation of the Strategy in order to prioritise and manage projects.

5.3 The methodology ensures that resources are directed to deliver the most important projects first which have the greatest benefits to the Council.

5.4 Projects will be prioritised for a Category 1 (most important) to Category 4. All projects will be reviewed and prioritised by an internal operational group chaired by the Director of Finance and Corporate Services.

6.0 Community Implications

6.1 The Council has a set of defined outcomes in its Corporate Plan. The Strategy is designed to support these outcomes by improving productivity, reducing costs, improving customer services and increasing the skills of the workforce through new technology.

7.0 Background Papers

7.1 None

South Derbyshire District Council

Information Technology and Digital Strategy

2017-2020

South Derbyshire DC

1.0 Introduction

Introduction by the Leader of the Council

Information Technologies (IT), and associated digital technologies, are now key drivers for the success of an organisation, changing traditional ways of doing things, providing new opportunities and empowering people. They are impacting public services by driving improvements in efficiency and productivity and providing new ways to open up a dialogue with communities and businesses.

We recognise the power of technology. We want to find ways to use digital technology to save money and improve services through co-production, collaboration and cooperation with our communities.

There are now opportunities for councils to redesign public services around the customer experience, enabled by personal mobile digital technology. These opportunities will also provide ways to reduce costs and improve services to local taxpayers. The Information Technology and Digital Strategy outlines our priorities for IT to address these opportunities.

Councillor Bob Wheeler Leader

Information Technology and Digital

Over the last five years the Council has experienced significant change. In particular, customer expectations are now that Council services should be available 24/7 via digital channels and that finding information, paying bills or applying for benefits should be easily available electronically. At the same time, the Council has experienced reductions in central funding and continued pressure on all service areas to reduce costs whilst improving service quality.

It is against this backdrop that the *Information Technology & Digital Strategy 2017 - 2020* has been developed. The purpose of this strategy is to provide a clear roadmap for how technology can enable the Council to provide better services that meet customer demands and deliver better outcomes whilst ensuring efficiencies are achieved.

The Information Technology and Digital Strategy will allow stakeholders to understand our IT objectives and how these are aligned with the Council's priorities and business direction. It will also provide a blueprint for IT service delivery and priorities over the next three years. It identifies the systems and services required and how these will contribute to the overall success of the organisation.

2.0 Council Vision and Corporate Objectives

The Corporate Plan

The Council adopted a new Corporate Plan in 2016. It sets out an ambitious programme to develop and further improve services between then and 2021.

’Making South Derbyshire a better place to live, work and visit’ is our vision, supported by a comprehensive Corporate Plan which focuses on key activity areas, each underpinned by clear outcomes:-

1. People – Keeping residents happy, healthy and safe
2. Place – Creating vibrant communities to meet residents’ needs
3. Progress – Encouraging inward investment and tourism
4. Outcomes – Work that underpins all of our activities

Technology will be a key enabler of outcomes for the Corporate Plan. The Council has therefore recognised the importance of ensuring that the technologies support and underpin the Corporate Plan through the development of the Information Technology & Digital Strategy 2017-2020.

Making South Derbyshire a better place to live, work and visit

3.0 Technology - delivering Council Outcomes

Council Outcomes

The Corporate Plan identifies a series of key outcomes.

- Maintain financial health
- Maintain Corporate Governance
- Enhance environmental standards
- Maintain a skilled workforce
- Maintain customer focus
- Manage financial, legal and environmental risks

Technology will support the delivery of these Corporate Plan outcomes through:

Improved productivity – modern technology will support the automation and speed of undertaking tasks and improve collaboration.

Reduced costs – supporting the need to deliver Council savings, technology can reduce the cost of services particularly when applied to repetitive and transactional tasks.

Improved Customer Service – technology provides a significant opportunity to provide improved 'real-time' services for customers, often delivered using mobile technologies to access services remotely.

Increased Skills – the introduction of new technology offers the opportunity to increase the skills of the Council's workforce through training and new ways of working.

The Information Technology and Digital strategy has been developed by consulting with the organisation about the technology requirements needed to deliver overall Council services and the outcomes of the Corporate Plan. The organisation identified a number of key business requirements outlined overleaf. Key technologies such as **Cloud Computing**, mobile technologies, **Collaboration and Integration Tools** are crucial to delivering the overall outcomes. The Information Technology and Digital Strategy therefore prioritises investment in key technologies over the next 3 years to deliver the capability to meet the Council's Corporate Plan and business requirements.

Fact Box

What is technology integration?

A way of ensuring IT systems, applications and software work effectively together.

Fact Box

What is Cloud Computing?

The practice of using a network of remote servers hosted on the Internet to store, manage, and process data, rather than a local server or a personal computer.

Fact Box

What are Collaboration Tools?

Computer Software Applications designed to help people involved in common tasks achieve their goals.

4.0 Summary of Business Requirements

A summary of nine current and future business requirement priorities have been identified from consultation with the organisation. These are required to support the delivery of the Corporate Plan.

Summary of Key Business Requirement
1. Capability to **deliver services digitally**, wherever appropriate, including a customer self-service and face-to-face and telephone-assisted self-serve
2. A **stable, secure modern ICT infrastructure** which enables the organisation to deliver an efficient service
3. Internal services for staff and managers delivered through **digital self-service** wherever possible (reducing manual and paper-based processes)
4. Stable and **'fit for purpose' line of business application(s)** which support the efficient operation of the Council
5. Ability to **work in new ways** including collaboratively, flexibly and remotely from office locations using **mobile technologies**
6. Ability to **share information, systems and services securely** with partner organisations
7. Ability to **record, track and manage customer activities** which support modern joined-up service delivery
8. Identification of ways to **reduce the cost of service delivery** of the Council using digital technologies
9. Ability to access **business advice and technical capability** to support **identification, procurement and integration** of best of breed IT tools

5.0 Information Technology Vision and Principles

Vision

The vision for the ICT Service is to **‘enable and support modern digital public service delivery and help transform how the Council works, reducing cost and improving efficiency.’**

The *Vision* is underpinned by a set of principles relating to how the IT service will be managed and delivered.

Principles

The IT Principles are identified in four categories:

1. Technology Infrastructure and Solutions
2. Service Design and IT Transformation
3. Governance and Security
4. Partners and Suppliers

The purpose of the IT principles is to ensure an effective Information Technology Service is established and maintained which supports consistent, secure and efficient service delivery. The principles will ensure compliance with standards, security and methodologies.

The principles are intended to provide an effective framework which applies to all ICT operations within the Council as part of the Information Technology and Digital Strategy.

5.1 Information Technology Principles

1. Technology Infrastructure and Solutions

The Council will adopt a 'Cloud First' approach – all future Information Technology projects will consider the use of cloud-based services where adoption is possible (without adverse impact on security of ICT architecture) and is financially advantageous.

The Council will separate applications from devices – the Council will support multiple end user devices. Applications will be procured wherever possible which are not dependent on using particular end-user computing devices.

The Council will optimise a 'mobile first' approach – the Council will look to ensure that all new applications and changes made to existing systems consider mobile standards and mobile functionality as part of the core application, business processes and work flow.

The Council will standardise core technology solutions – but will give equal consideration to free or open source software when deciding on technology solutions.

The Council will adopt the Government Digital Services Code of Practice – this will ensure delivery of consistent, secure ICT services https://www.gov.uk/government/publications/technology-code-of-practice/technology-code-of-practice

2. Service Design and IT Transformation

Services will be designed around the Customer understanding and building Information Technology and Digital services around the needs of our customers through consultation with business and customer stakeholders.

Services will be Digital by Design – wherever possible we will ensure that we design our services by putting modern technology at their heart, delivering efficiencies and reducing cost.

Information Technology will Reduce Costs – Investment in Information Technology and Digital services will be an enabler for reduced cost in many areas of the Council. The process for identifying key IT priorities will include an assessment of the potential of the project to deliver savings, improve efficiencies or reduce cost.

Information Technology will enable Business Transformation – we will use Information Technology and Digital tools to support business transformation – for both customers and employees.

5.2 Information Technology Principles

3. Governance and Security

Security and Information Governance will be considered as part of the design process and operational running of all digital services so as to protect information assets and ensure all staff are adequately trained.

Good financial planning will support effective Information Technology - appropriate levels of financial planning (Opex/Capex) will be put in place to ensure any works resulting from this strategy are adequately funded and are sustainable.

Business Continuity and Disaster Recovery will be considered as part of Information Technology service design to ensure a return to operational running as required by Services.

A Programme and Portfolio Project Management approach will be used to manage Information Technology projects in the delivery of this strategy.

The Council will coordinate Application Management centrally – improvements in governance and support from corporate ICT will ensure that main Line of Business Application support is co-ordinated and overseen and corporate programme management standards are applied.

4. Partners and Suppliers

The Council will adopt a 'mixed economy' model to the supply of IT services. In practice this means that IT services will be delivered by a mix of 'in-house' and external service providers chosen based on organisational requirements, technical fit and value for money.

In selecting partners and suppliers the Council will consider both commercial and technological requirements. This will include moving from big single supplier contracts to multiple smaller supplier contracts and ensuring the organisation selects 'off the shelf' technology products and services wherever possible to avoid costly bespoke development.

The Council will develop commercial and IT procurement skills and capability to support the effective sourcing of IT products and services.

Will always consider IT service management end-to-end integration of the IT operating model when selecting different IT suppliers and services.

6.0 Technology Roadmap

Introduction

The Technology Roadmap has been developed by undertaking an assessment of the IT business requirements as well as an assessment of the current technology and capabilities within the IT service. A gap analysis has been undertaken to identify priority areas for technology investment.

The adoption of the technology and services outlined in this roadmap will provide necessary service improvements to:

- Enable the transition from traditional office/site centric, low flexibility IT Service model to highly flexible/agile, location independent IT Service model adopting a hybrid cloud computing model (see 6.2)
- Provides significant improvement in disaster recovery and business continuity support
- Provides a secure supported IT environment with stable and secure IT infrastructure being the key to the provision of effective and efficient IT Services
- Supports the IT Strategy's principles for Technology, Services, Security, Governance, Partners and Suppliers outlined in this document

Approach

The key elements of the technology roadmap are prioritised as follows:

1. **Stabilise current IT infrastructure** to ensure a secure IT environment e.g. address urgent technology infrastructure gaps and ensure business continuity
2. **Replace older technology to ensure compliance** with the Public Service Network (PSN) requirements
3. **Develop 'hybrid-cloud' IT architecture model** to move software and hardware services off-premise and into the cloud
4. **Assess and review technologies which will delver increased digital capability** and support transformation e.g. mobile working and customer self-service portals

6.1 Technology Roadmap – Key Projects and Phases

Summary of Key Projects

The IT and Digital Strategy supports a move towards a hybrid-cloud adoption and mobile technology capability.

Key infrastructure projects are:

- **Endpoint computing** – replacement of VDI, current desktop operating systems with Windows 10 laptop/hybrid-laptops, roll-out of mobile end computing
- **Email, Messaging & Collaboration** - consolidate existing configurations and move to Office 365 cloud solutions
- **Telephony** – move towards cloud-based telephony services
- **Server Computing and Storage** – move to Microsoft Azure cloud-based services including cloud-based back-up solutions and upgrade of remaining server environments
- **Digital Solutions** – review of key digital technology building blocks to be undertaken on a case-by-case basis

Phases

To ensure delivery of the key IT Projects, taking account of resource and budget constraints, the strategy is divided into phases (Note: this includes Phase 3 planning for projects beyond the life of this strategy):

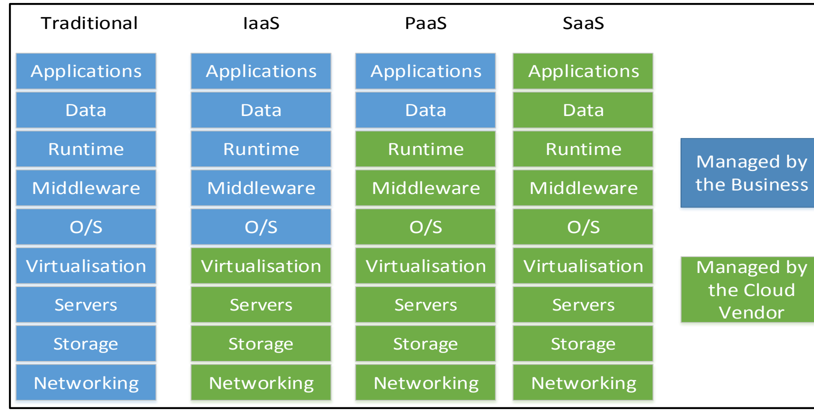
Phase	Period
Stabilisation Phase	April -17 – Mar 18
Investment Plan Phase 1 (Priority Projects)	April 18 – Mar 19
Investment Plan Phase 2	April 19 – Mar 20
Investment Plan Phase 3 (planned beyond this strategy)	April 20 onward

6.2 Cloud Computing

Introduction

Cloud Computing is commonly defined as the following three service approaches:

- Infrastructure as a Service – IaaS
- Platform as a Service - PaaS
- Software as a Service – SaaS



The diagram on the right demonstrates the move from a traditional computing model towards a cloud model. When the services are provided by one of the global cloud providers e.g. Microsoft, Amazon, Google etc. it is termed public cloud. Organisations with existing IT infrastructure require these public cloud services to be integrated as part of a cloud adoption strategy, termed 'hybrid cloud'.

Cloud Adoption

Typical steps for cloud adoption are:

- Migrate mature infrastructure services such as Email to a SaaS solution e.g. Office 365 Exchange Online
- Migrate on premise or external data centre hosted servers and storage to public IaaS hosting to create a hybrid cloud model
- Once IaaS hybrid cloud migration is complete migrate suitable systems to a PaaS based provision
- For any new system or system replacement select a SaaS based solution e.g. cloud first principle
- Cloud computing is charged on a consumption basis, therefore the use of automation in the management of these services is key to obtaining maximum value e.g. automatic de-provision of leaver, scheduling the close down of non active systems etc.

6.3 Draft IT Technical Roadmap – Key IT Architecture Projects

Project Description	Architecture Ref	Stablisation 17/18	Phase 1 18/19	Phase 2 19/20	Phase 3 2020 & beyond
Third Party Remote Access	D8				
Proactive System Monitoring	D11				
Mobile Device Management	D15				
Domain Migration	D16				
Hornbill IT Helpdesk	D6/D13				
CRM Review and Option Apprisal	C1				
Mobile Management Option Appraisal	C6				
Cloud (Azure) Scoping	F2/F3				
Licence Dashboard	D13				
Options appraisal voice/SMS/softphones	D10				
Option Appraisal Integration Tools	C8				
Option appraisal Security Software	D17				
Windows 10 Build and Deploy	D7				
Remote staff access technology	D9				
Desktop upgrade/replace VDI laptop/hybrid	D7/E1/E5				

Notes
1. Timeline is indicative based on current resource projections and estimated implementation timescales
2. Architecture References refer to Functional IT Architecture model shown in Appendix 1

6.4 Draft IT Technical Roadmap – Key IT Architecture Projects

Project Description	Architecture Ref	Stablisation 17/18	Phase 1 18/19	Phase 2 19/20	Phase 3 2020 & beyond
Office 365 and Office 2016 deployment	D1/D7/D16				
SQL Server 2008 Replacement	D5				
Windows 2008/2008 R2 replacement	D4				
Azure IaaS Server Hosting	F2/F3				
SIP Upgrade/Cloud Host Mitel telphony	E2				
One Drive Sharepoint	C5				

7.0 IT Investment

IT Funding Approach

Work has been undertaken as part of the strategy development to estimate investment costs to deliver the strategy outcomes over the next three years. This investment is identified by each of the strategy phases as shown in 7.1. The table below identifies estimated indicative investment over each phases. Further detail of cost breakdown in shown in Appendix 2. Every project, within each phase, will require the development of a business case to support a more accurate identification of costs:

Phase	Indicative Cost
17/18 Stabilisation Phase	£108,500
18/19 Investment Plan Phase 1 (Priority Projects)	£417,500
19/20 Investment Plan Phase 2	£175,000
20/21 Investment Plan Phase 3 (beyond this strategy)	£ -
Total	**£701,000**

It should be noted that a move to a cloud based computing environment will shift the provision of computing services from physical based assets to IT services provided on a subscription based model. This is likely to increase revenue budget costs but reduce one-off IT investment costs.

8.0 Governance

Introduction

To support the implementation of the IT and Digital Strategy the Council will adopt Project Portfolio Management (PPM) to identify, prioritise and manage all future IT projects.

PPM is a structured methodology, widely used in the IT industry, to align and balance the IT project demands of the organisation with overall council priorities, available recourses and capacity. PPM systems build a set of agreed criteria which attempt to ensure that scarce resources are used to deliver the most important projects which deliver the greatest benefit for the organisation.

Prioritisation

Four project prioritisation categories are proposed:

Category 1 - Public Services Network (PSN) projects or projects to ensure legal compliance - projects related to ensuring the Council is compliant with Government standards, and legal requirements

Category 2 - Major IT Projects – those large-scale priority IT projects - for example new systems and system replacements of main IT applications - the Council wishes to undertake

Category 3 – Other IT Projects for Prioritisation – smaller IT projects, upgrades where decisions on priority can be taken

Category 4 – Minor IT changes - small IT changes, modifications or change control requests

Each IT project will fall into one of the four categories allowing the projects to be prioritised based on an agreed set of criteria identified in the PPM policy.

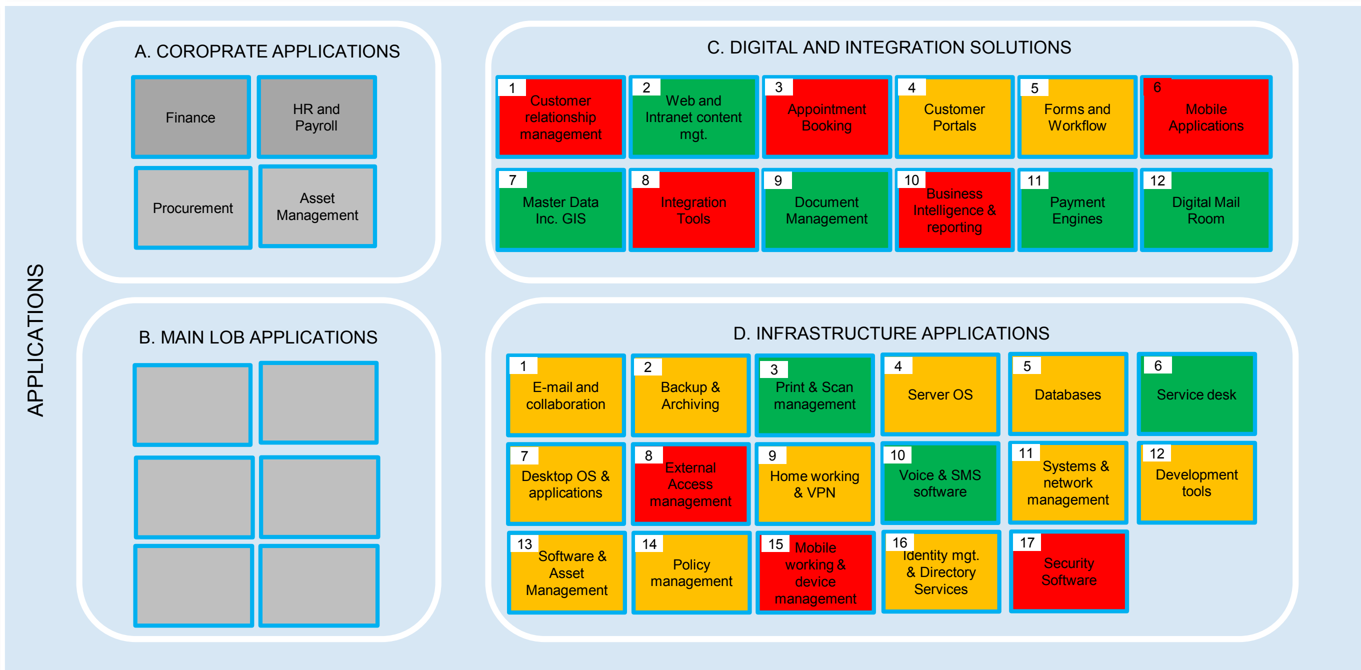
Review and Governance

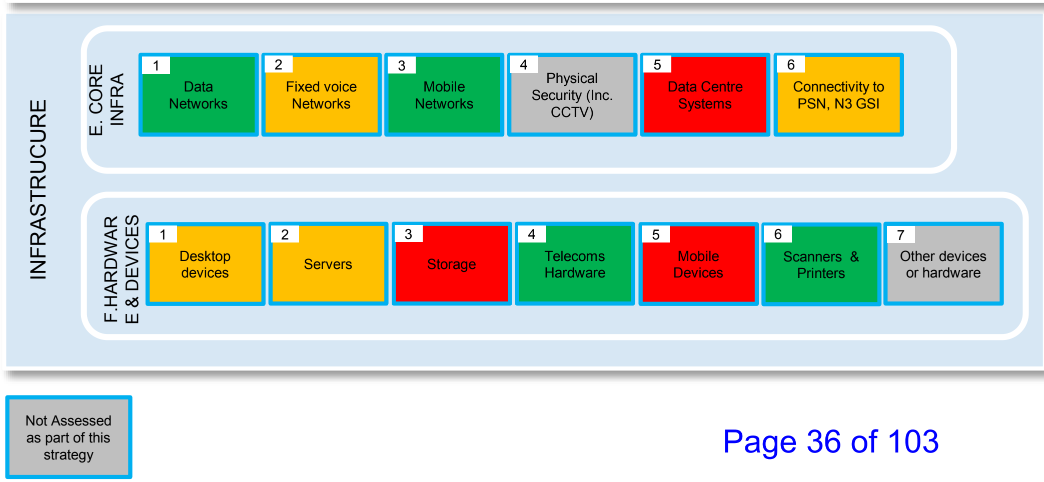
All projects will be reviewed and prioritised regularly by the IT Project Portfolio Board (ITPPB) chaired by the Director of Finance and Corporate Services.

9.0 Appendix 1

Gap Analysis and IT Strategy Statements

Gap Analysis (functional IT Architecture Model)





Key

Green	• Good fit of current systems and planned systems changes with requirements for the current and future Council • Project(s) underway, funded and meet business needs/ICT Objectives and Principles
Amber	• Some fit, but with some outstanding questions or gaps to meet known future requirements • Project(s) underway but not on track or not fully funded • Also used where impact of "Poor fit" (Red) is limited (i.e. less critical requirement)
Red	• Poor fit or no existing, planned capability or identified project(s) • Requires further investigation / investment • Critical requirement missing

This Gap Analysis has been undertaken following consultation with the business as part of the IT & Digital Strategy Development. Assessment has been made against each of the functional IT building blocks using the definitions shown in the table above. Assessment of Corporate (A) and Line of Business Applications (B) is outside the scope of this strategy. Tables in the rest of this Appendix provide strategy recommendations against each of the functional IT building blocks.

C. Digital and Integration Solutions

Building Block		Draft Strategy Position
1. Customer relationship management (CRM)	:	Conduct an options appraisal on replacement of existing CRM system.
2. Web and Intranet content mgt.	:	Implement Weblabs Web Content Management System (WCMS).
3. Appointment Booking	:	Conduct an options appraisal on corporate appointment booking solutions.
4. Customer Portals	:	Expand use of the Weblabs WCMS to provide portal capabilities.
5. Forms and Workflow	:	Review the capabilities of existing deployed systems and if suitable deploy: • Weblabs - Forms • Workflow - Info@Work Also consider Office 365 Flow
6. Mobile Applications	:	Conduct an options appraisal on the use of Line of Business (LoB) mobile applications vs a mobile application management system (e.g. NDL MX, TotalMobile).
7. Master Data Inc. GIS	:	Review provision of GIS services to ensure outsourced arrangements are effective
8. Integration Tools	:	Conduct an options appraisal on approach for integration and the technology solution to be adopted e.g. batch, API point-to-point, service hub, service bus (SOA) etc.
9. Document Management	:	Conduct an options appraisal on the approach for document management – single solution e.g. Info@Work for document management vs Info@Work for EDRMS requirements and Office 365 SharePoint for general document management services.
10. Business Intelligence & reporting	:	Conduct an options appraisal for a business intelligence & reporting solutions. Link with move to Azure Cloud for potential reporting capability. Standardise on a single reporting tool.
11. Payment Engines	:	Retain existing solution
12. Digital Mail Room	:	Continue use of existing Digital Mail Room solution.

D. Infrastructure Applications (1)

Building Block		Draft Strategy Position
1. E-mail and collaboration	:	Migrate to Office 365 - Cloud hosted Email, Enterprise IM (Skype for Business), File Storage (OneDrive and SharePoint).
2. Backup & Archiving	:	Undertake review with view to migrating to Cloud based backup and archiving solution e.g. Microsoft DMP with Azure Cloud Storage. Review implementation of Cloud based disaster recovery for key systems e.g. Microsoft Active Site Recovery (on premise systems mirrored in the Azure Cloud) - typically this is adopted by an organisation as the first step in moving to cloud based provision.
3. Print & Scan management	:	Continue use of the existing print & scan solution.
4. Server OS	:	Upgrade all Windows Server 2008/2008 R2 instances to Windows 2012/2012 R2 or higher before the end of 2018.
5. Databases	:	Upgrade all SQL Server 2008/2008 R2 instances to SQL Server 2014 or higher before mid 2018.
6. Service desk	:	Implement Hornbill ITSM with focus on development to support the following: 1. ITSM control and resolution processes (Configuration, Change, Release & Deployment, Incident & Service Request, Problem Management). 2. User Self-Service facilities for Service Request fulfilment and Incident Reporting. 3. Implement external audit recommendations on Service Desk
7. Desktop OS & applications	:	Migrate from Windows 7 Desktop to Windows 10 Desktop before the end of 2018. Upgrade the Office suite from Office 2010 to Office 2016 before the end of 2018.
8. Access management	:	Provide solution for secure access to 70 servers through tool such as LogMeIn
9. Home working & VPN	:	For Windows Laptops/Hybrid Tables deploy Windows Direct Access. If VDI Virtual Desktop solutions are still operating implement Vmware Horizon Mobile Secure Workplace configuration.
10. Voice & SMS software	:	Undertake review of Mitel Mi-Voice softphone clients integrated with Skype for Business to provide Unified Communication capabilities.

D. Infrastructure Applications (2)

Building Block		Draft Strategy Position
11. Systems & network management	:	Short term: Implement proactive monitoring using WhatsUP monitoring tool Medium/Long Term: Review with hybrid cloud implementation with a view to Implementing Microsoft System Centre Configuration Manager (SCCM) for Windows desktop and server software management (image deployment, software and patch deployment, assets reporting). Review implementation of Microsoft System Centre Operation Manager (SCOM) integrated with Azure Operations Manager (OMS) to manage a Hybrid Cloud environment (transition from an on premise to a Cloud hosted server estate).
12. Development tools	:	Conduct an options appraisal on development tools.
13. Software & Asset Management	:	Use Hornbill ITMS system for configuration and physical asset management and use Phoenix Licence Dashboard Manager for software asset management
14. Policy management	:	This capability can be provided by the Hornbill ITMS system.
15. Mobile working & device management	:	Short Term: Replace Air Watch MDM with Sophos Mobile to provide support for corporate own personal enabled (COPE) devices and bring your own devices (BYOD). Medium/Long Term: Consider implementing Microsoft EM&S to provide similar facilities if only COPE provision is required.
16. Identity management & Directory Services	:	Consolidate the two current Active Directory instances into a single Active Directory instance, then federate with Azure Active Directory to simplify identity management and provide single sign-on capabilities for accessing cloud based applications.
17. Security Software	:	Medium Term: Review security, event and incident management and implement cloud based solution. Long Term: Conduct an assessment for the replacement of the existing desktop Anti-Virus product with Microsoft SCCM Endpoint protection (this is provided as part the existing Microsoft EA licenses). As part of the Office 365 implementation, conduct an assessment of dropping the email Anti-Virus product and using the email Anti-Virus facilities within the Office 365 environment.

E. Infrastructure Core

Building Block		Draft Strategy Position
1. Data Networks	:	Continue with the existing network infrastructure and solutions.
2. Fixed voice Networks	:	Review migration of current physical Mitel on premise environment to a cloud hosted environment. Within the next 2 year review the capabilities of Microsoft Office 365 Cloud PABX and the viability to replace the Mitel cloud hosted environment.
3. Mobile Networks	:	Continue with the existing network infrastructure and solutions.
4. Physical Security (Inc. CCTV)	:	Not assessed
5. Data Centre Systems	:	Move from an on premise data centre model to a hybrid cloud model, with the aim of moving the on premise server workload to public cloud computing hosting as soon as realistically possible.
6. Connectivity to PSN, N3 GSI	:	Continue with the existing Government network interconnect infrastructure and solutions, unless compliant alternative solutions are available e.g. replacement of Government Connect/PSN email with secure Office 365 email (configured for transit over the internet between government organisations using Transport Layer Security (TLS) version 1.2 or later and Domain-based Message Authentication, Reporting and Conformance (DMARC).

F. Infrastructure - Hardware & Devices

Building Block		Draft Strategy Position
1. Desktop devices	:	Move away from thin client (VDI) to a total laptop/hybrid tablet model to support mobile/flexible working and retain a smaller thin client estate for static working.
2. Servers	:	Where possible migrate from on premise server hosting to Cloud server hosting e.g. Microsoft Azure IaaS. (Hybrid Cloud). For retained on premise hosting refresh obsolete server hardware with consolidated server/storage products.
3. Storage	:	Short Term remain as is with good housekeeping. Medium Term – move to hybrid cloud solution as described in F2.
4. Telecoms Hardware	:	Retain the existing Mitel handsets for fixed desk working. For mobile / flexible working deploy microphone / headsets for use with the Mitel MiVoice softphones on laptops/hybrid tablets.
5. Mobile Devices	:	For "non office" mobile working select the device most appropriate to the service requirement, but within the constraints that it must be manageable using the corporate MDM solution, must be able to comply to the Council's mobile working security standards and should be able to run the Mitel MiVoice Softphone.
6. Scanners & Printers	:	Continue with the existing scanner and printer hardware solutions.
7. Other devices or hardware	:	Not assessed

10.0 Appendix 2

Strategy Funding Investment Model

Strategy Funding/Investment Model (Indicative Costings July 2017)

							Stabilisation Plan	Investment Plan	
Functional IT Architecture Block	Description	Start	Stop	One off costs	Ongoing costs	Implementation INT/EXT	2017-18	2018-19	2019-20
D7	Windows 10 Build Test and Deploy	01/04/2018	31/03/2019	£25,000	£-	EXT	£-	£25,000	£-
D9	Remote Access for staff	01/07/2018	31/12/2018	£10,000	£5,000	EXT	£-	£15,000	
D7, E1, E5	Desktop Computing	01/04/2018	31/03/2019	£300,000	£10,000	EXT	£-	£200,000	£110,000
D1,D7,D16	Office 365 and Office 2016	01/04/2018	31/03/2019	£50,000	£20,000	EXT	£-	£50,000	£20,000
D5,C5, D9	One Drive SharePoint	01/04/2019	31/03/2020	£30,000	£-	EXT			£30,000
F2,F3	Azure IaaS Server/Storage Hosting	01/07/2018	31/03/2019	£40,000	£15,000	EXT		£40,000	£15,000
D4	Windows Server 2008/2008 R2 Replacement	01/10/2018	31/03/2019	£10,000	£-	INT	£-	£10,000	£-
D5	SQL Server 2008 Replacement	01/07/2018	30/09/2018	£10,000	£-	INT	£-	£10,000	
D8	3rd Party Remote Access	01/08/2017	30/11/2017	£8,000	£8,000	INT	£8,000	£8,000	
D11	Proactive Monitoring	01/07/2017	31/10/2017	£7,000	£7,000	INT	£7,000	£7,000	
D15	Mobile Management	01/10/2017	31/03/2018	£8,500	£8,500	INT	£8,500	£8,500	
D16	Domain Migration	01/01/2018	31/03/2018	£15,000	£-	EXT	£15,000	£-	£-
D6, D13	Hornbill CDBM	01/04/2018	31/07/2018	£-	£2,000	EXT		£2,000	
C5	CRM Review	01/01/2018	31/03/2018	£-	£-	INT	£-		
F2,F3	Azure Scoping	01/10/2017	31/12/2017	£7,000	£-	EXT	£7,000	£-	£-
D13	Implementation of Licence Dashboard and additional Licences	01/01/2018	31/03/2018	£28,000	£24,170	EXT	£28,000	£24,170	
E6	IT Healthcheck	01/01/2018	31/03/2018	£4,000	£-	EXT	£4,000		
E5	UPS Upgrade	01/07/2017	30/11/2017	£8,000	£-	EXT	£8,000	£-	£-
D13	Catch up on Patching	01/09/2017	30/09/2017	£6,000	£-	EXT	£6,000	£-	£-
E5	Further Server Room Enhancements	01/12/2017	31/01/2018	£10,000	£-	EXT	£10,000		£-
E2	SIP Upgrade/Cloud Hosting of Mitel Telephony	01/04/2018	31/07/2018	£7,000		EXT	£7,000	£-	
D17	Security, Event and Incident Management Solution review and implement preferred solution	01/04/2018	31/07/2018		£18,000	EXT		£18,000	
				£583,500	£117,670		£108,500	£417,670	£175,000

REPORT TO:	**FINANCE & MANAGEMENT COMMITTEE**	**AGENDA ITEM: 8**
DATE OF MEETING:	**12th OCTOBER 2017**	**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/mtfp/midyear review/October 17/mtfp report Oct 17
SUBJECT:	**UPDATE on the COUNCIL'S MEDIUM TERM FINANCIAL POSITION**	**REF:**
WARD (S) AFFECTED:	**ALL**	**TERMS OF REFERENCE: FM 08**

1.0 Recommendations

1.1 That the updated financial projections on the General Fund to 2023 and the Housing Revenue Account to 2028 as detailed in the report, are approved.

1.2 That additional income from the New Homes Bonus over that projected in the base budget is set-aside in the annual Growth Provision in the MTFP as detailed in the report.

1.3 That the Council undertakes a review of the impact of residential growth on service delivery to ascertain the potential cost implications over the financial planning period.

1.4 That further budget savings are pursued to alleviate the projected General Fund deficit in the medium-term.

1.5 That the financial projections provide the basis for planning purposes and for setting the General Fund and Housing Revenue Account's Base Budgets for 2018/19.

1.6 That the Policy on Earmarked Reserves as detailed in Appendix 3 is reviewed and approved.

1.7 That the Council supports a business case to become a pilot authority, as part of the Derbyshire Business Rates Pool, to trial 100% Business Rates Retention in 2018/19.

1.8 That subject to the outcome of the business case, the Council submits an application to the Government alongside other Pool authorities for a Derbyshire-wide pilot in 2018/19.

1.9 That an update on progress of the pilot is provided to the Committee at its next meeting on 30th November 2017.

2.0 <u>Introduction and Purpose of the Report</u>

2.1 In accordance with the Council's financial policy framework, the report updates the Council's medium term financial position. This follows the reported out-turn for 2016/17, together with known and potential changes since the 2017/18 budget-round.

The Council's Financial Planning Framework

2.2 A key factor within the Council's overall Financial Strategy is medium term financial planning. This is considered good practice and is based on Audit guidance which directs councils to achieve a resilient and sustainable financial position. The Council's arrangements for achieving this, together with its performance, are subject to an External Audit each year as part of the "Value for Money conclusion".

2.3 The main target within the Financial Strategy is to achieve a minimum level of General Reserves (£1m) on both the General Fund and the Housing Revenue Account (HRA) by the end of every financial planning period. This is based on a Medium Term Financial Plan (MTFP) which sets out a financial projection for 5-years on the General Fund and 10-years for the Housing Revenue Account (HRA).

2.4 The main focus of the projections is to estimate the Council's future financial position and provide an early warning sign of any financial challenges that may arise in future years. This then provides an opportunity to take a planned approach to remedial action. In addition, it is used as the basis for building detailed budget plans each year.

2.5 It also helps the Council to focus on the resources that it will have available at the end of each period. In addition, it identifies where resources and spending are changing in the medium term to enable action to be taken at an early stage to prevent any loss of financial stability.

2.6 The financial models project forward current base spending and income. This is adjusted for anticipated changes in factors such as interest rates, inflation, Government policy and local spending/financing plans, etc.

2.7 Assumptions and variables are regularly updated to take account of previous spending changes and their effects over the medium term. The projection aims to show a prudent but realistic position over the planning periods.

Purpose of this Review

2.8 The Council's financial policy requires a mid-year review of the medium term financial position. This follows the budget out-turn for the previous year and before the forthcoming annual budget round. This provides a basis for planning purposes and identifies potential matters for consideration, together with risks and opportunities.

2.9 Since the current MTFP was approved in February 2017, there have not been any significant changes nationally that may immediately affect the Council's financial position. However, the Government released a technical consultation paper in September 2017, outlining proposals for the 2018/19 Local Government Financial Settlement.

2.10 In particular, as far as the Council is concerned, this sets out some revised proposals for allocating the New Homes Bonus in 2018/19. This is considered later in the report, together with an update regarding the retention of 100% Business Rates and a possible county-wide application to become a pilot area in 2018/19 to trial its implementation in Derbyshire.

2.11 The report is divided into the following sections:

- Section 3 – A detailed analysis of the General Fund
- Section 4 – An updated General Fund position and overall analysis
- Section 5 – Housing Revenue Account
- Section 6 – Earmarked Reserves
- Appendix 1 – General Fund Medium-Term Projection to 2023
- Appendix 2 – Housing Revenue Account Projection to 2028
- Appendix 3 – Earmarked Reserves Policy
- Appendix 4 – List of Earmarked Reserves

3.0 General Fund – Detailed Analysis

3.1 Following the budget round for 2017/18, the medium term financial position was projected as shown in the following table.

General Fund: Medium-Term Projection as at February 2017

Year	Budget Deficit / Surplus (-) £	Earmarked Sums £	Balance of General Reserve £
Approved Budget 2017/18	-482,058	103,769	-7,984,444
Projection 2018/19	852,749	-9,706	-7,141,401
Projection 2019/20	1,586,881	249,559	-5,304,961
Projection 2020/21	1,630,297	248,421	-3,426,242
Projection 2021/22	2,068,661	247,261	-1,110,320

Position Entering this Review

3.2 The position at this time highlighted a budget surplus for 2017/18 based on current budgets. A deficit was then forecast from 2018/19, as Revenue Support Grant reduced and proposed reductions in the New Homes Bonus took effect as part of the national funding formula.

3.3 The current level of the General Reserve was healthy compared to the minimum level of £1m and was forecast to remain above the minimum level throughout the period to 2021/22. However, it was noted in February that projected deficits in future years were being financed by drawing down General Reserves.

3.4 It was considered that this was a high risk strategy. The deficits in future years were projected to be significant. If no action were taken to reduce future deficits, it could quickly de-stabilise the financial position given that any action to achieve budget savings may take time to fully implement.

3.5 Provision for certain cost pressures and potential risks were included in the MTFP, including additional income being set-aside to meet potential demand on services arising from residential development. It was considered that a balanced approach needed to be undertaken by utilising reserves, identifying some budget savings and at the same time providing for additional costs associated with Growth.

3.6 Consequently, it was approved that the Council should take action during 2017/18 to alleviate the projected budget deficit of £850,000 in 2018/19. This was intended to ease the pressure in future years and help to maintain a sustainable financial position. A review of service expenditure was recommended.

3.7 As reported to the Committee in August, budget savings to-date have totalled £400,000. This was generated from the transfer of Corporate Services back to the Council in February 2017.

Financial Strengths

3.8 The Council is required to maintain a resilient and sustainable financial position. Currently, the Council continues in this position due to:

- Positive cash flow
- No debt outstanding (on the General Fund)
- Not reliant on interest rates rising to generate additional income
- Current General Reserve healthy
- Provisions in the Base Budget to mitigate inflation and growth
- Budget for a full employee establishment – no vacancy rate is assumed
- Earmarked reserves for capital replacements for IT, vehicles and plant
- Separate provision made for bad debts, appeals and pensions
- Earmarked reserves to sustain project and capital works
- Steady growth in the Tax Base
- Capital expenditure not heavily reliant on revenue funding or borrowing

3.9 The Council also has a history of spending within its Net Budget. However, this cannot be guaranteed in future years and is never assumed for future budgeting purposes.

Financial Risks

3.10 There are many variables that are included in the projection that carry a risk, in which realised, could have a significant effect on the overall financial position. The main risks identified in the financial register when the Budget was approved in February 2017 were:

- **Higher risks**

  - Further changes to the national funding system and in particular the allocation of the New Homes Bonus
  - A reduction in Business Rates income due to appeals
  - Additional pressure on service costs due to growth

- **Lower risks**

  - A budget overspend
  - Economic conditions
  - Impact of Welfare Reform

3.11 The Risk Register details the arrangements in place to mitigate the impact of these risks. Currently, any issues arising from the lower risks (above) are not significantly impacting upon the Council's financial position. The impact of the higher risks is or has the potential to be more significant.

Updating the MTFP

3.12 An update and assessment of the main assumptions and variables, where this has been necessary, together with a consideration of external issues, are detailed in the following sections.

3.13 This review has focused on the Council's funding as there has been very little change to base budget expenditure and the underlying assumptions in future years.

Core Funding

3.14 The Council's core funding is an aggregate of:

- Business Rates
- New Homes Bonus
- Revenue Support Grant
- Council Tax Income

Business Rates and the Proposal for 100% Retention

3.15 As previously reported, the Government were intending to implement a new funding framework for local government, including the retention of 100% Business Rates receipts locally. This was expected to be implemented in 2019/20.

3.16 Following the outcome of the Parliamentary election in June, the proposal appears to have been delayed in the legislative timetable. However, the 5 areas who had previously been selected to trial (as "pilots") 100% retention are progressing. These came into effect in April 2017.

3.17 In the meantime, the Government has also introduced various additional rate relief schemes to support businesses. These are subject to a separate report elsewhere on this Committee's Agenda. These reliefs are currently funded by the Government.

Pilot Areas

3.18 Although there is some uncertainty regarding 100% retention, there does seem some appetite by the Government to move towards this framework.

3.19 Besides continuing with the current pilots, they have asked for applications from other interested authorities to become a pilot in 2018/19. In particular, they are asking for interest from two-tier areas which may be operating a pooled arrangement, as currently exists in Derbyshire. In addition, they are interested in receiving applications from rural areas as the existing pilots are predominantly in large urban based city areas.

3.20 Clearly, there are implications of becoming a trial area, as the risks associated with retaining 100% Business Rates (full cost of appeals and falling receipts, etc.) are borne in full locally. However, the Government would guarantee that any authority within a pilot would not be worse-off financially compared to their position if they continued within the current funding mechanism as normal. This would be covered in a "*no detriment*" clause.

3.21 Therefore, they would receive at least the same level of any central funding (*excluding New Homes Bonus and Council Tax which are funded separately*).

3.22 This would mean that if South Derbyshire was to be part of a pilot, it would forego its Revenue Support Grant but, it would share in all Business Rates generated in Derbyshire with all growth being retained in the County and shared locally. There would be no levy and in principle a greater level of resources county-wide.

3.23 There are currently 5 pilots which are running alongside agreed devolution deals in those areas. As part of those deals, additional responsibilities have been transferred from central to local government, although there is no indication that this will be the case in new pilots.

A Proposed Pilot Scheme for Derbyshire

3.24 Effectively, a pilot would be an extension of the current pooling arrangement to test the financial aspects of 100% retention. However, the Government's intention is to see practical experience of how authorities from across a wider geographical/economic area can work together to encourage growth. As part of this, the Government would expect some growth receipts being directly invested back into the pilot area.

3.25 It is considered that an application from Derbyshire would be welcomed by the Government. There is already a well-established pooling arrangement in place, the County area has rural aspects and all authorities including the County Council are part of the Derbyshire Pool in a two-tier area.

3.26 Therefore, the Derbyshire Financial Officer's Association has commissioned some work to provide a business case and application to the Government. This will include analysis of the effect on each individual authority, how receipts will be shared, together with examples of how additional receipts from growth could be invested.

3.27 The deadline for applications is 27th October. It is recommended that if the outcome of the business case is to proceed, the Council supports an application alongside all other Derbyshire authorities. It is a requirement that the application must be supported by all authorities in the Pool.

3.28 It is considered that the Council cannot be any worse-off financially under the "no detriment" clause. Although there may be some teething problems, the Council would obtain an early insight into how the new financial system will work and along with other authorities, influence the final model. In the meantime, there may a benefit from additional receipts, although this will be determined in the business case.

3.29 If the proposed application is approved and proceeds, an update report will be provided at the next meeting of the Committee on 30th November. If an application is submitted and approved by the Government, they will announce the new pilots in December alongside the Local Government Financial Settlement for 2018/19. The financial implications will then be calculated during the budget setting process in January and February 2018.

3.30 Pilots will be supported by Government resources for administration and to work through technical details. Initially, the pilot will only be for 1 year. There is no guarantee beyond 2018/19 what may happen to the pilot, or indeed the wider work on financing local government beyond 2019/20.

3.31 However, the current pilots, which commenced in 2017/18, have already been notified that they will continue for a second year in 2018/19. It is considered likely at this stage that the move towards 100% retention will continue, albeit at a slower rate than previously planned. Therefore, if the opportunity arises, it may be beneficial for the Council to be part of any transitional arrangements.

New Homes Bonus (NHB)

3.32 As reported during the budget round for 2017/18, some significant changes were made to the allocation of the NHB. These changes were made to shift resources to fund Social Care.

3.33 The main changes included reducing the allocation awarded in one-year, from a rolling 6-year period to a 4-year rolling period, together with top-slicing the first 0.4% of annual growth. The implications for the Council were included in the approved MTFP in February 2017. Given the levels of growth in the District, these changes had a detrimental impact on the MTFP.

3.34 The basis of the NHB is annual growth in the number of new residential properties built (both public and private) together with, to a lesser extent, the number of empty properties brought back into use over the preceding 12 months. There is also an added bonus for increasing the number of affordable units.

3.35 As a growth area, this funding is an important part of the Council's finances. Each annual allocation is fixed for 4-years. In addition to this, the MTFP forecasts future bonus payments based on projected growth in residential development.

3.36 This is based on average growth over the preceding 4 years. When setting the budget for 2017/18, it was noted that future projections could be prudent. This was in lieu of additional growth expected to arise from the Local Plan.

3.37 The growth projections have been reviewed and revised based on more recent data of new build over the last 12 months.

Updated Projections for the NHB

3.38 The MTFP approved in February, forecast growth in residential development of just over 500 properties based on average growth over the previous 4 years, on which the NHB is paid. This was considered to be a prudent estimate.

3.39 Actual growth in 2016/17 was higher at 755 and is currently projected to be 650 in 2017/18. This is summarised in the following table.

Growth in Properties for NHB

2013/14 Actual	291
2014/15 Actual	515
2015/16 Actual	469
2016/17 Actual	755
2017/18 Estimate	650
4-year Average	597

3.40 The 4-year average is based on the years 2014/15 to 2017/18 inclusive. The previous 4-year average was based on 2013/14 to 2016/17 inclusive. With the actual growth in 2016/17 and 2017/18 in excess of the current average, the MTFP has been updated based on an average of just below 600 properties.

3.41 This has increased resources in the MTFP by the following amounts, per year.

Increase in Projected Resources (NHB)
(Figures in £'000)

2018/19	172
2019/20	293
2020/21	411
2021/22	528
Total Resources	**1,404**

The Local Plan

3.42 The above figures are still considered to be prudent and are based on actual numbers coming onto the Council Tax Register. Residential growth is likely to be much higher in future years as proposed development in the adopted Local Plan emerges. A consequent increase in the number of properties projected in the Local Plan in future years **has not** been included in the current MTFP at this stage.

3.43 Latest planning figures, based on planning approvals and sites with outline planning permission, estimate the potential growth figures as shown in the following table.

Estimated Number of Properties

2017/18	891
2018/19	1,372
2019/20	1,611
2020/21	1,529
2021/22	1,448
2022/23	1,167

3.44 These estimates do not include the major sites identified in the Local Plan and it would not be prudent to include these numbers in any projections until they are at least nearing planning approval.

3.45 When compared to the updated projections in the MTFP, the latest Planning estimates, as shown in the above table, are much higher. The MTFP projections will be kept under review and the NHB allocations updated accordingly.

Cost of Growth

3.46 A high financial risk identified in the MTFP, as highlighted earlier in the report, is the additional pressure on service costs due to growth. For several years, the MTFP has included an on-going amount to mitigate this risk. This is held as a separate provision aside from the mainstream base budget.

3.47 This provision was increased from £100,000 to £200,000 per year in setting the Budget for 2017/18. It is not earmarked for any specific item at this stage. Prior to 2016/17, any unused provision in a year (which was generally all of the provision) was transferred back to the General Reserve.

3.48 However, from 2016/17 the Committee approved to set up a separate “District Growth Reserve”. This will be funded from any unused growth or inflation allocations each year. Following the budget out-turn for 2016/17, £300,000 was transferred to this Reserve. There is also a separate provision of £100,000 per year earmarked for Waste and Recycling.

3.49 Therefore, the MTFP is allowing for both revenue and capital costs which are likely to arise from growth. However, at this stage, there does not appear to be a clear view on how growth is currently or will impact on the Council’s service costs.

3.50 Although an on-going provision of £200,000 and a capital reserve of £300,000 may seem fairly significant, the cost of an additional refuse collection round or street cleansing team, for example, may be greater.

3.51 *Therefore, it would be prudent that any additional receipts projected from the New Homes Bonus are added into the annual growth provision pending a more detailed review of potential cost pressures. This has been reflected in the updated MTFP*.

Further Changes to the NHB Allocation

3.52 As part of the Government’s technical consultation on the Financial Settlement for 2018/19, they are consulting on proposals to amend the NHB allocation in future years. Firstly, they are reviewing the baseline of 0.4%.

3.53 This is the figure below which growth is not paid, i.e. the first 0.4% of the total increase in the number of dwellings each year, does not attract any Bonus. It is likely that if this baseline changes, it will be upwards which would further reduce allocations.

The Impact on the Council

3.54 For example, based on the estimated growth in properties in 2017/18 of 650, the Council will not receive bonus on around 200 properties. This has already been built into the MTFP and reduces the allocation by £1/4m per year.

3.55 Every 0.1% increase in the baseline reduces the Council’s allocation by a further £60,000 per year. This could have more significant implications for the MTFP.

NHB and Effective Planning

3.56 Under the current scheme, councils receive the same reward for new homes granted by the authority as they do for development granted on appeal by the Planning Inspectorate. The Government have previously indicated that they would penalise councils that did not grant permission, which was subsequently overturned, by reducing the equivalent NHB allocation. This is still under consideration by the Government.

3.57 However, in the meantime they are consulting on an alternative approach which is based on the overall quality of decision-making by the planning authority. The Government's preferred method is to link NHB allocations to the ratio of successful appeals to all residential planning decisions over an annual period. The Government state that this would offer a more general approach rather than tracking individual developments and units involved.

3.58 The number of appeals would not be a factor, only the ones that were successful. For example, if the planning authority dealt with 100 planning applications in the year, of which 3 were allowed on appeal having subsequently been turned down, the NHB allocation for that year would be reduced by 3% (i.e. 3 / 100).

3.59 This would still have a negative impact on the Council's allocation. For example, in 2017/18, the Council's NHB was £733,000. Based on this, every 1% reduction would cost £7,300 per year for 4-years.

3.60 The Government are due to announce their decision on these proposed amendments alongside the Financial Settlement in January 2018.

Revenue Support Grant (RSG)

3.61 The MTFP includes an amount of £338,367 in 2018/19 previously indicated by the Government. From 2019/20, the Council will no longer be eligible for RSG and this is reflected in the approved MTFP.

3.62 The amount for 2018/19 is not guaranteed and the Council's allocation will be confirmed as part of the Financial Settlement in January 2018. If the move towards a pilot for 100% retention of business rates is approved by the Committee and subsequently accepted by the Government, this amount will be withdrawn in any case, as detailed earlier in the report.

Council Tax

3.63 The MTFP includes an annual increase in the rate of Council Tax of 1.95%, subject to annual review. This is just below the Government's limit of 2%, above which a local referendum would be required to set a higher increase.

3.64 However, as a shire district, the Council currently has the option of increasing its Council Tax rate up to an amount of £5 at Band D, without it being subject to a local referendum. The Band D Tax for 2017/18 is £156.17

3.65 The 1.95% increase in the MTFP would raise Band D to £159.22 in 2018/19, an increase of just over £3 per year. This would be adjusted across other bands accordingly.

3.66 An increase of £5 would equate to £161.17, i.e. an increase of 3.2%. This would increase resources in the MTFP by an additional £65,000 per year, or £325,000 over the 5-year planning period.

3.67 Any changes to current principles governing Council Tax rises will also be confirmed in the Financial Settlement for 2018/19.

The Council Tax Base

3.68 The projections for Council Tax income have also been amended to reflect the actual and estimated increase in properties as detailed earlier in the report. The increase in receipts compared to that budgeted, is not as great as the NHB funding. However, this still allows a further £150,000 at an increase of £1.95% to be built into the MTFP.

3.69 The proposed Tax Base for 2018/19 will be considered as part of the forthcoming budget round.

3.70 In addition, the effects of the increase in the Tax Base over that estimated, increases the surplus on the Collection Fund in-year. The Council's share is approximately 11%.

3.71 An amount of £20,000 per year is included in the MTFP for planning purposes. An amount of £55,000 was approved and is being paid to the General Fund in 2017/18. Based on the performance of the Collection Fund to-date in 2017/18, a further amount of £55,000 has been included in the MTFP for 2018/19.

3.72 This will be subject to final review and approval by the Committee in January 2018, alongside consideration of the Tax Base.

Base Budget Expenditure

3.73 Besides building in the savings from the transfer of Corporate Services, there have been no significant changes to base budget expenditure in 2017/18. A proportion of the corporate savings (approximately £50,000) has been transferred across to the HRA to reflect its share of central costs.

3.74 Base budget spending will be reviewed as part of the forthcoming budget round for 2018/19. In the meantime, the main assumptions and provisions within the MTFP are detailed below.

Pay

3.75 The MTFP continues to include an increase in pay of 1.5% in 2018/19 and 2% per year thereafter. The Government has recently lifted the annual pay cap of 1% for some parts of the public sector.

3.76 Currently, it has been assumed that the pay cap of 1% will continue for local government workers. Therefore, at this stage, the MTFP includes sufficient provision, although this will be kept under review.

3.77 The total pay bill in the General Fund for 2017/18 is approximately £8.2m. A 1% increase in pay equates to £82,000 per year.

Overall Base Budget Spending

3.78 Current base budget spending is projected to rise over the MTFP. Provision is made for Pay (as detailed above) and other expenditure items. This includes the estimated impact of inflation.

3.79 For planning purposes, an inflation index is not universally applied to all expenditure items in the Base Budget and provision is only made where it is considered unavoidable. In addition to Pay, this mainly applies to items such as fuel, insurance, energy/utility costs and contracted services.

3.80 Annual increases are also provided on concurrent expenses paid to parish councils, together with grants to voluntary bodies, although actual increases are subject to annual review.

3.81 Many cost heads are cash limited and in particular those relating to supplies, and other overhead expenses. A provision for increases is also applied to fees and charges where the Council has discretion to do so, subject to annual review.

3.82 Increases range from 1% for Business Rates to 3% for insurances. Other cost heads such as utilities and contracts have increases for planning purposes of 2%. Although inflation rates are currently high than this, it is in accordance with more general inflation forecasts over the medium-term.

3.83 A separate amount of £100,000 per year is also provided in the MTFP to cover potential increases in the Bad and Doubtful Debts provision regarding sundry debtors and housing benefit overpayments. Any unused balance on this provision is added to the Growth Reserve at the year end.

Known Variations

3.84 The MTFP identifies specific items in future years to reflect known and costed changes to base budget expenditure. These include:

- Additional pension contributions (*financed from an Earmarked Reserve*)
- Incremental salary increases for staff on progressive grades
- Withdrawal of external funding at Etwall Leisure Centre
- Phased implementation of the National Living Wage to 2020 (*see below*)

3.85 The MTFP also highlights the on-going effect of approved restructures, together with previous changes in income and expenditure until they are built into the base budget in future years.

National Living Wage (NLW)

3.86 The implementation of the NLW continues to be an inherent risk. Although the phased increase, from the current rate of £7.50 per hour in 2017/18 to £9 per hour in 2019/20, has been built into the MTFP, there is growing concern that this will undermine “differentials” further up the pay scales in 2019/20.

3.87 A national review is currently being undertaken by the National Employers in conjunction with employee representatives. When the outcomes of this review are known, consideration will be given to any impact on the MTFP.

Provisions

3.88 Besides growth and inflation, etc. the MTFP continues to include provisions for the following items:

Cost of organising and administering the District Election in May 2019	£125,000
Off Payroll Payments (per year)	£10,000
Additional costs of Waste Collection and Recycling (per year)	£100,000
Job Evaluation – External Facilitator and Support Costs (spread over 5-years)	£55,000

4.0 Updated General Fund Position

4.1 The previous Section analysed in detail the main variables and risks included in the General Fund’s MTFP. Based on this, a revised medium-term projection is detailed in **Appendix 1**.

4.2 The updated position showing all changes is shown in the following table.

Projected General Fund Reserve Balance - Updated as at October 2017

	£'000
Projected Balance as at 2022 (as reported in February 2017)	-1,110
Budget Savings from Corporate Services - General Fund share	-1,729
Budget out-turn 2016/17	-583
Increase in Council Tax income	-153
Changes and Adjustments to Assumptions in Base Budget	6
Reduction in Business Rates funding	84
Projected Balance as at 2022 (revised)	**-3,485**
Add: Projected Deficit 2022/23 and use of General Reserve	1,869
Projected Balance as at 2023	**-1,616**

Note – all figures are cumulative over 5-years

4.3 To maintain a rolling 5-year projection, the forecast position for 2022/23 has been added into the MTFP.

4.4 The projected position (now to 2023) overall, has improved compared to that reported in February 2017 as shown in the above table. The General Fund Reserve balance is still projected to be approximately £1.6m by 2023, which is above the minimum level £1m.

4.5 The improved position, as shown in the above table, is mainly due to the budget savings in Corporate Services, together with the better out-turn position in 2016/17.

4.6 As detailed earlier in the report, additional funding now projected from the NHB, compared to that previously estimated of approximately £1.4m (*see paragraph 3.41*) has been set-aside in the MTFP as a safeguard against a potential increase in costs.

4.7 There is still a projected budget deficit in 2018/19 and this increases sharply over the following years as the reduction in overall core funding takes effect.

4.8 A summary of the yearly position in the updated projection is shown in the following table.

General Fund: Medium-Term Projection as at October 2017

Year	Budget Deficit / Surplus (-) £	Earmarked Sums £	Balance of General Reserve £
Approved Budget 2017/18	-864,352	236,029	-9,061,743
Projection 2018/19	512,558	102,294	-8,446,891
Projection 2019/20	1,247,664	249,559	-6,949,668
Projection 2020/21	1,278,588	248,421	-5,422,658
Projection 2021/22	1,690,767	247,261	-3,484,630
Projection 2022/23	1,622,504	246,077	-1,616,049

4.9 In principle, the overall scenario for the General Fund has not changed. The current level of the General Fund Reserve remains healthy and is projected to remain so over the planning period.

4.10 Although the current level of reserves can be used to meet the projected deficit, this is not a sustainable solution in the longer-term. The MTFP continues to assume that base budget expenditure will increase year-on-year but overall core funding will reduce.

4.11 The MTFP aims to set out a realistic but prudent assessment of the future financial position. Based on the potential significance of future deficits, it is considered that a substantial change or combination of factors would need to occur to materially change the longer-term forecast in a positive way.

Risks and Uncertainties

4.12 The MTFP continues to prudently set-aside amounts to cover future costs associated with growth and inflation, together with external pressures relating to pensions, etc. The Council has a history, over several years, of managing overall expenditure well within budget and has benefitted from additional income over the same period.

4.13 This has enabled a healthy reserves position to become established. However, this trend cannot be guaranteed in future years.

4.14 The biggest risk is considered to be further changes to the NHB allocation and the associated cost of growth. Although it is recommended that additional resources from NHB allocations are set-aside separately in the MTFP, a review of services needs to be undertaken to more accurately assess future costs. This would enable a more accurate reflection and enable better planning to meet these financial pressures.

Core Spending Power (CSP)

4.15 The Council's RSG will reduce to zero by 2019/20. Consequently, the Council will have to rely on Retained Business Rates, NHB and Council Tax income.

4.16 Although these income streams are projected to increase over the same period, the overall reduction in core funding is forecast to reduce from £11.9m in 2017/18 to £11.3m by 2022/23.

4.17 It is possible that income could rise further as highlighted earlier in the report, but this is not certain and there are risks associated with the funding from Business Rates and in particular appeals.

4.18 The move towards 100% Rates Retention and consideration of becoming part of a Derbyshire-wide pilot may help to understand the potential impact of the future funding system at an earlier stage.

4.19 It is considered that there is still sufficient time for planned remedial action to be taken. The Council did approve to formulate a plan to achieve future budget savings when setting the Budget for 2017/18.

4.20 To-date, approximately ½ of the budget savings approved in the Corporate Plan of £850,000 have been made.

4.21 As usual, all budgets will be carefully reviewed during the forthcoming budget round for 2018/19.

5.0 <u>Housing Revenue Account</u>

5.1 As at 31st March 2017, the Council's Housing Stock numbered 3,015 units. This increased in 2016/17 by 65 units due to property acquisitions (20 units) and 45 new build units. This offset the number of properties lost over the last 3 years (204/15 to 2016/17 inclusive) of 58 units through Right to Buy.

5.2 The HRA budget for 2017/18, together with an updated financial plan to 2027, was approved by the Committee in February 2017. In summary, based on the associated projections, the financial plan showed a sustainable position with the HRA's minimum reserve remaining above £1m in the medium-term, with resources being set-aside to meet future debt repayments.

5.3 The main risks identified were the ability to raise rent levels beyond 2019/20 following the Government's current rent policy of a 1% reduction per year ending, together with the continuing reduction in Supporting People Grant.

5.4 The updated projection is detailed in **Appendix 2**. This has been updated to include:

- The positive effects of the 2016/17 budget out-turn.

- The approved restructure (in July 2017) of Housing Services.

- Additional planned maintenance expenditure to support Housing's new Safety Policy approved in April 2017.

- An on-going reduction in Supporting People Grant

5.5 Further details are provided later in this section. In addition, some analysis has been undertaken to understand the implications of future levels not being linked to an inflation increase beyond 2019/20.

The HRA's Financial Model

5.6 The projection is based on a financial model 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 and capital expenditure in future years. These are the priority financial objectives to ensure that the HRA Business Plan is sustainable and the core housing service is delivered.

5.7 Given that these objectives are met, any increase or decrease in resources are reflected in the planned capital or new build programmes and these can be flexed accordingly into the longer term where there is a more significant change in resources.

5.8 The main focus of the Plan is over the medium term of 5 years. This ensures that any changes do not materially affect plans already in place to deliver capital investment.

HRA Reserves

5.9 The HRA has 4 separate reserves as shown in the following table.

Working Balance or General Reserve	Held as a contingency with a minimum balance of £1m.
Major Repairs Reserve	A balance held over from the previous financing system. It is increased each year from the HRA for future capital expenditure and is drawn down accordingly.
New Build Reserve	Accumulated Capital Receipts pending expenditure on building or acquiring new properties.
Debt Repayment Reserve	Sums set-aside to repay debt in accordance with the repayment profile.

Updated Financial Projection

5.10 The HRA is projected to achieve an annual surplus. This surplus is transferred to the Debt Repayment and Major Repairs Reserves.

5.11 The overall position has improved compared to that reported in February 2017. This is summarised in the following table.

	£'000
Budget savings from approved restructure (July 2017)	-1,584
Favourable Budget Out-turn 2016/17 (as reported in June 2017)	-817
Reduction in HRA Recharges from the General Fund	-542
Other Changes (mainly additional income from Tele Care Service)	-261
Estimated Reduction in Supporting People Grant	400
Net Increase in Resources in HRA	-2,804
Less: Transfer of resources to Major Repairs Reserve	2,493
Increase in HRA General Reserve	**-311**

Note – all figures are cumulative over 10-years

5.12 The table shows that there has been an increase in projected resources. As the HRA's General Reserve has remained well in excess of £1m, this has allowed a transfer of resources to the Major Repairs Reserve.

5.13 Based on the current base budget and updated projections, the HRA will remain sustainable and allows some contingency to meet the key risks and additional investment in the Stock that may be required.

Key Variables and Assumptions in the Financial Projection

5.14 The key variables on which the financial plan is based are summarised in the following table.

Cost inflation	An average of 2.5% per year. This is generally in line with current projections nationally, although current inflation indices are slightly above 2.5%. The impact of price inflation in the building industry in recent years has been contained within the financial plan. However, this cannot be guaranteed in the future and the current provision will be kept under review.
Annual rent increases	A 1% reduction per year until 2019/20 in accordance with the Welfare Reform and Work Act 2016. Thereafter, CPI + 1% giving 2.5% increases in 2020/21, 2021/22 and 3% per year thereafter. This is based on the assumption that annual rent increases will again be allowed to rise following the ending of the current rent reduction policy. The Government did indicate that this was their intention but this is not guaranteed. Therefore, further analysis has been undertaken to ascertain the effects of lower increases on the financial plan. This is detailed below.
Council house sales – "Right to Buys"	An estimated 15 units in 2017/18 falling incrementally to 10 per year by 2023/24. The estimate of 15 in 2017/18 is in line with sales over the past year. However, it is anticipated that the number of sales will decline in future years in accordance with current forecasts.
Interest Rates	The HRA debt is predominantly at fixed rates. £10m of the £57m outstanding is at variable rate, based on current short-term interest rates. The projection estimates this rate at 2.5% in 2017/18, rising to 3% in 2018/19 until maturity in 2021/22. Currently, the rate is 0.45% in 2017/18. Therefore, the cost could be lower over the remaining years unless there is a sudden rise in interest rates. Every 1% below the estimated rate would reduce the cost of the variable debt by approximately £100,000 per year, so it could have a material (positive) effect on the longer-term financial projection.

Housing Rents

5.15 The biggest risk in the financial plan is considered to be future rent levels. The Government's current rent policy was implemented in 2016/17 for 4 years to 2019/20 inclusive. This has required housing authorities to reduce their rents for individual tenants by 1% in each of these years. Beyond this, it has been assumed that rents will again be allowed to rise.

5.16 The Government have previously indicated that they have only suspended the previous rent policy for these 4-years, until Universal Credit (UC) is fully implemented. The Housing Minister, at that time, also stated that future rent increases would return to inflation linked formula.

5.17 However, this is not guaranteed and there is some uncertainty amongst the representative bodies and how Universal Credit will impact on future policy. There have been some indications that the Government may allow flexibility to increase future rents, although this would be linked to performance or the delivery of new homes.

5.18 The Secretary of State did recently indicate that the Government would be setting out their proposals “very soon”.

5.19 The HRA is almost entirely dependent on rental income (currently £12.4m 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.

5.20 For example, if rents are not increased beyond 2019/20, the effect on the financial plan is that the HRA’s Reserve Balance would fall into deficit by 2023.

5.21 This could be addressed to a point by reducing the contributions to the Major Repairs and Debt Repayment Reserves. However, that could have long-term implications for future stock investment and on the Council’s Treasury Management Strategy.

5.22 This will be kept under review pending any announcement on the Government’s proposals.

Right to Buy Sales

5.23 A moderate decrease in current properties from sales continues to be built into the financial plan and this reflects the current level of sales. Therefore, the HRA should continue to generate some resources for further New Build in the future, although on-going rent income is lost.

5.24 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. However, it is not expected that current projections for the future number of sales will fluctuate significantly over the current financial plan.

Future New Build and Property Acquisitions

5.25 At this stage, the financial plan does not include any additional units. A new build and property acquisition programme was completed in 2016/17 and all 65 units are now let. Income and expenditure is built into the financial plan.

5.26 A further scheme at Lullington Road in Linton is currently being developed in conjunction with the Homes and Communities Agency. Further opportunities are being kept under review and specific schemes will be subject to separate approval based on a fully costed basis.

Supporting People Grant

5.27 This is paid by the County Council. The annual amount in the financial plan is now cash limited at £200,000 per year. This reflects the reduced amount in 2016/17 of £210,000. The grant was previously £240,000 per year and is usually subject to annual review.

Stock Condition Survey

5.28 An updated survey is likely to be commissioned during 2018. This could change the spending profile and planned expenditure for repairs and maintenance, together with future capital investment. This will be kept under review and the outcomes will be reported separately at the relevant time.

Depreciation and Impairment

5.29 These are accounting adjustments which recognise the changes in the value of the HRA's property base. In principle, depreciation is charged to the HRA but is not a final cost as it is reversed out of the Accounts in accordance with accounting regulations. This is because the Council spends a greater amount on capital works and/or sets-aside amounts to repay its debt.

5.30 If capital expenditure and/or debt repayments were less than depreciation, then the difference would need to be charged to the HRA. Impairment is currently treated differently and is an accounting adjustment that reflects a sudden reduction in the value of an asset.

5.31 An asset becomes impaired where a one-off event (e.g. fire, vandalism, etc.) causes significant damage or there is a significant change in market conditions, which reduces the value of the asset.

5.32 In accordance with accounting regulations, provision has to be made in an entity's accounts for the loss in an asset's value through impairment. However, this is purely an accounting exercise for local authorities. Impairment charges are reversed out of revenue accounts to ensure that it does not affect the "bottom line" and Council Tax or Rent (in the HRA's case) payable by Council Tenants.

5.33 The Government have kept under review this accounting treatment to bring local authorities into line with other organisations in accordance with International Reporting Standards.

5.34 An impairment charge can only arise where it affects the wider asset base. For example, damage to one property would not affect the overall value of the Council's stock, which was valued at £121.6m as at 31st March 2017.

5.35 However, if there was a wider event affecting many properties, this would lead to an impairment charge. The potential for impairment charges could have serious implications for all housing authorities.

Universal Credit (UC)

5.36 UC is likely to be fully implemented in South Derbyshire in August 2018. The Council is currently dealing with a small number of cases as UC has been implemented for specific claimant groups.

5.37 Currently, housing benefit is applied directly to rent accounts internally at the Council so that a tenant's rent is paid. There has been some concern that UC could increase rent arrears as the one "all-encompassing benefit" will be paid directly to housing tenants.

5.38 Reports from elsewhere across the Country suggests that this is creating an increase in rent arrears. The cost to the HRA will be in the form of an increase in its Bad Debts Provision if rent due is not paid and becomes irrecoverable. This will be kept under review ahead of the implementation date in August 2018.

Summary Position for the HRA

5.39 The HRA remains sustainable based on current budgets and future year projections. Resources have been set-aside for further new build, additional capital investment and debt repayment.

5.40 However, as the report highlights, there are risks to this position, in particular future rent policy and the impact of Universal Credit. These risks will be kept under review.

6.0 <u>Earmarked Reserves</u>

6.1 In addition to General Reserves, the Council maintains Earmarked Reserves that are held for specific purposes. The Council's approved Policy for managing these reserves is detailed in **Appendix 3**.

6.2 Appendix 3 itemises each of the approved reserves and shows how they are funded, managed and controlled, together with specifying a review date. The amount in each Reserve, together with the estimated balance at 31st March 2018, is detailed in **Appendix 4**.

6.3 The Policy and the amount in these reserves are presented for review by the Committee.

General Capital Receipts

6.4 The updated position is shown in the following table.

	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
Balance b/fwd	-268	-83	-1,153	-1,378	-1,603	-1,778
Drawdown to finance Capital Schemes	1,899	310			50	
Sale of Land at William Nadin Way (received)	-1,000					
Overage - Chestnut Avenue Development	-739					
Sale of Current Depot Site		-655				
Future Land Sales being Developed		-750	-250	-250	-250	
Provision for Professional Fees (Site plans, etc.)	25	25	25	25	25	25
Balance c/fwd	**-83**	**-1,153**	**-1,378**	**-1,603**	**-1,778**	**-1,753**

6.5 The balance of capital receipts for General Fund Schemes was planned to be fully utilised following the project to relocate the current Depot, together with other smaller schemes being completed in 2017/18. The cost of the depot relocation is being met from the sale of land at William Nadin Way, the final receipt being received in April 2017 as shown in the above table.

6.6 The drawdown of £1.899m in the current financial year, mainly relates to the refurbishment costs of the new depot site. The purchase and financing of the new units was completed and accounted for in 2016/17.

6.7 The sale of the existing depot site (£655k) is now unlikely to be received until 2018/19. This will be subject to a separate report to the Committee. Although the sale is still likely to take place with the current developers, its timing could cause some cash flow issues. If in the meantime, the overage receipt is committed and spent, this would leave the Reserve in deficit and this would need to be supplemented from the General Fund Reserve.

6.8 The drawdown includes some provision for planned maintenance on public buildings, together with contributions to the vehicle replacement fund in 2018/19 and strategic housing surveys, which are a statutory requirement every 5 years.

6.9 The balance on General Receipts ultimately is estimated at £1.75m. This is due to the overage received for the development at Chestnut Avenue, Midway. In addition, there are potential land sales being developed.

6.10 It should be noted that these receipts (estimated at £1.5m) are not guaranteed. They are subject to on-going option appraisals; details of any proposals will be reported for separate consideration at future Committees.

7.0 Corporate and Community Implications

7.1 The aim of medium-term financial planning is to maintain "*financial health*" - a key outcome in the Corporate Plan. The purpose of the MTFP is to ensure that the financial position remains sustainable and that sufficient resources are maintained to deliver current and future service levels.

8.0 Background Papers

None

APPENDIX 1

GENERAL FUND MEDIUM TERM FINANCIAL PLAN

BUDGET & PROJECTION as at OCTOBER 2017

	Approved Budget £ 2017.18	Projection £ 2018.19	Projection £ 2019.20	Projection £ 2020.21	Projection £ 2021.22	Projection £ 2022.23
BASE BUDGET						
Environmental & Development	4,005,133	4,317,245	4,381,413	4,464,073	4,548,544	4,634,866
Housing & Community	2,199,646	2,365,690	2,399,772	2,442,039	2,621,203	2,665,309
Finance & Management	5,186,851	5,253,038	5,322,099	5,392,374	5,458,896	5,526,935
Net Service Expenditure	**11,391,630**	**11,935,972**	**12,103,284**	**12,298,486**	**12,628,643**	**12,827,109**
Accounting Adjustments						
Reverse out Depreciation	-783,025	-783,025	-783,025	-783,025	-783,025	-783,025
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	**11,489,808**	**11,648,894**	**11,836,200**	**12,103,441**	**12,239,294**
Add: Known Variations						
External Facilitator - Pay and Grading Review	10,000	10,000	0	0	0	0
Pay and Grading - On-going Costs	0	0	8,750	8,750	8,750	8,750
Restructure of Land Charges	3,694	3,749	3,824	3,901	3,901	3,901
Restructure of Housing	-5,388	-9,475	-9,475	-9,475	-9,475	-9,475
Grants to Voluntary Bodies	-3,207	-3,207	-3,207	-3,207	-3,207	-3,207
Concurrent Functions	3,329	3,362	3,396	3,430	3,464	3,499
Savings from Shared Services Contract	-400,000	-400,000	-400,000	-400,000	-400,000	-400,000
Reduction to HRA recharges	54,161	54,161	54,161	54,161	54,161	54,161
Pension Deficit	0	29,706	20,441	21,579	22,739	23,923

Incremental Salary Increases	0	22,130	11,065	11,065	11,065	11,065
Provision for Employer's NIC on "off-payroll" payments	10,000	10,000	10,000	10,000	10,000	10,000
County Withdrawal of Contribution To Etwall Leisure Centre	0	22,682	22,682	22,682	22,682	22,682
Phased Implementation of National Living Wage	5,990	10,604	14,099	14,099	14,099	14,099
Provision for Auto Enrolment (October 2017)	0	57,920	59,079	60,260	61,465	62,695
Contingent Sum - Growth	200,000	372,000	492,569	610,353	727,802	665,568
Contribution to Bad Debt Provision	100,000	100,000	100,000	100,000	100,000	100,000
District Election May 2019	0	0	125,000	0	0	0
TOTAL ESTIMATED SPENDING	**10,932,613**	**11,773,441**	**12,161,277**	**12,343,797**	**12,730,888**	**12,806,955**

Provisions

Apprenticeship Levy (April 2017)	23,695	23,931	24,290	24,776	25,272	25,777
Waste and Recycling	100,000	100,000	100,000	100,000	100,000	100,000
TOTAL PROJECTED SPENDING	**11,056,308**	**11,897,373**	**12,285,568**	**12,468,574**	**12,856,159**	**12,932,732**

	Approved Budget £ 2017.18	**Projection £ 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	-2,601,787	-2,343,398	-2,300,884	-2,270,758	-2,046,056	-1,983,822
Council Tax Income	-4,942,217	-5,124,406	-5,300,540	-5,481,594	-5,667,694	-5,858,968
Core Spending Power	**-11,865,660**	**-11,329,814**	**-11,017,904**	**-11,169,986**	**-11,145,392**	**-11,290,229**
Add Estimated Collection Fund Surplus - Council Tax	-55,000	-55,000	-20,000	-20,000	-20,000	-20,000

TOTAL FINANCING	**-11,920,660**	**-11,384,814**	**-11,037,904**	**-11,189,986**	**-11,165,392**	**-11,310,229**
General Fund yearly Surplus (-) / Deficit	**-864,352**	**512,558**	**1,247,664**	**1,278,588**	**1,690,767**	**1,622,504**

GENERAL FUND RESERVE BALANCE

Balance b/fwd	-8,433,420	-9,061,743	-8,446,891	-6,949,668	-5,422,658	-3,484,630
General Fund Yearly Surplus (-) / Deficit (as above)	-864,352	512,558	1,247,664	1,278,588	1,690,767	1,622,504
Purchase of Town Centre Land	44,335	0	0	0	0	0
General Fund Capital Bids Remaining	214,925	112,000	0	0	0	0
Pension Earmarked Reserve Drawdown	-43,231	-29,706	-20,441	-21,579	-22,739	-23,923
Contribution to Vehicle Replacement Fund	20,000	20,000	270,000	270,000	270,000	270,000
Balance c/fwd	**-9,061,743**	**-8,446,891**	**-6,949,668**	**-5,422,658**	**-3,484,630**	**-1,616,049**

APPENDIX 2

HOUSING REVENUE ACCOUNT FINANCIAL PROJECTION

	2016.17	2017.18	2018.19	2019.20	2020.21	2021.22	2022.23	2023.24	2024.25	2025.26	2026.27
	Approved Budget	Approved Budget	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
INCOME											
Rental Income	-12,524	-12,381	-12,286	-12,340	-12,358	-12,614	-12,940	-13,279	-13,631	-14,259	-14,363
Non-Dwelling Income	-173	-111	-110	-108	-111	-114	-117	-121	-125	-128	-132
Supporting People Grant	-216	-200	-200	-200	-200	-200	-200	-200	-200	-200	-200
Other Income	-200	-176	-176	-176	-176	-176	-176	-176	-176	-176	-176
Total Income	**-13,113**	**-12,868**	**-12,772**	**-12,824**	**-12,845**	**-13,104**	**-13,433**	**-13,776**	**-14,132**	**-14,763**	**-14,871**
EXPENDITURE											
General Management	1,881	1,790	1,816	1,846	1,877	1,908	1,940	1,973	2,006	2,040	2,075
Supporting People	807	833	849	868	887	906	927	949	971	994	1,019
Responsive	0	1,281	1,306	1,334	1,362	1,392	1,422	1,452	1,484	1,516	1,549
Planned Maintenance	2,935	1,971	2,014	2,060	2,107	2,155	2,204	2,254	2,306	2,358	2,412
Bad Debt Provision	59	44	43	43	43	44	45	46	48	50	50
Interest Payable & Receivable	1,556	1,762	1,813	1,813	1,813	1,813	1,514	1,514	1,244	1,244	1,245
Depreciation	3,449	3,417	3,180	3,170	3,160	3,151	3,142	3,135	3,128	3,121	3,114
Net Operating Income	**-2,426**	**-1,770**	**-1,751**	**-1,690**	**-1,596**	**-1,735**	**-2,239**	**-2,453**	**-2,945**	**-3,440**	**-3,407**
Reversal of Depreciation	-3,449	-3,417	-3,180	-3,170	-3,160	-3,151	-3,142	-3,135	-3,128	-3,121	-3,114
Capital Expenditure	1,663	1,500	1,543	1,588	1,635	1,683	1,392	1,433	1,477	1,516	1,547
Disabled Adaptations	281	300	300	300	300	300	300	300	300	300	300
Asbestos and Health & Safety Surveys	0	100	100	100	100	100	100	100	100	100	100
Debt Repayment	0	1,517	1,237	1,182	1,125	1,068	1,350	1,302	1,251	1,205	1,167
Major Repairs Reserve		600	600	600	600	600	600	300	600	600	600

New Build Contribution	1,000	0	0	0	0	0	0	0	0	0	0
Drawdown of MRR to fund Capital	-436	0	0	0	0	0	0	0	0	0	0
Apprenticeship Levy	0	5	5	5	5	5	5	5	5	5	5
Reduction in GF recharges	0	-54	-54	-54	-54	-54	-54	-54	-54	-54	-54
Restructure Costs/(Savings)	0	47	-102	-102	-102	-102	-102	-102	-102	-102	-102
Pension Deficit	0	11	13	10	11	11	11	12	12	12	13
Accumulated Absence reversal	1	0	0	0	0	0	0	0	0	0	0
Pension Reserve adjustments	-198	0	0	0	0	0	0	0	0	0	0
Orchard upgrade	0	0	83	0	0	0	0	0	0	0	0
Delays on New Build (income deferred)	0	0	0	0	0	0	0	0	0	0	0
Job Evaluation On-going Support Costs	0	5	0	0	0	0	0	0	0	0	0
Incremental Salary Increases	0	6	6	6	6	6	6	6	6	6	7
HRA (Surplus) / Deficit	**-3,564**	**-1,150**	**-1,201**	**-1,225**	**-1,130**	**-1,268**	**-1,773**	**-2,286**	**-2,478**	**-2,972**	**-2,939**
HRA Reserve B/fwd	-1,426	-3,703	-4,603	-4,504	-4,278	-4,058	-3,977	-3,650	-3,136	-3,113	-2,785
(Surplus) / Deficit for year	-3,564	-1,150	-1,201	-1,225	-1,130	-1,268	-1,773	-2,286	-2,478	-2,972	-2,939
Earmarked non-traditional properties	0	0	100	200	100	100	100	0	0	0	0
Transfer to Debt Repayment Reserve	1,287	250	1,200	1,250	1,250	1,250	2,000	2,800	2,500	3,300	1,000
HRA Reserve C/fwd	**-3,703**	**-4,603**	**-4,504**	**-4,278**	**-4,058**	**-3,977**	**-3,650**	**-3,136**	**-3,113**	**-2,785**	**-4,724**
Debt Repayment Reserve											
Balance B/fwd	-1,703	-1,287	-3,054	-5,491	-7,923	-10,298	-2,616	-5,966	-68	-3,819	-8,324
Depreciation balance	0	-1,517	-1,237	-1,182	-1,125	-1,068	-1,350	-1,302	-1,251	-1,205	-1,167
Transfers to reserve	-1,287	-250	-1,200	-1,250	-1,250	-1,250	-2,000	-2,800	-2,500	-3,300	-1,000
Drawdown for Capital Expenditure	436	0	0	0	0	0	0	0	0	0	0
Repayment of loan	0	0	0	0	0	10,000	0	10,000	0	0	10,000
Reserve C/fwd	**-2,554**	**-3,054**	**-5,491**	**-7,923**	**-10,298**	**-2,616**	**-5,966**	**-68**	**-3,819**	**-8,324**	**-491**

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
Transfers to reserve		-600	-600	-600	-600	-600	-600	-300	-600	-600	-600
Earmarked non-traditional properties		0	-100	-200	-100	-100	-100	0	0	0	0
Reserve Drawdown		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**

New Build Reserve											
Capital Receipts B/fwd	-768	-393	-352	-827	-1,196	-1,563	-1,874	-2,183	-2,385	-2,584	-2,784
New Build Expenditure - phase 1	787	0	0	0	0	0	0	0	0	0	0
Contribution to Reserve	-1,000	0	0	0	0	0	0	0	0	0	0
Easements	0	0	0	0	0	0	0	0	0	0	0
Feasibility / Other costs	1	0	0	0	0	0	0	0	0	0	0
Acquisitions - Alexander Road	303	0	0	0	0	0	0	0	0	0	0
Proposed Lullington Rd	0	699	0	0	0	0	0	0	0	0	0
Acquisitions - Rowley Court	1,442	0	0	0	0	0	0	0	0	0	0
HCA grant	-95	-180	0	0	0	0	0	0	0	0	0
RTB Receipts in year	-1,063	-478	-475	-369	-366	-312	-309	-202	-199	-199	-199
Borrowing in year	0	0	0	0	0	0	0	0	0	0	0
Balance c/fwd	**-393**	**-352**	**-827**	**-1,196**	**-1,563**	**-1,874**	**-2,183**	**-2,385**	**-2,584**	**-2,784**	**-2,983**

POLICY ON EARMARKED RESERVES

In addition to General reserves, the Council maintains earmarked reserves that are held for specific purposes. They are provided:

- To pay for known commitments outside of normal operational expenditure
- To pay for one-off items of expenditure
- To spread expenditure over a number of financial years to smooth out peaks and troughs in the profile of actual expenditure
- To set-aside external financing received in advance of expenditure
- To hold sums in trust to meet a legal or contractual commitment at some future date

Although this is considered to be a prudent way of safeguarding the Council's financial position, it is important to review earmarked reserves regularly. This ensures that resources are not under-utilised or held unnecessarily and that they are in accordance with the Corporate Plan and accounting practice.

Once established by the Finance and Management Committee, earmarked reserves can only be used for that specific purpose.

Classifying Earmarked Reserves

Earmarked reserves are classified into three distinct areas.

- ***Council funds***, i.e. those that are funded directly by the Council where the Council has total discretion over the reserve, subject to proper control and approval.
- ***Specific grants and contributions,*** i.e. those that are funded from external contributions / grant funding for specifically defined purposes, including those delivered in partnership with other agencies and organisations. The Council does have some discretion over the use of grant funded reserves where additional costs are not being or are no longer being incurred. The Council can opt to use these reserves in other ways or return them to general reserves, subject to Committee approval.
- ***Section 106 funds,*** i.e. those funds secured under Section 106 agreements. The Council effectively hold the funds as the Planning Authority, pending it being transferred to other agencies in accordance with a planning agreement.

COUNCIL FUNDS

Reserve	Use	How Funded	Delegated Responsibility / Control / Approvals	Review Period / Projected End Date
Vehicle and Plant (Asset) Replacement	To finance the capital purchase of new vehicles and plant.	Annual contributions from the General Fund and Capital Account.	Asset Replacement Programme, Procurement Team – all requests signed off by the Director of Finance.	On-going – this is an operational reserve.
Factory Site – Capital Works	To meet obligations under a lease agreement.	Capital fund lodged by the tenant.	Corporate Asset Manager.	Yearly, until the end of the next lease review date in 2021. This reserve will be drawn down in the meantime to meet capital works.
ICT / Telecommunications	To finance capital developments and upgrades to the Council's ICT platform and infrastructure. Detailed spending plan to 2020 outlined in new IT and Digital Strategy. Expenditure to be undertaken in 2018/19.	Unused budgetary provision in the ICT annual budget.	ICT strategy and work programme - budget controlled by the Director of Finance.	On-going - this is an operational reserve.
Infinity Garden Village Reserve	To finance work to secure infrastructure improvements. Expenditure programme approved by EDS Committee on 28th September 2017.	Central Government	Director of Community and Planning Services	Progress subject to separate reports. Expenditure to be undertaken in 2017/18 and 2018/19.
Pensions Reserve	To finance increases in the	Funding set-aside in	Director of Finance	To be drawn down

	Council's contributions to the Derbyshire Pension Fund.	2013 to mitigate risk identified in the MTFP.	recommendation to Finance and Management Committee.	over the period of the MTFP subject to the next valuation of the Pension Fund in 2019.
Committed Expenditure Reserve (Local Plan and Planning)	To meet one-off costs of developing, consulting and adopting the Local Plan, together with upgrading Planning systems.	Additional income from Planning Fees.	Director of Community and Planning Services	March 2019
Repton Parish	To contribute to a new or improved recreational facilities in the Parish of Repton.	Residual value of sale proceeds of a former Council depot.	Ring-fenced subject to a legal agreement which stipulates how the funding is used.	Subject to requests from the Parish Council. The Parish are currently compiling a bid for funding to build a new Village Hall.
Corporate Services Innovation Fund	This will supplement the ICT Reserve, subject to funding arrangements being approved by the Committee.	A proportion of procurement and business improvement savings accumulated from the Corporate Services Partnership.	ICT strategy and work programme - budget controlled by the Director of Finance.	Depending on separate approval, this Fund will be utilised by March 2019.
Rosliston Forestry Centre – General Reserve and Repairs Reserve	The Committee have approved these reserves to be committed towards capital investment at the Site in conjunction with the new Management Contract which is due to be implemented from April 2018.	Share of annual turnover from current café proprietor and underspend on repairs budget in 2016/17.	Rosliston Forestry Centre Executive Board	Depending on capital investment plans submitted by the new Management Contractor, these reserves will be utilised in 2018/19.

Planning Services Department	To fund staffing and support costs to meet peaks in the volume of planning applications.	Additional income from Planning Fees.	Planning Services Manager, subject to confirmation of HR implications and necessary Committee approval.	Annually with the final accounts process. It is likely that this reserve will be fully utilised in 2018/19.
Facilities Development	To fund external support to draw up a plan for securing developer (S106) funds for new recreational facilities.	Additional income from Planning Fees.	Specific approval from Committee in place.	March 2018 when project completed.
Civic Offices	To fund additional maintenance required for the main administrative building.	Savings made in operational budgets.	Public Buildings Officer and Maintenance Plan	Annually with the final accounts process.
Leisure Maintenance	To contribute to one-off works.	Savings made in operational budgets.	Cultural Services Manager	Residual balance remaining only.
Corporate Training	To fund the current Leadership and Management Development Programme.	Financing carried over to meet costs over a 3-year period	Corporate Management Team	March 2018 after completion of programme.

Reserve	Use	How Funded	Delegated Responsibility / Control / Approvals	Review Period / Projected End Date
Public Open Space – Commuted Sums	To fund on-going costs associated with maintaining new open space.	Developer (Section 106) contributions	Housing and Community Services Committee	Annual budget round to ensure sufficient resources are drawn down to meet commitments.
Community and Cultural Services • *Youth Engagement* • *School Sports* • *Community Safety/Crime Reduction* • *Culture/Arts Development* • *Get Active in the Forest* • *Environmental Education*	Several partnership reserves which are held by the Council as the Accountable Body to fund project work in these specific areas.	External contributions and grants	Housing and Community Services Committee	Annual budget round or where approval is required for a new iniative.
Rosliston Forestry Centre • *Business Units* • *The Glade Development*	Monies specifically held for the Glade Development have been transferred to Rosliston's General Reserve as previously approved. A residual sum is being held for the previous development of the Business Units due to an outstanding contract claim.	Money held over from grants	Housing and Community Services Committee	June 2018 following the budget out-turn for 2017/18.
Tetron Point Storm Water Basin	To fund specific works on regeneration land.	Developer (Section 106) one-off contribution	Environmental and Development Services Committee	***Currently under review.***
Swadlincote Woodlands	To fund on-going costs associated	Developer (Section	Housing and Community	Annual budget round

	with maintaining this area.	106) one-off contribution received several years ago. The original amount was approximately £1/2m, but this has been drawn down to finance on-going management and maintenance costs.	Services Committee	to ensure sufficient resources are drawn down to meet management and maintenance costs. The existing balance of £50k has remained static for 3 to 4 years as existing costs are contained in the Council's mainstream budget.
Play Equipment	To fund the replacement of play equipment and to provide safety surfacing.	Various grant monies not applied to historic projects	Housing and Community Services Committee	Residual amount to be used in 2017/18.
South Derbyshire Partnership Reserve	To fund one-off iniatives and grants in accordance with the Community Strategy.	External grants and contributions	South Derbyshire Partnership Board	***No commitments currently identified – can be reviewed.***
Homelessness Prevention	To fund iniatives and projects to prevent homelessness.	Government grant	Director of Housing and Environmental services	Annual budget round to ensure sufficient resources are drawn down to meet commitments. It is anticipated that this reserve will be fully utilised over the term of the MTFP.
Welfare Reform, Fraud and Compliance	To fund system improvements and to streamline processes to	Government grants under the New	Director of Finance and Corporate Services	Annual budget round to ensure sufficient

	prevent and detect fraud, together with implementing local changes from welfare reform. It can also be used to support developments in Information Governance.	Burdens Doctrine		resources are drawn down to meet commitments. It is anticipated that this reserve will be fully utilised over the term of the MTFP.
Localism Act Funding • *Community Right to Bid* • *Community Right to Challenge* • *Data Sharing*	To fund administrative costs of implementing the legislative requirements locally.	Government grants under the New Burdens Doctrine	Director of Finance and Corporate Services	*Any costs have been absorbed in current budgets and it is not anticipated that any significant costs will now be incurred. Therefore, the use of the funds (£45k) can be reviewed as part of the forthcoming budget-round.*
Heritage Grants	To fund contributions to renovate shops and business premises.	The Heritage Lottery	Environmental and Development Services / Heritage Grants Sub-Committee	At Committee meetings.
Electoral Registration	To support improvements to implement Individual Electoral Registration.	Government grant under the New Burdens Doctrine	Chief Executive Officer	The Reserve is currently funding temporary staff until May 2018.

APPENDIX 4

ANALYSIS OF EARMARKED RESERVES

	Actual Balance b/fwd 1/4/17 £'000	Estimated Movement 2017/18 £'000	Estimated Balance c/fwd 31/3/18 £'000
Specific / Earmarked Reserves - Council Funds			
Vehicle and Plant Replacement Fund	1,251	-619	632
Dilapidation Works - Factory Site per Lease Agreement	78	-50	28
IT Reserve	141	0	141
District Growth	300	200	500
Infinity Garden Village Reserve	214	-45	169
Pensions Reserve	182	-43	139
Committed Expenditure Reserve (Local Plan and Planning)	109	-50	59
Repton Parish (Former Depot proceeds)	33	0	33
Corporate Services Innovation Fund	82	0	82
Rosliston Forestry Centre Reserve	68	0	68
Rosliston Repairs Reserve	23	0	23
Planning - Staffing and Support Costs	62	-42	20
Facilities Development Fund	30	-30	0
Civic Offices - Maintenance	21	0	21
Leisure Maintenance	1	-1	0
Corporate Training and Development Programme	41	0	41
Total - Specific / Earmarked Reserves - Council Funds	**2,636**	**-680**	**1,956**
Specific Grants and Contributions			
Public Open Space - Commuted Sums	1,296	-35	1,261
Youth Engagement Partnership	580	-84	496
Schools Sport Partnership Project	204	-95	109
Community Safety & Crime Reduction	332	-68	264
Young People's Cultural Partnership / Arts Development	9	-9	0
Rosliston Business Units	11	0	11
Get Active in the Forest Partnership	44	-15	29
Environmental Education	37	-12	25
Tetron Point Storm Water Basin - S106 UK Coal	53	0	53
Swadlincote Woodlands - Section 106	51	0	51
Rosliston Forestry Centre - The Glade	36	0	36
New Play Equipment and Safety Surfacing	4	-4	0
Maurice Lea Park NHLF Grant	23	-23	0
South Derbyshire Partnership Reserve	20	0	20
Homelessness Prevention	89	-35	54
Welfare Reform, Fraud and Compliance	247	-36	211
Heritage Grants	32	-32	0
New Town Centre Grant - Non-Heritage	26	-26	0
Community Right to Bid	21	0	21
Community Right to Challenge	17	0	17

Property Records - Data sharing	7	0	7
Electoral Registration	30	-27	3
Total - Specific Grants and Contributions	**3,169**	**-501**	**2,668**
Section 106 - Earmarked Funds	**5,062**	**-367**	**4,695**
TOTAL EARMARKED RESERVES	**10,867**	**-1,548**	**9,319**

REPORT TO:	**FINANCE AND MANAGEMENT COMMITTEE**	**AGENDA ITEM: 9**
DATE OF MEETING:	**12th OCTOBER 2017**	**CATEGORY: DELEGATED**
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/council tax support scheme/2018 19 scheme/report to consider changes – Oct 17
SUBJECT:	**PROPOSED LOCAL COUNCIL TAX SUPPORT SCHEME 2018/19**	**REF**
WARD (S) AFFECTED:	**ALL**	**TERMS OF REFERENCE: FM 12**

1.0 Recommendation

1.1 That the existing Local Council Tax Support Scheme currently in place is continued and adopted for 2018/19.

1.2 That the detailed parameters are reported to Full Council on 18th January 2018.

1.3 That the current Compensation Grant, associated with the Council's Support Scheme, paid to Parish Councils is reviewed and any changes are notified to Parish Councils by 31st December 2017.

2.0 Purpose of Report

2.1 To review the current Local Council Tax Support Scheme (LCTSS) ahead of 2018/19, in order for the detailed framework to be publicised in January 2018.

3.0 Detail

Background

3.1 The LCTSS was implemented by the Council on 1st April 2013, to provide support, in the form of a discount, to eligible households towards their Council Tax liability. This replaced the national benefits scheme.

3.2 The detailed parameters of the Council's local scheme are largely based on the national benefits system to calculate entitlement. Entitlement is based on income received from other welfare benefits, with many claimants being protected and "passported through" to Council Tax support.

3.3 As a local discount scheme, under Council Tax Regulations, all councils have the discretion on how to calculate and award discounts to support residents in paying their Council Tax.

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

Principles of the Local Scheme

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

i. Claimants of pensionable age receive exactly the same level of support as existed under the previous national scheme (this is a statutory requirement).

ii. Households who qualify for benefit through disability premiums receive exactly the same level of support as existed under the previous national scheme.

iii. War widow and war disabled claimants receive exactly the same level of support as existed under the previous national scheme.

iv. Military compensation payments are fully disregarded in calculating Council Tax support.

v. Working age claimants on passported benefit are deducted 8.5% from their entitlement calculated under the Local Scheme.

vi. All other working age claimants are deducted 10% from their entitlement calculated under the Local Scheme.

vii. Full Council Tax support for claimants entering work is paid for 8 weeks, an increase from 4 weeks under the previous national scheme.

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

3.7 Therefore, in order to maintain protection for certain groups and to balance the Collection Fund at the outset of the local scheme, meant that working age claimants starting paying more Council Tax.

Total Cost of the Local Scheme

3.8 The Council's scheme supports approximately 5,400 eligible households across the District, which is approximately 12% of all households. There are currently around 2,300 working age claimants (down by 600 compared to a year ago) and 3,100 pensionable households (up 700 compared to a year ago).

3.9 The number of households claiming support has steadily decreased from over 6,000 when the Scheme was introduced in 2013/14. Consequently, the cost of support has also reduced. Although changes in recent years arising from welfare reform have impacted upon the Council's scheme, any additional costs have been absorbed.

3.10 The cost of the LCTSS is accounted for in the Collection Fund. Overall, the cost has steadily reduced from approximately £4.65m in 2013/14 to £4.49m in 2016/17.

3.11 The main risk of the Scheme is volatility as the number of claimants and individual circumstances can change regularly. Whereas under the national benefits system, the cost of supporting Council Tax was met by the Government, the cost of local support is met by the local preceptors in the Collection Fund.

3.12 However to-date, as detailed above, volatility has not been significant in the Council's scheme and the cost continues to be contained within the Collection Fund without any adverse effect on the Fund's overall position.

Timescale

3.13 Statutorily, the Council has to approve its local scheme each year even if there are no changes. This has to be approved by a meeting of the Full Council before 31st January each year. In respect of 2018/19, the local scheme will be proposed at the Council meeting on 18th January 2017, based on the recommendation of this Committee.

3.14 Therefore, consideration needs to be given to the Scheme for 2018/19, which is timely and allows for public consultation if necessary, especially if any changes are proposed. This would need to include other Council Tax preceptors as any changes could also affect their financial position.

Universal Credit (UC)

3.15 The full implementation of UC in South Derbyshire is now expected later in 2018. Whatever scheme is adopted for 2018/19, it will need to be kept under review as the impact of UC could affect the Council's scheme for 2019/20.

Alternative Schemes

3.16 In principle, there is nothing to prevent the Council from calculating and awarding entitlement on any basis it chooses.

3.17 Other options would involve targeting support in a different way. Various options were put forward as part of the initial consultation on the new scheme back in 2012/2013.

3.18 These included the removal of the second adult rebate, disregarding certain other benefits for the purposes of calculating support, together with a "banded" scheme, whereby support is limited to a lower Council Tax band.

3.19 Apart from a banded scheme, other options would only have a minimal impact financially overall. Feedback from the initial consultation, didn't favour any changes to these parameters.

3.20 Any proposed changes would need to be subject to public consultation as this would move the Council's scheme away from the current framework.

Discretionary Powers

3.21 The Council has the discretion to decide whatever support/discount it chooses to award to working age claimants under the relevant Council Tax Regulations.

3.22 It should be noted that support for Council Tax cannot be paid from the Discretionary Housing Fund; this is solely for housing benefits.

3.23 Although the Council has a separate discretionary award scheme for Council Tax it deals with each application under local powers in accordance with the Council's policy approved under Section 13A of the Local Government Finance Act 1992 (as amended).

Compensation Grant paid to Parish Councils

3.24 When the local scheme was introduced in April 2013, there was a knock-on effect to parish councils, as local preceptors, through a reduction in their tax base. In recognition of this, the Government provided funding to compensate parish and town councils. This funding, calculated at a point in time, was paid to district and borough councils in their Revenue Support Grant (RSG).

3.25 The Government expects that this funding is passported directly to parish councils, although it is no longer specified in the RSG. There is no requirement for this funding to be passed directly on, it can be reduced, topped-up or even withdrawn in its entirety.

3.26 The Council's policy has been to pass this funding on at the base amount set in 2013/14. The amount calculated in total for all parish councils in South Derbyshire is £43,627. This amount has been paid over to parishes each year since 2013/14 and has remained unchanged.

3.27 Any changes to this amount for 2018/19 will need to be notified to parish councils by 31st December 2017. The Council's Medium-Term Financial Plan, currently assumes that this funding continues to be paid over to parish councils.

4.0 Financial Implications

4.1 As detailed in the report.

5.0 Corporate Implications

5.1 No additional implications.

6.0 Community Implications

6.1 The report details the impact of the Council’s Local Scheme on local residents.

7.0 Background Papers

7.1 None

REPORT TO:	**FINANCE AND MANAGEMENT COMMITTE**	**AGENDA ITEM: 10**
DATE OF MEETING:	**12th OCTOBER 2017**	**CATEGORY: OPEN DELEGATED**
REPORT FROM:	**DIRECTOR OF FINANCE and CORPORATE SERVICES**	
MEMBERS' CONTACT POINT:	**KEVIN STACKHOUSE (01283 595811)** kevin.stackhouse@south-derbys.gov.uk	**DOC:** u/ks/business rates/revaluation 2017/discretionary rate relief schemes July 2017
SUBJECT:	**DISCRETIONARY BUSINESS RATE RELIEF SCHEMES**	**REF:**
WARD (S) AFFECTED:	**ALL**	**TERMS OF REFERENCE:** **FM 12**

1.0 Recommendations

1.1 That the proposed Discretionary Business Rate Revaluation Relief Scheme for 2017/18 to support local businesses in South Derbyshire worst affected by the 2017 Rating Revaluation List is approved.

1.2 That relief is awarded to a business based on the following scheme criteria:

- Its RV is less than £200,000.
- Its Business Rates payable in 2017/18 has increased by 10% or greater when compared to 2016/17.
- The business does not qualify for any other relief.
- The business is not part of a national chain or group of companies, i.e. it is a local business in the District.
- Relief is limited to 90% of the total increase in rates payable between 2016/17 and 2017/18.

1.3 That the proposed Scheme for future years is reviewed as part of the annual Budget Round.

1.4 That notice is given to terminate all other discretionary relief payments beyond April 2019 to allow for an annual review process to be implemented from 2019/20.

2.0 Purpose of Report

2.1 To consider a number of issues affecting discretionary rate relief which came into effect on 1st April 2017 and the impact on the local business community, together with the Council's financial position.

3.0 Detail

Existing Discretionary Business Rate Relief Schemes

3.1 Besides mandatory relief granted to eligible businesses, the Council has a well-established discretionary rate relief scheme which supports local organisations meeting certain criteria. These schemes include:

- Top–up relief of up to 20% for local Charities receiving 80% mandatory relief.
- Up to 100% relief for 'Not for profit' organisations.
- Hardship Relief of up to 100% in exceptional circumstances where the general body of taxpayers will derive some benefit from the granting of the relief.
- Part-occupied empty relief (*commonly known as Section 44a*) based on a Rateable Value apportionment in respect of the non-productive and unused area(s) of a business.

3.2 These relief schemes support several small sports clubs and community groups across the District, together with larger organisations such as Active Nation (in its capacity as a Trust) together with Sharpes Pottery and the Old Post Centre (Newhall).

3.3 Section 44a relief is being used to support the relocation of a major business within the District. The granting of this specific relief has to be considered on a case-by-case basis due to the higher cost on the general body of taxpayers.

Cost of Discretionary Relief

3.4 The cost of Discretionary Relief is contained in the Collection Fund, with the Council's share being 40%. The granting of Discretionary Relief is declared to the Government.

3.5 The cost of on-going discretionary relief (excluding 44a) currently awarded under the Council's policy, is approximately £75,000 per year. These reliefs are currently reviewed every two years or whenever a change of policy is necessary (usually following changes in legislation or Government funding arrangements).

3.6 However, it is considered that given the nature and range of changes within recent Government announcements (as detailed later in the report) this will make this approach less practical in future years. Therefore, it is recommended that individual reliefs are reviewed each year as part of the annual budget round.

3.7 To give the relevant organisations sufficient notice of this proposed change, it is recommended that this is implemented in April 2019, i.e. for the budget year 2019/20. This means that any relief currently granted for 2018/19 will remain.

Autumn Statement 2016

3.8 The Government's Autumn Statement 2016 introduced the following support for Business Rates:

- A £1,500 discount per year for two years for office space occupied by a Newspaper (*there are no businesses within South Derbyshire currently eligible for this discount*)

- A new 100% relief (for 5 years from April 2017) for the provision of full fibre broadband and 5G infrastructure on premises owned by telecommunication companies. A separate Bill is currently passing through Parliament to approve this relief. It will mainly apply to the national telecommunication companies (BT, Cable and Wireless, etc.) who are rated nationally on a central register. Any local telecommunication businesses will appear on the local list. There are currently no qualifying businesses in South Derbyshire.

- Full rural rate relief for being the only shop or post office in a village with a Rateable Value (RV) of less than £8,500, or the only public house or petrol station with a RV of less than £12,500, where the local population is less than 3,000.

- For all other small businesses, a permanent doubling of Small Business Rate Relief (SBRR) from 50% to 100%, with increases in RV thresholds from £6,000 to £12,000.

  Therefore, any business with a RV less than £12,000 no longer pays any Business Rates. Businesses with a RV between £12,000 and £15,000 are entitled to a tapering relief of 1% relief for every £30 RV. Beyond that, businesses with a RV of less than £51,000 pay a reduced rate in the pound (46.6p) compared to the standard rate of 47.9p.

Cost of Providing Relief and Funding

3.9 The Council has implemented these reliefs, with the total cost of granting the reliefs being met by the Government. As in previous years, where the Government have provided temporary reliefs to support businesses, they have reimbursed the reduction in income for each authority with a specific grant.

3.10 The value of the new reliefs is fairly minimal in South Derbyshire, except for the doubling of the SBRR with the associated increases in RV. The value of this relief is approximately £960,000 in 2017-18 with over 1,000 smaller sized businesses (around a third of all businesses) no longer paying any Rates.

3.11 The Government (during the previous Parliament) had indicated that they would no longer fund the cost of granting SBRR when 100% of Business Rates receipts would be retained in local government. This was expected to be implemented in 2019/20.

3.12 Following the General Election in June 2017 and the subsequent "Queen's Speech", the legislation that was expected to enact "100% retention" was not included. This has created some uncertainty about the funding of SBRR in future years and this will need to be kept under review.

Spring Budget 2017

3.13 In March 2017, the Government set out two further packages of support to businesses. Following a period of consultation and confirmation of guidelines, these reliefs are:

- Supporting small businesses by capping the increase in rates payable by a business losing all or some of the SBRR to £600 in 2017/8 only; this has been implemented.

- "Support for Pubs Scheme" through a one-off £1,000 discount in 2017/18 for public houses with a RV of less than £100,000. This relief is currently being implemented and will benefit approximately 40 pubs in the District.

Rating Revaluation 2017

3.14 At the time of the March 2017 Budget, the Government also announced additional funding of £300m nationally over the next 4 years, 2017 to 2021. This is aimed at supporting local businesses adversely affected by the 5-yearly national revaluation, in this instance, taking effect from April 2017. The funding is front-loaded in Year 1 (2017/18) and tapers down by 2020/2021.

3.15 In allocating the funding to each local council, the Government based it on a formula which would target support to businesses with a RV less than £200,000, with an increase in Business Rates Payable in 2017/18 of greater than 12.5% compared to 2016/17.

3.16 However, it is for each council to decide locally its own scheme for best allocating this funding. Unlike other reliefs, there is no national scheme and each council has full discretion under exiting legislation.

3.17 The Government however, have indicated that local schemes should support those businesses facing the most significant increase in their bills and occupying lower value (medium-sized) properties that are not subject to other reliefs. In addition, to satisfy state aid rules, it has been suggested relief should be restricted to local businesses only and not national chains or groups.

The Council's Funding Share

3.18 The Council has been allocated funding of £202,000 for 2017/18. Indicative figures are £98,000 for 2018/19, £40,000 for 2019/20 and £6,000 for 2020/21 - £346,000 in total.

3.19 The Council can choose to design a scheme that costs more, but it would not be able to reclaim any difference. Where the full amount is not used, it will be reclaimed by the Government, although the Government have been asked by representative bodies to consider whether any unused funding in one year can be carried forward to the following year.

Options for a Local Scheme in South Derbyshire

3.20 As a starting point, it would appear sensible that the Council bases its scheme on the principles of the national funding formula used by the Government, together with their indications of where funding should be targeted. The scheme would then have the following criteria.

- A RV less than £200,000.
- Business Rates payable in 2017/18 has increased by 12.5% or greater when compared to 2016/17.
- A business does not qualify for any other relief.
- A business is not part of a national chain or group of companies, i.e. it is a local business in the District.

3.21 Eligible businesses meeting this criteria would cost approximately £180,000 in 2017/18, leaving £22,000 remaining compared to the funding amount of £202,000. This would support approximately 50 local businesses, whose average increase in rates payable is approximately £3,800 in 2017/18.

3.22 If the Government were to allow any unused funding to be carried forward into 2018/19, this would allow the reduced allocation in that year to be topped-up. However, this is not certain and the Government have yet to give any indication on that proposal put forward by representative bodies.

3.23 Within the above criteria, there is only one business that could be associated with a national chain as all others (supermarkets, local convenience stores, etc.) have a RV above £200,000.

Maximising the Full Allocation

3.24 To ensure that the full allocation is used, the percentage increase in rates payable by eligible businesses between 2016/17 and 2017/18 would need to be reduced. The best fit would be to set this percentage at 10% (reduced from the 12.5%). This would allow a further 30 businesses to be supported.

3.25 However, this would cost a further £45,000, taking the total cost to approximately £225,000, above the funding amount of £202,000. Based on the profile of increases for potentially eligible businesses, there is no exact point at which £202,000 fits perfectly.

3.26 It is considered that the cost of a 10% increase of £225,000 would be the maximum. It is likely that some of the eligible businesses that fit all the criteria at 10% will be successful in outstanding appeals which could reduce their RV, taking them outside of the proposed scheme.

3.27 Clearly, this is not certain. Any cost above £202,000 would be a cost on the Collection Fund which, based on these estimates would be approximately £23,000.

A Pro-Rata Transitional Scheme

3.28 It is considered that the 10% minimum increase, compared to 12.5%, maximises the funding available as it potentially supports more businesses. 30 businesses have increases between 11% and 12%.

3.29 To allow the cost to be contained within the funding, a further option would be to pro-rata the funding over all increases satisfying the base criteria of 10%.

3.30 There are a range of increases from £900 to £25,000. Scaling back the total cost of £225,000 to £202,000 would mean that eligible businesses would pay approximately 10% of their increase in 2017/18, i.e. they would receive 90% relief.

3.31 There does not appear to be an exact method to ensure a “clean” fit. The main risk is that the Council does not use all eligible funding and it is clawed back, with some eligible businesses potentially losing support.

3.32 If the amount is exceeded, then the Council and ultimately, the general body of taxpayers pay for the difference. However, the Council may consider that this is for the greater benefit of South Derbyshire, as these businesses generally provide employment for local people.

3.33 Therefore, to maximise funding and to limit the cost exceeding the overall funding, it is recommended that the following discretionary scheme is implemented in 2017/18.

A *business will receive Discretionary Revaluation Relief where*

- Its RV is less than £200,000.
- Its Business Rates payable in 2017/18 has increased by 10% or greater when compared to 2016/17.
- The business does not qualify for any other relief.

- The business is not part of a national chain or group of companies, i.e. it is a local business in the District.

- Relief is limited to 90% of the total increase in rates payable between 2016/17 and 2017/18.

Future Funding

3.34 The national funding has effectively been structured to transition eligible businesses to the full increase by 2021/22. However, the profile (front-loading) of the funding effectively means that eligible businesses will pay the full increase after 2019/20.

3.35 If the proposed scheme for 2017/18 is approved, the 90% relief limit would need to be reduced in future years to stay within the funding as shown in the following table

2017/18 – relief limited to 90%
2018/19 – relief limited to 45%
2019/20 – relief limited to 20%
2020/21 – relief limited to 2.5%
2021/22 – full increase paid

Consultation

3.36 A requirement of the proposed scheme is that the Council must consult with other major preceptors within the Business Rates Funding Framework, i.e. the County Council, together with the Fire and Rescue Service for Derbyshire.

3.37 Details of the proposed scheme have been shared with these preceptors.

4.0 Financial Implications

4.1 As detailed in the report.

5.0 Corporate Implications

5.1 None

6.0 Community Implications

6.1 The aim of discretionary relief schemes is intended to support local businesses in the area that create employment across the District.

7.0 Background Papers

7.1 None

REPORT TO:	**FINANCE AND MANAGEMENT COMMITTEE**	**AGENDA ITEM: 11**
DATE OF MEETING:	**12th OCTOBER 2017**	**CATEGORY: RECOMMENDED**
REPORT FROM:	**GED LUCAS – STRATEGIC DIRECTOR**	**OPEN**
MEMBERS' CONTACT POINT:	**EILEEN JACKSON – STRATEGIC HOUSING MANAGER** **Eileen.Jackson@south-derbys.gov.uk**	**DOC:**
SUBJECT:	**DISABLED FACILITIES GRANTS – DELIVERY OF THE 2017/18 ALLOCATION**	**REF:**
WARD(S) AFFECTED:	**ALL**	**TERMS OF REFERENCE:**

1.0 Recommendations

1.1 That Members approve the appointment of a Technical Officer (scale 6 – subject to Job Evaluation) on an 18 month fixed term contract to address the current underspend on mandatory Disabled Facilities Grants (DFGs) and enable the expansion of the service and increased capacity within the team.

1.2 To review and adapt the existing grant administration process to remove the task of procuring each individual job. This will involve undertaking a larger procurement exercise to identify a small number of contractors within a framework agreement who will work under a 2 year measured term contract (this will not include major adaptations over £25k which will still go out to tender on an individual basis)

1.3 To review the use of the Better Care Fund (BCF) allocation and the existing DFG policy and bring proposed revisions and amendments back to Housing and Community Services Committee in March 2018

2.0 Purpose of Report

2.1 To seek approval for the recruitment of an 18 month temporary fixed term post to address the significant underspend of the mandatory DFG allocation within the BCF.

2.2 To amend the Council's current restrictive administration process that requires each grant to be procured individually – this additional task increases the timescale of delivery of each job by 4 weeks

3.0 Executive Summary

3.1 South Derbyshire District Council in its role as a local housing authority, is under a statutory duty by virtue of the provisions of the Housing Grants, Construction and Regeneration Act 1996 (the Act) to provide Disabled Facilities Grants (DFGs) for private sector residential adaptations where the appropriate legislative conditions are met.

3.2 The allocation of funding from the Better Care Fund to support mandatory Disabled Facilities Grants in South Derbyshire stood at £1,143,658, which includes a 2017/18 allocation of £674,829 along with a carry forward from 2016/17 of £468,829.

3.3 The current commitment of spend for DFGs in 2017/18 is £338,000, leaving £805,658 unallocated

3.4 Approval of the above recommendations would allow a significant reduction in the amount of underspend at the end of the financial year and increase the capacity of the DFG team to establish and deliver new initiatives and enhanced services to improve health and wellbeing of residents

3.5 The existing DFG administration process incorporates a 4 week procurement exercise for each individual job, this part of the process is both time consuming and causes a lack of transparency as contractors are bidding for numerous jobs within each financial year The Council could therefore achieve better value for money, and increased levels of commitment and control by undertaking a larger procurement process to put a measured term contract in place that can be reviewed annually or bi-annually

4.0 Detail

4.1 The Council need to undertake a wider review of the Better Care Fund allocation for this financial year and 2018/19. The capital funding allocated for prevention services which includes an allocation for the delivery of mandatory DFGs, can be spent on a range of other services that focus on keeping people out of hospital and maintaining independence. The recommendations above are the first part of this process and are required to increase capacity within the section that will in turn enable the creation of new services that will improve the health outcomes of residents in the District

4.2 The Council was required to produce a localised Assurance Plan for 2017/18 to set out how the BCF allocation will be utilised based on financial projections and previous commitments with the Housing Strategy Action Plan.

4.3 It is recognised that without forward planning and additional recruitment to deliver the Grants, any underspend from 2017/18 may be lost as the BCF s.75 agreement assumes that all underspends will be returned to the pool and re-allocated against agreed priorities. To date no DFG grant has been re-claimed and re-allocated, but this has been identified as a future risk

4.4 The Council are currently procuring each individual job as part of the grant administration process. This is an arduous task that adds 4 weeks to the timescale of each job and is also a risk to the Council as the same contractors are bidding for multiple jobs which, over the course of a year, amount to tens of thousands of pounds which would have been subject to higher levels of scrutiny in terms of financial regulation.

4.5 The Council are therefore seeking to rectify this issue and speed up the delivery process by undertaking a larger procurement exercise to appoint contractors to work within a framework agreement. Contractors appointed to the framework will need to evidence value for money within their tender in additional to experience, health and safety requirements, financial viability and capacity within their organisation. This would give the Council an advantage both in terms of knowing contractors will have capacity to undertake jobs and financially as the Council will be able to more accurately predict costs allowing for better financial planning.

5.0 Financial Implications

5.1 To fund the additional 18 month fixed term Technical Officer post, the Council are able to utilise £48,750 from the BCF allocation for 2017/18. This use of the capital funding allocation is deemed acceptable as it is being used to deliver works that will help keep people out of hospital and assist in maintaining independence for longer within the home (the spend is aligned with the key outcomes and focus of the BCF Programme and overarching STP principles). From an accounting point of view, the salary costs can be capitalised as professional fees against the capital expenditure.

5.2 In April 2016, the Finance and Management Committee approved a standing list of suppliers to undertake smaller individual jobs and was based on at least 3 quotes being obtained for each individual job. This satisfied the Council's own procurement regulations. At that time, this was preferred to having a Framework in place and operating on a schedule of rates basis.

5.3 However, with the increase in the value of overall works on an aggregated basis, the revised approach would ensure that the Council also operated within EU tendering limits. Having a measured term contract and framework agreement in place will reduce the number of contractors compared to the current standing list. However, it may be prohibitive for some of those organisations bidding into the tendering process.

5.4 Risks – The risk of not spending the remainder of the mandatory DFG grant allocation is that the un-spent funds will be returned to the pool and re-allocated in accordance with the BCF s.75 agreement, especially if there are pressures in other areas. In the past, un-used allocations have been carried forward from year-to-year. In order to mitigate this risk, the Council has regular dialogue with the County Council at Officer level so that the Council's plans and future commitment is fully understood. The appointment of an additional officer and plans to utlise the wider BCF are part of that process.

6.0 Corporate Implications

6.1 The proposals contained in this report link directly to the following actions within the Housing Strategy 2016 – 21;

- Review the DFG process to ensure that DFGs are delivered as effectively and efficiently as possible

- Recruit additional resources to support the team in delivering DFGs in line with the Housing Department restructure that will be implemented from September 2017

6.2 Legal implications – The procurement of the measured term contract would be carried out with assistance from the in house procurement team in accordance with the Public Contract Regulations.

6.3 HR Implications – approval of the recommendations contained within this report will require the recruitment to a temporary 18 month post within the Strategic Housing Team that will report directly to the Architectural Project's Officer. This role could be recruited either from within the Council on a secondment basis or through external advertisement. The grade of the post will be subject to Job Evaluation.

6.4 Communication – it is important that following approval of the proposed recommendations, The Council inform the BCF Programme Board about the intention to increase capacity and spend the remaining funds for 2017/18 inclusive of the carry-over from the previous year. A separate report will be taken to March Housing and Communities Committee outlining how the remainder of the funds will be utilised to avoid losing any of the District's funding allocation

7.0 Community Implications

7.1 The recommendations contained within this report will have a direct impact on vulnerable households living in the District. The recruitment of an additional officer will ensure that an additional £100k worth of grants will be delivered by the end of the financial year and a further £200k by the end of March 2019 when the fixed term contract comes to an end.

7.2 By undertaking a review of the tendering process through procurement of a measured term contract, the time to deliver each grant (from OT referral to completion of works) will reduce by 4 weeks as there will be no need to go out to tender for individual jobs under £25k – this will also have a positive impact on the service user

8.0 Conclusions

8.1 The actions contained within this report will provide a basis for the undertaking of a wider review of the DFG process and the wider use of the Better Care Funding. It is essential that the Council increases capacity and delivery within this service area to benefit a greater number of people who are waiting for adaptations to their homes. The Council must also have robust plans in place to utilise the BCF allocation to avoid losing funding at the end of the financial year (and having a reduced allocation next year). South Derbyshire District Council received an allocation of over £1.1m to deliver mandatory DFGs and other initiatives aimed at promoting independence and keeping people out of hospital. This report focuses on the urgent tasks of delivering this year's mandatory DFGs and reducing the length of each grant delivery by adopting a simpler and transparent procurement process.

9.0 Background Papers

9.1 South Derbyshire District Council and Derbyshire County Council Joint Plan for 2017/18 – (Assurance Plan)

REPORT TO:	**FINANCE AND MANAGEMENT COMMITTEE**	**AGENDA ITEM: 12**
DATE OF MEETING:	**12th OCTOBER 2017**	**CATEGORY: DELEGATED**
REPORT FROM:	**DIRECTOR OF FINANCE AND CORPORATE SERVICES**	**OPEN**
MEMBERS' CONTACT POINT:	**KEVIN STACKHOUSE (EXT 5811)**	**DOC:**
SUBJECT:	**COMMITTEE WORK PROGRAMME**	**REF:**
WARD(S) AFFECTED:	**ALL**	**TERMS OF REFERENCE: G**

1.0 Recommendations

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

2.0 Purpose of Report

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

3.0 Detail

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

4.0 Financial Implications

4.1 None arising directly from this report.

5.0 Background Papers

5.1 Work Programme.

Annexe A

Finance and Management Committee – 12th October 2017
Work Programme

Work Programme Area	Date of Committee meetings	Contact Officer (Contact details)
Reports Previously Considered By Last 3 Committees		
Treasury Management Annual Report 2016/17	22nd June 2017	Kevin Stackhouse Director of Finance and Corporate Services (01283 595811)
Budget Out-turn 2016/17	22nd June 2017	Kevin Stackhouse Director of Finance and Corporate Services (01283 595811)
Corporate Plan 2016-21: Performance Report (1 April – 30 June 2017)	31st August 2017	Corporate Plan 2016-21: Performance Report (1 April – 30 June 2017)
Data Quality Annual Performance Report 2016/17	31st August 2017	Keith Bull Head of Communications (01283 598705)
Budget and Financial Monitoring 2017/18	31st August 2017	Kevin Stackhouse Director of Finance and Corporate Services (01283 595811)
Money Market Funds	31st August 2017	Kevin Stackhouse Director of Finance and Corporate Services (01283 595811)

The Local Authorities' Property Fund	31st August 2017	Kevin Stackhouse Director of Finance and Corporate Services (01283 595811)
Final Accounts and Statutory Financial Statements 2016/17	21st September 2017	Kevin Stackhouse Director of Finance and Corporate Services (01283 595811)
Provisional Programme of Reports to be considered by Committee		
Information Technology and Digital Strategy 2017 to 2020	12th October 2017	Kevin Stackhouse Director of Finance and Corporate Services (01283 595811)
Update on the Council's Medium-Term Financial Position	12th October 2017	Kevin Stackhouse Director of Finance and Corporate Services (01283 595811)
Proposed Local Council Tax Support Scheme 2018/19	12th October 2017	Kevin Stackhouse Director of Finance and Corporate Services (01283 595811)
Discretionary Business Rate Relief Schemes	12th October 2017	Kevin Stackhouse Director of Finance and Corporate Services (01283 595811)
Disabled Facilities Grants – the 2017/18 allocation	12th October 2017	Eileen Jackson Strategic Housing Manager (01283) 595763

Corporate Plan 2016-21: Performance Report (1 July – 30 September 2017)	30th November 2017	Keith Bull Head of Communications (01283 598705)
Budget and Financial Monitoring 2017/18	30th November 2017	Kevin Stackhouse Director of Finance and Corporate Services (01283 595811
Proposed Local Council Tax Support Scheme 2018/19	30th November 2017	Kevin Stackhouse Director of Finance and Corporate Services (01283 595811
Corporate Plan 2016-21: Performance Report (1 October – 31 December 2017)	15th March 2018	Keith Bull Head of Communications (01283 598705)
Corporate Plan 2016-21: Performance Report (1 January – 31 March 2018)	2018/19	Keith Bull Head of Communications (01283 598705)