10 February 2017

To: **All Members of the Council**

You are summoned to attend a meeting of the North East Derbyshire District Council to be held **on Monday, 20 February 2017 at 2.00 pm in the Council Chamber,** District Council Offices, 2013 Mill Lane, Wingerworth, Chesterfield.

Assistant Director of Governance and Solicitor to the Council & Monitoring Officer

PLEASE NOTE:

1 For Members' information the following room arrangements have been made for Group Meetings prior to this Council meeting:

Labour Group	**-**	**Council Chamber**
Conservative Group	**-**	**Members Room**

2 Members are requested to bring their laptops and iPads to the meeting where assistance will be provided to anyone who may require it in order to follow the meeting electronically.

3 Section 106 of the Local Government Finance Act 1991 makes is an offence for a Councillor in Council Tax arrears with at least two months unpaid bills to vote at a meeting of the Council where financial matters relating to Council Tax are being considered. It is also an offence if any such Councillor present, who is aware of the arrears, fails to disclose that they are in arrears of Council Tax. Therefore, any Members present at the meeting who are in at least two months Council Tax arrears will need to declare this and exempt themselves from the meeting for item 8(a).

4 Any Members who are tenants of a Council property should declare an interest in respect of item 8(a) but have an automatic dispensation to remain in the room, speak and vote on the item.

5 The Local Authorities (Standing Orders) (England) (Amendment) Regulations 2014 require a recorded vote to be taken on any proposals relating to the budget and Council Tax.

A G E N D A

1 **Apologies for Absence**

2 **Declarations of Interest**

Members are requested to declare the existence and nature of any disclosable pecuniary interest and/or other interests, not already on their register of interests, in any item on the agenda and withdraw from the meeting at the appropriate time.

3 **To approve as a correct record and the Chair to sign the attached Minutes of the Council meeting held on 3 January 2017**

4 **Chair's Announcements (if any)**

5 **Public Participation**

In accordance with Council Procedure Rule No 8 to allow members of the public to ask questions about the Council's activities for a period up to fifteen minutes. The replies to any such questions will be given by the appropriate Cabinet Member. Questions must be received in writing or by email to the Monitoring Officer by 12 noon seven clear working days before the meeting.

No questions have been submitted under Procedure Rule No 8 for this meeting.

6 **To answer any questions from Members asked under Procedure Rule No 9.2**

In accordance with Council Procedure Rule No 9.2 to allow members to ask questions about Council activities. The replies to any such questions will be given by the Chair of the Council or relevant Committee or the appropriate Cabinet Member. Questions must be received in writing or by email to the Monitoring Officer by 12 noon seven clear working days before the meeting.

No questions have been submitted under Procedure Rule No 9.2 for this meeting.

7 **To consider any motions from Members under Procedure Rule No 10**

In accordance with Council Procedure Rule No 10 to consider motions on notice from members. Motions must be received in writing or by email to the Monitoring Officer by 12 noon seven clear working days before the meeting.

(a) To consider the following motion from Councillor A Dale

That this Council:-

(1) Strongly supports the principle of neighbourhood planning, which empowers local people in the planning process and gives them greater say over the future of their communities.

(2) Acknowledges the countless hours of hard work being put in by local people to produce neighbourhood plans in several of our parishes.

(3) Encourages more communities in North East Derbyshire to consider developing neighbourhood plans, in order to ensure our planning policies and decisions properly reflect the wants and needs of the people we represent.

(4) Endeavours to give as much weight as is possible under national planning guidance to emerging neighbourhood plans when making planning decisions.

8 Reports of Councillor P R Kerry, Portfolio Holder with Responsibility for Economy, Finance and Regeneration

(a) Medium Term Financial Plan 2017/18 to 2020/21 – *(Ref: BM)*

(b) Treasury Management Strategy 2017/18 to 2020/21 – *(Ref: BM)*

Agenda Item No 3

MINUTES OF COUNCIL MEETING HELD ON 3 JANUARY 2017

I N D E X

NORTH EAST DERBYSHIRE DISTRICT COUNCIL

MINUTES OF THE MEETING OF THE COUNCIL

HELD ON 3 JANUARY 2017

Present:
Councillor S Peters …………….…….. Chair
Councillor Miss R Smith ……………… Vice Chair

Councillor W Armitage
" J Austen
" N Barker
" B Barnes
" G Baxter MBE
" L Blanshard
" S Boyle
" G Butler
" A Cooper
" S Cornwell
" C Cupit
" A Dale
" S Ellis
" Ms M Emmens
" M Foster
" A Garrett
" M Gordon
" R Hall
" D Hancock
" Mrs E A Hill
" J Hill
" Mrs P A Holmes

Councillor G Hopkinson
" Mrs C D Huckerby
" C Hunt
" P R Kerry
" B Lewis
" J Lilley
" T Mansbridge
" G Morley
" A Powell
" T Reader
" B Rice
" B Ridgway
" Mrs J Ridgway
" D Skinner
" Mrs C A Smith
" L Stone
" M Thacker
" C Tite
" R Welton
" J Windle
" B Wright

383 Apologies for Absence

Apologies for absence had been received from Councillors P Antcliff, J Barry, P Elliott, Mrs A Foster, H Laws, Mrs L Robinson, K Rouse and K Tait.

384 Declarations of Interest

Members were requested to declare the existence and nature of any disclosable pecuniary interest and/or other interest, not already on their register of interests, in any item on the agenda and withdraw from the meeting at the appropriate time.

There were no interests declared at this meeting.

385 Minutes of the Council Meeting held on 31 October 2016

RESOLVED – That the Minutes of the meeting of the Council held on 31 October 2016 be approved as a correct record and signed by the Chair.

386 Chair's Announcements

The Chair advised Council of a number of events that he had attended over recent weeks. Specifically he focused on the work he had undertaken to raise money for his chosen charity, Weston Park Cancer Charity, which included holding an auction, a New Year's Eve party and the sale of 2017 calendars, raising a total of £4,720 to date.

The Chair spoke of further fundraising ventures such as a sponsored abseil at Millers Dale Bridge on 11 March and a Row-a-thon being hosted at various sites across the District on 6 April 2017.

387 Public Participation

In accordance with Council Procedure Rule No 8 members of the public were allowed to ask questions about the Council's activities for a period of up to 15 minutes.

No questions from the public had been submitted.

388 Minutes of Meetings held between 25 October and 6 December 2016

Council considered the following Minutes of meetings held between 25 October and 6 December 2016:-

	MEETING	DATE
(a)	Planning Committee	25 October 2016 – 10.00 am – Special 25 October 2016 – 2.00 pm 22 November 2016 – 10.00 am – Special 22 November 2016 – 2.00 pm
(b)	Cabinet	26 October 2016 23 November 2016
(c)	Licensing Sub-Committee (Taxis)	17 November 2016
(d)	Communities Scrutiny Committee	18 November 2016 28 November 2016 – Special
(e)	Audit & Corporate Governance Scrutiny Committee	24 November 2016
(f)	Growth Scrutiny Committee	1 December 2016
(g)	Joint Employment Committee	6 December 2016

RESOLVED – That the Minutes of the meetings held between 25 October and 6 December 2016 as set out above be noted.

389 East Midlands Ambulance Service

Council received a briefing from Martin Watts, Divisional Manager of Derbyshire on the role of East Midlands Ambulance Service (EMAS) and recent changes made to improve the service.

Staffing levels had increased as well as ongoing work to boost morale of existing staff through engagement and development of services and processes.

An informative chart was presented outlining the categorisation of 999 calls, the type of responses made, and the performance speed to which the service held itself to. Members questioned action around prioritisation of calls and types of responses made (first responders/paramedics) to gain assurance for their constituents around the performance of the service.

EMAS updated on the high call levels received over the festive period which included a 92% increase on the previous year's figures for 999 requests made on New Year's Day. An extra 75 crews had been engaged in advance to mediate the high demand, however, delays at hospitals across the area had an effect on availability to respond to new emergencies. These delays were questioned in detail by Members to gain understanding in to the hand over practices and timescales at each hospital, and EMAS were keen to work with Chesterfield Hospital in particular to reduce waiting times in order to free paramedics to make further responses.

Council heard information around the 'Blue Light Collaboration' – an initiative to use emergency resources more effectively. The Fire Service had undertaken First Responder training in order to provide quick response life saving treatment in situations where they could attend more readily than an ambulance. These responses would always be backed up by a paramedic service, but would reduce the response time to time-critical medical emergencies. This initiative would shortly be implemented at 4 Fire Stations within North East Derbyshire.

RESOLVED – That the presentation from East Midlands Ambulance Service be noted.

390 Questions from Members under Procedure Rule No 9.2

In accordance with Council Procedure Rule No 9.2 Members were permitted to ask the Chair of the Council or relevant Committee or the appropriate Cabinet Member questions about Council activities.

No questions had been submitted under Procedure Rule No 9.2 for this meeting.

391 Motions from Members under Procedure Rule No 10

(a) It was moved by Councillor A Dale and duly seconded by Councillor M Thacker.

That this Council:-

(1) Strongly supports the principle of neighbourhood planning, which empowers local people in the planning process and gives them greater say over the future of their communities.

(2) Acknowledges the countless hours of hard work being put in by local people to produce neighbourhood plans in several of our parishes.

(3) Encourages more communities in North East Derbyshire to consider developing neighbourhood plans, in order to ensure our planning policies and decisions properly reflect the wants and needs of the people we represent.

(4) Endeavours to give as much weight as is possible under national planning guidance to emerging neighbourhood plans when making planning decisions.

Council considered the motion as put at the meeting and echoed Councillor Dale's gratitude to the communities of the District in the development of Neighbourhood Plans and encouragement to pursue adoption by the public through the referendum process.

Section 4 of Councillor Dale's motion was discussed in detail in relation to applications automatically referred to the Secretary of State (SOS).

The weight given to Neighbourhood Plans at different states in their completion was questioned in relation to planning applications automatically referred and the steps that could be taken in future by Local Authorities to ensure due consideration.

A Member made particular reference to a recent application within the ward of Ashover and inferred that the absence of a Local Plan in this instance had been the basis for the decision, and not the disregard for the partially completed Neighbourhood Plan for that area.

A motion was moved by Councillor Gordon, seconded by Councillor Austen, to adjourn the debate to the following meeting of Council on 20 February 2017 in order to:-

- undertake further work to look at how the decision was made on the specific application referred to;
- review that specific decision; and
- gain a better understanding of the steps that could be taken to encourage greater consideration is given to Neighbourhood Plans (in

various states of completion) in any similar cases referred to the Secretary of State.

On the procedural motion being put to the vote 30 Members voted for, 15 against, and there were no abstentions.

RESOLVED – That the debate be adjourned to the following meeting of Council on 20 February 2017.

(b) It was moved by Councillor D Skinner and duly seconded by Councillor J Lilley.

"North East Derbyshire District Council is appalled by the Home Secretary's decision not to hold an inquiry into the policing of picket lines at the Orgreave Coking Plant on 18 June 1984, and considers her rejection on 31 October 2016 in Parliament of such an inquiry a grave injustice. The Home Secretary's ruling that there will be no inquiry or an independent review into what happened on that date shows total contempt for the many former miners, their families and communities in our area who have waited patiently for decades for the truth, especially for those who were present at Orgreave.

North East Derbyshire District Council notes the widespread examples of pickets being beaten unconscious by police officers, with 95 miners – including many from Derbyshire – who were arrested and charged with riot offences but who were later acquitted amid claims that South Yorkshire Police had fabricated evidence.

This Council also notes that even the Independent Police Complaints Commission's redacted report, released June 2015, said there was "evidence of excessive violence by police officers, a false narrative from police exaggerating violence by miners, perjury by officers giving evidence to prosecute the arrested men, and an apparent cover-up of that perjury by senior officers".

In light of such statements North East Derbyshire District Council is astonished that the Home Secretary should conclude that there are few lessons to be learned by the current police forces from any review of these events, and that because no one died, because there was no miscarriage of justice, and because there were no convictions that, therefore, there will be no inquiry. This Council would also like to place on record its support for the Orgreave Truth and Justice Campaign and its decision to continue to fight for transparency and for a full public inquiry, and vows to do everything in its power to help achieve that goal.

North East Derbyshire District Council therefore calls on the Home Secretary, Amber Rudd MP, to review her decision and recognise the impact it has had on many of our residents who feel they have been denied justice as a result of her statement".

Council considered the motion as put, with some Members recalling their own personal experiences on the day in question at the picket line at the Orgreave Coking Plant. Feelings were expressed around injustice and previously disregarded knock-on effects.

Whilst the Home Secretary had deemed that few lessons would be learned from an inquiry the majority of Members present disagreed.

Views were expressed by some Members that the inquiry could have been considered by the former Government, and that dedicating sufficient resources to undertake a review of an event that took place 30 years previously may have little benefit for the cost to today's taxpayer. A cost for an inquiry could not be approximated, however, figures of previous inquiries were raised and summations made as to where the costs may have been better allocated. Further, it was questioned as to why an inquiry should be made in to Orgreave specifically.

Overall Members felt that the truth and the results of an inquiry were paramount.

RESOLVED – That:-

"North East Derbyshire District Council is appalled by the Home Secretary's decision not to hold an inquiry into the policing of picket lines at the Orgreave Coking Plant on 18 June 1984, and considers her rejection on 31 October 2016 in Parliament of such an inquiry a grave injustice. The Home Secretary's ruling that there will be no inquiry or an independent review into what happened on that date shows total contempt for the many former miners, their families and communities in our area who have waited patiently for decades for the truth, especially for those who were present at Orgreave.

North East Derbyshire District Council notes the widespread examples of pickets being beaten unconscious by police officers, with 95 miners – including many from Derbyshire – who were arrested and charged with riot offences but who were later acquitted amid claims that South Yorkshire Police had fabricated evidence.

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In light of such statements North East Derbyshire District Council is astonished that the Home Secretary should conclude that there are few lessons to be learned by the current police forces from any review of these events, and that because no one died, because there was no miscarriage of justice, and because there were no convictions that, therefore, there will be no inquiry. This Council would also like to place on record its support for the Orgreave Truth and Justice Campaign and its decision to continue to fight for *transparency and for a full public inquiry, and vows to do everything in its power to help achieve that goal.*

North East Derbyshire District Council therefore calls on the Home Secretary, Amber Rudd MP, to review her decision and recognise the impact it has had on many of our residents who feel they have been denied justice as a result of her statement".

392 Disposal of 2 Springfield Road, Barlow and 183 Longedge Lane, Wingerworth

Council considered a report of the Assistant Director – Governance and Solicitor to the Council & Monitoring Officer, which sought approval to apply to the Secretary of State to dispose of 2 Springfield Road, Barlow and 183 Longedge Lane, Wingerworth.

The Council may dispose of housing properties without specific consent of the Secretary of State with the condition that the purchaser would use the property as their principal home. Understanding that the properties in question required considerable investment to bring them to a lettable standard, Cabinet concluded at their meeting on 3 August 2016 that the sites would produce a better return if sold on the open market and would attract potential developers, bringing work opportunities and new homes in to the District.

In accordance with the legislation and the Constitution, Cabinet's recommendation was put to Council for their approval.

RESOLVED – That Council authorise the making of an application to the Secretary of State for the Communities and Local Government under Section 32 of the Housing Act 1985 for the disposal of 2 Springfield Road, Barlow and 183 Longedge Lane, Wingerworth, to a purchaser who does not intend to use the properties as his/her only principal home.

393 Dronfield and Killamarsh Regeneration Frameworks

Council considered a report of Councillor M Gordon, Portfolio Holder with Responsibility for Environment, which provided an update on the production of Regeneration Frameworks for Dronfield and Killamarsh Town Centres and recommended adoption of the Frameworks.

The Council's Housing and Economic Development Strategy pledged to develop Regeneration Frameworks for each town centre within the District, of which both Eckington and Clay Cross had been completed. The adoption of the frameworks for Killamarsh and Dronfield would complete this action. It was noted that an intensive consultation exercise had been undertaken for both towns through social media, drop in events and engagement with local community groups. The effectiveness of the consultation was questioned by Members and those Councillors who had partaken felt that communities' voices had been heard.

The report detailed the findings of the feedback received, including challenges and opportunities for each town along with a number of interventions for delivery

RESOLVED – That Council adopts the Dronfield and Killamarsh Regeneration Frameworks.

394 Annual Audit Letter 2015/16

Council considered a report of Councillor P R Kerry, Portfolio Holder with Responsibility for Economy, Finance and Regeneration on the Annual Audit Letter in respect of 2015/16 which had been prepared by KPMG.

The Annual Audit Letter concluded that an unqualified opinion had been received on the Authority's arrangements to secure value for money, as well as an unqualified opinion on the Authorities Financial Statements. Further, the Council's Annual Governance Statement was consistent with the External Auditors understanding.

RESOLVED – That Council notes the Annual Audit Letter 2015/16 from its external auditors, KPMG.

395 Local Council Tax Support Scheme

Council considered a report of Councillor P R Kerry, Portfolio Holder with Responsibility for Economy, Finance and Regeneration, which recommended that this Council agree to continue the current Local Council Tax Support Scheme into the 2017/18 financial year.

North East Derbyshire District Council implemented a Local Council Tax Support Scheme in 2013 in response to Central Government's initiative to replace the national Council Tax Benefit Scheme with a localised system. The report detailed the main features of the scheme and proposed to continue the existing arrangements for the forthcoming financial year.

RESOLVED – That Council:-

(1) Agrees to continue to operate a local Council Tax Support Scheme for 2017/18 based on the Council Tax Reduction Scheme England Regulations 2012 amended to reflect the following local decisions concerning the key principles of the Scheme:-

- For those of working age the maximum amount of Council Tax that will be eligible for reduction is 91.5% of their full Council Tax (approximately £95 for a Band A property).

- The Council continues its policy of disregarding war pensions for the purposes of calculating income in respect of Council Tax Reduction Scheme at a total estimated cost of £20k.

(2) Notes that in line with the position set out in this report that the Chief Financial Officer will utilise previously granted delegated powers to update the Local Council Tax Scheme to reflect such upratings of premiums, allowances and non dependent deductions as may be determined by the Department of Works and Pensions, and for other minor technical changes which may be required.

COUNCIL MINUTES (0103) 2017/AJD

Agenda Item No 8(a)

North East Derbyshire District Council

Council

20 February 2017

Medium Term Financial Plan 2017/18 to 2020/21

Report of Councillor P R Kerry, Portfolio Holder with Responsibility for Economy, Finance and Regeneration

This report is public

PLEASE NOTE:

Attached is the report that will be considered by Cabinet on 15 February 2017

Agenda Item No 11

North East Derbyshire District Council

Cabinet

15 February 2017

Medium Term Financial Plan 2017/18 to 2020/21

Report of Councillor P R Kerry, Portfolio Holder with Responsibility for Economy, Finance and Regeneration

This report is public

Purpose of the Report

- To secure the approval of Council to the proposed budget in respect of 2017/18 as part of a consideration of the Council's Medium Term Financial Plan covering the years 2017/18 to 2020/21.
- To provide Elected Members with an overview of the Council's financial position to inform the decision making process.

1 Report Details

Introduction

1.1 This report presents the following budgets and financial plans for Cabinet to consider:

- General Fund Revenue account which is attached as **Appendix 1** to this report.
- Housing Revenue Account (HRA) account which is attached as **Appendix 2** to this report.
- Capital Programme which is attached as **Appendix 3** to this report.

Once Cabinet has considered the position as set out within this report and the associated appendices then any recommendations made by Cabinet will be referred to the Council meeting of 20 February 2017 in order to secure agreement to the Council's budget in respect of the 2017/18 financial year. It should be noted that the report has previously been considered by the Audit and Corporate Governance Scrutiny Committee at its meeting on 2 February 2017.

1.2 While the above three accounts are detailed and will be considered on an individual basis it is important that Cabinet gives appropriate consideration to the Council's overall financial position together with the range of services provided to local residents. Alongside this MTFP the Council meeting of 20 February 2017 will also be requested to approve the Council's proposed Treasury Management Strategy which links the MTFP into our Borrowing and Investment activity. This link helps to ensure that the Council's financial plans are affordable, prudent and sustainable.

1.3 While this report is predominantly concerned with financial issues it needs to be recognised that the Council's financial plans are part of a wider service planning framework incorporating both service plans together with the range of related Council strategies and policies. This framework helps ensure that the available resources are targeted at securing agreed Council priorities.

1.4 Within the reports which follow in respect of each of the Council's main accounts there are a number of common features. In particular financial projections are provided with regard to the following:

- 2016/17 Estimated Outturn Position
  This is the current year budget revised to reflect changes which have taken place or which are anticipated during the remainder of this financial year. It therefore provides a more accurate indication of the outturn position than the original budget.

- 2017/18 Original Budget
  This is the proposed budget for the next financial year commencing 1 April 2017 which Council will need to consider for approval at its meeting on 20 February 2017.

- 2018/19 to 2020/21 Financial Plan
  In accordance with good practice the Council agrees its annual budgets within the context of a Medium Term Financial Plan (MTFP) which sets out financial projections in respect of the following three financial years. This approach provides the Council with a longer planning horizon over which to develop service plans and to ensure that its underlying level of expenditure remains in line with its underlying level of resources. Effective multi-year planning is particularly important given Central Government expenditure plans incorporate significant year on year expenditure reductions for local government.

Robustness of the Estimates

1.5 Under the provisions of the Local Government Act 2003 the Council's Section 151 Officer is required to comment on the robustness of the estimates made and also on the adequacy of the proposed financial reserves. The Council's S151 Officer (the Executive Director Operations) is satisfied that the methodology adopted to calculate the estimates is robust, and provides Members with reliable information on which to base their decisions. Likewise, the S151 Officer is satisfied that the proposed level of reserves, are adequate to cover the issues and potential risks which face the Council. The adequacy of the current level of reserves is considered in Appendix 1 in relation to the General Fund, in Appendix 2 in relation to the HRA, and in Appendix 3 in relation to the Capital Programme.

1.6 In concluding that the methodology adopted is robust the Chief Financial Officer is satisfied that the policies upon which the estimates are based are reasonable, and that these policies have been applied consistently across the Council's activities. The approach that has been adopted has taken account of the following:

- The Council's actual expenditure and income both in the previous financial year (2015/16) and to date in the current financial year as at the end of September 2016. The views of cost centre managers concerning the level of expenditure which will be incurred during the remainder of the 2016/17 financial year have also been taken into account. Where necessary these figures have been validated by considering the incidence of income and expenditure up to the end of December 2016. This process has enabled a robust Estimated Outturn to be prepared in respect of the current financial year (2016/17), which has formed the basis for the 2017/18 Budget and the financial forecasts in respect of 2018/19 to 2020/21.

- The estimates included within this report these have been developed with and agreed by cost centre managers who have the primary responsibility for managing them during the course of the financial year. This process helps ensure that agreed service developments, potential cost increases and changes in the level of demand for services, etc. have been taken into account. While the Chief Financial Officer is satisfied that the budgets are robust it does need to be recognised that with the agreement of cost centre managers non-employee related expenditure heads have been minimised and will need to be carefully managed if the Council is to operate within its approved budgets. This approach reflects the fact that a policy decision has been taken to minimise all non employee budgets. This increases the risk of an overspend developing during the year as there is reduced capacity to manage unforeseen items of expenditure. This increased level of financial risk is taken into account in the Financial Risk Registers in respect of each of the three main accounts of the Council.

- The Financial Services section have co-ordinated the preparation of the budget, and have ensured that all estimates are reasonable and have been developed in a consistent fashion. While the budgets that have been agreed are challenging and will need to be reviewed in the light of changing circumstances and priorities over the four year period of the Medium Term Financial Plan the Chief Financial Officer is satisfied that they constitute a firm foundation on which to base the Council's financial management.

2 Conclusions and Reasons for Recommendations

2.1 This report presents a budget for consideration by Cabinet and Council. It seeks approval to budgets in respect of the General Fund, the Housing Revenue Account and the Capital Programme which are fully funded within the year and therefore meet the Council's legal obligation to agree a balanced budget.

3 Consultation and Equality Impact

Consultation

- Given that this budget report is based on the assumption that in overall terms existing levels of service will continue to be delivered by the current staffing establishment it is not necessary to undertake extensive consultation is undertaken. A specific meeting to consult on the impact of the proposed budget on the local business and commercial sector was held in January 2017.
- The Council is required to consult with stakeholders on the proposed budget. This consultation which is part of the Council's service planning framework has taken place throughout the financial year. These mechanisms include meetings with local groups together with a performance management framework which actively considers customer comments and complaints helping ensure the Council remains responsive to local residents. This engagement helps inform the Council's understanding of the expectations of our local communities. In addition the budget process has sought to ensure that the knowledge of Members in their role as Community Champions informs the service development process.
- It should be noted that the budget does not propose any significant change in the level of services provided to local residents, to staffing structures or ways of working. Where significant change is planned this is subject to an appropriate consultation process – as set out in the Organisational Review Policy - concerning the specific proposal under consideration. The outcome of these consultation processes are reported back to Cabinet or Council for consideration as part of the decision making process.
- In terms of internal consultation on the budget a draft version of this report was considered by the Audit and Corporate Governance Scrutiny Committee on the 2nd February 2017. The main themes of the report have also been discussed at the monthly meetings between trade union representatives and management.

Equality Impact

- Equalities issues are covered in the Service Plans which are linked to the resources allocated by the budgets recommended for approval within the Medium Term Financial Plan.

4 Alternative Options and Reasons for Rejection

4.1 Alternative options are considered throughout the report.

5 Implications

5.1 Finance and Risk Implications

5.1.1 These are covered throughout the report and associated Appendicies but may be summarised as follows:

General Fund

- **Estimated Outturn 2016/17**
  The Council set its original budget for 2016/17 on the basis that it was necessary to secure £0.395m of savings. On the basis of current estimates the Council will both achieve these savings and secure a surplus of £0.392m. This represents a net improvement of £0.787m which has been achieved by a combination of reduced expenditure across all services, increased income from planning fees, an increase in Council Tax and growth in business rates. These savings will be transferred to the Invest to Save Reserve where they will be available to support agreed priorities in future financial years. An outturn in line with these projections will be a significant achievement, securing both underlying reductions in the level of expenditure, together with improved balances. This strong financial performance puts the Council in a better position to achieve the financial savings which will be required over the next four financial years.

- **Original Budget 2017/18**
  The budget in respect of 2017/18 currently shows a shortfall of £0.513m. While the Council's first priority will need to be to balance next year's budget given the scale of the challenge that faces the Council in future years it is important to ensure these savings are secured by underlying reductions in expenditure or increases in income. In particular the Council needs to maintain the momentum on the growth and transformation agenda to put itself in a better position to secure the projected financial savings of £1.863m which are anticipated to be required by 2020/21. In practical terms the financial forecasts within the MTFP require the Council to save in the region of £0.5m per annum for the next four financial years. Given the Council's performance over previous years this should be a challenging but achievable target. While the savings targets are significant the Council's position has been assisted by the work that has continued in order to secure efficiencies and to take advantage of the opportunities offered by the growth agenda in previous years. A continuation of that approach is essential to secure the necessary level of financial savings whilst minimising the impact on services to local residents. As part of the strategy for addressing the Council's financial position over the period of the current parliament it is recommended that the Council agrees to an increase in Council Tax of £4.98 at Band D (2.8%), which will provide a contribution of £150k towards balancing next year's budget.

- **Budgets 2018/19 to 2020/21**
  The Provisional Local Government Financial Settlement was announced in December 2016 which provided some clarity with respect to Revenue Support Grant and New Homes Bonus. It covers the years to 2019/20 with the fully localised NNNDR funding regime planned to apply from April 2020. Given that the fully localised NNDR system will review both the resources and the needs element of the funding to all local Council's the review could have a significant impact on a number of individual Council's. Whilst the Government will almost inevitably put in some transitional arrangements for those Councils worst affected it does need to be recognised that there are currently no financial exemplifications of the Government's proposals and therefore the only reasonable assumption at this point in time would

appear to be that North East Derbyshire – like all Council's – will see a continued reduction in the level of resources available to it. Despite these uncertainties the MTFP provides a realistic working assumption as to the level of savings that will be required.

- It also needs to be recognised that under the localism agenda the Council's budget is more dependent upon Non Domestic Rates and other income which fluctuate depending upon wider economic circumstances.

- Given the Government's spending plans it is clear that further reductions will be required in future financial years. While clearly these ongoing expenditure reductions will have an impact on services if the Council's current approach is continued this will enable changes to budgets and service plans to be appropriately considered, planned and managed. This gradual ongoing planned approach remains the most appropriate method for securing the efficiencies necessary to minimise the impact upon local residents.

Housing Revenue Account (HRA)

The key issue for the HRA over the period of this Medium Term Financial Plan is the Government's announcement made as part of the Budget Statement in July 2015 that rent levels would be reduced by 1% p.a. for a period of four years starting in April 2016. Given that the localised HRA together with the transfer of £127m of debt to North East Derbyshire District Council were based on rent increases in line with inflation the loss of rent income has a major impact. The loss of rental income is estimated as one of £0.6m for 2016/17, rising to one of £2.5m in 2019/2020 on the basis of current low inflation rates. Over the four year period the Council sees a cumulative loss of rental income of £6m, and given that rental levels in April 2020 will be £2.5m below planned levels this loss of rental income will cost in the order of £75m over the period of the 30 Year Business Plan. While the Council is required to follow Government Policy and adopt a 1% rent reduction in respect of next financial year (2017/18), the MTFP assumes that from April 2020 the Government will return to a policy of allowing rents to increase at a rate reflecting inflation in the wider economy. Government introduced these changes to secure savings on the welfare budgets and given that nationally 60% of Council Tenants receive housing benefit those savings generate £2.4bn of the Government £12bn target for welfare savings.

While the reduced rent levels may well be welcomed by tenants and may be viewed as preferable to alternatives for saving against the welfare budget, they undermine the ability of the Council's Housing Revenue Account to invest in Council Housing while delivering services which meet the expectations of our tenants. In order to continue to provide expected levels of services and to fund the capital work necessary to maintain our stock at the Decent Homes standard Officers will need to operate within a range of more challenging budgets and secure significant efficiency savings. In addition it will be necessary to manage the HRA Capital Programme carefully to operate within the context of a rental stream which has the capacity to support up to £10m of capital upgrades per annum. While the current stock condition survey indicates that the Council can continue to maintain its stock at a good standard on the basis of this level of contribution it will be necessary to phase the timing of work in line with the level of resources available. In addition there will be a reduction in our capacity to build new homes for local people. Given that a large proportion of the Council stock is non traditional properties this reduction in the capacity to build new homes has a more significant impact upon North East Derbyshire than many other Council's, and will reduce the financial capacity to undertake large scale regeneration projects.

Officers will continue to monitor the position in respect of the HRA by maintaining an up to date 30 year Business Plan. While officers are of the view that the changes to rent setting arrangements can be managed without undermining its long term sustainability, other factors such as increasing numbers of Right to Buy, the potential forced sale of vacant high value properties, together with the risk that the rent reductions will go on beyond 2020 threatens the financial viability of the HRA. In December 2016 the Government confirmed that it would not require any financial contribution from local HRA's towards the costs of introducing Right to Buy for the tenants of Registered Social Landlords (Housing Associations) during next financial year (2017/18). The Government is, however, actively considering its options and this reform may be introduced by April 2018.

- **Estimated Outturn 2016/17**
  The Estimated Outturn figures shown within this report are in line with those previous reported to Cabinet on 23rd November 2016. With respect to the variation from the Original budget there has been an increase in rental income of £0.192m largely arising from a reduction in the level of void properties. This is partially offset by a reduction in charges for services of £0.060m, together with reduced contributions to expenditure of £0.030m as a result of contractual service payments agreed with Derbyshire County Council for Supporting People services. There continues to be a significant level of uncertainty concerning the level of support which will be provided by DCC in respect of these services. With regard to expenditure Rykneld homes are continuing to operate within the Management Fee of £9.902m. On the retained budgets managed by the Council reduced expenditure of £0.205m is anticipated of which £0.075m relates to a reduced provision for doubtful debts. On the basis of these changes the HRA is anticipated to deliver a surplus of £0.486m which is £0.412m above the original budget. It is proposed that this surplus is transferred to the Development Reserve where it will be used to fund additional capital investment.

- **Original Budget 2017/18**
  The key issue for next year is that a further average rent reduction of 1% is required to comply with Government rent regulations for social housing. That has the impact of reducing the average rent for a council house from £84.76 per week (on a 48 week basis) to one of £83.83 per week. While the Council is aware that even these reduced rent levels are a significant burden on many of our tenants rental income is the only source of funding to deliver a housing service which meets tenants expectations. It should also be recognised that rental levels for Council housing are and will continue to be significantly below those in the private rented sector. While income will be reduced and the Council will need to find savings to meet cost increases Officers are of the view that the Council should be in a position to realise

efficiency savings which will offset these adverse trends, enabling service standards to tenants to be maintained.

- **Forecast Position 2018/19 to 2020/21**
  The key assumption that once the current Government rent policy ends in March 2020 it will revert to the previous approach which allows for rent increases in line with inflation. Other than in respect of this income assumption the forecast position for the latter three years of the proposed MTFP effectively projects or rolls forward the figures in respect of 2017/18. These figures indicate that despite the recent changes to the HRA it remains financially sustainable.

Capital Programme

- Finally, with respect to the capital programme the majority of expenditure will continue to be in respect of the HRA Programme which is funded by capital resources ring fenced to the Council's HRA. The Government funded Decent Homes Programme ended in 2014/15 and the requirement is now largely to undertake expenditure which maintains homes at that Decent Homes standard. The funding for the ongoing programme of housing refurbishment work is planned to continue at a level of £9m p.a, over the period the current MTFP. The major scheme currently in the Programme is the new build scheme at North Wingfield which will provide 27 new Council houses at a cost of just under £5m
- A new programme of a Stock Purchase is also recommended for inclusion within the Programme in respect for 2017/18 and future financial years. This scheme is proposed because it will enable the utilisation of 'one for one' capital receipts which the Council is allowed to retain by central government on the basis that they are used to acquire additional housing stock to replace that which has been bought under Right to Buy. These receipts can cover up to 30% of the costs of acquisition of additional properties, with the remainder being covered by the Development Fund, or where necessary Prudential Borrowing. Officers are currently exploring options in respect of implementing the Stock Purchase scheme and a further report will be taken to Cabinet setting out detailed proposals.
- With regard to the General Fund the main expenditure will continue to be on vehicle replacement funded by prudential borrowing. The proposed programme seeks to secure investment of £2.764m (over 4 years) to replace a range of predominantly Street Scene vehicles. These vehicles which are required in order to provide statutory services will be funded from Prudential Borrowing. Secondly, there will be the ongoing requirements for work in respect of private sector housing grants predominantly on Disabled Facilities Grant Work. Finally, there will be expenditure in respect of ICT schemes together with an allowance for asset refurbishment across the range of Council assets.

Risk Issues

- A Financial Risk Register has been developed in respect of each of the main accounts and is provided at **Appendix 1 Table 4**, **Appendix 2 Table 2**, and **Appendix 3 Table 2**.

5.2 Legal Implications including Data Protection

- The Council is legally obliged to approve a budget prior to the commencement of the new financial year in April 2017. This report together with the associated budget timetable has been prepared in order to comply with our legal obligations. The recommended budget in respect of the Council's three main accounts complies with the Council's legal obligation to agree a balanced budget.

- There are no Data Protection issues arising directly from this report.

5.3 Human Resources Implications

- These are covered in the main report and supporting Appendices where appropriate.

6 Recommendations

6.1. The recommendations will be considered within the context of each of the three Appendices (General Fund, HRA, Capital Programme) which are attached to this report.

The following overall recommendations to Council are made:

a) That the view of the Chief Financial Officer that the estimates included in the Medium Term Financial Plan 2016/17 to 2020/21 are robust and that the level of financial reserves are adequate, be accepted.

b) That officers report back to Cabinet and to the Audit and Corporate Governance Scrutiny Committee on a quarterly basis regarding the overall position in respect of the Council's budgets. These reports to include updates on progress in achieving the agreed range of savings and efficiencies necessary to secure a balanced budget for the 2017/18 financial year, together with progress on actions to ensure the longer term financial sustainability of the Council.

In addition to the above there a number of recommendations which are made in respect of each of the main accounts (General Fund, HRA and Capital Programme). These will be considered as part of the Appendicies to this report which cover those accounts in more detail. On the basis that Cabinet agree to the recommendations made on each of these accounts then Cabinet will recommend them to Council for approval.

7 Decision Information

Is the decision a Key Decision? (A Key Decision is an executive decision which results in income or expenditure to the Council of £50,000 or more or which has a significant impact on two or more District wards)	Yes
Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In)	
District Wards Affected	All
Links to Corporate Plan priorities or Policy Framework	**RELEVANT CORPORATE AIMS** STRATEGIC ORGANISATIONAL DEVELOPMENT – to continually improve the efficiency and effectiveness of all Council Services by maximising the potential use of Council resources. **TARGETS** The operation of policy led budgeting will help to inform future spending plans and ensure that resources are efficiently utilised in the promotion of Council priorities. **VALUE FOR MONEY** The budget process enables existing expenditure patterns to be challenged and where necessary redirected to ensure that resources are used effectively and directed towards the delivery of the Corporate Aims.

8 Document Information

Appendix No	Title
1	**General Fund Revenue Account 2016/17 to 2020/21**
1 Table 1	General Fund Revenue Account 2016/17 to 2020/21
1 Table 2	General Fund Detail
1 Table 3	General Fund Risk Register
2	**Housing Revenue Account**
2 Table 1	Housing Revenue Account 2016/17 to 2020/21
2 Table 2	HRA Risk Register
3	**Capital Programme**
3 Table 1	Capital Programme 2016/17 to 2020/21
3 Table 2	Capital Programme Risk Register

Background Papers (These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Cabinet (NEDDC) or Executive (BDC) you must provide copies of the background papers)
Accountancy Budget Working Papers

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AGIN 10 (CAB 0215) MTFP/AJD

APPENDIX 1

General Fund Revenue Account

Introduction

1. This appendix considers the Medium Term Financial Plan in respect of the Council's General Fund Revenue Account. As such it covers all of the Council's revenue expenditure other than those elements which relate to the provision of Council Housing which are accounted for within the Housing Revenue Account (HRA).

2. The recommended budgets for both 2016/17 (Estimated Outturn) and 2017/18 (Original Budget) are shown in Table 1 to this report. Table 1 also details the projected position – on the basis of current patterns of income and expenditure – for the years 2018/19 to 2020/21, with Table 2 providing details at cost centre level.

2016/17 Estimated Outturn

3. In February 2016 Members agreed a budget in respect of the current financial year 2016/17. Given that the Council needed to achieve significant savings it has been necessary to actively manage budgets throughout the year and to remove savings from the budget once they have been agreed. As the budget has been under a process of ongoing revision the Revised Budget (the latest version considered by Cabinet at its meeting on 25th November 2016) has evolved from the Original Budget approved in February 2016. As part of the budget process it is recommended that Members formally approve the Estimated Outturn position as set out within Table 1. The main reason for the variation between the Original Budget and the current position is that the savings made to balance the budget are now reflected in service expenditure, while increased funding from reserves and S106 funding etc has been recognised in the budget. These amendments arise from changes in the approved budget at cost centre level which have been subject to appropriate Member approval.

4. The key feature that has driven the Council's financial position during 2016/17 continues to be the ongoing reduction in the level of Central Government financial support. The majority of the measures that have secured savings in previous and the current financial year will continue to provide ongoing savings for the Council into 2017/18 and beyond. As such they have made an important contribution to the financial sustainability of the Council. If these savings had not been secured then the financial challenge which would have faced the Council in 2017/18 and future years would have been significantly greater.

5. While budgets have been adjusted to minimal levels in order to maximise the level of financial savings secured, officers have continued to operate a policy of restricting expenditure wherever possible. While this management action may be offset by upward cost pressures, officers are of the view that the Council will achieve an outturn position with a significant under spend against the original budget for 2016/17. The forecast Estimated Outturn position in Table 1 incorporates an assumed surplus of £0.392m which will be transferred to the Invest to Save Reserve. The continued availability of the Invest to Save Reserve has made a significant contribution to the Council's financial position by covering a range of costs on restructuring and service investment which otherwise would have fallen on the General Fund. Given the financial pressures which will continue to impact upon the Council in future financial years it is crucial that the Council continues to maintain a reasonable level of Invest to Save reserves in order to be able to fund the measures that are necessary to reduce the Council's underlying level of expenditure and to fund 'one off' priorities. As part of the requirement to ensure that the Council has an adequate level of Invest to Save funding to support the Transformation Programme it is recommended that capital receipts be utilised in order to fund expenditure within the Approved Capital Programme which was originally agreed on the principle that it would be funded from Invest to Save reserves. Officers have continued to budget prudently and on balance of probabilities would expect the outturn position to see a further increase in the level of contribution that can be made to the Invest to Save Reserve. There are a limited number of areas such as the contribution from the Derbyshire Wide NNDR Pool, from benefits grants and from planning income where the position may be better than is currently forecast. It is not considered appropriate to assume increased income from these areas in the Estimated Outturn Budget and Members should note that whilst less likely there is a risk that income could fall below that already assumed therefore removing any potential benefits and eroding the forecast level of contribution to the Invest to Save Reserve.

Original Budget 2017/18

6. One of the key purposes of this report is for the Council to agree its detailed income and spending proposals in respect of the next financial year commencing 1 April 2017. The budget which is recommended for consideration by Members is detailed in Table 1 and Table 2 of this Appendix. The main themes which have been taken into account in developing the Council's financial plans are set out below.

<u>Level of Government Grant</u>

7. The current financial year 2016/17 is the first year of the Four Year settlement announced in December 2015 which followed on from the General Election of May 2015. The key issues affecting North East Derbyshire District Council are as follows.

Revenue Support Grant (RSG)

8. With respect to Revenue Support Grant the settlement has confirmed that it will be phased out. The announcement detailed the amounts to be paid to North East Derbyshire District Council as follows, £1.295m in 2016/17, £0.706m in 2017/18 and £0.341m in 2018/19. The Settlement confirmed that for North East Derbyshire there will be no payment of RSG beyond 2018/19.

New Homes Bonus

9. The outcome of the consultation into the future of New Homes Bonus was announced in December 2016. As previously indicated the period of payment has been reduced to five years in respect of 2017/18 and to four years from 2018/19. In addition a scaling factor has been introduced into allocations from 2017/18 to ensure that the overall NHB payments do not exceed the allocations that have been set nationally in public expenditure plans. For 2017/18 that scaling factor is 0.4 and it reduces the payments from the provisional figure of £0.385m to £0.219m. This introduction of a scaling factor will have a continued negative impact upon the availability of NHB. As a result of these changes, the Council will lose an estimated £0.5m by 2020/21.

10. Alongside the changes outlined above, the Government is also seeking to reward those authorities who are perceived as performing well in promoting housing growth by having appropriate Planning arrangements in place. These changes will not be introduced in respect of 2017/18 when the consultation paper indicated that those Council's without a Local Plan might see NHB payments stopped. The position is still being reviewed by Government with further reduction a clear possibility.

National Non Domestic Rates (NNDR)

11. The Government also announced in November 2015 a review of NNDR with the intention that by the end of this Parliament all NNDR will be retained locally. Currently North East Derbyshire District Council collects £16m of NNDR, of which £3m is retained by this Council. Any reform will, however, be aimed at securing 'fiscal neutrality' ie it will not benefit either central or local government financially. Therefore to the extent to which a Council

makes a 'surplus' from the switch to a fully localised NNDR it will be required to accept additional financial responsibilities. This proposal amounts to a significant reform of local government finance which may have a disproportionate impact upon individual authorities even if in overall terms it is fiscally neutral. The Government in its recent announcements remains committed to delivering 100% local retention of rates which it has linked to a review of both the needs and the resources formulas used to allocate NNDR funding to individual Council's. The Government is clearly aware that it will need to have a formula for resource equalisation to offset major shifts in funding between authorities arising out from the revision to the needs and resources calculation. On the basis of current information the Government is looking to move to the new arrangements with effect from April 2020 which is the final year of the Planning period set out within the proposed MTFP. The scale of the proposed reforms will introduce a further element of uncertainty to our forward financial planning.

12. While further reform is anticipated the Government has already moved some way towards what it has termed a 'localisation' of NNDR. Currently local authorities retain 50% of the growth in NNDR levels against a baseline figure. Whilst all local authorities are provided with an incentive in that they retain a proportion of any growth in Business Rates there are safety net arrangements to protect those local authorities which suffer a reduction in their local Non Domestic Rating Base. Under these arrangements there is a direct financial incentive for local authorities to promote economic growth in their area, although local authorities would take the view that historically they have always been active in promoting such growth in order to protect and promote local employment. For North East Derbyshire there are currently very few developments identified which will enhance the Non Domestic Rate Base over the next two to three years. It is likely that any limited growth will be offset by decline in other sectors of the local economy, or by the impact of revaluation. Accordingly the financial projections are for a static level of NNDR funding across the projected period of the current MTFP to 2020/21. The position may well be complicated by the fact that a full revaluation of all properties is currently being implemented. Although the Government is seeking to ensure their revaluation has a neutral impact at the level of individual authorities, the new valuations will be subject to appeal which may introduce further uncertainty into the system. In short whilst our estimates are prudent in assuming no growth of NNDR income, it does need to be recognised that this income stream is a volatile one which lacks the stability and certainty of the more traditional Council Tax income.

13. Cabinet will be aware that with effect from 2015/16 a 'pool' of all authorities across Derbyshire was established for Non Domestic Rate Income. Membership of a Derbyshire Wide pool was agreed by Council at a meeting in October 2014 in recognition of the fact that authorities which are members of a pool generally benefit from retaining a higher level of locally

generated NNDR income. Within the budget we have assumed that this Council will continue to benefit from membership of the Derbyshire Wide Pool, with an assumed level of income of £150k for 2016/17 and 2017/18. Given the uncertainty concerning the availability of such income beyond next year no assumptions have been made that such income will be received beyond 2017/18.

Four Year Settlement

14. As part of the Autumn Statement of 2015 the Government committed itself to providing Council's with an option of accepting a four year financial Settlement in order to remove some of the uncertainties over longer term financial planning. By submitting an Efficiency Plan to Central Government this Council has been able to take advantage of the greater certainty offered by the Four Year Settlement. The Settlement, however, only covered Revenue Support Grant, transitional funding, Rural Services Delivery Grant and a limited number of other specific grants. Other income streams such as NNDR and New Homes Bonus will continue to fluctuate arising from a variety of circumstances, leaving Council's with a significant level of uncertainty in their Medium Term financial planning. This Council agreed an Efficiency Plan covering the period to March 2020 at the meeting of Cabinet on 28 September 2016. That Efficiency Plan will need to be updated once the budgets and financial plans included within this report are agreed and it may be appropriate to give consideration to utilising the framework of our locally agreed Efficiency Plan in order to co-ordinate our strategy to secure financial sustainability over the period of the current MTFP.

Council Tax

15. Over the period of the previous parliament the Coalition government made clear its opposition to any increase in Council Tax providing grant support to Councils which did not increase Council Tax. That policy was linked with the objective of keeping inflation low. In the Autumn Statement of 2015 there was a distinct change of emphasis in that in addition to the existing flexibility which allows authorities to raise Council Tax by up to 2%, those authorities which provide Adult Social Care were allowed to increase Council Tax by an additional 2% ie up to 4% overall. These additional revenue raising powers to fund Adult Social Care indicates that the Government is now of the view that modest increases in Council Tax may be necessary to protect basic service levels, within the context of the policy objective of reducing the national deficit. With respect to next year the draft principles concerning Council Tax increases were set out as part of the December settlement. While those authorities providing social care are still entitled to increase Council Tax by up to 4% before a Referendum is required, for District Council's the principles are that Council Tax can be increased by the greater of 2%, or those Council's with a low Council Tax – including NEDDC

- can increase the Council Tax by up to £5 on the band D Council Tax for 2016/17. With respect to North East Derbyshire District Council that allows a Council Tax increase of up to £5 on a Band D property (2.8%).

Expenditure, income levels and efficiencies

16. In developing the financial projections covering the period 2017/18 to 2020/21 which are included within Appendix 1 to this report, officers have made a number of assumptions. The main assumptions which have been made are as follows:

- Pay increases of 1% in respect of all financial years across the period of the Plan.
- An increase of 1% to employer superannuation contributions in 2017/18.
- With regard to the Apprentice levy if the Council were to take no action then this would cost in the region of £45k p.a. While the Council has a long standing commitment to the training of both existing employees and of apprentices the introduction of the National Apprentice scheme has the potential to increase costs to the Council. Other than for the cost of the levy no additional provision has been made within the budgets for such costs and to the extent that investment in the Apprenticeship scheme is made during the course to the year this will need to be met from the Invest to Save reserve.
- While no allowance has been made in respect of general inflation specific budget heads such as energy costs and business rates have been amended to reflect anticipated price changes. Given the recent fall in the exchange rate of sterling this position will need to be monitored carefully. To the extent to which the Council is not able to contain inflationary pressures then the additional costs will need to be met from the vacancy management arrangements.
- Fees and Charges – service specific increases as agreed by Members.
- New Homes Bonus to be payable for 4 years with a scaling reduction factor of 0.4 from 2017/18, with no further losses arising from the Government initiatives to introduce incentives around Planning matters.
- With respect to Planning Fees an amount of £0.400m has been included within the budget. Where income levels – and the associated workload – increase above that level then part of the additional income may be required to fund additional staffing resources (such as Agency staff) in order to maintain performance levels. It is important that performance is maintained both in order to protect the Council's reputation as a "good place to do business" and to ensure that poor performance does not lead to a further reduction or withdrawal of New Homes Bonus funding. It is therefore recommended that delegated powers are granted to the Chief Executive in consultation with the Leader of the Council to agree any necessary increase in planning expenditure to meet peaks in

demand, on the basis that these can be met from an anticipated increase in planning fees above the budgeted level of £0.400m.

17. The Government's approach is that local government should seek to secure local sources of funding rather than continuing to be heavily dependent upon central government funding. In part the Government see this objective as being realised by local authorities maximising their local development potential by way of Non Domestic Rates (growing the level of business activity) or by way of New Homes Bonus (increasing housing numbers). In addition authorities have been encouraged to look at raising other local sources of income. Over the past three years the Council has taken a number of steps to improve the level of income that it receives from a range of services and in particular Leisure where the level of subsidy has been reduced across all three leisure centres as a result of initiatives which has successfully raised the level of income secured. Cabinet in June 2016 agreed a further investment of £1.752m in Leisure facilities in order to generate income growth. Property occupation levels at all of the commercial estate has improved to the point where they are largely fully occupied other than for an allowance in respect of turnover of tenancies. While Officers will seek to continue to secure further incremental improvements the majority of gains that are readily achievable have already been secured and are incorporated within the budget proposed in this report.

18. While efforts to identify and secure additional income will continue it may now be a case of consolidating income to date, with the key opportunity for the Council to balance its budget arising from managing expenditure levels and securing efficiencies.

19. For the next financial year the Council has a savings target of £0.513m in order to secure a balanced budget. While this is a target that should be achievable it is important to recognise that as the Government continues to withdraw RSG and New Homes Bonus the Council's financial position becomes increasingly challenging with savings targets of £1.050m in 2018/19, £1.456 in 2019/20 and £1.863m in 2020/21. By maintaining an approach based on growth and transformation across the period the Council will reduce the impact on services of the ongoing reduction in central funding. Effectively the Council needs to identify and secure savings in the order of £0.5m a year for the next four years. If these savings can be achieved every year then it will minimise the detrimental impact of funding cuts on local residents as the Council will be able to adopt a gradual and considered approach to securing cost reductions. The areas where officers intend to seek to secure savings are outlined below:

- Vacancy Management £50,000

All vacancies – including maternity leave, requests for additional annual leave, etc - will continue to be subject to review by the Strategic Alliance

Management Team to secure financial savings. Where required reports will be brought forward for Members to consider the disestablishment of posts which it is not considered appropriate to fill. It is crucial that the Council does not allow posts to be filled in 2017/18 which are unlikely to be a high priority in future financial years. While the target of £0.050m is in line with savings achieved in the current and previous financial years it does need to be recognised that the reductions in staffing numbers over recent years make these savings increasingly hard to achieve given the requirement to maintain service delivery. Given the pressure on services it is considered likely that these savings will need to be secured from 'vacancy lag' with any actual reduction in employee numbers being secured through the transformation agenda.

- Transformation, Secondments and Joint Working £150,000

The Council has a well established Transformation Agenda and it is recommended that Cabinet approve a savings target of £150,000 in respect of 2017/18. Further secondments and joint working arrangements with Bolsover District Council through the Strategic Alliance will continue to be targeted to secure savings. In order to fund the Transformation Agenda over the period of the current MTFP Officers will seek to maximise the level of Invest to Save reserves.

- Property Rationalisation Savings - £100,000

While the Council has made significant financial savings during previous financial years from more efficient use of property assets the main savings from this area of work have been secured. Given this position – which was identified at the time of last year's budget - the Asset Management Group was requested to identify options for disposing of assets that could help support the Council's financial position. While the Mill Lane site will provide an opportunity within the next 5 financial years in the more immediate future the key option is likely to be the Ankerbold Road site where officers are progressing plans to enable residential development on the land. The main option which the resultant capital receipt should facilitate would be the repayment of debt which would generate revenue savings by reducing the debt financing costs. While financial benefits are unlikely to accrue before the 2018/19 financial year officers consider that a financial saving in the order of £0.1m should be achievable over a period of time.

- Dowry on land at the Avenue

Council agreed at a meeting held in March 2013 that it would accept responsibility for the ownership and maintenance of public open space on the Avenue site from the HCA once development commenced. The sum involved was in the order of £5m and it was originally envisaged that the sum would be paid over to the Council at the end of the 2013/14 financial year. Due to public expenditure restrictions this did not occur although our current understanding is that the HCA will be in a position to conclude this deal during 2017/18. This would enable debt to be repaid with the result that the Council should be able to cover maintenance costs and in the early years of this arrangement secure a financial contribution to the General Fund in the order of £0.15m p.a.

- National Non Domestic Rate Growth – Nil

Work in respect of the future levels of income to be secured from NNDR has suggested that any limited growth will be more than offset by revaluations or by businesses ceasing to operate. Whilst the Council is working to promote industrial sites at Callywhite Lane and the Avenue these projects are considered unlikely to deliver any business growth prior to the end of the current planning period.

20. The table below summarises the savings options that are proposed in order to address the 2017/18 position together with their impact on 2018/19 and 2020/21:

Summary of Potential Savings Options

	2017/18 £000's	**2018/19 £000's**	**2019/20 £000's**	**2020/21 £000's**
Efficiency Target / Budget Shortfall	**513**	**1,050**	**1,456**	**1,863**
Savings Proposals				
NNDR Growth Target	0	0	0	0
Vacancy Management	(50)	(50)	(50)	(50)
Transformation, Secondments &Joint Working	(150)	(300)	(450)	(600)
Property Rationalisation Savings	0	0	0	0
Repayment of Debt from asset sale (Ankerbold Road)	0	0	(50)	(100)
HCA Dowry in respect of the Avenue Site	0	(150)	(150)	(150)
Council Tax Increase (up to £5 on a Band D property)	(150)	(300)	(450)	(600)
Total Savings Proposals	**(350)**	**(800)**	**(1,150)**	**(1,500)**
Unidentified Savings Target	163	250	306	363
Call on General Fund Balances	**163**	**250**	**306**	**363**

21. Even on the basis that identified savings opportunities there remain unidentified savings which amounts to £0.363m at the end of the planning period. Against this background Officers are of the view that Council needs

to consider very carefully the option of increasing the level of Council Tax over the period of the current Medium Term Financial Plan. On the basis of the details given above the impact of reducing levels of government support is that by 2020/21 it is likely that the Council will be facing decisions concerning significant reductions in service standards or ceasing to provide non – statutory services. Given the importance of securing the above savings to the financial stability of the Council, progress will be reported on a regular basis to Cabinet. It should also be noted that it is proposed that the Council should approve that actual budgets are amended to take account of identified savings as soon as those savings are formally approved. This will help to ensure that cost centre managers are fully aware of the budgets that they are working to, and that those savings which are identified are fully achieved during the initial year.

Options for Council Tax Levels

22. Members will recall that between 2011/12 and 2015/16 (with the exception of 2013/14) the Council decided not to increase Council tax enabling the authority to take advantage of successive Government schemes which provided grant to partially compensate for the income lost as a result of a decision to freeze council tax. Given the Council's financial position arising from the ongoing reduction in the level of central government funding, together with the withdrawal of central Government grant for operating a Council Tax freeze Council in 2016/17 took the decision to increase Council Tax by 1.95%.

23. Any decision concerning Council Tax Levels needs to be taken against the background of the Council's financial position over the period of the Medium Term Financial Plan which can be summarised as follows:

	2017/18 £000's	2018/19 £000's	2019/20 £000's	2020/21 £000's
Efficiency Target / Budget Shortfall	**513**	**1,050**	**1,456**	**1,863**

25 In summary officers are currently forecasting that over the period April 2017 to March 2021 expenditure reductions (or increased income) of £1.863m will be necessary. It should be noted that it is highly likely that a ceiling of either a maximum increase of £5 a year on the Band D Council Tax, or 2% will be placed on Council Tax increases over the period of this parliament. Therefore if the Council is of the view that it may have difficulties in securing a balanced budget over this period then it needs to give careful consideration to increasing levels of Council Tax for 2017/18. In respect of the Council's financial position the Table of Proposed Savings given at section 20 (above) sets out the currently identified areas that could be targeted for securing savings. The indicative forecast indicates that on the

basis of existing information there is a cumulative shortfall over the period of the current MTFP in the order of £1.9m which is only partially addressed by the savings opportunities identified. Given that Council Tax increases of up to £5 at Band D would secure additional income of £0.600m, over the period they provide a significant financial benefit.

26 On the basis that the Council decided to put into effect a Council Tax increase at the limit of up to £5 on a Band D Property then this would reflect an overall increase of 2.8%, which would generate increased income of just over £0.150m, or £0.600m over the period of the current MTFP. While this is a significant sum to raise from local taxpayers it needs to be recognised that the reduction in New Homes Bonus – which is being undertaken to increase funding for Adult Social Care – will cost this Council at least £0.5m per annum. In addition – over the same period – the Council will lose a sum of £1.3m in Revenue Support Grant between 2016/17 and 2019/20. Against this background on ongoing reductions in the level of central government funding an increase in Council Tax is a clear option as part of the strategy of protecting the level of services to local residents and allowing the Council to continue to deliver its statutory services.

27 While there are clear financial advantages for opting to increase the level of Council Tax in 2017/18 in order to strengthen the Council's underlying financial position and to reduce the reliance on reductions to expenditure and services as a means of balancing the budget, this needs to be balanced against the detrimental impact which the current economic situation and increasing costs are having on local residents. The impact of a decision to increase Council Tax levels by an amount of up to £5 at Band D (2.8%), at the various Council Tax Bands is as follows:

Band	A (£'s)	B (£'s)	C (£'s)	D (£'s)	E (£'s)	F (£'s)	G (£'s)	H (£'s)
2016/17 Charge	118.51	138.27	158.01	177.77	215.27	256.78	296.28	355.54
Up to £5 increase at Band D (2.8%) – p.a.	3.32	3.87	4.42	4.98	6.03	7.19	8.30	9.96
2017/18 Charge With 2.8% Increase	121.83	142.14	162.43	182.75	221.30	263.97	304.58	365.50
Cost per week without increase	2.28	2.66	3.04	3.42	4.14	4.94	5.70	6.84
Cost per week with increase	2.34	2.73	3.12	3.51	4.26	5.08	5.86	7.03

Members need to consider the option of an increase in Council Tax both in respect of the benefits that would flow from protecting the level and quality of services to local residents, against the detrimental impact of an additional financial burden on local residents.

Financial Reserves

28. The Council's main uncommitted Financial Reserves which relate to its General Fund are the General Fund Balance of £2m together with the uncommitted element of the Invest to Save Reserve of £1m. On the basis of the measures outlined in this report the Invest to Save Reserve will be £1.4m at the end of the current financial year. Given the growing level of uncertainty surrounding local authority income and the fact that the Council itself has reduced all budgets to a minimal level thus reducing its financial resilience it is important that the Council continues to review what it would consider to be an acceptable level of General Fund balances. On the basis that the Council can continued to achieve the in year savings targets and can maintain an Invest to Save reserve in excess of £0.5m an amount of £2m in the General Fund Balance would appear to be a reasonable level of balances over the current MTFP period. This position is supported by the General Fund Risk Register as set out in Appendix 1 Table 4 detailing the financial risks currently faced by the Council which indicates notional

financial risks of £1.745m broadly in line with the current level of General Fund Balance. Cabinet is well aware of the importance of managing expenditure reductions in a planned fashion in order to protect the quality of services to local residents, and ensuring an appropriate level of balances which provides financial resilience.

29. The Invest to Save Reserve is a key element in the Council's financial strategy in that it can be used to finance the following categories of expenditure:

- Service improvements
- Transformation work
- Restructuring
- Any unanticipated Asset Refurbishment Costs
- To address issues of maintaining or improving service levels

Over the past five years the Invest to Save reserve has been critical in securing financial savings, in transforming services and in progressing 'one off' member priorities. At the end of the current financial year we will have an estimated balance of £1.4m. The reduced level of Invest to Save reserves arises from the fact that we are utilising the Invest to Save reserve to fund much of the costs of the £1.752m programme of Leisure Centre refurbishment. In order to protect the level of Invest to Save balances it is proposed that this capital work is funded to the maximum extent possible from capital receipts at the year end. This may require that an element of the Invest to Save reserve is earmarked to fund capital expenditure in future years.

Risk Register

30. A financial Risk Assessment is set out in Table 3, which outlines the risks, the mitigation which is in place, the potential impact and the probability of the event occurring in order to arrive at a notional calculation concerning the potential financial impact of the risks which the Council is currently facing. This indicates that the identified risks which the Council is currently facing amount to £1.745m. This is broadly in line with the current General Fund balances of £2m. The other main General Fund Balance the Invest to Save reserve is likely to be significantly reduced during 2017/18 as a result of the requirement to fund Invest to Save projects. It is therefore important to ensure that any underspends in the current financial year are maximised in order to enable the Invest to Save balance in particular to be replenished, which will allow effective financial management of the Council over a period of ongoing reductions in the level of Government resources.

31. The assessment concerning the level of risk is essentially used for two purposes. Firstly, an understanding of the risks which the Council faces is

crucial in agreeing an appropriate level of financial reserves. Secondly, the identification of the risks is the first stage in the process of more effectively managing, or of mitigating those risks. By identifying the risks it is possible to avoid them, to insure against them, to transfer the risk, or most likely, actions can be taken to reduce or to mitigate the risk. The Council's Financial Risk Register is closely linked to both the Strategic and Operational Risk Registers. The Council has in place a comprehensive approach to Risk Management which is reported on a quarterly basis and this process will continue to be utilised in order to manage the key financial risks.

32. **Recommendations**

a) A Council Tax increase of £4.98 in respect of a Band D property (2.8%) as part of a range of measures necessary to offset the continued reduction in the level of central government funding.

b) The Medium Term Financial Plan in respect of the General Fund as set out in **Appendix 1 Table 1** of this report be approved as the Estimated Outturn Budget in respect of 2016/17, as the Original Budget in respect of 2017/18, and the financial projection in respect of the years 2018/19 to 2020/21.

c) Officers continue to progress the implementation of measures designed to secure the forecast surplus in respect of 2016/17 and the agreed savings targets in respect of 2017/18 with progress to be reported back to Cabinet and Audit and Corporate Governance Scrutiny Committee on a quarterly basis.

d) That any under spend in respect 2016/17 is transferred to the Invest to Save Reserve, with capital receipts being used at the year end to minimise the use of Invest to Save funding for capital expenditure on the Leisure Facilities refurbishment scheme.

e) On the basis that income from Planning Fees is anticipated to exceed the budgeted level of £0.400m the Chief Executive in consultation with the Leader of the Council is granted delegated powers to authorise additional expenditure in order to effectively manage any resultant increase in workload.

f) That the above recommendations be referred by Cabinet to the Council meeting of 20th February 2017 for approval.

Appendix 1 : Table 3

NORTH EAST DERBYSHIRE DISTRICT COUNCIL: GENERAL FUND RISK REGISTER

Risk and Mitigation in Place	Gross Value of Risk £000's	Probability	Potential Impact £000's
1. Reduction in Government Grant/NNDR/ New Homes Bonus or loss of other income above the budgeted level incorporated within the MTFP • Income Budgets have been established on a prudent basis. • The position on income levels will be monitored as part of the Council's routine budget procedures. • The Government has outlined details of the financial settlement over the next 3 years.	1,500	40%	600
2. Overspend on challenging revenue budgets. • The financial information system and budget monitoring arrangements are robust. The Council has a good record of managing spending against budgets. • Regular monitoring reports will be taken to Cabinet, Council and Audit and Corporate Governance Scrutiny Committee. • Elected Members have a good awareness of the Council's financial position. • The development of budgets is based upon the active engagement of cost centre managers.	1,000	30%	300
3. Inability to achieve assumed level of efficiencies. • Regular reports will be taken to Cabinet, Council and Audit and Corporate Governance Scrutiny Committee. • The Council has a good record of achieving savings over previous financial years	600	25%	150

Risk and Mitigation in Place	Gross Value of Risk £'s	Probability	Potential Impact £'s
4 **Overspend on Capital Programme or underachievement of capital receipts leads to a charge against the Revenue Position** • The revenue framework outlined above will also govern the position in respect of the Capital Programme. • The Council has agreed a general principle of not entering into capital commitments unless the resource required to finance those commitments has been secured.	1,000	25%	250
5. A major Business Continuity Issue arises. • The Council has in place Business Continuity Plans and Insurance Arrangements which are intended to address these risks. • Previously in exceptional circumstances Central Government has provided financial support to authorities in these circumstances.	2,000	10%	200
6. Increased cost of Welfare Reform inc Council Tax Benefit as a result of increasing costs not being fully covered by additional government grant, or from the proposed reforms of the service. • Budgets have been established on a prudent basis, however, part of the risk of cost increase is now upon local authorities.	500	25%	125
7. An increase in employee costs associated with a national pay award, requirement to retain key staff or with changes in local terms and conditions. • While the Council has made budget provision for all known changes there remain risks around the fact that key personnel could leave for better remunerated posts elsewhere, or that a challenge is made in respect of existing terms and conditions.	300	40%	120
Notional Potential Financial Impact of Identified Risks			**1,745**

Appendix 2

Housing Revenue Account

Introduction

1. This Appendix considers the elements of the Medium Term Financial Plan relating to the Council's Housing Revenue Account (HRA) budgets. As such it covers the Council's revenue expenditure relating to the provision of Council Housing. The financial and service planning framework has a direct impact upon the quality of the housing service provided by the Council to our tenants.

2. The recommended budgets for both 2016/17 (Estimated Outturn) and 2017/18 (Original Budget) are detailed in Table 1 of this Appendix. The Table also details the projected position, on the basis of current patterns of income and expenditure, for the period 2018/19 to 2020/21.

2016/17 Estimated Outturn Budget

3. In February 2016 Members agreed a budget in respect of the current financial year 2016/17. The revisions to that original budget agreed during the course of the year were reported to and approved by Cabinet on 23rd November 2016.

4. The key points variances identified in arriving at the Estimated Outturn position are outlined below:

- Rental income is £0.192m higher than the original budget which is mainly due to the level of void properties being lower than anticipated.
- This is partially offset by reduced income from charging for services of £0.060m, along with a reduction in the Contributions to Expenditure of £0.030m which arises from reduced contractual service payments agreed with Derbyshire County Council arising from changes in Supporting People funding agreements. There is a likelihood that further reductions in Supporting People contribution will be an issue in the future years of the current MTFP, however, these will need to be addressed by Council as we are notified of such reductions by Derbyshire County Council.
- The majority of HRA expenditure is paid as Management Fee paid to Rykneld Homes which for 2016/17 amounted to £9.902m. Rykneld Homes budget monitoring has not identified any issues for the company which cannot be managed within the existing agreed fee. With regard the retained element of the HRA which continues to be managed by the Council Officers are currently anticipating a minor reduction in expenditure of £0.205m, of which £0.075m is a reduction in the provision for doubtful debts.

- The net cost of HRA services has been reduced by £0.311 during the course of the year. This robust financial performance together with a recommendation that the level of general HRA balances should be held at £3.0m allows an increase in the contribution to the development reserve of £0.457m, which will provide funding to purchase additional properties for the HRA.

5. The overall outcome of the recommended amendments to the Budget as outlined in section 4 above is that the HRA general balance increases by £0.029m resulting in a projected balance at the year end of £3m.

6. With respect to the period up to March 2017 the implementation of the April 2012 localisation of the HRA has resulted in minimal impact upon tenants. This was always the intended outcome. Underpinning the reforms of 2012 was a core principle that each local authority became a standalone landlord managing what amounted to a commercial HRA, with a considerable level of local autonomy. A key factor in the successful transition was that the initial settlement was a reasonable one which protected existing levels of income and effectively insulated the HRA from the austerity which applied to other areas of the public sector. Underlying the HRA localisation was a Government calculation concerning the financial viability of each individual Council's HRA which was used as the basis for allocating debt. In the case of North East Derbyshire District Council the debt transfer amounted to £127m which costs almost £10m p.a in debt repayment or 30% of the rental income.

7. Under HRA Localisation Local Authorities became responsible for managing HRA income to repay debt, to ensure adequate financial provision to maintain and refurbish the stock, whilst meeting the service expectations of our tenants. Subsequent to the initial debt settlement which was based upon affordability as calculated by the government's financial model, legislation has introduced a range of significant changes to the assumptions upon which the debt calculation was based. These include changed regulations improving Right to Buy incentives, together with changes to the policy for setting council house rents. Both of these – which are outlined in more detail below – have served to reduce the rental stream against a background of essentially fixed costs such as debt repayment, services to tenants and investment in homes. The combined impact of these changes has been to undermine what was a reasonable settlement, with the extension of the public sector austerity agenda into the Housing Revenue Account.

8. In terms of quantifying the impact of these changes amendments to the Right to Buy legislation, together with the improving economic position has resulted in the number of Right to Buy's rising from the 12 per annum assumed within the HRA Debt Allocation model, to a position where

approximately 50 sales will be completed during the current financial year. For the HRA this represents a significant loss of income and the additional homes sold in the current year alone will reduce the Council's rental stream by £0.2m every year, or £6m over the period of the Business Plan. Legislation is also being proposed to require Councils to dispose of their 10% of most valuable properties. While the government has announced that this initiative will only apply from April 2018 the position will need to be monitored carefully given the potential impact upon revenue streams and costs which will fall upon the HRA.

Level of Council House Rents

9. In addition to providing further incentives for tenants to exercise the Right to Buy, the Government has also reduced the HRA income stream by adjusting national rent policy so that rent increases are lower than allowed for in the HRA localisation model. National Rent policy was first amended as part of the 2013 Spending Round when the Government removed rent convergence from the formula, and switched the calculation of inflation from RPI to CPI. Taken together and given that North East Derbyshire was not at 'target rent' these changes resulted in a loss of income to the HRA on average of £1.5m p.a. Government justified the ending of the rent convergence policy on the basis that the majority of Council's had already reached target rents, however this was not the case at North East Derbyshire which started at a lower level of rent than most other authorities.

10. While the revised rent policy was intended to last for the 10 years from April 2015, the incoming Government changed that policy in the budget of July 2015. From 2016/17 the Government has required local authorities in common with all other providers of social housing to reduce rental levels by 1% per annum. This policy has been set to cover the four years from April 2016 to April 2019 and nationally will contribute £2.4bn towards the Government target of securing £12bn of savings from the welfare system. For North East Derbyshire, on the basis of a continuation of the current low level of inflation, their reduced rental income by £0.6m for 2016/17 when compared to original forecasts, with the loss of rental income rising to an estimated £2.5m p.a. by 2019/20. Over the period of the 30 year HRA Business Plan the loss of rental income is likely to amount to £75m.The actual rental loss is, however, dependent upon the level of inflation and the higher the level of inflation over this four year period the greater the loss of rental income will be.

11. Given that the HRA needs to be financially self sufficient the reduction in income will need to be accompanied by corresponding expenditure reductions. On the basis of current information that is likely to be achievedby a reduced capacity to operate a new build programme which given the extent of non traditional properties within the Council's stock will

clearly make it more difficult to deliver an effective strategy for implementing regeneration programmes. Likewise, over the period of the HRA Business Plan it will now be necessary to delay certain elements within the HRA capital programme in order to ensure that it remains affordable within the context of a reduced revenue stream. Over the period of the current MTFP, the main expenditure budgets (Repairs and Maintenance and Supervision and Management) will need to be marginally reduced. Officers are currently of the view that the position can be managed with only a limited impact on tenants, however, that depends upon the adoption of more efficient ways of working and changed working practices. If inflation rates were to increase during the current four year settlement then that would increase pressure on service delivery accordingly. In particular it needs to be recognised that if more realistic rent increases in line with inflation are not agreed from April 2020 then given the debt burden and other fixed costs on the HRA the sustainability of the HRA will become increasingly difficult to maintain.

Housing Revenue Account Budget 2017/18

12. The proposed HRA budget in respect of 2017/18 is set out in Table 1 to this report. The forecast net position for the HRA in the 2017/18 year is that a balanced budget will be set which maintains HRA general reserves at a figure of £3m. The budget does, however, allow a contribution of £0.667m to be made to the Development Reserve which will allow additional properties to be acquired in order to assist the longer term sustainability of the HRA.

13. As part of the setting of the HRA budget the Council now also needs to give active consideration to the level of HRA capital expenditure which it is able to fund. In recent years this Council has benefitted significantly from an investment of £60m from national government to enable the Council's housing stock to be brought up to Decent Homes standard. Under the localised HRA the Council is able to determine the level of capital expenditure, but this is restricted by the affordability to the revenue position of making capital contributions and by the Government's HRA debt ceiling which controls the overall level of borrowing. The budget for 2017/18 proposes a contribution from the HRA to the Capital Programme of £9.5m. This contribution is funded from the financial provision set aside for depreciation and for a contribution to the major repairs reserve. Details concerning the capital expenditure plans of the HRA are outlined within the capital programme section of this report.

14. The measures outlined within this report enable the funding of HRA expenditure budgets for 2017/18 which are essentially a roll forward budget. Under the current proposals it is planned that tenants will see a continuation of existing levels of service over the period of the current Medium Term Financial Plan. Following on from the agreement to the budgets set out

within this report there will be a report to the Cabinet meeting on March 8th 2017 which will agree a management fee for Rykneld Homes in respect of next financial year (2017/18).

Financial Plans 2018/19 to 2020/21

15. In line with good practice the MTFP sets out the Council's projected financial position over a 4 year period. The forecasts in respect of the latter three years are effectively based upon a roll forward of the budgets in respect of next financial year. Given that the income to fund the service which has been set by Central Government is declining, a key issue for the HRA is the ability to offset cost inflation by securing additional efficiencies in service delivery. Although there will also be some reduction in costs arising from reducing stock numbers associated with RTB, these reducing costs do not offset the loss of rental income which arises when houses are sold.

16. As outlined above in the context of a reducing level of income all budgets are at standstill. With respect to debt repayments these will be maintained at £4.3m which will repay the Government loan over the 30 year period of the original Business Plan. The repayment of debt is crucial, both to reducing borrowing costs and to build up the funding necessary to finance an accelerated programme of renovation work which will be necessary in the later years of the 30 Year Business Plan. If debt is not carefully managed at this stage then the funding will not be available to replace bathrooms, kitchens, roofs, doors and windows as these major investments are required.

17. As outlined above the funding for the HRA capital works for council housing is now provided directly from the rental income generated by the HRA. On the basis of the current MTFP the Council will be able to provide funding of £10.164m in 2016/17, with £9.5m in 2017/18 and £9.0m for the remainder of the MTFP period. On the basis of the 30 year HRA Business Plan officers are of the view that a level of funding of between £9 and £10m can be afforded. The Stock Condition Survey undertaken by Rykneld Homes indicates that this level of investment should be able to maintain the housing stock at a Decent Homes standard over the period of the Business Plan. This level of investment will not, however, be able to fund for any significant amount of new build. Given the level of non traditional properties and the need to adapt the stock to changing tenant needs and preferences it will be necessary to implement a number of regeneration schemes over the coming years. These type of schemes are now likely to be increasingly reliant upon external grant, land values and section 106 receipts in order to be financially viable.

18. Within the budgets in respect of these latter three years the key assumptions that are made are as follows :

- The Council applies the Government's regulations that rents in the social housing sector are reduced by 1% a year for a period of 4 years from April 2016, with a resumption of inflation linked rent increases applying from April 2020.

- Fees and charges service specific increases as agreed by Members.

- Interest rates remain low and stable with Bank Rate – which determines short term borrowing and investment costs – in the region of 0.25%.

- That salary costs rise by 1% per annum across the period of the current MTFP.

- That the management fee payable to Rykneld Homes remains at the same level as in 2016/17 subject to ongoing negotiations.

- Allowance has been made for cost changes in respect of specific items where considered appropriate.

Fees, Charges and Rents for Homeless Units

19. While the main source of income for the HRA arises from property rents the HRA is also dependent for its financial sustainability upon a range of other charges including Supporting People services, garages and heating. The proposal with respect to HRA charges for 2017/18 is that no increase be applied in respect of Non Dwellings rents including garages and hard standing.

20. In addition to managing the Council's housing stock Rykneld Homes also provide support in delivering the Council's Homelessness service. Currently there are four furnished HRA properties reserved for this purpose, two with three bedrooms and two with one bedroom. It is proposed to apply government rent policy and to apply a further 1% reduction to these properties from 1st April 2017.

Level of HRA Balances

21. Given the greater level of uncertainty associated with a localised HRA Council has previously accepted that a robust level of balances is necessary to provide an appropriate level of financial resilience to the account. On the basis of the HRA Risk Register, the position at other authorities and a general reasonableness test it is considered appropriate to maintain a level of HRA general balances in the region of £3m over the period of the current MTFP. At this level of HRA balances there is effectively a reserve of £375 per property. One factor in not seeking to

further enhance the level of balances is that this could only be funded by a reduced contribution to the Development Reserve, which is used to acquire additional properties. These properties generate an additional income stream which will help secure the longer term sustainability of the HRA.

22. In the light of the HRA Risk Register which is provided as Table 2 to this Appendix (which indicates a notional level of risk of £2.3m), a level of working balances in the region of £3m would appear to be adequate and provide a sound base for the medium term financial management of the HRA.

HRA Risk Register

23. A financial Risk Assessment is set out in Table 3, which outlines the risks, the mitigation which is in place, the potential impact and the probability of the event occurring in order to arrive at a notional calculation concerning the potential financial impact of the risks which the Council is currently facing. This indicates that the identified risks which the Council's HRA is currently managing amount to £2.3m. This report recommends that during the course of this MTFP that the HRA continues to operate a policy of maintaining a housing general balance of £3m which is broadly in line with the level of identified risk.

24. The assessment concerning the level of risk is essentially used for two purposes. In the first place an understanding of the risks which the Council faces is crucial in agreeing an appropriate level of financial reserves which are required. Secondly, the identification of the risks is the first stage in the process of more effectively managing, or of mitigating those risks. By identifying the risks it is possible to avoid them, to insure against them, to transfer the risk, or most likely actions can be taken to reduce or to mitigate the risk. The Council's Financial Risk Register is closely linked to both the Strategic and Operational Risk Registers. The Council has in place a comprehensive approach to Risk Management which is reported on a regular basis to Council, and this process will continue to be utilised in order to manage key financial risks.

25. Given that the reformed or localised HRA is now established there has been a change in the nature of the strategic risks facing the HRA. While it was originally envisaged that the HRA should benefit from greater financial certainty as a result of the ending of annual central government financial settlements, in reality over the 5 years since the introduction of the localised HRA there has been considerable instability arising from Central Government introducing reforms to rent setting policy, further incentivising Right to Buy applications and other changes in tenure which have generated significant levels of financial instability in the system. Careful planning has served to mitigate the impact upon our tenants. Given the

background of localism there is a clear requirement to promote stability in financial matters and service delivery by planning within the context of a robust 30 year Business Plan. The HRA Business Plan and Treasury Management Strategy are both crucial elements in mitigating the risk of financial instability or non sustainability for our local HRA housing stock. Both our tenants and the Council have a greater degree of influence under the new system but this increased level of local influence operates within the context of a framework where rent levels will continue to be set nationally, where the housing stock is required, at a minimum, to meet the Decent Homes standard, and where a continued good level of service is required to meet tenant expectations.

26. While much has been made of the difficulties experienced by local authority housing operations under the previous system where financial resources were determined on an annual basis, it needs to be recognised that the previous system also had important flexibilities built into it. In particular the annual settlement acknowledged issues such as reductions in the level of stock arising from demolition, transfer and right to buy, while it also took account of changes in the costs of operating a housing service. These risks were effectively those of central government and the national housing pool. With the introduction of HRA reform these risks now need to be managed locally, and they emphasise the importance of robust local planning and financial control in the effective management of our Housing stock.

Recommendations

27.

a) That Council sets its rent levels in line with Government regulations reducing rent levels by an amount of 1% to apply from 1 April 2017.

b) That the rent in respect of Homeless Units be reduced by 1% in line with government regulations, while charges for garages and related services remain at 2016/17 levels.

c) That the level of general HRA balances be maintained at a figure of £3m across the period covered by the proposed Medium Term Financial Plan.

d) The Medium Term Financial Plan in respect of the Housing Revenue Account as set out in **Appendix 2 Table 1** be approved as the Estimated Outturn Budget in respect of 2016/17, as the Original Budget in respect of 2017/18, and the financial projection in respect of 2018/19 to 2020/21.

e) That the above recommendations be referred by Cabinet to the Council meeting of 20th February 2017 for approval.

APPENDIX 2 Table 2

HOUSING REVENUE ACCOUNT: RISK REGISTER

Risk and Mitigation in Place	Gross Value of Risk £'s	Probability	Potential Impact £'s
1. Capital Expenditure • Any significant overspend on the capital programme may require an additional contribution from the HRA to finance. • Regular contract management and capital budget monitoring meetings will manage the HRA capital programme.	£10,000,000	10%	£1,000,000
2. With effect from April 2012 the Government introduced a new financial regime to manage the HRA. This reform effectively transferred a number of risks from the national HRA pool to individual local authorities. These include reduction in property numbers from RTB, demolition, failure to increase rents in line with Government policy, etc. • While the new system brings with it uncertainty and associated risks the flexibility incorporated within the system means that risks are more likely to materialise in respect of the longer term sustainability of the HRA. The indicative figures provided cover the initial year impact only. • While the Council will monitor the impact of trends in respect of the HRA through its budgets and the Business Plan it needs to be recognised that many of the risks arise from situations beyond the Council's direct control such as the loss of stock through Right to Buy, or through elements of the housing stock not being economically sustainable.	£2,000,000	25%	£500,000
3.There are unanticipated pressures on demand led budgets such as repairs and maintenance, or costs or income fall (eg Supporting People funding) outside of the budgeted position. • All budgets are based on previous	£1,000,000	30%	£300,000

experience of expenditure / income and should be sufficiently robust to cope with the expected range of fluctuation.			
4. A significant Business Continuity issue arises. • The Council have developing Business Continuity Plans which should reduce these risks. • Appropriate insurance arrangements are in place. • In exceptional circumstances Central Government has provided an element of financial support.	£2,000,000	10%	£200,000
5. Rental collections fall as a result of the wider economic position and major changes being introduced to the welfare system, including Universal Credit. • Assumed income levels have been calculated on the basis of previous experience and are based on prudent assumptions with appropriate bad debt provisions in place. • The Council will work with tenants to maximise benefits eligibility and to ensure rent payments are kept up to date. • The Council has appropriate procedures for the recovery of arrears and has established appropriate financial provisions should write offs be required.	£500,000	30%	£150,000
6. The level of void property is above the budgeted allowance. • Void levels have fluctuated quite significantly as major works and plans are undertaken. A void allowance is built into the main rental budgets to minimise this variance.	£500,000	30%	£150,000
Calculated Potential Financial Impact of Identified Risks			**£2,300,000**

APPENDIX 3

Capital Programme

Introduction

1. This Appendix considers the Medium Term Financial Plan as it relates to the Council's capital programme.

2. The proposed Capital Programme for both 2016/17 (Estimated Outturn) and Programme for 2017/18 to 2020/21 are detailed in Table 1 to this Appendix.

3. It should be noted that there will be a separate report to Council concerning the Council's Treasury Management Strategy. That report includes consideration of borrowing and investment plans which provide the capital financing to fund the proposed capital budgets. Given its links with the budget process the Treasury Management Strategy will be considered at the budget setting Council on 13th February 2017.

4. A particular issue for the HRA is that its capital investment strategy will need to be shaped by the requirement to undertake replacement of items such as central heating boilers, bathrooms and kitchens as they are due for replacement at the end of their effective life. This results in investment needs being concentrated into certain periods rather than being spread evenly over the 30 year life of the Business Plan. Accordingly at certain points in time the HRA needs to have adequate financial balances to fund the investment required to maintain decent homes. A clear consequence of poor financial planning will be deterioration in the quality of the homes currently enjoyed by our tenants.

5. An overview of the scale of the current approved and proposed capital programme is provided in the table below:

	2016/17 Est Outturn £,000	**2017/18 Original £,000**	**2018/19 Original £,000**	**2019/20 Original £,000**	**2020/21 Original £,000**
General Fund Schemes	3,355	765	1,129	1,083	2,158
HRA Schemes	13,064	14,792	9,275	9,000	9,000
Total	16,419	15,557	10,404	10,083	11,158

Capital Programme – Estimated Outturn 2016/17

6. The Estimated Outturn in respect of the current financial year, which is detailed in Appendix 3 Table 1, is an increase of £0.102m over the Current Programme approved in November. This relates to a rolling forward of an ICT scheme that has taken place in 2016/17 rather than in future years.

With respect to the 2016/17 Capital Programme the key schemes are the start of work on site in respect of the North Wingfield scheme. The Capital Works programme for the Council's housing stock should help ensure that the Council continues to provide high quality homes for our tenants. On the General Fund programme the main scheme has been the refurbishment work undertaken at the Leisure Centres which was approved on an Invest to Save basis, with the costs of refurbishment being met in future years from additional income which will secure a significant reduction in the costs of operating these facilities.

General Fund Programme 2017/18 and future years

7. Within the General Fund table are the capital expenditure plans for 2017/18 and future years. The following are the key schemes.

- An Asset Refurbishment sum of £150,000 p.a. to allow the Council to address issues which arise during the course of the year. The expenditure concerned has generally been previously identified within the Council's Asset Management Plan.
- Replacement of Vehicles: On a periodic basis the Council is required to replace its vehicles which are funded by prudential borrowing which is the most cost effective means for funding these purchases. The expenditure and borrowing outlined within the Capital Programme in respect of the vehicle fleet was approved by Council as part of last years MTFP and Treasury Management Strategy and the process of acquiring the vehicles concerned is largely complete.
- ICT infrastructure – The overall cost of this work over the period of the current MTFP (April 2016 onwards) is one of £0.432m which will be funded from capital receipts thus removing these costs from having to be charged against revenue budgets.
- Disabled Facilities Grants – £0.393m. Over the last few years the capital budget sum proposed for DFG's has been in line with the anticipated grant to be received. It is proposed that the continuation of this arrangement should be assumed within the capital programme for the future years of the MTFP. In respect of the current financial year it has, however, proved necessary to increase the Programme to one of £0.600m with part of the additional costs being funded by capital receipts. Given that the service is a statutory one it is effectively 'demand led' with the Council being required to meet any gap between expenditure and the level of grant available. Within the Programme for

next year we have assumed a grant level of £0.393m, however, the level of grant which will be available remains subject to confirmation.

8. The sections above have outlined the main elements of the Programme and the proposed financing. For those scheme where no specific funding has been identified the work will need to be funded by Capital Receipts. As at April 2017 it is anticipated that there will be sufficient unutilised capital receipts remaining which will cover the funding of General Fund schemes over the period of the current MTFP. In order to ensure the continued funding of the capital programme it is recommended that the Asset Management Group continue to develop options in terms of asset sales to fund the capital programme for future years. It should be noted that asset sales of underutilised assets generally also secure both revenue savings for the Council whilst facilitationg investment from the purchaser of the asset concerned. This makes an important contribution to delivering the Council's growth agenda.

HRA Capital Expenditure

9. The larger element of the Council's Capital Programme is that which relates to work on council dwellings. The Council's capital programme for 2017/18 onwards in respect of its Major Works Programme amounts to £9m. This is significantly reduced from previous financial years which reflects the fact that expenditure levels are now determined by the arrangements put into place by the HRA self financing arrangements. These require local authorities to fund the capital necessary to maintain their houses in line with the decent homes standard either from the revenue generated by the HRA, or by borrowing up to the level of the housing debt cap which has been set by the Government (£178.984m in the case of NEDDC). One of the purposes of developing a 30 year Business Plan is to assure local authoritiesthat they are in a position to maintain their property, and that the necessary level of capital expenditure on the properties can be afforded. On the basis of the 30 year Business Plan together with information detailed in the current Stock Condition survey officers are of the view that the stock can be maintained at the Decent Homes standard.

10. The Council will continue to explore options for attracting external funding to promote specific schemes within the HRA. Given the number of non traditional houses held by the Council replacement of some of these properties is likely to be necessary over the coming years. The Capital Programme 2017/18 – 2020/21 does include a new build scheme at North Wingfield which will provide new homes for social rent, affordable rent and shared ownership. The estimated scheme costs of £4.902m have been included in the Capital Programme, funded by HCA grant (£0.729m), a contribution from the Development Reserve (£1.000m) and prudential borrowing (£3.173m).

11. As part of the process of developing this scheme at North Wingfield careful consideration has been given to the issue of its affordability within the context of the HRA Business Plan. Given the availability of both HCA grant and funding from the HRA development reserve some 35% of the costs will be funded without the requirement to incur the ongoing revenue costs arising from prudential borrowing.

12. Linked to the above project and a key part of attracting HCA grant is that part of the scheme which will be undertaken through Rykneld Homes as a Registered Provider (RP). This element of the project will see affordable rent and shared ownership properties being built and managed by the RP. The total estimated costs of this part of the project is £2.692m funded by HCA grant (£0.544m), shared ownership sales (£0.614m) and General Fund prudential borrowing which will also need to cover shared ownership income pending the securing of the shared ownership receipts. The Treasury Management Strategy reflects the borrowing requirements of the scheme with the cost of borrowing (debt charges) being met by Rykneld Homes through the rental income received on the RP properties.

13. As outlined within the covering report a stock purchase scheme is recommended for inclusion with the Programme in respect of 2017/18 and future years. This scheme is proposed because it will be able to utilise 'one for one' capital receipts which the Council is allowed to retain by central government on the basis that they are used to acquire additional housing stock to replace that which has been bought under Right to Buy. These receipts can cover up to 30% of the costs of acquisition of additional properties. Officers are currently exploring options in respect of implementing the Stock Purchase scheme and a further report will be taken to Cabinet setting out detailed proposals. The funding for these acquisitions would be by way of one for one capital receipts (30%), together with a contribution from the Development Reserve which is funded from annual contributions from the HRA. Where there are insufficient resources within the Development Reserve then it will be necessary to utilise Prudential Borrowing to match fund this programme. Within the Capital Programme set out in this MTFP is a provision for up to £1.5m of Prudential Borrowing to be undertaken. All proposed purchases will be subject to a financial appraisal being undertaken which demonstrates that the purchase provides value for money, and that the Council complies with the requirements of the Prudential Code in respect of prudence, affordability and sustainability. It should be noted that if the Council fails to utilise these One for One receipts to fund acquiring additional properties then they will need to be returned to the Government.

14. The change to the HRA rent setting policy as outlined in Appendix 2 to this report will have a significant impact on the ability of the Council to afford new build schemes in the future. This will be further exacerbated to the extent to which HCA funding is targeted at shared ownership rather than at social rented housing. Against this background the Council will continue to asses any proposals for new build within the context of affordability against the HRA Business Plan. Given the reduced capacity of the HRA to generate revenue and the potential withdrawal of HCA grants it is envisaged that there will be a reduced capacity to fund similar schemes in the future.

Capital Programme Risk Assessment – 2017/18

15. A full Risk Assessment is set out in Table 2, which outlines the risks, the mitigation which is in place, the potential impact and the probability in order to arrive at a notional calculation concerning the potential financial impact of the risks which the Council is facing with regard to the proposed 2017/18 capital programme. This indicates that the identified risks which the Council is facing in respect of its 2017/18 Capital Programme amount to £1m. Should any of these risks arise then all possible financing options will be explored, however, if all these risks materialise then it may be necessary ultimately to charge these costs against General Fund or HRA balances.

16. As is the case in respect of both the General Fund and the HRA the assessment concerning the level of risk is essentially used for two purposes. In the first place an understanding of the risks which the Council faces is crucial in agreeing an appropriate level of financial reserves which are required. Secondly, the identification of the risks is the first stage in the process of more effectively managing, or of mitigating those risks. By identifying the risks it is possible to avoid them, to insure against them, to transfer the risk, or most likely actions can be taken to reduce or to mitigate the risk. The Council has in place a comprehensive approach to Risk Management which is reported on a quarterly basis to Cabinet, and this process will be utilised in order to manage the key financial risks.

Recommendations:

17.

a) The Medium Term Financial Plan in respect of the Capital Programme as set out in **Appendix 3 Table 1** be approved as the Estimated Outturn in respect of 2016/17, and as the Original Programme in respect of 2017/18 to 2020/21.

b) That Council approve the financial provision for the proposed Stock Purchase scheme at a total cost of £3.2m (funded by £0.96m of One for One receipts, the Development Reserve and prudential borrowing of up to £1.5m where necessary), on the basis that a further report setting out the details of the proposals be agreed by Cabinet.

c) The Asset Management Group be requested to continue with its work of identifying suitable assets for disposal or redevelopment in order to fund the Council's Capital Programme, reduce revenue costs and support the wider regeneration of the District.

d) That the above recommendations be referred by Cabinet to the Council meeting of 20th February 2017 for approval.

CAPITAL PROGRAMME RISK REGISTER – 2017/18 APPENDIX 3, TABLE 2

Risk and Mitigation in Place	Gross Value of Risk £'s	Probability	Potential Impact £'s
1. Cost Overruns on Approved Projects • Financial monitoring including formal reports to Members is undertaken on a regular basis which should enable mitigating action to be taken. • The expenditure is programmed across a range of smaller schemes so if significant funding issues arise it should be possible to delay individual projects. • The Council have robust management arrangements in place. • The Financial Risk Registers in respect of both General Fund and HRA include the risk of an unfunded overspend arising on the Capital Programme.	£16,000,000	5%	£800,000
2. Reduction in the forecast level of capital resources. • The assumptions that have been made in respect of 2016/17 are realistic and prudent. • Should any issues be identified which casts doubt upon the level of resources included in the Programme then Officers will take any necessary actions to reduce the level of expenditure commitments.	£500,000	20%	£100,000
3. An unanticipated capital requirement arises which requires funding as a matter of urgency. • Existing approved projects may need to be reprofiled into future years • Additional capital resources may need to be identified • A charge against revenue balances may need to be considered.	£500,000	20%	£100,000
Calculated Potential Financial Impact of Identified Risks			**£1,000,000**

GENERAL FUND SUMMARY 2017/18 - 2020/21 **APPENDIX 1, Table 1**

	Estimated Outturn 2016/17 £	Original Budget 2017/18 £	Original Budget 2018/19 £	Original Budget 2019/20 £	Original Budget 2020/21 £
Growth	3,172,463	3,382,582	3,275,043	3,234,682	3,271,394
Transformation	3,853,752	2,225,195	2,211,212	2,263,098	2,327,052
Operations	5,714,007	6,046,880	6,095,917	6,218,092	6,236,667
Bad Debt Provisions	40,000	40,000	40,000	40,000	40,000
Recharges to Capital and HRA	(527,500)	(527,500)	(527,500)	(527,500)	(527,500)
Savings Target	0	(513,089)	(1,050,042)	(1,455,837)	(1,863,033)
Net Cost of Services	**12,252,722**	**10,654,068**	**10,044,630**	**9,772,535**	**9,484,580**
Investment Properties	(264,225)	(375,290)	(373,600)	(371,860)	(370,060)
Interest Charges	56,390	17,069	(39,886)	(37,726)	(30,448)
Debt Repayment Minimum Revenue Provision	256,000	256,000	256,000	256,000	256,000
Parish Precepts	2,893,566	2,893,566	2,893,566	2,893,566	2,893,566
Parish Council Tax Support Grant	281,525	211,144	140,763	70,382	0
Transfer to General Fund Balances	0	0	0	0	0
Transfer To Earmarked Reserves	567,785	23,000	23,000	23,000	23,000
Transfer From Earmarked Reserves	(1,918,986)	(856,281)	(70,440)	(3,000)	(3,000)
Total Spending Requirement	**14,124,777**	**12,823,276**	**12,874,033**	**12,602,897**	**12,253,638**
Business Rate Retention	(3,150,000)	(3,150,000)	(3,150,000)	(3,150,000)	(3,150,000)
Business Rate Pooling	(150,000)	(150,000)	0	0	0
Collection Fund (Surplus)/Deficit - Business Rates	0	639,406	0	0	0
Revenue Support Grant	(1,294,946)	(706,487)	(340,803)	0	0
Use of New Homes Bonus	(1,214,317)	(1,090,832)	(1,024,071)	(1,093,738)	(744,479)
Collection Fund (Surplus)/Deficit - Council Tax	(106,991)	(106,204)	(100,000)	(100,000)	(100,000)
NEDDC Council Tax Requirement	(5,314,957)	(5,365,593)	(5,365,593)	(5,365,593)	(5,365,593)
Parish Council Council Tax Requirement	(2,893,566)	(2,893,566)	(2,893,566)	(2,893,566)	(2,893,566)
Council Tax Requirement	**(14,124,777)**	**(12,823,276)**	**(12,874,033)**	**(12,602,897)**	**(12,253,638)**

GENERAL FUND ACCOUNT : 2017/18 - 2020/21 **Appendix 1, Table 2**

		Estimated Outturn 2016/17 £	Original Budget 2017/18 £	Original Budget 2018/19 £	Original Budget 2019/20 £	Original Budget 2020/21 £
Growth Directorate						
Chief Executive						
1142	Chief Executive's Office	114,353	112,615	115,649	116,679	117,872
1143	Growth Director	0	10,000	2,500	0	0
1331	Strategic Partnerships	91,316	93,967	95,447	96,420	97,401
1332	Strategic Partnership Projects	3,000	3,000	3,000	3,000	3,000
1333	Healthy North East Derbyshire	(9,742)	16,081	0	0	0
1334	NE Business Growth Fund	8,060	0	0	0	0
4352	LEADER	0	0	0	0	0
4443	Elderly Peoples Clubs	4,000	4,000	4,000	4,000	4,000
5785	Contributions	133,959	133,779	133,779	133,779	133,779
Assistant Director Economic Growth						
3165	Housing Options Team	169,763	166,476	169,100	170,662	172,238
3740	Strategic Housing	70,982	79,602	81,487	83,448	84,236
3741	Housing Ambition	50,374	49,932	1,000	1,000	1,000
3742	Empty Properties	2,299	0	0	0	0
3747	Homeless Units	2,600	2,600	2,600	2,600	2,600
3748	Homelessness Grant	36,050	36,050	36,050	36,050	36,050
3751	Care Call System	(20,000)	(20,000)	(20,000)	(20,000)	(20,000)
4211	Tourism Promotion	19,170	19,170	19,170	19,170	19,170
4238	Working Communities	79,896	78,816	77,480	78,225	78,977
4239	Ambition	0	0	0	0	0
4351	Alliance	3,350	3,350	3,350	3,350	3,350
4512	Growth Agenda	24,011	8,000	8,000	8,000	8,000
4517	Economic Development	155,699	160,168	161,461	162,769	164,088
4518	Callywhite Lane	30,000	0	0	0	0
4526	Sheffield City Region	4,000	4,000	4,000	4,000	4,000
5750	AD Economic Growth	36,335	37,332	37,692	38,065	38,443
Assistant Director Planning & Environmental Health						
3400	Environment Protection	97,004	84,943	86,739	87,656	88,417
3401	Food, Health & Safety	125,831	138,442	140,789	134,609	143,954
3402	Environmental Enforcement	101,781	104,582	105,810	106,603	106,275
3404	Licensing	(64,220)	(61,074)	(60,006)	(59,377)	(58,809)
3405	Housing & Pollution	84,165	86,938	87,725	88,521	89,238
3407	Pest Control	29,434	30,219	30,653	31,090	30,776
3408	Affordable Warmth	31,703	30,803	31,545	32,299	32,576
3409	EH Technical Support & Management	177,846	168,540	169,915	171,326	172,599
3410	Private Sector Housing	53,112	53,593	54,118	54,649	55,126
3419	Destitute Funerals	1,000	1,000	1,000	1,000	1,000
3420	Fly Tipping	5,000	5,000	5,000	5,000	5,000
3726	Works in Default	0	0	0	0	0
4111	Planning Applications & Advice	(572,400)	(372,400)	(372,400)	(372,400)	(372,400)
4113	Planning Appeals	31,783	0	0	0	0
4116	Planning Policy	305,787	406,852	341,489	277,184	279,730
4311	Environmental Conservation	19,710	19,710	19,710	19,710	19,710
4511	AD Planning and Environmental Health	34,748	35,099	35,454	35,775	36,173
4513	Planning Section	556,368	496,760	508,918	518,934	525,382
4515	Building Control	101,350	101,350	101,350	101,350	101,350
Assistant Director Governance & Monitoring Officer						
1121	Members Services	452,290	452,921	453,135	453,351	453,568
1123	Chair's Expenses	8,220	13,170	13,170	13,170	13,170
1131	District Elections	0	0	0	0	0
1133	Parish Elections	0	0	0	0	0
1135	European Elections	0	0	0	0	0
1137	Parliamentary Elections	0	0	0	0	0
1139	County Council Elections	0	0	0	0	0
5219	Corporate Support Unit	28,986	30,009	30,318	30,630	30,945
5249	Twinning Expenses	7,100	7,100	7,100	7,100	7,100
5273	Brass Band Concert	2,245	3,430	3,430	3,430	3,430
5313	Register Of Electors	197,384	208,935	197,450	198,242	199,044
5321	Monitoring	38,942	39,283	39,637	39,959	40,357
5353	Legal Section	149,228	132,233	137,887	142,226	144,637
5392	Scrutiny	47,195	48,582	49,070	49,563	50,060
5711	Democratic Services	111,396	117,624	120,272	121,865	124,782
	Total for Growth Directorate	**3,172,463**	**3,382,582**	**3,275,043**	**3,234,682**	**3,271,394**

GENERAL FUND ACCOUNT : 2017/18 - 2020/21 **Appendix 1, Table 2**

		Estimated Outturn 2016/17	Original Budget 2017/18	Original Budget 2018/19	Original Budget 2019/20	Original Budget 2020/21
Operations Directorate						
Executive Director						
5700	Director of Operations	51,372	52,967	53,485	54,018	54,558
5720	Supporting PA's	79,159	80,562	81,374	82,195	83,024
Assistant Director Community Safety						
1218	Community Safety	37,734	39,566	40,093	40,623	41,160
1220	AD Community Safety	3,457	3,589	3,719	3,751	3,791
Assistant Director Finance, Revenues & Benefits						
3176	Pool Car Suspense	1,690	1,690	1,690	1,690	1,690
3512	CBC Crematorium	(62,000)	(62,000)	(62,000)	(62,000)	(62,000)
5113	Unison Duties	14,072	14,328	14,476	14,627	14,778
5611	External Audit	67,500	67,500	67,500	67,500	67,500
5615	Bank Charges	75,500	81,500	81,500	81,500	81,500
5621	Contributions - HRA	(185,600)	(185,600)	(185,600)	(185,600)	(185,600)
5705	AD Finance, Revenues & Benefits	34,008	35,916	37,262	37,635	38,013
5713	Internal Audit Service	106,600	104,520	107,660	107,660	107,660
5714	Procurement	41,800	38,300	38,300	38,300	38,300
5721	Financial Support Services	314,650	298,355	301,545	304,761	308,009
5723	Housing Act Advances	2,300	2,300	2,300	2,300	2,300
5724	Insurances	5,030	4,635	4,240	3,830	3,420
5725	Apprenticeship Levy	0	45,000	45,000	45,000	45,000
5727	Cost Of Ex-Employees	965,000	971,015	956,530	940,689	940,689
5741	Housing Benefit Service	434,809	468,386	476,228	483,931	486,921
5747	Debtors	48,551	49,343	49,822	50,305	50,792
5751	NNDR Collection	(22,741)	(21,385)	(20,557)	(19,724)	(18,889)
5759	Council Tax Administration	203,590	199,329	203,749	208,405	212,505
5781	Village Hall Grants	26,490	24,870	14,870	14,870	14,870
5782	Playing Field Grant	415	0	0	0	0
Assistant Director Propery & Estates						
3135	Drainage	17,297	24,685	21,730	22,277	22,829
3172	Engineers	62,821	77,396	74,248	77,611	79,102
3241	Car Parks	33,460	33,990	34,520	35,060	35,610
3247	Street Names/Lights	5,870	6,000	6,000	6,000	6,000
3249	Footpath Orders	800	800	800	800	800
3265	Dams & Fishing Ponds	6,600	100	100	100	100
3281	Clay Cross Depot	(1,840)	(1,190)	(510)	210	950
4412	Midway Business Centre	(41,450)	(44,750)	(44,230)	(43,690)	(43,120)
4425	Coney Green Business Centre	(67,510)	(55,131)	(51,275)	(47,266)	(43,084)
4523	Estates Administration	247,182	287,048	294,110	300,754	303,682
5204	AD Property & Estates	33,666	34,944	36,244	36,565	36,963
5205	Mill Lane Redevelopment	253,498	278,649	295,026	301,565	307,344
5209	Facilities Management	83,640	112,570	112,570	112,570	112,570
5210	Pioneer House	8,570	(11,748)	(10,310)	(10,864)	(9,069)
Assistant Director Street Scene						
3174	Outside Services Client	256,572	295,362	300,958	305,731	309,074
3227	Material Recycling	308,940	320,940	309,740	309,740	309,740
3244	Parks DCC Agency	(359,170)	(359,170)	(359,170)	(359,170)	(359,170)
3282	Eckington Depot	92,001	95,403	97,306	99,691	102,147
3285	Dronfield Bulk Depot	2,810	2,870	2,930	2,990	3,050
3511	Hasland Cemetery	(46,670)	(46,560)	(46,450)	(46,340)	(46,230)
3513	Temple Normanton Cemetery	(7,350)	(7,340)	(7,330)	(7,320)	(7,310)
3514	Clay Cross Cemetery	(45,335)	(45,335)	(45,335)	(45,335)	(45,335)
3516	Killamarsh Cemetery	(14,950)	(14,930)	(14,910)	(14,890)	(14,870)
3918	Dog Fouling Bins	(46,300)	(45,800)	(45,800)	(45,800)	(45,800)
3921	Street Cleaning Service	607,710	617,980	623,221	638,780	584,559
3943	Transport	0	0	0	0	0
3944	Grounds Maintenance	702,655	749,726	743,827	795,910	822,871
3945	Domestic Waste Collection	1,669,600	1,717,213	1,745,685	1,766,620	1,773,729
3946	Commercial Waste Collection	(160,111)	(159,003)	(158,344)	(157,678)	(157,005)
3951	Playing Fields General	(132,385)	(132,525)	(132,620)	(132,795)	(133,450)
	Total for Operations Directorate	**5,714,007**	**6,046,880**	**6,095,917**	**6,218,092**	**6,236,668**

GENERAL FUND ACCOUNT : 2017/18 - 2020/21 — **Appendix 1, Table 2**

		Estimated Outturn 2016/17	Original Budget 2017/18	Original Budget 2018/19	Original Budget 2019/20	Original Budget 2020/21
Investment Properties						
4411	Stonebroom Industrial Estate	(39,980)	(43,220)	(43,080)	(42,940)	(42,790)
4413	Clay Cross Industrial Estate	(67,480)	(71,910)	(71,840)	(71,770)	(71,690)
4415	Norwood Industrial Estate	(172,540)	(191,590)	(191,350)	(191,090)	(190,830)
4417	Eckington Business Park	(22,150)	(22,150)	(22,150)	(22,150)	(22,150)
4418	Rotherside Court	(23,365)	(27,080)	(26,780)	(26,470)	(26,150)
4419	Ridgeway Craft Centre	3,210	0	0	0	0
4423	Pavillion Workshops Holmewood	(58,200)	(62,600)	(62,500)	(62,400)	(62,300)
4432	Misc Properties	41,200	43,260	44,100	44,960	45,850
4435	Ankerbold Road	75,080	0	0	0	0
	Total for Investment Properties	**(264,225)**	**(375,290)**	**(373,600)**	**(371,860)**	**(370,060)**
Transformation Directorate						
Executive Director						
4500	Director of Transformation	51,604	53,202	53,720	54,253	54,792
5215	Telephony	23,350	24,430	24,430	24,430	27,000
5701	Joint ICT Service	0	0	0	0	0
5734	NEDDC ICT Services	523,699	494,319	499,486	506,958	512,605
5737	Corporate Printing	23,190	23,190	23,190	23,190	23,190
Assistant Director Customer Services, Strategy & Performance						
1250	AD Customer Services, Performance & Strategy	34,763	35,124	35,479	35,800	36,198
1255	Performance & Improvement	91,563	97,419	100,100	102,088	103,132
1256	Corporate Consultation	17,296	16,398	16,512	16,629	16,746
1315	Design & Print	81,744	83,151	84,379	85,117	85,861
1321	Communications & Marketing	54,401	55,559	56,915	57,544	58,130
1323	NEDDC Newspaper	25,860	26,610	26,610	26,610	26,610
1329	Corporate Web Site	9,830	900	900	900	900
5221	NEDDC Call Centre	359,107	364,965	369,078	372,893	378,870
5223	Franking Machine	3,440	3,460	3,460	3,460	3,460
5825	Concessionary Fares	(9,790)	(9,870)	(9,870)	(9,870)	(9,870)
Assistant Director Leisure						
1283	Emergency Planning	16,400	16,400	16,400	16,400	16,400
4561	Leisure Centre Management	106,417	85,323	86,639	87,949	88,290
4600	AD Leisure	35,033	35,384	35,739	36,060	36,458
4720	Sportivate	0	0	0	0	0
4721	Mighty Creative Project	0	0	0	0	0
4725	Village Games	0	0	0	0	0
4726	Walking for health	0	0	0	0	0
4727	Five 60	0	0	0	0	0
4728	PCT Retained Funds	0	0	0	0	0
4731	Prom Rec & Leisure	28,657	29,153	29,439	29,728	30,020
4732	Schools Promotion	6,100	6,100	5,400	0	0
4736	Derby Sports Forum	15,500	15,500	15,500	15,500	15,500
4742	Arts Development	2,800	2,800	2,800	2,800	2,800
8441	Eckington Swimming Pool	1,175,618	81,245	61,550	71,886	82,252
8451	Dronfield Sports Centre	413,009	1,826	(19,498)	(862)	14,600
8461	Sharley Park Lesiure Centre	290,205	305,532	310,718	316,846	332,974
8465	SPLC Outdoor	(2,200)	(1,000)	(1,000)	(1,000)	(1,000)
Assistant Director HR & Payroll						
1231	Corporate Training	46,190	12,430	12,430	12,430	12,430
1259	Corporate Groups	10,010	10,010	10,010	10,010	10,010
1310	AD Human Resources and Payroll	34,210	35,809	36,164	36,485	36,883
1311	Human Resources	262,825	213,126	214,838	216,769	218,410
1312	Payroll	61,232	61,115	63,262	65,274	66,187
3121	Health & Safety Advisor	61,689	45,587	46,434	46,822	47,214
	Total for Transformation Directorate	**3,853,752**	**2,225,197**	**2,211,214**	**2,263,099**	**2,327,052**

Housing Revenue Account 2016/17 - 2020/21 APPENDIX 2 Table 1

	Estimated Outturn 2016/17	Original Budget 2017/18	Original Budget 2018/19	Original Budget 2019/20	Original Budget 2020/21
INCOME					
Dwelling Rents	(32,093,260)	(31,644,302)	(31,096,696)	(31,224,758)	(30,699,677)
Non-Dwelling Rents	(369,895)	(369,910)	(369,910)	(369,910)	(369,910)
Charges for Services and Facilities	(456,220)	(456,220)	(456,220)	(456,220)	(456,220)
Contributions Towards Expenditure	(320,000)	(320,000)	(320,000)	(320,000)	(320,000)
INCOME TOTAL	**(33,239,375)**	**(32,790,432)**	**(32,242,826)**	**(32,370,888)**	**(31,845,807)**
EXPENDITURE					
Repairs & Maintenance	5,218,759	5,218,699	5,218,699	5,218,699	5,218,699
Supervision & Management	7,040,537	7,125,716	7,105,201	7,086,042	7,068,303
Rents, Rates & Taxes	130,000	130,000	130,000	130,000	130,000
Depreciation	7,050,000	7,050,000	7,050,000	7,050,000	7,050,000
Impairment	0	0	0	0	0
Provision for Doubtful Debts	175,000	250,000	250,000	250,000	250,000
Debt Management Expenses	11,500	11,500	11,500	11,500	11,500
EXPENDITURE TOTAL	**19,625,796**	**19,785,915**	**19,765,400**	**19,746,241**	**19,728,502**
NET COST OF SERVICES	**(13,613,579)**	**(13,004,517)**	**(12,477,426)**	**(12,624,647)**	**(12,117,305)**
Corporate & Democratic Core	185,450	185,450	185,450	185,450	185,450
NET COST OF HRA SERVICES	**(13,428,129)**	**(12,819,067)**	**(12,291,976)**	**(12,439,197)**	**(11,931,855)**
HRA Debt, and Reserve charges					
Interest Payable	5,370,400	5,379,008	5,396,348	5,312,356	5,292,680
Interest Receivable	(27,200)	(27,054)	(28,633)	(32,258)	(34,325)
Contribution to Major Repairs Reserve	2,189,000	2,450,000	1,950,000	1,950,000	1,950,000
Contribution to Development Reserve	1,516,584	667,113	624,261	859,099	373,500
HRA Insurance Reserve	50,000	50,000	50,000	50,000	50,000
Debt Repayment	4,300,000	4,300,000	4,300,000	4,300,000	4,300,000
(Surplus)/Deficit on HRA Services	**(29,345)**	**0**	**0**	**0**	**0**
Opening HRA Balance	**(2,970,655)**	**(3,000,000)**	**(3,000,000)**	**(3,000,000)**	**(3,000,000)**
Transfers (to)/from Balances	**(29,345)**	**0**	**0**	**0**	**0**
Transfers (to)/from Balances					
Closing HRA Balance	**(3,000,000)**	**(3,000,000)**	**(3,000,000)**	**(3,000,000)**	**(3,000,000)**

CAPITAL PROGRAMME 2016/17 to 2020/21 **Appendix 3, Table 1**

Capital Expenditure	Estimated Outturn 2016/17 £	Original Budget 2017/18 £	Original Budget 2018/19 £	Original Budget 2019/20 £	Original Budget 2020/21 £
Housing Revenue Account					
Capital Works - Council Housing	10,164,000	9,500,000	9,000,000	9,000,000	9,000,000
External Wall Insulation	25,000	0	0	0	0
Central Heating Project - DECC Funded	340,000	0	0	0	0
North Wingfield New Build Scheme	2,535,000	2,092,000	275,000	0	0
Stock Purchase Programme	0	3,200,000	0	0	0
HRA - Capital Expenditure	**13,064,000**	**14,792,000**	**9,275,000**	**9,000,000**	**9,000,000**
General Fund					
Private Sector Housing Grants (DFG's)	600,023	393,000	393,000	393,000	393,000
Demolition Costs (Holmewood)	56,000	0	0	0	0
ICT Schemes	233,000	42,000	51,000	16,000	90,000
Clay Cross Football Pitch	11,520	0	0	0	0
Dronfield Play Lottery Fund	1,500	0	0	0	0
Asset Refurbishment - General	29,000	150,000	150,000	150,000	150,000
Asset Refurbishment - Southgate Shops	24,500	0	0	0	0
Asset Refurbishment - Midway BC	22,000	0	0	0	0
Asset Refurbishment - Car Park Resurfacing	12,500	0	0	0	0
Asset Refurbishment - Pioneer House	62,000	0	0	0	0
DSC Pool Refurbishment	7,721	0	0	0	0
Refurbishment of Mill Lane	40,000	0	0	0	0
Eckington/Dronfield Leisure Centre Refurbishment	1,752,000	0	0	0	0
Replacement of Vehicles	360,000	180,000	535,000	524,000	1,525,000
Contaminated Land	42,001	0	0	0	0
Sharley Park Leisure Centre Refurbishment	101,000	0	0	0	0
General Fund Capital Expenditure	**3,354,765**	**765,000**	**1,129,000**	**1,083,000**	**2,158,000**
Total Capital Expenditure	**16,418,765**	**15,557,000**	**10,404,000**	**10,083,000**	**11,158,000**

Capital Financing	2016/17	2017/18	2018/19	2019/20	2020/21
Housing Revenue Account					
Major Repairs Reserve	(10,164,000)	(9,500,000)	(9,000,000)	(9,000,000)	(9,000,000)
Prudential Borrowing - HRA	(1,184,000)	(3,214,000)	(275,000)	0	0
External Grant - HCA	(351,000)	(378,000)	0	0	0
External Grant - DECC	(340,000)	0	0	0	0
Development Reserve	(1,025,000)	(740,000)	0	0	0
1-4-1 Receipts	0	(960,000)	0	0	0
HRA Capital Financing	**(13,064,000)**	**(14,792,000)**	**(9,275,000)**	**(9,000,000)**	**(9,000,000)**
General Fund					
Disabled Facilities Grant	(580,023)	(373,000)	(373,000)	(373,000)	(373,000)
External Grant - Lottery Funded Schemes	(13,020)	0	0	0	0
External Grant - Contaminated Land	(42,001)	0	0	0	0
Prudential Borrowing - Vehicles	(360,000)	(180,000)	(535,000)	(524,000)	(1,525,000)
RCCO - SPLC	(22,600)	(22,600)	(11,300)	0	0
RCCO - Leisure Centres	(1,277,000)	0	0	0	0
RCCO - Vehicles	(61,208)	(61,208)	(61,221)	(35,739)	0
RCCO - DSC	(7,721)	0	0	0	0
Useable Capital Receipts	(991,192)	(128,192)	(148,479)	(150,261)	(260,000)
General Fund Capital Financing	**(3,354,765)**	**(765,000)**	**(1,129,000)**	**(1,083,000)**	**(2,158,000)**
HRA Development Reserve					
Opening Balance	(94,895)	(586,479)	(513,592)	(1,137,853)	(1,996,952)
Amount due in year	(1,516,584)	(667,113)	(624,261)	(859,099)	(373,500)
Amount used in year	1,025,000	740,000	0	0	0
Closing Balance	**(586,479)**	**(513,592)**	**(1,137,853)**	**(1,996,952)**	**(2,370,452)**
Major Repairs Reserve					
Opening Balance	(1,038,595)	(113,595)	(113,595)	(113,595)	(113,595)
Amount due in year	(9,239,000)	(9,500,000)	(9,000,000)	(9,000,000)	(9,000,000)
Amount used in year	10,164,000	9,500,000	9,000,000	9,000,000	9,000,000
Closing Balance	**(113,595)**	**(113,595)**	**(113,595)**	**(113,595)**	**(113,595)**
Capital Receipts Reserve					
Opening Balance	(1,358,189)	(816,997)	(178,805)	(480,326)	(780,065)
Income expected in year	(450,000)	(450,000)	(450,000)	(450,000)	(450,000)
Amount used in year	991,192	1,088,192	148,479	150,261	260,000
Closing Balance	**(816,997)**	**(178,805)**	**(480,326)**	**(780,065)**	**(970,065)**
Total Capital Financing	**(16,418,765)**	**(15,557,000)**	**(10,404,000)**	**(10,083,000)**	**(11,158,000)**
Check	0	0	0	0	0

North East Derbyshire District Council

Council

20 February 2017

Treasury Management Strategy 2017/18 - 2020/21

Report of Councillor P R Kerry, Portfolio Holder with Responsibility for Economy, Finance and Regeneration

This report is public

Purpose of the Report

The purpose of this report is to provide Council with the necessary information to approve the Council's Treasury Management Strategy 2017/18 to 2020/21.

1 Report Details

1.1 As part of the requirements of the CIPFA Treasury Management Code of Practice the Council is required to develop every year a Treasury Management Strategy which requires approval by full Council before the commencement of each financial year. This report outlines the Council's proposed Treasury Management Strategy for the period 2017/18 to 2020/21 for consideration and approval by Council. It fulfils four key requirements:

- The Treasury Management Strategy sets out how the treasury management function will support the capital decisions approved within the MTFP and the parameters for all borrowing and lending associated with the day to day treasury management of the Council's cash flow requirements.

- Within the strategy the Council is required to include a number of prudential indicators covering the next four financial years which show the impact of changes in the level of the Council's debt on its revenue accounts.

- The Council is also required to determine a policy on the repayment of its debt each year through the Minimum Revenue Provision (MRP). The MRP is the amount of debt being repaid and is a charge against the revenue accounts of the Council.

- The report also includes an investment strategy which sets out the Council's criteria for choosing investment counterparties and limiting exposure to the risk of loss.

The above policies and parameters provide an approved framework within which officers undertake the day to day capital and treasury activities.

1.2 The objectives of the Treasury Management Strategy are as follows: -

- To outline the Council's debt position and the impact this has on the revenue accounts;
- To enable Members to reach appropriate judgements on long-term and short-term borrowing and investment strategies;
- To provide a framework within which the day to day liquidity of the Council's cash balances can be managed;
- To provide some key baseline information to enable appropriate reaction in response to changes in the money market to meet the statutory requirements of the Local Government Act 2003;
- To meet the requirements of the CIPFA Treasury Management Code of Practice.

1.3 This strategy includes:

- An outline of the statutory powers relating to the Council's Borrowings
- A review of the Council's outstanding debt position
- A review of how the Council's debt is financed
- Minimum Revenue Provision Policy
- Investments
- Investments Strategy
- Interest rate projections
- The prudential indicators
- Treasury Management operations

The statutory powers relating to the Council's Borrowings

1.4 Before the report considers the full implications of the latest MTFP on the level of the Council's outstanding debt Members are reminded of the prudential code framework that applies to Local Government.

1.5 The Prudential Capital Finance System relies on the provisions of Part 1 of the Local Government Act 2003.

1.6 The key objectives of the prudential code are to ensure that: -

- The capital investment plans of local authorities are affordable, prudent and at sustainable levels;
- To ensure and demonstrate that the local authority is aware of its financial position and therefore able to take corrective action should it be in danger of failing to ensure the above;
- To ensure that treasury management decisions are taken in accordance with good professional practice and in a manner that supports prudence, affordability and sustainability.

1.7 By enabling a greater degree of local discretion the Code also has the objective of being consistent with and supporting local strategic planning, local asset management planning and proper option appraisal.

1.8 The underlying principle of the Prudential Code is that local authorities are able to borrow without Government consent provided the authority can afford to enter into such commitments. This applies in respect of the General Fund but Council should note that with effect from April 2012 that the power to borrow for HRA purposes is limited by the HRA Debt Ceiling which was introduced as part of the localisation of the HRA.

1.9 It is a statutory duty under Section 3 of the Local Government Act 2003, and supporting regulations, for the Council to determine and keep under review how much it can afford to borrow. The amount so determined is termed the Authorised Borrowing Limit.

1.10 The Council must have regard to the Prudential Code when setting its Authorised Borrowing Limit, which essentially requires it to ensure that total capital investment remains within sustainable limits and, in particular, that the impact upon its future council tax/rent levels is acceptable.

1.11 Whilst termed an Authorised Borrowing Limit, the capital plans that need to be considered for inclusion within that limit incorporate those planned to be financed by both external borrowing and other forms of liability, such as credit arrangements (leasing). The authorised borrowing limit is required to be set, on a rolling basis, for the forthcoming financial year and three successive financial years.

1.12 Details of the Authorised Borrowing Limits are shown in Section 1.51 of this report.

A review of the Council's outstanding Debt position

1.13 To establish the Treasury Management Strategy for the forthcoming financial year it is essential to understand the overall debt position of the Council. This is calculated through the Capital Financing Requirement (CFR). The CFR calculates the Council's underlying need to borrow in order to finance capital expenditure. The revised estimate of the CFR for 2016/17 and the estimated CFR for 2017/18 to 2020/21 are shown in Table 1:

Table 1

Capital Financing Requirement	2016/17 £000's	2017/18 £000's	2018/19 £000's	2019/20 £000's	2020/21 £000's
1 April balance	**171,145**	**167,818**	**165,555**	**160,051**	**154,196**
Prudential Borrowing					
General Fund – Vehicle Replacement	360	180	535	524	1,525
General Fund – RHL Borrowing	1,472	3,097	0	0	0
HRA – North Wingfield New Build Scheme	1,184	1,714	275	0	0
HRA – Stock Purchase Programme	0	1,500	0	0	0
Leasing Repayments	(5)	0	0	0	0
Minimum Revenue Provision (MRP)					
General Debt	(256)	(256)	(256)	(256)	(256)
Pioneer House	(40)	(40)	(40)	(40)	(40)
Vehicle Replacement	(711)	(693)	(688)	(778)	(777)
Repayment of other debt	(281)	(2,715)	(280)	(255)	(220)
Repayment of Allowable Debt	(750)	(750)	(750)	(750)	(750)
HRA Debt Repayment per business plan	(4,300)	(4,300)	(4,300)	(4,300)	(4,300)
Capital Financing Requirement 31 March	**167,818**	**165,555**	**160,051**	**154,196**	**149,378**

1.14 Prudential Borrowing – General Fund

Vehicle replacement: - The Council now funds all vehicle acquisitions by way of outright purchase from prudential borrowing. This is more effective than leasing in similar arrangements. While this approach remains under review the combination of low interest rates and extending vehicle life make outright purchase the most appropriate option at this point in time. The sums shown in the CFR for the vehicle prudential borrowing would have previously been shown as an increase in the leasing arrangements. The figures for each year are in line with the capital programme for the vehicle replacement programme over the period of the MTFP. The cost of the debt charges (principal (MRP) and interest) are included in the General Fund revenue account to pay for the vehicles and these costs replace the leasing payments previously paid to the leasing company.

The overall level of General Fund Prudential Borrowing amounts to £12.711m as at 1st April 2017. Of this amount, £3.044m comprises of loans made to Rykneld Homes in its role as Registered Provider, £2.303m relates to the refurbishment of Dronfield Sports Centre, £2.446m relates to the purchase of Council vehicles, £1.676m relates to the purchase of Pioneer House and £3.242m relates to miscellaneous General Fund Borrowing.

1.15 Prudential Borrowing – HRA

The capital programme includes an HRA scheme to build new homes in North Wingfield. The scheme is estimated to cost the Council £4.902m over the financial years 2016/17, 2017/18 and 2018/19. In order to finance this work prudential borrowing of £3.173m has been recommended to Council as part of the Medium Term Financial Plan.

The capital programme also includes details of the HRA scheme to purchase additional homes in the District. The scheme, which has an overall cost of £3.2m, will be partly funded by one for one capital receipts (£0.960m) with the remaining costs to be funded from the development reserve or prudential borrowing. The scheme has been approved on the basis that the use of prudential borrowing will be minimised, however, a provision of £1.5m is considered necessary should other match funding not be available.

Within the HRA prudential borrowing must not exceed the HRA debt ceiling imposed by the March 2012 HRA settlement. The debt ceiling for the HRA was set at £178,984,000. The table below monitors the HRA debt position against the ceiling over the term of the MTFP based on the known capital expenditure plans within the capital programme.

Table 2 shows the position of the HRA Capital Financing requirement compared to the Government Credit Ceiling. The Council's HRA Business Plan provides for the self financing debt to be repaid within the 30 years of the plan and £4.3m is being set aside from the HRA each year to achieve this. The adjusted headroom shows the capacity to incur further debt up to the credit ceiling after providing for the self financing repayment. It forecasts spare capacity of up to £4.588m by 2020/21.

Table 2

HRA Capital Financing Requirement	**2016/17 £000's**	**2017/18 £000's**	**2018/19 £000's**	**2019/20 £000's**	**2020/21 £000's**
1 April balance	**158,973**	**155,107**	**153,271**	**148,496**	**143,446**
Prudential Borrowing HRA - North Wingfield New Build Scheme	1,184	1,714	275	0	0
Prudential Borrowing HRA – Stock Purchase Programme	0	1,500	0	0	0
HRA Debt Repayment provision per business plan (self financing)	(4,300)	(4,300)	(4,300)	(4,300)	(4,300)
Repayment of Allowable Debt	(750)	(750)	(750)	(750)	(750)
HRA Capital Financing Requirement 31 March	**155,107**	**153,271**	**148,496**	**143,446**	**138,396**
HRA Credit Ceiling	**178,984**	**178,984**	**178,984**	**178,984**	**178,984**
Unadjusted Headroom available 31 March	**23,877**	**25,713**	**30,488**	**35,538**	**40,588**
Adjusted for the HRA Debt Repayment Provision (self financing)	**(18,800)**	**(23,100)**	**(27,400)**	**(31,700)**	**(36,000)**
Adjusted Headroom available 31 March	**5,077**	**2,613**	**3,088**	**3,838**	**4,588**

1.16 Minimum Revenue Provision (MRP)

The MRP is the amount of principal repayment being made by the Council in the financial year and is the sum charged to the revenue accounts (General Fund and HRA). The MRP policy is outlined in greater detail in sections 1.29 to 1.35.

1.17 Other repayments of debt

This heading covers the debt transferred to the Council in 1974 with the repayment amount equal to the amount of debt repaid by the transferring authorities.

1.18 Repayment of Allowable Debt

When a Council House is sold under the Right to Buy legislation the Council receives a capital receipt for the sale of the asset. Under the current regulations 75% of the receipt is required to be "pooled" and paid over to the Government. However, since the HRA settlement in March 2012, when the Council took on £127m of debt, regulations have been set that means there is a calculation applied prior to the pooling calculation. This calculation allows the Council to retain a portion of the capital receipt before the pooling calculation is applied in order to repay the settlement debt that is attributable to the property being sold. I.e. it ensures that the Council is able to repay the settlement debt related to the property and therefore does not carry outstanding debt on an asset that has been sold. The sum included within the CFR is therefore an estimated amount based on an assumption that approximately 50 Council Houses will be sold each year.

1.19 Summary of Capital Financing Requirement Strategy

The capital financing requirement strategy is driven by the Council's capital expenditure plans and available resources. The detailed capital expenditure plans are contained within the main MTFP report that appears elsewhere on this agenda.

The Housing Revenue Account is forecast to be in a position to set its repayment of the self financing settlement debt at the full level required to repay the debt over the 30 year business plan period. This will reduce interest costs to the HRA and provide wider financing options for future schemes.

How the Council's debt is financed

1.20 The Capital Financing Requirement as set out above calculates the authorities underlying need to borrow for capital purposes. Arising out of the analysis of the debt position the Council can determine how this debt is financed. The CFR also helps to ensure that where the Council is undertaking long term borrowing that such borrowing is being utilised in order to fund capital expenditure, and is not being used inadvertently or otherwise to fund revenue expenditure.

1.21 Table 3 below outlines the current and planned debt financing arrangements over the term of the MTFP.

Table 3

Debt Financing	2016/17 £000's	2017/18 £000's	2018/19 £000's	2019/20 £000's	2020/21 £000's
PWLB	155,451	154,149	150,846	149,541	149,238
Temporary Borrowing	2,000	2,000	2,000	2,000	2,000
Internal Borrowing	29,167	32,506	34,605	34,355	34,140
Debt Provision	(18,800)	(23,100)	(27,400)	(31,700)	(36,000)
Capital Financing Requirement	**167,818**	**165,555**	**160,051**	**154,196**	**149,378**

1.22 PWLB Loans

The PWLB loans held by the Council are designed to mature in line with the HRA and General Fund debt repayments detailed within the CFR. Therefore, any PWLB loans maturing over the MTFP period are unlikely to be replaced. However, where cash flow dictates, additional PWLB loans may need to be taken out to offset maturing PWLB loans. PWLB borrowing may be required as the new vehicle capital costs are incurred during 2017/18. Officers keep the cash flow and CFR position under review on a daily basis. Should any PWLB borrowing be required careful consideration will be given to the term and rates selected to retain a balanced debt portfolio. Table 4 below outlines our estimated position for the Council as at 31 March 2017:

Table 4

PWLB BORROWING Term	Estimated Maturity Profile as at 31 March 2017 £
12 Months	1,302,360
1 – 2 years	3,303,087
2 – 3 years	1,304,280
3 – 4 years	303,670
4 – 5 years	2,205,371
5 – 6 years	111,149
6 – 10 years	21,318,225
10 – 15 years	20,466,398
15 – 20 years	40,046,560
20 – 25 years	42,000,000
25 – 30 years	19,090,000
30 – 35 years	0
Over 35 years	4,000,000
Total PWLB Debt	**155,451,100**

The Government has tabled an amendment to the Infrastructure Bill which would allow the Government to abolish the Public Works Loan Board and transfer its lending functions to another body (the Municipal Bond Agency) using the process set out in the Public Bodies Act 2011.

The Government plans to set out its proposals on transferring the lending functions to another body in a consultation document, in due course. This reform is restricted to issues of governance; i.e. it is a change in the machinery of Government. The proposals will have no impact on existing loans held by the Council or on the government's policy on Local Authority borrowing.

It is likely that the Municipal Bond Agency, currently in the process of being set up, will be offering loans to local authorities in the near future. It is also hoped that the borrowing rates will be lower than those offered by the Public Works Loan Board (PWLB). The Council intends to make use of this new source of borrowing as and when appropriate. Given that borrowing can also be undertaken from other local authorities, generally at preferential rates, then should new borrowing be necessary consideration will be given to undertaking such borrowing direct from other local authorities.

1.23 Leasing Arrangements

The current leasing arrangements relate solely to vehicles utilised in the provision of services. The move away from leasing to prudential borrowing as a means of financing vehicle purchase is reflected in the reduction each year of outstanding leasing balance as the lease is repaid and not replaced. All current finance leasing arrangements will come to an end of March 2017. While prudential borrowing is currently a more advantageous method of financing the acquisition of vehicles and similar items officers will continue to keep the position under review.

1.24 Temporary Borrowing

Table 3 above reflects the forecast borrowing as at 31 March each year to finance the Council's CFR. The £2m shown for temporary borrowing relates to short term borrowing that may be required in late February and March each year. This borrowing is required to cover the cash flow shortfall arising from rent free weeks and from the fact that council tax is not collected in February and March. The associated temporary borrowing is expected to be repaid in April each year.

1.25 Internal Borrowing

The balance between the level of the CFR and external borrowing is made up from the utilisation of internal cash balances held by the Council. This effectively minimises the need for the Council to borrow money from external sources. The Council could borrow externally for all of its CFR requirements which would free up the internal balances to be invested on the money markets. However, officers are of the view that with investment interest rates low and uncertainty in the money markets that this is not an appropriate approach. The current approach is therefore that internal balances are utilised to reduce the overall borrowing requirement of the Council. This is considered the most effective and minimal risk approach in the current climate. This approach will be kept under review on a regular basis and as market conditions change.

1.26 If internal balances do increase more than anticipated over the period of the MTFP then consideration will need to be given either to not replacing PWLB loans as they mature or whether to invest the additional balances to earn interest. The internal cash balances are made up from the General Fund Reserve, HRA balances, Provisions and Earmarked Reserves and any positive cash flows from within the main accounts of the Council.

1.27 Where the Council has internal borrowing it is required under accounting regulations to ensure that the funds of the relevant accounts (HRA and General Fund) are treated equitably. The internal balances of the General Fund and the HRA are therefore paid an interest rate to reflect the level of internal borrowing from these accounts. The Council will apply the short-term interest rate (London Interbank Three Month Bid (LIBID)) to internal borrowing balances.

1.28 Summary of the Proposed Borrowing Strategy 2017/2018

- Any maturing PWLB loans are unlikely to be replaced as they tie in with the HRA CFR debt being repaid. However, officers will be mindful of the impact of the capital expenditure on the vehicle replacement scheme that may trigger the need to undertake some PWLB borrowing during 2017/18. Any new PWLB loans will only be taken if the cash flow position indicates that external borrowing is required and a careful view will be taken on interest rates, market conditions and the Council's debt portfolio;
- Leasing debt will continue to be repaid in accordance with existing contractual arrangements (due to end March 2017);
- Temporary Borrowing will only be utilised where short term cash flow shortages occur;
- Internal balances will be utilised to reduce the need for external borrowing and therefore to minimise investment balances. This approach is to be reviewed each quarter and will consider both changes in the level of balances available and market conditions;
- Officers will monitor the position to ensure that external borrowing remains within the CFR limit during 2017/18;
- The debt financing arrangements as outlined in Table 3 be approved.

Minimum Revenue Provision Policy

1.29 The Council is required to determine a policy on the repayment of its debt each year through the Minimum Revenue Provision (MRP). The MRP is the amount of debt being repaid and is a charge on the revenue accounts of the Council. Details of the proposed MRP levels for 2017/18 are shown below:

1.30 General Fund

The Council has set a minimum revenue provision for the repayment of General Fund debt that has arisen from supported borrowing approvals (£256,000).

1.31 Pioneer House

The prudential borrowing for Pioneer House is being repaid over a 50 year period which equates to an MRP of £40,000 per annum.

1.32 Vehicle replacement

The MRP required for the prudential borrowing undertaken to finance the purchase of operational vehicles is calculated on a vehicle by vehicle basis based on its estimated life. The MRP amount in total for 2017/18 is £0.693m. All of the vehicles due to be replaced in 2017/18 relate to those utilised by the Grounds Maintenance, Transport and Refuse Collection Services.

1.33 Leased Assets

The current level of anticipated MRP in respect of leased assets along with the year end liability is set out in table 5:

Table 5

Leased Assets	**2016/17 £000's**	**2017/18 £000's**	**2018/19 £000's**	**2019/20 £000's**	**2020/21 £000's**
Leasing Liability 1 April	5	0	0	0	0
Less MRP	(5)	0	0	0	0
Leasing Liability 31 March	0	0	0	0	0

1.34 HRA Debt Repayments

There is no statutory requirement for the Council to set an MRP in relation to HRA debt. The budgetary provision to repay HRA debt which is proposed for the period of the MTFP is effectively a local decision taken in the light of the requirements to satisfy the Prudential Code namely affordability, prudence and sustainability. This approach also fulfils the requirement to repay the debt during the term of the HRA Business Plan and to ensure the financial sustainability of the HRA.

1.35 Summary of MRP policy arrangements for 2017/18

Table 6

General Fund	**MRP 2017/18 £**
General	256,000
Pioneer House	40,000
Vehicle Replacement	693,231
Total – General Fund	**989,231**

Housing Revenue Account	**MRP 2017/18 £**
Debt Repayment	4,300,000
Total – HRA	**4,300,000**
Overall MRP Total	**5,289,231**

Investments

1.36 The Council monitors its day to day cash flow and forecasts when surplus cash flows will be available for investment during the financial year. This element of the

Treasury Management Strategy informs Members concerning the main principles governing the Council's investment criteria.

1.37 The prime consideration when it comes to investments is first of all the security of the investment closely followed by the liquidity of the investment. Subject to adequate security and liquidity then the yield or return on the investment becomes a consideration.

1.38 In order to ensure that the key principles of security and liquidity are adhered to the Council needs to ensure the following:

- That it has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators which have been reported separately. This is set out in greater detail in the section on the Liquidity of Investments below;

- That it maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and for monitoring their security. Further details are provided in the Specified and Non-Specified investment sections below.

1.39 Security of Investments

External treasury management advisors are engaged by the Council to provide regular updates on the counterparties who meet the Council's investment criteria. The external treasury management advisors have in place a comprehensive assessment and monitoring criteria process covering the counterparties available to the Council to place investments. The process involves the Treasury Management consultants providing regular updates on their current assessment of all the main counterparties in the money markets. The list utilises the latest ratings from all the main credit rating agencies and supplements this further with information on trading on insurance instruments which the external treasury management advisors use to monitor early warning signals concerning individual counterparties. The counterparties are all rated, based on the risk assessment applied, and each rating represents the maximum period of investment for each counterparty. It is proposed that the Council continues to use the external treasury management advisors counterparty listing – or similar methodology - to assess the status of individual counterparties for investment purposes.

1.40 Liquidity of Investments

The Council will consider and carefully balance the use of specified investments (less than one year) and non-specified investments (greater than one year) to ensure there is appropriate operational liquidity (i.e. that it has sufficient funds to meet the expenditure incurred).

1.41 Specified Investments

These investments are sterling investments of not more than one-year maturity, or those which could be for a longer period but where the Council has the right to be repaid within 12 months if it wishes. These are low risk assets where the possibility of loss of principal or investment income is negligible. These would include investments with:

1 The UK Government (such as the Debt Management Office, UK Treasury Bills or gilt with less than one year to maturity);
2. Supranational bonds of less than one year's duration;
3. A local authority (including Parish councils);
4. An investment scheme that has been awarded a high credit rating (where a borrower (or its parent) is required to have a F1 and above short-term credit rating);
5. A body that has been awarded a high credit rating by a credit rating agency (see 4 above) such as a bank, building society or money market fund;
6. Rated Building Societies from the top 20 Building Societies;
7. Non UK banks domiciled in a country which has a sovereign long term rating of AA+.

1.42 Non-Specified Investments

The use of longer term instruments (greater than one year from inception to repayment) will fall in the non-specified investment category. These instruments will only be used where the council's liquidity requirements are safeguarded. Under the Prudential Code the council is required to review and set limits for the maximum level of long term investments over the forthcoming three years. These limits are part of the mechanisms which ensure that the Council has sufficient funds to meet its expenditure requirements over the period in question. It should be noted that the loans which have been made to Rykneld Homes in their capacity as a Registered Provider have been detailed in the sections dealing with Prudential Borrowing (section 1.14 above). These loans are not included within the category of non specified investments detailed below and accordingly are outside of the agreed limits in respect of non specified investments.

1.43 Non-specified investments are any other type of investment:

1. Supranational Bonds greater than 1 year to maturity

(a) Multilateral development bank bonds - These are bonds defined as an international financial institution having as one of its objects economic development, either generally or in any region of the world (e.g. European Investment Bank etc.).

(b) A financial institution that is guaranteed by the United Kingdom Government -The security of interest and principal on maturity is on a par with that of the Government and so very secure, and these bonds usually provide returns above equivalent gilt edged securities. However the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.

2. Gilt edged securities

Gilt edged securities with a maturity of greater than one year. These are Government bonds and so provide the highest security of interest and the repayment of principal on maturity. Similar to category 1 above, the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.

3. <u>Building Societies not meeting the basic security requirements under the specified investments.</u>

   The operation of some building societies does not require a credit rating, although in every other respect the security of the society would match similarly sized societies with ratings. These would include the non-rated building societies from the top 20 building societies.

4. <u>Any bank or building society that has a minimum long term credit rating of A- and above.</u> For deposits with a maturity of greater than one year.

5. <u>Any non rated subsidiary of a credit rated institution</u> included in the specified investment category.

6. <u>Share capital or loan capital in a body corporate</u> – The use of these instruments will be deemed to be capital expenditure, and as such will be an application (spending) of capital resources. Revenue resources will not be invested in corporate bodies. However this category of investments may be used for a treasury management purpose not related to a service, and in this instance will not be considered as capital expenditure.

7. <u>Other Local Authorities, including Parish Councils.</u>

1.44 <u>Specified Investments Strategy</u>

Specified Investments (less than 12 months) can be made with the counterparties covered by the list in Section 1.41. The Council however is advised to reaffirm the specified investments list criteria which are designed to minimise risk as set out below:

Who we will invest our money with:

- UK Government;
- Top rated UK banks (including part Nationalised Banks);
- The top 20 UK building societies;
- Other local authorities (including Parish Councils);
- AAA rated money market funds;
- Lloyds Bank;
- Non UK banks domiciled in a country which has a sovereign long term rating of AA+;
- All the counterparties above must meet the strict assessment criteria applied by the external treasury management advisors before any investment is made.

Limits and Controls on these investments:

- A limit of £5m to be invested with any individual counterparty;
- A limit of £5m to be invested in any individual AAA rated money market fund;
- Lloyds bank – limited to overnight cash balances up to £5m.
- All lending subject to "on the day" cleared credit checks being undertaken on

the proposed counterparty.

1.45 Non Specified Investments Strategy

The use of longer term instruments (greater than one year from inception to repayment) will fall in the non-specified investment category. These instruments will only be used where the Council's liquidity requirements are safeguarded. Under the Prudential Code the Council is required to review and set limits for the maximum level of long term investments over the forthcoming three years. These limits are part of the mechanisms which ensure that the Council has sufficient funds to meet its expenditure requirements over the period in question. To comply with the Treasury Management Code of Practice the following limits have been set for Non Specified Investments, which will allow officers to undertake such investment:

With regard to non specified investments it is recommended that the following controls should be put in place:

- The overall level of investment in non specified instruments will be limited to one of £10m;
- The counterparties which may be used will be limited to those listed in section 1.45 above;
- No more than £5m as an overall investment limit with any counterparty (i.e. the Council will not invest more than £5m with any counterparty be it specified or non specified investments or both);
- Given that Lloyds bank is the holder of the Council's bank account no non-specified investments will be placed with that institution as it would make it very difficult to limit our level of risk in respect of that bank.

Interest rate projections

1.46 Following advice from the Council's external treasury management advisors. Officers have made the following base rate assumptions with regards interest rates over the term of the MTFP:

2016/17	0.25%
2017/18	0.25%
2018/19	0.25%
2019/20	0.25%
2020/21	0.25%

It should be noted that the current Bank Base Rate is one of 0.25%.

The Prudential Indicators

1.47 In putting together the Medium Term Financial Plan the Council has had regard to the requirements of the Prudential Code.

1.48 The following are the prudential indicators that have been calculated in respect of this period:-

1.49 Ratio of financing costs to the net revenue stream

Table 7

Ratio of financing costs to net revenue stream					
	2016/17 Estimate	**2017/18 Estimate**	**2018/19 Estimate**	**2019/20 Estimate**	**2020/21 Estimate**
	%	%	%	%	%
General Fund	7.24	7.79	7.74	8.63	8.90
HRA	38.74	39.31	40.06	39.63	40.24

The General Fund ratio reflects the impact of the capital programme and the estimated borrowing costs incurred to finance the vehicle replacement each year from prudential borrowing. Each year's figure is a separate calculation which reflects the existing and adds the new borrowing undertaken in that year to finance the capital programme. Therefore if the value of the vehicles to be replaced in the year is particularly high then the calculation will reflect that. A further impact on the calculation of these percentages is the reducing level of general Government Grant received by the Council which reduces the base over which the borrowing costs are divided. Also, the forecast interest rates will affect the interest costs in each calculation.

The HRA ratio is high as a result of the increased interest charges following the transfer of external debt to the Council as part of the HRA reforms and the increased interest costs from the borrowing undertaken for the new housing projects. Council should note that one of the key issues addressed by the 30 Year HRA Business Plan was that of the affordability of the projected level of the HRA debt. The Business Plan demonstrates that the Council's Housing Revenue Account remains financially sustainable taking into account the increased level of borrowing.

1.50 Impact on Council Tax and Rents from prudential borrowing

This indicator measures the impact of prudential borrowing on the revenue accounts of the Council. The indicator takes the cost of the principal (MRP) and interest charges arising from any new borrowing and calculates how much Council Tax and Rents is required to cover these costs. It should be noted that where approval for Prudential Borrowing is sought that Officers develop a financial appraisal which demonstrates that each case of proposed borrowing complies with the requirements of prudence, sustainability and affordability as required by the Prudential Code.

The prudential borrowing in the General Fund relates to the replacement of operational vehicles with the impact on Council Tax amounts being shown in table 8 below. It should be noted however, that the impact on Council Tax that is required to be shown in this indicator does not take account of the fact that there is an offsetting reduction on the General Fund from reduced leasing charges that are already incorporated in currently approved budgets and that some of the debt charges will be recovered from Rykneld Homes Limited under Service Level Agreements.

Table 8

Impact on Council Tax	2016/17	2017/18	2018/19	2019/20	2020/21
Prudential Borrowing for Vehicle Replacement	£2.41	£1.21	£3.60	£3.53	£10.33

The prudential borrowing for the HRA from 2016/17 through to 2018/19 relates to the proposed new build scheme at North Wingfield which plans to provide new homes for social rent, affordable rent and shared ownership. The scheme is estimated to cost the Council £4.902m over the financial years 2016/17, 2017/18 and 2018/19. Prudential borrowing of £1.5m has been included for 2017/18 to part fund a stock purchase scheme utilising 1-4-1 right to buy receipts. In order to finance the HRA schemes prudential borrowing of £4.673m has been recommended to Council as part of the Medium Term Financial Plan.

Table 9

Impact on Housing Weekly Rents	2016/17	2017/18	2018/19	2019/20	2020/21
Prudential Borrowing for HRA schemes	£0.10	£0.26	£0.02	£0.00	£0.00

1.51 Authorised Borrowing Limit

The Authorised Limit for External Debt sets out the maximum level of borrowing which a local authority should enter into, and it covers both borrowing for capital purposes and borrowing for temporary purposes to cover any potential shortfall of revenue cash flow. It is recommended that the limit is set as £10m above the forecast CFR levels.

Table 10

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000
Authorised Borrowing Limit	177,818	175,555	170,051	164,196	159,378

1.52 Operational Boundary

The Operational Boundary is intended to provide a management tool which helps to assess whether the authority's level of borrowing is in line with its agreed Medium Term Financial Plan and in particular the capital expenditure and capital financing plans. In normal operating circumstances the level of borrowing should not exceed the Operational Boundary. The limit is set at £5m above the forecast CFR levels.

Table 11

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000
Operational Boundary	172,818	170,555	165,051	159,196	154,378

1.53 To summarise the Operational Boundary is effectively a check to ensure that the Council does not borrow significantly above its CFR at any one time. It provides an operational check on the level of borrowing that the Council is entering into. The Authorised Limit provides the overall control for Treasury Management activity throughout the year.

1.54 Independent of the prudential limits above treasury management officers currently operate with a temporary borrowing limit of £5m. If temporary borrowing ever reached this limit then officers will examine the cause of the breach against cash flow projections which in most cases will prompt the need to consider longer term borrowing arrangements.

1.55 Compliance with the CIPFA Code of Practice for Treasury Management in the Public Services

One of the key indicators to ensure that a Council demonstrates sound treasury management practice is compliance with the CIPFA Code of Practice for Treasury Management in the Public Services. This Council has complied with the Code since its introduction on 1st April 2004, and one of the key purposes of the current report is to demonstrate continued compliance with the Code.

1.56 Interest Rate Exposures

In determining its borrowing policy the Council has a choice between opting for fixed or variable interest rates. While variable interest rates are generally cheaper in the short term by their very nature these rates can move up or down in relation to the wider movements on the money markets. While a greater reliance on variable rates will obviously tend to reduce costs in the short term, it does leave the authority open to fluctuations in market interest rates.

In order to protect local authorities against unforeseen fluctuations in interest rates the Prudential Code requires that all authorities establish the following ratios: -

An Upper limit for borrowing that is at fixed rates less investments that are fixed rate investments.

An Upper limit for borrowing that is at variable rates less investments that are variable rate investments

These prudential indicators are designed to ensure that the authority considers the risk that fluctuations in the levels of interest rate can create an unexpected or unbudgeted burden on the authority's finances, against which the authority has to protect itself adequately.

With respect to North East Derbyshire it is recommended that the Council continues to adhere to the limits set out in the following table:

Table 12

	Upper Limit Fixed Interest Rate	Upper Limit Variable Interest Rate
2016/2017	100%	45%
2017/2018	100%	45%
2018/2019	100%	45%
2019/2020	100%	45%
2020/2021	100%	45%

1.57 Maturity Structure of Borrowing
Amount of projected borrowing that is fixed rate maturing in each period

This indicator is designed to be a control over an authority having large concentrations of fixed rate debt that need to be replaced over a relatively short period of time. This ensures that an authority does not find itself in a position of having to replace a large proportion of its debt at a time when interest rates are adverse or uncertain.

Table 13

	Lower Limit	Upper Limit	Forecast Position at 31 March 2018
Under 12 months	0 %	20 %	0.84%
12 months and within 24 months	0 %	20 %	2.12%
24 months and within 5 years	0 %	40 %	2.45%
5 years and within 10 years	0 %	40 %	13.79%
10 years and above	0 %	90 %	80.80%

1.58 Upper limit for principal sums invested for periods longer than 364 days

The risk inherent in the maturity structure of the authority's investment is that it may be forced to realise an investment before it reaches final maturity and thus at a time when its value may be dependent on market conditions that cannot be known in advance.

Where the authority invests, or plans to invest for periods longer than 364 days, the authority is required to project the maturing of such investments. The authority is required to set an upper limit for the total principal sum invested to final maturities beyond the period end less projected cash balances in the period.

In line with the proposed policies in respect of non specified investments (see Section 1.45) it is proposed that this prudential indicator will be set at £10m for 2017/18 based on cash balances being available for investment. The financial years 2018/19 to 2020/21 are set at the same level but will be subject to review should the forecast position in respect of cash balances change.

Council should note that loans of £3.044m are outstanding with Rykneld Homes limited in respect of its role as a Registered Provider as at 1st April 2017. The loans outstanding will increase to £4.463m over the period of this report. These loans are not included in the non-specified investments and therefore do not form part of Table 14 below.

Table 14

Year	Limit of investments maturing beyond the year end
2017/2018	£10 million
2018/2019	£10 million
2019/2020	£10 million
2020/2021	£10 million

In practice this indicator means that the Council could:

- In 2017/18 invest up to £10m to 31 March 2018 (maximum period of just under two years).
- In 2018/19 invest up to £10m to 31 March 2019 (maximum period of just under two years).
- In 2019/20 invest up to £10m to 31 March 2020 (maximum period of just under three years).
- In 2020/21 invest up to £10m to 31 March 2021 (maximum period of just under four years).

Treasury Management Operations

1.59 Treasury Management Advisors

As mentioned earlier the Council uses an external treasury management advisor. The company provides a range of services which include:

- Technical support on treasury matters, capital finance issues and the drafting of Member reports;
- Economic and interest rate analysis;
- Debt services which includes advice on the timing of borrowing;
- Debt rescheduling advice surrounding the existing portfolio;
- Generic investment advice on interest rates, timing and investment instruments;
- A number of places at training events offered on a regular basis.
- Credit ratings/market information service comprising the three main credit rating agencies;

1.60 Whilst the advisers provide support to the internal treasury function, under current market rules and the CIPFA Code of Practice the final decision on treasury matters remains with the Council. It should be noted that the Council has recently appointed Arlingclose Ltd as external treasury management advisors, for a period of 3 years commencing October 2016.

1.61 Member and Officer Training

It is important that both Members and Officers dealing with treasury management are trained and kept up to date with current developments. This Council has addressed these requirements by:

a. Members' individual training and development needs are addressed by a Member Development Programme.
b. Officers attend training seminars held by the external treasury management advisors and CIPFA.

1.62 Banking Contract

The contract with the Councils new banking provider Lloyds Bank commenced on the 10th February 2015 for a period of 7 years.

1.63 Business Continuity Arrangements

As part of the Councils business continuity arrangements officers have sought to set up and provide alternative banking arrangements for the Council should they be required at short notice. These arrangements effectively mean a separate bank account is in place with the required security controls and appropriate officer access to undertake transactions. This account is with Barclays Bank and will only be utilised should a business continuity need or similar issue arise. Officers will continue to review this arrangement.

2 Conclusions and Reasons for Recommendation

2.1 This report outlines the Council's proposed Treasury Management Strategy for the period 2017/18 to 2020/21 for consideration and approval by Council. It fulfils four key requirements:

- The Treasury Management Strategy sets out how the treasury management function will support the capital decisions approved within the MTFP and the parameters for all borrowing and lending associated with the day to day treasury management of the Council's cash flow requirements.

- Within the strategy the Council is required to include a number of prudential indicators covering the next three financial years which show the impact of changes in the level of the Council's debt on its revenue accounts.

- The Council is also required to determine a policy on the repayment of its debt each year through the Minimum Revenue Provision (MRP). The MRP is the amount of debt being repaid and is a charge on the revenue accounts of the Council.

- The report also includes an investment strategy which sets out the Council's criteria for choosing investment counterparties and limiting exposure to the risk of loss.

The above policies and parameters provide an approved framework within which the officers undertake the day to day capital and treasury activities.

3 Consultation and Equality Impact

3.1 There are no equality issues arising from this report.

4 Alternative Options and Reasons for Rejection

4.1 Alternative options are considered throughout the report.

5 Implications

5.1 Finance and Risk Implications

5.1.1 These are considered throughout the report.

5.2 Legal Implications including Data Protection

- As part of the requirements of the CIPFA Treasury Management Code of Practice the Council is required to produce every year a Treasury Management Strategy which requires approval by full Council prior to the commencement of each financial year. This report is prepared in order to comply with these obligations.
- There are no Data Protection issues arising directly from this report.

5.3 Human Resources Implications

5.3.1 There are no human resource implications arising directly out of this report.

6 Recommendations

6.1 It is recommended that Council approve the Treasury Management Strategy as set out in this report and in particular:

a) Approve the Capital Financing Requirement as summarised in Section 1.13 of this report.

b) Approve the Borrowing Strategy as summarised in Section 1.28 of this report.

c) Approve the Minimum Revenue Provision Policy for 2017/18 as set out in Section 1.29.

d) Approve the Investment Strategy as set out in Section 1.36 for Specified Investments and Section 1.44 for Non Specified investments.

e) Approve the use of the external treasury management advisors Counterparty Weekly List – or similar - to determine the latest assessment of the counterparties that meet the Council's Criteria under section 1.41 and 1.44 before any investment is undertaken.

f) Approve the Prudential Indicators for 2017/18 detailed in Section 1.47 to 1.58 of this report and in particular:

Authorised Borrowing Limit	£175,555,000
Operational Boundary	£170,555,000
Capital Financing Requirement	£165,555,000
Temporary Borrowing limit	£5,000,000

7 Decision Information

Is the decision a Key Decision? (A Key Decision is an executive decision which results in income or expenditure to the Council of £50,000 or more or which has a significant impact on two or more District wards)	N/A
Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In)	N/A
District Wards Affected	N/A
Links to Corporate Plan priorities or Policy Framework	This Treasury Management Strategy is an integral part of the Council's Medium Term Financial Plan which links our financial position to the Corporate Plan and our other service strategies.

8 Document Information

Appendix No	**Title**
N/A	
Background Papers (These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Cabinet (NEDDC) or Executive (BDC) you must provide copies of the background papers)	
Accountancy Section	

Report Author	**Contact Number**
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