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26 February 2020

To: All Councillors

As a Member of the **Council**, please treat this as your summons to attend a meeting on **Thursday, 05 March 2020 at 6.00pm in the Council Chamber, Town Hall, Matlock DE4 3NN.**

Yours sincerely

Sandra Lamb
Head of Corporate Services

AGENDA

1. APOLOGIES

Please advise the Committee Team on 01629 761133 or e-mail: committee@derbyshiredales.gov.uk of any apologies for absence.

2. PUBLIC PARTICIPATION

To enable members of the public to ask questions, express views or present petitions on the subject matters(s) identified in the summons **IF NOTICE HAS BEEN GIVEN**, (by telephone, in writing or by electronic mail) **BY NO LATER THAN 12 NOON OF THE DAY PRECEDING THE MEETING**.

3. APPROVAL OF THE MINUTES OF PREVIOUS MEETING

16 January 2020.

4. INTERESTS

Members are required to declare the existence and nature of any interests they may have in subsequent agenda items in accordance with the District Council’s Code of Conduct. Those interests are matters that relate to money or that which can be valued in money, affecting the Member her/his partner, extended family and close friends. Interests that become apparent at a later stage in the proceedings may be declared at that time.

Page Nos.

14. CORPORATE INVESTMENT STRATEGY AND COMMERCIAL INVESTMENT STRATEGY FOR 2020/21 **121 - 154**

To consider approval of the Corporate Investment Strategy and Commercial Investment Strategy for 2020/21.

15. SEALING OF DOCUMENTS

To authorise that the Common Seal of the Council be affixed to those documents, if any, required completing transactions undertaken by Committees or by way of delegated authority to others, since the last meeting of the Council.

NOTE

For further information about this Agenda or on "Public Participation" call 01629 761133 or e-mail: committee@derbyshiredales.gov.uk

NOT CONFIDENTIAL – For public release **Item No. 5**

COUNCIL
5 MARCH 2020

Report of the Head of Regeneration and Policy

CORPORATE PLAN 2020-2024

SUMMARY

The Corporate Plan is the District Council's primary policy document. It establishes the top priorities for the coming years, and sets the framework for allocating scarce resources through the budget process. The service plans form a more detailed annual delivery plan of these objectives and are tabled for approval at the same time alongside the budget - which provides the resource to deliver these objectives. This report sets out the process of Member engagement that has been used to develop the Corporate Plan since it was considered by Members at Council on 21st November 2019, and proposes a revised draft Corporate Plan for approval.

RECOMMENDATION

That the Corporate Plan 2020-2024 set out in Appendix 1 is approved for the purposes of setting the District Council's strategic priorities over the next four years.

WARDS AFFECTED

All

STRATEGIC LINK

Every plan, strategy policy, and action of the District Councils flows from the Corporate Plan. The Corporate Plan is put into effect by the Budget and Service Plans, which in turn are supplemented by other policies and strategies. Through the Performance and Development Review scheme (PDR), employees' activities are directly linked to the Corporate Plan.

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1 BACKGROUND

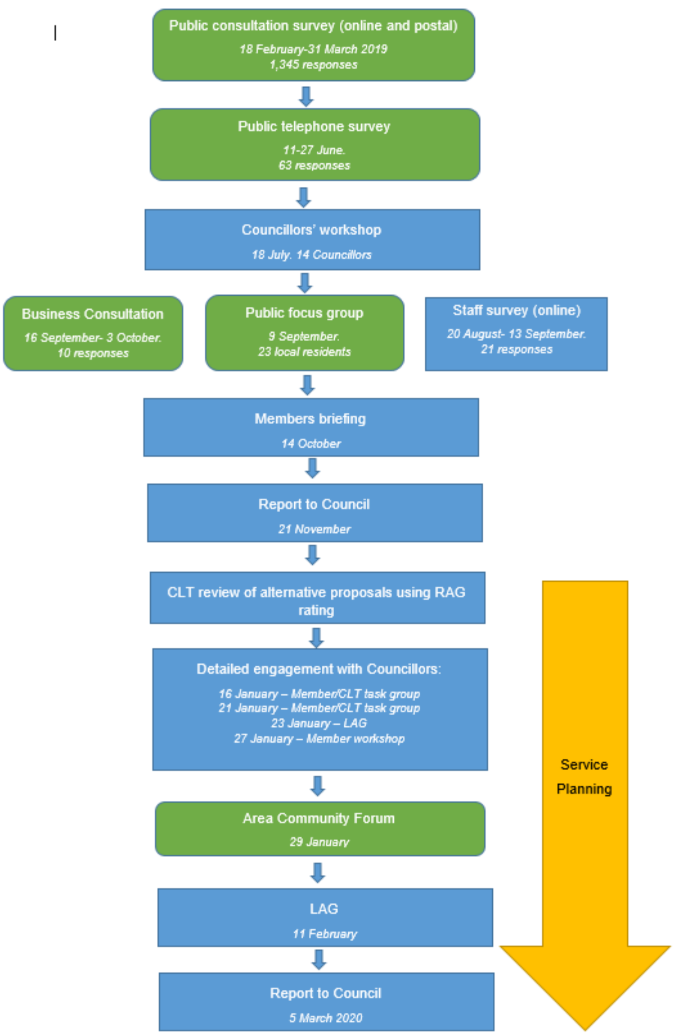
1.1 The proposed 2020-24 Corporate Plan has seen an unprecedented level of engagement with local residents and Members in its development. Members are reminded that nearly two-thirds of the District Council budget is dedicated to basic services such as waste/recycling and regulatory services and the support services that keep the Council running (including democratic and electoral services as well as finance etc.). This leaves the Council with only limited resource in terms of its discretionary spend to use flexibly. The extensive engagement undertaken has been used to refine the Corporate Plan to ensure it best reflects priorities of local residents and Members whilst also being achievable.

1.2 The normal planning cycle allows for development of operational Service Plans in autumn each year, after Corporate Plan objectives have been set. This year the process of developing Service Plans (which are considered elsewhere on this agenda) has been concurrent with the Corporate Plan.

2 SUMMARY OF THE CORPORATE PLAN CONSULTATION PROCESS

2.1 The diagram below sets out the stages of the consultation and engagement process that has been used to develop the Corporate Plan presented today. The stages in the green boxes involved external people and those in the blue boxes were internal to the District Council.

Shaping the Corporate Plan 2020-24: stages of consultation



2.2 At a meeting of Council held on 21st November 2019, officers presented a report which sought to obtain Member approval for a headline Corporate Plan and the development of a detailed action plan for its implementation. Following debate it was resolved:

1. That progress against the Corporate Plan 2019/20 targets is noted;
2. That the results of the Corporate Plan consultation are noted;

3. That progress in developing the Corporate Plan 2020/2024 is noted;
4. That the Corporate Plan 2020-2024 action plan and specific targets are developed with Member involvement (including a Member Workshop in January 2020 and the Leader's Advisory Group) for consideration by Council in March 2020 alongside the Budget.

2.3 Following the Council Meeting in November 2019, the Corporate Leadership Team (CLT) undertook an assessment of the proposals submitted by the Liberal Democrat Group against four criteria:

1. Link to public priority/public consultation
2. Link to need identified in Evidence Base
3. Sufficient Capacity (Budget & Staff)
4. Other Factors

The assessment process sought to use these criteria to determine the extent to which each of the proposals were suitable for inclusion within the Corporate Plan. Having reviewed the assessment of the Liberal Democrat proposals, CLT prepared a revised Corporate Plan, and subjected it to the same assessment process.

2.4 At the same time, a Member Task Group was established to balance aspirations with resources, and work alongside CLT to

- refine the Corporate Plan to the point that the Leaders Advisory Group can critically examine it and Council can make the final decision
- advise the Leaders Advisory Group on the format and content of the Member Workshop.

The Member Task Group was formed according to the rules of political proportionality and comprised Councillors:

- Matt Buckler
- Chris Furness
- David Hughes
- Stuart Lees
- Peter Slack

Officers would like to place on record their thanks to the Member Task Group representatives for their hard work, constructive input, and positive engagement with the difficult process of narrowing down a long list of aspirations to an achievable list of priorities.

2.4 At the meeting of the Member Task Group held on 16th January 2020, Members were given a presentation that sought to clarify the relationship between the Corporate Plan and the operational Service Plans. Members were also given the opportunity to discuss the assessment process undertaken by the Liberal Democrat Group and CLT proposals for inclusion within the Corporate Plan.

2.5 As a result of the discussion at the Member Task Group, officers reviewed the Corporate Plan and presented two alternative formats to a second Member

Task Group meeting held on 21st January 2020. At that meeting the Member Task Group agreed to recommend to the Leaders Advisory Group an alternative format for the Corporate Plan because it is was more positive, more flexible, and contained specific 'we will' pledges.

2.6 The Member Task Group also recommended to the Leaders Advisory Group that for the purposes of the Member Workshop on Monday 27th January 2020 that those present be given a similar presentation given to the Member Task Group on 16th January 2020, which set out the relationship of the Corporate Plan to the operational aspects of the District Council, alongside extracts of individual Service Plans, which seek to elaborate how the aims and aspirations set out in the Corporate Plan are delivered on the ground.

2.7 On 27th January 2020 a further Member Workshop was held. This allowed all Members to give consideration to the newly proposed format and structure of the Corporate Plan, and to discuss and make suggestions about the detailed contents of the Corporate Plan. Following this meeting, CLT again reviewed the draft proposals and presented a revised version of the Corporate Plan to the Leaders Advisory Group meeting held on 11th February 2020.

2.8 The Leaders Advisory Group agreed that this Corporate Plan approach (as set out in Appendix 1) be presented to Council, but that Council itself would have the final say on the Plan to be adopted. The Leaders Advisory Group also agreed that the Corporate Plan should be developed into two user-friendly versions: one in a single page poster format, and another incorporating images and supporting text for wider publication.

2.9 Whilst these versions were not able to be produced in time for circulation with the Council agenda papers, it is officers' aim to have mock-ups of both the poster version and the longer publication version ready for Members to view at the meeting on 5 March.

3 CORPORATE PLAN TARGETS

3.1 To ensure that the District Council makes progress against the priorities set out in the Corporate Plan it is proposed that the Corporate Plan Targets are set out in Appendix 2 are established for 2020/21. These have been established through the Service Planning process, and will be incorporated in final Service Plans when completed.

4 RISK ASSESSMENT

4.1 Legal

The Corporate Plan is compliant with all relevant legislation. The legal risk is assessed as being low.

4.2 Financial

Service and financial planning is an integrated process. The budget and service plans are prepared simultaneously, and proposed actions for 2020/21 are funded from within revenue budgetary provision for 2020/21 and the capital programme to be agreed by Council at the same meeting in March 2020.

The proposed revenue budget for 2020/21 includes the transfer of £200,000 to a new Corporate Plan Priorities Reserve, which will provide a source of funding for projects relating to corporate plan priorities that are not yet reflected in the proposed revenue budget for 2020/21 or the proposed capital programme.

The financial risk is therefore considered to be low at this stage.

4.3 Corporate Risk

There is a risk that Corporate Plan targets may not be achieved. Progress is monitored regularly by Service Managers and by Corporate Leadership Team. Whilst priority actions will be developed with managers as part of the combined service planning and budget setting process, given the continuing financial pressures on the District Council, the risk of not achieving service targets is classified as low for 2020/21 and high for future years.

5 OTHER CONSIDERATIONS

In preparing this report, the relevance of the following factors has also been considered: prevention of crime and disorder, equalities, environmental, climate change, health, human rights, personnel and property.

CONTACT INFORMATION

Steve Capes, Head of Regeneration and Policy
01629 761371, email: *steve.capes@derbyshiredales.gov.uk*

BACKGROUND PAPERS

Description	**Date**	**File**
Council: Corporate Plan 2020-24	21 November 2019	

ATTACHMENTS

Appendix 1	Proposed Corporate Plan 2020-2024
Appendix 2	Proposed Corporate Plan targets 2020/21

APPENDIX 1 – PROPOSED CORPORATE PLAN 2020-2024

PEOPLE – PROVIDING YOU WITH A HIGH QUALITY CUSTOMER EXPERIENCE

- Redesign our website to make it easier for you to find the information you need
- Enable you to pay online for more Council services
- Offer you the ability to access more services yourself 24/7 online
- Maintain high customer satisfaction about the quality of services we deliver

We will achieve this by:

- Including clearer information about your Clean and Green Service on our website
- Enabling online direct debits and card payments for services such as garden waste collection
- Providing an online facility to request District Council services such as litter clearance and street cleaning
- Designing our online services to keep you informed of progress
- Undertaking an annual online survey of residents to establish customer satisfaction and priorities
- Reviewing opportunities as we strive to be a more commercially minded District Council

In addition we will:

- Maintain other customer access channels: during opening hours, you will still be able to phone us or drop by at the Town Hall in Matlock
- Engage with community groups and encourage projects run by community groups
- Achieve a sustainable financial position by prudent management of resources and reviewing services

PLACE – KEEPING THE DERBYSHIRE DALES CLEAN, GREEN AND SAFE

- Review our clean and green service commitments to better target existing resources
- Achieve net zero carbon emissions from District Council operations by 2030
- Work with partners across the county and region to deliver this new goal through all relevant strategies
- Invest capital resources in our main parks to improve facilities where feasible

We will achieve this by:

- Preparing and Implementing a Climate Change Strategy
- Preparing and adopting a Supplementary Planning Document on Climate Change
- Implementing a programme of Electric Vehicle charging points in our car parks,
- Promoting greater recycling especially of food waste
- Developing maintenance plans for green spaces and verges we manage to encourage greater biodiversity
- Developing a community tree planting programme
- Improving facilities initially in Ashbourne Recreation Ground

In addition we will:

- Work with partners and communities to maintain high levels of community safety
- Publish an annual report on air quality in the District and identify any appropriate mitigation measures for areas of lower air quality

PROSPERITY – SUPORTING BETTER HOMES AND JOBS FOR YOU

- Support businesses to encourage productivity, growth, and higher wage jobs in rural and urban locations
- Promote housing development that meets the needs of the present and future population of the District
- Invest resources in developing key employment sites
- Promote investment to stimulate the economy of our market towns

We will achieve this by:

- Facilitating the development of Ashbourne Business Park and Phase 1 housing at Ashbourne Airfield
- Pursuing funding to unlock employment land at Middleton Road/Cromford Road, Wirksworth
- Initiating a development scheme for the Bakewell Road site, Matlock town centre
- Launching the Derbyshire Dales Place Branding Initiative
- Continuing to provide a high quality, free, 1:1 business advice service to small and medium sized businesses
- Building new Council homes to rent and continuing to build social rented homes in partnership with Housing Associations
- Encouraging the provision of smaller-sized open market homes to meet local demand
- Helping disabled people adapt their homes so they can continue to live there
- Exploring further policy changes which could further reduce the number of empty homes
- Submitting a £1m Heritage Lottery Fund bid for the Hurst Farm Regeneration Project
- Delivering a permanent site to meet identified traveller needs

In addition we will:

- Make it easier for local firms to do business with us through our procurement processes
- Complete a review of the Derbyshire Dales Local Plan
- Support communities in developing Neighbourhood Plans
- Continue to provide debt and welfare advice to vulnerable households

APPENDIX 2 – PROPOSED CORPORATE PLAN TARGETS 2020/21

Priority	Target Areas	Pledge	Action	Service Area
***PEOPLE* - PROVIDING YOU WITH A HIGH QUALITY CUSTOMER EXPERIENCE**	Redesign our website to make it easier for you to find the information you need	Including clearer information about your Clean and Green Service on our website	Introduction of faster, and improved website homepage including greater functionality and mobile access by April 2020.	Corporate and Customer Services
	Enable you to pay online for more Council services	Enabling online direct debits and card payments for services such as garden waste collection	• Implement a new payment portal to expand payment options (accepting Debit Cards, Credit Cards and PayPal) and ensure fully integrated payments are added to all online forms by April 2020 • Introduce integrated Direct Debit payments on selected online forms by August 2020	Corporate and Customer Services
	Offer you the ability to access more services yourself 24/7 online	Providing an online facility to request District Council services such as litter clearance and street cleaning	Increase the information available to you automatically in the 'My Account' e.g. Waste collection dates, Councillor details, weather alerts etc. by April 2020	Corporate and Customer Services
		Designing our online services to keep you informed of progress	• Implement a 'My Account' feature to track service requests by April 2020. • Expand the number of services that are fully trackable by March 2022	Corporate and Customer Services
	Maintain high customer satisfaction about the quality of services we deliver	Undertaking an annual online survey of residents to establish customer satisfaction and priorities	Undertake Annual Survey using the Online Residents Panel to assess resident satisfaction with DDDC Services by November 2020	Regeneration & Policy
		Reviewing opportunities as we strive to be a more commercially minded District Council	Review the role and purpose of the Commercial Board by July 2020	Chief Executive & Corporate Leadership Team
		Maintain other customer access channels: during opening hours, you will still be able to phone us or drop by at the Town Hall in Matlock	Continue to maintain and publicise a variety of offline customer contact channels for the District Council's services through Dales Matters and other media.	Corporate and Customer Services
		Engage with community groups and encourage projects run by community groups	• Provide up to £36,600 of grant funding to local community groups for projects that benefit the wider community in Derbyshire Dales. • Support community groups to successfully host events on District Council land by March 2021	Community Development
		Achieve a sustainable financial position by prudent management of resources and reviewing services	Continue to explore opportunities to deliver £250,000 efficiency savings and/or additional income by 2023/24	Resources
***PLACE* – KEEPING THE DERBYSHIRE DALES CLEAN, GREEN AND SAFE**	Achieve net zero carbon emissions from District Council operations by 2030 Work with partners across the county and region to deliver this new goal through all relevant strategies	Preparing and Implementing a Climate Change Strategy	• Implement measures to achieve 2% reduction in CO2 from local authority buildings as compared to the previous calendar year by March 2021 • Develop a strategy to improve energy efficiency at all buildings of asset value £10,000 and above by March 2021	Regulatory Services
		Preparing and adopting a Supplementary Planning Document on Climate Change	• Appoint Consultants to Assist with Preparation of Climate Change SPD by October 2020 • Publish for public consultation Climate Change SPD by January 2021 • Complete adoption of SPD on Climate Change by June 2021	Regeneration and Policy
		Implementing a programme of Electric Vehicle charging points in our car parks	• Introduce publicly accessible EV charging points in at least one car park in each of our market towns by April 2020. • Develop a programme for further publicly accessible EV charging points in car parks across the Derbyshire Dales by April 2021	Neighbourhoods
		Promoting greater recycling especially of food waste	Implement a recycling education and promotional programme by December 2020	Clean & Green
		Developing a community tree planting programme	Develop a Community Tree Planting Programme by April 2021 for implementation in 2021/22	Community Development
	Invest capital resources in our main parks to improve facilities where feasible	Improving facilities initially in Ashbourne Recreation Ground	• Support the transfer and re-build of Ashbourne Memorial Pavilion and the Bowls Pavilion on Ashbourne Recreation Ground by March 2021 • Implement a refurbishment programme for the Bandstand at Ashbourne Memorial Gardens by April 2021	Community Development & Regulatory Services
	Review our clean and green service commitments to better target existing resources	Developing maintenance plans for green spaces and verges we manage to encourage greater biodiversity	• Review and implement revised core standards for Clean and Green by April 2021.	Clean & Green

		Work with partners and communities to maintain high levels of community safety	• To work with DFRS and other partners to review and relaunch the Council's Bonfire Safety Campaign by October 2020	Regulatory Services & Neighbourhoods
		Publish an annual report on air quality in the District and identify any appropriate mitigation measures for areas of lower air quality	Publish an Air Quality Monitoring Report by July 2020 and where necessary commence appropriate mitigation measures by March 2021	Regulatory Services
***PROSPERITY* – SUPPORTING BETTER HOMES AND JOBS FOR YOU**	Invest resources in developing key employment sites	Facilitating the development of Ashbourne Business Park and Phase 1 housing at Ashbourne Airfield	• Work with public & private sector partners to complete infrastructure improvements at Ashbourne Airfield Industrial Estate, opening up 8 ha of new employment land by December 2020	Regeneration & Policy
		Pursuing funding to unlock employment land at Middleton Road/Cromford Road, Wirksworth	• Pursue funding opportunities to unlock employment land and support initial phase of workspace development at Middleton Road, Wirksworth by March 2021	Regeneration & Policy
	Promote investment to stimulate the economy of our market towns	Initiating a development scheme for the Bakewell Road site, Matlock town centre	• Secure investment to enable development of the Bakewell Road town centre site, Matlock by March 2021	Regeneration & Policy
	Support businesses to encourage productivity, growth, and higher wage jobs in rural and urban locations	Continuing to provide a high quality, free, 1:1 business advice service to small and medium sized businesses	• Provide support to 75 established businesses in the Derbyshire Dales by March 2021, enabling the creation of local jobs • 9 Dales businesses supported to access grants or loans from D2N2, Government and EU to enable growth by March 2021	Regeneration & Policy
		Launching the Derbyshire Dales Place Branding Initiative	Launch a Derbyshire Dales Place Branding Initiative to promote the area as a business location by May 2020	Regeneration & Policy
	Promote housing development that meets the needs of the present and future population of the District	Building new Council homes to rent and continuing to build social rented homes in partnership with Housing Associations	• Procure a Development Agent and Managing Agent, register with Homes England and the Regulator of Social Housing, to help enable a programme of new Council Housing by August 2020 • Complete 80 new affordable homes by March 2021	Housing
		Encouraging the provision of smaller-sized open market homes to meet local demand	Implement Policy HC11 in the Derbyshire Dales Local Plan through the determination of planning applications	Regulatory Services
		Helping disabled people adapt their homes so they can continue to live there	Provide adaptations to the homes of 50 disabled people by March 2021.	Regulatory Services
		Exploring further policy changes which could further reduce the number of empty homes	• Undertake a further review the effect of increase in Council Tax Premium in May 2020 • Explore further policy options to reduce the number of empty homes by December 2020.	Housing
		Delivering a permanent site to meet identified traveller needs	Identify opportunities for the provision of permanent Traveller site and conclude negotiations with landowners by July 2020.	Regulatory Services
		Submitting a £1m Heritage Lottery Fund bid for the Hurst Farm Regeneration Project	Complete the Phase 1 survey and projects for the Heritage Lottery Fund bid for the Hurst Farm Regeneration Project by March 2021	Housing
		Make it easier for local firms to do business with us through our procurement processes	Review the Council's procurement processes to encourage local firms to do business with the District Council by April 2021	Corporate and Customer Services
		Complete a review of the Derbyshire Dales Local Plan	Commence Initial Planning for Review of Derbyshire Dales Local Plan by December 2020 and adoption by December 2022	Regeneration and Policy
		Support communities in developing Neighbourhood Plans	Provide ongoing Officer support to neighbourhood areas including technical and procedural advice	Regeneration and Policy
		Continue to provide debt and welfare advice to vulnerable households	Provide debt and welfare advice to 350 vulnerable households by March 2021	Housing

NOT CONFIDENTIAL – For public release **Item No. 6**

COUNCIL
5 MARCH 2020

Report of the Head of Regeneration and Policy

SERVICE PLANS 2020/21

PURPOSE OF REPORT

The Corporate Plan is the District Council's primary policy document. It establishes the top priorities for the coming years, and sets the framework for allocating scarce resources through the forthcoming budget process. Service Plans form a more detailed annual delivery plan of these objectives and are tabled for approval at the same time as the budget - which provides the resource to deliver these objectives. This report recommends that the draft Service Plans set out in Appendix 1 be approved for operational purposes.

RECOMMENDATION

1. That the Service Plans 2020/21 as set out in Appendix 1, and which include the relevant Corporate Plan targets, are approved for operational purposes for the year 2020/21.
2. That prior to publication in June 2020 that the format and structure of the Service Plans be revised, to ensure greater alignment with the Corporate Plan.

WARDS AFFECTED

All

STRATEGIC LINK

Every plan, strategy policy, and action of the District Councils flows from the Corporate Plan. The Corporate Plan is put into effect by the Budget and Service Plans, which in turn are supplemented by other policies and strategies. Through the Performance and Development Review scheme (PDR), employees' activities are directly linked to the Corporate Plan.

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1 BACKGROUND

1.1 As Members will be aware the Corporate Plan sets the District Council's ambitions and high priorities for the four duration of the Council. It seeks to balance aspirations and resources, and thereby influence the budget setting process. It is based upon residents' priorities and upon statistical evidence, and includes specific Corporate Plan targets which are reviewed annually.

1.2 By contrast, Service Plans include most of the operational details for individual service areas. Service Plans are prepared annually in line with Corporate Plan, and are the second element of the ‘Golden Thread’ - the term used to describe the linking of common priorities from the Corporate Plan through the chain of strategies, policies and processes developed by the District Council.

1.3 Service Plans indicate Work Programme and Performance Indicators for Services, as well as setting out past performance and future targets. They are approved by Council alongside the budget at this meeting of Council each year. They enable resources to be identified to deliver planned targets.

1.4 Good service planning is vital for effective performance management. Key actions and objectives are linked with meaningful performance indicators, which demonstrate improvement wherever possible. Service plans include the following:

- Summarised Corporate Plan priorities
- Service Overview: describes objectives and key activities
- Service Area Resources: sets out available staffing and budget
- Service Performance: a table containing indicators, targets, level achieved and annual improvement trends
- Other work-streams: tasks which do not fit into performance indicator phrasing but which are key in-year activities.

2 SERVICE PLANS 2020/21

2.1 In line with the guidance and advice set out in the District Council's Performance Management Handbook Service Plans for 2020/21 have been prepared. These are set out in Appendix 1 and are recommended for approval.

2.2 As set out in the report on the Corporate Plan, elsewhere on the Agenda of this meeting, the Service Plans identify a number of key Corporate Performance Indicators which will be reported to Members on six monthly basis to Council. The Service Plans also set out a number of more service specific indicators which seek to set out how individual elements of the service is performing. These indicators also allow for mitigation measures to be put in place in order to rectify poor or under performance.

2.3 Service Plans are normally published on the District Council's website by the end of June each year, in order to allow outturn figures for the previous financial year to be included in the final versions. It is recommended that in order to better align with the new Corporate Plan that the format of Service Plans be revised prior to publication.

3 RISK ASSESSMENT

3.1 Legal

Service Plans set out the operational programme and targets for individual services. Legal requirements are taken into account in the delivery of each element of the operational programme. The legal risk is assessed as being low.

3.2 Financial

Service and financial planning is an integrated process. The budget and service plans are prepared simultaneously, and actions for 2020/21 are funded from within the revenue budget for 2020/21 to be agreed by Council at the same meeting in March 2020. Information relating to the proposed budget for 2020/21 is shown in respective service plans. The financial risk is therefore assessed as low.

3.3 Corporate Risk

There is a risk that Service Plan targets may not be achieved. Progress is monitored regularly by Service Managers and by Corporate Leadership Team. Whilst priority actions are developed by Service Manager as part of the combined service planning and budget setting process, given the continuing financial pressures on the District Council, the risk of not achieving service targets is classified as low for 2020/21 and high for future years.

4 OTHER CONSIDERATIONS

In preparing this report, the relevance of the following factors has also been considered: prevention of crime and disorder, equalities, environmental, climate change, health, human rights, personnel and property.

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5 CONTACT INFORMATION

Steve Capes, Head of Regeneration and Policy
01629 761371, email steve.capes@derbyshiredales.gov.uk

6 BACKGROUND PAPERS

Description	Date	File
Council: Corporate Plan 2020-24	21 November 2019	

7 ATTACHMENTS

Appendix 1 Draft Service Plans 2020-2021 **(PUBLISHED SEPARATELY)**

NOT CONFIDENTIAL – For public release **Item No. 7**

COUNCIL
5th March 2020

Report of the Head of Resources

CAPITAL PROGRAMME 2019/20 TO 2023/24

PURPOSE OF REPORT

This report:

- Provides members with a mid-year update on the previously approved capital programme;
- Sets out a plan to update the capital programme in the coming months to reflect the new corporate plan priorities;
- Outlines potential future liabilities not included in the Capital Programme.

RECOMMENDATIONS

1 That the revised Capital Programme and financing arrangements for 2019/20, as detailed in Appendix 1, in the sum of £2,533,457 be approved;

2 That the revised Capital programme for 2020/21, as detailed in Appendix 1, in the sum of £7,342,041 be approved;

3 That the programme for years 2021/22 through to 2023/24, as detailed in Appendix 1 in the sum of £3,252,676 be approved;

4 That the potential future liabilities outlined in Appendix 2 be noted.

WARDS AFFECTED

All

STRATEGIC LINK

The Council's Capital Programme takes into account all the priorities and targets within the Corporate Plan and these are identified in the Capital Strategy. The proposed Capital Programme will assist in delivering Council services that are important to residents' well-being. As explained in the report, the capital programme will be reviewed and updated in the coming months to reflect the new corporate plan priorities.

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1 REPORT

1.1 BACKGROUND AND INTRODUCTION

1.1.1 The Council approved the initial Capital Programme for 2019/20 at the Council meeting in March 2019. The programme has subsequently been updated at the Council meeting on 30th May following closure of the Council's accounts for 2018/19 and at the Council meeting in November 2019 to reflect new bids and progress on projects.

1.1.2 As Council is due to agree a new Corporate Plan and priorities at this Council meeting, this is very much an interim capital programme. The capital programme will be reviewed and updated in the coming months to reflect the new corporate plan priorities. A new capital programme, based on the new priorities identified in the new corporate plan, will be reported to Council in May 2020 for approval, along with the out-turn for 2019/20.

1.1.3 Reports for bids for the new capital programme will be brought to the next cycle of policy committees for consideration and referral to Council in May for inclusion in the updated capital programme. Examples of projects currently being considered by officers include:

- Ashbourne Memorial Gardens Band Stand & New Shelter
- CCTV for public conveniences
- Resurfacing car park at Wirksworth Market Place
- Resurfacing Footpaths at Dimple Playing Fields;
- Resurfacing path from Bakewell ABC to Bridge
- Resurfacing scheme at Shrovetide Walk, Ashbourne
- Resurface access road at Northwood
- Works to upgrade war memorials at Cromford and at Ashbourne Memorial Park gates.

1.2 NEW SCHEMES

The revised Capital Programme includes new schemes shown below (and shaded red in Appendix 1).

Scheme	Cost	Financing
Affordable Housing - Bakewell Road. Darley Dale	£570,000	Section 106
Affordable Housing – Harrison Almshouse Charity	£26,500	Section 106
Affordable Housing – Ashbourne Empty Property Buy Back	£25,000	Section 106
Hurst Farm Social Club	£110,000	Capital Receipts
Waste Vehicles (approved at Council meeting on 18 December 2019)	£3,612,382	Waste Vehicle Reserve/Capital Receipts
V13 Income Management system upgrade	£20,000	ICT Reserve

1.3 REVISED CAPITAL PROGRAMME 2019/20

1.3.1 Proposed Capital Expenditure 2019/20

The revised capital programme for 2019/20 has been updated to reflect slippage and new bids. It is summarised below:

Priority	Revised Budget 2019/20 £
People	124,065
Place	9,563
Prosperity	1,303,970
Other	1,095,859
Total Capital Expenditure	**2,533,457**

The spending shown in the table above is the aggregate of the scheme costs. All grants and contributions have been dealt with as part of the financing arrangements (shown below). The major projects where expenditure is forecast to be more than £250,000 for 2019/20 are as follows:

	£
Disabled Facility Grants	491,470
Affordable Housing Scheme Rural Villages	420,000
Affordable Housing Scheme at Matlock Asker Lane	250,000
Capital Investment Transfer of Leisure	652,053

1.3.2 Financing Arrangements 2019/20

The overall financing package for forecasted expenditure in 2019/20 is as follows:

	£	£
Capital Receipts		696,708
Grants and Contributions		491,470
Use of Reserves:		
Capital Programme Reserve	846,380	
Grants Unapplied Reserve including Section 106	300,000	
Information Technology Reserve	108,092	
Vehicle Renewals Reserve	26,350	
Carsington Reserve	13,380	
Customer Innovation	51,077	
Total Reserves		1,345,279
Total Financing		**2,533,457**

1.4 REVISED CAPITAL PROGRAMME FOR 2020/21

1.4.1 Revised Capital Expenditure 2020/21

The revised capital programme for 2020/21 has been updated to reflect slippage and new bids. It is summarised below:

Priority	2020/21 Recommended Capital Programme £
People	37,250
Place	3,762,382
Prosperity	2,717,970
Other	824,439
Total Capital Expenditure	**7,342,041**

The spending proposals shown in the table above are the aggregate of the estimated scheme costs. All estimated grants and contributions have been dealt with as part of the financing arrangements (shown below).

The major projects in the spending proposals where expenditure in 2020/21 is estimated at £250,000 or more are:

	£
Blenheim Road Development	250,000
Disabled Facility Grants	491,470
Affordable Housing Scheme at Tideswell	412,500
Affordable Housing Scheme Rural Villages	410,000
Affordable Housing Scheme at Bakewell Road, Darley Dale	570,000
Commercial Vehicles	438,000
Waste Vehicles	3,612,382

1.4.2 Financing Arrangements 2020/21

The overall financing package that is proposed for the revised 2020/21 Capital Programme is as follows:

	£	£
Capital Receipts		2,476,782
Grants and Contributions		493,470
Use of Reserves:		
Capital Programme Reserve	430,749	
Information Technology Reserve	57,250	
Grants Unapplied Reserve (Incudes Section 106)	929,000	
Vehicle Reserve	438,000	
Waste Vehicles Reserve	2,500,100	
Carsington Reserve	6,690	
Total Reserves		4,371,789
Total Financing		**7,342,041**

1.5 REVISED CAPITAL PROGRAMME PROPOSALS FOR 2021/22 TO 2023/24

1.5.1 Proposed Capital Expenditure 2021/22 to 2023/24

The Capital Programme Proposals for 2021/22 to 2023/24 have been revised to reflect new schemes and slippage. A summary is set out below:

Priority	2021/22 to 2023/24 Recommended Capital Programme £
People	74,500
Place	0
Prosperity	1,967,940
Other	1,210,236
Total Capital Expenditure	**3,252,676**

1.5.2 Proposed Financing Arrangements 2021/22 to 2023/24

The overall financing package that is proposed for the revised capital programme proposals for 2021/22 to 2023/24 is as follows:

	£	£
Capital Receipts		210,854
Grants and Contributions: Disabled Facilities Grants		982,940
Use of Reserves:		
Capital Programme Reserve	190,000	
Revenue Grants unapplied (including Section 106)	985,000	
Carsington Reserve	13,382	
Information Technology Reserve	154,500	
Vehicle Reserve	716,000	
Total Reserves		2,058,882
Total Financing		**3,252,676**

1.6 SOURCES OF FUNDING FOR CAPITAL PROGRAMME

1.6.1 The table below shows the impact on the Council's Reserves and Balances of the above proposals:

Reserve	Opening Balance £	Expected Receipts £	Used in Capital Programme £	Estimated Balance 31 March 2024 £	Comments
Grants and Contributions	220,380	2,006,736	1,967,880	259,236	Earmarked for specific projects
Capital Receipts	2,944,441	857,183	3,384,344	417,280	Relies on new receipts being attained
Section 106 Contributions	3,521,833	1,955,605	2,114,000	3,363,438	Relies on new receipts being attained
Capital Programme Reserve	2,406,892	0	1,467,129	939,763	
Other Strategic Reserves (earmarked for capital schemes)	3,572,937	850,000	4,194,821	228,116	Mostly earmarked for specific projects
Total	**12,666,483**	**5,669,524**	**13,128,174**	**5,207,833**	

1.6.2 Officer comments:

The table above demonstrates that, if the capital programme proposals set out in this report are accepted, sources of capital funding are forecast to reduce to £5.2m by 31 March 2024. However, grants and contributions, section 106 contributions and the amounts in other strategic reserves are set aside for specific purposes; if these are excluded the amount available for new capital schemes reduces to £1.35m.

The Corporate Leadership Team has identified a number of future capital liabilities and potential new projects that will be required in the next 1-2 years that have not been included in this revised capital programme. These projects are set out in Appendix 2. They total £725,500 but do not include the estimated costs of a traveller site. If the £725,500 is deducted from the £1.35m, it leaves the Council with available funds of only £0.6m to meet further projects, not yet identified.

For a small district council, in the current economic climate, a fully-funded capital programme of £13m can be seen as fairly healthy. Members should note, however, that much of the capital programme is spent on enhancing and replacing existing assets and that existing funds are likely to be depleted by 2023/24. There will always be a need for some asset replacements and hence the need for annual contributions from revenue to capital reserves, as identified in the Medium Term Financial Strategy.

2 RISK ASSESSMENT

2.1 Legal

There are no legal considerations arising from this report.

2.2 Financial

There is adequate funding for the proposed capital programme for 2019/20 to 2023/24. The risk, however, remains high.

A risk assessment of the Capital Programme has been undertaken in the formulation of the schemes. The most significant risks are:

- Forecast capital receipts may not be achieved;
- The danger of overspending on capital schemes with no available finance to meet the overspending;
- Budgets for individual projects may be insufficient when tenders are received;
- There is sufficient funding for Capital schemes to which the council has had a long-term commitment in the current programme. However, resources for future projects are being depleted. The Council's future requirement to finance mandatory Capital expenditure, such as Disabled Facility Grants, will need to be kept under review;
- The amount available might be insufficient to deal with unforeseen capital expenditure, for example, if there was a requirement similar to the costs of addressing structural damage at the Memorial Gardens Toilets.

2.3 Corporate

The proposed Capital Programme clearly shows the funding allocated to each of the priorities set out in the Corporate Plan that is proposed elsewhere on the agenda for this Council meeting. The Capital Programme endeavours to allocate funding to the corporate priorities of people, place and prosperity. However, the ongoing necessity to maintain a clean and safe district and to maintain Council's assets is also reflected in the Capital Programme. As explained in the report, the capital programme will be reviewed and updated in the coming months to reflect the new corporate plan priorities.

3 OTHER CONSIDERATIONS

In preparing this report the relevance of the following factors has also been considered prevention of crime and disorder, equalities, environmental, climate change, health, human rights, personnel and property.

4 CONTACT INFORMATION

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5 BACKGROUND PAPERS

None

6 ATTACHMENTS

Appendix 1 Capital Programme 2019/20 to 2023/24

Appendix 2 Potential capital schemes/liabilities not included in capital programme

Appendix 1: Capital Programme Proposed Programme for 2019/20 to 2023/24

New Scheme
Change to Costings
Slippage

Earmarked Schemes	Corporate Priority (new)	Scoring	19/20 MARCH COUNCIL	2020/21	2021/22	2022/23	2023/24	Total
Improvements to Blenheim Road, Ashbourne	Prosperity	66		250,000.00				250,000.00
Disabled Facilities Grants	Prosperity	84	491,470.00	491,470.00	491,470.00	491,470.00		1,965,880.00
Social Housing Grants - Bakewell Lady Manners School	Prosperity	Not Scored	92,500.00	80,000.00				172,500.00
Social Housing Grant - Cromford / Matlock Bath	Prosperity	Not Scored		100,000.00				100,000.00
Social Housing Grant - Tideswell	Prosperity	Not Scored		412,500.00				412,500.00
Social Housing Grant - Rural village affordable Housing Grant	Prosperity	50	420,000.00	410,000.00				830,000.00
Social Housing Grant - Darley Dale	Prosperity	Not Scored		157,500.00				157,500.00
Social Housing Grant - Luke Lane / Mercaston Lane, Brailsford	Prosperity	Not Scored			135,000.00			135,000.00
Social Housing Grant - Matlock Asker Lane	Prosperity	Not Scored	250,000.00					250,000.00
Social Housing Grant - Doveridge - Bakers Lane	Prosperity	60						0.00
Hurst farm Estate Cladding Programme	Prosperity	Not Scored	50,000.00	50,000.00				100,000.00
Social Housing Grant - Ashbourne NCHA 12 bungalows	Prosperity	Not Scored	0.00	0.00				0.00
Social Housing Grant - Matlock YMCA with NCHA	Prosperity	Not Scored			500,000.00			500,000.00
Social Housing Grant - Wirksworth community land trust	Prosperity	Not Scored			350,000.00			350,000.00
Social Housing Grant - Bakewell Alms-house Trust	Prosperity	Not Scored		35,000.00				35,000.00
Social Housing Grant - Bakewell Road, Darley Dale	Prosperity	68		570,000.00				570,000.00
Social Housing Grant - Harrison Alms-house Charity	Prosperity	68		26,500.00				26,500.00
Social Housing Grant - Ashbourne Empty Property Buy Back	Prosperity	68		25,000.00				25,000.00
Hurst Farm Social Club	Prosperity	Not Scored		110,000.00				110,000.00
Pay & Display Ticket Machines	Other	Not Scored	6,000.00					6,000.00
Fishpond Meadow, Ashbourne: Car Park improvements	Other	56	23,000.00					23,000.00
Bakewell ABC Car Park improvements	Other	39	slippage	129,500.00				129,500.00
Monsal Head car Park improvements	Other	44	slippage	10,500.00				10,500.00
Wirksworth St Mary's Churchyard Railings	Place	31	2,051.00					2,051.00
Darley Dale Down Station Improvements	Other	57	31,000.00					31,000.00
Matlock Bath - Flood Alleviation	Place	64						0.00
Condition Surveys - Parks & Pavilions	Place	Not Scored	6,355.00	140,000.00				146,355.00
Bakewell Riverside Path	Place	37	slippage	10,000.00				10,000.00
White Peak Cycle Loop	Other	Not Scored	0.00					0.00
Hall Leys Park Ranger Station	Place	58	1,157.00					1,157.00
Wirksworth Steeple Arch cemetery extension	Other	Not Scored	slippage	60,000.00				60,000.00

Earmarked Schemes	Corporate Priority (new)	Scoring	19/20 MARCH COUNCIL	2020/21	2021/22	2022/23	2023/24	Total
Paths at Bakewell Cemetery	Other	Not Scored	slippage	3,749.00				3,749.00
Burials Review	Other	Not Scored	slippage	44,000.00				44,000.00
Commercial Vehicles	Other	Not Scored	26,350.00	438,000.00	280,000.00	214,000.00	322,000.00	1,280,350.00
Waste Vehicles	Place	?		3,612,382.00				3,612,382.00
Electronic document management system	Other	Not Scored	0.00					0.00
Miscellaneous Grants	Other	Not Scored	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	150,000.00
Carsington fund grants	Other	Not Scored	13,380.00	6,690.00	6,690.00	6,692.00		33,452.00
Matlock Town Hall - works in condition surveys	Other	Not Scored	52,000.00	50,000.00	135,854.00			237,854.00
Ramp at Northwood depot	Other	Not Scored	10,000.00					10,000.00
Capital Investment Transfer of Leisure	Other	Not Scored	652,053.00					652,053.00
Wirksworth Leisure centre - Condition surveys	Other	Not Scored						0.00
Wirksworth Leisure centre - sports hall flooring	Other	48						0.00
Ashbourne Leisure Centre - Condition surveys	Other	Not Scored	149,110.00					149,110.00
Air handling unit at ARC	Other	Not Scored	40,000.00					40,000.00
Public Conveniences Condition survey works	Other	Not Scored	2,862.00	7,000.00				9,862.00
Travellers Site	People	Not Scored	0.00					0.00
Microsoft Enterprise Agreement	Other	Not Scored			80,000.00			80,000.00
V11 Income Management system upgrade	Other	70	7,000.00					7,000.00
V13 Income Management system upgrade	Other	Not Scored	0.00	20,000.00				20,000.00
Backup storage replacement	Other	Not Scored	19,702.00					19,702.00
SCP Payments Portal	People	Not Scored	6,138.00					6,138.00
CRM System	People	Not Scored	71,850.00	37,250.00	37,250.00	37,250.00		183,600.00
Microsoft Exchange Server	Other	Not Scored	8,402.00					8,402.00
Customer Innovation Project	People	Not Scored	46,077.00					46,077.00
Estates salaries	Other	Not Scored	25,000.00	25,000.00	25,000.00	25,000.00	25,000.00	125,000.00
Total Programme			**2,533,457**	**7,342,041**	**2,071,264**	**804,412**	**377,000**	**13,128,174**

APPENDIX 2: POTENTIAL FUTURE LIABILITIES NOT IN DRAFT PROGRAMME

PROJECT	COMMENTS	COST	
ECONOMIC DEVELOPMENT			
Bakewell Road, Matlock Redevelopment		TBD	
			0
CAR PARKS:			
Various Car Parks	Surface repairs & full re-lining	20,500	
			20,500
PARKS:			
Broadwalk Park	Paths	10,000	
Ashbourne Park Buildings	Bandstand and Park Shelter	70,000	
			80,000
CEMETERIES & CHURCHYARDS:			
Bakewell Cemetery Chapels	Repairs identified in 2009 survey	15,000	
			15,000
OTHER PROPERTY:			
Bakewell ABC Various	Flat roof, gutters, ventilation	40,000	
Dimple Palying Fields, Matlock	Footpath improvements	30,000	
Traveller Site	New site(s) to meet housing need	TBD	
Lovers Walks	Detailed inspection of cliff faces, design of scheme & cost of remedial works	TBD	
Station House, Matlock	Significant repairs identified in 2009 survey - Now Vacant	TBD	
Matlock Town Hall	Replace metal windows (identified in 2014 condition survey)	210,000	
Memorial Buildings	Cromford war memorial, Ashbourne memorial gates, Scarthin war memorial	30,000	
Harrison Way, Northwood	Resurface of Road with appropriate tarmac surface Harrison way	40,000	
Shrovetide Walk, Ashbourne	Resurfacing scheme & appropriate landscaping	40,000	
			390,000
OFFICE TECHNOLOGY:			
Replacement telephony	Subject to business plan & maintenance of current equipment	50,000	
Mid Call Solution for telephone payments	To improve security. Dependent on new telephony being in place	30,000	
WiFi Replacement	may be required to address 'roaming issues'	20,000	
Uninterruptable power supply	Upgrade	20,000	
Production Server replacement	5 year replacement cycle	30,000	
Network switch replacement	5 year replacement cycle	20,000	
Disaster recovery Storage	5 year replacement cycle (shared procurement)	20,000	
VDI Server Replacement	5 year replacement cycle	30,000	
			220,000
	Total		**£725,500**

NOT CONFIDENTIAL – For public release **Item No. 8**

COUNCIL MEETING
5th March 2020

Report of the Head of Resources

REVENUE BUDGET 2020/21

PURPOSE OF REPORT

This report seeks approval for the District Council's Revenue Budget for 2020/21.

RECOMMENDATIONS

1. That the level of Council Tax for 2020/21 is increased by £5.00 per band D (2.39%) from the 2019/20 level.
2. The estimated net revenue expenditure for 2020/21totalling £10,808,341 as detailed in the Summary Revenue Account in Appendix 2, is approved.
3. The minimum level of uncommitted working balances is approved at £1,000,000 at 1st April 2020, and £1,000,000 at 1st April 2021.
4. The net sum of £548,967 is transferred from earmarked reserves in 2020/21, as shown in Appendix 2 and detailed in Appendix 5.
5. The following amounts are calculated by the Council for the chargeable financial year 2020/21 in accordance with Section 31A of the Localism Act 2011:-
    i. aggregate of the amounts which the Council estimates for the items set out in Section 31A(2)(a) to (f) thereof is £40,495,819;
    ii. aggregate of the amounts which the Council estimates for the items set out in Section 31A(3)(a) to (d) thereof is £32,363,266;
    iii. calculation under Section 31A(4) being the amount of which the aggregate at (i) above exceeds the aggregate of (ii) above, as the Council Tax Requirement for 2020/21 is £8,132,553.
6. That the Corporate Savings Target be confirmed as "Continue a programme to identify efficiency savings and/or additional income of £250,000 by 2023/24".
7. That the Head of Resources' report on the robustness of the budget and the adequacy of reserves in accordance with clause 25 of the Local Government Act 2003 is noted.

WARDS AFFECTED

All

STRATEGIC LINK

All the Council's aims and priorities, as contained in the draft Corporate Plan 2020 - 2024 (to be considered elsewhere on the agenda for this Council meeting), and various service strategies, have been taken into account in determining these revenue spending proposals. Revenue spending proposals are shown in each of the draft service plans for 2020/21 (to be considered elsewhere on the agenda for this Council meeting).

REPORT

1. INTRODUCTION

1.1 Revenue spending proposals for all the Council's services and activities are given in Appendix 1 to this report. These are linked to the service plans for 2020/21 (to be considered elsewhere on the agenda for this Council meeting).

1.2 The forecasts of revenue spending requirements include both the financing costs and running/operating expenditure associated with the Capital Programme. In order to make the budget setting exercise more stringent, the draft spending proposals for 2020/21 have been based on 2018/19 actual expenditure, aside from inflation adjustments where required under service contracts or where a change has been justified by a Head of Service.

1.3 In addition to considering the spending proposals for the forthcoming year, the Code of Practice on a Prudential Approach to Local Authority Commitments requires the preparation of a Medium Term Financial Plan. This shows the known changes in financial commitments for future years, in order that the implications for future spending requirements are identified in advance and included in the strategic planning process. An updated Medium Term Financial Plan is provided in Appendix 4.

2 LOCAL GOVERNMENT FINANCE SETTLEMENT

2.1 Introduction

Details of the provisional Local Government Finance Settlement for 2020/21 were provided to Council Members in January. Final settlement figures were issued on 6th February and, at the time of writing this report, are expected to be approved in Parliament in the week beginning 24 February 2020. The final settlement for the Council is in line with the provisional settlement published on 20th December 2019. Although the Council is only in receipt of a small number of government grants the settlement still has a significant impact on the council's finances. The key points of the final settlement relevant to the District Council are set out below.

2.2 *The national context*

- This financial settlement gives local authorities an increase in their **Core Spending Power**, which will rise from £46.2 billion in 2019-20 to £49.2 billion in 2020-21. In real terms this is a 4.4% increase and the largest year on year real terms increase in a decade. The settlement delivers significant extra resources to the government's priority areas of adult and children's social care;

- Local authorities will continue to be able to increase council tax in 2020/21 by a core principle of up to 2%, without holding a local referendum. Shire district councils will have a bespoke **council tax referendum principle of 2% or £5, whichever is higher,** and there is a £10 Band D council tax referendum principle for all police authorities. In addition, councils with adult social care responsibilities will be able to increase their council tax by a further 2%, on top of the core principle, to be spent exclusively on adult social care.

- **Settlement Funding Assessments** have increased based on the 1.6% increase in the small business rate multiplier;

- **Negative Revenue Support Grant** has been removed, with the cost being funded by the Government;

- **New Homes Bonus** allocations have been made for 2020/21– the growth baseline is to remain at 0.4%. However, the government will make no legacy payments on these new allocations, but will make legacy payment/s on allocations made in earlier years which are due to be paid in 2020/21. The Minister said “In order to ensure that the New Homes Bonus is focussed on incentivising homes where they are needed most, I am announcing that the government will consult on the future of the housing incentive in the Spring. This will include moving to a new, more targeted approach that rewards local authorities where they are ambitious in delivering the homes we need”.

- **Rural Services Delivery Grant** remains at the same level in 2020/21 as it was in 2019/20. It will be distributed using the same methodology as in 2019/20, which allocated funding to the top quartile of local authorities on the ‘super-sparsity’ indicator.

2.3 The local context

- The District Council’s 2020/21 **Settlement Funding Assessment** (SFA) of £1.675 million is an increase of 1.6% over the 2019/20 level. This increase is £315,000 more than the amount assumed in the Council’s Medium Term Financial Plan for 2020/21 (£371,000 more due to the withdrawal of Negative Revenue Support Grant, but £56,000 less than we had forecast for retained business rates).

- The **core spending power** for this Council has increased from £8,673,947 (adjusted) in 2019/20 to £9,016,002 in 2020/21 (an increase of 3.9%). The table below shows how the core spending power for Derbyshire Dales District Council is calculated and the elements of change:

Source of Funding	**2020/21 £’000s**	**2019/20 adjusted £’000s**	**Change**
Settlement Funding Assessment	1,675	1,648	+1.6%
New Homes Bonus	631	520	+21.3%
Rural Services Delivery Grant	401	401	No change
Council Tax (excl. parish precepts)	6,242	6,051	+3.2%
Compensation for under-indexing the business rates multiplier	67	54	+24.1%
Total Core Spending Power	**9,016**	**8,674**	**+3.9%**

- The **increase in the Council Tax** income shown in the table above at 3.9% reflects the government’s assumed maximum £5 increase (on Band D), as well as an increase in the council tax base that reflects new homes. The March MTFP assumed a council tax increase of 1.94% (£4.06 per band D).

- **Rural Services Delivery Grant** (RSDG) will remain at the same level in 2020/21 as it was in 2019/20. In our March 2019 MTFP we had assumed that this grant would cease after 2019/20; this means that RSDG for 2020/21 is £401,000 more than included in the March 2019 MTFP.

- The **New Homes Bonus** (NHB) baseline has been retained at 0.4% in 2020/21. This results in an allocation of £630,790 for Derbyshire Dales District Council for 2020/21, (2019/20 £519,965). The allocation for 2020/21 is £247,000 more than the £384,000 included in the March 2019 MTFP. However, the new allocations will be for 2020/21 only, with no legacy payments. The government will make legacy payments on allocations made in earlier years which are due to be paid in 2020/21.

- The increases in SFA, RSDG and NHB for 2020/21 over the 2019/20 adjusted figure amount to £138,000. However, the increases over the assumptions in the March 2019 medium term financial plan amount to an increase in funding of £963,000 for 2020/21.

2.4 ***Officer comments: Using the additional funding***

Part of the increased funding of £963,000 over the MTFP was already expected as a result of the technical consultation paper issued in October 2019. When the waste collection contract was awarded in December 2019, the report showed an estimated budgetary shortfall of £813,000 for 2020/21. So at least **£813,000 of the funding for 2020/21 was already spoken for**, to cover the introduction of the new waste contract and the costs of marketing the new chargeable garden service (as income from charging for garden waste will not be due until after 1 April 2021).

It should also be noted that it is planned to use £2.5m from earmarked reserves and £1.1m from capital receipts in 2020/21 to finance the capital expenditure required for vehicles for the new waste and recycling contract, reducing our financial resilience.

2.5 ***Local Government Finance Settlement: Conclusion***

The settlement for 2020/21 is much higher than anticipated in the March 2019 MTFP, which will offset the significant budgetary shortfall caused by the additional costs of the new waste contract in 2020/21. Most of the financial uncertainties for future years still remain. This settlement is of great assistance in achieving a balanced budget for 2020/21 but the financial uncertainties and need for corporate savings remain for subsequent years. The settlement gives us a chance to delay our savings decisions for a while, giving us **an opportunity to plan savings for the medium term** without a big sword hanging over us in the short term.

3. NET SPENDING AND COUNCIL TAX REQUIREMENT

3.1. The net cost of services is detailed in Appendix 1. The calculation of net revenue expenditure and the Council Tax requirement is shown in detail in the Summary Revenue Account in Appendix 2 and is summarised in the table below:-

	Estimate 2020/21 £	Estimate 2019/20 £
Net Cost of Services (as Appendix 1)	**10,517,345**	**8,718,087**
Income from investment properties	(101,956)	(104,905)
Net interest	90,528	122,502
Statutory sum for debt repayment	302,424	358,536
Net revenue expenditure	**10,808,341**	**9,094,220**
Transfer to/(from) strategic reserves (detailed in Appendix 6)	(548,967)	858,398
External Funding Requirement	**10,259,374**	**9,952,618**
Funded by:		

Retained Business Rates	(2,602,786)	(2,760,244)
New Homes Bonus	(630,790)	(519,955)
Rural Services Delivery Grant	(401,179)	(401,179)
Council tax collection fund deficit / (surplus)	(102,632)	(11,299)
NDR collection fund (surplus) / deficit	(130,596)	(209,081)
Total External funding (excl. council tax)	**(3,867,983)**	**(3,901,758)**
DDDC Council Tax Requirement	**6,391,391**	**6,050,860**
Town and Parish Council Precepts	1,741,162	1,609,952
Council Tax Requirement (Appendix 2)	**8,132,553**	**7,660,812**

3.2 The estimates for 2020/21 result in an increased council tax requirement of £340,531 on the original budget for 2019/20. A summary of variances when comparing the 2020/21 estimates to the 2019/20 original estimates is given in Appendix 3. Significant variances (over £100,000) are shown in the table below:-

Budget Head	**Variance £000**
Corporate Director Post	101
Increase in costs associated with waste contract	1,151
Spend on Local Plan (funded from reserve)	150
Reduction in Retained Business Rates & Collection Fund surplus/deficit	145
Increase in New Homes Bonus	-111
Reduced income from car parking charges	105
Decrease in transfers to reserves	-1,205
Increase in transfers from reserves	-202

3.3 The Waste Management Contract, currently provided by Serco, is due to end in 2020. It is the biggest single contract let by the District Council, costing approximately £2.1m for 2019/20 and one of the most high profile services received by the public. Since the current waste contract was entered into, the waste sector and particularly the recycling elements have changed considerably. As reported to Council in December 2019, the award of a new waste contract from August 2020 has resulted in a significant increase in costs, both revenue and capital, and further financial risks arising from the Council taking on 70% of the risk of price fluctuations for recycling materials. The proposed revenue budget for 2020/21 includes the impact of these additional costs on the revenue account for that year.

3.4 The Summary Revenue Account (Appendix 2) sets out the spending proposals for this Council and the precepts of the Town/Parish Councils for 2020/21. The estimates of cost reflect the spending needs of the current service plans and policies of the Council. Following the transfers to/from reserves, there is a breakeven position in the 2020/21 budget, with expenditure matched by income.

4. COUNCIL TAX

Council Tax Collection Fund Balance

4.1 In determining its demand on the Council Tax, the Council must take account of any balances relating to Council Tax transactions, reflecting the difference between anticipated yield and collection rate compared to those actually achieved.

4.2 At 31st March 2020 there is expected to be a surplus on the Council Tax collection fund. The District Council's share of the surplus is £102,632 which has to be taken into account in setting the 2020/21 Council Tax level.

Non-domestic Rates Collection Fund Balance

4.3 In determining its demand on the Council Tax, the Council must take account of any balances relating to Non-Domestic Rates transactions, reflecting the difference between anticipated yield and collection rate compared to those actually achieved.

4.4 At 31st March 2020 there is expected to be a surplus on the non-domestic rates collection fund. The District Council's share of the surplus is £130,596, which has to be taken into account in setting the 2020/21 Council Tax level. The surplus has arisen because the expected number and value of appeals has reduced.

Council Tax Requirement and Proposed Council Tax Increase

4.5 The Council Tax is calculated by dividing the Council's Council Tax Requirement by its Council Tax Base. Taking the above factors into account, this Council's requirement from the Council Tax for 2020/21, including a comparison with 2019/20, is calculated as follows:-

	2020/21	2019/20
Council Tax Requirement (DDDC)	£6,391,391	£6,050,860
Council Tax Base	29,828.68	28,914.13
DDDC Council Tax - Band D	**£214.27**	**£209.27**
Increase £ per band D	**£5.00**	**£5.00**
Increase %	2.39%	2.45%

4.6 The Ministry of Housing, Communities and Local Government (MHCLG) has announced the following council tax principles for 2020/21 in relation to shire district councils:

"a referendum will be required if the authority sets an increase of 2% (or more than 2%), or more than £5, whichever is greater."

The recommendations in this report do not exceed that limit.

4.7 The table below shows the proposed band D Council tax for 2020/21 and the previous 5 years:-

Financial Year	Band D Council Tax	Increase on Previous Year
2015/16	£189.66	0%
2016/17	£193.34	1.94%
2017/18	£198.34	2.59%
2018/19	£204.27	2.99%

2019/20	£209.27	2.45%
Proposed 2020/21	£214.27	2.39%

It is important to note that the proposed increase in council tax for 2020/21 will benefit each subsequent financial year, when the council faces uncertainty on reductions in government funding.

5. MEDIUM TERM FINANCIAL PLAN

5.1 In considering its spending requirements the Council must have regard to its future commitments and its ability to finance those requirements either internally through balances or through its precept on the Council Tax. It is necessary, within the limitations inherent in any forward planning exercise, to consider the implications of future spending needs and produce a financial strategy to deal with them.

5.2 The Medium Term Financial Plan, which is summarised in the table below and shown in detail at Appendix 4, sets out in broad terms the anticipated future spending requirements. This takes account of current and known additional requirements, including the impact of the previous two-year pay offer. The quantified additional requirements are based on the planned intentions of the Council and any future impact of decisions already implemented, but cannot be conclusive, as other changes will undoubtedly occur over time.

	Forecast 2020/21	Forecast 2021/22	Forecast 2022/23	Forecast 2023/24	Forecast 2024/25
	£000s	£000s	£000s	£000s	£000s
Forecast spending	10,808	9,306	9,113	9,503	9,659
Transfers to/from reserves	(549)	88	230	138	230
Net Spending Requirement	**10,259**	**9,394**	**9,343**	**9,641**	**9,889**
Funded By:					
Income from Council Tax	(6,494)	(6,548)	(6,709)	(6,896)	(7,087)
Income from Business Rates	(2,910)	(2,774)	(2,828)	(2,884)	(2,941)
Negative Revenue Support Grant	0	380	390	400	410
Rural Services Delivery Grant	(401)	(200)	(200)	(200)	(200)
New Homes Bonus	(631)	(289)	(218)	0	0
NNDR Payment to Pool	177	181	185	189	193
Total Income	**(10,259)**	**(9,250)**	**(9,380)**	**(9,391)**	**(9,625)**
Savings to be achieved	**0**	**144**	**(37)**	**250**	**264**

5.3 The Medium Term Financial Plan demonstrates that, with the proposed increase in council tax, there is a balanced budget for 2020/21. However, the Medium Term Financial Plan shows that further grant losses are expected from 2021/22 onwards (see below) and that, as a result, there is a need to identify additional ongoing savings or income of around £250,000 a year by 2023/24. The approach to savings is set out in section 7 of this report.

5.4 Several funding streams (New Homes Bonus, Rural Services Delivery Grant and Revenue Support Grant) received from Government, all have a significant direct impact on the Council. The MHCLG has previously indicated all of these funding streams will reduce and the information received is used to model the Council's future MTFP.

5.5 The MHCLG continues to review the arrangements for Local Government financing. However, as experienced in the 2020/21 settlement, changes to allocations can be received late in the day. As the provisional and final settlements are not normally received until December and January respectively (February this time) prior to financial year start, the Council has limited time to respond to changes introduced by the MHCLG.

5.6 The Council has reserves and balances that could be used in the short term to address any savings requirements for 2021/22.

5.7 The MTFP includes the impact of several key developments for the council over the MTFP period. These include the impact of the new waste contract (net of income from charging for garden waste from 2021/22), increased savings from the leisure management contract, the triennial review of the pension fund and investments being made through use of reserves.

5.8 The assumptions made in preparing the MTFP are shown in Appendix 4. It is possible that some of these assumptions may turn out to be too cautious or over-optimistic. Some scenario testing has been carried out to demonstrate the impact of different assumptions on the savings requirement identified in the medium term plan. The results of that testing is set out below:

	Estimates 2021/22 £000s	Estimates 2022/23 £000s	Estimates 2023/24 £000s	Estimates 2024/25 £000s
MTFP, as Appendix 4 Surplus (-) / Deficit	144	-37	250	264
Loss of new homes bonus from 2021/22 Surplus (-) / Deficit would be:	433	181	250	264
Business rates income above baseline reduces by 10% Surplus (-) / Deficit would be:	231	52	340	356
No growth in council tax base after 2020/21 Surplus (-) / Deficit would be:	177	30	375	449
Growth in council tax base after 2020/21 is twice as much as forecast in MTFP Surplus (-) / Deficit would be:	111	-103`	126	79
Loss of Rural Services Delivery Grant Surplus (-) / Deficit would be:	344	163	450	464

6. RESERVES AND BALANCES

6.1 In examining the immediate and longer term spending plans, for both revenue and capital, it is necessary to consider the levels of balances which are available and, of those, the ones that will be required to meet spending plans. Transfers to/from reserves are detailed in Appendix 5. The estimated position on the Council's Reserves and Balances as at 31st March 2020 and 31st March 2021 is detailed in Appendix 6. A number of points need to be taken into account:-

Working Balances

6.2 It is considered essential that the Council retains a level of uncommitted balances to meet emergency, unforeseen and unknown eventualities. This includes positive opportunities that may arise as well as disastrous or onerous liabilities.

6.3 In the absence of these balances any such expenditure would fall directly on the General Fund and Council Tax requirement. This could result in significant financial consequences for service provision. As budgets have been tightened and contingencies removed, the need for adequate working balances becomes even more important.

Whilst it is impossible to advise on the precise level because of the uncertainty involved, it is considered prudent to retain uncommitted working balances of approximately 10% of net revenue expenditure. Working balances at 1st April 2020 are set at £1,000,000, which is considered adequate for the purpose described above.

Use of Balances

6.4 The effect of the Council's spending proposals and commitments on the General Reserve is shown in the Medium Term Financial Plan in Appendix 4, and a summary of reserves is given in Appendix 6. It can be seen that the estimated General Reserve balance is just under £1m at 1st April 2020.

6.5 Balances, by their very nature, can be used once. Therefore, the continued use of balances to support ongoing spending is not sustainable beyond the life of the available amount. A strategy which is based on the continued use of balances to support regular spending can only have a finite life. Therefore, in looking at the use of available balances regard must to taken of the future demands upon them in terms of both capital and revenue spending. In addition, interest is earned on the investment of unused balances. Utilisation of balances will therefore reduce the interest earned in future years.

6.6 It should be noted that the Medium Term Financial Strategy (for Members' approval elsewhere on the agenda for this meeting) allows the General Reserve to be used for meeting "one-off" expenditure or for "invest-to-save" proposals, but restricts its use for funding ongoing revenue expenditure to exceptional circumstances.

Earmarked Reserves

6.7 The Council has strategic reserves for specific purposes and these should continue to be earmarked for the identified purpose. This ensures the availability of the amounts in these reserves for those purposes and defrays demands on the revenue spending and general balances. Details of transfers to/from reserves are shown in Appendix 5 and details of earmarked reserves are given in Appendix 6.

6.8 The recommended transfers to reserves for 2020/21 include £200,000 to a new Corporate Plan Priorities Reserve, which will be available to fund the priorities that are to be approved at this Council meeting.

6.9 It is important that reserves are reviewed on at least an annual basis to ensure they are adequate for the purpose, but not excessive, based on an assessment of needs, an understanding of risks, and taking into account the opportunity costs of maintaining reserves. An annual review of earmarked reserves is given at Appendix 7. The statement lists the various earmarked reserves, the purposes for which they are held, and the forecast levels at 31st March 2021 and 31st March 2025, based on the requirements shown in the proposed budget for 2020/21 and the Medium Term Financial Plan. The outcome of the review is reflected in the Statutory Report in Section 8 below.

6.10 Following this review of reserves, earmarked reserves are estimated to total £14.3 million at 31st March 2020 and £9.4 million at 31st March 2021.

7 SAVINGS

7.1 The Council has worked hard over the last six years in making substantial savings that have enabled the organisation to present a balanced budget each year. These savings have been achieved through exploring different ways of delivering services, e.g. outsourcing, shared services and through a series of service reviews that have examined each service area and made significant efficiencies. The Corporate Leadership Team has also carried out a detailed scrutiny of every service budget and removed any that the trends indicate may not be required in future years. Any underspends made each year are also analysed to identify those that can be classed as ongoing savings.

7.2 Service Reviews have been carried out with the intention of achieving significant savings, to contribute towards the overall savings target identified in the Medium Term Financial Plan, and driving improvement. The service reviews that have been undertaken have not only generated efficiency savings but have also introduced service improvements for customers / residents.

7.3 The need to achieve further savings is set out in the Medium Term Financial Plan (see Appendix4 and section 5 of this report). The approach to achieving the savings is set out in the Council's Medium Term Financial Strategy, which is recommended for Members' approval elsewhere on the agenda for this Council meeting. Given the relatively low value of the savings target, the amount set aside in the general reserve and strategic reserves, the timing of the required savings, and the uncertainty surrounding council funding (arising mainly from the outcome of the anticipated level of the government's Fair Funding Review and its review of the Business Rates Retention scheme), the Council's approach to meeting the Corporate Savings Target and closing the budget gap is to refrain from significant service reductions at the present time, until the outcome of the government reviews is known. The Council has established a Commercial Board, which will explore commercial opportunities to help the Council achieve a sustainable financial future. The overall aim of this approach is that the Council will be far less reliant on government funding and will become more self-sufficient. The approach will focus on income generation and investment in economic development that will lead to growth. In the longer term, this approach will provide the Council with more financial resilience than depending on government grants.

8 CHIEF FINANCE OFFICER'S STATUTORY REPORT

8.1 Clause 25 of Part 2 of the Local Government Act 2003 requires that the Officer appointed for the purposes of Section 151 of the Local Government Act 1972 must, when calculating the net budget requirement, report to Members on:-

- the robustness of the estimates made for the purposes of the calculation;
- the adequacy of the proposed financial reserves.

The Council is required to take the report into account when making the calculations for its budget.

8.2 **Robustness of estimates**

In accordance with this requirement, the Head of Resources is of the opinion that the processes used in calculating the net budget requirement for 2020/21 are robust and accurate, while depending on estimation. In reaching this opinion, the Head of Resources is satisfied that adequate account has been taken of the following factors:-

- last year's outturn;
- the current year's income and expenditure to date;
- expected pay & price increases;
- pension contributions;
- the impact of interest rate movements;
- demand for services;
- the revenue impact of capital investment;
- local predictions of future grant settlements;
- debt recovery performance;
- future Council Tax Base changes;

- future increases in Council Tax;
- expected income from business rates;
- the timing and level of capital receipts;
- expected savings from service reviews;
- a realistic forecast has been made of major income streams, e.g. car parks income;
- the effect of the V.A.T. partial exemption calculation;
- resource allocations are in line with service plans and Council policies and priorities;
- the budget process is supported by clear guidelines in the approved Medium Term Financial Strategy and Capital Strategy, a clear timetable with allocated roles and responsibilities, and a Budget Holder's Manual for staff involved in the preparation of estimates,
- the process is underpinned by the Council's Risk Management framework.

8.3 **Financial Resilience**

The Chartered Institute of Public Finance and Accountancy (CIPFA) has recently developed its Financial Resilience Index which is a comparative analytical tool designed to provide councils with a clear understanding on their position in terms of financial risk. The index is made up of set of indicators, which can be used to compare against similar authorities.

The most recent analysis (for 2018/19) shows that for most indicators the Council performs in the median range when compared to other similar councils, demonstrating a well-balanced approach to financial management against a backdrop of significant demand pressures and central government funding cuts. The Council ranks as a higher risk than others for "Reserves Sustainability"; this was expected as it has been apparent for some time that earmarked reserves (especially those to fund the capital programme) are reducing. However, it is the Head of Resources' opinion that there are sufficient reserves to provide resilience for revenue spending. Members may recall that the approach taken by the Council was supported by the external auditor in his Value For Money conclusion for the audit of the 2018/19 accounts.

The Head of Resources is satisfied that the Council's Financial Reserves, as summarised in Appendices 6 & 7, are adequate. In reaching this opinion, the Head of Resources has taken into account the following factors:-

- the budget process is robust and accurate for the reasons given above;
- an assessment has been made of the major risks;
- the Council does not have a history or culture of overspending its budgets;
- the level of reserves has been determined with regard to CIPFA guidance on local authority reserves and balances
- the Council has adequate systems of budgetary control throughout the year.

8.4 **Financial Management Code**

CIPFA has published Financial Management Code to support good financial management, as well as demonstrating a local authority's financial sustainability. The Code is based on a series of principles supported by specific standards and statements which are considered necessary to managing its finances over both the short and medium term, managing financial resilience to meet foreseen demands on services and to manage unexpected shocks in its financial circumstances. It is anticipated that local authorities will be required to evidence their performance against the criteria from April 2021, which will help external auditors in forming their value for money opinion as part of the audit of a local authorities' year-end accounts. A review of the Council's financial management arrangements against the standards set out in the Code will be undertaken during 2020/21; at the current time, no significant problem areas are anticipated.

9 TOWN / PARISH PRECEPTS

9.1 The precepts of Town/Parish Councils for 2020/21 are shown in Appendix 8 to this report and total £1,741,162 for 2020/21, an increase of £131,210 (8.15%) over 2019/20. However, this has not resulted in a similar percentage increase in council tax for parishes, as there has been an increase in the council tax base. As shown in Appendix 2, the average Parish Council Tax increases from £55.68 in 2019/20 to £58.37 in 2020/21, an increase of £2.69 (4.83%).

9.2 These precepts have to be shown as part of the District Council's requirements as detailed in the Summary Revenue Account. As part of Council Tax setting, the individual Town/Parish precepts become a special expense chargeable against each specific area and are raised from the Council Tax levied on that area.

10. CONSULTATION

10.1 Consultation on the District Council’s spending plans has been carried out in different ways.

10.2 During 2019 the Council carried out extensive consultation on its Corporate Plan and priorities, which have been used to set spending priorities that are reflected in the budget proposals for 2020/21.

10.3 Consultation took place at a Community Forum meeting on 29 January 2020, giving Council Tax payers an opportunity to discuss the Council’s budget and Council Tax proposals.

10.4 The statutory consultation with representatives of National Non-Domestic Ratepayers was carried out by providing details of the Council’s spending proposals in the Council’s “Business News”. The details were sent by email on 6 February 2020. The recipients were invited to submit their responses by email to the Head of Resources by 4 March 2020.

10.5 At the time of writing this report, only two residents have objected the proposed council tax increase for 2020/21. Should this change, a verbal update on the outcome of the consultation will be given at the Council meeting.

11. RISK ASSESSMENT

11.1 Legal

The Local Government Finance Act 1992 requires the Council to set the Council Tax by 11th March for the following financial year. There are no legal considerations with Service Reviews at this stage. The legal risk arising from the report is low.

A requirement (by way of Standing Order 2014 No. 165), to adopt a mandatory standing order came into force on 25 February, 2014. The provisions require that immediately after any vote is taken at a budget decision meeting of an authority there must be a recorded vote in the minutes of the proceedings of that meeting showing the names of the persons who case a vote for the decision or against the decision or who abstained from voting. Therefore, a recorded vote will be taken once a decision on this item has been taken.

11.2 **Financial**

Significant risks within the revenue budget include:-

- Uncertainty about the level of Government funding (especially New Homes Bonus, Rural services Delivery Grant (or a replacement mechanism to reflect the additional costs faced by rural authorities) and Negative RSG) and the business rates retention scheme, especially from 2020/21 onwards. This financial risk is assessed as High.
- Uncertainties relating to business rates income, which can be very volatile. This risk is assessed as High.
- Uncertainty regarding contracts coming to the end of their terms during the period covered by the MTFP. The new waste contract involves the Council in accepting greater risks on the value of recycling material (though this is mitigated somewhat by the establishment of a reserve). Given the volatility in the current markets for recyclable materials, these financial risks are assessed as High.
- Targeted savings not being achieved. As stated in the body of the report, The Medium Term Financial Plan indicates that the Corporate Savings Target requires further ongoing savings or additional income of £0.25m by 2023/24. While it is hoped that the Commercial Investment Strategy will help to deliver savings to close this gap, meeting it will be a significant challenge on top of savings that have already been made. This financial risk is therefore currently considered to be High.
- Significant income items not being achieved. The Council has no direct control over, for example, the level of car parking income, which is affected by factors such as the weather. This source of income is significant to the Council's budget process and, therefore, this financial risk is assessed as Medium/High.

The financial risk in respect of the Council's long-term financial position is assessed as "High".

11.3 **Corporate Risk**

As identified in the report, the key risks result from the need to make savings and therefore to change some current practices and procedures. These will be mitigated by project management, communication and training. If current practices and procedures do not change, there is a risk that the savings and efficiencies required could not be realised. This latter risk is considered to be High; it has been reflected on the Council's Strategic Risk Register.

12. OTHER CONSIDERATIONS

In preparing this report, the relevance of the following factors has also been considered: prevention of crime and disorder, equalities, environmental, climate change, health, human rights, personnel and property considerations.

13. CONTACT INFORMATION

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14. BACKGROUND PAPERS

Date	Description	Location
25/02/2020	Details of Local Government Finance Settlement	Local authorities' individual allocations can be found at:

	(approved by parliament on 24 February 2020)	https://www.gov.uk/government/collections/final-local-government-finance-settlement-england-2020-to-2021.

15. ATTACHMENTS

Appendix 1	Service Summary
Appendix 2	Summary Revenue Account
Appendix 3	Variations in spending proposals 2019/20 compared to 2018/19 original estimate
Appendix 4	Medium Term Financial Plan
Appendix 5	Transfers to and from Earmarked Reserves
Appendix 6	Summary of Revenue Balances, Provisions and Earmarked Reserves
Appendix 7	Annual Review of Earmarked Reserves
Appendix 8	Parish Precepts

APPENDIX 1

SERVICE SUMMARY

	2019/20 Estimate £	2019/20 Revised £	2020/21 Estimate £
Chief Executive	500,857	445,746	591,388
Community & Environmental Services	2,226,724	2,281,860	3,605,102
Corporate Services	1,888,186	1,799,536	1,782,884
Housing	511,865	(40,826)	587,641
Regeneration & Policy	479,059	421,989	648,057
Regulatory Services	884,257	899,007	1,067,412
Resources	2,227,139	2,267,934	2,234,861
Net Cost of Services	8,718.087	8,075,246	10,517,345

APPENDIX 2

SUMMARY REVENUE ACCOUNT

	Estimate 2019/20 £	Revised 2019/20 £	Estimate 2020/21 £	
Cost of services (As shown in Appendix 1)	**8,718,087**	**8,075,246**	**10,517,345**	
Non-service items:				
Interest on balances	(105,000)	(139,500)	(134,472)	
Borrowing Interest Paid	227,502	225,000	225,000	
Statutory Debt Repayment	247,612	247,612	191,500	
Loan Premium Due	110,924	110.924	110,924	
Income from Investment Properties	-104,905	-101,956	(101,956)	
Net Revenue Expenditure	**9,094,220**	**8,417,326**	**10,808,341**	
Transfers to/from Reserves (As detailed in Appendix 5)	**858,398**	**1,535,292**	**(548,967)**	
Funding Requirement	**9,952,618**	**9,952,618**	**10,259,374**	
Funded by:				
External Funding				
Retained Business Rates including section 31 Grant and payments to/from Pool	(2,760,244)	(2,760,244)	(2,602,786)	
Business Rate Collection Fund (Surplus)/Deficit	(209,081)	(209,081)	(130,596)	
CT Collection Fund (Surplus)/Deficit	(11,299)	(11,299)	(102,632)	
Revenue Support Grant	0	0	0	
Rural Services Delivery Grant	(401,179)	(401,179)	(401,179)	
New Homes Bonus	(519,955)	(519,955)	(630,790)	
Total External Funding	**(3,901,758)**	**(3,901,758)**	**(3,867,983)**	
DISTRICT COUNCIL TAX REQUIREMENT	**6,050,860**	**6,050,860**	**6,391,391**	
Town and Parish Council Precepts (As detailed in Appendix 9)	**1,609,952**	**1,609,952**	**1,741,162**	
TOTAL REQUIREMENT INCL. PARISHES	**7,660,812**	**7,660,812**	**8,132,553**	
Council Tax Base	28,914.13	28,914.13	29,828.68	
BASIC AMOUNT OF TAX BAND D (including average Town/Parish)	£264.95	£264.95	£272.64	£7.69 (2.90%) Increase
DDDC AMOUNT OF TAX BAND D	£209.27	£209.27	£214.27	£5.00 (2.39%) Increase
AVERAGE TOWN/PARISH BAND D COUNCIL TAX	£55.68	£55.68	£58.37	£2.69 (4.83%) Increase

APPENDIX 3

SIGNIFICANT VARIATIONS IN SPENDING PROPOSALS 2020/21 COMPARED TO 2019/20 ORIGINAL ESTIMATE

Item	Variance £000s
Increases in Cost / Reductions in Income	
Corporate Director Post	101
Other salary increases including 2% pay award	81
Increase in General Repairs	41
Increase in costs associated with waste contract	1,151
Increase in Business Rates payable	53
Reduction in car parking income	105
Reduction in Public Convenience charging income	27
Reduction on Land Charges income	26
Increase in cost of staff travel	20
Increase in contract for Revenues & Benefits	51
Reduction in planning application fees	40
Spend on Local Plan (funded from reserve)	150
Increase in consultancy charges (funded from reserve)	42
Decrease in Retained Business Rates & Collection Fund surplus/deficit	145
Other increases in costs/reductions in income	42
Total Increases in Cost / Reductions in Income	**2,075**
Reductions in Cost / Increases in Income	
Increase in market rents	(25)
Increase in New Homes Bonus	(111)
Change in pension contributions following revaluation	(33)
Reduction in MRP	(56)
Increase in investment income receivable	(29)
Reduction in Software Maintenance & Support	(25)
Decrease in transfers to reserves	(1,205)
Increase in transfers from reserves	(202)
Other net savings	(48)
Total Reductions in Cost / Increases in Income	**(1,734)**
Increase in DDDC council tax requirement for 2020/21, compared with original estimate 2019/20	**341**

APPENDIX 4

MEDIUM TERM FINANCIAL PLAN

	Note	Revised Budget 2019/20	Propsed Budget 2020/21	Forecast 2021/22	Forecast 2022/23	Forecast 2023/24	Forecast 2024/25
		£000s	£000s	£000s	£000s	£000s	£000s
Base Service Funding Requirement		**8,059**	**8,023**	**8,026**	**8,028**	**8,030**	**8,032**
Service Costs Funded from Reserves		(65)	981	142	0	92	0
Inflation							
Pay		292	357	491	625	759	893
Other		132	311	423	535	647	759
Pressures/Savings							
Increasing savings from Leisure review		0	0	(50)	(200)	(300)	(300)
Additional costs of new waste contract, net of income for charging for garden waste collections		0	1,136	274	125	125	125
Potential increase in pension contributions following revaluation		0	0	0	0	150	150
Forecast spending		**8,418**	**10,808**	**9,306**	**9,113**	**9,503**	**9,659**
Transfers to/from reserves		65	(981)	(142)	0	(92)	0
Contributions to reserves for future years costs							
Vehicle renewal fund		150	150	150	150	150	150
Election reserve annual contribution		30	30	30	30	30	30
Local plan reserve		50	50	50	50	50	50
ICT reserve		100	0	0	0	0	0
General reserve		47	0	0	0	0	0
New funding uncertainty reserve		421	0	0	0	0	0
Use of reserves NDR fluctuations		264	0	0	0	0	0
Corporate Plan Priorities Reserve		0	202	0	0	0	0
Waste contract fluctuation reserve		300	0	0	0	0	0
Underspend to waste vehicle		103	0	0	0	0	0
Committed expenditure		5	0	0	0	0	0
Total Net Spending Requirements		**9,953**	**10,259**	**9,394**	**9,343**	**9,641**	**9,889**
Funded By:							
Revenue Support Grant	1	0	0	380	390	400	410
Business Rates Baseline Funding	2	(1,648)	(1,742)	(1,766)	(1,801)	(1,837)	(1,873)
Settlement Funding Assessment		**(1,648)**	**(1,742)**	**(1,386)**	**(1,411)**	**(1,437)**	**(1,463)**
Other business rates income, net of payment to pool	3	(1,322)	(991)	(827)	(842)	(858)	(875)
Rural Services Delivery Grant	4	(401)	(401)	(200)	(200)	(200)	(200)
Financing from Council Tax	5	(6,051)	(6,391)	(6,548)	(6,709)	(6,896)	(7,087)
Council Tax Collection Fund (surplus) / deficit		(11)	(103)	0	0	0	0
New Homes Bonus	6	(520)	(631)	(289)	(218)	0	0
Total Income		**(9,953)**	**(10,259)**	**(9,250)**	**(9,380)**	**(9,391)**	**(9,625)**
Corporate Saving Target		**0**	**0**	**144**	**(37)**	**250**	**264**

Notes

1. Negative RSG removed in 2019/20 and 202/21 settlements. Effect of future negative grant cannot be dismissed.
2. Assumed business rates baseline funding will increase by inflation in future years (assumed 2%).
3. Assumed NNDR receipts as per current pool arrangement. Changes to future distribution not confirmed. Effect of NNDR CF balance reflected in use of business rate fluctuations reserve to mitigate impact.
4. RSDG only confirmed for 2020/21. Assumed reduction thereafter.
5. Council tax base growth assumed at 150 band D properties per year for 2021/22 and 2022/23, rising to 250 per year for 2023/24 and 2024/25 plus 1.94% increase from 2021/22 onwards.
6. New Homes Bonus calculated on current year methodology, no new allocations assumed, only legacy payments.

APPENDIX 5

TRANSFERS TO AND FROM REVENUE RESERVES

(Including transfers recommended in this report)

		Estimate 2019/20 £	Revised Estimate 2019/20 £	Estimate 2020/21 £
Transfers to Reserves				
	Business Rates Fluctuations Reserve	264,061	264,061	0
	Committed Expenditure Reserve	0	5,000	0
	Corporate Plan Priority Reserve	0	0	201,471
	Elections Reserve	30,000	30,000	30,000
	Funding Uncertainties Reserve	421,000	421,000	0
	Information Technology Reserve	100,000	100,000	0
	Local Plan Reserve	50,000	50,000	50,000
	Revenue Grants Unapplied	391,556	1,076,312	117,072
	Vehicle Renewals Reserve	150,000	150,000	150,000
	Waste Contract Fluctuations Reserve	300,000	300,000	0
	Waste Vehicles Reserve	0	103,000	0
	General Reserve	47,296	47,296	0
	Total transfers to reserves	**1,753,913**	**2,546,669**	**548,543**
Less: Transfers from Reserves				
	Business Rates Fluctuations Reserve	0	0	-270,000
	Committed Expenditure Reserve	0	-61,219	0
	Corporate Plan Priority Reserve	0	0	-10,000
	Customer Innovation Project	-125,626	-57,777	-120,592
	Economic Development Reserve	-48,455	-48,249	-42,944
	Elections Reserve	-92,000	-91,572	0
	Local Plan Reserve	0	0	-150,000
	Revenue Grants Unapplied	-629,434	-752,560	-503,974
	Ward Member Budgets			
	Total transfers from reserves	**-895,515**	**-1,011,377**	**-1,097,510**
	Total transfers to/(from) revenue reserves	**858,398**	**1,535,292**	**-548,967**

APPENDIX 6

SUMMARY OF USABLE RESERVES, BALANCE AND PROVISIONS

(including proposed transfers set out in the body of this report)

Revenue Funding	Balance at 31st. March 2019 £	Estimated Contribution in 2019/20 £	Transfer to Fund Waste Vehicles 19/20	Estimated Use use in 2019/20 Revenue £	Estimated use in 2019/20 Capital	Estimated Balance at 31st. March 2020 £	Estimated Contribution in 2020/21 £	Estimated Use use in 2020/21 Revenue £	Estimated Use in 2020/21 Capital	Estimated Balance at 31st. March 2021 £
Revenue Balances										
General Fund Working Balance	1,000,000	0		0	0	1,000,000	0	0	0	1,000,000
General Reserve	1,161,543	47,296	-209,000.00	0	0	999,839	0	0	0	999,839
	2,161,543	**47,296**	**- 209,000**	**-**		**1,999,839**	**-**	**-**		**1,999,839**
Provisions										
Insurances	54,000	-		-	-	54,000	-	-	-	54,000
	54,000	**-**		**-**		**54,000**	**-**	**-**		**54,000**
Reserves										
Business Rates Volatility Reserve	1,096,362	264,061	-600,000.00	-	-	760,423	-	270,000	-	490,423
Capital Programme Reserve	2,988,892	-	-582,000.00	-	846,380	1,560,512	-	-	430,749	1,129,763
Carsington Improvements	33,452	-	0.00	-	13,380	20,072	-	-	6,690	13,382
Committed Expenditure	270,217	5,000	0.00	61,219	-	213,998	-	-	-	213,998
Economic Development	273,384	-	0.00	48,249	-	225,135	-	42,944	10,000	172,191
Elections	157,814	30,000	0.00	91,572	-	96,242	30,000	-	-	126,242
ICT Renewals	438,245	100,000	0.00	-	108,092	430,153	-	-	57,250	372,903
Insurances	464,473	-	0.00	-	-	464,473	-	-	-	464,473
Investment Fund	564,590	-	0.00	-	-	564,590	-	-	-	564,590
Job Evaluation	150,000	-	0.00	-	-	150,000	-	-	-	150,000
Local Plan	158,422	50,000	0.00	-	-	208,422	50,000	150,000	-	108,422
Member / Officer Indemnity	25,000	-	0.00	-	-	25,000	-	-	-	25,000
Vehicle Renewals	989,063	150,000	-549,000.00	-	26,350	563,713	150,000	-	438,000	275,713
Waste Contract Fluctuations	412,000	300,000	0.00	-	-	712,000	-	-	-	712,000
Ward Member Budget Reserve	36,100	-	-36,100.00	-	-	-	-	-	-	-
Funding Uncertainties	-	421,000	-421,000.00	-	-	-	-	-	-	-
Customer Innovations Project	371,000	-	0.00	57,777	51,077	262,146	-	120,592	-	141,554
Revenue Grants Unapplied	5,555,801	1,076,312	0.00	752,560	300,000	5,579,553	117,072	503,974	929,000	4,263,651
Waste Vehicles Reserve	-	103,000	2,397,100.00	-	-	2,500,100	-	-	2,500,100	-
Corporate Plan Priority Reserve	-	-	0.00	-	-	-	201,471	10,000	-	191,471
	13,984,816	**2,499,373**	**209,000**	**1,011,377**	**1,345,279**	**14,336,533**	**548,543**	**1,097,510**	**4,371,789**	**9,415,777**
TOTAL	**16,200,358**	**2,546,669**	**0.00**	**1,011,377**	**1,345,279**	**16,390,371**	**548,543**	**1,097,510**	**4,371,789**	**11,469,615**

APPENDIX 7

ANNUAL REVIEW OF EARMARKED RESERVES

(including proposed transfers set out in the body of this report)

Reserve	Purpose	Forecast Balance 31st March 2021
Business Rates Fluctuations Reserve	To provide funding towards potential future losses on Non-Domestic Rates	£490,423 Balance considered to be appropriate at the current time but will need to be re-examined when the full details of changes to the rates retention scheme are known.
Capital Programme Reserve	To provide funding for capital expenditure	£1,129,763 Required for the five year capital programme and potential future liabilities not yet in the programme. It is recommended that annual contributions are made from revenue, if affordable, to ensure a sufficient balance for future capital projects. Top up is possible if there is a revenue account underspend
Carsington Improvements	To provide grants towards projects in Parishes bordering Carsington Reservoir. The reserve was established with a deposit	£13,382 Expected to be used by 2022/23
Committed Expenditure	Annual contributions in respect of expenditure which has been committed, but service not received at the end of the financial year,	£213,998 Expected to be used during 2020/21.
Corporate Plan Priorities	To provide a source of funding for priority projects emerging from the new Corporate Plan 2020-2024.	£191,471 Balance considered to be appropriate at the current time but will need to be re-examined when the priority projects have been identified.
Customer Innovation	To procure and implement a customer platform that integrates with existing systems to enable us to drive channel shift and to deliver easier, faster and better customer service. To provide our	£141,554 This balance is considered to sufficient to deliver the project.
Economic Development	To provide funding for economic development initiatives.	£172,191 Fully committed to deliver the Economic Development Plan.
Elections	Annual revenue contributions to smooth the cost of four-yearly District Council elections.	£126,242 The aim is to build up a reserve to fund the cost of the May 2023 election.

Continued……

Reserve	Purpose	Forecast Balance 31st March 2021
Grants Unapplied	The balance of grants received but not yet spent, set aside to finance expenditure in future years. Includes Section 106 Contributions. Most grants can only be used for specific purposes.	£4,263,651 Most of the balance is committed to fund the capital programme. The Capital strategy states that the Council will seeks grants and contributions when the opportunity arises.
ICT Renewals	To provide funding for renewal of the Council's information technology equipment, including telephony & central printing equipment.	£372,903 This balance is considered to sufficient to deliver the needs identified in the ICT Strategy.
Insurances	To provide funding for uninsured losses.	£464,473 A balance of approximately £500,000 is considered appropriate.
Investment Fund	To provide funding towards, for example, interim and temporary resources to provide additional capacity and skills to support the change agenda, and to kick-start investments, subject to suitable business cases.	£564,590 For application to schemes approved by the Commercial Board. Balance considered sufficient for current needs, but could be topped up if there is a revenue under-spend.
Job Evaluation	To provide funding for the additional cost of job evaluation.	£150,000 Balance considered to be adequate.
Local Plan	Annual revenue contributions to smooth the cost of four-yearly review of the local plan.	£108,422 Annual contributions will be made to provide funding for the next public inquiry. Balance is expected to be adequate.
Member/Officer Indemnity	To indemnify Members and officers against acts or omissions subsequently found to be ultra vires, and against defence costs of	£25,000 Adequate for current needs.
Vehicle Renewals	To provide for the replacement of vehicles.	£275,713 Balance is fully committed. Annual revenue contributions will ensure that the balance is adequate.
Waste Contract Fluctuations	To finance changes in disposal costs which will become part of the new waste contract.	£712,000 Adequate for current needs. To be used in 2020/21.

APPENDIX 8

PARISH PRECEPTS

PARISH PRECEPT 2019/20	BAND D COUNCIL TAX 2019/20	PARISH	PARISH PRECEPT 2020/21	COUNCIL TAX BASE 2020/21	BAND D COUNCIL TAX 2020/21	INCREASE / DECREASE IN BAND D COUNCIL TAX
£	£		£	£	£	£
286,525	93.09	Ashbourne	308,675	3,319.19	93.00	-0.10
1,922	28.44	Alkmonton & Hungry Bentley	1,200	69.72	17.21	-39.48
16,915	73.28	Ashford-in-the-Water	17,740	238.21	74.47	1.63
105,000	64.91	Ballidon & Bradbourne	2,765	85.24	32.44	0.01
2,765	32.44	Bakewell	105,000	1,631.12	64.37	-0.84
14,719	22.86	Baslow & Bubnell	14,719	642.48	22.91	0.24
4,241	56.02	Beeley	4,241	74.58	56.87	1.52
6,000	44.93	Birchover	6,500	138.38	46.97	4.54
18,500	55.50	Bonsall	18,500	334.09	55.37	-0.23
1,413	15.20	Boylestone	738	94.14	7.84	-48.44
2,500	17.50	Bradley	2,500	149.35	16.74	-4.37
49,966	88.40	Bradwell	51,456	575.14	89.47	1.21
14,305	25.59	Brailsford	17,500	618.01	28.32	10.67
17,160	67.24	Brassington	17,160	270.37	63.47	-5.61
7,486	21.07	Calver	7,426	354.71	20.94	-0.64
4,902	38.79	Carsington & Hopton	5,083	131.05	38.79	0.00
5,435	40.44	Chelmorton	5,435	139.38	38.99	-3.58
5,000	24.12	Clifton	5,000	211.44	23.65	-1.94
17,750	32.77	Cromford*	18,000	549.14	32.78	0.02
1,000	9.71	Cubley	1,000	103.63	9.65	-0.58
6,775	29.29	Curbar	6,775	234.65	28.87	-1.43
139,565	64.48	Darley Dale	148,637	2,197.37	67.64	4.90
10,883	18.19	Doveridge	13,277	719.95	18.44	1.39
1,200	21.07	Eaton, Alsop & Newton Grange	1,000	55.75	17.94	-14.87
1,200	14.04	Edlaston & Wyaston	1,500	105.38	14.23	1.35
8,160	52.01	Elton	8,568	158.63	54.01	3.84
27,000	62.31	Eyam	33,000	434.44	75.96	21.91
1,400	19.66	Fenny Bentley	1,600	72.04	22.21	12.97
1,500	19.00	Flagg	1,500	78.57	19.09	0.49
2,200	27.17	Foolow	2,200	78.45	28.04	3.19
935	7.46	Froggatt	935	119.87	7.80	4.55
16,937	48.57	Great Longstone	17,445	352.86	49.44	1.79
6,630	15.84	Grindleford	6,763	416.23	16.25	2.59
1,800	12.37	Hartington, Middle Quarter	1,800	143.39	12.55	1.47
5,000	29.88	Hartington, Nether Quarter	6,000	173.02	34.68	16.07
8,000	50.22	Hartington, Town Quarter	8,000	167.30	47.82	-4.78
500	11.23	Hassop	500	43.88	11.39	1.39
823,189		Balance Carried Forward	870,138	15,281.15		

*Subject to written confirmation, at the time of writing the report.

PARISH PRECEPT 2019/20	BAND D COUNCIL 2019/20	PARISH	PARISH PRECEPT 2020/21	COUNCIL TAX BASE 2020/21	BAND D COUNCIL TAX 2020/21	INCREASE / DECREASE IN BAND D COUNCIL TAX
£	£		£	£	£	%
823,189		Balance Brought Forward	870,138	15,281.15		
57,000	69.63	Hathersage (including Outseats)	58,000	826.07	70.21	0.83
4,580	35.54	Hognaston	4,580	129.19	35.45	-0.24
2,788	27.04	Hollington	1,923	109.50	17.56	-35.06
4,774	35.71	Hucklow, Great & Little, & Grindlow	5,251	136.70	38.41	7.55
13,500	33.43	Hulland Ward	14,500	439.44	33.00	-1.29
9,450	41.90	Kirk Ireton	9,924	228.58	43.42	3.63
4,725	28.46	Kniveton	5,525	168.74	32.74	15.06
8,162	27.96	Litton	8,407	298.80	28.14	0.65
3,600	20.74	Longford	3,650	177.61	20.55	-0.94
1,650	28.12	Mappleton	1,800	61.00	29.51	4.95
3,590	21.42	Marston Montgomery	3,500	169.19	20.69	-3.40
279,092	82.17	Matlock	310,539	3,549.90	87.48	6.46
28,000	95.32	Matlock Bath	28,000	304.67	91.90	-3.59
4,000	59.95	Middleton by Wirksworth	13,285	310.23	42.82	2.00
12,800	41.98	Middleton & Smerrill	4,000	66.79	59.89	-0.10
6,707	44.19	Monyash	6,908	147.85	46.72	5.73
1,750	12.97	Norbury & Roston	1,800	134.70	13.36	2.98
4,590	19.24	Northwood & Tinkersley	4,590	245.21	18.72	-2.69
1,050	4.56	Offcote & Underwood	1,000	230.07	4.35	-4.59
2,300	14.54	Osmaston & Yeldersley	2,600	161.25	16.12	10.88
4,800	40.33	Over Haddon	4,900	117.33	41.76	3.54
9,255	44.62	Parwich	9,255	209.70	44.13	-1.09
714	13.23	Pilsley	736	54.27	13.56	2.46
2,900	16.73	Rodsley & Yeaveley	2,900	179.27	16.18	-3.29
6,552	37.29	Rowsley	6,552	177.07	37.00	-0.77
1,500	37.16	Sheldon	1,500	41.41	36.22	-2.52
6,281	50.14	Shirley	6,028	130.28	46.27	-7.72
5,150	17.10	South Darley	5,500	303.56	18.12	5.95
6,300	39.96	Stanton-in-the-Peak	6,458	160.23	40.30	0.86
10,954	54.64	Stoney Middleton	11,282	200.73	56.20	2.86
7,038	45.33	Sudbury	7,178	162.88	44.07	-2.79
5,426	27.03	Taddington	6,076	201.71	30.12	11.45
17,135	34.28	Tansley	19,549	519.98	37.60	9.68
2,250	26.91	Thorpe	2,325	83.57	27.82	3.38
54,000	78.04	Tideswell	57,305	702.67	81.55	4.50
2,500	36.36	Tissington & Lea Hall	2,500	69.11	36.17	-0.52
400	7.35	Wardlow	650	54.68	11.89	61.82
16,921	67.23	Winster	17,500	256.37	68.26	1.54
154,000	85.09	Wirksworth	194,000	1,841.16	105.37	23.83
18,579	41.57	Youlgreave	19,048	448.75	42.45	2.13
		All other Parts of the Council's Area		737.31		
1,609,952		Total	1,741,162	29,828.68		

NOT CONFIDENTIAL – For public release **Item No. 9**

COUNCIL MEETING
5th March 2020

Report of the Head of Resources

COUNCIL TAX SETTING 2020/21

PURPOSE OF REPORT

This report enables the Council to calculate and set the Council Tax for 2020/21.

RECOMMENDATION

1. That the Council approves the formal Council Tax resolution set out in Appendices A to C of the report.

2. That the Council retains the Empty Homes Premium at 100% for homes that have been empty for more than two years.

WARDS AFFECTED

All

STRATEGIC LINK

As Council Tax is an important source of funding for the Council, it has a link to all the Council's aims and priorities.

1. BACKGROUND

1.1 The Local Government Finance Act 1992, amended by the Localism Act 2011, requires the billing authority to calculate a Council Tax requirement for the year. The 2020/21 Council Tax requirement for Derbyshire Dales District Council is the subject of a separate report on the agenda for this meeting.

The precept levels of other precepting bodies have now been received. These are detailed below:

1.2 Town and Parish Councils

The Town and Parish Council Precepts for 2020/21 are detailed in Appendix C and total £1,741,162. The increase in the average Band D Council Tax for Town and Parish Councils is 4.83% and results in an average Town / Parish Council Band D Council Tax figure of £58.37 for 2020/21.

1.3 Derbyshire County Council

Derbyshire County Council met on 11th February 2020 and set their precept at £40,248,960. This results in a County Council Band D Council Tax of £1,349.34.

1.4 Office of Police and Crime Commissioner for Derbyshire

The Office of the Police and Crime Commissioner for Derbyshire met on 11th February 2020 and set their precept at £6,759,179. This results in a Band D Council Tax of £226.60.

1.5 Derbyshire Fire and Rescue Authority

Derbyshire Fire and Rescue Authority met on 13th February 2020 and set their precept at £2,318,583. This results in a Band D Council Tax of £77.73.

1.6 Council Tax Base

The Head of Resources, under powers delegated by the Council, has determined the Council Tax Base for 2020/21 for the whole of the District and for each precepting Town/Parish Council area. The tax base for the whole area for 2020/21 has been determined as 29,828.68.

1.7 Empty Homes Premium

It was agreed at Council on 5th December 2018 that the Council would charge 100% premium (i.e. double council tax) on long term empty homes from 1st April 2019. Long term empty homes are defined as those which have been empty for more than two years. Officers plan to carry out a review of the empty homes premium after the end of the financial year.

1.8 Conclusions

The recommendations of the Council are set out in the formal Council Tax Resolution in Appendices A – C.

If the formal Council Tax Resolution at Appendices A – C is approved, the total Band D Council Tax will be as follows:

	2019/20 £	**2020/21 £**	**Increase £**	**Increase %**
Derbyshire Dales District Council	209.27	214.27	5.00	2.39
Derbyshire County Council	1,322.88	1,349.34	26.46	2.00
Office of Police and Crime Commissioner for Derbyshire	216.60	226.60	10.00	4.62
Derbyshire Fire and Rescue Authority	76.22	77.73	1.51	1.98
Sub-Total	1,824.97	1,867.94	42.97	2.35
Town and Parish Council (average)	55.68	58.37	2.69	4.83
Total	1,880.65	1,926.31	45.66	2.43

An Empty Homes Premium of 100% will apply to homes that have been empty for more than two years.

2. RISK ASSESSMENT

2.1 Legal

Section 30 of the Local Government Finance Act 1992 (as amended by the Localism Act 2011) places a duty on the Council, as a billing authority to set an amount of council tax for the different categories of dwellings according to the band in which the dwelling falls before 11 March.

A notice of the amount set must be published in at least one newspaper circulating the authority's area within 21 days of the decision.

Section 106 of the Local Government Finance Act 1992 precludes a councillor from voting on this decision as a relevant matter if he or she has an outstanding council tax debt of over two months. If Section 106 of the Act applies to a councillor present at this meeting they must disclose this and may not vote. Failure to comply is a criminal offence.

The duty to set Council Tax is embodied within the Local Government Finance Act 1992 and therefore the legal risk is low.

2.2 **Financial**

The financial details are set out in the body of the report and Appendices A to C. The financial risk is low. The financial risk of not setting a council tax would be high.

2.3 **Corporate Risk**

Failure to set the Council Tax for 2020/21 would result in the Council having reduced income within which to operate.

3. OTHER CONSIDERATIONS

In preparing this report, the relevance of the following factors has also been considered: prevention of crime and disorder, equalities, environmental, climate change, health, human rights, personnel and property.

4. CONTACT INFORMATION

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5. BACKGROUND PAPERS

Description

Precepts from Derbyshire County Council, Office of Police and Crime Commissioner for Derbyshire, Derbyshire Fire and Rescue Authority and Town/Parish Councils.

(Held on files in Accountancy Section)

APPENDIX A

The Council is recommended to resolve as follows:

1. It be noted that on 1 December 2019 the Head of Resources under delegated powers calculated the Council Tax Base 2020/21:

   a) For the whole Council area as 29,828.68 [Item T in the formula in Section 31B of the Local Government Finance Act 1992, as amended (the "Act")]; and

   b) For dwellings in those parts of its area to which a Parish precept relates as in the attached Appendix C.

2. Calculate that the Council Tax Requirement for the Council's own purposes for 2020/21 (excluding Parish precepts) is £6,391,391.

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

a)	£40,495,819	Being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act taking into account all precepts issued to it by Parish Councils.
b)	£32,363,266	Being the aggregate of the amounts which the Council estimates for the items set out in Section 31A (3) of the Act.
c)	£8,132,553	Being the amount by which the aggregate at 3(a) above exceeds the aggregate at 3(b) above exceeds the aggregate at 3(b) above, calculated by the Council in accordance with Section 21A(4) of the Act as its Council Tax requirements for the year. (Item R in the formula in Section 31B of the Act).
d)	£272.64	Being the amount at 3(c) above (Item R), all divided by Item T (1(a) above), calculated by the Council, in accordance with Section 31B of the Act, as the basic amount of its Council Tax for the year (including Parish precepts).
e)	£1,741,162	Being the aggregate amount of all special items (Parish precepts) referred to in Section 34(1) of the Act (as per the attached Appendix C)
f)	£214.27	Being the amount at 3(d) above less the result given by dividing the amount at 3(e) above by Item T (1(a) above), calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its Council Tax for the year for dwellings in those parts of its area to which no Parish precept relates.

4. To note that the County Council, the Office of Police and Crime Commissioner for Derbyshire and the Derbyshire Fire and Rescue Authority precepts to the Council in accordance with Section 40 of the Local Government Finance Act 1992 for each category of dwellings in the Council's area as indicated in the table below after 5.

5. That the Council, in accordance with Sections 30 and 36 of the Local Government Finance Act 1992, hereby sets the aggregate amounts shown in the tables below as the amounts of Council Tax for 2019/20 for each part of its area and for each of the categories of dwellings.

Valuation Bands

DERBYSHIRE DALES DISTRICT COUNCIL

A	B	C	D	E	F	G	H
142.85	166.65	190.46	214.27	261.89	309.50	357.12	428.54

DERBYSHIRE COUNTY COUNCIL

A	B	C	D	E	F	G	H
899.56	1,049.49	1,199.41	1,349.34	1,649.19	1,949.05	2,248.90	2,698.68

OFFICE OF POLICE AND CRIME COMMISSIONER FOR DERBYSHIRE

A	B	C	D	E	F	G	H
151.07	176.24	201.42	226.60	276.96	327.31	377.67	453.20

DERBYSHIRE FIRE AUTHORITY

A	B	C	D	E	F	G	H
51.82	60.46	69.09	77.73	95.00	112.28	129.55	155.46

AGGREGATE OF COUNCIL TAX REQUIREMENTS

A	B	C	D	E	F	G	H
1,245.30	1,452.84	1,660.38	1,867.94	2,283.04	2,698.14	3,113.24	3,735.88

6. That the Council’s basic amount of Council Tax for 2020/21 is not excessive in accordance with principles approved under Section 52ZB Local Government Finance Act 1992.

APPENDIX B

Council Tax Schedule 2020/21	Band A £	Band B £	Band C £	Band D £	Band E £	Band F £	Band G £	Band H £
Derbyshire Dales District Council	142.85	166.65	190.46	214.27	261.89	309.50	357.12	428.54
Derbyshire County Council	899.56	1,049.49	1,199.41	1,349.34	1,649.19	1,949.05	2,248.90	2,698.68
Police and Crime Commissioner for Derbyshire	151.07	176.24	201.42	226.60	276.96	327.31	377.67	453.20
Derbyshire Fire And Rescue Service	51.82	60.46	69.09	77.73	95.00	112.28	129.55	155.46
Parish / Town only	38.91	45.40	51.89	58.37	71.34	84.32	97.29	116.74
Parish / Town & District	181.76	212.05	242.35	272.64	333.23	393.82	454.41	545.28
Total	1,284.21	1,498.24	1,712.27	1,926.31	2,354.38	2,782.46	3,210.53	3,852.62
Parish								
Ashbourne	1,307.30	1,525.17	1,743.05	1,960.94	2,396.71	2,832.47	3,268.24	3,921.88
Bakewell	1,288.21	1,502.91	1,717.60	1,932.31	2,361.71	2,791.12	3,220.52	3,864.62
Darley Dale	1,290.39	1,505.45	1,720.50	1,935.58	2,365.71	2,795.84	3,225.97	3,871.16
Matlock	1,303.62	1,520.88	1,738.14	1,955.42	2,389.96	2,824.50	3,259.04	3,910.84
Tideswell	1,299.67	1,516.27	1,732.87	1,949.49	2,382.71	2,815.93	3,249.16	3,898.98
Wirksworth	1,315.55	1,534.79	1,754.04	1,973.31	2,411.83	2,850.34	3,288.86	3,946.62
Alkmonton & Hungry Bentley	1,256.77	1,466.23	1,675.68	1,885.15	2,304.07	2,723.00	3,141.92	3,770.30
Ashford-in-the-Water	1,294.95	1,510.76	1,726.58	1,942.41	2,374.06	2,805.71	3,237.36	3,884.82
Ballidon & Bradbourne	1,266.93	1,478.07	1,689.22	1,900.38	2,322.69	2,745.00	3,167.31	3,800.76
Baslow & Bubnell	1,260.57	1,470.66	1,680.74	1,890.85	2,311.04	2,731.23	3,151.42	3,781.70
Beeley	1,283.21	1,497.07	1,710.93	1,924.81	2,352.55	2,780.29	3,208.02	3,849.62
Birchover	1,276.61	1,489.37	1,702.13	1,914.91	2,340.45	2,765.99	3,191.52	3,829.82
Bonsall	1,282.21	1,495.91	1,709.60	1,923.31	2,350.71	2,778.12	3,205.52	3,846.62
Boylestone	1,250.53	1,458.94	1,667.35	1,875.78	2,292.62	2,709.46	3,126.31	3,751.56
Bradley	1,256.46	1,465.86	1,675.26	1,884.68	2,303.50	2,722.32	3,141.14	3,769.36
Bradwell	1,304.95	1,522.43	1,739.91	1,957.41	2,392.39	2,827.37	3,262.36	3,914.82
Brailsford	1,264.18	1,474.87	1,685.55	1,896.26	2,317.65	2,739.05	3,160.44	3,792.52
Brassington	1,287.61	1,502.21	1,716.80	1,931.41	2,360.61	2,789.82	3,219.02	3,862.82
Calver	1,259.26	1,469.13	1,678.99	1,888.88	2,308.63	2,728.39	3,148.14	3,777.76
Carsington & Hopton	1,271.16	1,483.01	1,694.86	1,906.73	2,330.45	2,754.17	3,177.89	3,813.46
Chelmorton	1,271.29	1,483.17	1,695.04	1,906.93	2,330.69	2,754.46	3,178.22	3,813.86
Clifton	1,261.07	1,471.23	1,681.40	1,891.59	2,311.95	2,732.30	3,152.66	3,783.18
Cromford	1,267.15	1,478.34	1,689.52	1,900.72	2,323.10	2,745.49	3,167.87	3,801.44
Cubley	1,251.73	1,460.35	1,668.96	1,877.59	2,294.83	2,712.08	3,129.32	3,755.18
Curbar	1,264.55	1,475.29	1,686.04	1,896.81	2,318.33	2,739.84	3,161.36	3,793.62
Doveridge	1,257.59	1,467.18	1,676.77	1,886.38	2,305.58	2,724.78	3,143.97	3,772.76
Eaton, Alsop & Newton Grange	1,257.26	1,466.79	1,676.33	1,885.88	2,304.97	2,724.05	3,143.14	3,771.76
Edlaston & Wyaston	1,254.79	1,463.91	1,673.03	1,882.17	2,300.43	2,718.69	3,136.96	3,764.34
Elton	1,281.31	1,494.85	1,708.39	1,921.95	2,349.05	2,776.15	3,203.26	3,843.90
Eyam	1,295.94	1,511.92	1,727.90	1,943.90	2,375.88	2,807.86	3,239.84	3,887.80
Fenny Bentley	1,260.11	1,470.11	1,680.12	1,890.15	2,310.19	2,730.22	3,150.26	3,780.30
Flagg	1,258.03	1,467.69	1,677.35	1,887.03	2,306.37	2,725.71	3,145.06	3,774.06
Foolow	1,263.99	1,474.65	1,685.30	1,895.98	2,317.31	2,738.64	3,159.97	3,791.96
Froggatt	1,250.50	1,458.91	1,667.31	1,875.74	2,292.57	2,709.41	3,126.24	3,751.48
Great Longstone	1,278.26	1,491.29	1,704.33	1,917.38	2,343.47	2,769.55	3,195.64	3,834.76
Grindleford	1,256.13	1,465.48	1,674.82	1,884.19	2,302.90	2,721.61	3,140.32	3,768.38
Hartington, Middle Quarter	1,253.67	1,462.60	1,671.54	1,880.49	2,298.38	2,716.27	3,134.16	3,760.98
Hartington, Nether Quarter	1,268.42	1,479.81	1,691.21	1,902.62	2,325.43	2,748.23	3,171.04	3,805.24
Hartington, Town Quarter	1,277.18	1,490.03	1,702.89	1,915.76	2,341.49	2,767.21	3,192.94	3,831.52
Hassop	1,252.89	1,461.70	1,670.50	1,879.33	2,296.96	2,714.59	3,132.22	3,758.66
Hathersage & Outseats	1,292.11	1,507.45	1,722.79	1,938.15	2,368.85	2,799.55	3,230.26	3,876.30
Hognaston	1,268.93	1,480.41	1,691.89	1,903.39	2,326.37	2,749.35	3,172.32	3,806.78
Hollington	1,257.01	1,466.50	1,675.99	1,885.50	2,304.50	2,723.50	3,142.51	3,771.00
Hucklow, Gt. & Lt, & Grindlow	1,270.91	1,482.71	1,694.52	1,906.35	2,329.99	2,753.62	3,177.26	3,812.70
Hulland Ward	1,267.30	1,478.51	1,689.71	1,900.94	2,323.37	2,745.81	3,168.24	3,801.88
Kirk Ireton	1,274.25	1,486.61	1,698.98	1,911.36	2,336.11	2,760.86	3,185.61	3,822.72
Kniveton	1,267.13	1,478.30	1,689.48	1,900.68	2,323.06	2,745.43	3,167.81	3,801.36
Litton	1,264.06	1,474.73	1,685.39	1,896.08	2,317.43	2,738.79	3,160.14	3,792.16
Longford	1,259.00	1,468.82	1,678.65	1,888.49	2,308.16	2,727.82	3,147.49	3,776.98
Mappleton	1,264.97	1,475.79	1,686.61	1,897.45	2,319.11	2,740.77	3,162.42	3,794.90
Marston Montgomery	1,259.09	1,468.93	1,678.77	1,888.63	2,308.33	2,728.03	3,147.72	3,777.26
Matlock Bath	1,306.57	1,524.32	1,742.07	1,959.84	2,395.36	2,830.88	3,266.41	3,919.68

Council Tax Schedule 2020/21	Band A £	Band B £	Band C £	Band D £	Band E £	Band F £	Band G £	Band H £
Middleton & Smerrill	1,285.23	1,499.42	1,713.62	1,927.83	2,356.24	2,784.65	3,213.06	3,855.66
Middleton by Wirksworth	1,273.85	1,486.14	1,698.44	1,910.76	2,335.38	2,759.99	3,184.61	3,821.52
Monyash	1,276.45	1,489.18	1,701.91	1,914.66	2,340.14	2,765.62	3,191.11	3,829.32
Norbury & Roston	1,254.21	1,463.23	1,672.26	1,881.30	2,299.37	2,717.44	3,135.51	3,762.60
Northwood and Tinkersley	1,257.78	1,467.40	1,677.02	1,886.66	2,305.92	2,725.18	3,144.44	3,773.32
Offcote & Underwood	1,248.20	1,456.22	1,664.25	1,872.29	2,288.36	2,704.42	3,120.49	3,744.58
Osmaston & Yeldersley	1,256.05	1,465.38	1,674.71	1,884.06	2,302.74	2,721.42	3,140.11	3,768.12
Over Haddon	1,273.14	1,485.32	1,697.50	1,909.70	2,334.08	2,758.46	3,182.84	3,819.40
Parwich	1,274.72	1,487.16	1,699.61	1,912.07	2,336.98	2,761.88	3,186.79	3,824.14
Pilsley	1,254.34	1,463.39	1,672.43	1,881.50	2,299.61	2,717.73	3,135.84	3,763.00
Rodsley & Yeaveley	1,256.09	1,465.42	1,674.76	1,884.12	2,302.82	2,721.51	3,140.21	3,768.24
Rowsley	1,269.97	1,481.62	1,693.27	1,904.94	2,328.26	2,751.58	3,174.91	3,809.88
Sheldon	1,269.45	1,481.01	1,692.58	1,904.16	2,327.31	2,750.46	3,173.61	3,808.32
Shirley	1,276.15	1,488.83	1,701.51	1,914.21	2,339.59	2,764.97	3,190.36	3,828.42
Snelston	1,245.30	1,452.84	1,660.38	1,867.94	2,283.04	2,698.14	3,113.24	3,735.88
South Darley	1,257.38	1,466.93	1,676.49	1,886.06	2,305.19	2,724.31	3,143.44	3,772.12
Stanton-in-the-Peak	1,272.17	1,484.18	1,696.20	1,908.24	2,332.30	2,756.35	3,180.41	3,816.48
Stoney Middleton	1,282.77	1,496.55	1,710.34	1,924.14	2,351.73	2,779.32	3,206.91	3,848.28
Sudbury	1,274.68	1,487.12	1,699.55	1,912.01	2,336.90	2,761.80	3,186.69	3,824.02
Taddington	1,265.38	1,476.27	1,687.15	1,898.06	2,319.85	2,741.65	3,163.44	3,796.12
Tansley	1,270.37	1,482.08	1,693.80	1,905.54	2,329.00	2,752.45	3,175.91	3,811.08
Thorpe	1,263.85	1,474.48	1,685.11	1,895.76	2,317.04	2,738.32	3,159.61	3,791.52
Tissington and Lea Hall	1,269.41	1,480.97	1,692.53	1,904.11	2,327.25	2,750.39	3,173.52	3,808.22
Wardlow	1,253.23	1,462.09	1,670.95	1,879.83	2,297.57	2,715.31	3,133.06	3,759.66
Winster	1,290.81	1,505.93	1,721.06	1,936.20	2,366.47	2,796.74	3,227.01	3,872.40
Youlgreave	1,273.60	1,485.86	1,698.11	1,910.39	2,334.92	2,759.46	3,183.99	3,820.78
All Other Parts of the Council's Area	1,245.30	1,452.84	1,660.38	1,867.94	2,283.04	2,698.14	3,113.24	3,735.88

Appendix C

PARISH	TOWN AND PARISH PRECEPTS			TOWN AND PARISH PRECEPTS			
	COUNCIL TAX BASE £	2019/20 PARISH PRECEPT £	BAND D COUNCIL TAX £	COUNCIL TAX BASE £	2020/21 PARISH PRECEPT £	BAND D COUNCIL TAX £	COUNCIL TAX BAND D INCREASE %
Ashbourne	3,077.98	286,525	93.09	3,319.19	308,675	93.00	-0.1
Bakewell	1,617.51	105,000	64.91	1,631.12	105,000	64.37	-0.8
Darley Dale	2,164.36	139,565	64.48	2,197.37	148,637	67.64	4.9
Matlock	3,396.50	279,092	82.17	3,549.90	310,539	87.48	6.5
Tideswell	691.96	54,000	78.04	702.67	57,305	81.55	4.5
Wirksworth	1,809.77	154,000	85.09	1,841.16	194,000	105.37	23.8
Alkmonton & Hungry Bentley	67.59	1,922	28.44	69.72	1,200	17.21	-39.5
Ashford-in-the-Water	230.83	16,915	73.28	238.21	17,740	74.47	1.6
Ballidon & Bradbourne	85.24	2,765	32.44	85.24	2,765	32.44	0.0
Baslow & Bubnell	643.99	14,719	22.86	642.48	14,719	22.91	0.2
Beeley	75.71	4,241	56.02	74.58	4,241	56.87	1.5
Birchover	133.54	6,000	44.93	138.38	6,500	46.97	4.5
Bonsall	333.34	18,500	55.50	334.09	18,500	55.37	-0.2
Boylestone	92.93	1,413	15.20	94.14	738	7.84	-48.4
Bradley	142.82	2,500	17.50	149.35	2,500	16.74	-4.3
Bradwell	565.22	49,966	88.40	575.14	51,456	89.47	1.2
Brailsford	559.01	14,305	25.59	618.01	17,500	28.32	10.7
Brassington	255.19	17,160	67.24	270.37	17,160	63.47	-5.6
Calver	355.22	7,486	21.07	354.71	7,426	20.94	-0.6
Carsington & Hopton	126.37	4,902	38.79	131.05	5,083	38.79	0.0
Chelmorton	134.40	5,435	40.44	139.38	5,435	38.99	-3.6
Clifton	207.31	5,000	24.12	211.44	5,000	23.65	-1.9
Cromford	541.61	17,750	32.77	549.14	18,000	32.78	0.0
Cubley	103.03	1,000	9.71	103.63	1,000	9.65	-0.6
Curbar	231.31	6,775	29.29	234.65	6,775	28.87	-1.4
Doveridge	598.39	10,883	18.19	719.95	13,277	18.44	1.4
Eaton, Alsop & Newton Grange	56.94	1,200	21.07	55.75	1,000	17.94	-14.9
Edlaston & Wyaston	85.47	1,200	14.04	105.38	1,500	14.23	1.4
Elton	156.88	8,160	52.01	158.63	8,568	54.01	3.8
Eyam	433.34	27,000	62.31	434.44	33,000	75.96	21.9
Fenny Bentley	71.21	1,400	19.66	72.04	1,600	22.21	13.0
Flagg	78.96	1,500	19.00	78.57	1,500	19.09	0.5
Foolow	80.96	2,200	27.17	78.45	2,200	28.04	3.2
Froggatt	125.33	935	7.46	119.87	935	7.80	4.6
Great Longstone	348.70	16,937	48.57	352.86	17,445	49.44	1.8
Grindleford	418.56	6,630	15.84	416.23	6,763	16.25	2.6
Hartington, Middle Quarter	145.54	1,800	12.37	143.39	1,800	12.55	1.5
Hartington, Nether Quarter	167.35	5,000	29.88	173.02	6,000	34.68	16.1
Hartington, Town Quarter	159.29	8,000	50.22	167.30	8,000	47.82	-4.8
Hassop	44.51	500	11.23	43.88	500	11.39	1.4
Hathersage & Outseats	818.62	57,000	69.63	826.07	58,000	70.21	0.8
Hognaston	128.88	4,580	35.54	129.19	4,580	35.45	-0.3
Hollington	103.11	2,788	27.04	109.50	1,923	17.56	-35.1
Hucklow, Gt & Lt, & Grindlow	133.67	4,774	35.71	136.70	5,251	38.41	7.6

PARISH	TOWN AND PARISH PRECEPTS COUNCIL TAX BASE £	2019/20 PARISH PRECEPT £	BAND D COUNCIL TAX £	TOWN AND PARISH PRECEPTS COUNCIL TAX BASE £	2020/21 PARISH PRECEPT £	BAND D COUNCIL TAX £	COUNCIL TAX BAND D INCREASE %
Hulland Ward	403.83	13,500	33.43	439.44	14,500	33.00	-1.3
Kirk Ireton	225.54	9,450	41.90	228.58	9,924	43.42	3.6
Kniveton	166.05	4,725	28.46	168.74	5,525	32.74	15.0
Litton	291.93	8,162	27.96	298.80	8,407	28.14	0.6
Longford	173.54	3,600	20.74	177.61	3,650	20.55	-0.9
Mappleton	58.68	1,650	28.12	61.00	1,800	29.51	4.9
Marston Montgomery	167.61	3,590	21.42	169.19	3,500	20.69	-3.4
Matlock Bath	293.74	28,000	95.32	304.67	28,000	91.90	-3.6
Middleton & Smerrill	66.72	4,000	59.95	66.79	4,000	59.89	-0.1
Middleton by Wirksworth	304.89	12,800	41.98	310.23	13,285	42.82	2.0
Monyash	151.78	6,707	44.19	147.85	6,908	46.72	5.7
Norbury & Roston	134.89	1,750	12.97	134.70	1,800	13.36	3.0
Northwood & Tinkersley	238.59	4,590	19.24	245.21	4,590	18.72	-2.7
Offcote & Underwood	230.30	1,050	4.56	230.07	1,000	4.35	-4.6
Osmaston & Yeldersley	158.20	2,300	14.54	161.25	2,600	16.12	10.9
Over Haddon	119.01	4,800	40.33	117.33	4,900	41.76	3.5
Parwich	207.43	9,255	44.62	209.70	9,255	44.13	-1.1
Pilsley	53.95	714	13.23	54.27	736	13.56	2.5
Rodsley & Yeaveley	173.33	2,900	16.73	179.27	2,900	16.18	-3.3
Rowsley	175.72	6,552	37.29	177.07	6,552	37.00	-0.8
Sheldon	40.37	1,500	37.16	41.41	1,500	36.22	-2.5
Shirley	125.27	6,281	50.14	130.28	6,028	46.27	-7.7
Snelston	96.09	0	0.00	99.99	0	0.00	0.0
South Darley	301.14	5,150	17.10	303.56	5,500	18.12	6.0
Stanton-in-the-Peak	157.67	6,300	39.96	160.23	6,458	40.30	0.9
Stoney Middleton	200.49	10,954	54.64	200.73	11,282	56.20	2.9
Sudbury	155.25	7,038	45.33	162.88	7,178	44.07	-2.8
Taddington	200.77	5,426	27.03	201.71	6,076	30.12	11.4
Tansley	499.85	17,135	34.28	519.98	19,549	37.60	9.7
Thorpe	83.61	2,250	26.91	83.57	2,325	27.82	3.4
Tissington and Lea Hall	68.76	2,500	36.36	69.11	2,500	36.17	-0.5
Wardlow	54.44	400	7.35	54.68	650	11.89	61.8
Winster	251.70	16,921	67.23	256.37	17,500	68.26	1.5
Youlgreave	446.98	18,579	41.57	448.75	19,048	42.45	2.1
All Other Parts of the Council's Area	637.56			637.32			
Total	**28,914.13**	**1,609,952**	**2,900.35**	**29,828.68**	**1,741,162**	**2,946.69**	

NOT CONFIDENTIAL – For public release **Item No. 10**

COUNCIL
5 March 2020

Report of the Head of Resources

MEDIUM TERM FINANCIAL STRATEGY FOR 2020/21 to 2024/25

PURPOSE OF REPORT

This report seeks the Council's approval for the Medium Term Financial Strategy for 2020/21 to 2024/25. The strategy is intended to set out the Council's strategic approach to the management of its finances and provide a framework within which decisions can be made regarding future service provision and council tax levels.

RECOMMENDATION

1. That approval is given to the Medium Term Financial Strategy (MTFS) for 2020/21 to 2024/25, attached as Appendix 1 to this report;
2. That Council agrees that, when setting budgets for 2020/21 and beyond, spending should be focused on the Council's corporate priorities, wherever possible;
3. That approval is given to the approach set out in the Medium Term Financial Strategy for achieving the savings required to set balanced budgets i.e. that there will be a hold on any significant service reductions until the outcome of the funding / business rates reviews is known.

WARDS AFFECTED

All wards

STRATEGIC LINK

Financial planning is all about allocating finite resources over time, to reach the broad goals set out in an organisation's corporate or business plan. The medium term financial strategy aims to match predicted spending levels within projected resources and maintain an adequate level of reserves, and to allow for the reallocation of resources in line with the authority's objectives and priorities.

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1 SUMMARY

1.1 The Council has a statutory duty to set a balanced budget. The Medium Term Financial Strategy (MTFS) shown in Appendix 1 provides a forecast of the Council's financial position over the five years for 2020/21 to 2024/25. The MTFS shows the pressures that the Council faces and the impact of reductions in government funding, at a time when public expectations and pressures on service costs are increasing.

1.2 The MTFS explains that beyond 2020/21 there is great uncertainty relating to government funding and retained business rates income, as the government has not yet completed its reviews of local authority funding for 2021/22 onwards. This makes financial planning very difficult at the current time.

1.3 The Medium Term Financial Plan (MTFP) contained within the MTFS indicates that a balanced budget can be set for 2020/21 but potential reductions in government grants will require corporate savings of £250,000 a year (or the use of reserves as a short-term measure) by 2023/24 if the Council is to be able to set a balanced budget.

1.4 The MTFS sets out the Council's approach to meeting the corporate savings target and closing the budget gap over the medium term. While there is uncertainty over the Council's future funding position, it is proposed that (while the Council will continue to look for efficiency savings) there will be a hold on any significant service reductions until the outcome of the funding / business rates reviews is known. It is considered that the Council has sufficient reserves and balances that would be available to address any immediate funding reduction, giving a period of time to consider the required action in the event of significant funding cuts. There are risks associated with this approach and these are explained in the MTFS.

1.5 The MTFS will assist in managing the Council's financial resilience in the medium term. It indicates that significant savings are required over the medium term and the Council will have to become much more self-reliant in future, depending much less on government grants as a source of funding and more on income from council tax and business rates, or from its own fees and charges.

2 REPORT

2.1 The current Medium Term Financial Strategy was approved in January 2019. Since that time the Council has faced further reductions in government funding but has experienced low levels of inflation.

Influences on the Council's finances over the next five years include:

- A potential for further significant reductions in government funding resulting from the current review of needs and resources;
- The impact of the proposed changes to business rates including changes to the local share, resetting the business rates baseline, funding of reliefs (especially Small Business Rate Relief), provision for appeals and the impact of revaluation exercises;
- Rising inflation rates (which increase the cost of services);
- The impact of the UK's withdrawal from the European Union, which could affect the cost of services and European grant funding;
- The value of the pound, which could affect the cost of goods and services;
- Increases in employer pension contributions;
- Nationally agreed pay awards, increases in the National Minimum Wage and changes in the Apprentices Levy;
- The impact of future welfare reforms, which could increase the cost of the Council Tax Support Scheme and Housing Benefit Overpayments;
- Increases in demand for services;
- Achievement of the savings required (see below);
- Potential for a reduction in the cost of leisure services, as the Council's cost is expected to reduce over the life of the contract;

- Potential cost pressures from outsourced services, which are coming to the end of current contracts. This includes the additional costs of the new waste contract from August 2020 (over £1.1m per year plus the financing of new vehicles at £3.6m in 2020/21) and the impact of a volatile market for recycling materials;
- The level of income following the introduction of charges for garden waste collection from 1st April 2021.

2.2 The purpose of the MTFS is set out in section 2 of that document. The aims include setting overall parameters and objectives for future spending to align them with Council priorities and ensuring the sustainability of the Council's budget. The MTFS should be reviewed annually; this year's review was delayed so that the Local Government Finance Settlement for 2020/21 could be reflected.

2.3 The updated MTFS, shown in Appendix 1, includes:

- A statement of principles (on pages 3 to 5 of the MTFS), including recommendations for the amount that should be retained in working balances and policies for under- or over-spends on the revenue account);
- Details of the Council's current financial position and Outlook;
- An updated Medium Term Financial Plan (MTFP), which shows the corporate savings that are required;
- An explanation of the approach to achieving savings;
- A risk assessment.

2.4 The updated MTFP includes forecasts of the Council's income and expenditure over the next five years. Key assumptions are shown, which include:

- The Settlement Funding Assessment from the Government for future years will be as in the 2020/21 Final Local Government Finance Settlement but with the retention of an adjustment similar to the negative revenue support grant that had been planned for 2019/20, and a reduction in Rural Services Delivery Grant;
- Council Tax income will increase by around £50,000 p.a. to reflect new homes;
- From 2021/22, Council Tax will increase by 1.94% each year. Officers recommend that this is the minimum necessary to achieve a sustainable financial plan;
- Business Rates Income retained by Derbyshire Dales District Council will increase by 2% p.a.;
- New Homes Bonus that has been awarded for 2020/21 will be for one year only; legacy payments from previous years will be honoured.

2.5 The updated MTFP indicates that the Council needs to set a Corporate Savings Target to achieve savings of £250,000 by 2023/24. This is a very challenging target on top of savings that have already been made, and might not be required if the Council's funding position for years after 2020/21 turns out to be better than forecasted. The MTFS sets out the Council's approach to achieving the savings required to close the budget gaps over the coming years.

2.6 Given the relatively low value of the savings target, the amount set aside in the general reserve and strategic reserves, the timing of the required savings, and the uncertainty surrounding council funding (arising mainly from the outcome of the anticipated level of the government's Fair Funding Review and its review of the Business Rates Retention scheme), **the recommended approach to meeting the Corporate Savings Target and closing the budget gap is to refrain from significant service reductions at the present time, until the outcome of the government reviews is known.** The Council has established a Commercial Board, which will explore commercial opportunities to help the Council achieve a sustainable financial future. The overall aim of this approach is that the Council will be far less reliant on government funding and will become more self-sufficient. The approach will focus on income generation and investment in economic development that will lead to growth. In the longer term, this approach will provide the Council with more financial resilience than depending on government grants.

2.7 There are risks with this approach, that are set out in part 5 of the MTFS, which explains that these risks will be mitigated by robust budget monitoring, together with the use of reserves in the short term if the financial position is worse than expected.

2.8 As well as having to make savings in order to balance its revenue budget over the coming years, the Council's sources of finance for capital funding are becoming depleted. The Council's Capital Strategy (elsewhere on the agenda for this Council meeting) sets the framework for all aspects of the Council's capital expenditure; including planning, prioritisation, management and funding. The Strategy has direct links to the Council's Asset Management Plan and this Medium Term Financial Strategy (MTFS).

2.8 The MTFS includes a section on reserves and balances. It is necessary to retain sufficient reserves and balances to meet the Council's needs, which are consistent with the Council's priorities, but also to ensure that they are not excessive taking into account the opportunity costs of maintaining them. The principles for reserves and balances are set out in section 2.2 of the MTFS; the individual reserves are described and balances reviewed for adequacy in section 3.4 of the MTFS.

2.9 Section 3.5 of the MTFS describes the Council's processes for setting and managing budgets. The Head of Resources, assisted by the Corporate Leadership Team, will monitor performance against the Medium Term Financial Strategy, the Medium Term Financial Plan, Revenue Budget and Capital Programme.

3 RISK ASSESSMENT

3.1 Legal

The adoption of a Financial Strategy is one of the mechanisms available to the Council to fulfil its responsibilities to properly manage its financial resources and meet its statutory obligations. To maintain that equilibrium, the District Council needs to adopt a risk based approach to decision making which balances the needs of the community and the ability of the District Council to deliver both key and discretionary services. The report also includes savings targets which are currently speculative and will be the subject of more detailed findings and reports in due course. The overall legal risk is therefore assesses as low to medium

3.2 Financial

The uncertainties associated with medium term financial planning are set out in section 3.2 of the MTFS. They include changes to the rates of inflation, Brexit, changes to the Business Rates Retention Scheme and reductions in Government Grants.

The key risks and the mitigating actions and controls relating to the MTFS are set out in Section 5 of the MTFS.

The MTFS indicates that there is a need for a Corporate Savings Target of £250,000 by 2023/24. The recommended approach to meeting the Corporate Savings Target and closing the budget gap is to refrain from significant service reductions at the present time, until the outcome of the government reviews is known, using reserves if necessary.

The financial risk is assessed as high.

3.3 Corporate Risk

The Medium Term Financial Strategy sets out the intention to focus spending on the District Council's corporate priorities, as defined in the Corporate Plan. The Corporate Plan is the District Council's primary policy document and business plan. It sets out the District Council's priorities and identifies key targets to be achieved.

The Corporate Plan for 2020-2024 is included elsewhere on the agenda for this Council meeting. The MTFS will be updated in due course to reflect the new Corporate Plan Priorities, subject to Members' approval.

Budgets are currently rated High Risk in the District Council's strategic risk register.

4 OTHER CONSIDERATIONS

In preparing this report, the relevance of the following factors has also been considered: prevention of crime and disorder, equalities, environmental, climate change, health, human rights, personnel and property.

5 CONTACT INFORMATION

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6 BACKGROUND PAPERS

None

7 ATTACHMENTS

Appendix 1: Medium Term Financial Strategy for 2020/21 to 2024/25.

Medium Term Financial Strategy 2020/21 to 2024/25

To be approved March 2020

This Medium Term Financial Strategy is intended to set out the Council's strategic approach to the management of its finances and provide a framework within which decisions can be made regarding future service provision and council tax levels.

Table of Contents

If you have any questions or comments about this Medium Term Financial Strategy please contact finance@derbyshiredales.gov.uk

1. Executive Summary

1.1 This Medium Term Financial Strategy (MTFS) is intended to set out the Council's strategic approach to the management of its finances and provide a framework within which decisions can be made regarding future service provision and council tax levels.

1.2 It is based on a five-year rolling forecast from 2020/21 to 2024/25 and is intended to be reviewed annually (usually in November, but delayed this year awaiting the outcome of the Local Government Finance Settlement). The MTFS provides the financial context for the Council's financial resource allocation and budget setting processes.

1.3 In recent years all local authorities have faced significant reductions in Government funding, though the Finance Settlement for 2020/21 offered an improvement. By the end of 2020/21 the Council's Settlement Funding Assessment (the main source of government grant funding) will have reduced by 55% or £2.1m from 2013/14. This equates to £70 per band D property. The Council has responded well to the grant cuts so far and has already made savings of over £2.7 million since 1st April 2014. At the same time, public expectations are increasing and there are cost pressures on some services, such as waste and recycling. The impact of changes in the economy (such as rising inflation and interest rates), together with the UK's exit from the European Union, bring more uncertainty and instability, as does the potential outcome of the Government's Fair Funding Review and changes to the system of Business Rates Retention, which are expected to be announced in 2020.

1.4 The Medium Term Financial Plan (MTFP) contained in this document (Appendix A) shows that further cuts in government funding mean that corporate savings of £250,000 are required by 2023/24. Coming on top of the savings that have already been made, this is a challenging target, equating to around 2.3% of net revenue spending in 2020/21. The District Council has already made budget savings exceeding £2.7m since 2014, and further savings will not be easy to achieve.

1.5 Faced with such unprecedented cuts in government funding and a significant corporate savings target, the Council will have to become more self-sufficient and generate more income from fees and charges, local taxation and business rates, as well as critically reviewing its expenditure, if it is to continue to set a balanced budget (as required by law).

1.6 In addition to these pressures on the revenue budget over the coming years, the Council's sources of capital funding are becoming depleted. The Council's Capital Strategy sets the framework for all aspects of the Council's capital expenditure; including planning, prioritisation, management and funding. The Strategy has direct links to the Council's Asset Management Plan and this Medium Term Financial Strategy (MTFS).

1.7 It is clear that the Council will face some difficult decisions in the coming years regarding which services and which capital projects it should prioritise within the resources (revenue and capital) that are available.

1.8 While there is uncertainty over the Council's future funding position, it is proposed that (while the Council will continue to look for efficiency savings) there will be a hold on any significant service reductions until the outcome of the funding / business rates reviews is known. It is considered that the Council has sufficient reserves and balances that would be available to address any immediate funding reduction, giving a period of time to consider the required action in the event of significant funding cuts.

1.9 The Council has established a Commercial Board, which will explore commercial opportunities to help the Council achieve a sustainable financial future. The overall aim of this approach is that the Council will be far less reliant on government funding and will become more self-sufficient. As well as ensuring that Council services are streamlined and offer value for money, the approach will focus on income generation and investment in economic development that will lead to growth. In the longer term, this approach will provide the Council with more financial resilience than depending on government grants.

1.10 There are risks associated with this strategy, which are described in part 5 of this Strategy. These risks will be mitigated by robust budget monitoring, together with contingency plans that will be used if the savings target is not achieved (or turns out to be greater than expected when the outcome of the government reviews is known).

2. Overview

2.1 Purpose of Strategy

The Medium Term Financial Strategy (MTFS) provides a robust, consistent and sustainable approach to establishing and maintaining a stable and prudent financial basis on which improvement and transformation of the Council's services can progress within the resources that are available.

The MTFS identifies the estimated financial commitments of the Council alongside the likely level of resources available to it over the next five financial years. It provides a financial overview against which budgets will be set.

The MTFS helps to:

- establish a framework within which the Council's revenue and capital budgetary processes are aligned with its main aims and priorities as identified in the Corporate Plan and in other service strategies;
- summarise the current financial position;
- ensure the sustainability of the Council's budget;
- set down overall parameters and objectives for future spending, together with a medium-term forecast of the financial position, identifying spending pressures and savings / efficiency targets for the next four years;
- establish an approach to setting the Council Tax based on keeping increases to a minimum whilst protecting investment in key service priorities;
- establish arrangements for the effective evaluation of the financial aspects of decision-making;
- highlight financial risks and mitigating actions.

2.2 Principles of the Strategy

The principles underlying this MTFS are set out in the following table:

Element	Strategy
Revenue Budget	
Sustainable Budget	To have a balanced sustainable budget in the medium-term to ensure that the Council remains in good financial health and meets the statutory requirement to set a balanced budget.
Budget Model	To use a five-year budget model on which to base short and medium-term decisions on the level of Council Tax and Revenue Reserves.
Budget Consultation	A budget consultation exercise will be carried out annually to help inform Members of stakeholders views of spending priorities and acceptable levels of Council Tax. The exercise may involve, for example use of Community Forums & the Residents' Online Panel.
Council Tax	Keep council tax increases to the level necessary to maintain the standards of service required by residents, taking into account factors such as Government policy in respect of capping levels.
Corporate Savings Target	Any 'resource gap' in the Council's budget model (i.e. between spending and income, taking into account forecast commitments, proposed levels of Council Tax and estimated Business Rates Income and Government Grants) will be the Council's Corporate Savings Target. Members & Officers will need to determine how to meet the Corporate Savings target in order to achieve a sustainable, balanced budget.
Budgetary Control	Up-to-date, reliable information should be available for Members and Officers. Budget monitoring reports should be available on a quarterly basis for Members. Reports for budget holders should be available monthly, within 10 working days of month-end. Additional monthly reports should be provided for budgets which are significant in terms of size or risk (e.g. significant income items) and significant variances from budget. Budget holders should put in place action plans to deal with significant variances.
Working Balance	The Council will maintain a working balance of approximately 10% of its net revenue expenditure which is considered appropriate to the strategic and operational risks which the authority faces.
General Reserve	Any General Fund Balance over and above the working balance will be termed the 'General Reserve'. The General Reserve will be available for meeting 'one-off' expenditure or development items, and should only be used to fund ongoing revenue expenditure in exceptional circumstances. The Council will aim to set balanced budgets that do not require the use of the general reserve.

Element	Strategy
Revenue Account	Any over-spending on the revenue account will be met from the General Reserve. Any under-spending on the revenue account will be transferred to strategic reserves to finance the Capital Programme, top up the Investment Fund or to prepare for future revenue account pressures.
Service Growth	Any areas of service growth must be identified through the annual service planning and budget process, and be subject to business case appraisal. Compensating savings or additional income should always be identified.
Priorities	The District Council's priorities are those set out in its Corporate Plan. The Corporate Plan is the District Council's primary policy document. It sets out the District Council's priorities and areas for improvement, and identifies key targets to be achieved. From 2020/21, the three Corporate Plan priorities of the District Council are People, Place and Prosperity.
Strategic Reserves	Strategic reserves will be maintained for earmarked purposes in order to assist the Council in achieving its priorities. These include reserves to fund asset replacements and the capital programme, to smooth out significant items of expenditure which do not occur annually, and to provide cover for financial risks and pressures, such as uninsured losses. Balances on reserves will be reviewed at least annually. The MTFP and future revenue budgets will include annual revenue contributions to capital reserves provided that they are affordable.
Provisions	Provision should be maintained for potential liabilities which may arise or will be incurred, such as any insurance claims which are going through the settlement procedure.
Fees and Charges	Fees and charges will be reviewed annually to maximise income, taking into account the Council's priorities, the level of inflation, and charges levied by neighbouring authorities. The Council will explore opportunities for new areas of charge.
Savings, Efficiencies and Value for Money	The Council will continue to seek efficiencies and value for money in all services through its approach to procurement, transformational and organisational changes and better use of assets, as well as generating extra income from new fees and charges and additional business rates. The Council has established a Commercial Board, which will explore commercial opportunities to help the Council achieve a sustainable financial future. The Council will continue to consider opportunities for working in partnership with other local authorities and other organisations where this will deliver efficiencies. The Council will evaluate existing partnerships to ensure they continue to deliver best value, and where that is not the case the Council will consider reducing or withdrawing funding (giving appropriate notice). This approach should reduce the impact of the savings on priority services.

Element	Strategy
Capital Programme:	
New projects	Business cases will be produced for all new projects. Business cases will be evaluated by the Corporate Leadership Team (taking into account factors such as the Council's priorities, ability to deliver and potential for income generation), before being reported to the relevant Policy Committee for approval.
External Funding	External and partnership funding should be explored for all schemes.
Revenue Consequences	The revenue consequences of all capital schemes should be assessed and included in the Medium Term Financial Plan.
Prudential Code	Capital expenditure plans, external borrowing and other long-term liabilities are to be affordable and within prudent and sustainable levels. Prudential Indicators are reported annually to Council.
Prudential borrowing	The Council will consider the use of prudential borrowing to fund capital investment where it can be demonstrated that this is in keeping with the Council's priorities and where the impact on the revenue account is affordable when the cost of the borrowing is taken into account.

2.3 Background

The Council's Financial Strategy was last approved in January 2019. In March 2019 the Council set a Corporate Savings Target to achieve £400,000 savings by 2020/21. This budget gap has been closed for 2020/21 and a balanced budget is due to be set for that year. There remains a budgetary shortfall for subsequent financial years.

It is therefore vital that the Council has a robust and sustainable financial strategy in place to ensure that it is in a position to deliver balanced budgets as required by statute, whilst being able to meet its priorities whenever possible.

2.4 National and International Influences

Derbyshire Dales District Council's financial and service planning takes place within the context of the national and international economy. This Medium Term Financial Strategy has been prepared within that context.

The potential implications of the wider economic situation on the Council's finances include:

- The Council may find it harder to collect sums due to it, for example for council tax and business rates. Despite the increased pressures, there has not yet been any significant deterioration in collection rates;
- The Council will face increased demands for its services to assist residents falling into hardship (such as for housing benefit discretionary hardship reliefs);

- The Council may find its suppliers and contractors at risk of liquidation, potentially affecting delivery of services;
- Inflationary pressures may be greater than assumed.

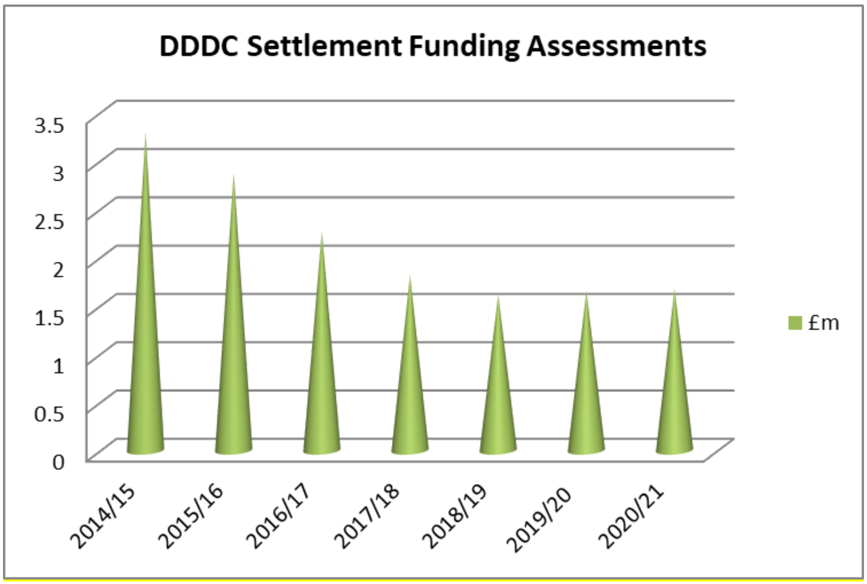
The Government has introduced a number of measures that have significant impacts on local government. The relevant items are set out below:

- Introduction of a national living wage, which is currently £8.21 per hour for all workers aged 25 and over, rising by 6.2% to £8.72 in April 2020;
- The Fair Funding Review and proposals to introduce 75% local retention of business rates. The former will involve a new method of grant distribution to replace Revenue Support Grant, Rural Services Delivery Grant and New Homes Bonus. The latter may involve the transfer of additional responsibilities and a reset of business rates baselines;
- The withdrawal of the UK from the European Union brings more uncertainty and instability. It will therefore be necessary to monitor the impact of “Brexit” on the Council’s finances and review plans where necessary.

Whilst the current economic outlook continues to improve there remains a great deal of uncertainty and change and it is important that the Council has a level of reserves that allows it to withstand unanticipated financial impacts of future developments at a local and national level.

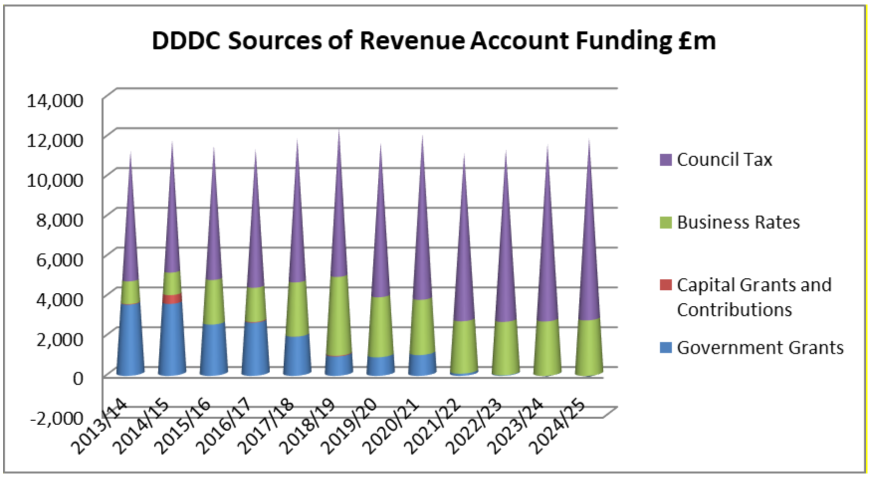
2.5 Government Funding

By the end of 2020/21 the Council’s Settlement Funding Assessment (the main source of government grant funding that includes Revenue Support Grant and Business Rates Baseline Funding) will have reduced by 55% or £2.1m from 2013/14. This equates to £70 per band D property. This is illustrated on the table below:



Source: MHCLG Notifications

The relative proportions (gearing) of Council funding are predicted to change significantly over the period from 2013/14 to 2024/25. The table below shows that government grants are forecast to reduce from £3.5m (32% of funding) in 2013/14 to -£0.2m (effectively 0%) in 2024/25. Business rates, as a source of funding, increase from 10% to 24% across the same period and council tax increases from 58% to 78%.



Source: DDDC Statement of Accounts and Medium Term Financial Plans

This demonstrates that the Council will become much less dependent on government grants and much more self-reliant in future, relying more on council tax and business rates as sources of funding.

2.6 The Council's Priorities

The Council's priorities are due to be set in March 2020 within a new Corporate Plan. It identifies three corporate priorities: people, place and prosperity. In order to ensure adequate funding for priorities, it is important that the Council's budgetary processes are aligned with corporate priorities. The following measures are in place.

- The Council produces Service Plans for all front line and support services. The service planning and budget setting process are aligned.
- All items relating to service growth are considered separately when setting the budget and in conjunction with other spending proposals in order that priorities can be set.
- All Committee reports include a Strategic Link (to the Corporate Plan), and have a mandatory section for Risk Assessment, including legal risks, financial risks and corporate risks.
- The Council's Capital Programme is ordered by priority, giving Members and officers a visual guide to which priorities capital expenditure is allocated.

3. The Council's Current Financial Position and Outlook

3.1 The Medium Term Financial Plan & Corporate Savings Target

The Medium Term Financial Plan (MTFP) shows the Council's proposed budget for 2020/21 and forecasts for 2021/22 to 2024/25. Full details are given in Appendix A; the table below provides a summary:

	Forecast 2020/21	Forecast 2021/22	Forecast 2022/23	Forecast 2023/24	Forecast 2024/25
	£000s	£000s	£000s	£000s	£000s
Forecast spending	10,808	9,306	9,113	9,503	9,659
Transfers to/from reserves	(549)	88	230	138	230
Net Spending Requirement	**10,259**	**9,394**	**9,343**	**9,641**	**9,889**
Funded By:					
Income from Council Tax	(6,494)	(6,548)	(6,709)	(6,896)	(7,087)
Income from Business Rates	(2,910)	(2,774)	(2,828)	(2,884)	(2,941)
Negative Revenue Support Grant	0	380	390	400	410
Rural Services Delivery Grant	(401)	(200)	(200)	(200)	(200)
New Homes Bonus	(631)	(289)	(218)	0	0
NNDR Payment to Pool	177	181	185	189	193
Total Income	**(10,259)**	**(9,250)**	**(9,380)**	**(9,391)**	**(9,625)**
Savings to be achieved	**0**	**144**	**(37)**	**250**	**264**

The MTFP includes the impact of several key developments for the council over the MTFP period. These include the impact of the new waste contract (net of income from charging for garden waste from 2021/22), increased savings from the leisure management contract, the triennial review of the pension fund and investments being made through use of reserves.

The information in the MTFP suggests that the Corporate Savings Target should be amended to "Continue a programme to identify efficiency savings and/or additional income of £250,000 by 2023/24", which is a recommendation of the report on the Revenue Budget 2020/21.

3.2 Outlook and Approach to Achieving the Savings

Medium Term Financial Planning remains very difficult. The uncertainties include:

- The future of government grants, especially New Homes Bonus;
- The outcome of the government's Fair Funding Review;

- Business rates – the impact of the proposed changes to business rates including changes to the local share, funding of reliefs (especially Small Business Rate Relief), provision for appeals and the impact of revaluation exercises;
- Rising inflation rates (which increase the cost of services);
- The UK's intended withdrawal from the European Union, which could affect the cost of services and European grant funding;
- The value of the pound, which could affect the cost of goods and services;
- Increases in employer pension contributions;
- Nationally agreed pay awards, increases in the National Minimum Wage and changes in the Apprentices Levy;
- The impact of future welfare reforms, which could increase the cost of the Council Tax Support Scheme and Housing Benefit Overpayments;
- Increases in demand for services;
- Achievement of the savings required (see below);
- Potential for a reduction in the cost of leisure services, as the Council's cost is expected to reduce over the life of the contract;
- Potential cost pressures from outsourced services, which are coming to the end of current contracts. This includes the additional costs of the new waste contract from August 2020 (over £1.1m per year plus the financing of new vehicles at £3.6m in 2020/21) and the impact of a volatile market for recycling materials;
- The level of income following the introduction of charges for garden waste collection from 1st April 2021.

The assumptions made in preparing the Medium Term Financial Plan are shown in Appendix A. It is possible that some of these assumptions may turn out to be too cautious or over-optimistic. Some scenario testing has been carried out to demonstrate the impact of different assumptions on the savings requirement identified in the medium term plan. The results of that testing are set out below:

	Estimates 2021/22 £000s	Estimates 2022/23 £000s	Estimates 2023/24 £000s	Estimates 2024/25 £000s
MTFP, as Appendix 4 Surplus (-) / Deficit	144	-37	250	264
Loss of new homes bonus from 2021/22 Surplus (-) / Deficit would be:	433	181	250	264
Business rates income above baseline reduces by 10% Surplus (-) / Deficit would be:	231	52	340	356
No growth in council tax base after 2020/21 Surplus (-) / Deficit would be:	177	30	375	449
Growth in council tax base after 2020/21 is twice as much as forecast in MTFP Surplus (-) / Deficit would be:	111	-103`	126	79
Loss of Rural Services Delivery Grant Surplus (-) / Deficit would be:	344	163	450	464

Faced with expected reductions government funding and a significant corporate savings target, the Council will have to become more self-sufficient and generate more income from fees and charges, local taxation and business rates, as well as critically reviewing its expenditure, if it is to continue to set a balanced budget (as required by law).

Given the relatively low value of the savings target, the amount set aside in the general reserve and strategic reserves, the timing of the required savings, and the uncertainty surrounding council funding (arising mainly from the outcome of the anticipated level of the government's Fair Funding Review and its review of the Business Rates Retention scheme), the Council's approach to meeting the Corporate Savings Target and closing the budget gap is to refrain from significant service reductions at the present time, until the outcome of the government reviews is known. The Council has established a Commercial Board, which will explore commercial opportunities to help the Council achieve a sustainable financial future. The overall aim of this approach is that the Council will be far less reliant on government funding and will become more self-sufficient. The approach will focus on income generation and investment in economic development that will lead to growth. In the longer term, this approach will provide the Council with more financial resilience than depending on government grants.

3.3 Capital Programme

As well as having to make savings in order to balance its revenue budget over the coming years, the Council's resources for capital funding are diminishing.

The Capital Strategy sets the framework for all aspects of the Council's capital expenditure; including planning, prioritisation, management and funding. The Strategy has direct links to the Council's Asset Management Plan and forms a key part of the Council's Medium Term Financial Strategy (MTFS)

This medium term financial strategy includes a "strategic reserves policy" that the MTFP and future revenue budgets will include annual revenue contributions to capital reserves provided that they are affordable. These contributions will help to provide for the life cycle (replacement) costs of assets. This is explained further in the Capital Strategy. These contributions do impact on bottom line savings to be achieved but will ensure that sufficient funding is available to allow replacement of these assets at the end of their lives. The impact of the revenue contributions has been included in the MTFP shown on Appendix A.

3.4 Reserves and balances

In examining the immediate and longer term spending plans, for both revenue and capital, it is necessary to consider the levels of reserves and balances which are available and, of those, the ones that will be required to meet spending plans.

Revenue balances

It is essential that the Council retains a level of uncommitted balances to meet emergency, unforeseen and unknown eventualities. This includes positive opportunities that may arise as well as disastrous or onerous liabilities.

In the absence of these balances any such expenditure would fall directly on the General Fund and Council Tax requirement. This could result in significant financial consequences for service provision. As budgets have been tightened and “slack” removed, the need for adequate working balances has become even more important. Whilst it is impossible to advise on the precise level because of the uncertainty involved, it is considered prudent to retain uncommitted working balances of approximately 10% of net revenue expenditure. Working balances at 1st April 2020 are set at £1,000,000, which is considered adequate for the purpose described above.

In addition to the working balance, the Council also has a General Reserve, which is expected to amount to £1m at 1st April 2020. This is also available to meet emergency, unforeseen and unknown eventualities. However, it is important to note that balances, by their very nature, can be used only once. Therefore, the continued use of the General Reserve to support ongoing spending is not sustainable beyond the life of the available amount. A strategy which is based on the continued use of balances to support regular spending can only have a finite life. Therefore, in looking at the use of available balances regard must be taken of the future demands upon them in terms of both capital and revenue spending. In addition, interest is earned on the investment of unused balances. Utilisation of balances will therefore reduce the interest earned in future years.

For the reasons set out above, this Medium Term Financial Strategy allows the General Reserve to be used for meeting “one-off” expenditure or for “invest-to-save” proposals, but restricts its use for funding ongoing revenue expenditure unless there are exceptional circumstances. The Council will aim to set a balanced revenue budget that does not rely on the use of the general reserve.

Strategic Reserves

The Council has strategic reserves for specific purposes, which are consistent with corporate priorities, and these should continue to be earmarked for the identified purpose. This ensures the availability of the amounts in these reserves for those purposes and defrays demands on the revenue spending and general balances.

It is important that reserves are reviewed on at least an annual basis to ensure they are adequate for the purpose, but not excessive, based on an assessment of needs, an understanding of risks, and taking into account the opportunity costs of maintaining reserves. An annual review of earmarked reserves takes place in March each year as part of the budget setting process.

The table below lists the various strategic reserves, the purposes for which they are held, and the forecast balances at 31st March 2020:

ANNUAL REVIEW OF EARMARKED RESERVES (MARCH 2020)

Reserve	Purpose	Forecast Balance 31st March 2021
Business Rates Fluctuations Reserve	To provide funding towards potential future losses on Non-Domestic Rates	£490,423 Balance considered to be appropriate at the current time but will need to be re-examined when the full details of changes to the rates retention scheme are known.
Capital Programme Reserve	To provide funding for capital expenditure	£1,129,763 Required for the five year capital programme and potential future liabilities not yet in the programme. It is recommended that annual contributions are made from revenue, if affordable, to ensure a sufficient balance for future capital projects. Top up is possible if there is a revenue account underspend
Carsington Improvements	To provide grants towards projects in Parishes bordering Carsington Reservoir. The reserve was established with a deposit	£13,382 Expected to be used by 2022/23
Committed Expenditure	Annual contributions in respect of expenditure which has been committed, but service not received at the end of the financial year,	£213,998 Expected to be used during 2020/21.
Corporate Plan Priorities	To provide a source of funding for priority projects emerging from the new Corporate Plan 2020-2024.	£191,471 Balance considered to be appropriate at the current time but will need to be re-examined when the priority projects have been identified.
Customer Innovation	To procure and implement a customer platform that integrates with existing systems to enable us to drive channel shift and to deliver easier, faster and better customer service. To provide our	£141,554 This balance is considered to sufficient to deliver the project.
Economic Development	To provide funding for economic development initiatives.	£172,191 Fully committed to deliver the Economic Development Plan.
Elections	Annual revenue contributions to smooth the cost of four-yearly District Council elections.	£126,242 The aim is to build up a reserve to fund the cost of the May 2023 election.

Continued……

ANNUAL REVIEW OF EARMARKED RESERVES (MARCH 2020)

(Continued)

Reserve	Purpose	Forecast Balance 31st March 2021
Grants Unapplied	The balance of grants received but not yet spent, set aside to finance expenditure in future years. Includes Section 106 Contributions. Most grants can only be used for specific purposes.	£4,263,651 Most of the balance is committed to fund the capital programme. The Capital strategy states that the Council will seeks grants and contributions when the opportunity arises.
ICT Renewals	To provide funding for renewal of the Council's information technology equipment, including telephony & central printing equipment.	£372,903 This balance is considered to sufficient to deliver the needs identified in the ICT Strategy.
Insurances	To provide funding for uninsured losses.	£464,473 A balance of approximately £500,000 is considered appropriate.
Investment Fund	To provide funding towards, for example, interim and temporary resources to provide additional capacity and skills to support the change agenda, and to kick-start investments, subject to suitable business cases.	£564,590 For application to schemes approved by the Commercial Board. Balance considered sufficient for current needs, but could be topped up if there is a revenue under-spend.
Job Evaluation	To provide funding for the additional cost of job evaluation.	£150,000 Balance considered to be adequate.
Local Plan	Annual revenue contributions to smooth the cost of four-yearly review of the local plan.	£108,422 Annual contributions will be made to provide funding for the next public inquiry. Balance is expected to be adequate.
Member/Officer Indemnity	To indemnify Members and officers against acts or omissions subsequently found to be ultra vires, and against defence costs of	£25,000 Adequate for current needs.
Vehicle Renewals	To provide for the replacement of vehicles.	£275,713 Balance is fully committed. Annual revenue contributions will ensure that the balance is adequate.
Waste Contract Fluctuations	To finance changes in disposal costs which will become part of the new waste contract.	£712,000 Adequate for current needs. To be used in 2020/21.

3.5 Budgetary Control & Monitoring the Plans

The Council's financial regulations set out the arrangements for setting and managing budgets.

Annual revenue estimates are prepared jointly by Heads of Service and the Head of Resources. The Head of Resources then prepares a budget report for Council.

Each Head of Service is responsible for ensuring that the budgets for controllable expenditure on each Service (as shown in the circulated budgetary control reports) are not exceeded. Where it appears that such a service provision shall be exceeded by an amount in excess of £10,000, the Head of Service concerned must, in consultation with the Head of Resources, inform the relevant policy committee with recommendations on how the expenditure is to be funded or defrayed.

No expenditure introducing major continuing liabilities to the Council, particularly new projects which involve financial commitments in future years, new policy or extension of services, may be incurred without prior consultation with the Head of Resources and the approval of the relevant policy committee either through the budget or separately in the course of the financial year.

Transfers (up to £10,000) of budgets, except for salaries, wages and associated costs, from one service provision to another within a relevant service portfolio may be made by Heads of Service, after consultation with the Head of Resources. For transfers exceeding £10,000 a report shall be taken to the relevant policy committee.

Budgets for salaries, wages and associated costs may be amended, following approval by the Corporate Leadership Team, provided that total salary costs remain within budget.

A Supplementary Estimate is required where expenditure is required or anticipated which:-

a) has not been included in the Revenue Budget; and

b) cannot be met by the transfer of budgetary provision from another service provision; and

c) would cause the controllable expenditure on the particular service to be exceeded,

Any request for a Supplementary Estimate shall be made to the relevant policy committee after consultation with the Head of Resources. Additional income and savings may be used to finance additional expenditure only after consultation with the Head of Resources who may require a report to the relevant policy committee.

Each service has a designated Budget Holder. The Financial services Team provides the following:

- Up-to-date reports from the Council's financial management system that show budgets and spending / income;
- Monthly budget monitoring reports for budget holders;
- Monthly budget monitoring reports for major income items for consideration by the Corporate Leadership Team.

Reports will be presented to Council as follows:

- In March – revenue budget and Council tax setting for the coming year, updated MTFP, five-year capital programme, treasury management strategy, investment strategy; Corporate Plan targets; Service Plans.
- In May / June – out-turn of revenue account and capital programme for previous financial year, updated capital programme for current year and next four years, updated MTFP; Out-turn of Key Performance Indicators.
- In November – revised estimates for the current year, annual review of Medium Term Financial Strategy, updated MTFP and updated capital programme; annual review of Corporate Plan; mid-year update on Key Performance Indicators.

The Medium Term Financial Plan and Medium Term Financial Strategy will be communicated to employees and stakeholders and published on the Council's website.

4. Links to other strategies, policies and plans

This Medium Term Financial Strategy has links to other Council strategies, policies and plans as set out below:

Corporate Plan	Sets out the Council's priorities which are taken into account when preparing the capital programme, especially when evaluating new bids
Risk Management Policy and Strategy	Establishes a framework for the effective and systematic management of risk, which will ensure that risk management is embedded throughout the Council and makes a real contribution to the achievement of the Council's vision and objectives. All committee reports include a financial risk assessment. The strategic risk register includes an item relating to the Council's budget.
Capital Strategy	Sets out the Council's strategic approach to the management of its Capital Programme and provides a framework within which decisions can be made regarding capital investment and financing
Treasury Management Strategy	Sets out how the Council's investments and borrowings are to be organised, and includes treasury indicators
Minimum Revenue Provision Policy	Shows how residual capital expenditure is charged to revenue over time
Investment Strategy	Sets out the parameters on how investments are to be managed
Asset Management Plan	Takes into account the balance between capital expenditure on assets and revenue expenditure on repairs.
Procurement Strategy	Reflects the Council's initiatives to remove unnecessary complexity from processes and procedures and embeds best practice to maximise the benefits available from all commercial arrangements.
Economic Development Strategy	Sets out the need for more modern workspace for local firms, in order to accommodate the growth in higher-paid jobs required by the district. A vibrant economy with more homes and businesses should result in increased council tax and business rates that could be used to fund council services.
Equality & Diversity Policy	Explains that the Council will encourage and promote equality as an employer, in the provision of its services, and in carrying out its public functions. This can have an impact on the cost of services.
Corporate Consultation and Engagement Plan	Records all consultation and engagement planned through the financial year. Included are: corporate mechanisms for consultation e.g. community forums; customer satisfaction surveys; and changes to external facing policies, proposals which have a major impact on services, or changes that have an unfair impact on protected groups. This includes consultation on the draft budget.

5. Risk Management

There are significant risks associated with the Medium Term Financial Strategy. The uncertainties associated with medium term financial planning are set out in section 3.2 of this strategy. The preparation of an efficiency plan is a key mitigating factor but, even so, this financial risk is assessed as High.

The table below identifies the key risks and mitigating actions:

Keys Risks	Mitigating actions and controls
• Lack of resources available to deliver the core Council activities • Controls not performed or overlooked due to time and resource pressures. • Cash flows are not available to maintain standards and quality of service provision. • Increase in claims made to the Council. • Initiatives, development programmes etc. around capital enhancements, car park maintenance etc. may not be performed resulting in members of the public hurt or public property damaged. • Targeted savings or additional income not being achieved. • Loss of a key source of income e.g. government grants or business rates from a large supermarket or quarry. • Increases in pay and prices are higher than forecast.	• Monthly reporting of management accounts with monitoring of variations from budgets. • Monthly scrutiny of major income budgets by the Corporate Leadership Team. • The MTFP and capital programme are regularly monitored and are updated and reported to Council in March, May/June and November each year. • A number of services have been outsourced, with long-term agreements. The costs are structured within the outsourced contract, allowing the Council to forecast and plan budget costs / savings effectively (except for the inflationary adjustments). • The Council has an 'investment reserve', which may be used for initiatives that will generate savings or additional income over the medium term. • The Council has insurance arrangements in place to protect itself against claims. • Budgets have been balanced for 2020/21 and are due to be approved on 5 March 2020; • This Medium Term Financial Strategy sets out the approach to achieving the savings that will be required. • Savings target set and achievement monitored by Corporate Leadership Team (though achievement is "on hold" at present). • Reserves established for budget uncertainties and for areas of volatility such as business rates income and waste contract price fluctuations.

6. Glossary of Terms

Budget

A statement of the Council's policies and spending plans for net revenue and capital expenditure over a specified period of time, usually one financial year from 1st April to 31st March.

Budget Requirement (or External Funding Requirement)

The Council's revenue budget on general fund services after deducting funding streams such as fees and charges and any funding from reserves. This excludes income from council tax, business rates and non-specific government grants such as Revenue Support Grant, Rural Services Delivery Grant and New Homes Bonus.

Business Rates Baseline Funding Level

The amount of a local authority's start-up funding allocation which is provided through the local share of the estimated business rates aggregate (England) at the outset of the scheme as forecast by the Government.

Business Rates Local Share

This is the percentage share of locally collected business rates that will be retained by local government, currently 50%. The local share of business rates is divided between authorities on the basis of proportionate shares set by the government. Currently at Derbyshire Dales District Council the 50% local share is shared 40% for Derbyshire Dales District Council, 9% for Derbyshire County Council and 1% for Derbyshire Fire and Rescue Authority,

The Government has announced that the local share of business rates will increase to 75%, though this will be accompanied by additional responsibilities. The additional responsibilities and the share between district and county councils have not yet been determined.

Business Rates Pool

As part of the rates retention scheme, authorities are able to come together, on a voluntary basis, to pool their business rates, giving them scope to generate additional growth through collaborative effort and to smooth the impact of volatility in rates income across a wider economic area. This not only allows them to pool their resources under the scheme (which they could do anyway), but ensures that they are treated as if they were a single entity for the purposes of calculating tariffs, top-ups, levies and safety net payments. Derbyshire Dales District Council has been part of the Derbyshire Business Rates Pool since 1st April 2015.

Capital Expenditure

Spending on assets that have a lasting value such as land, buildings, vehicles and equipment. It can also include grants to other bodies towards such assets.

Capital Programme

The Council's plan of future spending on capital projects such as buying land, buildings, vehicles and equipment.

Capital Receipts

The proceeds from the disposal of land or other fixed assets and repayment of certain grants and advances. Capital receipts can be used to finance new capital expenditure within rules set down by the Government, but they cannot be used to finance revenue expenditure, except in specific circumstances defined in regulations.

Capping

This is the power under which the Government may limit the maximum level of local authority spending or increases in the level of spending year on year, which it considers excessive. It is a tool used by the Government to restrain increases in council tax. The Council Tax cap, which is the greater of £5 per band D or 2% for 2020/21, means that any local authority in England that wishes to raise council tax by more than the threshold must consult the public in a referendum. Councils losing a referendum would have to revert to a lower increase in their bills.

CIPFA

The Chartered Institute of Public Finance and Accountancy is one of the UK accountancy institutes. Uniquely, CIPFA specialise in the public sector. Consequently CIPFA holds the responsibility for setting accounting standards for local government.

Collection Fund

A separate statutory account, maintained by the council, to show the transactions of a billing authority in relation to amounts collected from Council Tax and Non-Domestic Rates (NDR) and the payments to central government and major preceptors (the County Council, the Police and the Fire Authority).

Collection Fund Surplus or Deficit

If the Council collects more or less council tax than it expected at the start of the financial year, the surplus or deficit is shared with central government and the major preceptors (see above), in proportion to the respective council tax precepts These surpluses or deficits have to be returned to the council taxpayer in the following year through lower or higher council taxes. If, for example, the number of properties or the allowance for discounts, exemptions or appeals vary from those used in the council tax base, a surplus or deficit will arise.

The Collection Fund also shows transactions relating to business rates. Any surplus or deficit arising from business rates is shared in proportion to the local share (see above) and taken into account when setting the council tax for the following financial year.

Contingency

This is money set aside to meet the cost of unforeseen items of expenditure, such as higher than expected inflation or unforeseen events. At Derbyshire Dales District Council the contingency is held in the General Reserve.

Council Tax Base

This is the figure that is used by the Council in the calculation of the Council Tax. It is the number of band D equivalent properties within the District. This figure is produced by the council counting each property in each council tax band across the district; the number of properties in each band is then multiplied by a factor to convert it into a band D equivalent; these are then added up to produce the total number of band D equivalent properties for the district; an adjustment is then made to reflect Council Tax Support; finally a collection rate is applied and the result is the council tax base.

Council Tax Requirement

The Council Tax Requirement is the amount that the Council needs to collect from Council Tax each year. It is the Budget (or External Funding) requirement less business rates income and non-specific grants.

The Council Tax Requirement is divided by the Council Tax Base to calculate the Band D Council Tax for the financial year.

CPI

The main inflation rate used in the UK is the CPI (Consumer Price Index). Some of the council’s contracts with suppliers (such as that for waste collection) include an agreement that prices will be increased each year in line with CPI.

Financial Year

The Council's financial year commences on 1st April and finishes on 31st March the following year.

General Fund

This is the main revenue account of the Council which summarises the day to day spending of all services provided by the Council which are funded from the precept, government grants and other income.

General Fund Balances

This represents amounts put aside, but not allocated to meet, any future spending commitments or unforeseen pressures. The Council’s General Fund Balances include a working balance of £1m to meet emergencies and contingencies, and to assist with cash flow, as well as a General Reserve that currently stands at £1m.

Gross Expenditure

The total cost of providing the Council's services, before deducting income from Government grants, or fees and charges for services.

Minimum Revenue Provision

The minimum amount which must be charged to an authority’s revenue account each year, as a provision to repay borrowing and finance leases.

Net Expenditure

This is gross expenditure less income, but before deduction of government grant, business rates and council tax income.

New Homes Bonus

Under this scheme councils receive a new homes bonus (NHB) for each new property built in the district. There is also a payment in respect of empty homes brought back into use. Payments are based on match funding the council tax raised on each property with an additional amount for affordable homes. It is paid in the form of an un-ringfenced grant, which the government has announced will cease after 2020/21, apart from legacy payments for a further two years.

Non Domestic Rates (NDR)

Also known as 'business rates', see above,

Precept

The amount which a precepting authority (Derbyshire County Council, Derbyshire Police, Derbyshire Fire & Rescue and Town and Parish Councils) requires Derbyshire Dales District Council (as billing authority) to collect on their behalf in the form of council tax.

Prudential Borrowing

A set of rules governing local authority borrowing for funding capital projects under a professional code of practice developed by CIPFA to ensure the Council's capital investment plans are affordable, prudent and sustainable.

Revenue Expenditure

Expenditure to meet the day-to-day running costs incurred in providing services e.g. wages and salaries, purchase of materials and capital charges.

Revenue Support Grant

A general government grant paid to the Council as a contribution towards the cost of its services. When added to the Business Rates Baseline Funding Level (see above), it produces the Settlement Funding Assessment.

Specific Grants

These grants are for specified purposes and cannot be used on anything else, for example, housing benefits administration.

Strategic (Earmarked) Reserves

These balances are not a general resource but earmarked for specific purposes.

Treasury Management

The process of managing the Council's cash flows, borrowing and investments. Details are set out in the Treasury Management Strategy which is approved by Council in March each year.

Virement

This is the transfer of budget provision from one budget head to another. A virement must be properly authorised by the Council or, if under £10,000, by the Head of Resources under delegated powers.

Appendix A – Medium Term Financial Plan

	Note	Revised Budget 2019/20	Propsed Budget 2020/21	Forecast 2021/22	Forecast 2022/23	Forecast 2023/24	Forecast 2024/25
		£000s	£000s	£000s	£000s	£000s	£000s
Base Service Funding Requirement		**8,059**	**8,023**	**8,026**	**8,028**	**8,030**	**8,032**
Service Costs Funded from Reserves		(65)	981	142	0	92	0
Inflation							
Pay		292	357	491	625	759	893
Other		132	311	423	535	647	759
Pressures/Savings							
Increasing savings from Leisure review		0	0	(50)	(200)	(300)	(300)
Additional costs of new waste contract, net of income for charging for garden waste collections		0	1,136	274	125	125	125
Potential increase in pension contributions following revaluation		0	0	0	0	150	150
Forecast spending		**8,418**	**10,808**	**9,306**	**9,113**	**9,503**	**9,659**
Transfers to/from reserves		65	(981)	(142)	0	(92)	0
Contributions to reserves for future years costs							
Vehicle renewal fund		150	150	150	150	150	150
Election reserve annual contribution		30	30	30	30	30	30
Local plan reserve		50	50	50	50	50	50
ICT reserve		100	0	0	0	0	0
General reserve		47	0	0	0	0	0
New funding uncertainty reserve		421	0	0	0	0	0
Use of reserves NDR fluctuations		264	0	0	0	0	0
Corporate Plan Priorities Reserve		0	202	0	0	0	0
Waste contract fluctuation reserve		300	0	0	0	0	0
Underspend to waste vehicle		103	0	0	0	0	0
Committed expenditure		5	0	0	0	0	0
Total Net Spending Requirements		**9,953**	**10,259**	**9,394**	**9,343**	**9,641**	**9,889**
Funded By:							
Revenue Support Grant	1	0	0	380	390	400	410
Business Rates Baseline Funding	2	(1,648)	(1,742)	(1,766)	(1,801)	(1,837)	(1,873)
Settlement Funding Assessment		**(1,648)**	**(1,742)**	**(1,386)**	**(1,411)**	**(1,437)**	**(1,463)**
Other business rates income, net of payment to pool	3	(1,322)	(991)	(827)	(842)	(858)	(875)
Rural Services Delivery Grant	4	(401)	(401)	(200)	(200)	(200)	(200)
Financing from Council Tax	5	(6,051)	(6,391)	(6,548)	(6,709)	(6,896)	(7,087)
Council Tax Collection Fund (surplus) / deficit		(11)	(103)	0	0	0	0
New Homes Bonus	6	(520)	(631)	(289)	(218)	0	0
Total Income		**(9,953)**	**(10,259)**	**(9,250)**	**(9,380)**	**(9,391)**	**(9,625)**
Corporate Saving Target		**0**	**0**	**144**	**(37)**	**250**	**264**

Notes to Medium Term Financial Plan

1. Negative RSG removed in 2019/20 and 202/21 settlements. Effect of future negative grant cannot be dismissed.

2. Assumed business rates baseline funding will increase by inflation in future years (assumed 2%).

3. Assumed NNDR receipts as per current pool arrangement. Changes to future distribution not confirmed. Effect of NNDR CF balance reflected in use of business rate fluctuations reserve to mitigate impact.

4. RSDG only confirmed for 2020/21. Assumed reduction thereafter.

5. Council tax base growth assumed at 150 band D properties per year for 2021/22 and 2022/23, rising to 250 per year for 2023/24 and 2024/25 plus 1.94% increase from 2021/22 onwards.

6. New Homes Bonus calculated on current year methodology, no new allocations assumed, only legacy payments.

NOT CONFIDENTIAL – For public release **Item No. 11**

COUNCIL
5th March 2020

Report of the Head of Resources

CAPITAL AND TREASURY MONITORING REPORT FOR 2020/21

PURPOSE OF REPORT

This report:
- Seeks approval for the Capital and Treasury Monitoring Report for 2020/21;
- Determines the Minimum Revenue Provision (MRP) statement for 2020/21 (Appendix 1)

RECOMMENDATION

1 That the Capital and Treasury Monitoring Report for 2020/21 is approved.

2 That the Minimum Revenue Provision Statement for 2020/21, as detailed in Appendix 1, is approved.

WARDS AFFECTED

All

STRATEGIC LINK

The above recommendation contributes to all of the Council's Corporate Plan Priorities

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1. REPORT

1.1 Introduction

This capital and treasury monitoring report for 2020/21 gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability. It has been written in an accessible style to enhance members' understanding of these sometimes technical areas.

1.2 Capital Expenditure and Financing

Capital expenditure is where the Council spends money on assets, such as property or vehicles that will be used for more than one year. In local government this includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets. The Council has some limited discretion on what counts as capital expenditure, for example at Derbyshire Dales District Council assets costing below £10,000 are not capitalised and are charged to revenue in year.

In 2020/21, the Council is planning capital expenditure of £7m.

Table 1 Prudential Indicator: Estimates of Capital Expenditure in £'000

	2018/19 actual	2019/20 forecast	2020/21 budget	2021/22 budget	2022/23 budget
General Fund services	6,369	5,898	5,650	5,551	5,450
Capital investments	2,784	2,533	7,342	2,071	804
TOTAL	9,153	8,431	12,992	7,622	6,254

Governance: A Capital Programme is prepared annually in March by the Head of Resources in consultation with the Corporate Leadership Team, and reported to the Council for approval. The Corporate Leadership Team appraises all bids based on a comparison of service priorities against financing costs and makes recommendations to Council. Where expenditure is required or anticipated which has not been included in the Capital Programme, then a revision to the Capital Programme is required before that spending can proceed. Revisions to the Capital Programme must be approved firstly by the Corporate Leadership Team, then by Council. For projects over £25,000, or those of a political nature, a report is required to the relevant policy committee before the project is reported to Council. Revisions to the Capital Programme are generally taken to Council only in June and October/November each year, unless there are exceptional circumstances.

All capital expenditure must be financed, either from external sources (government grants and other contributions), the Council's own resources (revenue, reserves and capital receipts) or debt (borrowing, leasing and Private Finance Initiative). The planned financing of the above expenditure is as follows:

Table 2: Capital Financing in £'000

	2018/19 actual	2019/20 forecast	2020/21 budget	2021/22 budget	2022/23 budget
External sources	436	491	493	491	491
Own resources	2,348	2,042	6,849	1,580	313
Debt	6,369	5,898	5,650	5,551	5,450
TOTAL	**9,153**	**8,431**	**12,992**	**7,622**	**6,254**

Debt is only a temporary source of finance, since loans and leases must be repaid, and this is therefore replaced over time by other financing, usually from revenue which is known as minimum revenue provision (MRP). Alternatively, proceeds from selling capital assets (known as capital receipts) may be used to replace debt finance. Planned MRP repayments and use of capital receipts are as follows:

Table 3: Replacement of debt finance in £'000

	2018/19 actual	2019/20 forecast	2020/21 budget	2021/22 budget	2022/23 budget
Own resources	471	248	99	101	103

The Council's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP and capital receipts used to replace debt. The CFR is expected to decrease by £149,000 during 2020/21. Based on the above figures for expenditure and financing, the Council's estimated CFR is as follows:

Table 4: Prudential Indicator: Estimates of Capital Financing Requirement in £'000

	31.3.2019 actual	31.3.2020 forecast	31.3.2021 budget	31.3.2022 budget	31.3.2023 budget
General Fund services	5,898	5,650	5,551	5,450	5,347
TOTAL CFR	**5,898**	**5,650**	**5,551**	**5,450**	**5,347**

Asset disposals: When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or to repay debt. The Council is currently also permitted to spend capital receipts on service transformation projects until 2021/22. Repayments of capital grants, loans and investments also generate capital receipts. The Council plans to receive £200,000 of capital receipts in the coming financial year as follows:

Table 5: Capital Receipts in £'000

	2018/19 actual	2019/20 forecast	2020/21 budget	2021/22 budget	2022/23 budget
Asset sales	541	558	200	100	0
Loans repaid					
TOTAL	**541**	**558**	**200**	**100**	**0**

1.3 Treasury Management

Treasury management is concerned with keeping sufficient but not excessive cash available to meet the Council's spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account. The Council is typically cash rich in the short-term as revenue income is received before it is spent, but cash poor in the long-term as capital expenditure is incurred before being financed. The revenue cash surpluses are offset against capital cash shortfalls to reduce overall borrowing.

Due to decisions taken in the past, the Council currently (31st December) has £5.45m borrowing at an average interest rate of 4.1% and £27m treasury investments at an average rate of 0.79%.

Borrowing strategy: The Council's main objectives when borrowing are to achieve a low but certain cost of finance while retaining flexibility should plans change in future. These objectives are often conflicting, and the Council therefore seeks to strike a balance between cheap short-term loans (currently available at around 0.75%) and long-term fixed rate loans where the future cost is known but higher (currently 2.0 to 3.0%).

Projected levels of the Council's total outstanding debt (which comprises borrowing and finance leases) are shown below, compared with the capital financing requirement (see above).

Table 6: Prudential Indicator: Gross Debt and the Capital Financing Requirement in £'000

	31.3.2019 actual	31.3.2020 forecast	31.3.2021 budget	31.3.2022 budget	31.3.2023 budget
Debt (incl. finance leases)	5,601	5,450	5,450	5,450	5,450
Capital Financing Requirement	5,898	5,650	5,551	5,450	5,347

Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term. As can be seen from table 6, the Council expects to comply with this in the medium term

Affordable borrowing limit:* The Council is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year In line with statutory guidance, a lower "operational boundary" is also set as a warning level should debt approach the limit.

*Due to a change in accounting for Leases (IFRS16), all leases both operating and finance leases from 1st April 2020 will be bought on to the balance sheet as a right of use asset if the asset has a lease term of greater than 12 months and is valued at greater than £5,000 The council currently has one finance lease which is due to end in 2021 but has a number of operating leases of significant value which will increase the amount of debt liability. This will have an impact on the Affordable borrowing limits from 2021 onwards. Once the effect is known a new report will be bought for Members approval.

Table 7: Prudential Indicators: Authorised limit and operational boundary for external debt in £'000

	2019/20 limit	2020/21 limit	2021/22 limit	2022/23 limit
Authorised limit – borrowing	11,000	11,000	11,000	11,000

Authorised limit – Finance leases	1,000	1,000	1,000	1,000
Authorised limit – total external debt	12,000	12,000	12,000	12,000
Operational boundary – borrowing	8,000	8,000	8,000	8,000
Operational boundary – Finance leases	1,000	1,000	1,000	1,000
Operational boundary – total external debt	9,000	9,000	9,000	9,000

1.4 Treasury Investments

Treasury investments arise from receiving cash before it is paid out again. Investments made for service reasons or for pure financial gain are not generally considered to be part of treasury management.

The Council's policy on treasury investments is to prioritise security and liquidity over yield, that is to focus on minimising risk rather than maximising returns. Cash that is likely to be spent in the near term is invested securely, for example with the government, other local authorities or selected high-quality banks, to minimise the risk of loss. Money that will be held for longer terms is invested more widely, including in bonds, shares and property, to balance the risk of loss against the risk of receiving returns below inflation. Both near-term and longer-term investments may be held in pooled funds, where an external fund manager makes decisions on which particular investments to buy and the Council may request its money back at short notice.

Table 8: Treasury management investments in £'000

	31.3.2019 actual	31.3.2020 forecast	31.3.2021 budget	31.3.2022 budget	31.3.2023 budget
Near-term investments	13,000	16,000	9,000	8,000	8,000
Longer-term investments	931	931	2,000	2,000	2,000
TOTAL	**13,931**	**16,931**	**11,000**	**10,000**	**10,000**

Governance: Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Head of Resources and staff, who must act in line with the treasury management strategy approved by council. A mid-year report as well as an annual treasury report on treasury management activity is presented to Council. Council are responsible for scrutinising treasury management decisions.

<u>**Commercial Activities**</u>

With central government financial support for local public services declining, the Council invests in commercial property mainly for financial gain. Total commercial investments are currently valued at £1.5m providing a net return after all costs of 6.39%.

With financial return being the main objective, the Council accepts higher risk on commercial Investment than with treasury investments. The principal risk exposures include vacancies, and fall in capital value, currently the impact of these risks is considered low. The council does not currently have a limit on its commercial limit as investments have remained stable, however this may need to be reviewed in the future.

Governance: Decisions on commercial investments are made by the Commercial Board in line with the criteria set out in the Commercial Investment Strategy (elsewhere on the agenda) Property and most other commercial investments are also capital expenditure and purchases will therefore also be approved by Council as part of the capital programme.

Liabilities

In addition to debt of £6m detailed above, the Council is committed to making future payments to cover its pension fund deficit (valued at £26.7m).

Governance: Decisions on incurring new discretional liabilities are taken by the Corporate Leadership Team in consultation with the Head of Resources. The risk of liabilities crystallising and requiring payment is monitored by the Financial Services Team and reported quarterly to Corporate Leadership Team.

Revenue Budget Implications

Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue, offset by any investment income receivable. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from Council Tax, business rates and general government grants.

Table 9: Prudential Indicator: Proportion of financing costs to net revenue stream

	2018/19 actual	2019/20 forecast	2020/21 budget	2021/22 budget	2022/23 budget
Financing costs (£'000)	754	515	368	369	370
Proportion of net revenue stream	6.84	4.93	3.58	3.58	3.85

Sustainability: Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend for up to 50 years into the future. The Head of Resources is satisfied that the proposed capital programme is prudent, affordable and sustainable.

Knowledge and Skills

The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions.

For example, the Head of Resources is a qualified accountant with 30 years' experience, the Financial Services Manager is a qualified accountant and the Principal Accountant has 6 years' experience of treasury management with the Council. The Council pays for staff to study towards relevant professional qualifications including CIPFA, and AAT.

Where Council staff members do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. The Council currently employs Arlingclose Limited as treasury management advisers. This approach is more cost effective than employing such staff directly, and ensures that the Council has access to knowledge and skills commensurate with its risk appetite.

2 RISK ASSESSMENT

2.1 Legal

The report complies with best practice and government guidance on the preparation of the Capita & Treasury Monitoring Statement. The legal risk is therefore low.

2.2 Financial

Financial Information is contained within the report. The financial risk of this report is low.

2.3 Corporate

This strategy sets in place a proposed structure and systems that place security of investments above yield. The risk is therefore assessed as low.

3 OTHER CONSIDERATIONS

In preparing this report the relevance of the following factors has also been considered prevention of crime and disorder, equalities, environmental, climate change, health, human rights, personnel and property.

4 CONTACT INFORMATION

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5 BACKGROUND PAPERS

None

6 ATTACHMENTS

Appendix 1 – Minimum Revenue Policy Statement 2020/21

***Appendix 1 – Minimum Revenue Provision Statement 2020/21**

Where the Authority finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Authority to have regard to the Department for Communities and Local Government's *Guidance on Minimum Revenue Provision* the CLG Guidance) most recently issued in 2018.

The broad aim of the CLG Guidance is to ensure that capital expenditure is financed over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant. The CLG Guidance requires the Authority to approve an Annual MRP Statement each year, and recommends a number of options for calculating a prudent amount of MRP. The following statements incorporate options recommended in the Guidance:

- For capital expenditure incurred after 31st March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant asset in equal instalments *or* as the principal repayment on an annuity with an annual interest rate equal to the average relevant PWLB rate for the year of expenditure starting in the year after the asset becomes operational.

- For assets acquired by finance, MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.

- Capital expenditure incurred during 2020/21 will not be subject to a MRP charge until 2021/22

- Based on the Authority's latest estimate of its Capital Financing Requirement on 31st March 2020, the budget for MRP has been set as follows:

	31.03.2020 Estimated CFR £'000	**2020/21 Estimated MRP £'000**
Capital expenditure before 01.04.2008		
Supported capital expenditure after 31.03.2008	5,650	99
Unsupported capital expenditure after 31.03.2008		
Finance leases and Private Finance Initiative		
Transferred debt		
Loans to other bodies repaid in instalments		
Voluntary overpayment (or use of prior year overpayments)		
Total General Fund	**5650**	**99**

*Due to a change in accounting for Leases (IFRS16), all leases both operating and finance leases from 1st April 2020 will be bought on to the balance sheet as a right of use asset if the asset has a lease term of greater than 12 months and is valued at greater than £5,000.

The council currently has one finance lease which is due to end in 2021 but has a number of operating leases of significant value which will increase the amount of debt liability. The change will not have an impact on the budget overall.

Currently Operating lease payments are charged to net cost of services. From 1st April 2020 a charge for depreciation and interest which will be the equivalent to the former lease payment will be charged to net cost of services. The depreciation charge will then be reversed through the movement of reserves and replaced with a minimum revenue provision.

Once the impact of the change is known, a further report stating the Minimum Revenue Provision will be presented for Members approval.

NOT CONFIDENTIAL – For public release **Item No. 12**

COUNCIL
5th March 2020

Report of the Head of Resources

CAPITAL STRATEGY REPORT FOR 2020/21

PURPOSE OF REPORT

This report seeks approval for the Council's Capital Strategy for 2020/21.

RECOMMENDATION

That the Capital Strategy Report for 2020/21 is approved.

WARDS AFFECTED

All

STRATEGIC LINK

The above recommendation contributes to all of the Council's Corporate Plan Priorities

1. CAPITAL STRATEGY REPORT

1.1 This capital strategy report forms a key part of the Council's overall Corporate Planning Framework. It provides a mechanism by which capital expenditure is aligned over a medium term (5 year) planning period.

1.2 This strategy sets the framework for all aspects of the Council's capital expenditure including prioritisation, planning outcomes, management, funding and monitoring, and is linked to the Council's Asset Management Plan, Investment Strategy and the Medium Term Financial Strategy.

1.3 Capital Expenditure and Financing

Capital expenditure is where the Council spends money on assets, such as property or vehicles, that will be used for more than one year. In local government this includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets. The Council has some limited discretion on what counts as capital expenditure, for example at Derbyshire Dales District Council assets costing less than £10,000 are not capitalised and are charged to revenue in the year of purchase.

In 2020/21, the Council is planning capital expenditure of £7.3m. Capital programme expenditure is prioritised as identified in the corporate plan 2015-2019 (to be changed to new CP priorities).

The Asset Management Plan identifies backlog maintenance issues across the District's property portfolio; improvement and transformation can progress within the resources that are available.

1.4 Sources of Capital Finance

Decisions on capital spending are made against the background of diminishing resources. The main sources of capital finance available to the Council are:

a) Capital Grants and Contributions

Grants are generally awarded to finance specific projects. Grants may be received from central government, the European Union (until 2019) or other organisations. Some grants come with the expectation of "match funding" from the Council.

The Council will continue to bid for capital grants when the opportunity arises

Developer contributions, usually derived from Section 106 agreements, are awarded to mitigate the impact of developments on communities. These contributions are usually earmarked for specific purposes in planning agreements and often relate to infrastructure projects or affordable housing schemes.

The Council will continue to seek section 106 contributions when appropriate.

Another type of developer contribution is the Community Infrastructure Levy. The Community Infrastructure Levy is a planning charge, introduced by the Planning Act 2008 as a tool for local authorities in England and Wales to help deliver infrastructure to support the development of their area. Development may be liable for a charge under the Community Infrastructure Levy (CIL), if the local planning authority has chosen to set a charge in its area. Derbyshire Dales District Council has suspended preparatory work on the Derbyshire Dales Community Infrastructure Levy. The financial viability of development across the plan area will be continually monitored and in the event that evidence suggests that the introduction of the Community Infrastructure Levy will not have an adverse effect upon economic viability, work will be re-commenced on the introduction of a Derbyshire Dales Community Infrastructure Levy. A Developer Contributions Supplementary Planning Document has recently been approved.

Officers will monitor the financial viability of development across the District to determine whether to introduce a Community Infrastructure Levy.

The Council is committed to working with partners (e.g. housing associations) to provide assets. Various mechanisms provide opportunities to enhance the Council's investment potential with support and contributions from other organisations and partners. These may be through match funding, joint funding etc.

A report to Council in December 2018 pointed out that the funding environment is changing dramatically and new approaches need to be explored

The Council will continue to seek private sector investment. Should opportunities arise, officers will explore new approaches for capital contributions, such as joint ventures, and will prepare reports for Members' consideration.

b) Capital Receipts

Capital receipts are derived from the sales of assets. At Derbyshire Dales District Council this includes a share of receipts from the sale of former council houses, negotiated as part of the stock transfer in 2002, known as the Right to Buy Sharing Agreement. As the Council reviewed its assets some years ago, and disposed of surplus assets at that time, the scope for future capital receipts, other than those under the Right to Buy Sharing Agreement, is limited.

Sometimes a third party will approach the Council with a request to purchase a particular asset, usually land. Each of these opportunities will be explored to identify whether it is in the Council's best interests to agree to a disposal, which would generate a capital receipt.

Subject to Members' approval, the Council will dispose of surplus capital assets to generate capital receipts where there is a sound business case taking into account issues such as financial implications (revenue and capital) and service delivery.

c) Prudential Borrowing

The Council's capital investment falls within, and needs to comply with, the "Prudential Code for Capital Finance in Local Authorities" (The Code). Under the Code local authorities are allowed to set their own limits on the amount that may be borrowed to finance capital expenditure, provided that it is, and can be shown to be, prudent, affordable and sustainable. This method of financing capital expenditure is called "prudential borrowing".

In order for borrowing to be prudent, affordable and sustainable, there must be an identifiable, long-term source of revenue funding for the associated revenue (debt financing) costs. In some cases this will come from revenue savings or additional income arising directly from the capital scheme. For example, building a new car park could generate income through charges. In other cases, there will be no direct additional income or cost saving (but the scheme meets a corporate priority) so the Council will need to ensure that the cost of borrowing will be affordable to the Council's revenue account in the long term.

There could be circumstances where the Council will consider borrowing to then provide loans to other organisations, such as for economic development. This is treated as capital expenditure and funded through borrowing. Officers will explore such schemes and seek Council approval.

The Council is required to make provision for the principal repayment of borrowing; this is known as a Minimum Revenue Provision (MRP). The Council has to prepare an annual statement of its policy on making MRP, and this is reported to Council for approval (elsewhere on this agenda).

In future years, new borrowing could be a realistic way of funding capital expenditure. However, in order to meet the Prudential Code, the Council would have to identify sustainable income streams or re-examine its revenue spending priorities in order to generate sufficient revenue capacity to make new borrowing affordable.

Prudential borrowing will be considered as a method of capital financing provided that it is, and can be shown to be, prudent, affordable and sustainable.

d) Revenue Contributions to Strategic Reserves

The Council has, in previous years and in the 2020/21 budget, made contributions to strategic reserves to provide capital funding. Such reserves include the Capital Programme Reserve, the Vehicle Renewals Reserve and the ICT Reserve. Until recently, such transfers to reserves have generally taken place when a revenue account underspend has been identified, rather than as part of a planned financial strategy. The 2020/21 budget includes £150,000 transfer to the Vehicle Renewals Reserve to fund future vehicle replacements. The Medium Term Financial Plan assumes that this will continue.

In order to provide a source of capital finance, especially for the life cycle (replacement) costs of certain key assets that have a limited life expectancy (such as vehicles and play equipment), the Council's Medium Term Financial Strategy includes the following statements:

I. the MTFP and future revenue budgets should include annual revenue contributions to capital reserves provided that they are affordable;

II. Any under-spending on the revenue account will be transferred to strategic reserves used to finance the Capital Programme or "Invest To Save" Initiatives.

Strategic capital reserves will be used as a method of financing, subject to availability, and (for some reserves) the relevant purpose.

e) Leasing

Due to a change in Accounting for Leases (IFRS16) all Leases both operating and finance leases from 1st April 2020 will be bought on to the balance sheet as a right of use asset if the asset has a lease term of greater than 12 months and is valued at greater than £5,000.

At the present time, leases are not recommended as a source of future capital funding unless there are exceptional circumstances. This is because other sources of finance usually offer greater benefits, especially in terms of cost.

Finance leases will not be considered as a method of future capital financing unless there are exceptional circumstances and they can be shown to be cost effective (compared to other methods of finance that might be available), prudent, affordable and sustainable.

Capital Funding Strategy

The capital funding strategy is intended to set out the order that financing will be utilised. Financing will be allocated in the following order:

1. Capital grants and contributions that are linked directly to a specific capital project e.g. a HCA grant or Disabled Facilities Grants. These will be fully allocated to the relevant project. Projects funded by external grants and contributions will not commence until such funding is definitely secured.
2. Capital receipts that are linked directly to a specific capital project e.g. the proceeds from the sale of an asset that will be used as financing for its replacement. Projects funded by capital receipts will not commence until such funding is definitely secured.
3. Capital grants and contributions that are not linked to a particular project but are for a particular purpose e.g. Section 106 agreements for affordable housing - these will be used as funding for projects that meet the specified purpose ahead of other funding sources. Schemes funded by external grants and contributions will not commence until such funding is definitely secured.
4. Transfers from strategic reserves – these will be used to fund capital expenditure subject to availability, and (for some reserves) the relevant purpose.
5. Capital receipts not directly linked to a particular project, where expenditure is within rules set down by the Government. Schemes funded by capital receipts will not commence until such funding is definitely secured.
6. Self-funded borrowing - where the capital investment itself will produce revenue savings or additional income, which is sufficient to cover the cost of borrowing to fund the investment.
7. Prudential Borrowing will be used to fund capital investment if the cost of the borrowing is affordable within the overall General Fund revenue projections. This will be funding source of last resort.

Governance of the Programme

The Council's Capital Programme is prepared annually in March by the Head of Resources in consultation with the Corporate Leadership Team, and reported to full Council for approval. The programme sets out the capital projects that will take place in the forthcoming financial year and the projects that are forecast for the following four financial years. The capital programme is updated in May (to reflect the outturn of the previous financial year and any slippage, as well as adding any new bids) and in October/November (reflecting progress on projects and adding any new bids).

Where expenditure is required or anticipated which has not been included in the Capital Programme, then a revision to the Capital Programme is required before that spending can proceed. Revisions to the Capital Programme must be approved firstly by the

Corporate Leadership Team, then by Council. For projects over £25,000, or those of a political nature, a report is required to the relevant policy committee before the project is reported to Council. Revisions to the Capital Programme will generally be taken to Council only in June and October/November each year, unless there are exceptional circumstances.

All projects within the programme will be financed in accordance with the funding strategy set out above. Within the available resources, bids for new capital projects are evaluated and prioritised by the Corporate Leadership Team prior to seeking Committee / Council approval.

Bids for inclusion are supported by business cases, which must demonstrate that the project provides an effective and value for money solution, and that all possible sources of external funding have been sought. The business cases also identify any implications for the revenue account, such as increased or reduced expenditure or increased income.

Once approved by Council, a project manager is identified to be responsible for the effective control and monitoring of each project, including financial monitoring. The council has established a corporate property working group that meets regularly to monitor the council's assets and capital programme. Any projects that might exceed the agreed budget must be reported to the Head of Resources. If appropriate corrective action cannot be taken to bring the project back within budget, the additional costs will be reflected in the next update of the capital programme. Changes which result in an increase in the amount of an accepted tender or estimate by 10% or £50,000, whichever is the lower, will be reported to the relevant Policy Committee as soon as possible with an estimate of the probable new cost, and subsequently to full Council for approval of any additional expenditure.

To assist with medium term financial planning, a list of potential future liabilities is reported regularly to Council. This shows possible future capital projects that have not yet been included in the capital programme.

Risk Management

Significant risks associated with individual capital projects are identified in the business case and in the policy committee report associated with the bid, as well as in departmental risk registers.

The most significant risks to the achievement of the overall capital programme are:

- Forecast capital receipts may not be achieved;
- The danger of overspending on capital schemes with no available finance to meet the overspending;
- Budgets for individual projects may be insufficient when tenders are received;
- Availability of funding for future capital projects (though the current programme is fully financed) means that the Council's future ability to finance mandatory Capital expenditure, such as Disabled Facility Grants, will need to be kept under review and the amount available might be insufficient to deal with unforeseen capital expenditure, for example, if there was a requirement similar to the costs of addressing structural damage at the Memorial Gardens Toilets.

Capital Prudential Indicators

The Local Government Act 2003 requires the Authority to have regard to the Chartered Institute of Public Finance and Accountancy's *Prudential Code for Capital Finance in Local Authorities* (the Prudential Code) when determining how much money it can afford to borrow. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that the Authority has fulfilled these objectives, the Prudential Code sets out the indicators that must be set and monitored each year. These prudential indicators are set out in The Capital and Treasury Monitoring report (elsewhere on the agenda).

2 RISK ASSESSMENT

2.1 Legal

The report complies with best practice and government guidance on the preparation of the Capital & Treasury Monitoring Statement. The legal risk is therefore low.

2.2 Financial

Financial Information is contained within the report. The financial risk of this report is assessed as low.

3 OTHER CONSIDERATIONS

In preparing this report the relevance of the following factors has also been considered prevention of crime and disorder, equalities, environmental, climate change, health, human rights, personnel and property.

4 CONTACT INFORMATION

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5 BACKGROUND PAPERS

None

6. ATTACHMENTS

None

NOT CONFIDENTIAL – For public release **Item No. 13**

COUNCIL
5 MARCH 2020

Report of the Head of Resources

TREASURY MANAGEMENT STRATEGY STATEMENT 2020/21

PURPOSE OF REPORT

This report determines the Treasury Management Strategy and Annual Treasury Management Investment Strategy for 2020/21.

RECOMMENDATIONS

1. That the Treasury Management Strategy Statement for 2020/21 be approved;
2. That the Annual Treasury Management Investment Strategy for 2020/21 be approved.

WARDS AFFECTED

All

STRATEGIC LINK

The above recommendations contribute to all of the Council's Corporate Plan Priorities

1. REPORT

1.1 TREASURY MANAGEMENT ANNUAL REPORT

The Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2017 Edition* (the CIPFA Code) requires the Council to approve a treasury management strategy before the start of each financial year.

In addition, the ministry for Housing, Communities and Local Government (MHCLG) issued revised *Guidance on Local Authority Investments* in March 2010 that requires the Council to approve an investment strategy before the start of each financial year.

This report fulfils the Council's legal obligation under the *Local Government Act 2003* to have regard to both the CIPFA Code and the CLG Guidance.

The Council invests substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Council's treasury management strategy.

Revised strategy: In accordance with the MHCLG Guidance, the Council is asked to approve a revised Treasury Management Strategy Statement should the assumptions on which this report is based change significantly. Such circumstances would include, for example, a large unexpected change in interest rates, or in the Council's capital programme or in the level of its investment balance.

1.2 REPORTING REQUIREMENTS

The Council is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of policies, estimates and actuals.

1. **The Treasury Management Strategy** (this report) – The first, and most important, report covers:
   - The treasury management strategy (how the investments and borrowings are to be organised) including treasury indicators; and
   - A treasury management investment strategy (the parameters on how investments are to be managed).

2. **A mid-year treasury management report –** This will update members with the progress of the capital position, amending prudential indicators as necessary, and whether any policies require revision.

3. **An annual treasury report –** This provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

Scrutiny
The above reports are adequately scrutinised by the Corporate Leadership Team before being recommended to the Council.

1.3 EXTERNAL CONTEXT

1.3.1. Economic background

The UK's progress negotiating its exit for the European Union, together with its future trading arrangements, will continue to be a major influence on the Authority's treasury management strategy for 2020/21. The General Election has removed some uncertainty and the Withdrawal Agreement Bill passed through Parliament in January. However, uncertainties around the UK's future trading relationship with the EU remain as these have to be concluded in an ambitious transition period timeframe by December 2020.

GDP growth rose by 0.4% in the third quarter of 2019 from -0.2% in the previous three months with the annual rate falling further below its trend rate to 1.1% from 1.2%. Services, construction and production added positively to growth, by 0.5%, 1.2% and 0.1% respectively, while agriculture recorded a fall of 0.1%. Looking ahead, the Bank of England's Monetary Policy Report (formerly the Quarterly Inflation Report) forecasts economic growth to pick up during 2020 as Brexit-related uncertainties dissipate and provide a boost to business investment helping GDP reach 1.6% in Q4 2020, 1.8% in Q4 2021 and 2.1% in Q4 2022.

Credit Outlook

The recent Bank of England stress tests assessed all seven UK banking groups. The tests scenarios include deep simultaneous recessions in the UK and global economies that are more severe overall than the global financial crisis, combined with large falls in asset prices and a separate stress of misconduct costs. All seven banks passed the test on both a CET1 ratio and a leverage ratio basis. Major Banks have steadily increased their capital for many years now. However, there are a number of shortcomings in the

Bank's approach; timeliness as the results are over 11 months out of date when they are published, being based on end-2018 balance sheets; ring-fencing, as the test ignore the restrictions on transferring capital between ringfenced "retail" banks and non-ringfenced "investment" banks within the larger groups and; coverage – the tests should be expanded to cover a wider range of UK banks and building societies.

The Bank of England will seek to address some of these issues in 2020, when Virgin Money/Clydesdale will be added to the testing group and separate tests will be included of ringfenced banks.

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

Looking forward, the potential for a no UK-EU trade deal being agreed and ratified and/or a global recession remain the major risks facing banks and building societies in 2020/21 and a cautious approach to bank deposits remains advisable.

Outlook

The coronavirus could cost the global economy more than $1.1trillion in lost output, if it turns into a pandemic. The head of the International Monetary Fund Krisalina Georgieva, said that the global lender of last resort was ready to provide additional support, particularly to poorer countries by way of grants and debt relief.

Speaking at a G20 meeting of finance leaders and central bank chiefs, she said the IMF assumed the impact would be relatively minor and short-lived, although she warned that the continued spread of the virus could have dire consequences. She added "Global cooperation is essential to the containment of the Covid-19 and its economic impact particularly if the outbreak turns out to be more persistent and widespread".

The UK economy continues to slow due to both post-Brexit uncertainty and the downturn in global activity. In response, global and UK interest rate expectations have eased. Central bank actions and geopolitical risks will continue to produce significant volatility in financial markets over the period, including bond markets.

Parliament passed Prime Minister Boris Johnson's Withdrawal Agreement Bill and the UK will now exit the EU on 31st January 2020. The bill also rules out an extension to the transition period for agreeing a trade deal which means a no-deal Brexit cannot be entirely ruled out for 2020.

Our treasury advisor Arlingclose expects Bank Rate to remain at 0.75% for the foreseeable future but there remain substantial risks to this forecast, dependant on Brexit/trade deal outcomes as well as the evolution of the global economy. Arlingclose also expects gilt yields to remain at low levels for the foreseeable future and judges the risks to be weighted to the downside.

	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
Official Bank Rate													
Upside risk	0.00	0.00	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Arlingclose Central Case	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Downside risk	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75

Local Context

On 31st December 2019, the Council held £5.5m of borrowing and £27m of investments. This is set out in further detail at ***Appendix B***. Forecast changes in the balance sheet analysis are shown in table 1 below:

Table 1: Balance Sheet Summary and Forecast

	31.3.19 Estimate £m	31.3.20 Forecast £m	31.3.21 Forecast £m	31.3.22 Forecast £m	31.3.23 Forecast £m
General Fund CFR	5.9	5.7	5.5	5.5	5.3
Less: Other debt liabilities *	0.2	0	0	0	0
Less: External borrowing **	5.5	5.5	5.5	5.5	5.5
Internal (over) borrowing	**0.2**	**0.2**	**0.0**	**0.0**	**-0.2**

* finance leases that form part of the Council's total debt
** shows only loans to which the Council is committed and excludes optional refinancing.

The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The Council's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.

The Council's capital expenditure plans do not currently imply any need to borrow over the forecast period. Investments are forecast to fall to £16m as capital receipts are used to finance capital expenditure and reserves are used to finance the revenue budget.

CIPFA's *Prudential Code for Capital Finance in Local Authorities* recommends that the Council's total debt should be lower than its highest forecast CFR over the next three years. Table 1 shows that the Council expects to comply with this recommendation during 2020/21.

1.3.2. Borrowing Strategy

The Council currently holds £5.5 million of loans, as part of its strategy for funding previous years' capital programmes. The balance sheet forecast in table 1 shows that the Council does not expect to need to borrow in 2020/21. The Council may however borrow to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of £12 million.

Objectives: The Council's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Council's long-term plans change is a secondary objective.

Strategy: Given the significant cuts to public expenditure and in particular to local government funding, the Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead.

By doing so, the Council is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal / short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose will assist the Council with this ‘cost of carry’ and breakeven analysis. Its output may determine whether the Council borrows additional sums at long-term fixed rates in 2020/21 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

The Authority has previously raised all of its long-term borrowing form the PWLB but the government increased PWLB by 1% in October 2019 making it now a relatively expensive option. The Authority will now look to borrow any long-term loans from other sources including banks, pensions and local authorities in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA code.

Alternatively, the authority may arrange forward starting loans during 2020/21, where the interest rate is fixed in advance, but the cash is received in later years.

In addition, the Council may borrow short-term loans to cover unplanned cash flow shortages.

Sources: The approved sources of long-term and short-term borrowing are:

- Public Works Loan Board (PWLB) and any successor body
- any institution approved for investments (see below)
- any other bank or building society authorised to operate in the UK
- any other UK public sector body
- UK public and private sector pension funds (except our own Pension Fund)
- capital market bond investors
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues

In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- leasing
- hire purchase
- Private Finance Initiative
- sale and leaseback

The Council has previously raised all of its long-term borrowing from the PWLB but it continues to investigate other sources of finance, such as local authority loans and bank loans, which may be available at more favourable rates.

1.3.3. **Municipal Bond Agency:** UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It plans to issue bonds on the capital markets and lend the proceeds to local authorities. This will be a more complicated source of finance than the PWLB for two reasons: borrowing authorities will be required to provide bond investors with a joint and several guarantee to refund their investment in the event that the agency is unable to for any reason; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report to Council.

1.3.4. **Short-term and Variable Rate loans**: These loans leave the Council exposed to the risk of short-term interest rate rises and are therefore subject to the limit on the net exposure to variable interest rates in the treasury management indicators below.

1.3.5. **Debt Rescheduling:** The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Council may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk.

1.4 ANNUAL TREASURY MANAGEMENT INVESTMENT STRATEGY

1.4.1 The Council holds invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Council's investment balance has ranged between £11 million and £29 million, and similar levels are expected to be maintained in the forthcoming year.

1.4.2 **Objectives:** The CIPFA code requires the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Council will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.

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

1.4.4 **Strategy:** Given the increasing risk and very low returns from short-term unsecured bank investments, the Council aims to further diversify into more secure and/or higher yielding asset classes during 2020/21. This is especially the case for the estimated £2.0m that is available for longer-term investment. The majority of the Authority's surplus cash remains invested in short-term unsecured bank deposit, certificates of deposits and money market firms. This diversification will represent a continuation of the new strategy adopted in 2017.

1.4.5 **Business models:** Under the new IFRS 9 standard, the accounting for certain investments depends on the Authority's "business model" for managing them. The Authority aims to achieve value from its internally managed treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.

1.4.6 **Approved Counterparties:** The Authority may invest its surplus funds with any of the counterparty types in table 2 below, subject to the cash limits (per counterparty) and the time limits shown.

Table 2: Approved Investment Counterparties and Limits for 2020/21

Credit Rating	**Banks Unsecured**	**Banks Secured**	**Government**	**Corporates**	**Registered Providers**
UK Gov't	n/a	n/a	£ Unlimited 50 years	n/a	n/a
AAA	£2m 5 years	£3m 20 years	£3m 50 years	£1m 20 years	£1m 20 years
AA+	£2m 5 years	£3m 10 years	£3m 25 years	£1m 10 years	£1m 10 years
AA	£2m 4 years	£3m 5 years	£3m 15 years	£1m 5 years	£1m 10 years
AA-	£2m 3 years	£3m 4 years	£3m 10 years	£1m 4 years	£1m 10 years
A+	£2m 2 years	£2m 3 years	£2m 5 years	£1m 3 years	£1m 5 years
A	£2m 13 months	£2m 2 years	£2m 5 years	£1m 2 years	£1m 5 years
A-	£2m 6 months	£2m 13 months	£2m 5 years	£1m 13 months	£1m 5 years
None	£0.25m 6 months	n/a	£4m 25 years	£50,000 5 years	£1m 5 years
Pooled funds	£4m per fund				

This table must be read in conjunction with the notes below:

1.4.7 **Credit Rating:** Investment limits are set by reference to the lowest published long-term credit rating from Fitch, Moody's or Standard & Poor's. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

1.4.8 **Banks Unsecured:** Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.

1.4.9 **Banks Secured:** Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

1.4.10 **Government:** Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is an insignificant risk of insolvency, although they are not zero risk. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.

1.4.11 **Corporates:** Loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in, but are exposed to the risk of the company going insolvent. Loans to unrated companies will only be made either following an external credit assessment or to a maximum of £500,000 per company as part of a diversified pool in order to spread the risk widely.

1.4.12 **Registered Providers:** Loans and bonds issued by, guaranteed by or secured on the assets of Registered Providers of Social Housing, formerly known as Housing Associations. These bodies are tightly regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh government and the Department for Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed.

1.4.13 **Pooled Funds:** Shares in diversified investment vehicles consisting of any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Short-term Money Market Funds that offer same-day liquidity and very low or no volatility will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

Bond, equity and property funds offer enhanced returns over the longer term, but are more volatile in the short term. These allow the Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's investment objectives will be monitored regularly.

1.4.14 **Real estate investment trusts**: Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand on the shares as well as changes in the underlying properties. Investments in REIT shares cannot be withdrawn but can be sold on the stock market to another investor.

1.4.15 **Operational Bank Accounts:** The Authority may incur operational exposures, for example through current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments, but are still subject to the risk of a bank bail-in, and balances will therefore be kept below £6 million per bank (the practicalities of making large payments, such as precept payments, on any one day mean that funds of that magnitude will be required in the Council's current account). The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Authority maintaining operational continuity.

1.4.16 **Risk Assessment and Credit Ratings**: Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and

- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

1.4.17 **Other Information on the Security of Investments**: The Council understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press and analysis and advice from Arlingclose. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.

When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Authority will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Authority's cash balances, then the surplus will be deposited with the UK Government via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will cause a reduction in the level of investment income earned but will protect the principal sum invested.

1.4.18 **Investment Limits**: The Council's revenue reserves available to cover investment losses are forecast to be £2 million on 31st March 2020. A group of banks under the same ownership will be treated as a single organisation for limit purposes. Limits will also be placed on fund managers, investments in brokers' nominee accounts, foreign countries and industry sectors as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

Table 4: Investment Limits

	Cash limit
Any single organisation, except the UK Central Government	£4m each
UK Government	unlimited
Any group of organisations under the same ownership	£4m per group
Any group of pooled funds under the same management	£5m per manager
Negotiable instruments held in a broker's nominee account	£5m per broker
Foreign countries	£2m per country
Registered Providers	£5m in total
Unsecured investments with Building Societies	£3m in total
Loans to unrated corporates	£2m in total

Money Market Funds	£16m in total
Real estate investment trusts	5m in total
Lloyds bank – (Councils own bank)	6m in total

1.4.19 **Liquidity Management**: The Council uses cash flow forecasting spreadsheets to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Council's medium term financial plan and cash flow forecast.

1.5 TREASURY MANAGEMENT INDICATORS

The Council measures and manages its exposures to treasury management risks using the following indicators.

1.5.1 **Security:** The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

	Target
Portfolio average credit	*AA-*

1.5.2 **Liquidity:** The Council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three month period, without additional borrowing.

	Target
Total cash available within 3 months	£6m

1.5.3 **Interest Rate Exposures**: This indicator is set to control the Authority's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interest rates will be:

Interest rate risk indicator	**Limit**
Upper limit on one-year revenue impact of a 1% rise in interest rates	85,000
Upper limit on one-year revenue impact of a 1%fall in interest rates	105,000

The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at current rates.

1.5.4 **Maturity Structure of Borrowing:** This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing will be:

	Upper	Lower
Under 12 months	35%	0%
12 months and within 24 months	50%	0%
24 months and within 5 years	65%	0%
5 years and within 10 years	80%	0%
10 years and above	100%	0%

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

1.5.5 **Principal Sums Invested for Periods Longer than 364 days:** The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end will be:

	2020/21	2021/22	2022/23
Limit on principal invested beyond year end	£3m	£3m	£3m

1.6 OTHER ITEMS

There are a number of additional items that the Council is obliged by CIPFA or MHCLG to include in its Treasury Management Strategy.

1.6.1 **Policy on Use of Financial Derivatives:** Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in Section 1 of the *Localism Act 2011* removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).

The Council will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Council is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.

In line with the CIPFA Code, the Authority will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.

1.6.2 **Markets in Financial Instruments Directive:** The Authority has opted up to professional client status with its providers of financial services, allowing it access to a greater range of service but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Council's treasury management activities, the Head of Resources believes this to be the most appropriate status.

1.6.3 **Investment Training:** The needs of the Council's treasury management staff for training in investment management are assessed annually as part of the staff appraisal process, and additionally when the responsibilities of individual members of staff change.

Council employees involved in Treasury Management regularly attend training courses, seminars and conferences provided by Arlingclose and CIPFA. Relevant employees are also encouraged to study for professional qualifications from CIPFA and other appropriate organisations.

1.6.4 **Investment Advisers:** The Council has appointed Arlingclose Limited as treasury management advisers and receives specific advice on investment, debt and capital finance issues.

1.6.5 **Investment of Money Borrowed in Advance of Need**: The Council may, from time to time, borrow in advance of need, where this is expected to provide the best long term value for money. Since amounts borrowed will be invested until spent, the Council is aware that it will be exposed to the risk of loss of the borrowed sums, and the risk that investment and borrowing interest rates may change in the intervening period. These risks will be managed as part of the Council's overall management of its treasury risks.

The total amount borrowed will not exceed the authorised borrowing limit of £12 million. The maximum period between borrowing and expenditure is expected to be two years, although the Council is not required to link particular loans with particular items of expenditure.

1.7 OTHER OPTIONS CONSIDERED

The CLG Guidance and the CIPFA Code do not prescribe any particular treasury management strategy for local authorities to adopt. The Head of Resources believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment

		income in the medium term, but long term costs may be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain

2 RISK ASSESSMENT

2.1 Legal

The report complies with best practice and government guidance on the preparation of the treasury management strategy statement. The legal risk is therefore low.

2.2 Financial

The budget for investment income in 2020/21 is £134,472, which is based on an average interest rate of 0.67%. The budget for debt interest paid in 2020/21 is £225,000 based on an average debt portfolio of £5.5 million at an average interest rate of 4.1%. If actual levels of investments and borrowing, or actual interest rates, differ from those forecast, performance against budget will be correspondingly different. The financial risk is assessed as medium.

2.3 Corporate

This strategy sets in place a proposed structure and systems that place security of investments above yield. The risk is therefore assessed as low.

3 OTHER CONSIDERATIONS

In preparing this report the relevance of the following factors has also been considered prevention of crime and disorder, equalities, environmental, climate change, health, human rights, personnel and property.

4 CONTACT INFORMATION

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5 BACKGROUND PAPERS

None

6 ATTACHMENTS

Appendix A – Arlingclose Economic & Interest Rate Forecast

Appendix B – Existing Investment & Debt Portfolio Position

Appendix A – Arlingclose Economic & Interest Rate Forecast as at December 2019

Underlying assumptions:

- The global economy is entering a period of slower growth in response to political issues, primarily the trade policy stance of the US. The UK economy has displayed a marked slowdown in growth due to both Brexit uncertainty and the downturn in global activity. In response, global and UK interest rate expectations have eased.

- The coronavirus could cost the global economy more than $1.1trillion in lost output if it turns into a pandemic. The head of the International Monetary Fund Krisalina Georgieva, said that the global lender of last resort was ready to provide additional support, particularly to poorer countries by way of grants and debt relief.

  Speaking at a G20 meeting of finance leaders and central bank chiefs, she said the IMF assumed the impact would be relatively minor and short-lived, although she warned that the continued spread of the virus could have dire consequences. She added “Global cooperation is essential to the containment of the Covid-19 and its economic impact particularly if the outbreak turns out to be more persistent and widespread”.

- The fallout from the US-China trade war continues which, risks contributing to a slowdown in global economic activity in 2020. Recent suggestions have been an initial compromise and potential unwinding of tariffs; however, this can change quickly. Slow growth in Europe, combined with changes in leadership at the ECB and IMF has led to a change of stance from monetary tightening to monetary loosening. Quantitative easing has continued and been extended.

- Brexit - A key concern is the limited transitionary period following a January 2020 exit date, which will maintain and create additional uncertainty over the next few years.

- UK economic growth has stalled despite Q3 2019 GDP of 0.3%. Monthly figures indicate growth waned as the quarter progressed and survey data suggest falling household and business confidence. Both main political parties have promised substantial fiscal easing, which should help support growth.

- Inflation is running below target at 1.7%. While the tight labour market risks medium-term domestically-driven inflationary pressure, slower global growth should reduce the prospect of externally driven pressure, although political turmoil could push up oil prices.

- Central bank actions and geopolitical risks will continue to produce significant volatility in financial markets, including bond markets.

Forecast:

- Although we have maintained our Bank Rate forecast at 0.75% for the foreseeable future, there are substantial risks to this forecast, dependant on General Election outcomes and the evolution of the global economy.

- Arlingclose judges that the risks are weighted to the downside.

- Gilt yields have risen but remain low due to the soft UK and global economic outlooks. US monetary policy and UK government spending will be key influences alongside UK monetary policy.

- We expect gilt yields to remain at relatively low levels for the foreseeable future and judge the risks to be broadly balanced.

	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
Official Bank Rate													
Upside risk	0.00	0.00	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Arlingclose Central Case	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Downside risk	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75

PWLB Certainty Rate (Maturity Loans) = Gilt yield + 1.80%
PWLB Local Infrastructure Rate (Maturity Loans) = Gilt yield + 0.60%

Appendix B – Existing Investment & Debt Portfolio Position

	December 2019 **Actual Portfolio £m**	December 2019 **Average Rate %**
External borrowing: Public Works Loan Board Other loans **Total external borrowing**	**5.5**	**4.1**
Finance Leases	0.2	
Total gross external debt	5.7	
Investments Banks & Building Societies Local Government Money Market Funds CCLA Property fund	 4.1 19 3.0 1.0	
Total treasury investments	27.1	0.79
Net debt	-21.4	

NOT CONFIDENTIAL – For public release **Item No. 14**

COUNCIL
5 March 2020

Report of the Head of Resources

CORPORATE INVESTMENT STRATEGY AND COMMERCIAL INVESTMENT STRATEGY FOR 2020/21

PURPOSE OF REPORT

This report seeks approval for the Corporate Investment Strategy and Commercial Investment Strategy for 2020/21.

RECOMMENDATION

1. That the Corporate Investment Strategy for 2020/21 be approved.

2. That the Commercial Investment Strategy for 2020/21 be approved.

WARDS AFFECTED

All

STRATEGIC LINK

Income from investments will contribute to the achievement of all of the Council's Corporate Plan Priorities.

1. REPORT

1.1 BACKGROUND

1.1.1 Elsewhere on the agenda for this Council meeting is a report that recommends that the Council sets a corporate savings target to achieve savings of £250,000 by 2023/24. At the Council meeting on 5 March 2018, the Council considered a report on the potential for operating on a more commercial basis to help achieve a sustainable financial future. The report set out an approach for the Council to explore commercial opportunities. Property Investment is now commonly undertaken by local authorities, acquiring assets both within and outside of their governance boundaries. Property investment is capable of generating returns above the usual treasury investment rates, creating positive income. It was agreed that a Commercial Investment Strategy would be required and that the primary purpose of the Strategy would be to create additional revenue streams for the Council to enable the Council to sustain its long-term financial future enabling it to maintain its current services and to add value to the communities of the Derbyshire Dales.

1.1.2 It was also agreed that the Council's preferred approach in meeting this primary purpose is to consider any future commercial opportunities that can be assessed using the following guiding principles where projects should:-

- meet the Council's Corporate Priorities;
- deliver community benefit;
- require minimum investment for maximum return;
- are primarily within the District boundaries, consideration will be given to opportunities outside these boundaries if the benefit to the Council or Derbyshire Dales is significant:
- grow the business base;
- deliver a diversified portfolio of projects that balance risk and return.
- be in accordance with statutory guidance and best practice issued by CIPFA.

1.1.3 At its meeting on 24 May 2018, the Council approved the functions for the Commercial Board, which include:

1. Continually review the Commercial Investment Strategy and advise Council on its relevance.
2. Act as the Initial Assessment Board and advise Council or appropriate Committee on projects to take forward, in accordance with the Scheme of Delegation.
3. Manage use of the Council's Investment Fund and determine or advise on allocations from it in accordance with the Scheme of Delegation.
4. To spend up to £150k in a single transaction for a project / feasibility study / pump priming (in accordance with assessment criteria) that delivers a return in accordance with the Commercial Strategy.
5. Keep under review the criteria to be used in determining projects to take forward, advising Council on any changes to be made.

1.1.4 At its meeting on 7 March 2019 the Council approved a Commercial Investments Strategy and a Corporate Investments Strategy for 2019/20. These strategies have been reviewed, and no significant changes are recommended for 2020/21.

1.1.5 The Council has established an investment reserve that currently has a balance of £564,950, which is available for commercial investment projects.

1.1.6 When investing in property, local authorities must comply with statutory guidance. This includes the Ministry for Housing Communities and Local Government (MHCLG) February 2018 publication, providing updated statutory guidance on capital finance (on local government investments and on minimum revenue provision (MRP)). Two codes of practice (Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes and The Prudential Code for Capital Finance in Local Authorities) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) contain additional investment guidance, which complements the MHCLG guidance.

1.1.7 This guidance includes requirements for councils to prepare an annual investment strategy which must be approved before the start of the forthcoming financial year. This document must include:

1. details of the processes used to ensure effective due diligence, defining the authority's risk appetite, including proportionality in respect of overall resources.

2. an explanation of arrangements for independent and expert advice and scrutiny.
3. disclosure of the contribution that investments make *"towards the service delivery objectives and / or place making role of the local authority".*
4. indicators that enable councillors and the public to assess the authority's investments and the decisions taken.

The investment guidance is clear that Councils may not "borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed". The definition of investment has recently been extended to include investment in property and the granting of loans to third parties.

In recognition of the importance of commercial income to councils at a time when government funding has been in decline, a council can choose to disregard the Prudential Code and this part of the guidance. In this case its investment strategy should set out why this is the case and what the council's relevant policies are.

1.1.8 For Derbyshire Dales District Council there are three separate elements to the Strategy:

i. The annual treasury management investment strategy, which covers all cash investments;
ii. The annual Corporate Investment Strategy, which meets the guidance issued by central government in 2018 and focuses on service investments and commercial investments;
iii. The annual Commercial Investment Strategy, which covers the Council's approach to commercial investments (especially property in more detail),

1.1.9 The Council currently has several other statements and strategies that relate to Capital and Investments, including:

- a Treasury Management Strategy for 2019/20, which includes the Annual Investment Strategy for 2019/20 (approved March 2019 – the draft strategy for 2020/21 is elsewhere on the agenda for this Council meeting),
- a Capital Strategy (approved in March 2019; a revised version for 2020/21 is included elsewhere on the agenda for this meeting for Members' consideration), and
- a Minimum Revenue Provision (MRP) Statement (the statement for 2019/20 was approved in March 2019; the statement for 2020/21 is included elsewhere on the agenda for this meeting for Members' consideration); and
- an Asset Management Plan (approved in January 2019).

1.2 PROPOSED INVESTMENT STRATEGIES FOR 2020/21

1.2.1 The proposed Corporate Investment Strategy for 2020/21 is included at Appendix 2 to this report. It reflects the governance arrangements, guiding principles and assessment criteria already approved by Council, the CIPFA Prudential Code for Capital Finance in Local Authorities, the CIPFA Code of Practice on Treasury Management, as well as the government guidance issued in February 2018.

1.2.2 The proposed Commercial Investment Strategy for 2020/21 is included at Appendix 3 to this report. The objective of the Commercial Investment Strategy is to establish a framework for the identification of commercial investments which, if made, would provide the Authority with an income stream and potential business growth, regeneration or housing opportunities.

1.2.3 The proposed strategies:

- should ensure that the Council does not expose itself to too much financial risk through borrowing and investment decisions by placing security and liquidity of investments above yield;
- ensure that the council does not borrow more than or in advance of its needs purely in order to profit from the investment of the sums borrowed;
- provide transparency and accountability in investment decisions;
- disclose the steps taken to ensure that those elected members and statutory officers involved in the investments decision-making process have appropriate capacity, skills and information to enable them to take informed decisions;
- include an investment evaluation process. Commercial Investment projects will be considered by the commercial board, using the assessment criteria approved by Council and the risk matrix shown as Appendix B to the Commercial Investment Strategy. The commercial board may determine an application under delegated powers or may recommend a project to Council for approval.

1.2.4 It is acknowledged that commercial investment opportunities may require agile and quick decision making. However, in order to ensure appropriate governance arrangements are maintained, investment decisions will be made in accordance with the Council's existing decision making process, limits of authority and Scheme of Delegation contained within the Council's Constitution. It may be appropriate to consider whether it is necessary to make changes to the Council's Constitution, especially its Scheme of Delegation, to allow investments (such as the purchase of commercial property) to take place without undue delay. Officers will examine this and will reflect any proposed changes in the review of the Scheme of Delegation to be considered at the Annual Council meeting. Where there is no delegated authority and it is not possible to wait until the next Council meeting, an extra-ordinary meeting will be arranged as soon as practicably possible.

1.2.5 During 2020/21, the Council will be considering a number of new commercial opportunities linked to projects already under consideration including a council house building programme and the redevelopment of the Market Hall site on Bakewell Road, Matlock. In addition, it is proposed that Members will be engaged on a fundamental review of the Council's ambitions and approach to commercialisation which will set the future agenda.

2 RISK ASSESSMENT

2.1 Legal

Statutory guidance issued under S15(1)(a) of the Local Government Act 2003 regulates local government Investments. An 'investment' covers all of the financial assets of a local authority as well as other non-financial assets that the organisation holds primarily or partially to generate a profit; for example, investment property portfolios. This may therefore include investments that are not managed as part of normal treasury management processes or under treasury management delegations. The Strategy has been prepared in compliance with the Guidance and all accounting procedures which follow. The legal risk is therefore low.

2.2 Financial

The financial risks and rewards of individual projects will be assessed as they are considered by the Commercial Board or Council. The financial risk of this report is assessed as low.

2.3 Corporate

By their nature, it is expected that commercial investments might involve more risk than the Council has previously been exposed to; on the other hand, the rewards could be greater. The framework set out in the proposed Investment Strategies provides transparency and should ensure that the Council does not expose itself to too much financial risk through its commercial investment decisions. The risk is therefore assessed as medium.

3 OTHER CONSIDERATIONS

In preparing this report the relevance of the following factors has also been considered prevention of crime and disorder, equalities, environmental, climate change, health, human rights, personnel and property.

4 CONTACT INFORMATION

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5 BACKGROUND PAPERS

None

6 ATTACHMENTS

Appendix 1: Investment Assessment Criteria Approved May 2018

Appendix 2: Draft Corporate Investment Strategy 2020/21

Appendix 3: Draft Commercial Investment Strategy 2020/21

Appendix 1

ASSESSMENT CRITERIA FOR INVESTMENT PROJECTS
(Approved 24 May 2018)

Overriding Requirement

- Any project to be considered for investment must be presented with a full Business Case and Risk Assessment.
- The Board can allocate funds (within Scheme of Delegation) for feasibility studies to help deliver a Business Case if the proposed project has the potential to deliver significant value to the Derbyshire Dales' community.

Proposed Criteria for Individual Projects
(the Board may wish to prioritise / weight these)

1.	Council has necessary legal powers to support the project.
2.	Project / opportunities supports Council priorities and the main aim of the Board and Commercial Investment Strategy.
3.	Project / opportunity provides community benefit.
4.	Financial return and risk is balanced against social and economic return.
5.	Projects / opportunities arising outside Authority boundaries will be considered where rates of return justify the investment.
6.	Projects / opportunities make best use of Council assets / resources.
7.	Rates of return better than investing through Treasury Management processes.
8.	Invest to Save projects that lead to a reduction in costs in service delivery for the Council, e.g. introduction of new technologies.
9.	Priority given to investments that contribute to the growth of Council business rate income.
10.	Projects where it is considered that the relationship would have a negative impact on the Council will not be considered. Examples of specific exclusions – Projects linked with the promotion:- □ Alcohol products where over 25% of those attending or using the services are under 18 □ Tobacco products □ Unhealthy food or unhealthy lifestyles □ Weaponry □ Gambling □ Racism □ Messages of a sexual nature □ Political parties
11.	State Aid implications should be assessed before any investment in a project is agreed.

CORPORATE INVESTMENT STRATEGY 2020/21
(To be approved 5 March 2020)

1. Background and Introduction

1.1 This strategy outlines the Authority's Corporate & Commercial Investment Strategy for 2020/21 for consideration and approval by Council before the start of the financial year.

1.2 The Authority's Treasury Management Strategy, Capital Programme, Capital Strategy and Minimum Revenue Provision (MRP) Policy are addressed in other reports.

1.3 The Authority invests its money for three broad purposes:

- because it has surplus cash as a result of its day-to-day activities, for example when income is received in advance of expenditure (known as **treasury management investments**),
- to support local public services by lending to or buying shares in other organisations (**service investments**), and
- to earn investment income (known as **commercial investments** where this is the main purpose).

1.4 This Corporate Investment Strategy meets the requirements of statutory guidance issued by the government in January 2018, and focuses on the second and third of these categories.

2. Treasury Management Investments

2.1 The Authority typically receives its income in cash (e.g. from taxes and grants) before it pays for its expenditure in cash (e.g. through payroll and to suppliers, benefit claimants etc.). It also holds reserves for future expenditure and collects local taxes on behalf of other local authorities and central government. These activities, plus the timing of borrowing decisions, lead to a cash surplus which is invested in accordance with guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA). The balance of treasury management investments is expected to fluctuate between £10m and £25m during the 2020/21 financial year.

Contribution: The contribution that these investments make to the objectives of the Authority is to support effective treasury management activities.

Further details: Full details of the Authority's policies and its plan for 2020/21 for treasury management investments are covered in a separate document, the Treasury Management Strategy, available on the Authority's website.

3. Service Investments

3.1 Service Investments: Loans

3.1.1 **Contribution:** The Authority has powers to lend money to any subsidiaries, its suppliers, business partners, parish and town councils, local charities, housing associations, its employees and to community groups to support local public services and stimulate local economic growth. For example, the Authority may give a loan to a local community group who are undertaking a project to deliver affordable housing. The capital programme that is to be approved in March 2020 includes one service loan in 2020/21 for £110,000.

3.1.2 **Security:** The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due. In order to limit this risk, and ensure that total exposure to service loans remains proportionate to the size of the Authority, upper limits on the outstanding loans to each category of borrower have been set as follows:

Table 1: Loans for service purposes

Category of borrower	31.3.2019 Actual			2020/21
	Balance owing	Loss allowance	Net figure in accounts	Approved Limit
Subsidiaries	0	0	0	£500,000
Town and parish councils	0	0	0	£500,000
Business partners	0	0	0	£1m
Local charities	0	0	0	£500,000
Local community groups	0	0	0	£500,000
Housing associations	0	0	0	£1m
TOTAL	**0**	**0**	**0**	**£4m**

3.1.3 Accounting standards require the Authority to set aside loss allowance for loans, reflecting the likelihood of non-payment. Should Council approve the service loan that has been included in the draft Capital Programme for 2020/21 or make other service investments in 2020/21, the figures for loans in the Authority's statement of accounts from 2020/21 onwards will be shown net of this loss allowance. However, officers will makes every reasonable effort to collect the full sum lent and will put in place appropriate credit control arrangements in place to monitor payments and to recover overdue payments.

3.1.4 **Risk assessment:** The Authority will assess the risk of loss before entering into and whilst holding service loans, using the following approach:

1. The Authority will consider a comprehensive business case and business plan for each individual potential investment opportunity. This will include a market analysis focussing on competition, demand and current market trends.

2. To ensure that it has access to quality advice and expertise in specialist areas, the Authority will use external advisers where appropriate. This may

include an assessment of the particular market that the Authority will be competing in, the nature and level of competition, an assessment of how the market/customer needs will evolve over time, barriers to entry and exit, legal and taxation issues and any ongoing investment requirements (such as a credit reference check). Each potential investment will undergo qualitative and quantitative appraisal to establish its relevance to the Authority's core values and the legal and financial implications of the purchase.

3.2 Service Investments: Shares

3.2.1 **Contribution:** The Authority currently has an equal share in the Derbyshire Building Control Partnership, along with 5 other local authorities, to support local development by delivering a local service. The Authority has powers to invest in the shares of any subsidiaries, its suppliers, and business partners to support local public services and stimulate local economic growth.

3.2.2 **Security:** One of the risks of investing in shares is that they fall in value meaning that the initial outlay may not be recovered. In order to limit this risk, upper limits on the sum invested in each category of shares have been set as follows:

Table 2: Shares held for service purposes

Category of company	31.3.2019 Actual			2020/21
	Amount invested	Gains or losses	Value in accounts	Approved Limit
Derbyshire Building Control Partnership	£1	0	£1	£1
Business Partners	0	0	0	£500,000
TOTAL	**£1**	**0**	**£1**	**£500,001**

3.2.3 **Risk assessment:** The Authority assesses the risk of loss before entering into and whilst holding shares by using the following approach:

1. The Authority will consider a comprehensive business case and business plan for each individual potential investment opportunity. This will include a market analysis focussing on competition, demand and current market trends.

2. To ensure that it has access to quality advice and expertise in specialist areas, the Authority will use external advisers where appropriate. This may include an assessment of the particular market that the Authority will be competing in, the nature and level of competition, an assessment of how the market/customer needs will evolve over time, barriers to entry and exit, legal and taxation issues and any ongoing investment requirements (such as a credit reference check). Each potential investment will undergo qualitative and quantitative appraisal to establish its relevance to the Authority's core values and the legal and financial implications of the purchase.

3.2.4 **Liquidity:** Based on the approved limit in Table 2 the funds will not be required in the short term and may prudently be committed for the periods covered by this strategy.

3.3 **Non-specified Investments:** Shares are the only investment type that the Authority has identified that meets the definition of a non-specified investment in the government guidance. The limits above on share investments are therefore also the Authority's upper limits on non-specified investments. The Authority has not adopted any procedures for determining further categories of non-specified investment since none are likely to meet the definition.

4. Commercial Investments: Property

4.1 The MHCLG defines property to be an investment if it is held primarily or partially to generate a profit.

4.2 **Contribution:** The Authority currently invests in three retail sites with the intention of generating income that will be spent on local public services. The main property investments that are held are shown in the table below:

Table 3: Property held for investment purposes

Property	Actual	Actual 31.03.19		Expected 31.03.20	
	Purchase cost	Gains or (losses)	Value in accounts	Gains or (losses)	Value in accounts
Retail Site 1	n/a*		£1,310,000		£1,310,000
Retail Site 2	n/a*		£131,000		£131,000
Retail Site 3	n/a*		£78,000		£78,000
TOTAL			**£1,519,000**		**£1,519,000**

*The council acquired ground leases for both investment properties in 1974.

4.3 The Authority has a Commercial Investment Strategy to set a framework for the expansion of the existing commercial investment portfolio with the intention of making a profit, wherever possible, that will be spent on local public services. The table below shows the total exposure forecast for 2020/21.

Table 4: Expected exposure: property held for investment purposes

Property	31.03.19 Actual	31.03.20 Forecast	31.03.21 Forecast
Retail site 1	£1,310,000	£1,310,000	£1,310,000
Retail site 2	£131,000	£131,000	£131,000
Retail Site 3	£78,000	£78,000	£78,000
Other Commercial investments: Potential Property (investments 2020/21)	0	0	£565,000
TOTAL EXPOSURE	£1,519,000	£1,519,000	£2,084,000

4.4 **Security:** In accordance with government guidance, the Authority considers a property investment to be secure if its accounting valuation is at or higher than its purchase cost including taxes and transaction costs.

Where the value in accounts is at or above purchase cost a fair value assessment of the Authority's investment property portfolio has been made within the past twelve months, and the underlying assets provide security for capital investment. Should the 2019/20 year end accounts preparation and audit process value these properties below their purchase cost, then an updated investment strategy will be presented to full council detailing the impact of the loss on the security of investments and any revenue consequences arising therefrom.

4.5 **Risk assessment:** The Authority assesses the risk of loss before entering into and whilst holding property investments by using the Commercial Investment Strategy and the following approach:

1. The Authority will consider a comprehensive business case and business plan for each individual potential investment opportunity. This will include a market analysis focussing on competition, demand and current market trends.

2. To ensure that it has access to quality advice and expertise in specialist areas, the Authority will use external advisers where appropriate. This may include advice from the Authority’s retained Commercial Development Advisor, an assessment of the particular market that the Authority will be competing in, the nature and level of competition, an assessment of how the market/customer needs will evolve over time, barriers to entry and exit, legal and taxation issues and any ongoing investment requirements (such as a credit reference check). Each potential investment will undergo qualitative and quantitative appraisal to establish its relevance to the Authority’s core values and the legal and financial implications of the purchase.

4.5 **Liquidity:** Compared with other investment types, property is relatively difficult to sell and convert to cash at short notice, and can take a considerable period to sell in certain market conditions. To ensure that the invested funds can be accessed when they are needed, for example to repay capital borrowed, the Authority will only invest cash that is not needed in the short term based on current cash flow predictions. In addition to this a well-diversified property portfolio will be held, spread across different property sectors.

5. Other Categories of Commercial Investment

5.1 The Authority has established a Commercial Board, who will have responsibility for considering other types of investment, e.g. loans for commercial purposes.

5.2 **Contribution:** The Authority does not currently have any non-property commercial investments. The Authority has a Commercial Investment Strategy which provides a framework to expand its existing commercial investment portfolio with the intention of making a profit wherever possible that will be spent on local public services. The table below shows the total exposure forecast for 2020/21.

Table 5: Expected exposure: Other commercial investments

	31.03.19 Actual	31.03.20 Forecast	31.03.21 Forecast
Other Commercial investments: (investments 2020/21)	0	0	£500,000
TOTAL EXPOSURE	0	0	£500,000

5.3 **Security:** In accordance with government guidance, the Authority considers a commercial investment to be secure if its accounting valuation is at or higher than its purchase cost including taxes and transaction costs.

Where accounts preparation and audit process value these investments below their purchase cost, then an updated investment strategy will be presented to full council detailing the impact of the loss on the security of investments and any revenue consequences arising therefrom.

5.4 **Risk assessment:** The Authority assesses the risk of loss before entering into and whilst holding property investments by using the by using the Commercial Investment Strategy and the following approach:

1. The Authority will consider a comprehensive business case and business plan for each individual potential investment opportunity. This will include a market analysis focussing on competition, demand and current market trends.

2. To ensure that it has access to quality advice and expertise in specialist areas, the Authority will use external advisers where appropriate. This may include advice from the Authority's retained Commercial Development Advisor, an assessment of the particular market that the Authority will be competing in, the nature and level of competition, an assessment of how the market/customer needs will evolve over time, barriers to entry and exit, legal and taxation issues and any ongoing investment requirements (such as a credit reference check). Each potential investment will undergo qualitative and quantitative appraisal to establish its relevance to the Authority's core values and the legal and financial implications of the purchase.

5.5 **Liquidity:** Compared with other investment types, property is relatively difficult to sell and convert to cash at short notice, and can take a considerable period to sell in certain market conditions. To ensure that the invested funds can be accessed when they are needed, for example to repay capital borrowed, the Authority will only invest cash that is not needed in the short term based on current cash flow predictions. In addition to this a well-diversified property portfolio will be held, spread across different property sectors.

6 Loan Commitments and Financial Guarantees

6.1 Although not strictly counted as investments, since no money has exchanged hands yet, loan commitments and financial guarantees carry similar risks to the Authority and, therefore, are included in this Strategy for completeness.

6.2 The Authority has contractually committed to make a Loan of £110,000 to Hurst farm Social Club in 2020/21to support regeneration of the building, this will be repaid to the council by March 2021.

7 Proportionality

7.1 For 2020/21 the Authority's revenue budget includes some income arising from profit-generating investment activity. Table 6 below shows the extent to which the expenditure planned to meet the service delivery objectives and/or place making role of the Authority is dependent on achieving the expected net profit from investments over the lifecycle of the Medium Term Financial Plan. Should it fail to achieve the expected net profit, the Authority's contingency plan for continuing to provide these services is to use the General Reserve, which is forecast to have a balance of £1m at 31 March 2020.

Table 6: Proportionality of Investments

	2018/19 Actual	2019/20 Forecast	2020/21 Budget	2021/22 MTFP	2022/23 MTFP
Gross service expenditure	£32,774,000	£29,489,000	£30,538,000	£31,149,000	£31,772,000
Investment income	£97,000	£102,000	£102,000	£104,000	£106,000
Proportion	0.30%	0.35%	0.33%	0.33%	0.33%

8 Borrowing in Advance of Need

Government guidance is that local authorities must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed.

9 Capacity, skills and culture

9.1 This Authority recognises the importance of ensuring that all Elected Members and Officers involved in investment decisions are fully equipped to undertake the duties and responsibilities allocated to them and have the appropriate capacity, skills and information to enable them to make informed decisions e.g. as to whether to enter into a specific investment. There is a requirement to understand:

- the context the Authority's corporate objectives

- the Authority's risk appetite and risk assessment framework
- the prudential framework
- the regulatory regime in which the council operates.

9.2 Officers: The Authority will therefore seek to appoint individuals who are both capable and experienced and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills. The following measures are in place:

- Identification of officer training needs on commercial investment related issues through the Performance Development and Review process;
- Attendance at relevant training events, seminars and workshops; and
- Support from the Authority's treasury management advisors, Arlingclose.

9.3 Elected Members: Elected members' training needs are assessed through the Member Development Group. The Authority will also specifically address this important issue by:

- Periodically facilitating workshops or other training for members on commercial investment issues;
- Interim reporting and advice to members.

9.4 Where necessary the Authority will engage external advisers for investment advice, property surveys and due diligence checks. The cost of any such advice will be taken into account when developing business cases and when assessing the overall viability of projects.

9.5 It is important that the Authority has sound arrangements in place to ensure accountability, responsibility and authority for decision making on investment activities within the context of the Authority's values. In terms of governance, the Commercial Board will consider all new commercial investment proposals. The commercial board may determine an application under delegated powers or may recommend a project to Council for approval. Full Council is responsible for the approval of the Corporate Investment Strategy and for monitoring performance against it.

9.6 The Authority's values include transparency in decision-making. To facilitate that, the following arrangements are in place:

- This Corporate Investment Strategy will be made available on the Authority's website;
- Meetings of the Commercial Board and Full Council will be open to the public and the agendas and minutes from such meetings will be shown on the Authority's website.

10 Commercial deals

10.1 The Authority has a decision making framework which is aligned to the requirements of the Statutory Guidance Relating to Local Authority Investments. The Commercial Board will consider any future commercial opportunities. The guiding principles that will be used will require future commercial projects to:

- meet the Authority's Corporate Priorities;
- deliver community benefit;
- require minimum investment for maximum return;
- be primarily within the District boundaries, consideration will be given to opportunities outside these boundaries if the benefit to the Council or Derbyshire Dales is significant:
- grow the business base;
- deliver a diversified portfolio of projects that balance risk and return.

The Commercial Board will assess future commercial investment against the Commercial Investment Strategy. All investments will be subject to rigorous scrutiny and successful schemes will result in the provision of a report to Council for approval. Schemes will be considered for investment against the following criteria;

i. Economic Impact – in particular; jobs, business growth and new housing.
ii. Impact on Market Towns– in terms of vibrancy, footfall and heritage.
iii. Financial Implications - value for money, affordability and return of investment.
iv. Deliverability – the ability to deliver the proposals and the associated risks.

Successful applications will require appropriate legal agreements in accordance including the provision of appropriate security where required.

11 Investment Indicators

The Authority has set the following quantitative indicators to allow elected members and the public to assess the Authority's total risk exposure as a result of its investment decisions.

11.1 **Total risk exposure:** The first indicator shows the Authority's total exposure to potential investment losses. This includes amounts the Authority is contractually committed to lend but have yet to be drawn down and guarantees the Authority has issued over third party loans.

Table 7: Total investment exposure £ Millions

Type of investment	31.03.19 Actual *£ Millions*	31.03.20 Forecast *£ Millions*	31.03.21 Forecast *£ Millions*
Treasury management investments	15	10	10
Service investments: Loans	0	0	4

Service investments: Shares	0	0	0.5
Commercial investments: Property	1.51	1.51	2.05
Commercial investments: Other	0	0	0.5
TOTAL INVESTMENTS	16.51	11.51	17.05
Commitments to lend	0	0	0
Guarantees issued on loans	0	0	0
TOTAL EXPOSURE	16.51	11.51	17.05

11.2 How investments are funded

Government guidance is that these indicators should include how investments are funded. Since the Authority does not normally associate particular assets with particular liabilities, this guidance is difficult to comply with. All of the Authority's investments are funded by usable reserves and income received in advance of expenditure.

The council does not currently have any investments which are funded by borrowing.

11.3 **Rate of return received:** This indicator shows the investment income received less the associated costs, including the cost of borrowing where appropriate, as a proportion of the sum initially invested. Note that due to the complex local government accounting framework, not all recorded gains and losses affect the revenue account in the year they are incurred.

Table 9: Investment rate of return (net of all costs)

Type of investment	31.03.19 Actual	31.03.20 Forecast	31.03.21 Forecast
Treasury management investments	0.79%	0.79%	0.79%
Service investments: Loans	N/A	N/A	At least 0.60%
Service investments: Shares	N/A	N/A	At least 0.60%
Commercial investments: Property	7.74%	7.74%	7.74%
Commercial investments: Other	N/A	N/A	At least 0.60%

COMMERCIAL INVESTMENT STRATEGY 2020/21
(To be approved 5 March 2020)

1. Purpose

1.1 The objective of the Commercial Investment Strategy is to establish a framework for the identification of commercial investments which, if made, would provide the Authority with an income stream and potential business growth, regeneration, housing or other opportunities that align with Corporate Priorities.

2. Introduction

2.1 The Authority is committed to becoming financially self-sufficient as central government funding reduces. This includes ensuring that the Authority maximises any income from existing assets and, where there is a robust business case, invests in assets where there is a commercial return. The Authority has some available resources (held in reserves) which may mean that borrowing might not be required for some investments. These are invested with various financial institutions in line with the Treasury Management Strategy. However, other investments represent an opportunity to generate higher returns on these funds.

2.2 The Authority's Corporate Investment Strategy sets out the overall strategy for investments, along with an overview of the arrangements and financial limits (and total exposure) that apply to each type of investment, including commercial investments for 2020/21. The tables below show the expected exposure and limits that apply to commercial investments, as set out in the Corporate Investment Strategy:

Expected exposure: property held for investment purposes

Property	31.03.19 Actual	31.03.20 Forecast	31.03.21 Forecast
Retail site 1	1,310,000	1,310,000	1,310,000
Retail site 2	131,000	131,000	131,000
Retail site 3	78,000	78,000	78,000
Other Commercial investments: Potential property investments 2020/21	0	0	565,000
TOTAL EXPOSURE	1,519,000	1,519,000	2,084,000

2.3 The Strategy aims to provide a robust and viable framework for the acquisition of commercial investments. The key underlying objectives are:

- **Governance Arrangements** – to provide a decision making framework aligned to the requirements of the Statutory Guidance Relating to Local Authority Investments (Appendix A);

- **Investment Criteria** – to identify suitable investment opportunities;

- **Risk Management** – to balance the requirement for income return with an acceptable level of managed risk;

- **Financial Viability** – each potential investment will have a comprehensive business case and business plan, which will be evaluated to ensure the income received is sufficient to provide an acceptable rate of return on the repayment of any borrowing costs, management fees and any running costs.

2.4 The management of the Council's existing property portfolio (comprising operational and commercial investment properties) is managed by the Corporate Property Group. This Group will ensure that all property investments acquired under this Strategy continue to be appropriately managed.

3. Principles

3.1 Any commercial investment will reflect the following principles:

- meet the Authority's Corporate Priorities;
- deliver community benefit;
- require minimum investment for maximum return;
- be primarily within the District boundaries, consideration will be given to opportunities outside these boundaries if the benefit to the Council or Derbyshire Dales is significant:
- grow the business base;
- deliver a diversified portfolio of projects that balance risk and return;
- be in accordance with statutory guidance and best practice issued by CIPFA.

4. Governance Arrangements

4.1 **Commercial Board**

4.1.1 The Authority has a decision making framework which is aligned to the requirements of the Statutory Guidance Relating to Local Authority Investments. The Commercial Board will consider any future commercial opportunities.

4.1.2 The Commercial Board will assess future commercial investment against the criteria set out in this Commercial Investment Strategy. All investments will be subject to rigorous scrutiny. Successful schemes will result in the provision of a report to the Leader of the Council and the Chief Executive (where investments can be made under delegated authority) or a report to Council (where the investment exceeds the limits set out in the scheme of delegation).

4.1.3 For a potential investment to be considered by the Commercial Board, it must:-

- achieve a score of excellent, good or satisfactory in at least 50% of the applicable criteria set out in the investment criteria matrix; and

- be accompanied by a full and comprehensive business case and business plan.

4.1.4 The business case will be prepared by the a core team of Officers comprising the Chief Executive, the Head of Customer and Corporate Services (Monitoring Officer) and the Head of Resources (Chief Financial Officer), together with other relevant Officers e.g. Corporate Director, Legal Services Manager, Financial Services Manager, Estates and Facilities Manager. Each potential investment will undergo qualitative and quantitative appraisal to establish portfolio suitability. The legal and financial implications of the investment will be assessed. The core team will seek external investment and/or technical expertise where specialist property market knowledge is required (see the section on risk management below).

4.1.5 All investments in property, where relevant, will be subject to building survey, purchase report and valuation. Occasionally, opportunities will arise that do not score highly on the matrix criteria and in these circumstances, low scoring properties will be considered by the Commercial Board on their own individual regeneration, economic development, employment, housing and community benefit merits, in accordance with the decision making process outlined below.

4.2 Decision Making Process

4.2.1 It is acknowledged that commercial investment opportunities may require agile and quick decision making. However, in order to ensure appropriate governance arrangements are maintained, investment decisions will be made in accordance with the Council's existing decision making process, limits of authority and Scheme of Delegation contained within the Council's Constitution. Where it is not possible to wait until the next Council meeting, an extra-ordinary meeting will be arranged as soon as practicably possible.

5. Investment Criteria

5.1 All investments must reflect the requirements within the **Statutory Guidance on Local Government Investments** issued under Section 15(1) (a) of the Local Government Act 2003', which came into force April 2018. Further details of this statutory guidance are available at:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/678866/Guidance_on_local_government_investments.pdf

A copy of this guidance is also attached at **Appendix A**

5.2 Table 1 below sets out a summary of the statutory guidance requirements:

Requirement	**Considerations**
Clearly show how investments contribute to Council's objectives	• Need to align with Corporate Plan priorities • Clarify purpose and extent to which it supports deficit reduction and /or economic regeneration in the District
Strategy must include indicators to show how councillors have assessed the total risk exposure on decision	• How is it funded? • Rate of return expected and why (benchmarked) • Show additional debt costs • Risks over the repayment period • Extent of support for deficit gap • Mitigation if returns fail and / or borrowing increases • Assessment of capital depreciation
Clearly show how the investment is proportionate?	• Loan corresponds in size or degree (terms/rate/returns) • Risk exposure is reasonable and accepted • Within agreed and defined 'affordability ' limit
Risk assessment should be robust	• Market assessment (competition, demand, trends) • Proper quality external advice and expertise • Credit ratings
Contingency	• Loss of investment return / Increase in loan repayments • Capital depreciation • Extra costs and budget impact • Loss of revenue stream - service delivery impact

5.3 Consideration must also be given to a number of essential elements which will inform acceptable investment choices, specifically:

- Ethical investment (for instance, prohibiting investment in
    - ❖ Alcohol products where over 25% of those attending or using the services are under 18
    - ❖ Tobacco products
    - ❖ Unhealthy food or unhealthy lifestyles
    - ❖ Weaponry or Arms Trading
    - ❖ Gambling

- ❖ Racism
- ❖ Sex Establishments
- ❖ Political parties
- ❖ Any other relationship that would have a negative impact on the Council

- Legal issues, such as:

  - ❖ Does the Council have the necessary legal powers to support the project?
  - ❖ Have State Aid issues been assessed?

5.4 Schemes will be considered for investment against the following criteria;

i. Economic Impact – in particular; jobs, business growth and new housing. This also includes wider economic benefits e.g. local supply chain.
ii. Impact on Market Towns– in terms of vibrancy, footfall and heritage.
iii. Financial Implications - value for money, affordability and return of investment, limits of individual and cumulative risk, the level of losses that can be tolerated, and the degree to which the Council can realistically become reliant on the income stream to provide services.
iv. Deliverability – the ability to deliver the proposals within required timescales and the associated risks.

5.5 Successful applications will require appropriate legal agreements with the provision of appropriate security where required.

5.6 Commercial investment is a trade-off between risk and return. A traditional well diversified property portfolio (spread across different property sectors and geographical regions) will deliver a balanced long term return with minimal risk.

5.7 This strategy adopts the same underlying principles of diversification in acquiring property investments. Five main property sectors will be included (housing, industrial, office, leisure and retail) and in turn, these will be diversified on criteria including location, the tenant's financial (covenant) strength, lease term (income duration) and investment lot size. This will assist in protecting the Authority portfolio's return should a property investment cease to be income producing (for example, it is undergoing refurbishment or awaiting a new tenant).

5.8 A Commercial Investment Criteria Scoring Matrix (Matrix) allows the relative merits of an investment opportunity to be measured and assessed against a target threshold. The Matrix is attached at **Appendix B** and includes the following criteria (not all will be relevant to all projects):

- **Meeting the Council's Priorities** – it is important that the investment supports the Council's priorities as set out in its Corporate Plan.

- **Providing community benefit** – what level of community benefit will the scheme deliver?

- **Rate of Return -** % rent against capital or interest repayments. Rates of return must be better than investing through Treasury Management processes.

- **Proximity to Derbyshire Dales -** Projects / opportunities arising outside Authority boundaries will be considered where rates of return justify the investment.

- **Location** - the location of the property is critical to ensure it is an attractive position, so that in the long term it optimises its ability to re-let/re-sell if capital is required, or is strategically located for re-development. The location of the property will affect the ability of the Council to undertake inspections and to deal with management issues without the need to employ specialist agents. It will also affect income to the Council from Business rates, Council Tax and New Homes Bonus, depending on the type of investment.

- **Reduction in costs of service delivery for the Council, e.g. Investment in new technologies** – Will the project result in efficiency savings for the Council? If so, the level will be assessed.

- **Jobs created / safeguarded** - Business growth and job creation is the Council's top priority. The council may wish to prioritise schemes that create or safeguard jobs.

- **Increase in business rate or council tax income for DDDC –** As well as an investment return, will the council benefit from additional council tax or business rates income?

- **Tenancy strength -** the quality of the tenant and, more importantly, their ability to pay the rent on time and in full is essential. This is particularly important where the Council has borrowed against the investment, and minimum acceptable financial strength for any given tenant will be determined through a financial appraisal of company accounts and the use of appropriate methods of risk assessment and credit scoring. It is however worth noting that the Council, as a public body, may not wish to invest in properties where the occupiers are generally seen to be undertaking business which is contrary to its corporate values.

- **Lease length and break (for main tenants/income) –** the lease term will determine the duration of the tenant's contractual obligation to pay rent. The most attractive investments offer a long lease with a strong tenant covenant. The lease term will reflect any tenant break clauses. The unexpired length of the term of the lease is of key importance in ensuring that the revenue stream is secure and uninterrupted. The Council will take into consideration the risks associated with a tenant vacating and the potential to attract good quality replacements tenants at acceptable rental levels.

- **Portfolio mix -** The Council can minimise its exposure to risk by spreading investments across sectors and by avoiding single large scale investments.

Generally there is a spread of investment across sectors. Property investments will be expected to provide a balance over five main property sectors (housing, employment use, office, leisure and retail).

- **Voids –** Is there a past history of voids? A high level of voids would make the project unviable.

- **Tenure –** anything less than a freehold acquisition will need to be appropriately reflected in the price. The length of the lease will affect the sustainability of the project.

- **Tenant Repair obligations –** under a Full Repairing & Insuring Lease (FRI), the tenant is responsible for the building's interior and exterior maintenance / repair. The obligation is limited to the building's interior under an Internal Repairing & Insuring Lease (IRI). The preference will be to favour FRI terms (or FRI by way of service charge i.e. all costs relating to occupation and repairs are borne by the tenants and administered through a service charge).

- **Building Quality –** a brand new or recently refurbished building will not usually require capital expenditure for at least 15 years. This is attractive for income; the aim is for a long term rental income with the minimum of ongoing capital expenditure.
- **Rental Growth Prospects** – Is there potential to grow income in future years? This will make the project more financially sustainable.

- **Level of investment** – Does the Council have the resources to meet the level of investment in the required timescale?

- **Energy Rating -** An A rated property is superior in terms of environmental protection. 2018 legislation states that properties with F or G ratings can't be let so these would not be permitted under this Strategy.

5.9 The Commercial Investment Criteria Scoring Matrix is supplemented by additional contextual information and by:

a) additional contextual information
b) due diligence checks and financial checks, including building surveys, legal title checks, credit references etc. where relevant.
c) a SWOT Analysis

6. Risk Management

6.1 This will include a market analysis focussing on competition, demand and current market trends.

6.2 To ensure that it has access to quality advice and expertise in specialist areas, the Authority will use external advisers where appropriate. This may include advice from the Authority's retained Commercial Development Advisor, an assessment of the particular market that the Authority will be competing in, the nature and level of competition, an assessment of how the market/customer needs will evolve over time, barriers to entry and exit, legal and taxation issues and any ongoing investment requirements (such as a credit reference checks). Each potential investment will undergo qualitative and quantitative appraisal to establish its relevance to the Authority's core values and the legal and financial implications of the purchase.

6.3 Market forces

As with all investments, there are risks that capital values and rental values can fall as well as rise. To mitigate against future unfavourable market forces, acquisitions will be made on the basis that the Council is willing and capable of:-

- Holding property investments for the long term i.e. 25 years +. This will ensure income and capital returns are considered over the long term thereby smoothing out any cyclical economic/property downturns.

- Fixing borrowing liabilities. The Council can borrow from the Public Works Loan Board at historically low levels thus protecting the Council from future Increases in financing rates.

- Effective partnership working to share risk where appropriate, for example, joint venture arrangements or limited liability partnerships.

6.4 Portfolio Management

To mitigate the risk of void periods where the property is either partially or fully vacant, or a tenant has defaulted on its rental obligations, the investment portfolio will be actively managed.

In addition, the investment criteria specified in the scoring matrix favours secure property investments i.e. high quality buildings in prime locations, thus mitigating the risk of void periods on re-letting.

6.5 Resources

Property investment markets are, in general, controlled by national and regional commercial property agencies and establishing links and relationships with a number of such property agents is the best method of sourcing suitable properties for acquisition.

Staffing resources will be made available in order to source suitable property assets for acquisition that match the criteria set under the Strategy. If additional resources are required for specific projects, this can be done either by recruitment into the existing Estates and Facilities Team or by engaging suitable and appropriate external expertise as required. It is recognised that expertise is essential to enable informed decision making.

7. Financial Viability

7.1 The financial viability of each individual potential investment opportunity will be fully assessed within a comprehensive business case and business plan. In order to reflect the potential risk that may arise as a consequence of undertaking commercial investment and provide a sufficient financial contribution to the Council's General Fund, a positive Internal Rate of Return (IRR) is required. However, the Council may still consider pursuing an investment if the IRR is positive but low if it meets the Council's Corporate Priorities. Rates of return must be better than investing through Treasury Management processes.

7.2 The level of return will be heavily influenced by two factors: (a) the cost of capital and (b) the regulatory requirements of the minimum revenue provision (MRP).

Appendix A

STATUTORY GUIDANCE ON LOCAL GOVERNMENT INVESTMENTS (3rd Edition)

Issued under section 15(1)(a) of the Local Government Act 2003 and effective for financial years commencing on or after 1 April 2018

POWER UNDER WHICH THE GUIDANCE IS ISSUED

1. The following Guidance is issued by the Secretary of State under section 15(1)(a) of the *Local Government Act 2003.* Under that section local authorities are required to "have regard" to "such guidance as the Secretary of State may issue".

DEFINITION OF TERMS

2. In this guidance the ***2003 Act*** means the *Local Government Act 2003.*

3. **Local authority** has the meaning given in section 23 of the *2003 Act.* To the extent that this guidance applies to parish councils and charter trustees (see paragraph 11) a reference to a local authority includes those councils and trustees.

4. The definition of an **investment** covers all of the financial assets of a local authority as well as other non-financial assets that the organisation holds primarily or partially to generate a profit; for example, investment property portfolios. This may therefore include investments that are not managed as part of normal treasury management processes or under treasury management delegations.

5. For the avoidance of doubt, the definition of an investment also covers loans made by a local authority to one of its wholly-owned companies or associates, to a joint venture, or to a third party. The term does not include *pension funds* or *trust fund investments,* which are subject to separate regulatory regimes and therefore are not covered by this guidance.

6. A **credit rating agency** is one of the following three companies:
    - Standard and Poor's;
    - Moody's Investors Service Ltd; and
    - Fitch Ratings Ltd.

7. For the purposes of this guidance a **loan** is a written or oral agreement where a local authority temporarily transfers cash to a third party, joint venture, subsidiary or associate who promises to return it according to the terms of the agreement, normally with interest. This definition does not include a loan to another local authority, which is classified as a specified investment.

8. The **Treasury Management Code** means the statutory code of practice issued by CIPFA: *"Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes, 2017 Edition".*

9. The **Prudential Code** means the statutory code of practice, issued by CIPFA: *"The Prudential Code for Capital Finance in Local Authorities, 2017 Edition".*

10. The **Capital Strategy** is the strategy required by the updates to the Prudential Code and Treasury Management Code.

APPLICATION

Effective date

11. This guidance applies for financial years commencing on or after 1 April 2018. It supersedes all previous editions of the Statutory Guidance on Local Authority Investments.

12. Strategies presented to Council or equivalent before 1 April 2018 but relating to 2018-19 and future financial years do not need to include all of the additional disclosures required by this edition of the guidance should it not prove practical or cost effective to do so. If a local authority chooses not to include the new disclosures in its 2018-19 Strategy, it must include the disclosures in full in the first Strategy presented to full Council or equivalent after 1 April 2018.

Local authorities

13. This guidance applies to all local authorities in England.

14. This guidance applies to parish councils and charter trustees, providing their total investments exceed or are expected to exceed £100,000 at any time during the financial year. Where a parish council or charter trustee expects its total investments to be between £10,000 and £100,000, it is encouraged to adopt the principles in this guidance.

KEY PRINCIPLES

Transparency and democratic accountability

15. For each financial year, a local authority should prepare at least one Investment Strategy ("the Strategy"). The Strategy should contain the disclosures and reporting requirements specified in this guidance.

16. The Strategy should be approved by the full council. For authorities without a full Council, the Strategy should be approved at the closest equivalent level. The Secretary of State recommends that the Strategy should be presented for approval prior to the start of the financial year.

17. Where a local authority proposes to make a material change to its Strategy during the year a revised Strategy should be presented to full council or equivalent for approval before the change is implemented.

18. The Strategy should be publicly available on a local authority's website. Where a parish council or charter trustee does not maintain its own website, they should post a public notice detailing how local residents can obtain a copy of the Strategy, free of charge.

19. Where a local authority prepares a Capital Strategy in line with the requirements of the Prudential Code, a Treasury Management Strategy in line with the requirements of the Treasury Management Code, or any other publicly available document, the disclosures required to be included in the Strategy can be published in those documents instead of in the Strategy.

Contribution

20. Investments made by local authorities can be classified into one of two main categories:
    - Investments held for treasury management purposes; and
    - Other investments.

21. Where local authorities hold treasury management investments, they should apply the principles set out in the Treasury Management Code. They should disclose that the contribution that these investments make to the objectives of the local authority is to support effective treasury management activities. The only other element of this Guidance that applies to treasury management investments is the requirement to prioritise Security, Liquidity and Yield in that order of importance.

22. Local authorities should disclose the contribution that all other investments make towards the service delivery objectives and/or place making role of that local authority. It is for each local authority to define the types of contribution that investments can make and a single investment can make more than one type of contribution.

Use of indicators

23. The Strategy should include quantitative indicators that allow Councillors and the public to assess a local authority's total risk exposure as a result of its investment decisions. This should include how investments are funded and the rate of return received. Where investment decisions are funded by borrowing the indicators used should reflect the additional debt servicing costs taken on.

24. Local authorities should consider the most appropriate indicators to use, given their risk appetite and capital and investment strategies. Whilst this guidance does not prescribe specific indicators or thresholds, the indicators used should be consistent from year to year and should be presented in a way that allows elected members and the general public to understand a local authorities' total risk exposure from treasury management and other types of investment.

25. Where a local authority has entered into a long term investment or has taken out long term debt to finance an investment the indicators used should allow Councillors and the general public to assess the risks and opportunities of the investment over both its payback period and over the repayment period of any debt taken out.

Security, Liquidity and Yield

26. A prudent investment policy will have two underlying objectives:

- **Security** – protecting the capital sum invested from loss; and
- **Liquidity** – ensuring the funds invested are available for expenditure when needed.

27. The generation of **yield** is distinct from these prudential objectives. However, this does not mean that local authorities are recommended to ignore potential revenues. Once proper levels of security and liquidity are determined, it will then be reasonable to consider what yield can be obtained consistent with these priorities.

28. When entering into treasury management investments, local authorities should consider security, liquidity and yield in that order of importance.

29. When entering into other types of investments local authorities should consider the balance between security, liquidity and yield based on their risk appetite and the contribution(s) of that investment activity.

Security

Financial Investments

30. Financial investments can fall into one of three categories:

- **Specified investments**;

• **Loans**; and
• **Other Non-specified investments**.

Specified Investments

31. An investment is a specified investment if all of the following apply:
    - The investment is denominated in sterling and any payments or repayments in the respect of the investment are payable only in sterling.
    - The investment is not a long term investment. This means that the local authority has contractual right to repayment within 12 months, either because that is the expiry term of the investment or through a non-conditional option.
    - The making of the investment is not defined as capital expenditure by virtue of Regulation 25(1)(d) of the *Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 [as amended].*
    - The investment is made with a body or in an investment scheme described as high quality (see paragraph 33 or with one of the following bodies:
        i. The United Kingdom Government;
        ii. A local authority in England or Wales (as defined in section 23 of *the 2003 Act*) or a similar body in Scotland or Northern Ireland; or
        iii. A parish council or community council.

32. For the purposes of paragraph 32 the Strategy should define high credit quality. Where this definition incorporates ratings provided by credit rating agencies paragraph 42 is relevant.

Loans

33. A local authority may choose to make loans to local enterprises, local charities, wholly owned companies and joint ventures as part of a wider strategy for local economic growth even though those loans may not all be seen as prudent if adopting a narrow definition of prioritising security and liquidity.

34. Local authorities can make such loans whilst continuing to have regard to this guidance if they can demonstrate in their Strategy that:
    - Total financial exposure to these type of loans is proportionate;
    - They have used an allowed "expected credit loss" model for loans and receivables as set out in International Financial Reporting Standard (IFRS) 9 *Financial Instruments* as adopted by proper practices to measure the credit risk of their loan portfolio;
    - They have appropriate credit control arrangements to recover overdue repayments in place; and
    - The local authority has formally agreed the total level of loans by type that it is willing to make and their total loan book is within their self-assessed limit.

Non-specified investments

35. A non-specified investment is any financial investment that is not a loan and does not meet the criteria to be treated as a specified investment.

36. For non-specified investments (i.e. those not meeting the criteria in paragraph 31), the Strategy should:
    - Set out procedures for determining which categories of investments may be prudently used (and where these procedures involve the use of credit ratings, paragraph 32 is relevant).
    - Identify which categories of investments have been defined as suitable for use.
    - State the upper limits for the maximum amounts both individually and cumulatively that may be held in each identified category and for the overall amount held in non-

specified investments and confirm that investments made have remained within those limits.

Non-financial investments

37. As defined in paragraph 4 of this guidance non-financial investments are non-financial assets that the organisation holds primarily or partially to generate a profit. Where a local authority holds a non-financial investment, it will normally have a physical asset that can be realised to recoup the capital invested. Local authorities should consider whether the asset retains sufficient value to provide security of investment using the fair value model in *International Accounting Standard 40: Investment Property* as adapted by proper practices.

38. Where the fair value of non-financial investments is sufficient to provide security against loss, the Strategy should include a statement that a fair value assessment has been made within the past twelve months, and that the underlying assets provide security for capital investment.

39. Where the fair value of non-financial investments is no longer sufficient to provide security against loss, the Strategy should provide detail of the mitigating actions that the local authority is taking or proposes to take to protect the capital invested.

40. Where a local authority recognises a loss in the fair value of a non-financial investment as part of the year end accounts preparation and audit process, an updated Strategy should be presented to full council detailing the impact of the loss on the security of investments and any revenue consequences arising therefrom.

Risk Assessment

41. The Strategy should state the local authority's approach to assessing risk of loss before entering into and whilst holding an investment, making clear in particular:
    - How it has assessed the market that it is/will be competing in, the nature and level of competition, how it thinks that the market/customer needs will evolve over time, barriers to entry and exit and any ongoing investment requirements.
    - Whether and, if so how, a local authority uses external advisors be they treasury management advisors, property investment advisors or any other relevant persons.
    - How the local authority monitors and maintains the quality of advice provided by external advisors.
    - To what extent, if at all, any risk assessment is based on credit ratings issued by credit ratings agencies.
    - Where credit ratings are used, how frequently they are monitored and the procedures for taking action if credit ratings change.
    - What other sources of information are used to assess and monitor risk.

Liquidity

42. For financial investments that are not treasury management investments or loans the Strategy should set out the procedures for determining the maximum periods for which funds may prudently be committed and state what those maximum periods are and how the local authority will stay within its stated investment limits.

43. For non-financial investments the Strategy should set out the procedures for ensuring that the funds can be accessed when they are needed, for example to repay capital borrowed. It should also state the local authority's view of the liquidity of the investments that it holds, recognising that assets can take a considerable period to sell in certain market conditions. Where local authorities hold non-financial investment

portfolios they can choose to assess liquidity by class of asset or at a portfolio level if appropriate.

Proportionality

44. Where a local authority is or plans to become dependent on profit generating investment activity to achieve a balanced revenue budget, the Strategy should detail the extent to which funding expenditure to meet the service delivery objectives and/or place making role of that local authority is dependent on achieving the expected net profit. In addition, the Strategy should detail the local authority's contingency plans should it fail to achieve the expected net profit.

45. The assessment of dependence on profit generating investments and borrowing capacity allocated to funding these should be disclosed as a minimum over the life-cycle of the Medium Term Financial Plan. However, an assessment of longer term risks and opportunities is recommended.

Borrowing in advance of need

46. Authorities must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed.

47. Where a local authority chooses to disregard the Prudential Code and this Guidance and borrows or has borrowed purely to profit from the investment of the extra sums borrowed the Strategy should explain:

• Why the local authority has decided not to have regard to this Guidance or to the Prudential Code in this instance; and
• The local authority's policies in investing the money borrowed, including management of the risks, for example, of not achieving the desired profit or borrowing costs increasing.

Capacity, skills and culture

48. The Strategy should disclose the steps taken to ensure that those elected members and statutory officers involved in the investments decision making process have appropriate capacity, skills and information to enable them to take informed decisions as to whether to enter into a specific investment, to assess individual assessments in the context of the strategic objectives and risk profile of the local authority and to enable them to understand how the quantum of these decisions have changed the overall risk exposure of the local authority.

49. The Strategy should disclose the steps taken to ensure that those negotiating commercial deals are aware of the core principles of the prudential framework and of the regulatory regime within which local authorities operate.

50. Where appropriate the Strategy should comment on the corporate governance arrangements that have been put in place to ensure accountability, responsibility and authority for decision making on investment activities within the context of the local authority's corporate values.

APPENDIX B

COMMERCIAL INVESTMENT CRITERIA SCORING MATRIX

a) Pass / Fail Assessments:

Requirement	Pass / Fail	Comment
Does the Council have the necessary legal powers to support the project?		If fail, consider setting up an alternative delivery model?
Is the project linked with any of the following? ☐ Alcohol products where over 25% of those attending or using the services are under 18 ☐ Tobacco products ☐ Unhealthy food or unhealthy lifestyles ☐ Weaponry or Arms Trading ☐ Gambling ☐ Racism ☐ Sex Establishments ☐ Political parties ☐ Any other relationship that would have a negative impact on the Council		
Have state aid issues been fully assessed?		

A project must pass <u>all</u> the tests set out above.

b) Risk Assessment

Individual commercial investment proposals must be supported by detailed business cases and business plans. As well as considering the Net Present Value, Internal Rate of Return and impact on the General Fund of any commercial investment proposals, the decision to invest also takes into account the following assessment matrix:

ASSESSMENT CRITERIA	Excellent / very good	Good	Satisfactory	Marginal	Uncertain	N / A
Meeting the Council's Priorities	Fully supports one or more of the Council's corporate priorities	Mostly	Adequately	Partially	No direct link to corporate priorities	

Providing community benefit	Fully	Mostly	Adequately	Partially	Limited	
Rate of Return* - % rent against capital or interest repayments	>8%	7%-8%	5%-7%	3%-5%	<3%	
Proximity to Derbyshire Dales**	within District	within Derbyshire	England	National	Outside UK	
Location	Prime	Not prime but in established location	Secondary	Remote from other developments	Isolated, undeveloped area, limited infrastructure links	
Reduction in costs of service delivery for the Council, e.g. Investment in new technologies	Savings > £20k p.a.	Savings £10k to £20k p.a.	Savings £3k to £10k p.a.	Savings up to £3k p.a.	No savings	
Jobs created / safeguarded	>50	26 - 50	6 - 25	1 - 5	None	
Increase in business rate or council tax income for DDDC	Extra £20k p.a.	Extra £10k to £20k p.a.	Extra £3k to £10k p.a.	Extra £3k p.a.	No business rate income	
Tenancy strength	Multiple tenants with strong financial covenant	Single tenant with strong financial covenant	Single or multiple tenants with good financial covenant	Tenants with average financial covenant	Tenants with poor financial covenant strength	
Lease length and break (for main tenants/income)	>15 years	11 - 15 years	10 - 8 years (10 year lease)	7 - 5 years (5 year break)	<5 years or vacant	
Portfolio mix (asset type is balanced in portfolio - no more than x% of portfolio	<50%	50%-60%	60%-70%	70%-80%	>80% of portfolio	
Voids (after Lease end including marketing, fit out and rent free)	0-9 months	9-12 months	12-18 months	18-24 months	>24 months	
Tenure	Freehold	Lease >99 years	Lease 25 - 99 years	Lease 5 - 25 years	Lease <5 years	
Tenant Repair Obligations	Full repairing & insuring	Internal repairing 100% recoverable	Internal repairing partially recoverable	Internal repairing non recoverable	Landlord	
Building Quality/Age	<10 years	10-20 years	< 21-30 years	31-35 years	>35 years	
Rental Growth Prospects	within 1 year	within 2-5 years	within 5-7 years	within 7-10 years	>10 years	
Level of investment	<£0.5m	Between £0.5m and £1m	Between £1m and £2m	Between £2m and £3m	>£3m	
Energy Rating (2018 legislation can't let with F/G assessment)	A/B	C	D	E	F/G	

*   Rates of return must be better than investing through Treasury Management processes.

**   Projects / opportunities arising outside Authority boundaries will be considered where rates of return justify the investment.

To be considered for investment 50% of the <u>applicable</u> criteria above must be excellent, good or satisfactory.

The matrix above is supplemented by:

c) additional contextual information

d) due diligence checks and financial checks, including building surveys, legal title checks, credit references etc. where relevant**.**

e) **a SWOT Analysis**

Project Name
Strengths
Weaknesses
Opportunities
Threats

BACK TO AGENDA