



FINANCIAL STRATEGY 2008

(including Capital Strategy and Treasury Management Strategy)



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Derbyshire Dales
District Council
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FINANCIAL STRATEGY 2008

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SECTION A – SUMMARY

The items contained in the following table outline the Council's revenue and capital Financial Strategy for the five-year period 2007/08 to 2011/12. The Strategy is reviewed annually and provides for a sustainable financial position where all spending and funding decisions are directly in accordance with the Council's vision, aims and priorities as contained in the Corporate Plan.

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 future level of Council Tax and Revenue Reserves
Budget Consultation	A budget consultation exercise will be carried out annually to help inform Members of spending priorities and acceptable levels of Council Tax & other stakeholders. The exercise may involve, for example use of Community Forums & the Citizens' Panel.
Council Tax	To 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 proposed levels of Council Tax and estimated Revenue Support Grant) 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	Online information should be available for Members and Officers. Printed reports for all 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. salaries, wages and significant income items. Budget holders should put in place action plans to deal with significant variances.
Revenue Reserves	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'. Any under-/ over-spending on the revenue account will be paid to / met from the General Reserve. The General Reserve will be available for meeting 'one-off' expenditure or development items, but should only be used to fund ongoing revenue expenditure in exceptional circumstances.

Element	Strategy
Service Growth	Any areas of service growth must be identified through the annual service planning and budget process, and be subject to business option appraisal. Compensating savings must always be identified.
Strategic Reserves	Should be set aside for earmarked purposes in order to assist the Council in achieving its priorities. These should include reserves for funding equipment replacements, to smooth-out significant items of expenditure which does not occur annually, and to provide cover for uninsured losses of at least £500,000.
Provisions	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	Policy Committees should review fees and charges on an annual basis to maximise income, taking into account the Council's priorities, the level of inflation, and charges levied by neighbouring authorities.
Capital Programme:	
Capital Programme Working Party	Bids for capital schemes, based on the Corporate Plan, must be evaluated by the Capital Programme Working Party.
Option Appraisal	Option appraisals should be carried out for all proposed schemes.
External Funding	External and partnership funding should be explored for all schemes.
Revenue Consequences	The revenue consequences of all capital schemes should be assessed, including the revenue effect of loss of interest through the utilisation of capital receipts, and included in the Medium Term Commitment 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 to be reported annually to Council.
Treasury Management	
Policy Objectives	To effectively control the risks associated with managing the Council's cash flows, bankings, money market and capital market transactions, and to pursue optimum performance consistent with these risks.
CIPFA Code	The Council adopts the key recommendations of CIPFA's Treasury Management in the Public Services: Code of Practice.
Reporting	Treasury Management activities are to be reported to Council on at least an annual basis.
Cash Flow	A three-year cash flow projection should be maintained and updated on at least a monthly basis.
Investments	An Investment Strategy is to be produced in advance of each financial year. Investments may only be made with approved organisations.
Brokers	Only approved Brokers should be used.
Staff training & qualifications	The Council recognises the importance of ensuring that all staff involved in Treasury Management are fully equipped to undertake the duties & responsibilities allocated to them.

SECTION B - INTRODUCTION TO FINANCIAL STRATEGY

1. Aims of the Strategy

- 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 2007/08 and in other service strategies.
- To summarise the current financial position.
- To set down overall parameters and objectives for future spending, together with a medium-term forecast of the financial position.
- To establish arrangements for the effective evaluation of the financial aspects of decision-making.

2. Corporate Aims and Objectives

The Financial Strategy takes into account the Council's Corporate Plan and priorities for 2003 - 2007, and the Improvement Plan 2004 – 2007. This includes all Service Plans contained within the Corporate Plan, together with all separately published service strategies, e.g.

- the Asset Management Plan,
- the Human Resources Strategy
- the Leisure Strategy
- the Promoting the Dales Strategy.

In order to ensure adequate funding for service priorities, it is important that the Council's budgetary processes are aligned with strategic objectives. The following measures are in place.

- The Council's annual Performance Plan and Summary Budget contains Service Plans for all the Council's front line and support services. Each Service Plan includes a summary of what the service does, how this supports Council Aims and Objectives, and its key objectives for the coming years. There is data supporting the level of service provided, a list of the main plans and strategies relating to the service, and a summary of the consultation and partnership activities undertaken. For each service, performance indicators are set out in full. Some services also include an Improvement Action Plan, where a Best Value Review has been completed. Finally each Service Plan includes detailed budget information, which is a translation of the Service Plan information into a financial quantification.
- All items relating to service growth are considered separately by Committees and in conjunction with other spending proposals in order that priorities can be set.
- All Committee reports have to include a Strategic Link, and have a mandatory section for Risk Assessment, including legal risks, financial risks and corporate risks.
- The Council's Policy and Research Team is actively involved in the budget process and in advising on linking budgets to priorities.

3. National Priorities

The Community Strategy, which drives the Council's Corporate Plan priorities, is based on six national government / local government shared priorities. The Financial Strategy takes account of these, together with other national priorities which impose spending pressures on the Council. These include:

- **Waste Management and Street Cleaning**

The Council is incurring significant additional expenditure in order to meet its recycling targets imposed by the Government under the EC Landfill Directive (99/31/EC), and in meeting its duties relating to littering, fly-tipping and dog fouling under the Cleaner Neighbourhoods and Environment Act 2005.

- **Pensions**

Additional pension costs as a result of the 2007 actuarial revaluation of the Derbyshire Superannuation Fund are included in the Medium Term Commitment Plan. This revaluation reflects recent changes made to pension regulations, such as abolishing the “85-year rule” and increasing employee contributions.

- **Anti Social Behaviour**

The Financial Strategy takes account of the costs incurred by the Council in meeting its duties under the Crime and Disorder Act 2008.

- **Economic Development and Regeneration**

The Council is required to provide the leadership for economic development and regeneration in its district, and for supporting the partnerships that are essential to success.

- **Strategic Housing**

There are a number of strategic housing issues which are at the forefront of the Government’s agenda, including the prevention of homelessness, the duty to house vulnerable 16-17 year olds, the need for an effective research capacity to assess housing markets through the involvement of stakeholders, and the increasing cost of funding mandatory disabled facility grants.

- **Reduced support for District Council Functions in the EPCS block**

The Environmental, Protection and Cultural Services Block of the Revenue Support Grant has seen consistently lower percentage increases than other service blocks. This has seen reduced support for District Council services such as flood defence, parks, sport and leisure, despite increasing demands for these services.

4. Delivering Efficiency in Local Services

The Council achieved its 3 year efficiency target after two years of the efficiency regime introduced with effect from 2005/06 following the publication of the Government report “Releasing Resources for the Frontline”. The Government has now published a new efficiency agenda in a report “Delivering Value for Money in Local Government: Meeting the Challenge of CSR07”. Under the new regime, the Council is expected to achieve 3% cashable efficiency savings on its revenue and capital budgets for the financial years 2008/09, 2009/10 and 2010/11. The Government is not issuing mandatory targets for individual authorities, and further guidance is awaited on how authorities should calculate their own targets. There is also no detailed reporting regime on actions planned/taken, but authorities will be required to calculate an annual performance indicator on progress towards achieving efficiencies.

This Financial Strategy takes into account the cashable savings towards the efficiency target identified by Council in the report “Development of a Sustainable Financial Plan” at its meeting on 17th October 2007. It also takes into account ongoing cashable savings identified under the previous efficiency regime which count towards the new 3% target.

5. Significant Partnerships

There are a number of significant partnerships operating in the district of Derbyshire Dales, as detailed in Appendix 1.

The Council is required to provide evidence under the Use of Resources Assessment that significant Partnership Arrangements are subject to stewardship and governance overview. Partnership risks need to be identified and assurance obtained that those risks are being effectively managed.

It is appropriate to provide a definition of a significant partnership to satisfy theme 2 (Financial Management) and theme 4 (Internal Control) of the Use of Resources, which state:

- Theme 2.2 - “The financial performance of partnerships is regularly reviewed, linked to outputs, and the results shared with partners and acted upon”.
- Theme 4.1 – “The risk management process specifically identifies risks in relation to significant partnerships and provides for assurances to be obtained about the management of those risks”.
- Theme 4.2 – The Council has identified its significant partnerships and has appropriate governance arrangements in place for each of them”, and “Governance arrangements with respect to partnerships are subject to regular review and updating”.

The following is a definition of a significant partnership and is produced having regard to the Council’s Constitution, “Key Decisions”, the Corporate Plan, “Aims & Priorities”, the Local Government Act 2000, “Promotion of Economic, Social or Environmental Well-Being”.

“Those Partnerships which have a direct effect on achieving the Aims and Strategies contained within the Corporate Plan. The aims and priorities include outcomes which impact on the amenity of the community or quality of services provided by the Council. Community benefits include social enterprise, skills training, work opportunities, regeneration goals and sustainability. Budgetary consideration is likely to reflect the strategic aim of the partnership goals and thus expenditure levels would be likely to exceed £100.000”.

The Council currently has a significant financial interest in two of these partnerships:

- The Derbyshire Revenues & Benefits Consortium, although this partnership is soon to be wound up following an out-of-court settlement with the system supplier
- The Derbyshire Concessionary Fares Partnership

These financial interests are taken into account in the Financial Strategy, in particular the Medium Term Commitment Plan and the Capital Programme.

6. Risk Management

The proposals contained in this Financial Strategy are underpinned by a comprehensive assessment of strategic and operational risks. A Corporate Risk Register is maintained and regularly updated. In this way, risk management is treated as an integral part of the planning and managing processes, rather than as a separate annual event.

An assessment of the risks associated with the budget-setting process is given in Section E of the strategy, and in Appendix 6.

SECTION C - GENERAL FUND REVENUE ACCOUNT

1 Current Financial Position

The surplus on the General Fund in 2006/07 was £35,699, compared with an assumed deficit when revised estimates were prepared of £46,309, i.e. an overall underspending of £82,008. The Council meeting of 28th June 2007 resolved that the surplus would be transferred from the General Reserve, resulting in a total balance in the General Reserve of £1,118,759. In addition, the General Fund working balance to meet emergencies and contingencies, and to provide cash flow, was £1,000,000 at 1st April 2007.

Adequate provision has been made for all known liabilities as at 1st April 2007. The current position on reserves, provisions and balances is given in Appendix 2, and is summarised as follows:-

	Revenue Balances 01.04.07 £000	Net Income (Expenditure) 2007/08 £000	Estimated Balances 31.03.08 £000
General Fund Working Balance	1,000	0	1,000
General Reserve	1,119	0	1,119
Strategic Reserves	3,335	(460)	2,875
Provisions	51	0	51
Other Minor Balances	35	(35)	0
	5,540	(495)	5,045

It can be seen that levels of balances and provisions are adequate, and the Council has strategic reserves earmarked for future projects. The Council can therefore have confidence that the current financial position is healthy. However current General Fund spending levels are dependant on the use of the General Reserve and the effect of this is considered in the medium-term forecast of revenue resources.

2. Medium Term Forecast of Revenue Resources

The Medium Term Commitment Plan in Appendix 3 shows that the General Reserve will be fully committed during 2010/11. The Council needs to continue to monitor and review spending levels and generate new efficiencies during 2008/09 in order to reduce future years' reliance on the General Reserve.

3 Corporate Savings Target

The Council meeting of 17th October 2007 considered a report "Development of a Sustainable Financial Plan, which indicated that savings of £1million to £1.5 million are required to achieve a balanced budget over the next three years. The Council identified savings towards this target of £943,000. These savings have now been reflected in the Medium Term Commitment Plan in Appendix 3.

The Medium Term Commitment Plan now shows that the 2007/08 spending level is expected to exceed the original estimate by £166,000 overall. This is mainly due to a reduction in income from fees and charges of £356,000, partly offset by an increase in investment income.

Forecast expenditure for 2008/09 is approximately £144,000 greater than income, assuming a Council Tax increase of 3%. This funding gap is the "Corporate Savings Target" if the Council is to achieve a balanced budget, with no use of the General Reserve for ongoing spending. Further savings of around £400,000 are required in 2009/10.

Any growth which is necessary in the 2008/09 budget to enable the Council to meet its priorities, should be matched by corresponding savings in lower priority areas. The budget process will need to be closely monitored in order to ensure that the final budget is within overall resources.

The process of matching budgets with priorities, and the impact of various options on the Council Tax, is subject to consultation with members of the public and other stakeholders.

Consideration also needs to be given to measures which may need to be taken in the medium term, for example:

- Whether the Council Tax can be increased in real terms. Each 1% increase in Band D Council Tax, i.e. approximately £1.69 per year, will raise additional income of approximately £50,000.
- Whether the capital programme can be rescheduled to maximise investment income.

However, it is also important that service and spending levels are continually reviewed in order that they are brought into line with available resources over the next few years. The following measures were approved in the Financial Strategy 2007, and should be continued:-

- No new spending proposals should be approved unless:-
 - existing spending proposals are revised in order to accommodate them i.e. a revision of priorities; or
 - the proposals result in the generation of income to offset the additional expenditure; or
 - the proposals have the effect of reducing expenditure already committed; or
 - overall spending capability has increased e.g. additional revenue support grant or additional Council Tax raised.
- The Council's fees and charges should be reviewed in accordance with market conditions, and additional methods of income generation should be investigated.
- Current levels of service provision and the efficiency of service delivery should continue to be critically reviewed.
- All Committee reports should be forwarded at draft stage to the Finance Manager for his contribution to the financial risk assessment.
- The Financial Strategy and Medium Term Forecast of Resources should be reviewed on an annual basis to monitor progress in bringing spending levels in line with available resources. In preparing the forecast, account should be taken of:-
 - outstanding issues from previous years;
 - how spending will need to change to reflect future corporate and service priorities;
 - revenue expenditure and income forecasts;
 - the capital programme and the revenue consequences of capital projects;
 - other commitments affecting the financial strategy;
 - the proposed use of reserves and balances;
 - external factors, such as the Local Government Finance Settlement and interest rates.
 - Government guidelines and limitations, e.g. Council Tax capping powers. It is likely that any Council Tax increases above 5% will be deemed to be excessive, and will be capped.

4. Reserves and Provisions

Both the Local Government Act 2003 and the Chartered Institute of Public Finance & Accountancy consider that it is a prime responsibility of the "chief finance officer" to recommend the level of reserves a council should hold. At Derbyshire Dales District Council, the Finance Manager does this by considering the internal control framework, including the strong approaches to risk and performance management, together with the specific budget risks identified within the budget process.

In addition, consideration is given to our excellent record on budget monitoring, and that the overall General Fund budget has not been overspent for several years.

The General Fund working balance should be maintained at around 10% of net expenditure in order to provide adequate cash flow and reserves for unknown and emergency purposes. The current balance of £1,000,000 is adequate, but should to be reviewed as the Council's expenditure increases.

Any overall General Fund underspendings are to be paid into the General Reserve, or any other reserve or provision as the Council may determine at the time. Any overall General Fund overspendings are to be met from the General Reserve.

Future use of the General Reserve should be limited to items of non-recurring expenditure. The General Reserve should only be used to meet recurring expenditure in exceptional circumstances, e.g. to keep within Government spending targets.

The Council should also maintain Strategic Reserves, including:

- A technology renewals reserve to provide sufficient funding for significant future technology replacements, such as the switchboard. Estimated future replacement costs should be provided over the lifecycle of the equipment.
- A vehicles renewals reserve to provide sufficient funding for future vehicle replacements in accordance with the replacement programme. Estimated future replacement costs should be provided over the lifecycle of the vehicles.
- Insurances, to provide funding for uninsured losses. It is considered that a reserve of at least £500,000 should be maintained for this purpose.
- Elections, to smooth out the revenue cost of four-yearly District Council elections.
- Local Plan, to smooth out the revenue cost of the 10-yearly renewal of the Local Plan. This should be reviewed as the Local Plan is superseded by the Local Development Framework.
- Capital Financing Reserves, including Direct Revenue Financing and Usable Capital Receipts, to set aside funding to supplement the future capital programme.

The current level of reserves, as shown in Appendix 2, is considered by the Finance Manager to be adequate. However, this is dependent on the Corporate Savings Target being achieved, otherwise the Council will be dependent on the use of the General Reserve to achieve a balanced budget.

5. Local Government Act 2003

Part 2 of the Local Government Act 2003 places new duties on local authorities that reinforce sound financial management. When an authority is deciding on its annual budget and council tax level it will have to take into account a report from its "chief financial officer", i.e. the Finance Manager, on the robustness of the budget and the adequacy of the authority's reserves. The Government will have a back up power to impose a minimum level of reserves on an authority that was making inadequate provision. Authorities will be under a duty to monitor their budgets during the year, and consider what action to take if a deterioration is identified. Section 30 facilitates rapid remedial action if an authority faces serious financial difficulties, and its chief finance officer has made a formal report to that effect.

A risk assessment of the budget process is included at Section E of the Strategy.

6. Budgetary Control

A good system of budgetary control is a key element of financial management and in ensuring that the Council delivers its financial plans.

Cost centre-based reports should be issued on a monthly basis to all budget holders within 10 working days of each month-end. Additional monthly budgetary control reports should be prepared for budgets which are significant in terms of value or risk, e.g. salaries, wages, and significant income items.

Budget reports which are updated daily should also be available online for Members and Officers.

Budget holders should investigate significant variances, and put action plans in place to deal with them.

Where it appears that a budget is to be exceeded by the lesser of 10% or £10,000, the chief officer concerned should prepare a report to the relevant Policy Committee with recommendations as to how the expenditure is to be funded or defrayed.

Chief Officers may vire expenditure from one service provision to another within a relevant Policy Committee portfolio, to a limit of £10,000 and excluding employee budgets, after consultation with the Finance Manager and the Committee Chairman.

7. Fees and Charges

The Council raises approximately £5 million per year from fees and charges. This is more than is received from Council Tax or Government Grant, and is over a third of the Council's total income. It is therefore important that Policy Committees review their fees and charges on an annual basis in order to maximize income. In doing so, regard should be made to the Council's priorities, the level of inflation and the charges made by neighbouring authorities.

8. Income Collection Targets

The following targets have been set for the collection of income:

	2006/07 Actual	2007/08 Target	2008/09 Target	2009/10 Target
Council Tax	98.42%	98.5%	98.6%	98.7%
Business Rates	98.13%	99.2%	99.2%	99.2%
Sundry Debts	86.30%	90.0%	91.0%	92.0%

SECTION D - CAPITAL PROGRAMME

1. Capital Strategy

The latest capital programme identifies capital spending over a five-year period, including the current year 2007/08, of £24.5 million.

The capital programme identifies schemes which contribute to each of the Council's priorities. It is detailed in Appendix 4, and is summarised below:

Priority	Revised 2007/08 £m	2008/09 £m	2009/10 £m	2010/11 £m	2011/12 £m	5-year total £m
Improve the supply of decent, affordable homes for local people	2.032	0.784	1.161	0.188	0.188	4.353
Increase the number of people, especially young people, participating in leisure activities	0.407	2.342	9.496	0.678	0	12.923
Reduce, re-use and recycle waste	0.062	0	0	0	0	0.062
Protect & improve the safety & health of residents & visitors	0.772	0.317	0.375	0.100	0.204	1.768
Stimulate economic, community & environmental regeneration	1.739	1.384	0.325	0.036	0	3.484
Improve access to services	0.072	0.024	0	0	0	0.096
Support service delivery improvements	0.031	0	0	0	0	0.031
Other	0.175	0.494	0.136	0.109	0.114	1.028
Capital Salaries	0.277	0.280	0.230	0	0	0.787
	5.567	5.625	11.723	1.111	0.506	24.532

2. Capital Finance Availability

Estimated sources of finance for the capital programme are as follows:

Priority	Revised 2007/08 £m	2008/09 £m	2009/10 £m	2010/11 £m	2011/12 £m	5-year total £m
Capital Financing Requirement	5.567	5.625	11.723	1.111	0.506	24.532
<u>Sources of Finance:</u>						
Capital Receipts	2.631	2.770	3.721	0.468	0.318	9.908
Grants etc.	2.653	2.430	2.893	0.547	0.113	8.636
Borrowing	0	0	4.989	0	0	4.989
Vehicle Renewal Fund	0.129	0.115	0	0	0	0.244
Section 106 Agreements	0.093	0.140	0.100	0.075	0.075	0.483
Other Reserves	0.061	0.170	0.020	0.021	0	0.272
	5.567	5.625	11.723	1.111	0.506	24.532

It can be seen that there is a borrowing requirement of £4.989 million to ensure that the capital programme is fully funded. However, £4.6 million of this is matched by investments from set-aside capital receipts, and is therefore affordable.

Other funding assumptions include:

- Approximately £4.6 million of new capital receipts will be generated, including the sale of Bath Street Offices, the Sherwood Hall and Matlock Lido Sites, and £100,000 per year from the share agreement with Dales Housing for the sale of former Council Houses.
- Grants and contributions totalling £8.6 million, including a further £1.25 million for the Central Area Leisure Centre.
- Income from new Section 106 Agreements of approximately £300,000.

Should any of the assumptions prove to be incorrect, then it will be necessary to reassess capital projects within the available finance.

3. Capital Programme Working Party

Bids for capital schemes, based on the Corporate Plan, crosscutting and service strategies, and Best Value Reviews, are evaluated and prioritised by a Capital Programme Working Party. Representatives are included from all major services.

The Terms of Reference of the Capital Programme Working Party are given in Appendix 5.

4. New Capital Financing Regulations

Part 1 of the Local Government Act 2003 created the framework for a new prudential capital finance system. Government borrowing controls based on "credit approvals" have been scrapped. Local authorities are free to borrow and take out leases without Government consent, provided they can afford these commitments without extra Government support. The new system relies extensively on standard accounting codes. Authorities' decisions on what they can afford to borrow are guided by the CIPFA Prudential Code.

The aim of the Prudential Code is to ensure:-

- That local authorities have capital expenditure plans that are affordable within prudent and sustainable levels.
- That external borrowing and other long-term liabilities are within prudent and sustainable levels.
- That Treasury Management decisions are taken in accordance with sound professional advice and that in taking the above decisions the council is accountable, providing a clear and transparent framework supported by local strategic planning, asset management planning and option appraisals.

The framework of the Code includes a set of prudential indicators that are designed to support and record local decision making. These indicators are required to be set, and where necessary revised, through the process established for the setting and revising of the Budget i.e. full Council. The indicators must be set for the forthcoming and following two years before the beginning of the forthcoming year but may be revised at any time thereafter.

In considering its programme for capital investment, the Council is required within the Prudential Code to have regard to:

- Affordability
- Prudence and Sustainability
- Value for money
- Stewardship of Assets
- Service Objectives
- Practicality

New borrowing is the most realistic way of funding a capital programme in future years. However, in order to meet the Prudential Code, the Council would have to re-examine its revenue spending priorities in order to generate sufficient revenue capacity to make new borrowing affordable.

SECTION E – BUDGET RISK ASSESSMENT **& SENSITIVITY ANALYSIS**

A risk assessment of the corporate budget setting process is given in Appendix 6. The assessment shows that the most significant risks are:

- Forecast capital receipts may not be not achieved.
- Forecast grants and contributions 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.
- All available capital finance has been committed, resulting in insufficient funding for capital schemes to which the Council has had a long-term commitment with effect from 2010/11. The Council's ability to finance mandatory capital expenditure, such as disabled facilities grants, also needs to be kept under review.

Other significant risks include:

- 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.
- Concessionary fares – there is a high risk that the current revenue provision will not be sufficient, dependent on the outcome of an appeal by bus operators against the level of reimbursement offered under the Derbyshire Concessionary Fares Scheme.
- The Corporate Savings Target not being achieved, leading to the Council having to rely on the use of balances to achieve a balanced budget. However, prudence has been exercised in identifying possible savings to ensure that these are achievable as far as can be determined at this stage of the budget process.
- Variations in interest rates, or additional capital expenditure, may result in the Council not achieving its budgeted investment income.

There are outstanding budget issues which cannot at this stage be accurately quantified, and therefore assumptions have had to be made in the Medium Term Commitment Plan. These include:

General inflation – provision has been made in the MTCP for general inflation of 3% per year. Each 1% variation is equivalent to a variation in the Council's budget of around £100,000. Inflation over the next four years is estimated at £1.242million. However, Government grant over the same period only increases by £157,000. The difference has to be met by increased income, e.g. Council Tax, or reduced expenditure.

Council Tax – it has been assumed that Council Tax will increase by an inflation-only 3%. Each additional 1% increase, up to a maximum capping level of 5%, will raise approximately £50,000.

Job Evaluation - provision has been made for additional ongoing costs of £260,000, including the three year protection of salaries. However, the new grading structure has not yet been agreed, and therefore the final ongoing costs of the pay and grading review may differ from the provision made.

Street Cleansing Contract – the new in-house contract commences in April 2008 and provision has been made for the additional costs. However, work is ongoing to minimise the additional costs, including a review of service levels and employee requirements.

Concessionary fares – bus operators have appealed against the reimbursement settlement offered by the Derbyshire Concessionary Fares Partnership. The appeal has not yet been

decided by the tribunal. Furthermore, the costs of the new statutory scheme, which extends free local travel during off-peak times to free national bus travel, has not yet been finalised since negotiations with bus operators are ongoing. Depending on the outcome of the appeal, the Council's 2008/09 contributions could vary between £804,000, i.e. the current cost plus a new Government grant for extending the scheme nationally, and £1,515,000 if the bus operators' appeal is fully successful.

Information Technology – initial discussions with potential partners for joint service delivery have indicated that the Council needs to increase its investment in I.T. A provision of £100,000 has been made in the Medium Term Commitment Plan for this purpose, but this is dependent on the development of a detailed business case.

Local Authority Business Growth Incentive – the Council may receive a L.A.B.G.I. award for 2007/08, but this is not notified in time to include in the budget considerations since it relates to the growth in business rates compared to a Government target. It is therefore assumed that if there is any award, it will go in to the General Reserve. The amount available for L.A.B.G.I. has been substantially reduced in the Comprehensive Spending Review 2007 with effect from 2008/09.

Housing Benefit Administration – the Department for Work and Pensions have given advanced notice that Housing Benefit Administration Grants will be reduced with effect from April 2008, and that local authorities should plan to operate their Housing Benefit service on a substantially reduced budget. Provision has been made for a £20,000 reduction.

De-criminalisation of Car Parking – the method of providing a revised service for controlling on-street and off-street parking has not yet been finalised. Provision of £25,000 per year has been made for increased costs.

Local Development Framework – the Council will have to prepare a Strategic Flood Risk Assessment, a Strategic Employment Land Study and a Strategic Open Space Assessment as part of the Local Development Framework evidence base. These may be prepared at a sub-regional level, and the Council will be exploring this possibility with High Peak Borough Council and the Peak District National Park Authority. Provision has been made for increased costs of £30,000 per year.

Climate Change – local authority involvement in the climate change agenda may substantially increase in future years. For example, recently published national planning advice on "Planning and Climate Change" states that local planning authorities should undertake assessments of climate change implications as part of the appraisal of major planning applications. Proposed new performance indicators will require significant expenditure, for example the Council will have to measure and publish CO₂ reduction from local authority operations. A sum of £20,000 has been included in the Capital Programme for energy usage certificates for public buildings, but no provision has been made in the Medium Term Commitment Plan for additional expenditure on climate change.

Superannuation – an actuarial revaluation of the pension fund is effective for three years from April 2008. This takes into account the revised local authority pension fund provisions from April 2008. There will be no further changes to employer contributions until 2011.

Pay Awards – inflation for pay awards has been included at 2.7%. Each additional 1% increase will result in a cost to the Council of about £80,000.

Local Government Finance Settlement – the Council has received a three year settlement to 2010/11.

Interest Rates – each ¼% change in interest rates is equivalent to a cash variance of about £25,000 in the Council's budget.

VAT on Car Parking - HM Customs and Excise have appealed against a High Court decision that car parking fees are not VATable where charges would not distort local competition. No provision has been made for this. However, if the Courts eventually rule against HM Customs & Excise, then the Council will be able to retain almost £300,000 per year in additional parking income.

Housing & Planning Delivery Grant – this is a new performance-related grant to replace the former Planning Delivery Grant. The Council's entitlement is not yet known.

Central Area leisure Centre (CALC) – it is assumed that the future annual running costs can be met within the existing revenue provision, i.e. the running costs of the Sherwood Hall Leisure Centre and the Matlock Lido Swimming Pool.

Capital Salaries – due to the reduction in the future capital programme, other than for the CALC, it has been assumed that salaries which are currently charged to the capital programme will fall on the revenue account. Therefore, further work is needed to review this in order to reduce the impact on the revenue account.

Minimum Revenue Provision – provision has been made in the MTCP based on the current regulations and the current proposed financing of the capital programme. However, a consultation paper is proposing changes to the regulations which may reduce the impact of the MRP with effect from 2008/09. The impact can also be reduced if the capital programme can be financed by methods other than borrowing, e.g. additional revenue contributions, or additional capital receipts.

SECTION F - TREASURY MANAGEMENT POLICY STATEMENT

1. INTRODUCTION

The Council has defined its treasury management activities as the management of the Council's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the Council.

The Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving best value in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.

2. CIPFA'S TREASURY MANAGEMENT IN THE PUBLIC SERVICES CODE OF PRACTICE

The Council adopts the key recommendations of CIPFA's Treasury Management in the Public Services: Code of Practice, as described in Section 4 of that Code.

Accordingly, the Council will create and maintain, as the cornerstones for effective treasury management:

- a treasury management policy statement, stating the policies and objectives of its treasury management activities.
- suitable treasury management practices, setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

The Council will receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, and an annual report after its close, in the form prescribed in its Treasury Management Practices.

The Council delegates responsibility for the implementation and monitoring of its treasury management policies and practices, and for the execution and administration of treasury management decisions as set out in the Schedule. These persons will act in accordance with the Council's policy statement and Treasury Management Practices and if he/she is a CIPFA member, CIPFA's Standard of Professional Practice on Treasury Management.

3. CIPFA'S TREASURY MANAGEMENT PRACTICES

The Council adopts the Treasury Management Practices recommended in CIPFA's Treasury Management in Public Services; Code of Practice as described in Section 7 of that code.

TMP 1: RISK MANAGEMENT

Arrangements will be designed, implemented and monitored for the identification, management and control of treasury management risks as set out below. A report will be made at least annually on the adequacy/suitability thereof, and as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the Council's objective in this respect.

Liquidity Risk Management

The Council will ensure it has adequate though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its service objectives.

Interest Rate Risk Management

Arrangements will be made for the Council to protect itself from unexpected fluctuations in the level of interest rates which could put an unbudgeted burden on the Council's finances.

Exchange Rate Risk Management

The Council does not currently operate in foreign currencies.

Inflation Risk Management

The Council will manage its exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues, in accordance with the amounts provided in its budgetary arrangements. It will manage its exposure to fluctuations in exchange rates so as to minimise any detrimental impact on its budgeted income/expenditure levels. The effects of varying levels of inflation, insofar as they can be identified as impacting directly on its treasury management activities, will be controlled by the Council as an integral part of its strategy for managing its overall exposure to inflation. The Council will achieve these objectives by the prudent use of its approved financing and investment instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates, exchange rates or inflation. The above are subject at all times to the consideration and, if required, approval of any policy or budgetary implications.

Credit and Counter-Party Risk Management

The Council regards a prime objective of its treasury management activities to be the security of the principal sums invested. Accordingly it will ensure that its counter-party lists and limits reflect a prudent attitude towards organisations with whom funds may be deposited, and will limit its investment activities to the instruments, methods and techniques as set out later in this statement. It also recognises the need to have, and will, therefore, maintain, a formal counter-party policy in respect of those organisations from which it may borrow, or with whom it may enter into other financial arrangements.

Refinancing Risk Management

The Council will ensure that its borrowings, private financing and partnership arrangements are negotiated, structured and documented, and the maturity profile of the monies so raised are managed, with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favourable to the organisation as can reasonably be achieved in the light of market conditions prevailing at the time. It will actively manage its relationships with its counter-parties in these transactions in such a manner as to secure this objective, and will avoid over reliance on any one source of funding if this might jeopardise achievement of the above.

Legal and Regulatory Risk Management

The Council will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. It will ensure that there is evidence of counter-parties powers, authority and compliance in respect of the transactions they may effect with the Council, particularly with regard to duty of care and fees charged. The Council recognises that future legislative or regulatory changes may impact on its treasury management activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely on the Council.

Fraud, Error and Corruption and Contingency Management

The Council will ensure that it has identified the circumstances which may expose it to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings. Accordingly, it will employ suitable systems and procedures, and will maintain effective contingency management arrangements to these ends.

Market Risk Management

The Council will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of principal sums it invests, and will accordingly seek to protect itself from the effects of such fluctuations.

TMP2: BEST VALUE AND PERFORMANCE MEASUREMENT

The Council is committed to the pursuit of best value in its treasury management activities, and to the use of performance methodology in support of that aim, within the framework set out in its Treasury Management Policy Statement. Accordingly the treasury management function will be the subject of ongoing analysis of the value it adds in support of the Council's stated service objectives. It will be the subject of regular examination of alternative methods of service delivery, of the availability of fiscal or other grants or subsidy incentives, and of the scope for other potential improvements.

TMP3: DECISION MAKING AND ANALYSIS

The Council will maintain full records of its treasury management decisions, and of the processes and practices applied in reaching those decisions, both for the purpose of learning from the past, and for demonstrating that reasonable steps were taken to ensure that all issues relevant to those decisions were taken into account at the time.

TMP4: APPROVED INSTRUMENTS, METHODS AND TECHNIQUES

The Council will undertake its treasury management activities by employing only those instruments, methods and techniques detailed in the schedule to this document and within limits and parameters defined by risk management.

TMP5: ORGANISATION, CLARITY AND SEGREGATION OF RESPONSIBILITIES AND DEALING ARRANGEMENTS

The Council considers it essential, for the purposes of the effective control and monitoring of its treasury management activities, for the reduction of the risk of fraud or error, and for the pursuit of optimum performance, that these activities are structured and managed in a fully integrated manner, and that there is at all times a clarity of treasury management responsibilities. The principle on which this is based is a clear distinction between those charged with setting treasury management policies and those charged with implementing and controlling these policies, particularly with regard to the execution and transmission of funds, the recording and administering of treasury management decisions, and the audit and review of the treasury management function. If the Council intends, as a result of lack of resources or other circumstances, to depart from these principles, the Responsible Officer will ensure that the reasons are properly reported and the implications properly considered and evaluated. The Responsible Officer will ensure that there are clear written statements of the responsibilities for each post engaged in treasury management and the arrangements for absence cover. The Responsible Officer will ensure there is proper documentation for all deals and transactions and that procedures exist for the effective transmission of funds. The delegations to the Responsible Officer in respect of treasury management are set out in the schedule to this document. The Responsible Officer will fulfil all such responsibilities in accordance with the Council's policy statement and, if a CIPFA member, the Standard of Professional Practice on Treasury Management.

TMP6: REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS

The Council will ensure that regular reports are prepared and considered on the implementation of its treasury management policies; on the effects of decisions taken and transactions executed in pursuit of those policies; on the implications of changes, particularly budgetary, resulting from regulatory, economic, market or other factors affecting its treasury management activities; and on the performance of the treasury management function.

As a minimum, the Council will receive –

- an annual report on the strategy and plan to be pursued in the coming year

- an annual report on the performance of the treasury management function, on the effects of the decisions taken and the transactions executed in the past year, and on any circumstances of non compliance with the Council's treasury management policy statement and practices.

TMP7: BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS

The Responsible Officer will prepare, and the Council will approve and, if necessary from time to time will amend, an annual budget for treasury management, which will bring together all of the costs involved in running the treasury management function, together with any associated income. The matters to be included in the budget will at a minimum be those required by statute or regulation, together with such information as will demonstrate compliance with Risk Management, Best Value and Performance Measurement and the use of Approved Instruments, Methods and Techniques. The Responsible Officer will exercise effective controls over this budget and will report upon and recommend any changes required. The Council will account for its treasury management activities, for decisions made and transactions executed, in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force for the time being.

This Council will ensure that its auditors, and those charged with regulatory review, have access to all information and papers supporting the activities of the treasury management function as are necessary for the proper fulfilment of their roles, and that such information and papers demonstrate compliance with external and internal policies and approved practices.

TMP8: CASH AND CASH FLOW MANAGEMENT

Unless statutory or regulatory requirements demand otherwise, all monies in the hands of the Council will be under the control of the Responsible Officer, and will be aggregated for cash flow and investment management purposes. Cash flow projections will be prepared on a regular and timely basis, and the Responsible Officer will ensure that these are adequate for the purpose of monitoring compliance with liquidity risk management.

TMP9: MONEY LAUNDERING

The Council is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly, it will maintain procedures for verifying and recording the identity of counter-parties and reporting suspicions, and will ensure that staff involved in this are properly trained.

TMP10: STAFF TRAINING AND QUALIFICATIONS

The Council recognises the importance of ensuring that all staff involved in the treasury management function are fully equipped to undertake the duties and responsibilities allocated to them. It 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 Responsible Officer will recommend and implement the necessary arrangements.

TMP11: USE OF EXTERNAL SERVICE PROVIDERS

The Council recognises the potential value of employing external providers of treasury management services, in order to acquire access to specialist skills and resources. When it employs such service providers, it will ensure it does so for reasons which will have been submitted to a full evaluation of the costs and benefits. It will also ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review. And it will ensure, where feasible and necessary, that a spread of service providers is used, to avoid over reliance on one or a small number of companies. Where services are subject to formal tender or re-tender arrangements, legislative requirements will always be observed. The monitoring of such arrangements rests with the Responsible Officer.

TMP12: CORPORATE GOVERNANCE

The Council is committed to the pursuit of proper corporate governance throughout its services, and to establishing the principles and practices by which this can be achieved. Accordingly, the treasury management function and its activities will be undertaken with openness and transparency, honesty, integrity and accountability.

The Council has adopted and has implemented the key recommendations of the Code. This is considered vital to the achievement of proper corporate governance in treasury management, and the Responsible Officer will monitor and, if and when necessary, report upon the effectiveness of these arrangements.

SCHEDULE**RESPONSIBILITY OF FULL COUNCIL**

1. Agreeing the Treasury Management Policy Statement and variations thereto.
2. Agreeing the delegation of responsibilities.
3. Receiving a Strategy Report on proposed Treasury Management activities for the year, by March of the preceding financial year.
4. Receiving when considered necessary an interim report in December each year on Treasury Management activities for the current year to date.
5. Receiving an Annual Report each year on Treasury Management activities for the previous financial year.
6. Agreeing the Treasury elements of the annual budget in the light of the above.
7. Receiving and reviewing external audit reports and acting on recommendations.
8. Approval of the selection of external service providers and agreeing terms of appointment.

DELEGATION OF RESPONSIBILITIESHead of Corporate Services

1. Ensuring that the Treasury Management System is laid down and resourced.
2. Within usual procedures, the Council's Monitoring Officer (i.e. the Head of Corporate Services) will review reports to Committee or Council but, so that she/he may fulfil his/her statutory responsibility, the Finance Manager should notify him/her of any material change proposed to approved treasury policies and of any major breaches which have occurred.

Finance Manager – The Responsible Officer

1. Ensuring that appropriate reports are submitted to the Council on Treasury policy, activity and performance.
2. Appointment of the Council's bankers.
3. Appointment of Fund Managers or Cash Managers and Brokers.
4. Reviewing the performance of the Treasury management function and promoting best value reviews.
5. Recommending changes to the Treasury Management policy, reviewing the same and monitoring compliancy.

Accountancy Manager

1. Negotiation of banking contract terms and arrangements.

Principal Accountant

1. Deciding on funding and short-term policies for the ensuing period.
2. Deciding on lending and investment policy for the ensuing period.

3. Advising on the acceptability and characteristics of treasury instruments.
4. Establishing the legality of proposed actions and instruments to be used.
5. Supervision of the day-to-day Treasury management activities of the Senior Accountant(s).
6. Preparation of Interim and Annual Treasury Management Reports.
7. Preparation of report detailing proposed Treasury management activities for year.
8. Preparing the draft Treasury Management Policy Statement and monitoring adherence to policy.
9. Assessing and recommending the appointment of Cash Managers.
10. Identifying and recommending opportunities for improved practices.
11. Assessing and recommending the appointment of Brokers.

Senior Accountant

1. Day-to-day operation of Treasury management activities in accordance with the Treasury Policy Statement.
2. To have detailed knowledge of, and ensure all parties comply with, the Bank of England's current version of "The London Code of Conduct" for principals and broking firms in the wholesale money markets.
3. Producing performance reports as required.
4. Monitoring performance of brokers employed.
5. In periods of absence, the Treasury Management duties of the Senior Accountant should, except in exceptional circumstance, be carried out by a more senior officer, or an officer of equal seniority.

Internal Audit

1. Reviewing compliance with approved policy and procedures.
2. Reviewing division of duties and operational practice.
3. Assessing value for money from Treasury activities.
4. Undertaking continued probity audit of the treasury function.

APPROVED METHODS OF RAISING CAPITAL FINANCE

General Powers to Borrow

General powers to borrow both for revenue and capital purposes are contained in the Local Government Act 2003, Chapter 1, Section 1 and the Regulations issued under this section. The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (SI 2003 no. 3146)

A local authority may borrow money –

- (a) for any purpose relevant to its function under any enactment, or
- (b) for the purposes of the prudent management of its financial affairs.

A local authority may not borrow money if doing so would result in a breach of:

- (a) the limit for the time being determined by or for it under section 3 (duty to determine affordable borrowing limit)
- (b) any limit for the time being applicable to it under section 4 (imposition of borrowing limits by the Secretary of State)

SI 2003 3146, Regulation 2 specifies that the Prudential Code for Capital Finance in Local Authorities issued by CIPFA as the Code of Practice to which local authorities must have regard when setting and reviewing their affordable borrowing limits (Section 3(1) and 3(5))

of the Local Government Act 2003). This duty automatically applies to any subsequent editions of the Code.

The limit is to be set and reviewed by full Council.

The objectives of the Prudential Code are to provide a framework that will ensure:

- (a) Capital Expenditure plans are affordable.
- (b) All external borrowing and other long term liabilities are within prudent and sustainable levels.
- (c) Treasury Management decisions are taken in accordance with professional good practice and that taking decisions in relation to a) to c) above the authority is;
- (d) accountable by providing a clear and transparent framework. This framework should be consistent with and support
 - a) local strategic planning
 - b) local asset management planning
 - c) proper option appraisal.

Sources of Capital Financing other than Borrowing

Not all capital expenditure is financed by borrowing. The Council may also use the following sources of capital financing:-

- (i) Direct revenue financing, according to the extent to which the Council is prepared to finance expenditure from the Council Tax.
- (ii) The usable proportion of capital receipts.
- (iii) Revenue derived reserves or provisions.
- (iv) Operating Leases, e.g. some equipment, although this would not strictly be identified as capital since the asset would never be able to come within the Council's ownership. Any assets acquired by this method should have a residual value of a least 10% of its original capital cost.
- (v) Finance leases.

APPROVED ORGANISATIONS FOR INVESTMENTS

When making investments, the Council should seek to maximise the rate of return, with a minimum of risk. Security of the Council's funds is the major priority, and therefore investments should only be placed with the following institutions subject to a maximum deposit with any single organisation as set out below:-

a) Major Banks and their Wholly owned Subsidiaries

Alliance and Leicester Plc
 Barclays Bank Plc
 Bradford and Bingley Plc
 Co-operative Bank Plc
 HBOS Plc
 HSBC Bank Plc
 Lloyds TSB Bank Plc
 National Westminster Bank Plc
 Ulster Bank Ltd
 Ulster Bank Ireland
 Royal Bank of Scotland Plc

Maximum Deposit with any one organisation: £7,500,000

b) Building Societies with Assets in Excess of £1 Billion

Nationwide	Cheshire
Britannia	Newcastle
Yorkshire	Principality (The)
National Counties	Norwich and Peterborough
Coventry	Dunfermline
Skipton	Nottingham
Chelsea	Stroud and Swindon
Leeds	Scarborough
Derbyshire	Progressive
West Bromwich	Kent Reliance
Cumberland	

Maximum deposit with any one organisation £7,500,000.

- c) Deposits may be placed with other banks within the secondary banking sector, but subject to detailed prior vetting and a maximum deposit of **£2,000,000** with any one organisation.
- d) Funds may be loaned to other local authorities (including major precepting organisations such as police authorities and fire and civil defence authorities), subject to status and a maximum total deposit of **£4,000,000** with any one organisation.

USE OF EXTERNAL FUND MANAGERS

External Fund Managers and Cash Managers should not be used without prior approval of the Committee and a subsequent amendment to this policy statement to cover legal issues, appointment and assessment, limitation of activities, objectives and reporting.

USE OF BROKERS

It is important to ensure that as far as possible several brokers are used in order to enable the relative performance of brokers to be assessed and to ensure that relationships which are inevitably built up with brokers are not too close.

The Senior Accountant should ensure that brokers are complying with the London Code of Conduct. If it is felt that a Broker is in any way breaching the Code, the complaints procedure outlined in the introduction of the London Code should be invoked.

Acceptable Brokers are:-

ICAP Europe Ltd

Tullet Prebone (UK) Ltd

Sterling International Brokers Ltd

Tradition (UK) Ltd

The Finance Manager has delegated powers to appoint other Brokers as necessary.

Approved March 1993

Last Amended November 2006

SECTION G - INVESTMENT & TREASURY MANAGEMENT STRATEGIES

1. Present Position

The Council is required by statute to produce an Annual Investment Strategy, approved by the full Council, prior to 1st April each year that sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments. The Council is given power to make investments under Section 12 of the Local Government Act 2003, which allows a local authority to invest for "any purpose relevant to its functions under any enactment or for the prudent management of its financial affairs". The Strategy is also a requirement of the CIPFA Code of Practice for Treasury Management in the Public Sector. The Strategy may be varied at any time during the year, again with the approval of the full Council.

Derbyshire Dales District Council is currently a lender of funds in the money market, and has a long-term loan borrowed from the Public Works Loan Board. The investments at 22nd November 2007 total £12,350,000 and are lent to a variety of building societies, a local authority, and to the Council's bank as approved by the Council's Treasury Management Policy Statement. The individual amounts vary from £250,000 to £2,500,000 and the periods from "on call" to "Fixed to 23rd October 2008". The average rate of interest being earned is 6.3%. The loan from the Public Works Loan Board, taken as a result of last year's debt restructuring exercise, is for the sum of £5,450,000 at an interest rate of 4.1%, and matures on 23rd September 2056. In addition the Council has other borrowings from Parish Councils, the Ernest Bailey Charity and commercial sources totalling £199,965. These local borrowings are not actively sought by the Council but are taken as an aid to the organisations.

The table below sets out the Council's net lending at 22nd November 2007.

	£	£
Fixed Rate Debt	5,610,000	
Variable Rate Debt	39,965	
Total Debt	5,649,965	5,649,965
Fixed Rate Investments	12,100,000	
Variable Rate Investments	250,000	12,350,000
Net Lending		6,700,035

It is estimated that by 31st March 2008 net lending will be £3,300,000.

2. Prospects for Interest Rates

The current level of Bank Base Rates is 5.75% and has been at this level since May 2007. The previous rate was 5.5%.

The current advice the Council has received on future Base Rate movements is that rates are likely to begin to fall, possibly by 0.25% in early 2008 and a further 0.25% later in the year.

3. Investment Strategy 2008/09

The Council will begin the next financial year with investments of approximately £8,900,000. The level of the investment will reduce to £6,500,000 by 31st March 2009 as a result of capital spending. It is recommended, therefore, to continue the current policy of investing the Council's funds in a range of investments from "Call" loans to "Fixed Rate" deals of less than one year. The types of borrower the Council can lend funds to are set out in its Treasury

Management Policy Statement. The overriding objective is the preservation of the capital value of the investments whilst ensuring the availability of funds to meet the demand of the capital programme. However, this is closely followed by the need to maximise returns.

The Government's requirement for an Investment Strategy was issued by the Secretary of State under Section 15(i)(a) of the Local Government Act 2003. The Act splits investments into two categories – Specified Investments and Non-Specified Investments.

Specified Investments

These are investments denominated in sterling that are invested for less than one year and are made with a body that has been awarded a high credit rating by a credit agency or is made with the UK Government, a local authority or a parish council.

Non-Specified Investments

These are all other investments not classified as Specified Investments.

The Council's Treasury Management Policy Statement sets out individual institutions to whom the Council can lend funds to. The categories are summarised as follows:

Institution	Limit
Major British Banks and wholly owned subsidiaries	£7,500,000
Building Societies with Assets in Excess of £1 Billion	£7,500,000
Secondary Banking Sector	£2,000,000
Local Authorities etc	£4,000,000

The Council has obtained credit ratings for all the banks and most of the building societies in its Treasury Management Policy Statement and they are of a sufficiently high credit rating to be classified as Specified Investments.

There is no requirement for building societies to obtain credit ratings and only 16 of the 21 on the Council's approved list have ratings produced by the main credit rating agencies. The 5 societies on the Council's list that do not have a credit rating will be classified as Non-Specified Investments. However, these societies have assets in excess of £1 billion and are considered low risk

It is deemed that the above credit ratings are sufficient for the security of the Councils funds. The ratings will be monitored regularly and any changes necessary reported as part of the Treasury Managements Policy Statement.

The final category with whom funds are authorised to be placed, is the secondary banking sector. However, this alternative will only be used after detailed prior vetting, which would include credit ratings.

The Council has two investments that are classified as Non-Specified Investments, with the Nottingham Building Society and the Progressive Building Society.

Significant Partnerships

Name	Why established?	Partner organisations	Main functions	Contributions to DC aims	Partnership funding	Written agreement?	Included in Risk Register?
Derbyshire Concessionary Fares Scheme	Provide concessionary bus travel for over 60s and disabled people.	DCC, Derby City and all District Councils.	Service delivery. Free bus travel in off-peak hours and half-price in peak hours for people over 60 and disabled people	Access to services.	All partners	Yes.	Yes
Derby and Derbyshire Economic Partnership	Sub regional strategic p/ship of EMDA.	Some LAs in Derbyshire plus private and voluntary sector representatives.	Develop economic development strategy and support regeneration projects.	Supports Council's regeneration aims and assists specific projects.	Central govt via EMDA, plus partner contributions.	Yes.	Yes
Derbyshire Dales and High Peak Local Strategic Partnerships	Develop community strategies for DD and HP.	HPBC, PDNPA, DCC, Police, PCT, DRCC, CVS, DDEP, University of Derby, Connexions	Sets policy and develops strategy.	Helps deliver and set DC aims and objectives.	DD & HP Councils, plus one off grant from DCC (£25,000).	Yes.	Yes
Derbyshire Dales DC/ High Peak BC (Housing Strategy Development)	Joining up of Strategic Housing services.	DDDC and HPBC.	Produce and implement Joint Housing Strategy plus other joint working. Liaise with Govt Office & Housing Corporation to attract funding.	Working together, attracting funds. Provision of local affordable housing	Both LAs.	Yes.	Yes.

Name	Why established?	Partner organisations	Main functions	Contributions to DC aims	Partnership funding	Written agreement?	Included in Risk Register?
Derbyshire Local Area Agreement	Requirement, although DCC were a pilot.	All county and district councils in Derbyshire, PCT, police, Connexions and public and voluntary sector partners.	Give power to localities by agreeing outcome targets with Government, but leaving it to local partners how these are achieved.	Negative impact on DDDC aims so far, e.g. loss of funding for crime reduction in the Derbyshire Dales.	No new funds. Funds that previously went to service providers now diverted to LAA.	Yes.	Yes
Derbyshire Revenues and Benefits Consortium	Joint working to accommodate E Govt targets.	DDDC, NEDDC, HPBC, SDDC	Implementation of system.	Improving access to services and supporting service delivery improvements.	Govt and participating authorities.	Yes.	Yes
Derbyshire Sport	Assist with co-ordination of sport within Derbyshire.	DCC, Derby City, PDNPA, PCT, all 8 District Councils, governing bodies of sport in Derbyshire	Develop and implement a sport and physical activity strategy for Derbyshire.	Assists with development of sport, raising profile and attracting funds.	Sport England and each council in Derbyshire.	Yes.	Yes.
Derbyshire T Government Partnership	Drive Transformational Govt agenda.	All Councils in Derbyshire, PDNPA, Police. Fire & Rescue	Set policy and strategy to deliver services using electronic methods.	All services affected – service improvements.	All members contribute.	Yes.	Yes.
Derbyshire Waste Collection Authorities Advisory Group	Mechanism to act in partnership to implement countywide strategy.	DCC, Derby City and all Derbyshire Districts.	Contributes to implementation of strategy.	Assists in delivering 'Reduce, Re-use, Recycle'.	Not funded.	Yes.	Yes.

Name	Why established?	Partner organisations	Main functions	Contributions to DC aims	Partnership funding	Written agreement?	Included in Risk Register?
Peak District and Derbyshire Destination Management Partnership	Develop, manage and promote the destination in partnership with others.	All Derbys LAs, PDNPA, Derbyshire Chamber, University of Derby, Staff Moorlands DC, private sector.	Destination Leadership and co-ordination Attracting the visitor Services for the visitor Services for the industry	Contributes to most.	East Midlands Tourism, LA partners, private sector plus funding for specific projects, e.g. from EU & SSP.	Yes.	Yes.
Peak District Rural Action Zone	To address the special status of the Peak District within the Derby and Derbyshire SSP.	Many LAs in Derbys, PDNPA, Staff CC, Staff Moorlands, University of Derby, EMDA, Business Link, Derbyshire Chamber, etc.	Strategy for regeneration of the Peak District, Provides funding support for approved regeneration projects.	Provides funding and technical support for the Council's economic development and regeneration initiatives.	Annual contributions from partners.	Yes.	Yes.
Safer Derbyshire Dales Crime and Disorder Reduction Partnership	Required by the Crime and Disorder Act 1998.	DCC, Derbyshire Constabulary, PCT, Fire & Rescue, National Probation Service, plus many other partners who are required to co-operate or be consulted.	Sets policy and develops strategy. Delivers crime reduction activities.	Helps deliver, especially 'protect and improve the safety and health of residents and visitors'.	Some via LAA, DC and police also contribute additional resources through staff and accommodation.	Yes.	Yes.

Appendix 2

Details of Revenue Reserves, Balances and Provisions, 2006/07

	Balance 1 st April 2007 £000s	Estimated Income / (Expenditure) 2007/08 £000s	Estimated Balance 31 st March 2008 £000s
Strategic Reserves			
Direct Revenue Financing	1,161	0	1,161
Economic Development	66	(5)	61
Vehicle Renewals	243	(105)	138
Committed Expenditure	316	0	316
Insurances	579	(51)	528
Technology Renewals	473	(90)	383
Elections	98	(98)	0
Central Area Sports Centre	130	0	130
Bakewell ABC Repairs	48	0	48
Local Plan	84	(70)	14
Carsington Improvements	82	(41)	41
Wheeled Bins	30	0	30
Member/Officer Indemnity	25	0	25
Total Reserves	3,335	(460)	2,875
Revenue Balances			
General Fund Working Balance	1,000	0	1,000
General Reserve	1,119	0	1,119
Other Minor Balances	35	(35)	0
Total Revenue Balances	2,154	(35)	2,119
Provisions			
Insurances	51	0	51
Total Provisions	51	0	51
Total Reserves, Balances & Provisions*	5,540	(495)	5,045

* This excludes the Pensions Reserve, which has a deficit of £12.077 million as at 31st March 2007. This reflects the shortfall on the Derbyshire County Council's Pension Fund that relates to Derbyshire Dales District Council. It also reflects the employer's commitment to increase future contributions to make up the shortfall.

Medium Term Commitment Plan

	Revised 2007/08		Forecast 2008/09		Forecast 2009/10		Forecast 2010/11		Forecast 2011/12	
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Existing Spending Level	9,704		9,782		10,038		10,670		11,647	
Identified Changes:										
"One-off" growth items in 2007/08			(43)							
Reduction in income from fees and charges	356		(75)							
Additional post Member Support Officer	29									
RPI increase for contracts	55									
Planning enquiry	50		(50)							
Local Authority Business Growth Incentive grant	(73)		73							
Salaries – savings from vacant posts	(147)		147							
Redundancy costs	130		(75)		(55)					
Service savings per Council report 17 th October 2007	(168)		(156)		(44)					
Employee savings per Council report 17 th October 2007			(340)		(135)					
Job Evaluation			260							
Less already provided for employment issues			(139)							
Additional cost of street cleansing contract			38							
Increased Planning Delivery Grant	(67)		67							
Benefits administration – reduction in grant			20							
Matlock Parks maintenance costs			8		8		8		8	
Revised Spending Level		9,869		9,517		9,812		10,678		11,655
Future Commitments										
Inflation, including pay award			264		301		324		353	
Concessionary fares – appeal by bus operators	48				157					
Planning Delivery Grant ongoing commitments			12		350		175		30	
Reduction (increase) in investment income / interest on borrowing	(165)		75							
Decriminalisation of car parking			25							
Increased external audit fees			15		10		10			
Increased investment in information technology			100							
Minimum revenue provision for debt repayment							230		(9)	
Reduction in salaries charged to capital	30				40		230			
Planning – Local Development Framework			30							
		(87)		521		858		969		374
Total Spending Requirements		9,782		10,038		10,670		11,647		12,029
Financing from government grants	4,690		4,775		4,799		4,823		4,847	
Financing from Council Tax	4,926		5,119		5,318		5,523		5,734	
		9,616		9,894		10,117		10,346		10,581
CORPORATE SAVINGS TARGET		166		144		553		1,301		1,448

Five Year Capital Programme 2007/08 to 2011/12

Schemes Listed by Priority	Revised 2007/2008	Estimate 2008/2009	Estimate 2009/2010	Estimate 2010/2011	2011/2012 & Future Years	Total 2007 to 2012
Improve the supply of decent, affordable homes for local people						
FUEL POVERTY	20,000	141,250	0	0	0	161,250
HANDYPERSON	20,000	0	0	0	0	20,000
PRIVATE HOUSE CONDITION SURVEY	45,000	45,000	0	0	0	90,000
IMPROVEMENT GRANTS:						
Disabled Facility Grants	240,887	187,500	187,500	187,500	187,500	990,887
Renovation Grants	103,016	100,000	100,000	0	0	303,016
Home Repair Assistance	10,905	0	0	0	0	10,905
Vulnerable households in decent accommodation	730,681	0	0	0	0	730,681
Radon	36,000	39,000	0	0	0	75,000
Empty properties	40,000	20,000	0	0	0	60,000
SOCIAL HOUSING GRANT – housing initiatives	650,000	0	500,000	0	0	1,150,000
REPAIRS TO HOMELESS UNITS	20,000	0	0	0	0	20,000
HOMELESSNESS – transfer to Notts. Comm. Hsg. Assoc.	0	180,000	374,000	0	0	554,000
REGIONAL HOUSING GRANTS:						
Peak Sub-Regional Market Assessment	10,500	0	0	0	0	10,500
Older Persons Advice Service	9,000	0	0	0	0	9,000
Empty Property Partnership	31,412	21,545	0	0	0	52,957
High Peak & Dales Private Rented Initiative	65,000	30,000	0	0	0	95,000
Homes Option Research	0	20,000	0	0	0	20,000
	2,032,421	784,295	1,161,500	187,500	187,500	4,353,216
Increase the number of people, especially young people, participating in leisure activities						
ASHBOURNE LEISURE CENTRE (including hearing loop)	69,396	0	0	0	0	69,396
CENTRAL DALES SPORTS CENTRE	220,000	1,942,250	9,466,000	678,000	0	12,306,250
PARKS AND OPEN SPACES:						
Playground improvements, Ashbourne & Bakewell	0	370,000	0	0	0	370,000
Groundwork Trust	15,000	0	0			15,000
Bradwell Sports Association	10,000	0	0	0	0	10,000
Parks Development Fund	55,818	30,000	30,000	0	0	115,818
Ashbourne Youth Park	21,615					21,615
YOUTH INITIATIVES	15,000	0	0	0	0	15,000
	406,829	2,342,250	9,496,000	678,000	0	12,923,079

Schemes Listed by Priority	Revised 2007/2008	Estimate 2008/2009	Estimate 2009/2010	Estimate 2010/2011	2011/2012 & Future Years	Total 2007 to 2012
Reduce, re-use and recycle waste						
Recycling initiatives	61,884	0	0	0	0	61,884
Protect & improve the safety & health of residents & visitors						
COMMUNITY SAFETY – Communities Against Drugs	78,258	21,926	0	0	0	100,184
- CCTV	53,660	0	0	0	0	53,660
DISABLED FACILITIES PUBLIC BUILDINGS	86,452	0	0	0	0	86,452
FLOOD ALLEVIATION						
Longford	18,300	0	0	0	0	18,300
Stoney Middleton – Coomsdale	202,192	0	0	0	0	202,192
Doveridge desilting water course	0	25,000	25,000	0	0	50,000
Doveridge – Oak Drive / Park Crescent	0	15,000	0	0	0	15,000
Rowsley Sunnybank	0	11,000	0	0	0	11,000
RETAINED SEWERS:						
Park Avenue, Ashbourne / Hurst Farm, Matlock	20,000	20,000	150,000	100,000	204,000	494,000
Small sewerage works	170,000	68,600	60,000	0	0	298,600
CAR PARKING						
Planned improvements to “Secure by Design” principles	40,000	90,000	65,000	0	0	195,000
Capitalised improvements	30,000	30,000	30,000	0	0	90,000
PARKS AND OPEN SPACES:						
Darley Dale – trees Limegrove Walk	2,000	500	0	0	0	2,500
Ashbourne Compton – environmental improvements	0	0	20,000	0	0	20,000
Matlock – Hall Leys Park retaining wing wall	168	4,832	0	0	0	5,000
BURIALS:						
Cemetery safety	30,000	0	0	0	0	30,000
Doveridge	31,535	30,000	0	0	0	61,535
Hartington burial ground	0	0	25,000	0	0	25,000
PUBLIC CONVENIENCES – Darley Dale	10,000	0	0	0	0	10,000
	772,565	316,858	375,000	100,000	204,000	1,768,423

Schemes Listed by Priority	Revised 2007/2008	Estimate 2008/2009	Estimate 2009/2010	Estimate 2010/2011	2011/2012 & Future Years	Total 2007 to 2012
Stimulate economic, community & environmental regeneration						
CENTRAL CORRIDOR REGENERATION	118,571	60,000	170,000	0	0	348,571
ASHBOURNE ECONOMIC STUDY	20,000	0	0	0	0	20,000
STRATEGIC EMPLOYMENT LAND STUDY	12,238	0	0	0	0	12,238,000
PLANNING CONSERVATION / ENHANCEMENT GRANTS	100,562	18,000	18,000	0	0	136,562
BAKEWELL - RIVERBANK EROSION	14,967	0	0	0	0	14,967
BAKEWELL – RIVERSIDE WALL	13,066	0	0	0	0	13,066
HENMORE CENTRE, ASHBOURNE	0	25,000	0	0	0	25,000
GARAGE REPAIRS, ASHBOURNE & DARLEY DALE	0	30,000	0	0	0	30,000
MATLOCK BATH PAVILION	0	15,000	42,990	15,000	0	72,990
MATLOCK BUS STATION	0	7,500	0	0	0	7,500
PLANNING DEL. GRANT - Conservation area appraisals	9,311	0	0	0	0	9,311
- CAPS listed building module & training	4,050	0	0	0	0	4,050
- Ashbourne town centre vitality & viability	10,000	0	0	0	0	10,000
- Miscellaneous schemes	24,000	44,912	0	0	0	68,912
CARSINGTON FUND GRANTS	20,000	20,000	20,000	21,210	0	81,210
GRANTS TO VILLAGE HALLS	60,500	40,000	40,000	0	0	140,500
GRANTS JOSEPH WHITWORTH CENTRE	0	85,000	0	0	0	85,000
BAKEWELL AGRICULTURAL BUSINESS CENTRE:						
Separator	30,000	0	0	0	0	30,000
Noise & drainage (including allotment drainage)	25,000	300,000	0	0	0	325,000
MATLOCK PARKS PROJECT	1,032,250	160,000	0	0	0	1,192,250
INDUSTRIAL DEVELOPMENT - Ashbourne Industrial Est	1,450	0	0	0	0	1,450
Repayment of Derelict Land Grant – Rowsley & Clifton Rd.	0	519,000	0	0	0	519,000
CAWDOR QUARRY	210,616	25,000	0	0	0	235,616
TOURISM – Ashbourne T.I.C. repairs	0	5,000	0	0	0	5,000
CAR PARKS: - Car Parking Meters	9,000	9,000	9,000	0	0	27,000
- Village car parking	18,500	25,000	25,000	0	0	68,500
	1,739,123	1,383,412	324,990	36,210	0	3,483,735

Schemes Listed by Priority	Revised 2007/2008	Estimate 2008/2009	Estimate 2009/2010	Estimate 2010/2011	2011/2012 & Future Years	Total 2007 to 2012
Improve access to services						
E-GOVERNMENT STRATEGY:						
Revenues & benefits system	36,429	0	0	0	0	36,429
Human resources	8,729	0	0	0	0	8,729
Derbyshire Partnership Projects:						
Programme & project management	26,520	23,800	0	0	0	64,330
	71,678	23,800	0	0	0	95,478
Support service delivery improvements						
Ashbourne Community First Stop Shops	1,725	0	0	0	0	1,725
Bakewell Community First Stop Shop	29,304	0	0	0	0	29,304
	31,029	0	0	0	0	31,029
Other						
ASSET MANAGEMENT CONSULTANTS	10,000	10,000	TBD	0	0	20,000
ENERGY USAGE CERTIFICATES	0	20,000	0	0	0	20,000
DEPOT						
New single depot - construction	26,175	0	0	0	0	26,175
- surfacing work	0	53,000	0	0	0	53,000
- MOT testing station	0	20,000	0	0	0	20,000
PUBLIC OFFICES						
Matlock Town Hall – fire alarm system	0	90,000	0	0	0	90,000
Matlock Town Hall – annexe demolition	0	30,000	0	0	0	30,000
Matlock Town Hall – boilers	0	11,580	0	0	0	11,580
Matlock Town Hall – capitalised maintenance	0	18,000	0	0	0	18,000
FIXED WIRE TESTING, PUBLIC BUILDINGS	10,000	116,842	18,000	30,000	30,000	204,842
VEHICLES	128,587	124,617	117,421	79,754	84,193	534,572
	174,762	494,039	135,421	109,754	114,193	1,028,067
Capital Salaries	277,150	279,550	230,000	0	0	786,700
TOTAL CAPITAL PROGRAMME	5,567,441	5,674,204	11,722,911	1,111,464	505,693	24,531,713

Capital Programme Working party – Terms of Reference

- Recommendation of the prioritised Capital Programme, taking into account:-
 - the overall level of available capital resources, including credit approvals, grants and contributions, reserves, capital receipts and direct revenue financing
 - the revenue consequences of capital projects over the next five years and their effect on the Medium Term Forecast of Resources
 - the priority of commitments arising from capital investment against other revenue pressures
 - the revenue effect of loss of interest through the utilisation of capital receipts.
 - the results of option appraisals as described below.
- Undertake an option appraisal for each scheme bid in order to evaluate and prioritise each bid within the Capital Programme. The option appraisal is based on the following criteria:-
 - Description of the scheme
 - Identification of which corporate aims and priorities are met
 - Identification of which service strategies and objectives are met
 - Identification of and attention to cross cutting issues
 - Linkages to Council Strategies, e.g. Housing Strategy, Procurement Strategy
 - Identification of and attention to partnership working
 - Prioritisation of schemes in the Asset Management Plan
 - Capital cost estimates, expenditure profile and net present value
 - Funding issues, including grants/external assistance available
 - Revenue implications, including capital charges, running costs, management costs, energy usage and potential savings
 - Risk Assessment in accordance with the Risk Assessment Strategy, including Health and Safety risks to general public and staff
 - Compliance with Disability Discrimination Act
 - Improvement of customer services
 - Linkages to the implementation of e-government
 - Linkages to BV Reviews/Action Plans
 - Linkages to External/Internal Audit Reports
 - Cross cutting consequences of not implementing the scheme
 - Output and outcome measures, including impact on Performance Indicators.
 - Scoring against Sustainability Checklist.
- Classify each scheme into the following levels of priority:-

High, i.e.

- may be a statutory requirement or national initiative
- meets several of the Council's Corporate Aims and Objectives
- contributes to appropriate service and cross cutting strategies
- key partners identified with a high level of partnership funding
- high priority in Asset Management Plan
- revenue consequences have been included in Financial Strategy and medium-term commitment plan

- identified in approved Best Value Improvement Plan, or action plans following Internal/External Audit Reports
- risks assessed, with appropriate measures in place for controlling risk
- scores highly on other elements of the option appraisal

Medium, i.e.

- no statutory requirement or national initiative
- meets several, but fewer, of the criteria identified above

Low, i.e. scheme meets few of the criteria identified above, but may contribute to corporate aims & priorities and service & cross cutting strategies, and is therefore still desirable, or has been identified for property management purposes in the Asset Management Plan.

- Investigate how resources for capital investment can be maximised, including:-
 - generation of capital receipts, e.g. disposal of assets, taking into account the Asset Management Plan
 - maximisation of partnership funding wherever possible
 - seek to maximise external funding, including Lottery, European, Implementing Electronic Government, Invest to Save, and other grants
 - encourage private sector schemes which contribute towards the Council's Aims and Objectives, either on their own or in partnership with the Council where appropriate, including P.F.I. projects.
 - recommend the earmarking of strategic reserves for capital schemes.
- Monitoring the Capital Programme, including:-
 - informing stakeholders of the progress of each capital scheme against predetermined outputs.
 - measuring the progress of each scheme against budget
 - identification of under/over spendings and their impact on overall resource availability
 - evaluation following completion to consider performance against key objectives, outputs and outcomes achieved, budget considerations, and to lay the foundations for the appraisal of future schemes in order that any important lessons can be learned for the benefit of the Authority.

Financial Regulations require a specific report to one of the Councils two policy committees if a capital project is more than 10% (or £50,000 whichever is the lesser) over budget.

Risk Assessment of Corporate Budget Setting Process

PROCESS STAGE		IDENTIFICATION			ANALYSIS			CONTROL	MONITORING		
Risk Type	Risk Category	Objective/Description	Risk	Hazard	Severity 1-5	Likelihood 1-5	Combined Score 1-25	Control Action	Measure	Review Frequency	Triggers for Action
Strategic	Political	Member involvement	No political direction or ownership	Members not involved with budget process	3	1	3	Avoiding	Early discussion at Cabinet level. Agreed reporting timetable. Availability of Policy Overview Committees	Annually	Reporting deadlines not met.
Strategic	Customer / Citizen Focused	Corporate Plan / Service Priorities	Budget not aligned to service plans & priorities. Inadequate resources for major priorities	Priorities not available	3	2	6	Management / Mitigation	Availability of Corporate Plan. Involvement of Policy & Research Team. Joint reports on budgets & service plans.	Annually	Corporate Plan not updated for annual priorities.
Strategic	Customer / Citizen Focused	Informed consultation with stakeholders	Stakeholders' views not taken into account	No consultation	3	2	6	Management / Mitigation	Questionnaire to Citizens' Panel. Use of Area Forums	Annually	No consultation undertaken.
Strategic	Governance	Employee Personal Development Scheme	No drill-down of Corporate Plan to employees	Priorities not available or inadequately communicated	2	2	4	Management / Mitigation	Personal Development scheme in place, with links to Corporate Plan	Bi-annually	P.D.S. interviews not held.
Strategic	Governance	Five-year Financial Strategy	Budget not based on sound principles & priorities	Five-year financial strategy not available or not updated	3	2	6	Management / Mitigation	Five year Financial Strategy reported to Council each November	Annually	Financial Strategy not updated.
Strategic	Economic	Interest rates	Investment income does not achieve budgeted level	Inaccurate forecast	4	3	12	Avoiding	External advice taken on interest rates forecast	Monthly	Forecast rates not achieved
Strategic	Economic	Pay inflation	Budget overspend	Inaccurate forecast	3	3	9	Avoiding	Pay award agreed in advance for 2005/06. External advice taken on likely levels of future pay awards	Annually following notification	Awards higher than anticipated
Strategic	Financial	Pension costs	Budget overspend	Inadequate provision	3	2	6	Avoiding	Actuarial advice taken on required employer contributions	Triennial, with annual review	Poor returns on investments. High levels of ill-health or early retirements
Strategic	Economic	Price inflation	Budget overspend	Inaccurate forecast	3	2	6	Avoiding	External advice taken on likely levels of price inflation	Monthly	R.P.I. higher than anticipated

PROCESS STAGE		IDENTIFICATION			ANALYSIS			CONTROL	MONITORING		
Risk Type	Risk Category	Objective/Description	Risk	Hazard	Severity 1-5	Likelihood 1-5	Combined Score 1-25	Control Action	Measure	Review Frequency	Triggers for Action
Strategic	Financial	Significant income items	Budget overspend	Budgeted income not achieved	4	4	16	Management / Mitigation	Close monitoring of major items against targets, e.g. car parking income	Monthly	Target income levels not achieved
Strategic	Financial	Significant unforeseen expenditure	Significant budget overspend	Not anticipated or included in Medium Term Commitment Plan	3	3	9	Transfer / Acceptance / Avoidance	Ensure adequate insurance / self-insurance / balances/ risk management	Monthly or as required	Occurrence of an event
Strategic	Financial	Balanced budget not achieved	Significant budget overspend	Corporate Savings Target not achieved	4	4	16	Management / Mitigation	Monitor identified savings & ensure inclusion in budget	Monthly	Identified savings not being achieved
Strategic	Economic	Local Govt. Finance Settlement	Balanced budget not achieved. Unacceptable Council Tax rise / budget saving requirement	Poor settlement not anticipated	3	3	9	Management / Mitigation	Monitor settlement data. Incorporate public spending review & draft Settlement	Bi-annually	Changes in Settlement data or methodology
Strategic	Economic	Reserves & Balances	Unacceptable Council Tax increase; insufficient balance for emergencies & contingencies	Diminishing reserves due to unplanned demands	4	2	8	Management / Mitigation	Monitor balances carefully. Maintain minimum General Fund Balance of 10% of net expenditure	Monthly	Major contingency funded from balances. Significant overspending
Strategic	Economic	Specific Grant income, e.g. Planning Delivery Grant	Budget overspend	Lack of exit strategy if grant not forthcoming	3	3	9	Management / Mitigation	Ensure exit strategies in place	Quarterly	Exit strategy not identified when commitments made
Strategic	Legislative	New legislation, e.g. prudential borrowing	Budget inaccurate & not based on sound principles	Effects of new legislation not accurately costed	3	2	6	Avoiding	Ensure staff have adequate understanding	Annually or as required	New legislation introduced
Operational	Professional	Availability of adequately trained finance staff	Budget not prepared in accordance with legislation & Codes of Practice	Adequately trained staff not available	3	2	6	Management / Mitigation	Proper recruitment procedures in place	Daily as necessary	Staff vacancy
Operational	Professional	Adequately trained & engaged budget holders	Budgets not prepared accurately or not in accordance with service plans	Budget holders not adequately trained	3	2	6	Management / Mitigation	Proper recruitment procedures in place. Budget manual provided	Manual reviewed annually	New budget holder appointed

PROCESS STAGE		IDENTIFICATION			ANALYSIS			CONTROL	MONITORING		
Risk Type	Risk Category	Objective/Description	Risk	Hazard	Severity 1-5	Likelihood 1-5	Combined Score 1-25	Control Action	Measure	Review Frequency	Triggers for Action
Operational	Professional	Budget timetable	Process not complete by statutory date	Budget timetable not available	4	2	8	Management / Mitigation	Budget timetable prepared & distributed to all involved	Annually	Process not in accordance with timetable
Operational	Financial	Budget monitoring throughout the year	Variances not identified in a timely manner	Problems with financial management information system	3	2	6	Management / Mitigation	Budgetary control reports available to officers and Members	Officers – monthly; Members - quarterly	New FMS not implemented in accordance with project plan
Operational	Financial	Capital Programme	Budget overspend	Revenue consequences not adequately addressed	3	2	6	Management / Mitigation	Capital project appraisal forms completed & revenue costs identified	Quarterly	Capital project appraisal forms not completed
Strategic	Financial	Capital Programme	Capital programme not fully achieved	Lack of available finance	4	3	12	Explore all funding options. Reassess priorities	All schemes fully funded	Quarterly	Funding gap not closed
Strategic	Financial	Capital Programme	Insufficient funding for Central Area Leisure Centre	Scheme included in capital programme with insufficient budget	4	4	16	Review estimated cost	Estimated cost of Central Area Sports centre considered adequate	Annually	Estimated cost not reviewed in line with Option Appraisal
Operational	Financial	Capital Programme	Capital programme not fully achieved	Forecast capital receipts or grants not achieved	3	3	9	Explore all funding options. Reassess priorities	All schemes fully funded	Quarterly	Funding gap not closed
Operational	Financial	Capital Programme	Overspending on capital scheme	No available finance to meet overspending	4	4	16	Closely monitor capital budgets	All schemes delivered within budget	Monthly	Monitoring identifies possible overspending
Strategic	Financial	Capital Programme	No finance for mandatory schemes after 2011 e.g. Disabled Facilities Grants	Lack of available finance	4	4	16	Explore all funding options. Reassess priorities	Funding available after 2010	Annually	No available funding
Operational	Financial	Best value reviews & service improvements	Inadequate budgetary provision	Not fully costed	3	2	6	Management / Mitigation	Ensure service improvement plans & BV Action Plans fully resourced	Annually	Service improvements not costed
Operational	Professional	Final accounts closedown	Inaccurate base budget	Closedown delayed	3	2	6	Management / Mitigation	Monitor final accounts closedown timetable	Annually	Not closed on time
Operational	Financial	Concessionary Fares	Insufficient revenue provision	Successful appeal by bus operators	5	5	25	Reassess partnership agreement	Monitor appeal process	Monthly	Successful appeal