



FINANCIAL STRATEGY **2010**

**(including Medium Term Financial Plan,
Capital Strategy and
Treasury Management Strategy)**



INVESTOR IN PEOPLE



FINANCIAL STRATEGY 2010

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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 2009/10 to 2013/14. 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 2009/10 and in other service strategies.
- To summarise the current financial position.
- To ensure the sustainability of the Council's budget.
- To set down overall parameters and objectives for future spending, together with a medium-term forecast of the financial position, identifying spending pressures and savings / efficiency targets for the next five years.
- To establish an approach to setting the Council Tax based on keeping increases to a minimum whilst protecting investment in key service priorities.
- To establish arrangements for the effective evaluation of the financial aspects of decision-making.

2. Corporate Aims and Objectives

The Financial Strategy is aligned with the Council's Corporate Plan and priorities for 2009/10, and the key services with priority areas for 2008 to 2011, together with all Service Plans contained within the Performance Plan, and 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.
- Each year, the Council agrees new key areas for investment within the overall Corporate Plan target areas. For 2010/11 seven target areas are proposed, taking account of consultation with residents through the bi-annual Place Survey, recent Citizens' Panel surveys, and Area Community Forums, together with performance against priority indicators, the priorities of the Sustainable Community Strategy 2009-14 and planned investments. It is these seven target areas that will be the key areas for activity in 2010/11, and will be reflected in the service plans to be considered by policy committees during February 2010. SMART targets will be set in the 2010/11 Corporate Plan which the District Council will consider in March 2010
- 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. Local Strategic Partnership (LSP)

The Sustainable Community Strategy for the Derbyshire Dales and High Peak has been adopted by the Local Strategic Partnership to run from 2009 to 2014. The District Council's vision is identical to that in the Sustainable Community Strategy 2009-2014: the Peak District will be a high-quality rural environment with people of all ages who are healthy and safe; high-wage, high-skill jobs; affordable, decent homes for local people; and towns and villages that offer a high quality of life. The District Council's priorities reflect the challenges set out in the Sustainable Community Strategy.

4. Local Area Agreement (LAA)

On 26th June 2008, the Council considered a report on the Derbyshire Local Area Agreement 2008 – 2011, and signed up as a lead or named partner to 19 of the 37 LAA targets. The Financial Strategy is aligned to these LAA targets where applicable. However, there is a risk that additional investment may be required in achieving some of the targets, for example climate change, and it is not yet clear how this will be financed.

5. Delivering Value for Money in Local Services

The Council achieved its 3 year efficiency target for the period 2005/06 to 2007/08 following the publication of the Government report "Releasing Resources for the Frontline". The current efficiency agenda was introduced in a report "Delivering Value for Money in Local Government: Meeting the Challenge of CSR07". Under this new regime, Local Authorities are expected to achieve 3% cashable efficiency savings on their revenue and capital budgets for the financial years 2008/09 and 2009/10 and 4% in 2010/11. The Government is not issuing mandatory targets for individual authorities, but guidance has been issued 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 (NI179) on progress towards achieving efficiencies.

This Financial Strategy takes into account the cashable efficiency savings achieved in 2008/09 and its plans for efficiency savings in 2009/10 and 2010/11.

6. Significant Partnerships

A Partnership Protocol was approved by Partnership and Regeneration Committee on 3^d July 2008.

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.

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 only one of these partnerships, the Derbyshire Concessionary Fares Partnership.

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

7. 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 2008/09 was £304,817, compared with an assumed surplus when revised estimates were prepared of £61,895, i.e. an overall underspending of £242,922. The Council meeting of 25th June 2009 resolved that the surplus would be transferred to strategic reserves. The balance on the General Reserve as at 31st March 2009 was £1,266,275. In addition, the General Fund working balance to meet emergencies and contingencies, and to provide cash flow, was £1,000,000 at 1st April 2009.

Adequate provision has been made for all known liabilities as at 1st April 2009. The current position on reserves, provisions and balances is given in Appendix 2, and is summarised as follows:-

	Revenue Balances 01.04.09 £000	Net Income (Expenditure) 2009/10 £000	Estimated Balances 31.03.10 £000
General Fund Working Balance	1,000	0	1,000
General Reserve	1,266	(102)	1,164
Strategic Reserves	3,958	(418)	3,540
Provisions	48	0	48
Other Minor Balances	(76)	(71)	(147)
	6,196	(591)	5,605

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

Based on the Medium Term Commitment Plan in Appendix 3, the General Reserve will be fully committed during 2012/13. The Council needs to continue to monitor and review spending levels and generate new efficiencies during 2010/11 and future years in order to reduce future years' reliance on the General Reserve.

3 Corporate Savings Target

The Medium Term Financial Plan in Appendix 3 now shows that the 2009/10 spending level is expected to exceed the original estimate by £102,000 overall. This is less than the deficit of £230,000 that was anticipated when the budget was set in March 2009. Some additional one-off expenditure has been approved from the General Reserve, in accordance with the Financial Strategy, such as the cost of planning appeals.

Forecast expenditure for 2010/11 is approximately £100,000 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 £1.1 million are required in the following three years. It is likely that the Government will reduce Formula Grant with effect from 2011/12 following the next Comprehensive Spending Review. The Medium Term Commitment Plan in Appendix 3 assumes that grant will be reduced by 15% in real terms over the next three years. This is the "most likely" scenario at this stage, based on studies commissioned by the Local Government Association, the Chartered Institute of Public Finance & Accountancy, and the Society of District Council Treasurers.

However, due to the current economic climate, the financial position over the next three is extremely difficult to estimate, particularly in respect of factors such as Formula Grant, inflation and interest rates. Appendix 3 therefore gives two alternative scenarios in respect of the forecast budget deficit:-

- A “best case” scenario requiring savings of £740,000 over the next five years, based on assumptions of lower inflation and lower government grant losses.
- A “worst case” scenario requiring savings of over £2 million over the next five years, based on assumptions of higher inflation and higher government grant losses.

Further details of the assumptions made in respect of the “most likely”, “best case” and “worst case” scenarios are given in Appendix 3.

Any growth which is necessary in the 2010/11 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 £1.90 per year, will raise additional income of approximately £56,800. However, the Government has warned that it expects average Council Tax increases to achieve a 16-year low in 2010/11, i.e. lower than the 2009/10 average increase of 3%, and that it will cap any increases which it considers to be excessive.

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 2009, 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 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 Head of Finance for his contribution to the financial risk assessment.
- The Financial Strategy and Medium Term Financial Plan 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 or budget increases greater than 3%, 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 Head of Finance 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 telephone 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.
- A concessionary fares reserve to meet the cost of any additional costs incurred through grant losses when the responsibility for concessionary fares provision is transferred to the County Council with effect from 2011/12.
- 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 Head of Finance 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 duties on local authorities that reinforce sound financial management. When an authority is deciding on its annual budget and council tax level it has to take into account a report from its “chief financial officer”, i.e. the

Head of Finance, on the robustness of the budget and the adequacy of the authority's reserves. The Government has a back up power to impose a minimum level of reserves on an authority that is making inadequate provision. Authorities are 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 Head of Finance 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:

	2008/09 Actual	2009/10 Target	2010/11 Target	2011/12 Target	2012/13 Target
Council Tax	97.6%	98.0%	98.5%	98.7%	98.8%
Business Rates	94.7%	97.0%	97.5%	98.0%	98.5%
Sundry Debts	91.6%	92.0%	92.5%	93.0%	93.5%

SECTION D - CAPITAL PROGRAMME

1. Capital Strategy

The latest capital programme identifies capital spending over a five-year period, including the current year 2009/10, of £21.3 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					5-year total £m
	2009/10 £m	2010/11 £m	2011/12 £m	2012/13 £m	2013/14 £m	
Affordable, decent housing	1.341	1.320	0.188	0.187	0.188	3.224
Active, healthy communities	2.729	7.403	1.250	0.210	0	11.592
Safe communities	0.121	0.151	0	0	0	0.272
Street scene	0.366	1.623	0.508	0	0	2.497
Other	0.913	1.776	0.237	0.247	0.084	3.257
Capital Salaries	0.170	0.143	0	0	0	0.313
	5.640	12.416	2.183	0.644	0.272	21.155

2. Capital Finance Availability

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

Priority	Revised					5-year total £m
	2009/10 £m	2010/11 £m	2011/12 £m	2012/13 £m	2013/14 £m	
Capital Financing Requirement	5.640	12.416	2.183	0.644	0.272	21.355
<u>Sources of Finance:</u>						
Capital Receipts	1.336	4.239	0.908	0.512	0.159	7.154
Grants etc.	3.761	1.940	0.755	0.112	0.113	6.681
Borrowing	0.010	5.127	0.500	0	0	5.637
Direct Revenue Financing		0.100				0.100
Section 106 Agreements	0.147	0.250	0	0	0	0.397
Other Reserves	0.386	0.500	0.020	0.020	0	0.926
	5.640	12.156	2.183	0.644	0.272	20.895
Shortfall of Financing	0	0.260	0	0	0	0.260
	5.640	12.416	2.183	0.644	0.272	21.155

It can be seen that there is a borrowing requirement of £5.64million. Of this, £1 million is new borrowing, to be financed from savings in the revenue account from the rationalisation of public conveniences. The balance, £4.64 million, is matched by investments from set-aside capital receipts, and is therefore affordable. It can also be seen that there is currently a shortfall of finance of £0.26 million. This is in respect of the Matlock "Impress" scheme.

It is assumed that approximately £2.6 million of new capital receipts will be generated, including the sale of the Matlock Lido site, the "pub" site at the Dimple, £50,000 per year from the share agreement with Dales Housing for the sale of former Council Houses, and other miscellaneous receipts from the sale of assets.

Should any of the funding 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. 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 & SENSISTIVITY ANALYSIS

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

- 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.
- Significant reductions in Formula Grant with effect from 2011/12 following the next three-yearly Comprehensive Spending Review.
- 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.
- Employer's superannuation contributions being higher than anticipated with effect from 2011/12, following the triennial actuarial valuation.
- Following the transfer of responsibility for concessionary fares to the County Council with effect from 2001/12, the loss of grant may be greater than expenditure incurred.

The most significant risks in respect of the capital programme are:-

Forecast capital receipts may not be achieved.

- Forecast capital grants and contributions may not be achieved.
- The danger of overspending on committed projects, with no available capital funding to meet the additional expenditure.
- Budgets for individual projects may be insufficient when tenders are received.
- All available capital finance has been committed. Beyond 2011/12, there is insufficient funding for capital schemes to which the Council has had a long-term commitment. The Council's ability to finance mandatory capital expenditure, such as disabled facility grants, also needs to be kept under review.

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 1% in 2010/11, 1.5% in 2011/12 and 2012/13, and 2.5% in 2013/14. Each 1% variation is equivalent to a variation in the Council's budget of around £100,000.

Council Tax – it has been assumed that Council Tax will increase by 3% in 2010/11, and 2.5% in future years. Each additional 1% increase will raise approximately £56,800. However, the Government has warned that it expects average Council Tax increases to be lower than 3%, and that it will cap any increases which it considers to be excessive.

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. Provision has been made in the budget 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. However, the effect of the current economic climate on pension fund investment returns, and its effect on employer contributions with effect from 2011/12 is not yet known. Provision has been made in the Medium Term Financial Plan for an increase in employer's contributions of 2.5% of employee cost.

Pay Awards – inflation for pay awards has been included in accordance with general inflation as above with effect from 2010/11. Each additional 1% increase will result in a cost to the Council of about £80,000.

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

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.

Refuse Collection – provision of £176,000 has been made for the increased cost of extending the existing contract over the two years 2010/11 and 2011/12. However, no further provision has been made for any increased costs of a new refuse collection contract is, due to commence in 2012/13.

Fees and Charges – the Overview and Scrutiny Committee has undertaken key challenges to ensure that the Council's fees and charges for leisure services and environmental services are:

- in line with those of other authorities and local competitors;
- that the concession structure be as simple and equitable as possible;
- that the charges reflect the cost of providing the service/activity.

It is important that officers and Members keep all the Council's fees and charges under continuing review on a similar basis.

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 RESPONSIBILITIES**Head of Finance – The Responsible Officer**

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

Head of Democratic Services

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

Accountancy & Exchequer 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

Barclays Bank Plc
 Co-operative Bank Plc (including the Britannia Building Society)
 HSBC Bank Plc
 Lloyds Banking Group Plc
 National Westminster Bank Plc
 Ulster Bank Ltd
 Ulster Bank Ireland
 Royal Bank of Scotland Plc

Maximum Deposit with any one organisation: £3,000,000 (with the exception of the National Westminster Bank – see below)

It is recommended that the maximum deposit with the National Westminster Bank (the Council's bankers) be increased to £5,000,000, in order to take full advantage of the NatWest's Special Interest Bearing Account, which guarantees an interest rate of 0.3% above the base rate. This

will allow a greater degree of flexibility in the Council's investment policies in a market which continues to provide challenging conditions. It is considered that, as 80% of the bank is under public ownership, the risk to the Council's funds is very low.

b) Building Societies with Assets in Excess of £0.75 Billion

Nationwide (incl Derbyshire & Cheshire)	Norwich and Peterborough
Yorkshire	Principality
National Counties	Nottingham
Coventry	Stroud and Swindon
Skipton	Progressive
Chelsea	Kent Reliance
Leeds	Furness
West Bromwich	Cambridge
Cumberland	Leek United
Newcastle	Saffron
Manchester	

Maximum deposit with any one organisation £3,000,000.

- c) 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 **£3,000,000** with any one organisation.
- d) Funds may be placed with the Debt Management Account Deposit Facility (DMADF), which carries the Government's sovereign AAA credit rating. Since this is the highest possible rating, no limit is placed on the maximum total deposit.

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 Head of Finance has delegated powers to appoint other Brokers as necessary.

Approved March 1993

Last Amended November 2008

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 4th January 2010 total £15,555,000 and are lent to a variety of building societies and to the Council's bank as approved by the Council's Treasury Management Policy Statement. The individual amounts vary from £1,000,000 to £1,500,000 and the periods from "fixed to 5th January 2010" to "fixed to 30th April 2010". The average rate of interest being earned is 1.61%. The loan from the Public Works Loan Board 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 £179,000. 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 4th January 2010.

	£	£
Fixed Rate Debt	5,610,000	
Variable Rate Debt	19,000	
Total Debt	<hr/>	5,629,000
Fixed Rate Investments	13,900,000	
Variable Rate Investments	<hr/>	15,555,000
Net Lending		<hr/> <u>9,926,000</u>

It is estimated that by 31st March 2010 net lending will be £1,100,000.

2. Prospects for Interest Rates

The current level of Bank Base Rates is now 0.5%, and it has been at this level since March 2009.

The current advice the Council has received is that interest rates are likely to rise by the end of 2010, but the speed of that increase is not certain, and thereafter rises will be gradual.

3. Investment Strategy 2010/11

The Council will begin the next financial year with investments of approximately £6,500,000. The level of the investment will reduce to £2,775,000 by 31st March 2011 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
National Westminster Bank Plc	£5,000,000
Other major British Banks and wholly owned subsidiaries	£3,000,000
Building Societies with Assets in Excess of £1 Billion	£3,000,000
Debt Management Account Deposit Facility	No limit
Local Authorities etc	£3,000,000

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 11 of the 21 on the Council's approved list have ratings produced by the main credit rating agencies. The 10 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 £0.75 billion and are considered low risk

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

The final category with whom funds are authorised to be placed, is the Debt Management Account Deposit Facility which carries the highest government AAA credit rating.

The Council has four investments that are classified as Non-Specified Investments, with the Furniss Building Society, Manchester Building Society, Stroud & Swindon Building Society and Saffron Reliance 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
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
Peak Sub – Area Single Conversation Partnership	Single conversation with Homes & Communities Agency (HCA)	DDDC, HPBC & PDNPA.	To produce an evidence base & an investment plan to attract resources from HCA.	Working together to attract funding towards the provision of local affordable housing	N/A, other than staff time provided by each partner	Draft	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.

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 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 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.
Derbyshire Dales & High Peak Joint Core Strategy	To prepare the Core Strategy Element of the Local Development Framework	DDDC & HPBC	To set planning policy for the period up to 2026	Contributes to most.	Both authorities, together with funding from external agencies, e.g. DCC, emda	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.
Derbyshire Rural Forum	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, 2009/10

	Balance 1 st April 2009 £000s	Estimated Income / (Expenditure) 2009/10 £000s	Estimated Balance 31 st March 2010 £000s
Strategic Reserves			
Direct Revenue Financing	1,061	(94)	967
Economic Development	65	0	65
Vehicle Renewals	287	(225)	62
Committed Expenditure	727	(57)	670
Insurances	533	0	533
Technology Renewals	482	(100)	382
Concessionary Fares	270	0	270
Elections	72	10	82
Central Area Sports Centre	210	80	290
Bakewell ABC Repairs	48	0	48
Local Plan	69	(10)	59
Carsington Improvements	79	(18)	61
Wheeled Bins	30	(4)	26
Member/Officer Indemnity	25	0	25
Total Reserves	3,958	(418)	3,540
Revenue Balances			
General Fund Working Balance	1,000	0	1,000
General Reserve	1,266	(102)	1,164
Other Minor Balances	(76)	(71)	(147)
Total Revenue Balances	2,190	(173)	2,017
Provisions			
Insurances	48	0	48
Total Provisions	48	0	48
Total Reserves, Balances & Provisions*	6,196	(591)	5,605

* This excludes the Pensions Reserve, which has a deficit of £14.377 million as at 31st March 2009. 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 Financial Plan

	Note	Revised Estimate 2009/10	Estimate 2010/11	Forecast 2011/12	Forecast 2012/13	Forecast 2013/14
Existing Spending Level		£000s	£000s	£000s	£000s	£000s
Savings to be targeted		10,320	10,555	10,555	11,038	11,161
Saturday waste collections				(10)		
Public conveniences				(25)		
Matlock Town Hall annex				(9)		
Future Commitments						
Inflation, including pay award	1			158	166	279
Increase in employer's superannuation contributions				62		
Increase in employer's National Insurance				25		
CALC running costs				70	(35)	(35)
Reduction in salaries charges to capital				143		
Saving in early retirement costs					(18)	(54)
Free swimming for over 60s & under 16s	2			(25)		
Waste management – extension of existing contract				88		
Recovery of V.A.T. on exempt items				(68)		
Minimum revenue provision for debt repayment					30	
Interest on borrowing				14	5	15
Reduction in investment interest				60	(25)	(35)
Total Spending Requirements		10,320	10,555	11,038	11,161	11,331
Financing from government grants	3	4,799	4,823	4,510	4,217	3,943
Financing from Council Tax	4	5,443	5,672	5,814	5,959	6,108
Increased Council Tax Base				14	14	14
Collection Fund deficit		(24)	(42)			
Total Income		10,218	10,453	10,338	10,190	10,065
DEFICIT / CORPORATE SAVINGS TARGET		102	102	700	971	1,266

Notes

1. Inflation assumed at 1% for 2009/10 and 2010/11, 1.5% in 2011/12 & 2012/13, and 2.5% in 2013/14
2. Assumes free swimming will end after current commitment, resulting in extra income
3. Includes Local Government Finance settlement data to 2010/11, and assumes a 5% real terms reduction per year over the next three years
4. Assumes Council Tax will increase by 3% in 2010/11, and by 2.5% thereafter

Medium Term Financial Plan – Best Case Scenario

	Note	Revised Estimate 2009/10	Estimate 2010/11	Forecast 2011/12	Forecast 2012/13	Forecast 2013/14
DEFICIT / CORPORATE SAVINGS TARGET	1	£000s 102	£000s 102	£000s 508	£000s 631	£000s 740

Inflation assumed at 1% for 2009/10 and 2010/11, 1.5% in 2011/12, 1.75% in 2012/13 and 2.25% in 2013/14
Assumes a cash reduction in Formula Grant of 2.5% per year over the next three years

Medium Term Financial Plan – Worst Case Scenario

	Revised Estimate 2009/10	Estimate 2010/11	Forecast 2011/12	Forecast 2012/13	Forecast 2013/14
DEFICIT / CORPORATE SAVINGS TARGET	£000s 102	£000s 102	£000s 960	£000s 1529	£000s 2,045

Inflation assumed at 1% for 2009/10 and 2010/11, 3.5% in 2011/12, 3.75% in 2012/13 and 4% in 2013/14
Assumes a cash reduction in Formula Grant of 7.5% per year over the next three years

Five Year Capital Programme 2009/10 to 2013/14

Schemes Listed by Priority	Revised 2009/2010	Estimate 2010/2011	Estimate 2011/2012	Estimate 2012/2013	2013/2014 & Future Years	Total 2009 to 2014
Affordable, Decent Housing						
FUEL POVERTY	80,625	0	0	0	0	80,625
HOMELESSNESS – transfer to Notts. Comm. Hsg. Assoc.	0	400,000	0	0	0	400,000
IMPROVEMENT GRANTS:						
Disabled Facility Grants	413,257	279,500	187,500	187,500	187,500	1,255,257
Empty Properties	40,000	40,000	0	0	0	80,000
Renovation Grants	3,520	38,273	0	0	0	41,793
Home Repair Assistance	1,725	0	0	0	0	1,725
Vulnerable households in decent accommodation – Derbyshire Dales	485,117	284,613	0	0	0	769,730
Radon	1,975	10,000	0	0	0	11,975
Accreditation Grants	3,000	15,000	0	0	0	18,000
SOCIAL HOUSING GRANT – housing initiatives	247,000	253,000	0	0	0	500,000
- H.C.A. Programme	0	0	TBD	TBD	TBD	TBD
PRIVATE HOUSE CONDITION SURVEY	45,150	0	0	0	0	45,150
REGIONAL HOUSING GRANTS:						
Homes Option Research	20,000	0	0	0	0	20,000
Total Affordable, Decent Housing	1,341,369	1,320,386	187,500	187,500	187,500	3,224,255
Active, Healthy Communities						
ASHBOURNE MULTI-USE GAMES AREA	0	23,900	0	0	0	23,900
CENTRAL AREA LEISURE CENTRE	2,228,000	7,324,435	1,234,888	209,787	0	10,997,110
COMMUNITY CENTRE – DARLEY DALE	11,440	9,450	0	0	0	20,890
DISABLED FACILITIES PUBLIC BUILDINGS	0	20,000	0	0	0	20,000
MATLOCK PARKS PROJECT	169,585	0	0	0	0	169,585

Schemes Listed by Priority	Revised 2009/2010	Estimate 2010/2011	Estimate 2011/2012	Estimate 2012/2013	2013/2014 & Future Years	Total 2009 to 2014
MATLOCK LIDO REPAIRS	24,421	0	0	0	0	24,421
PARKS AND OPEN SPACES:						
Playground improvements, Ashbourne & Bakewell	129,990	0	0	0	0	129,990
Bradwell Sports Association	0	10,000	0	0	0	10,000
Matlock – Hall Leys Park retaining wing wall	6,000	0	0	0	0	6,000
Play Development Fund	24,000	15,000	15,000	0	0	54,000
Playbuilder	135,000	0	0	0	0	135,000
Total Active, Healthy Communities	2,728,436	7,402,785	1,249,888	209,787	0	11,590,896
Safe Communities						
CCTV	44,141	0	0	0	0	44,141
CAR PARKING						
Planned improvements to “Secure by Design” principles	60,000	100,000	0	0	0	160,000
FLOOD ALLEVIATION:						
Stoney Middleton – Coomsdale	7,051	0	0	0	0	7,051
Doveridge desilting water course	0	25,000	0	0	0	25,000
Doveridge – Oak Drive / Park Crescent	0	15,000	0	0	0	15,000
Rowsley Sunnybank	0	11,000	0	0	0	11,000
Roods Lane, Hognaston	10,000	0	0	0	0	10,000
Total Safe Communities	121,192	151,000	0	0	0	272,192
Street Scene						
Retaining Wall, The Dale, Wirksworth	55,605	0	0	0	0	55,605
Car Parking Meters	9,960	0	0	0	0	9,960
Village car parking	12,275	7,500	7,500	0	0	27,275
ASHBOURNE COMPTON – Environmental Improvements	0	20,000	0	0	0	20,000
PLANNING CONSERVATION / ENHANCEMENT GRANTS	24,094	18,000	0	0	0	42,094
IMPRESS PROJECT, MATLOCK TOWN CENTRE	254,270	987,730	0	0	0	1,242,000
PUBLIC CONVENIENCES & OTHER ASSETS	10,000	590,000	500,000	0	0	1,100,000
Total Street Scene	366,204	1,623,230	507,500	0	0	2,496,934

Schemes Listed by Priority	Revised 2009/2010	Estimate 2010/2011	Estimate 2011/2012	Estimate 2012/2013	2013/2014 & Future Years	Total 2009 to 2014
Other						
RETAINED SEWERS:						
Park Avenue, Ashbourne / Hurst Farm, Matlock	0	190,000	100,000	204,000	0	494,000
Small sewerage works	150,000	148,600	0	0	0	298,600
BURIALS:						
Brassington	0	15,000	0	0	0	15,000
Doveridge	60,000	0	0	0	0	60,000
Hartington burial ground	0	25,000	0	0	0	25,000
CENTRAL CORRIDOR REGENERATION	0	51,500	0	0	0	51,500
HENMORE CENTRE, ASHBOURNE	5,000	20,000	0	0	0	25,000
GARAGE REPAIRS, ASHBOURNE & DARLEY DALE	0	30,000	0	0	0	30,000
MATLOCK BATH PAVILION	10,000	45,000	0	0	0	55,000
PLANNING DELIVERY GRANT						
Conservation area appraisals	4,513	0	0	0	0	4,513
CAPS Administrator	1,000	0	0	0	0	1,000
Strategic Housing Land Assessment	2,153	0	0	0	0	2,153
CARSINGTON FUND GRANTS	18,207	21,210	19,715	20,000	0	79,132
GRANTS TO VILLAGE HALLS	48,904	30,000	30,000	0	0	108,904
GRANTS JOSEPH WHITWORTH CENTRE	83,341	0	0	0	0	83,341
INDUSTRIAL DEVELOPMENT						
Repayment of Derelict Land Grant – Rowsley	0	371,940	0	0	0	371,940
Repayment of Derelict Land Grant – Clifton Rd.	0	326,400	0	0	0	326,400
Rowsley – Haddon Estates Covenant	63,360	0	0	0	0	63,360

Schemes Listed by Priority	Revised 2009/2010	Estimate 2010/2011	Estimate 2011/2012	Estimate 2012/2013	2013/2014 & Future Years	Total 2009 to 2014
BAKEWELL AGRICULTURAL BUSINESS CENTRE Noise & drainage (including allotment drainage)	50,000	214,196	0	0	0	264,196
CAWDOR QUARRY	25,000	0	0	0	0	25,000
TOURISM – Ashbourne T.I.C. repairs	0	24,000	0	0	0	24,000
E-GOVERNMENT STRATEGY: Derbyshire Partnership Projects:	7,650	0	0	0	0	7,650
Human resources	0	6,500	0	0	0	6,500
Cash Receipting Equipment	27,995	0	0	0	0	27,995
NORTHWOOD DEPOT – Surfacing Works	2,114	0	0	0	0	2,114
PUBLIC OFFICES						
Matlock Town Hall – fire alarm system	0	90,000	0	0	0	90,000
Matlock Town Hall – annexe demolition & other works	50,000	0	0	0	0	50,000
Matlock Town Hall – boilers	20,000	20,000	0	0	0	40,000
FIXED WIRE TESTING, PUBLIC BUILDINGS	37,374	30,000	30,000	0	0	97,374
VEHICLES	227,339	96,500	57,000	23,000	84,500	488,339
WASTE MANAGEMENT						
New Recycling Initiatives	19,218	20,000	0	0	0	39,218
Total Other	913,168	1,775,846	236,715	247,000	84,500	3,257,229
Capital Salaries	170,000	143,000	0	0	0	313,000
Total Capital Salaries	170,000	143,000	0	0	0	313,000
TOTAL CAPITAL PROGRAMME	5,640,369	12,416,247	2,181,603	644,287	272,000	21,154,506

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-spending 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	3	3	9	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	4	3	12	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	3	12	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	4	4	16	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	1	3	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	2	8	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	4	3	12	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 future finance for mandatory schemes e.g. Disabled Facilities Grants	Lack of available finance	4	5	20	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	3	3	9	Reassess partnership agreement	Monitor appeal process	Monthly	Successful appeal