This information is available free of charge in electronic, audio, Braille and large print versions, on request.

For assistance in understanding or reading this document or specific information about this Agenda or on the "Public Participation" initiative please call Democratic Services on 01629 761133 or e-mail committee@derbyshiredales.gov.uk

23 February 2018

To: All Councillors

As a Member of the **Council**, please treat this as your summons to attend a meeting on **Monday 5 March 2018 at 6.00pm in the COUNCIL CHAMBER, TOWN HALL, MATLOCK.**

Yours sincerely

Sandra Lamb
Head of Corporate Services

AGENDA

1. APOLOGIES

Please advise Democratic Services on 01629 761133 or e-mail committee@derbyshiredales.gov.uk of any apologies for absence.

2. PUBLIC PARTICIPATION

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

3. APPROVAL OF THE MINUTES OF THE PREVIOUS MEETINGS

25 January 2018

4. INTERESTS

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

12. SEALING OF DOCUMENTS

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

NOTE

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

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

COUNCIL
5 MARCH 2018

Report of the Chief Executive

PLANNING FOR THE FUTURE - COMMERCIALISM

PURPOSE OF REPORT

At the November 2017 Members' Workshop, Officers explored with Members the potential for the Council to operate on a more commercial basis to help the Council achieve a sustainable financial future. It was agreed as an outcome from that workshop that a report would be prepared for this Council meeting to set out a framework for taking this agenda forward. This report sets out an approach for the Council to explore commercial opportunities for Members to consider.

RECOMMENDATION

1. The setting up of a Working Group of 6 Members (using voluntary proportionality rules) supported by Officers as detailed in paragraph 1.14 is agreed.
2. The main purpose and principles of the Commercial Investment Strategy as outlined in paragraphs 1.10 and 1.11 are approved.
3. The conversion of the Invest to Save reserve to the Investment Fund is approved.
4. The first meeting of the Working Group is agreed to take place as soon as possible after this meeting and prepares a report to May 2018 Council, comprising:-
   a) The Board make up and Terms of Reference.
   b) Detailed Assessment criteria for projects.
   c) Delegated powers and authority of the Board.

WARDS AFFECTED

All

STRATEGIC LINK

The ability of the Council to deliver on its priorities and targets and deliver the services important to residents' well-being is dependent on the future financial viability of the Council and the work undertaken to secure that position.

---

1. **REPORT**

1.1 Elsewhere on this agenda the budget for 2018/19 is proposed and the Medium Term Financial Plan shows the extent of the challenge facing this Council in terms of its finances for the next five years. The Council has worked hard over the last five years in making substantial savings that have enabled the organisation to present a balanced budget each year. These savings have been achieved through exploring different ways of delivering services, e.g. outsourcing, shared services and through a series of service reviews that have examined each service area and made significant efficiencies. The Corporate Leadership Team has also carried out a detailed scrutiny of every service budget and removed any that the trends indicate may not be required in future years. Any underspends made each year are also analysed by Finance to identify those that can be classed as ongoing savings.

1.2 Council staff have continued over the years to deliver the same and, in some cases, improved levels of service with less resource. In some areas this may have meant changes to how services are delivered but these have been made to minimise the impact on the residents. The resulting pressure this has put on staff has had to be managed carefully. The organisation is now at the stage where the further necessary savings identified in the Medium Term Financial Plan cannot be achieved without imposed cuts in staffing levels aligned with cuts in services. The Council has managed to avoid this so far through the mechanisms mentioned above plus looking at more efficient ways of delivery through the use of digital transformation. Any loss of staff in the last five years, apart from one post, has been through voluntary means and natural wastage. However, given the scale of the financial challenges ahead, this cannot be sustained in the future unless alternative approaches are adopted.

1.3 Across the Local Government family Councils are beginning to look toward increasing resources available to them through a variety of commercial ventures. This could not only help create a sustainable financial future for the Council but could also bring in some much needed resource to help enhance and improve existing services. This does however expose the Council to a degree of risk and how much risk will be dependent on the types of ventures the Council is willing to consider.

Moving Forward

1.4 At the workshop held in November 2017 Members were positive in their response to looking at commercial opportunities; these opportunities could take different forms, e.g:-

- Trading directly with the community, e.g. chargeable discretionary services.
- Maximising the value of assets, e.g. purchasing of land, disposing of surplus assets, developing, sales and rental initiatives, making assets work harder.
- Sharing and selling services amongst peers, e.g. revenues and benefits services.
- Driving the business transformation / digital agenda to create efficiencies and new revenue streams, e.g. automation, channel shift, digital by default.
- Investing in opportunities that deliver a profitable rate of return on that investment.

1.5 Councils are estimated to have spent more than £1bn on commercial property this year, investing in shopping centres, country clubs, hotels, offices, petrol stations and other assets that generate a return on their investment. Other examples for revenue generation include a Council that has piloted new commercial lines of business to local households and SME's, e.g. payroll services, conference facilities, household and garden services, broadband services; another set up a Joint Venture arrangement for a new crematorium and cemetery.

1.6 This level of activity has caught the media's attention and debate around the role and purpose of Councils causing the Secretary of State to comment that "*Local Authorities need to remember that their prime duty is to deliver statutory services for local residents and they have stewardship of public funds to do so."* This is a timely reminder that in considering this agenda as a means of operating in the future, the Council should, when looking at the commercial opportunities that may present themselves, not only consider the Council's own priorities but the primary interests of its communities. Setting these as part of the criteria for investment would be a good place to start.

1.7 Some examples that were presented at the Members' Workshop that might be of specific interest to this Council included:-

- Use existing capital, s106 income and HCA grant to develop up to 50 new Council homes – generate a revenue stream but all management and maintenance would be through a Housing Association.
- Empty Homes, buy to let.
- Develop Council owned asset for commercial gain and community benefit, e.g. change of use of some of the Council's redundant buildings to, e.g. café,
- Purchase property in the district to generate commercial income from rents, in order to subsidise core services and help regenerate town sites.
- Offer non-statutory services to residents at a charge, e.g. garden services.
- Staff generated ideas – a 'Dragons Den' style competition to fund new start-ups for a share of any returns; offer a parcel drop service at Council buildings; offer a full funeral service; develop an outdoor adventure centre.

1.8 In taking any of the above or other opportunities forward a framework for delivery needs to be set out and this report proposes three areas that need to be considered as part of that framework:-

1. A commercial investment strategy that has as its primary purpose creating additional revenue streams for the Council to enable the Council to sustain its long term financial future and add value to the communities of Derbyshire Dales.
2. A governance framework that enables opportunities to be progressed quickly but with proper due diligence applied and one that minimises risk.
3. The establishment of an Investment Fund, by utilising and adding to the Invest to Save Reserve to provide the ability to fund any initial projects that can be implemented quickly but also to help explore with relevant expertise larger longer term projects.

1.9 Establishing a commercially focussed culture within the organisation is imperative for the successful commercialisation of services and the challenge this represents should not be underestimated. A key aspect of this is having the skills and capabilities to adapt existing or develop new services with a commercial perspective. Derbyshire Dales employees have demonstrated over the years that they are able to adapt to new roles and challenges however, the skills, capabilities and organisational structure required to deliver commercial services successfully, may require changes in personnel and potentially organisational structure. Additional capacity also needs to be created within the organisation which may necessitate a re-prioritisation of existing work programmes and commitments. Increasingly, as the organisation looks towards adopting a more commercial approach, there will be a need to constantly review, manage and adjust our own internal service costs as appropriate.

Commercial Investment Strategy

1.10 As stated above, the primary purpose of the Strategy is to create additional revenue streams for the Council to enable the Council to sustain its long-term financial future enabling it to maintain its current service and add value to the communities of the Derbyshire Dales.

1.11 Having considered Members' comments at the November Workshop it is recommended the Council's preferred approach in meeting this primary purpose is to consider any future commercial opportunities that can be assessed using the following criteria that projects:-

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

1.12 There may be other relevant criteria that should also be considered. It is not proposed that every project considered should meet all criteria as that may severely limit opportunities, but it may be that Members consider some criteria have a higher priority than others. It is, therefore, recommended that this is considered within the governance arrangements described below.

Governance Arrangements

1.13 In order for the Council to move forward on a commercial agenda it is essential that governance arrangements do not create barriers to successful delivery of the opportunities that might arise. In order not to miss opportunities as they arise decisions may need to be taken quickly and not wait for the next available Committee / Council date. Equally, however, the business cases must be scrutinised appropriately and with the necessary rigour against the agreed assessment criteria. The degree of risk involved must be evaluated and managed and projects may need to be prioritised against resource available. Any conflicts of interest must be declared and managed appropriately.

1.14 Given this, it is recommended that a Working Group of Members and Officers (Chief Executive, Corporate Director, Head of Resources and Head of Corporate Services) be set up. This Working Group will meet as soon as possible to determine the detailed Terms of Reference for a more formally constituted Board of Members (supported by Officers). These Terms of Reference may include for example:-

1. To ensure a project can lawfully be supported.
2. To consider each proposal against the assessment criteria and decide whether it meets the requirement to go forward.
3. To ensure each project is supported by a robust business plan, has a detailed risk assessment, is deliverable and financing is clearly explained.
4. To agree any expert advice / consultancy that may be required to support any project going forward.
5. To determine the use of the Investment Fund (see below) and any borrowing requirements.

1.15 The Working Group will also refine and detail the assessment criteria to be used for each project based on the principles outlined above in the Commercial Investment Strategy (paragraph 1.10). The third element of the Working Group's work will be to determine what delegation of powers/authority it believes the Board would require to ensure it can work effectively on the Council's behalf.

1.16 It is suggested that the Working Group comprises of 6 Members set up using voluntary proportionality rules (4:1:1). The formal Board structure will be adopted at the Annual Meeting in May.

1.17 It is proposed the Working Group would report and make recommendations to the Annual Meeting on the three areas described above, i.e.

1. The Board make up and Terms of Reference
2. Detailed Assessment criteria for projects
3. Delegated powers and authority of the Board

Investment Fund

1.18 The Council already has an Invest to Save reserve and in the budget report elsewhere on this agenda it is proposed to transfer further funds into it. It is recommended that this converts to an Investment fund to support the commercial strategy. It is also recommended that the Board, if Members agree to setting it up, with the support of Officers, review the existing capital reserves, capital programme and cash reserves with a view to recommending to Council any other transfers to the Investment Fund together with a prioritisation of where any further capital receipts should be allocated.

1.19 This should provide the Council with the ability to start looking at initially some low cost commercial opportunities (e.g. Dragons Den for start-ups) and as the investment fund builds up and commercial skills are built up amongst Officers the Council could then consider higher risk / return projects. The Council should consider stipulating that say e.g. 50% of any return made on a commercial venture is passed to the Investment Fund to help sustain that source of funding.

1.20 There may be projects that are explored that support economic growth and will have a positive effect on the regeneration of an area that will require funding that is outside the scope of the Investment Fund, but the Board considers it important enough to the District for the Council to considering borrowing. This type of decision, Members may consider should perhaps would lie outside the Board's remit and should be a recommendation from the Board to Council. This can be determined under any delegated powers Council bestows on the Board.

Next Steps

1.21 If Council approve the initial Investment Strategy proposals; the recommendation to set up a Working Group of Members initially and the establishment of an Investment Fund it is proposed to organise the first meeting of the Working Group take place as soon as possible after this meeting and prepares a report to May 2018 Council

a) The Board make up and Terms of Reference.
b) Detailed Assessment criteria for projects.
c) Delegated powers and authority of the Board.

2. RISK ASSESSMENT

2.1 Legal

The proposals in the repot seek to set up a mechanism to advance the proposal for a new decision making body and enhanced delegation of powers. There are no legal considerations at this point. The legal risk is therefore low and will be reviewed during the preliminary stages of the Working Group.

2.2 Financial

The budget report elsewhere on the agenda for this meeting recommends that the Council should set a corporate target to save £1m by 2020/21 in order to achieve a balanced budget. The activities that would be delivered by the Commercial Investment Strategy should increase Council income and help to deliver the savings required for a sustainable financial plan.

The budget report includes a recommendation that £460,000 be transferred into the invest to save reserve / investment fund in 2017/18, bringing the total available for new projects to around £0.5m.

The financial risks of the commercial activities will be considered as part of the assessment of each activity. The financial risk of this report is assessed as low.

3. OTHER CONSIDERATIONS

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

4. CONTACT INFORMATION

Dorcas Bunton – Chief Executive
Email : dorcas.bunton@derbyshiredales.gov.uk
Telephone : 01629 761125

Paul Wilson – Corporate Director and Deputy Chief Executive
Email : paul.wilson@derbyshiredales.gov.uk
Telephone : 01629 761324

5. BACKGROUND PAPERS

None.

BACK TO AGENDA

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

COUNCIL
5 MARCH 2018

Report of the Head of Resources

CAPITAL PROGRAMME 2017/18 TO 2022/23

PURPOSE OF REPORT

This report:

- determines a Revised Programme and financing arrangements for 2017/18;
- determines a Revised Programme and financing arrangements for 2018/19 to 2022/23;
- outlines potential future liabilities not included in the Capital Programme; and
- determines Prudential Indicators and a Minimum Revenue Provision (MRP) Statement for 2018/19.

RECOMMENDATIONS

1 That the revised Capital Programme and financing arrangements for 2017/18, as detailed in Appendix 1, in the sum £3,039,954 be approved;

2 That the revised Capital Programme and financing arrangements for 2018/19, as detailed in Appendix 1, in the sum of £3,621,714 be approved.

3 That the Capital Programmes for 2019/20 to 2022/23, as detailed in Appendix 1, for the sum of £3,969,879 be approved.

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

5 That the Prudential Indicators and Minimum Revenue Provision (MRP) Statement, as detailed in Appendix 3, be approved.

WARDS AFFECTED

All

STRATEGIC LINK

The Council's Capital Programme takes into account all the priorities and targets within the Corporate Plan and these are identified in the Capital Strategy. The proposed Capital Programme will assist in delivering Council services that are important to residents' well-being.

1 REPORT

1.1 BACKGROUND AND INTRODUCTION

The Council approved the initial Capital Programme for 2017/18 at the Council meeting on the 2^{nd} March 2017; the programme has subsequently been updated in June, September, November and March.

The Revised Programme for 2017/18, together with changes for financial years 2018/19 to 2022/23 is now presented for Members' consideration and approval.

The revised programme set out in this report includes changes to the current capital programme. The changes are explained in the report.

1.2 REVISED CAPITAL PROGRAMME 2017/18

1.2.1 Proposed Capital Expenditure 2017/18

The revised capital programme for 2017/18 has been updated to reflect slippage and new bids. It is summarised below:

Priority	**Revised Budget 2017/18 £**
Business Growth and Job Creation	76,000
Affordable Housing	1,273,638
Market Towns	123,821
A Clean and Safe District	671,910
Continue to Seek Efficiencies and Innovative Working Practices	31,000
Miscellaneous/Other Schemes	863,585
Total Capital Expenditure	**3,039,954**

The spending shown in the table above is the aggregate of the scheme costs. All grants and contributions have been dealt with as part of the financing arrangements (shown below). The major projects where expenditure is forecast to be more than £250,000 for 2017/18 are as follows:

	£000
Disabled Facility Grants	501
Social Housing – Matlock Moorcroft	400
Ashbourne Leisure Centre Condition Surveys	313
Vehicle Replacements	451

1.2.2 Financing Arrangements 2017/18

The overall financing package for forecasted expenditure in 2017/18 is as follows:

	£	£
Capital Receipts		747,742
Grants and Contributions		534,654
Use of Reserves:		
Capital Programme Reserve	701,172	
Grants Unapplied Reserve (Section 106 contributions)	292,734	
Information Technology Reserve	176,652	
Vehicle Renewals Reserve	451,000	
Insurance Reserve	60,000	
Economic Development Reserve	76,000	
Total Reserves		1,757,558
Total Financing		**3,039,954**

1.3 REVISED CAPITAL PROGRAMME FOR 2018/19

1.3.1 Revised Capital Expenditure 2018/19

The revised capital programme for 2018/19 has been updated to reflect slippage and new bids. It is summarised below:

Priority	**2018/19 Recommended Capital Programme £**
Business Growth and Job Creation	210,000
Affordable Housing	2,533,373
Market Towns	110,463
A Clean and Safe District	454,052
Miscellaneous/Other Schemes	313,826
Total Capital Expenditure	**3,621,714**

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

The major projects in the spending proposals where expenditure in 2018/19 is estimated at £250,000 or more are:

	£000
Disabled Facility Grants	454
Affordable Housing Scheme at Bakewell Lady Manners School	335
Affordable Housing Scheme at Tideswell	412
Rural Village “Available for Rent” Scheme	250
Affordable Housing Scheme at Asker Lane, Matlock	250

1.3.2 Financing Arrangements 2018/19

The overall financing package that is proposed for the revised 2018/19 Capital Programme is as follows:

	£	£
Capital Receipts		1,281,463
Grants and Contributions:		
Housing – Disabled Facilities Grants		453,873
Use of Reserves:		
Vehicle Renewals Reserve	190,000	
Information Technology Reserve	12,000	
Grants Unapplied Reserve (Section 106 contributions)	1,002,500	
Capital Programme Reserve	665,188	
Carsington Reserve	6,690	
Economic Development Reserve	10,000	
Total Reserves		1,886,378
Total Financing		**3,621,714**

1.4 REVISED CAPITAL PROGRAMME PROPOSALS FOR 2019/20 TO 2022/23

1.4.1 Proposed Capital Expenditure 2019/20 to 2022/23

The Capital Programme Proposals for 2019/20 to 2022/23 have been revised to reflect new schemes and slippage. A summary is set out below:

Priority	**2019/20 to 2021/22 Recommended Capital Programme £**
Affordable Housing	2,339,119
A Clean and Safe District	1,274,000
Miscellaneous/Other Schemes	356,760
Total Capital Expenditure	**3,969,879**

1.4.2 Proposed Financing Arrangements 2019/20 to 2022/23

The overall financing package that is proposed for the revised capital programme proposals for 2019/20 to 2022/23 is as follows:

	£	£
Capital Receipts		942,500
Grants and Contributions: Disabled Facilities Grants		1,361,619
Use of Reserves:		
Grants Unapplied (Section 106)	135,000	
Carsington Reserve	26,760	
IT Reserve	80,000	
Capital Programme Reserve	190,000	
Vehicle Reserve	1,234,000	
Total Reserves		1,665,760
Total Financing		**3,969,879**

1.5 SOURCES OF FUNDING FOR CAPITAL PROGRAMME

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

Reserve	Balance 1st April 2017 £	Expected Receipts £	Used in Capital Programme £	Estimated Balance 31st March 2023 £	Comments
Capital Receipts	2,927,974	700,000	2,971,705	656,269	Relies on new receipts being attained
Section 106 Contributions	1,781,129	227,408	1,430,234	578,303	Relies on new receipts

					being attained
Capital Programme Reserve	2,984,730	230,000	1,556,360	1,658,370	
Other Strategic Reserves (earmarked for capital schemes)	1,888,086	3,220,396	4,673,248	435,234	Mostly earmarked for specific projects
	9,581,919	4,377,804	10,631,547	3,328,176	

1.5.2 Officer comments:

The table above demonstrates that, if the capital programme proposals set out in this report are accepted, sources of capital funding are forecast to reduce to £3.3m by 31 March 2023. However, Section 106 contributions and the amounts in other strategic reserves are set aside for specific purposes; if these are excluded the amount available for new capital schemes reduces to £2.3m.

The Corporate Leadership Team has identified a number of future capital liabilities and potential new projects that will be required in the next 1-2 years that have not been included in this revised capital programme. These projects are set out in Appendix 2. They total £660,500 but do not include the estimated costs of a traveller site or works required at Lovers Walk to the rock faces. The traveller site and works to rock faces are *potential* liabilities at this time and have not yet been approved by members; they will be the subject of reports to policy committees and / or Council at the appropriate time. If the £660,500 is deducted from the £2.3m, it leaves the Council with a balance of £1.65m to address:

- the traveller site (subject to members' approval and if external funding or a section 106 contribution is not obtained);
- further works that may be required to the rock faces in Matlock Bath;
- cases where actual tendered costs exceed the budget; and
- capital expenditure that might be required to deal with unforeseen events, (such as encountered at Matlock Bath Memorial Gardens Toilets).

This report should be read in conjunction with the Medium Term Financial Strategy and Capital Strategy, which were approved at the Council meeting in November 2017. The Capital Strategy sets out the strategic approach to the management of the Council's capital programme and provides a framework with which decisions can be made regarding capital investment and financing. It includes a description of the sources of funding available to the Council.

For a small district council, in the current economic climate, a fully-funded capital programme of £10.6m can be seen as fairly healthy. Members should note, however, that much of the capital programme is spent on enhancing and replacing existing assets. There will always be a need for some asset replacements and hence the need for annual contributions from revenue to capital reserves, as identified in the Medium Term Financial Strategy.

1.6 PRUDENTIAL INDICATORS AND MRP STATEMENT

1.6.1 The Local Government Act 2003 requires the Authority to have regard to the Chartered Institute of Public Finance and Accountancy's *Prudential Code for Capital Finance in Local Authorities* (the Prudential Code) when determining how much money it can afford to borrow. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that the Authority has fulfilled these objectives, the Prudential Code sets out the indicators that must be set and monitored each year. The recommended Prudential Indicators for 2018/19 are set out in Appendix 3 to this report.

1.6.2 Where the Authority finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Authority to have regard to the Department for Communities and Local Government's *Guidance on Minimum Revenue Provision* (the CLG Guidance) most recently issued in 2012. The Annual Minimum Revenue Provision Statement for 2018/19 is shown in Appendix 3 and includes the estimated MRP for 2017/18. The estimated MRP for 2018/19 has been reflected in the draft revenue budget, which is elsewhere on the agenda for this Council meeting.

2 RISK ASSESSMENT

2.1 Legal

There are no legal considerations arising from this report.

2.2 Financial

There is adequate funding for the proposed capital programme for 2017/18 to 2022/23. The risk, however, remains high.

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

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

2.3 Corporate

The proposed Capital Programme clearly shows the funding allocated to each of the priorities set out in the adopted Corporate Plan. The Capital Programme endeavours to allocate funding to the corporate priorities of business growth and job creation (£286,000), affordable housing (£6,146.130) and market towns (£234,284). However, the ongoing necessity to maintain a clean and safe district and to maintain Council's assets is also reflected in the Capital Programme.

3 OTHER CONSIDERATIONS

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

4 CONTACT INFORMATION

For further information contact:

Karen Henriksen Tel: 01629 761284 or

Email: karen.henriksen@derbyshiredales.gov.uk

5 BACKGROUND PAPERS

None

6 ATTACHMENTS

Appendix 1 Capital Programme 2017/18 to 2021/23

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

Appendix 3 Prudential Indicators for 2018/19

Appendix 4 MRP Statement for 2018/19

BACK TO AGENDA

Appendix 1: Capital Programme Proposed Programme for 2017/18 to 2022/23

New

Change in costings and slippage

SCHEME	COMMENTS	PRIORITY RATING %	ESTIMATE APPROVED NOVEMBER 2017/18	NEW ESTIMATE 2017/18 £	ESTIMATE 2018/19 £	ESTIMATE 2019/20 £	ESTIMATE 2020/21 £	ESTIMATE 2021/22 £	ESTIMATE 2022/23 £	TOTAL 2017/23 £
Affordable Housing										
Improvement Grants										
Disabled Facilities Grants	To adapt the homes of disabled people.	84	491,333	500,904	453,873	453,873	453,873	453,873	0	2,316,396
Social Housing Grants										
Taddington	PDRHA confirm start on site and invoice in Q4 2017/18	Not Scored	80,000	80,000	0	0	0	0	0	80,000
Winster	PDRHA advise scheme delayed. Start on site expected in Q1 2018/19	Not Scored	80,000	0	80,000	0	0	0	0	80,000
Bakewell Lady Manners School	Slippage - 2018/19 scheme delayed	Not Scored	213,500	0	334,500	92,500	0	0	0	427,000
Wirksworth - Stafford House , Derby Road	Scheme on site to complete Feb/Mar, invoice due Q4	Not Scored	30,734	30,734	0	0	0	0	0	30,734
Cromford / Matlock Bath	Due to commence in 2018/19	Not Scored	0	0	100,000	0	0	0	0	100,000
Matlock - Dimple Site	On site	Not Scored	122,000	122,000	0	0	0	0	0	122,000
Dales Housing Garage Sites	Complete	Not Scored	20,000	20,000	0	0	0	0	0	20,000
Tideswell	Planning application due in 2017/18	Not Scored	0	0	412,500	0	0	0	0	412,500
Rural village - affordable housing for rent programme	Due to commence in 2018/19	50	0	0	250,000	750,000	0	0	0	1,000,000
Temporary Accommodation - Matlock & Ashbourne	Start On Site due in Q4 2017/18	Not Scored	120,000	120,000	0	0	0	0	0	120,000
Ashbourne - Dove Garage, Mayfield Road	2018/19	Not Scored	0	0	157,500	0	0	0	0	157,500

SCHEME	COMMENTS	PRIORITY RATING %	ESTIMATE APPROVED NOVEMBER 2017/18	NEW ESTIMATE 2017/18 £	ESTIMATE 2018/19 £	ESTIMATE 2019/20 £	ESTIMATE 2020/21 £	ESTIMATE 2021/22 £	ESTIMATE 2022/23 £	TOTAL 2017/23 £
Brailsford - Luke Lane / Mercaston Lane	2018/19	Not Scored	0	0	135,000	0	0	0	0	135,000
Brailsford - Luke Lane Phase 2	Delay with contractor - slippage 2018/19	Not Scored	67,000	0	135,000	0	0	0	0	135,000
Matlock - Bentley Bridge	NCHA advise Scheme to complete in June 2018/19 so expect invoice in Q2 2018/19	Not Scored	0	0	225,000	0	0	0	0	225,000
Matlock - Moorcraft	Invoice received	Not Scored	400,000	400,000	0	0	0	0	0	400,000
Matlock - Asker Lane	Waterloo waiting to hear if their offer has been accepted	Not Scored	0	0	250,000	0	0	0	0	250,000
Doveridge - Bakers Lane	Awaiting committee decision	60	0	0	0	135,000	0	0	0	135,000
Sub Total - Affordable Housing			**1,624,567**	**1,273,638**	**2,533,373**	**1,431,373**	**453,873**	**453,873**	**0**	**6,146,130**
Business Growth and Job Creation										
Economic Development										
Blenheim Road/Ashbourne Airfield: Design and Professional Services	Design completed, further consultancy invoices awaited. Works to take place 2018/19.	66	76,000	76,000	210,000	0	0	0	0	286,000
Sub Total - Business Growth and Job Creation			**76,000**	**76,000**	**210,000**	**0**	**0**	**0**	**0**	**286,000**
Market Towns										
Car Parks										
Ashbourne Shawcroft Car Park Redesign	Redesign to create approximately 40 spaces and access road to rear of shops. Completed,	69	960	960	0	0	0	0	0	960
Bakewell ABC strips to sides of Agricultural Way	Two stone trenches either side of Agricultural Way to prevent grass grid becoming dislodged with vehicles entering/exiting car park. Balance withdrawn from capital programme pending review.	83	16,680	16,680	0	0	0	0	0	16,680

SCHEME	COMMENTS	PRIORITY RATING %	ESTIMATE APPROVED NOVEMBER 2017/18	NEW ESTIMATE 2017/18 £	ESTIMATE 2018/19 £	ESTIMATE 2019/20 £	ESTIMATE 2020/21 £	ESTIMATE 2021/22 £	ESTIMATE 2022/23 £	TOTAL 2017/23 £
Bakewell ABC drainage	Budget moved to Bakewell ABC Car Park Improvements including cattle grid	74	60,500	0	0	0	0	0	0	0
Replacement of Pay and Display Ticket Machines	New reliable pay and display machines enabling card payments - Completed.	not scored	41,000	41,000	0	0	0	0	0	41,000
Fishpond Meadow, Ashbourne: Car Park Improvements/Feasibilty study	Upgrade drainage, replace grass reinforcement system, carry out feasibility study re permanent surface. Part replacement Spring 2018. Further replacement works Spring 2019.	56	35,000	20,000	15,000	0	0	0	0	35,000
Bakewell ABC Car Park Improvements including cattle grid	Upgrade tarmac surface, replacement of areas of grass grid, replacement of cattle grid.	39	10,000	0	70,500	0	0	0	0	70,500
Monsall Head Car Park Improvements	Upgrade tarmac surface and landscaping. At Procurement Stage, expect completion by March 2018.	44	10,500	10,500	0	0	0	0	0	10,500
Public realm Improvements										
Ashbourne Shrovetide Walk	Re-surfacing works.Completed.	75	181	181	0	0	0	0	0	181
Wirksworth St Mary's Churchyard Railings	Responsible for maintaining the wall and railings in decent order. Repair wall and iron railings and repaint. Listed building so railings need to remain. Slipped to 2018/19 due to weather.	31	48,963	24,000	24,963	0	0	0	0	48,963
Darley Dale Down Station Improvements	Repairs to roof. Awaiting committee approval.	57	10,500	10,500	0	0	0	0	0	10,500
Sub Total - Market Towns			**234,284**	**123,821**	**110,463**	**0**	**0**	**0**	**0**	**234,284**
A Clean and Safe District										
CCTV	Install new system and cameras. Completed.	64	100,000	100,000	0	0	0	0	0	100,000
Flood Alleviation										
Matlock Bath	Land drain under A6 - partly fund from revenue. Any outstanding payments to be made by 31st March 2018,	64	3,460	3,460	0	0	0	0	0	3,460
Stoney Middleton - Coombs Dale	Payment for permission for pipework to cross land. Any outstanding payments to be made by 31st March 2018.	not scored	1,500	1,500	0	0	0	0	0	1,500

SCHEME	COMMENTS	PRIORITY RATING %	ESTIMATE APPROVED NOVEMBER 2017/18	NEW ESTIMATE 2017/18 £	ESTIMATE 2018/19 £	ESTIMATE 2019/20 £	ESTIMATE 2020/21 £	ESTIMATE 2021/22 £	ESTIMATE 2022/23 £	TOTAL 2017/23 £
Parks & Open Spaces										
Condition Surveys - Parks & Pavillions	Carry out works to address problems identified in condition surveys. HLP Café works complete, retention released. Balance moved to 2018/19.	not scored	1,950	1,950	146,052	5,000	0	0	0	153,002
Main Paths at Bakewell Recreation Ground	Resurfacing worn areas. Completed.	62	25,000	25,000	15,000	0	0	0	0	40,000
Bakewell Riverside Path	Feasibility study for re-instatement of river bank. Specification required. Slipped into 2018/19.	37	0	0	10,000	0	0	0	0	10,000
Sparrow Park - Henry Avenue	Investigation of groundwater problems. No further works required . Outstanding fees to be paid 2017/18. Aborted scheme costs to be transferred to revenue.	42	2,285	0	0	0	0	0	0	0
Capital contribution to White Peak Cycle Loop	Awaiting Derbyshire County Council to arrange feasibility survey - Now planned for Febuary 2019	0	0	0	20,000	0	0	0	0	20,000
M.U.G.A. at Hall Leys Park	Convert tennis court to M.U.G.A. Works completed. Awaiting Invoice.	58	18,000	18,000	0	0	0	0	0	18,000
Hall Leys Park Ranger Station	Remedial works following fire damage. Works on site - proposed completion late Feb 2018.	58	60,000	60,000	0	0	0	0	0	60,000
Burials										
Wirksworth Steeple Arch Cemetery Land Purchase etc.	Land to enable extension of burial ground to meet demand. Land purchased awaiting specification fpr burial ground	not scored	0	0	25,000	35,000	0	0	0	60,000
Paths at Bakewell Cemetery	Works underway. Vehicle route completed, paths to be completed in 2018/19.	0	15,000	11,000	4,000	0	0	0	0	15,000
Burials Review	Acquisition of additional land to provide future burial provision for up to 100 years.	64	0	0	44,000	0	0	0	0	44,000
Commercial vehicles - Vans, lorries etc.	Replacement of Fleet vehicles for workforce	not scored	688,403	451,000	190,000	215,000	180,000	207,000	632,000	1,875,000
Sub Total - A Clean and Safe District			**915,598**	**671,910**	**454,052**	**255,000**	**180,000**	**207,000**	**632,000**	**2,399,962**

SCHEME	COMMENTS	PRIORITY RATING %	ESTIMATE APPROVED NOVEMBER 2017/18	NEW ESTIMATE 2017/18 £	ESTIMATE 2018/19 £	ESTIMATE 2019/20 £	ESTIMATE 2020/21 £	ESTIMATE 2021/22 £	ESTIMATE 2022/23 £	TOTAL 2017/23 £
Continue to Seek Efficiencies and Innovative Working Practices										
Transformational Projects										
Electronic Document Management System	Procurement of an EDMS as agreed in the Administration Service Review. Licence purchased, contractor commenced work on project.	Not Scored	31,000	31,000	0	0	0	0	0	31,000
Sub Total - Efficiencies and Innovating Working Practices			**31,000**	**31,000**	**0**	**0**	**0**	**0**	**0**	**31,000**
Miscellaneous/Other Schemes										
Miscellaneous Grants	Village Halls, Village Car Parking, Play Equipment	not scored	30,000	30,000	30,000	30,000	0	0	0	90,000
Planning Conservation/Enhancement Grants	In Progress	37	5,500	5,500	0	0	0	0	0	5,500
Carsington Fund Grants	Community Grant fund administered by DDDC. Balance of CRF to finance future grant applications.	not scored	6,690	0	6,690	6,690	6,690	6,690	6,690	33,450
Bakewell ABC Condition Survey Works	Carry out works to address problems identified in condition surveys. Work is ongoing.	not scored	8,500	8,500	0	0	0	0	0	8,500
Matlock Town Hall - Works Identified in condition surveys	Carry out works to address problems identified in condition surveys. Work is ongoing.	0	181,045	181,045	62,000	0	0	0	0	243,045
Travellers Site	Design Brief	0	0	0	10,000	0	0	0	0	10,000
Leisure Centres										
Ashbourne Leisure Centre Improvements	Conversion of the Community Room into a Group Exercise Studio. Completed.	not scored	15,000	15,000	0	0	0	0	0	15,000
Pedestrian Footbridge at ARC Leisure Centre	Repairs to Pedestrian Footbridge. Completed awaiting final invoice.	90	25,000	25,000	0	0	0	0	0	25,000
Wirksworth Lesiure Centre - Condition Survey Works	Works to address problems identified in condition surveys. Work is ongoing - to be reviewed based on new survey information.	not scored	50,000	50,000	0	20,000	0	0	0	70,000

SCHEME	COMMENTS	PRIORITY RATING %	ESTIMATE APPROVED NOVEMBER 2017/18	NEW ESTIMATE 2017/18 £	ESTIMATE 2018/19 £	ESTIMATE 2019/20 £	ESTIMATE 2020/21 £	ESTIMATE 2021/22 £	ESTIMATE 2022/23 £	TOTAL 2017/23 £
Wirksworth Leisure Centre Sports Hall Flooring	Replacement floor in main sports hall. Works to be completed by 31 March 2018.	48	50,000	50,000	0	0	0	0	0	50,000
Ashbourne Leisure Centre Condition Surveys	Carry out works to address problems identified in condition surveys. De-humidifier works have commenced.	not scored	312,717	312,717	24,530	100,000	0	0	0	437,247
Public Conveniences										
Matlock Bath Memorial Gardens Toilets	Refurbishment of toilets. Completed - retention payments being released.	0	15,171	15,171	0	0	0	0	0	15,171
Condition Survey Works	Carry out works to address problems identified in condition surveys	0	0	0	102,606	0	0	0	0	102,606
Rural Conveniences	Repairs/refurbishment of buildings & to fund grants required in public conveniences review. Some work may be delayed until 2018/19 pending public conveniences review	0	0	0	41,000	0	0	0	0	41,000
Information Technology										
Disaster Recovery Storage	Replace disaster recovery storage. Revised as per outcome of tender.	Not Scored	12,000	11,652	0	0	0	0	0	11,652
Town Hall Recabling	To address issues with existing cabling - Revised as per outcome of tender.	58	90,000	70,000	0	0	0	0	0	70,000
Microsoft Enterprise Agreement	Replacement for Windows 7 and Office 2010. Due 2020/21	63	0	0	0	0	80,000	0	0	80,000
Virtual Desktop Server Replacement	to provide a virtual desktop solution. Deferred to 2018/19,	70	0	28,000	0	0	0	0	0	28,000
Microsoft Windows Server Licence Upgrade	Upgrade of windows licences. Due to commence in 2018/19.	70	0	0	12,000	0	0	0	0	12,000
Income Management System Upgrade	Upgrade to version 11 to remain supported. Order placed.	70	15,000	15,000	0	0	0	0	0	15,000
Financial Management System Upgrade	Upgrade required in order to remain supported. Expected to be completed by March 2018.	70	21,000	21,000	0	0	0	0	0	21,000
Capital Salaries	Project management on various schemes: Ongoing.	Not Scored	25,000	25,000	25,000	25,000	25,000	25,000	25,000	150,000
Sub Total - Miscellaneous/ Other			**862,623**	**863,585**	**313,826**	**181,690**	**111,690**	**31,690**	**31,690**	**1,534,171**
Total of Proposed Capital Programme for Approval in March 2018			**3,744,072**	**3,039,954**	**3,621,714**	**1,868,063**	**745,563**	**692,563**	**663,690**	**10,631,547**

APPENDIX 2: POTENTIAL FUTURE LIABILITIES NOT IN DRAFT PROGRAMME

CATEGORY	COMMENTS	EST. COST £	
CAR PARKS:			
Henmore Centre, Ashbourne	Sainsbury's scheme delayed. Cost of demolition & car park provision.	90,000	
Various Car Parks	Surface repairs & full re-lining	20,500	
			110,500
PARKS:			
Bowls Pavilion, Ashbourne	Significant repairs required: may need to include cost of demolition.	20,000	
Broadwalk Park	Paths	10,000	
Ashbourne Park Buildings	Bandstand and other buildings	12,000	
			42,000
CEMETERIES & CHURCHYARDS:			
Bakewell Cemetery Chapels	Repairs identified in 2009 survey	15,000	
			15,000
OTHER PROPERTY:			
Bakewell ABC	Flat roof gutters, ventilation/decoration, CCTV	60,000	
Arc Leisure, Matlock	Footpath improvements	10,000	
Traveller Site	New site(s) to meet housing need	To be determined	
Lovers Walks, Matlock Bath	Detailed inspection of cliff faces, design of scheme & cost of remedial works	To be determined	
Station House, Matlock	Significant repairs identified in 2009 survey	20,000	
Ashbourne Leisure Centre	Full external redecoration required	20,000	

Matlock Town Hall	Replace metal windows (identified in 2014 condition survey)	210,000	
			320,000
OFFICE TECHNOLOGY:			
Replacement switchboard	Post 2017 & subject to business plan & maintenance of current equipment	100,000	
Backup storage repalcement*	exising hardware end of life	28,000	
Production Server replacement*	5 year replacement cycle	30,000	
Disaster recovery Storage*	5 year replacement cycle (shared procurement)	15,000	
			173,000
	Total		**£660,500**

*New – added March 2018

Appendix 3 - Prudential Indicators 2018/19

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

Estimates of Capital Expenditure:

The Authority's planned capital expenditure and financing may be summarised as follows:

Capital Expenditure and Financing	2017/18 Revised £	2018/19 Estimate £	2019/20 Estimate £	2020/21 Estimate £
Total Expenditure	3,039,954	3,621,714	1,868,063	745,563
Capital Receipts	747,742	1,281,463	867,500	25,000
Government Grants	500,904	453,873	453,873	453,873
Reserves	1,731,308	1,886,378	546,690	266,690
Revenue	60,000	0	0	0
Borrowing	0	0	0	0
Leasing and PFI	0	0	0	0
Total Financing	3,039,954	3,621,714	1,868,063	745,563

Estimates of Capital Financing Requirement:

The Capital Financing Requirement (CFR) measures the Authority's underlying need to borrow for a capital purpose.

Capital Financing Requirement	31.03.18 Revised £	31.03.19 Estimate £	31.03.20 Estimate £	31.03.21 Estimate £
Total CFR	6,369,000	5,898,000	5,650,000	5,551,000

The CFR is forecast to fall by £0.8m over the next three years as capital expenditure financed by debt is put aside for debt repayment.

Gross Debt and the Capital Financing Requirement:

In order to ensure that over the medium term debt will only be for a capital purpose, the Authority should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. This is a key indicator of prudence.

Debt	31.03.18 Revised £	31.03.19 Estimate £	31.03.20 Estimate £	31.03.21 Estimate £
Borrowing	5,450,000	5,450,000	5,450,000	5,450,000
Finance leases	527,026	150,764	0	0
Total Debt	5,977,026	5,600,764	5,450,000	5,450,000

Operational Boundary for External Debt:

The operational boundary is based on the Authority's estimate of most likely (i.e. prudent but not worst case) scenario for external debt. It links directly to the Authority's estimates of capital expenditure, the capital financing requirement and cash flow requirements, and is a key management tool for in-year monitoring. Other long-term liabilities comprise finance lease, Private Finance Initiative and other liabilities that are not borrowing but form part of the Authority's debt.

Operational Boundary	2017/18 Revised £	2018/19 Estimate £	2019/20 Estimate £	2020/21 Estimate £
Borrowing	10,000,000	10,000,000	10,000,000	10,000,000
Other long-term liabilities	1,000,000	1,000,000	1,000,000	1,000,000
Total Debt	11,000,000	11,000,000	11,000,000	11,000,000

Authorised Limit for External Debt:

The authorised limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum amount of debt that the Authority can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

Authorised Limit	2017/18 Limit £	2018/19 Limit £	2019/20 Limit £	2020/21 Limit £
Borrowing	12,000,000	12,000,000	12,000,000	12,000,000
Other long-term liabilities	2,000,000	2,000,000	2,000,000	2,000,000
Total Debt	14,000,000	14,000,000	14,000,000	14,000,000

Ratio of Financing Costs to Net Revenue Stream:

This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs, net of investment income.

Ratio of Financing Costs to Net Revenue Stream	2017/18 Revised %	2018/19 Estimate %	2019/20 Estimate %	2020/21 Estimate %
General Fund	6.86	6.88	4.60	3.04

Adoption of the CIPFA Treasury Management Code:

The Authority adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2011 Edition*. It fully complies with the Code.

Appendix 4 – Annual Minimum Revenue Provision Statement 2018/19

Where the Authority finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008.

The Local Government Act 2003 requires the Authority to have regard to the Department for Communities and Local Government's *Guidance on Minimum Revenue Provision* (the CLG/ Guidance) most recently issued in 2012. The broad aim of the CLG Guidance is to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.
The CLG Guidance requires the Authority to approve an Annual MRP Statement each year, and recommends a number of options for calculating a prudent amount of MRP. The following statement only incorporates options recommended in the Guidance.

For capital expenditure incurred after 31st March 2008, MRP is determined by charging the expenditure over the expected useful life of the relevant asset. The repayment of MRP is based on both the annuity and fixed instalment of principal basis.

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

Based on the Authority's latest estimate of its Capital Financing Requirement on 31st March 2018, the budget for MRP has been set as follows:

	2018/19 Estimated MRP £
Unsupported capital expenditure after 31.03.2008	93,210
Finance leases	371,432
Total General Fund	464,642

BACK TO AGENDA

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

COUNCIL MEETING
5 MARCH 2018

Report of the Head of Resources

SERVICE PLANS AND REVENUE BUDGET 2018/19

PURPOSE OF REPORT

This report seeks approval for the District Council's service plans for 2018/19, revised spending proposals for 2017/18 and the spending proposals for 2018/19.

RECOMMENDATIONS

1. That the level of Council Tax for 2018/19 is increased by 2.99% from the 2017/18 level.
2. The revised estimate of net revenue expenditure for 2017/18 of £5,659,485, as detailed in the Summary Revenue Account in Appendix 2, is approved.
3. The net sum of £1,089,789 is transferred to earmarked reserves in 2017/18, as shown in Appendix 7.
4. The estimated net revenue expenditure for 2018/19 totalling £5,889,893, as detailed in the Summary Revenue Account in Appendix 2, is approved.
5. The minimum level of uncommitted working balances is approved at £1,000,000 at 1st April 2018, and £1,000,000 at 1st April 2019.
6. The net sum of £518,043 is transferred from earmarked reserves in 2018/19, as shown in Appendix 7.
7. The following amounts are calculated by the Council for the chargeable financial year 2018/19 in accordance with Section 31A of the Localism Act 2011:-
   i. aggregate of the amounts which the Council estimates for the items set out in Section 31A(2)(a) to (f) thereof is £35,814,136;
   ii. aggregate of the amounts which the Council estimates for the items set out in Section 31A(3)(a) to (d) thereof is £28,404,496;
   iii. calculation under Section 31A(4) being the amount of which the aggregate at (i) above exceeds the aggregate of (ii) above, as the Council Tax Requirement for 2018/19 is £7,409,640;
8. The Derbyshire Dales District Council Service Plans and Revenue Spending Proposals (as circulated with the agenda) are approved.
9. That a new Corporate Savings Target, to achieve savings of £1m by 2020/21, is approved.
10. That the Head of Resources' report on the robustness of the budget and the adequacy of reserves in accordance with clause 25 of the Local Government Act 2003 is noted.

WARDS AFFECTED
All

STRATEGIC LINK

All the Council's aims and priorities as contained in the Corporate Plan, the Performance Plan, and various service strategies have been taken into account in determining the service plans and spending proposals. Budgets are included, where appropriate, for the completion of targets for 2017/18, and for the achievement of the key target areas for 2018/19. Corporate plan targets for 2018/19, which are subject to a report elsewhere on the Agenda of this meeting, reflect the budget decisions taken in this report.

REPORT

1. INTRODUCTION

1.1 Spending proposals for all the Council's General Fund services and activities are given in Appendix 1 to this report.

1.2 The forecasts of revenue spending requirements include both the financing costs and running/operating expenditure associated with the Capital Programme.

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

1.4 The draft service plans, which seek to set out actions necessary to deliver the Council’s priorities, are set out in the “Service Plans” booklet, which is circulated with the Agenda for this meeting. These service plans incorporate summary budget data with other service information to clarify the link between service levels and resources.

2 LOCAL GOVERNMENT FINANCE SETTLEMENT

2.1 As part of the 2017/18 Finance Settlement the Government made an offer that “*any Council that wishes to take it up to a four-year funding settlement to 2019/20*” could do so as long as it had an “efficiency plan”. The Council produced an efficiency plan and accepted the Government’s offer in September 2016.

2.2 Details of the provisional Local Government Finance Settlement 2018/19 were reported to Council In January. Final figures were issued on 6th February and approved in Parliament on 7th February. The final settlement is broadly in line with the 2018/19 provisional settlement and indicative 2019/20 settlement that were published on 19 December 2017. The key points of the final settlement are:-

- A further £150 million in 2018 to 2019 for an Adult Social Care Support Grant (going the authorities responsible for adult social care).

- Core Spending Power will increase nationally by 0.4 per cent from 2015/16 to 2019/20.

- Nationally, there are no changes in Core Spending Power in 2017/18, 2018/19 or 2019/20 compared to the settlement published on 15 December 2016.

- The Council Tax referendum threshold has been set at 3%. In addition, Local Authorities with responsibility for social care may levy a precept to spend exclusively on adult social care. As announced last year, this precept equates to up to 6% over 3 years, from 2017-18 to 2019-20, with a maximum increase of 3% in the first 2 years and 2% in the final year.

- The Secretary of State confirmed that for the year ahead there will be no new changes to the way New Homes Bonus works.

- The Secretary of State also said that he is committed to ensuring the needs of rural areas are met and recognises the particular costs of providing services in sparse rural areas. So in 2018 to 2019, in response to representations made since the provisional settlement, he will increase the Rural Services Delivery Grant by £31 million - £16 million more than proposed in the provisional settlement.

- Details of further business rates retention pilots have been published. This includes a pilot for all Derbyshire Authorities. It has been confirmed that this will be for 2018/19 only.

- The Secretary of State has acknowledged concerns around ‘negative RSG’. We will be looking at fair and affordable options that will address the problem of negative RSG that occurs in 2019 to 2020, and will formally consult on proposals ahead of next year’s settlement.

- The Government has published a formal consultation (the Fair Funding Review) of relative needs and resources and aims to implement its findings in 2020 to 2021. The review will examine the cost of delivering services across the country, including rural areas, and will consider which factors should be taken into account when considering a local authority’s relative resources. This consultation is the subject of a report elsewhere on the agenda for this meeting.

2.3 The key points of the settlement for Derbyshire Dales District Council are:-

- The (final) overall reduction in Settlement Funding Assessment (SFA), compared to 2017/18, is 11%, in line with the provisional settlement).

- The Government’s figure for Derbyshire Dales District Council’s spending power has reduced by 3.3% (4.2% in provisional settlement). This assumes that the council will increase its Council Tax by the maximum amount permissible before triggering a referendum, which is 2.99%.

- The Council Tax referendum trigger for Shire District Councils is set at 3% and an increase of more than £5 for a band D property.

- An increase of £79,000 in Rural Services Delivery Grant to £401,000 for 2018/19 (£322,000 for 2017/18).

- No transition grant for 2018/19 (£77,000 a year for 2016/17 and 2017/18).

- Confirmation that the Derbyshire Business Rates Pilot will operate for 2018/19.

2.4 The **final** Local Government Finance Settlement for the Council is summarised below:-

	2017/18 (adjusted)	**2018/19**	**Change**	**Comments**
Settlement Funding Assessment	£1.816m	£1.611m	-11.3%	Reduction is in line with 4-year offer (apart from changes to reflect the business rates pilot)
Council Spending Power (Government's calculation)	£8.683m	£8.396m	-3.3%	See table below.

The figures presented for SFA and Core Spending Power do not reflect the changes to Settlement Funding Assessment made for pilot Authorities.

The table below provides further information relating to the spending power:-

	2017/18 adjusted	**2018/19**	**Change**	**Comments**
Settlement Funding Assessment	£1.816m	£1.611m	-11.3%	Reduction is in line with 4-year offer (apart from changes to reflect the business rates pilot)
New Homes Bonus	£0.784m	£0.473m	-39.7%	Changes to scheme (see paragraph 3 below)
Rural Services Delivery Grant	£0.322m	£0.401m	+24.5%	£0.401m awarded for 2018/19 is now part of business rates pilot but shown here for consistent comparison
Transition Grant	£0.077m	£0m	-100%	Grant ceased
Council Tax	£5.660m	£5.874m	+4%	The Government's figure for 2018/19 assumes a council tax increase of 2.99% and an increase in the tax base to reflect new homes.
Business rates multiplier compensation	£0.24m	£0.37m	+54%	New grant
Total	**£8.683m**	**£8.396m**	**-3.3%**	

3. NEW HOMES BONUS

3.1 As part of the 2017/18 settlement, the Government made significant changes to New Homes Bonus funding, with allocations payments being paid for four years rather than six. No new allocations have been assumed after 2018/19. The table below shows the impact:

	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
New Homes Bonus	781	473	390	254	159	88

3.2 While the Secretary of State has confirmed that for 2018/19 there will be no new changes to the way New Homes Bonus works, there is a risk that the Government will review elements of the methodology for New Homes Bonus in future years, which poses a serious risk to future NHB receipts and, therefore, to the Council's future financial sustainability. As the assumed grant diminishes over the years, so does the risk.

4. BUSINESS RATES (NON DOMESTIC RATES)

Business Rates Retention

4.1 Members will be aware from previous reports to Council that the Government has announced a package of reforms to the Business Rates Retention Scheme including a move to **100% (now 75%)** rate retention and the end of the Revenue Support Grant. The intention is for the new system to be in place by the end of this parliament. The main proposals are:-

- Local Authorities (In our case Derbyshire Dales District Council and Derbyshire County Council) will retain 75% of business rates, rather than their current 49% (40% DDDC, 9% DCC).
- Local Authorities will be able to retain income from growth, i.e. there will be no levy.
- The reform will be fiscally neutral and Local Authorities will have new responsibilities and / or government grants will be phased out.
- Local Authorities will be able to reduce the business rate multiplier (and combined authority mayors will be able to increase multipliers).
- There will still be a system of tariffs and top ups subject to an assessment of needs.

Business Rates Pilot

4.2 As part of the Finance Settlement, it was confirmed that the Derbyshire Business Rates Pilot has been approved for 2018/19. It is expected that this will increase income for Derbyshire Dales District Council for 2018/19; estimated rates income for the year has been increased by £200,000. A working group of Finance Officers from all Derbyshire Authorities has been established to monitor the pilot.

5. COUNCIL TAX REQUIREMENT

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

	Estimate 2017/18 £	Revised Estimate 2017/18 £	Estimate 2018/19 £
Net Cost of Services (as Appendix 1)	**9,027,186**	**8,397,758**	**8,865,145**
Net interest	189,000	189,000	189,000
Statutory sum for debt repayment	575,566	575,566	582,172
Council tax collection fund deficit / (surplus)	(48,334)	(48,334)	(60,767)
NDR collection fund (surplus) / deficit	62,697	62,697	731,000
External Funding Requirement	**9,806,115**	**9,176,687**	**10,306,550**
Funded by:			
Revenue Support Grant	(252,000)	(252,000)	38,000
Retained Business Rates	(2,169,000)	(2,719,847)	(2,609,118)

New Homes Bonus	(781,000)	(781,256)	(472,623)
Rural Services Delivery Grant	(322,000)	(322,000)	(401,000)
Transition Grant	(77,000)	(77,000)	0
Disabled Facilities Grant	(270,000)	(454,888)	(453,873)
Total External funding (excl. council tax)	**(3,871,000)**	**(4,606,991)**	**(3,898,614)**
Transfer to/(from) strategic reserves (detailed in Appendix 7)	**(275,630)**	**1,089,789**	**(518,043)**
Council Tax Requirement (Appendix 2)	**5,659,485**	**5,659,485**	**5,889,893**

5.2 The revised estimates for 2017/18 result in an under-spending of £460,000 against the original budget. The Medium Term Financial Strategy recommends that any under-spending is transferred to the Capital Programme Reserve and/or the Invest to Save Reserve. The "Planning for the Future - Commercialism" report, earlier on the agenda for this Council meeting, recommends that the Invest to Save Reserve is converted to the investment Fund and used to support the Commercial Investment Strategy. A report related to the capital programme, also elsewhere on the agenda for this Council meeting, shows that there are the Capital Programme Reserve and other sources of capital funding are sufficient to meet the current 5-year capital programme and those potential future liabilities that have been costed. Therefore, it is proposed that the under-spending of £460,000 for 2017/18 should be transferred to the Investment Fund to support future commercial activities.

5.3 A summary of variances when comparing the 2017/18 revised estimate to the original estimate is given in Appendix 3. Significant variances (over £100,000) are shown in the table below:-

Budget Head	Variance £000
Indexation of contract payments greater than included in budget	120
Provision for consultancy for waste contract (see below)	150
Reduced salary costs	(123)
Increased income from car parking charges	(128)
Increased income from leisure centres	(156)
Additional business rates income relating to renewable energy	(150)

5.4 The Waste Management Contract, currently provided by Serco, is due to end in 2020. It is the biggest single contract let by the District Council, costing approximately £2m per year and one of the most high profile services received by the public. Similar to the Leisure Review, the procurement of such a large and complex contract will take approximately two years to complete, so it is vital work starts on this in the coming weeks. An internal waste procurement group has already been formed, it will be chaired by Steve Capes and project managed by Ashley Watts, as well as involving colleagues which specialist knowledge from other departments.

5.5 It is important that in planning the future of the waste collection service in Derbyshire Dales, the rapid pace of change in waste management and the financial impact of this needs to be considered. The District Council has learnt from other projects that specific industry guidance as well specialist legal and procurement support helps to get the best out of the of current market. In order to achieve this, it is requested that a sum of £150,000 is made available from the General Reserve to procure this support. A report offering greater detail on the process, aims and objectives of the waste management service procurement will be presented to Council on 12 April this year.

5.6 The estimates for 2018/19 result in an increased council tax requirement of £230,000 on the original budget for 2017/18. A summary of variances when comparing the 2018/19 estimate to the 2017/18 estimate is given in Appendix 4. Significant variances (over £100,000) are shown in the table below:-

Budget Head	Variance £000
Reduced settlement funding (Revenue Support Grant, Transition Grant and New Homes Bonus)	675
Increase in retained business rates	(266)
Inflation	265
Increased income from car parking charges	(157)
Savings from Leisure Services review (see 6.4 below)	(350)
Reduction in use of reserves	174

5.7 The Summary Revenue Account (Appendix 2) sets out the spending proposals for this Council and the precepts of the Town/Parish Councils for 2018/19. The estimates of cost reflect the spending needs of the current service plans and policies of the Council. Following the transfers to/from reserves, there is a breakeven position in the 2018/19 budget, with expenditure matched by income.

6 SAVINGS FROM SERVICE REVIEWS AND OTHER SOURCES

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

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

6.3 The following STEP reviews (Savings, Transformation, Efficiencies and Performance) were carried out in 2017/18 with action plans now being monitored by the Corporate Leadership Team:-

- Housing

- Environmental Health
- Burials
- HR and Payroll

6.4 Savings from these reviews have not yet been identified and, therefore, have not been included in the proposed budget for 2018/19, the medium term financial plan or the efficiency plan.

6.5 Savings of £350,000 from the Leisure Review have been brought into the budget for 2018/19 as Members have already approved the outsourcing of the management of Leisure Centres. The figure of £350,000 represents the expected savings from 1st June 2018, i.e. 10 months. A special Council meeting on 15 March 2018 will deal with the award of the contract. If these savings are not achieved, it will be necessary to identify other efficiency savings and/or to use the general Reserve to balance the 2018/19 budget.

6.6 The need to achieve further savings is set out in the Medium Term Financial Plan (see Appendix 5 and section 8 of this report). The following service reviews are currently in progress:-

- Public conveniences
- Car mileage expenses

6.7 Savings from these service reviews have not yet been approved and, therefore, have not been included in the proposed budget for 2018/19 or the medium term financial plan. However, anticipated savings from these reviews have been included in the Efficiency Plan.

7. COUNCIL TAX

Council Tax Collection Fund Balance

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

7.2 At 31st March 2018 there is expected to be a surplus on the Council Tax collection fund. The District Council's share of the surplus is £61,000, which has to be taken into account in setting the 2018/19 Council Tax level.

Non-domestic Rates Collection Fund Balance

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

7.4 At 31st March 2018 there is expected to be a deficit on the non-domestic rates collection fund. The District Council's share of the deficit is £601,000, which has to be taken into account in setting the 2018/19 Council Tax level. The deficit has arisen because the number and value of appeals was much higher than had been expected. It is proposed to transfer £601,000 from the Business Rates Fluctuations Reserve in 2018/19 to mitigate the impact of this deficit.

7.5 Taking the above factors into account, this Council's requirement from the Council Tax for 2018/19, including a comparison with 2018/19, is calculated as follows:-

	2018/19	2017/18
Total to be met from Council Tax	£5,889,893	£5,659,485
Council Tax Base	28,833.86	28,534.26
DDDC Council Tax - Band D	**£204.27**	**£198.34**
Increase of £5.93	2.99%	

7.6 Under the Localism Act 2012 and the Local Authorities (Conduct of Referendums) (Council Tax Increases) (England) Regulations 2012, the Secretary of State for Housing, Communities and Local Government has proposed the following council tax principles:

"For 2018/19, the relevant basic amount of council tax of an authority which belongs to the category mentioned in paragraph 2(c) is excessive if the authority's relevant basic amount of council tax for 2018-19 is—

(a) 3%, or more than 3%, greater than its relevant basic amount of council tax for 2017-18; and
(b) more than £5 greater than its relevant basic amount of council tax for 2017-18."

7.7 The recommendations in this report do not exceed that limit.

7.8 The table below shows the band D Council tax for 2018/19 and the previous 5 years:-

Financial Year	Band D Council Tax	Increase on Previous Year
2013/14	£189.66	0%
2014/15	£189.66	0%
2015/16	£189.66	0%
2016/17	£193.34	1.94%
2017/18	£198.34	2.59%
2018/19	£204.27	2.99%

8. MEDIUM TERM FINANCIAL PLAN & EFFICIENCY PLAN

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

8.2 The Medium Term Financial Plan, shown at Appendix 5, sets out in broad terms the anticipated future spending requirements. This takes account of current and known additional requirements, including the impact of the current two-year pay offer. The quantified additional requirements are based on the planned intentions of the Council and any future impact of decisions already implemented, but cannot be conclusive, as other changes will undoubtedly occur over time.

8.3 The Medium Term Financial Plan demonstrates that there is a balanced budget for 2018/19. However, the Medium Term Financial Plan shows that further grant losses are expected in the period 2019/20 to 2020/21, and that as a result, savings of around £1 million could be required over the next two financial years, with savings of £0.1m being required in 2019/20, rising to £1m in 2020/21. Ongoing savings must be identified as soon as possible in order to close that gap and to assist in dealing with other potential future liabilities that have not yet been estimated.

8.4 The assumptions made in preparing the Medium Term Financial Plan are shown in Appendix 5. It is possible that some of these assumptions may turn out to be too cautious or over-optimistic. Some scenario testing has been carried out to demonstrate the impact of different assumptions on the savings requirement identified in the medium term plan. The results of that testing is set out below:

	Estimates 2019/20 £000s	Estimates 2020/21 £000s	Estimates 2021/22 £000s	Estimates 2022/23 £000s
MTFP, as Appendix 5 Surplus (-) / Deficit	112	987	1,055	1,146
Loss of new homes bonus from 2019/20 Surplus (-) / Deficit would be:	502	1,241	1,214	1,234
Further Allocations of New Homes Bonus after 2018/19 Surplus (-) / Deficit would be:	50	771	684	620
Business rates income reduces to 50% of 2018/19 level from 2019/20 Surplus (-) / Deficit would be:	638	1,499	1,577	1,678
RSDG amount reflected in increased business rates Baseline Funding Level from 2020/21 Surplus (-) / Deficit would be:	112	665	733	824
No growth in council tax base from 2018/19 Surplus (-) / Deficit would be:	172	1,047	1,115	1,206
Contracts due for renewal in 2020 cost extra £500,000 p.a. (from 2020/21) Surplus (-) / Deficit would be:	112	987	1,555	1,646

8.5 At the Council meeting in November 2017, Members approved a Corporate Savings Target of £1.7m by 2020/21 and an Efficiency Plan that showed the ways in which the Council planned to achieve the required savings that had been identified in the Medium Term Financial Plan at that time. This report indicates that it is now necessary to set a new Corporate Savings Target – to achieve savings of £1m over the next two years (by 2020/21).

8.6 The table below shows the movement in the savings target for 2020/21:-

	£000s
Savings Target as at November 2017	**1,661**
Additional inflation, mainly due to pay offer	153
Additional income from council tax and retained rates	(248)
Loss of New Homes Bonus	84
Savings from leisure review	(400)
Savings from Livestock Market lease	(73)
Savings on Environmental Services	(175)
Other	(15)
Savings Target as at March 2018	**987**

8.7 The updated Efficiency Plan in Appendix 6 shows how it is expected to achieve the required savings. However, for 2020/21, around £600,000 of efficiency savings have yet to be identified. The Council will review and reduce spending across all services while attempting to minimise as far as possible the impact on residents. However, given the scale of the required savings, it is inevitable that there will be some impact on frontline services and residents. As well as service reviews, the Council will also use the following techniques to identify savings:-

- Considering shared services & other alternative service delivery methods, e.g. those agreed for Revenues & Benefits, ICT Service, Internal Audit, Building Control and Leisure Centres.
- Reducing fixed and variable employee costs while protecting existing employees as far as practicable.
- Making best use of our assets.
- Assessing utilisation of reserves and balances.
- Considering more commercial activities, subject to risk assessments.
- Generating additional income through new income streams.
- Increasing fees and charges.
- Considering future Council Tax increases.

9. RESERVES AND BALANCES

9.1 In examining the immediate and longer term spending plans, for both revenue and capital, it is necessary to consider the levels of balances which are available and, of those, the ones that will be required to meet spending plans. Transfers to/from reserves are detailed in Appendix 7. The estimated position on the Council's Reserves and Balances as at 31st March 2018 and 31st March 2019 is detailed in Appendix 8. A number of points need to be taken into account:-

Working Balances

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

9.3 In the absence of these balances any such expenditure would fall directly on the General Fund and Council Tax requirement. This could result in significant financial consequences for service provision. As budgets have been tightened and contingencies removed, the need for adequate working balances becomes even more important. Whilst it is impossible to advise on the precise level because of the uncertainty involved, it is considered prudent to retain uncommitted working balances of approximately 10% of net revenue expenditure. Working balances at 1st April 2018 are set at £1,000,000, which is considered adequate for the purpose described above.

Use of Balances

9.4 The effect of the Council's spending proposals and commitments on the General Reserve is shown in the Medium Term Financial Plan in Appendix 6, and a summary of reserves is given in Appendix 8. It can be seen that the estimated General Reserve balance is £1,014,000 at 1st April 2018.

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

9.6 It should be noted that the approved Medium Term Financial Strategy allows the General Reserve to be used for meeting “one-off” expenditure or for “invest-to-save” proposals, but restricts its use for funding ongoing revenue expenditure to exceptional circumstances.

Earmarked Reserves

9.7 The Council has strategic reserves for specific purposes and these should continue to be earmarked for the identified purpose. This ensures the availability of the amounts in these reserves for those purposes and defrays demands on the revenue spending and general balances. Details of transfers to/from reserves are shown in Appendix 7 and details of earmarked reserves are given in Appendix 8.

9.8 It is important that reserves are reviewed on at least an annual basis to ensure they are adequate for the purpose, but not excessive, based on an assessment of needs, an understanding of risks, and taking into account the opportunity costs of maintaining reserves. An annual review of earmarked reserves is given at Appendix 9. The statement lists the various earmarked reserves, the purposes for which they are held, and provides advice on the appropriate levels.

9.9 Following this review of reserves, earmarked reserves are estimated to total £9.3 million at 31st March 2018 and £6.9 million at 31st March 2019.

10 HEAD OF RESOURCES' REPORT

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

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

10.2 In accordance with this requirement, the Head of Resources is of the opinion that the processes used in calculating the net budget requirement for 2018/19 are robust. In reaching this opinion, the Head of Resources is satisfied that adequate account has been taken of the following factors:-

- last year's outturn;
- the current year's income and expenditure to date;
- pay & price increases;
- pension contributions;
- the impact of interest rate movements;
- demand for services;
- the revenue impact of capital investment;
- local predictions of future grant settlements;
- debt recovery performance;
- future Council Tax Base changes;
- future increases in Council Tax;
- expected income from business rates;
- the timing and level of capital receipts;
- expected savings from service reviews;
- a realistic forecast has been made of major income streams, e.g. car parks income;
- the effect of the V.A.T. partial exemption calculation;
- resource allocations are in line with Council policies and priorities;
- the budget process is supported by clear guidelines in the approved Financial Strategy, a clear timetable with allocated roles and responsibilities, and a Budget Holder's Manual for staff involved in the preparation of estimates.

10.3 The Head of Resources is also satisfied that the Council's Financial Reserves, as summarised in Appendices 8 & 9, are adequate. In reaching this opinion, the Head of Resources has taken into account the following factors:-

- the budget process is robust and accurate for the reasons given above;
- an assessment has been made of the major risks;
- the Council does not have a history or culture of overspending its budgets;
- the level of reserves has been determined with regard to CIPFA guidance on local authority reserves and balances (LAAP Bulletin 77);
- the Council has adequate systems of budgetary control throughout the year.

11. TOWN / PARISH PRECEPTS

11.1 The precepts of Town/Parish Councils for 2018/19 are shown in Appendix 10 to this report and total £1,519,747, an increase of £79,655 (5.5%) over 2017/18.

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

11.3 The average Parish Council Tax increases from £50.47 in 2017/18 to £52.71 in 2018/19, an increase of £2.24 (4.4%).

12. CONSULTATION

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

12.2 The Council carried out consultation at a series of Community Forum meetings, giving Council Tax payers an opportunity to discuss the Council's budget and Council Tax proposals. Meetings have been held as follows:-

- 30 January 2018 – Central Community Forum, Matlock Town Hall
- 7 February 2018 – Southern Community Forum, Henmore Suite, Ashbourne
- 14 February 2018 – Northern Community Forum, Bakewell Agricultural & Business Centre

12.3 The statutory consultation with representatives of National Non-Domestic Ratepayers was carried out as follows:-

- An invitation to meet the Head of Resources was extended to the East Midlands Chamber of Trade and Business Peak District (as organisations that represent rate payers in the area covered by the Dales).
- Other business group were provided with details of the Council's spending proposals and invited to attend the business forum or submit their responses by email to the Head of Resources.

12.4 A verbal update on the outcome of the consultation will be given at the Council meeting.

13. RISK ASSESSMENT

13.1 **Legal**

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

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

13.2 **Financial**

Significant risks within the revenue budget include:-

- Uncertainty about the level of Government funding (especially New Homes Bonus) and the business rates retention scheme, especially from 2020/21 onwards. This financial risk is assessed as High.
- Uncertainties relating to business rates income, which can be very volatile. This risk is assessed as High.
- Uncertainty regarding contracts coming to the end of their terms during the period covered by the MTFP. The financial impact is difficult to forecast at this stage and while an estimate has been included in the MTFP, this may prove to be inaccurate. This financial risk is assessed as High.
- Targeted savings not being achieved. As stated in the body of the report, The Medium Term Financial Plan indicates that a new Corporate Savings Target must be set to identify further ongoing savings (or additional income) of £1m over the next two years, by 2020/21. The Efficiency Plan aims to identify areas where significant savings may be made in order to balance budgets over the medium term. The efficiency plan in Appendix 6 shows that further savings of around £600,000 must be found before 2020/21 in order to balance that year's budget. It is hoped that the Commercial Strategy, mentioned in the Planning for the Future report elsewhere on the agenda of this meeting, will help to deliver savings to close this gap. This financial risk is therefore considered to be High.
- Significant income items not being achieved. The Council has no direct control over, for example, the level of car parking income, which is affected by factors such as the weather. This source of income is significant to the Council's budget process and, therefore, this financial risk is assessed as High.

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

13.3 **Corporate Risk**

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

14. OTHER CONSIDERATIONS

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

15. CONTACT INFORMATION

Karen Henriksen, Head of Resources
Telephone : 01629 761284
Email: karen.henriksen@derbyshiredales.gov.uk

16. BACKGROUND PAPERS

Date	Description	Location
06/02/17	Details of Local Government Finance Settlement	https://www.gov.uk/government/collections/final-local-government-finance-settlement-england-2018-to-2019

17. ATTACHMENTS

Appendix 1 Service Summary
Appendix 2 Summary Revenue Account
Appendix 3 Variations in revised spending proposals 2017/18 compared with original estimate
Appendix 4 Variations in spending proposals 2018/19 compared to 2017/18/ original estimate
Appendix 5 Medium Term Financial Plan
Appendix 6 Efficiency Plan
Appendix 7 Transfers to and from Earmarked Reserves
Appendix 8 Summary of Revenue Balances, Provisions and Earmarked Reserves
Appendix 9 Annual Review of Earmarked Reserves
Appendix 10 Parish Precepts
Draft service plans for each service **(booklet circulated separately)**

BACK TO AGENDA

APPENDIX 1

SERVICE SUMMARY

	2016/17 Actual £	2017/18 Estimate £	2017/18 Revised £	2018/19 Estimate £
Car Parking	(1,881,229)	(1,651,480)	(1,812,277)	(1,807,453)
Central Services	1,417,594	1,556,364	1,639,290	1,726,562
Clean and Green	1,552,586	1,736,520	1,578,172	1,728,851
Community Development	281,993	322,233	328,787	302,317
Corporate and Democratic Costs	1,469,754	1,468,931	1,375,744	1,396,425
Development Control and Planning	(22,825)	70,829	153,619	(2,798)
Economic Development	232,474	290,003	269,295	282,574
Electoral and Democratic Services	296,266	325,383	307,423	338,605
Environmental Services	83,169	122,092	11,765	19,286
Estates and Facilities	433,613	418,057	391,266	449,464
Grants and Subsidies	48,880	71,278	60,703	55,728
Housing Benefit	11,460	226,491	218,888	200,380
ICT	374,429	420,528	408,799	414,029
Insurance	199,481	199,597	203,855	216,878
Leisure	806,401	741,233	874,061	671,673
Markets	(294,901)	(214,767)	(324,636)	(269,561)
Parks and Cemeteries	27,660	168,914	136,956	160,859
Planning Conservation	73,768	79,464	82,192	77,269
Private Sector Housing	373,160	698,218	280,445	879,992
Public Conveniences	385,210	298,015	337,739	317,885
Regulatory Services	239,172	407,162	424,373	378,631
Revenues and Benefits	110,744	124,869	204,046	154,001
Tourism Incl illuminations	31,035	31,173	79,110	66,357
Waste Management	972,826	1,116,079	1,168,143	1,107,191
Cost of Services	7,222,720	9,027,186	8,397,758	8,865,145

APPENDIX 2

SUMMARY REVENUE ACCOUNT

	Actual 2016/17 £	Estimate 2017/18 £	Revised Estimate 2017/18 £	Estimate 2018/19 £
Cost of services (As shown in Appendix 1)	**7,222,720**	**9,027,186**	**8,397,758**	**8,865,145**
Non-service items:				
Interest on balances	(46,814)	(36,000)	(36,000)	(36,000)
Borrowing Interest Paid	225,046	225,000	225,000	225,000
Local Council Tax Support Scheme	22,551			
Statutory for Debt management	602,228	575,566	575,566	582,172
CT Collection Fund (Surplus)/Deficit	(36,912)	(48,334)	(48,334)	(60,767)
Business Rate Collection Fund (Surplus)/Deficit	263,334	62,697	62,697	731,000
Funding Requirement	**8,252,153**	**9,806,115**	**9,176,687**	**10,306,550**
Funded by:				
External Funding				
Retained Business including section 31 Grant (and RSDG in 2018/19)	(2,425,103)	(2,169,000)	(2,719,847)	(3,010,118)
Revenue Support Grant	(736,448)	(252,000)	(252,000)	38,000
Rural Services Delivery Grant	(398,702)	(322,000)	(322,000)	0
Disabled Facilities Grant	(416,343)	(270,000)	(454,888)	(453,873)
New Homes Bonus	(1,006,042)	(781,000)	(781,256)	(472,623)
RSG Transitional Grant	(77,226)	(77,000)	(77,000)	0
Total External Funding	**(5,059,864)**	**(3,871,000)**	**(4,606,991)**	**(3,898,614)**
Transfers to/from Strategic Reserves (As detailed in Appendix 7)	**2,266,728**	**(275,630)**	**1,089,789**	**(518,043)**
Transfer to General Reserve	**6,761**			
Total Funding	**(2,786,375)**	**(4,146,630)**	**(3,517,202)**	**(4,416,657)**
DISTRICT COUNCIL TAX REQUIREMENT	**5,465,778**	**5,659,485**	**5,659,485**	**5,889,893**
Town and Parish Council Precepts (As detailed in Appendix 10)	1,382,972	1,440,092	1,440,092	**1,519,747**
TOTAL REQUIREMENT INCL. PARISHES	**6,848,750**	**7,099,577**	**7,099,577**	**7,409,640**

Council Tax Base	28,270.29	28,534.26	28,534.26	28,833.86	
BASIC AMOUNT OF TAX BAND D (including average Town/Parish)	£242.26	£248.81	£248.81	£256.98	3.3% Increase
DDDC AMOUNT OF TAX BAND D	£193.34	£198.34	£198.34	£204.27	2.99% Increase
AVERAGE TOWN/PARISH BAND D COUNCIL TAX	£48.92	£50.47	£50.47	£52.71	4.4% Increase

APPENDIX 3

SIGNIFICANT VARIATIONS IN REVISED SPENDING PROPOSALS 2017/18 COMPARED TO ORIGINAL ESTIMATE

Item	**Variance £000s**
Increases in Cost / Reductions in Income	
Indexation of contract payments	120
Temporary project staff	43
Reduction in illumination surplus	37
Increase in vehicle parts, servicing and repairs	34
Consultancy costs for leisure review	75
Redundancy payments	34
Provision for waste contract consultancy	150
Net other variances	17
Total Increases in Cost / Reductions in Income	**510**
Reductions in Cost / Increases in Income	
Reduction in general premises costs inc repairs, maintenance and cleaning	(79)
Increased car parking income	(128)
Reduced salary costs	(123)
Reduction in maintenance of car parking machines	(18)
Increased land charges income	(28)
Increased income from planning fees	(20)
Increased income from Livestock Market Commission	(30)
Savings from new arrangements at Livestock Market	(54)
Additional renewable energy rating income	(150)
Reduction in vehicle lease costs	(64)
Increased Leisure centre income	(156)
Additional grant income	(47)
Sale of non capital items	(24)
Reduction in purchases of waste containers	(49)
Total Reductions in Cost / Increases in Income	**(970)**
Reduction in revised budget proposals for 2017/18, compared with original estimate	**(460)**

APPENDIX 4

SIGNIFICANT VARIATIONS IN SPENDING PROPOSALS 2018/19 COMPARED TO 2017/18 ORIGINAL ESTIMATE

Item	Variance £000s
Increases in Cost / Reductions in Income	
Reduced settlement funding (Revenue Support Grant and New Homes Bonus)	675
Inflation	265
Contract indexation	33
Contribution to Election reserve	30
Reduction in illuminations surplus	37
Temporary project staff	48
Reduction in use of reserves	174
Total Increases in Cost / Reductions in Income	**1,262**
Reductions in Cost / Increases in Income	
Increase in retained business rates, net of Section 31 grant, change in RSDG and transfers to/from business rates fluctuations reserve	(266)
Additional Housing Benefit Admin grant	(37)
Additional car parking income	(157)
Savings from new arrangements at ABC	(73)
Provision for staff turnover	(25)
Savings from Leisure Services review	(350)
Increased land charges income	(28)
Savings in Environmental Services	(77)
Other minor variances	(19)
Total Reductions in Cost / Increases in Income	**(1,032)**
Increase in council tax requirement for 2018/19, compared with original estimate 2017/18	**230**

APPENDIX 5

MEDIUM TERM FINANCIAL PLAN

	Note	Revised Estimate 2017/18	Estimate 2018/19	Forecast 2019/20	Forecast 2020/21	Forecast 2021/22	Forecast 2022/23
		£000s	£000s	£000s	£000s	£000s	£000s
Existing Funding Requirement		9,488	9,488	9,488	9,488	9,488	9,488
Future Commitments / savings							
Inflation – pay awards	1		269	566	731	899	1,071
Inflation - general	2		29	83	118	163	222
Additional Disabled Facilities Grants matched by increased funding		185	184				
Transfer to Vehicle Renewals Reserve (annual contributions)		150	150	150	150	150	150
Transfer to Local Plan Reserve (annual contributions)			50	50	50	50	50
Transfer to Elections Reserves (annual contributions)			30	30	30		
Transfer from Wheeled Bin Reserve (one-off)		(202)					
Indexation of Contract payments		120					
Housing Benefits and Council Tax Administration Subsidy		(47)	(37)	(14)	9	32	55
Cost of implementing National Living Wage				6	6	6	6
Potential increase in pension contributions following revaluation of fund					150	150	150
One-off consultancy costs for planning policy & development control		50					
Renewal of contracts					300	300	300
Staff Turnover		(123)	(25)	(25)	(25)	(25)	(25)
Savings from previously identified in efficiency plan		(54)	(35)	(61)	(70)	(71)	(71)
Management arrangement for Leisure Services			(350)	(400)	(400)	(400)	(400)
Savings in Environmental Services		(84)	(104)	(141)	(141)	(141)	(141)
Increase income from Parking		(128)	(157)	(161)	(165)	(169)	(173)
Other Savings from base budget review		(56)	43	(16)	(47)	(47)	(47)
Total Net Spending Requirements		**9,299**	**9,535**	**9,555**	**10,184**	**10,385**	**10,635**
Funded by:							
Revenue Support Grant	3	252	0	(362)	(371)	(380)	(390)
Business Rates Baseline Funding	4	1,564	1,612	1,648	1,731	1,766	1,801
Settlement Funding Assessment		1,816	1,612	1,286	1,360	1,386	1,411
Financing from Council Tax	5	5,659	5,890	6,064	6,242	6,423	6,608
Council Tax Collection Fund (surplus) / deficit		48	61				
Additional Business Rates above baseline inc S31 grant	6	793	944	1,111	1,071	1,092	1,112
NNDR levy, net of income from NNDR Pool	7	(130)					
NNDR Collection Fund surplus / (deficit)		(62)	(731)				
New Homes Bonus	8	781	473	390	254	159	88
Rural Services Delivery Grant (shown as business rates adjustment in 2018/19, as part of pilot)	9	322	401	322			
Transition Grant		77					
Disabled Facilities Grant		455	454	270	270	270	270
Total Income		**9,759**	**9,104**	**9,443**	**9,197**	**9,330**	**9,489**
Transfer to / (Use of) Reserves							
Underspend transferred to Investment Fund		460					
Business Rate Fluctuations Reserve			(431)				
Corporate Savings Target		**0**	**0**	**112**	**987**	**1,055**	**1,146**

Notes to MTFP:

1. Assumes annual pay awards of 2% from 2020/21 after current 2 year offer
2. General inflation assumed at 3% per annum
3. SFA as proposed four year deal announced February 2016 updated for 2018/19 final settlement
4. Based on DCLG final settlement and NDR pilot adjustment
5. Assumes that Council Tax will increase by £2.99% for a band D for 2018/19, then by 1.94% p.a. from 2019/20.
6. Assumes Business Rates Income will increase by 3% per annum
7. NNDR pooling replaced in 2018/19 with pilot scheme for 1 year
8. New Homes Bonus is awarded for 5 years for 2017/18 then for 4 years from 2018/19; assumed no further awards after 2018/19
9. Assumes no further awards of Rural Services Delivery Grant after 2019/20 (will be part of baseline funding level from 2020/21).

APPENDIX 6

EFFICIENCY PLAN

	Forecast 2018/19 £000s	Forecast 2019/20 £000s	Forecast 2020/21 £000s	Forecast 2021/22 £000s	Forecast 2022/23 £000s
Existing Funding Requirement (see MTFP)	**0**	**112**	**987**	**1,055**	**1,146**
Service changes					
Markets review	(8)	(15)	(40)	(40)	(40)
Public conveniences review	(120)	(240)	(240)	(240)	(240)
Transformation					
Essential user review	0	(40)	(40)	(40)	(40)
Efficiency savings from STEP Reviews	0	0	(10)	(10)	(10)
Better Procurement	(20)	(20)	(20)	(20)	(20)
Additional income					
CT Empty Homes Premium	0	(10)	(10)	(10)	(10)
Residents' car parks permit increase	0	(6)	(12)	(18)	(18)
Commercial Activity	0	0	(20)	(20)	(20)
Efficiency Plan Total	**(148)**	**(331)**	**(392)**	**(398)**	**(398)**
Total Net Spending Requirements	**(148)**	**(219)**	**595**	**657**	**748**

APPENDIX 7

TRANSFERS TO AND FROM EARMARKED RESERVES

	Actual 2016/17 £	Estimate 2017/18 £	Revised Estimate 2017/18 £	Estimate 2018/19 £
Transfers to Reserves				
Vehicle Renewals Reserve	150,000	150,000	150,000	150,000
Capital Programme Reserve	1,195,749	30,238	30,238	0
Local Plan Reserve	0	0	0	50,000
Elections Reserve	19,118	10,000	30,000	30,000
Business Rates Fluctuations Reserve	600,000	0	493,267	0
Insurances Reserve	8,776	10,000	0	0
Revenue Grants Unapplied	565,507	83,998	988,700	397,000
Investment Fund	0	0	460,000	0
Total transfers to reserves	**2,539,150**	**284,236**	**2,152,205**	**627,000**
Less: Transfers from Reserves				
Building Control	0	(21,711)	0	0
Local Plan Reserve	(31,160)	0	0	0
Committed Expenditure Reserve	(97,882)	(24,995)	(136,221)	(17,756)
Business Rates Fluctuations Reserve	0	0	0	(431,267)
Revenue Grants Unapplied	0	(137,279)	(548,842)	(537,208)
Wheeled Bin Reserve	0	(202,318)	(202,318)	0
Ward Member Budgets	(32,315)	(39,000)	(61,625)	(35,100)
Invest to Save Reserve	(40,859)	(4,920)	(11,820)	(5,032)
Economic Development Reserve	(70,206)	(129,643)	(101,590)	(118,680)
Total transfers from reserves	**(272,422)**	**(559,866)**	**(1,062,416)**	**(1,145,043)**
Total transfers to/(from) reserves	**2,266,728**	**(275,630)**	**1,089,789**	**(518,043)**

APPENDIX 8

SUMMARY OF REVENUE BALANCES, PROVISIONS AND EARMARKED RESERVES

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

	Balance at 1st. April 2017	Estimated Contribution in 2017/18	Estimated use in 2017/18	Estimated Balance at 31st. March 2018	Estimated Contribution in 2018/19	Estimated Use use in 2018/19	Estimated Balance at 31st. March 2019
	£	£	£	£	£	£	£
Revenue Balances							
General Fund Working Balance*	1,000,000	0	0	1,000,000	0	0	1,000,000
General Reserve	1,013,750	0	0	1,013,750	0	0	1,013,750
Building Control	(98,501)	0	21,711	(120,212)	0	0	(120,212)
	1,915,249	**0**	**21,711**	**1,893,538**	**0**	**0**	**1,893,538**
Provisions							
Insurances	50,000	0	0	50,000	0	0	50,000
Earmarked Reserves							
Business Rates Fluctuations Reserve	789,016	493,267	0	1,282,283	0	431,267	851,016
Capital Programme Reserve	2,984,730	30,238	767,957	2,247,011	0	686,188	1,560,823
Carsington Improvements	33,452	0	6,690	26,762	0	6,690	20,072
Committed Expenditure	246,972	0	136,221	110,751	0	17,756	92,995
Economic Development	306,270	0	177,590	128,680	0	126,787	1,893
Elections	67,814	30,000	0	97,814	30,000		127,814
ICT Renewals	470,720	0	169,000	301,720	0	40,000	261,720
Insurances	506,581	0	60,000	446,581	0		446,581
Invest-to-Save Reserve / Investment Fund **	117,701	460,000	11,820	565,881	0	6,925	558,956
Job Evaluation	150,000	0	0	150,000	0		150,000
Local Plan	108,422	0	0	108,422	50,000		158,422
Member / Officer Indemnity	25,000	0	0	25,000	0		25,000
Vehicle Renewals	1,090,895	150,000	688,403	552,492	150,000	204,000	498,492
Wheeled Bins	202,318	0	202,318	0	0		0
Ward Member Budgets	104,525	0	61,625	42,900	0	35,100	7,800
	7,204,416	**1,163,505**	**2,281,624**	**6,086,297**	**230,000**	**1,552,820**	**4,763,477**
Other							
Revenue Grants Unapplied	3,140,829	988,700	908,576	3,220,953	397,000	1,472,708	2,145,245
TOTAL	**12,310,494**	**2,152,205**	**3,211,911**	**11,250,788**	**627,000**	**3,025,568**	**8,852,260**

* The General Fund Working Balance is specified as a “controlled reserve” for the purposes of Section 26 of the Local Government Act 2003.

** The Invest to Save Reserve is to be converted to the Investment Fund if Members’ approve the recommendation of the Planning for the Future Report.

ANNUAL REVIEW OF EARMARKED RESERVES

APPENDIX 9

Earmarked Reserve	Purpose	Appropriate Balance
Business Rates Fluctuations Reserve	To provide funding towards potential future losses on Non-Domestic Rates	As per Appendix 8.
Capital Programme Reserve	To provide funding for capital expenditure	As per Appendix 8.
Carsington Improvements	To provide grants towards projects in Parishes bordering Carsington Reservoir.	The reserve was initiated with a deposit from Severn Trent Water, and will continue until total grants awarded result in a balance of nil.
Committed Expenditure	Contributions in respect of expenditure which has been committed, but service not received at the end of the financial year, therefore an accrual is not appropriate.	As per Appendix 8.
Economic Development	To provide funding for economic development initiatives.	As per Appendix 8.
Elections	Annual revenue contributions to smooth the cost of four-yearly District Council elections.	To build up a reserve by 31st March 2019 towards the cost of the May 2019 election.
ICT Renewals	To provide funding for renewal of the Council's information technology equipment, including telephony & central printing equipment.	As per Appendix 8.
Insurances	To provide funding for uninsured losses.	A maximum balance of approximately £500,000 is considered appropriate.
Invest-to-Save Converted to Investment Fund	To provide funding towards, for example, interim and temporary resources to provide additional capacity and skills to support the change agenda, subject to suitable business cases. To support the Council's Commercial Strategy	As per Appendix 8.
Job Evaluation	To provide funding for potential additional costs of implementing job evaluation / single status.	As per Appendix 8.
Local Plan	Annual revenue contributions to smooth the cost of four-yearly review of the local plan.	As per Appendix 8.
Member/Officer Indemnity	To indemnify Members and officers against acts or omissions subsequently found to be ultra vires, and against defence costs of criminal proceedings.	£25,000 in accordance with minute 588/05.
Revenue Grants Unapplied	The balance of grants received but not yet spent, set aside to finance expenditure in future years.	As per Appendix 8.
Vehicle Renewals	To fund the replacement of the Council's vehicle fleet. The balance on this reserve has been re-examined based on the current fleet of vehicles and known requirements.	As per Appendix 8.
Wheeled Bins	To provide for the replacement of wheeled bins.	No longer required as sufficient in annual revenue budget.
Ward Member Budgets	To finance the Local Projects Fund for the four year period of office 2015-2019	As per Appendix 8.

APPENDIX 10

PARISH PRECEPTS

PARISH PRECEPT 2017/18	BAND D COUNCIL TAX 2017/18	PARISH	PARISH PRECEPT 2018/19	COUNCIL TAX BASE 2018/19	BAND D COUNCIL TAX 2018/19	INCREASE / DECREASE IN BAND D COUNCIL TAX
£	£		£		£	%
250,985	86.03	Ashbourne	256,344	3,057.56	83.84	-2.55
105,000	64.18	Bakewell	105,000	1,630.56	64.40	0.34
107,779	50.65	Darley Dale	135,500	2,151.64	62.98	24.34
264,080	79.78	Matlock	267,080	3,347.68	79.78	0
49,247	70.80	Tideswell	50,000	698.39	71.59	1.12
127,000	71.64	Wirksworth	145,000	1,784.14	81.27	13.44
0	0	Alkmonton & Hungry Bentley	550	66.45	8.28	
11,620	50.82	Ashford-in-the-Water	15,700	232.89	67.41	32.64
2,765	32.81	Ballidon & Bradbourne	2,765	85.48	32.35	-1.40
14,719	22.73	Baslow & Bubnell	14,719	641.43	22.95	0.97
4,158	53.75	Beeley	4,158	74.32	55.95	4.09
5,000	37.68	Birchover	5,500	131.25	41.90	11.20
14,134	43.76	Bonsall	18,500	331.63	55.79	27.49
689	7.50	Boylestone	703	91.79	7.66	2.13
2,500	16.89	Bradley	2,500	147.70	16.93	0.24
45,756	82.09	Bradwell	47,587	567.99	83.78	2.06
10,000	20.12	Brailsford	10,000	525.97	19.01	-5.52
13,000	51.12	Brassington	14,300	256.53	55.74	9.04
7,535	21.82	Calver	7,555	347.65	21.73	-0.41
4,897	38.26	Carsington & Hopton	4,902	126.86	38.64	0.99
5,435	38.20	Chelmorton	5,435	138.85	39.14	2.46
4,500	21.86	Clifton	4,500	208.06	21.63	-1.05
16,500	30.34	Cromford	17,000	542.52	31.34	3.30
900	9.15	Cubley	1,200	98.26	12.21	33.44
6,386	27.62	Curbar	6,578	229.85	28.62	3.62
10,461	17.44	Doveridge	10,670	594.16	17.96	2.98
700	12.64	Eaton, Alsop & Newton Grange	700	56.11	12.48	-1.27
1,150	13.24	Edlaston & Wyaston	1,200	86.44	13.88	4.83
7,400	48.00	Elton	7,770	158.40	49.05	2.19
25,200	58.64	Eyam	24,500	438.14	55.92	-4.64
1,400	19.99	Fenny Bentley	1,400	69.55	20.13	0.70
1,500	18.39	Flagg	1,500	79.36	18.90	2.77
2,000	24.20	Foolow	2,200	80.00	27.50	13.64
585	4.65	Froggatt	935	126.84	7.37	58.49
16,769	47.83	Great Longstone	16,769	349.07	48.04	0.44
6,405	15.36	Grindleford	6,500	420.23	15.47	0.72
1,800	12.22	Hartington, Middle Quarter	1,800	147.06	12.24	0.16
4,000	23.97	Hartington, Nether Quarter	4,000	166.42	24.04	0.29
6,000	36.87	Hartington, Town Quarter	8,000	160.48	49.85	35.20
500	11.23	Hassop	500	43.77	11.42	1.69
1,160,455		Balance Carried Forward	1,231,520	20,542.39		

PARISH PRECEPTS (CONTINUED)

PARISH PRECEPT 2017/18	BAND D COUNCIL TAX 2017/18	PARISH	PARISH PRECEPT 2018/19	COUNCIL TAX BASE 2018/19	BAND D COUNCIL TAX 2018/19	INCREASE / DECREASE IN BAND D COUNCIL TAX
£	£		£	£	£	%
1,160,455		Balance Brought Forward	1,231,520	20,542.39		
55,000	66.78	Hathersage (including Outseats)	56,000	825.89	67.81	1.54
4,500	35.24	Hognaston	4,550	128.02	35.54	0.85
1,785	17.04	Hollington	1,821	106.96	17.03	-0.06
4,500	32.95	Hucklow, Great & Little, & Grindlow	4,635	137.83	33.63	2.06
11,574	28.77	Hulland Ward	12,500	411.83	30.35	5.49
9,000	39.95	Kirk Ireton	9,000	227.44	39.57	-0.95
4,295	26.04	Kniveton	4,295	167.70	25.61	-1.65
7,762	25.99	Litton	7,924	296.02	26.77	3.00
3,000	17.63	Longford	3,400	170.46	19.95	13.16
1,650	27.83	Mappleton	1,650	58.01	28.44	2.19
3,000	18.03	Marston Montgomery	3,500	166.57	21.01	16.53
27,500	90.21	Matlock Bath	28,000	305.64	91.61	1.55
11,448	39.18	Middleton by Wirksworth	12,225	302.93	40.36	3.01
3,300	50.47	Middleton & Smerrill	3300	65.33	50.51	0.08
5,555	37.94	Monyash	6,388	147.42	43.33	14.21
1,650	12.27	Norbury & Roston	1,750	134.92	12.97	5.70
4,500	18.78	Northwood & Tinkersley	4,590	237.47	19.33	2.93
1,000	4.33	Offcote & Underwood	1,400	227.00	6.17	42.49
2,300	14.78	Osmaston & Yeldersley	2,300	158.02	14.56	-1.49
4,400	38.35	Over Haddon	4,700	118.83	39.55	3.13
8,500	40.17	Parwich	8,755	211.66	41.36	2.96
600	10.64	Pilsley	700	54.89	12.75	19.83
2,900	16.76	Rodsley & Yeaveley	2,900	180.50	16.07	-4.12
6,552	37.03	Rowsley	6,552	183.72	35.66	-3.70
1,500	37.59	Sheldon	1,500	42.02	35.70	-5.03
5,701	44.73	Shirley	4,236	127.54	33.21	-25.75
5,000	16.64	South Darley	5,000	296.87	16.84	1.20
6,300	39.26	Stanton-in-the-Peak	6,300	159.54	39.49	0.59
10,325	51.71	Stoney Middleton	10,635	202.48	52.52	1.57
6,000	37.89	Sudbury*	6,900	161.07	42.84	13.06
5,095	25.40	Taddington	5,245	199.06	26.35	3.74
15,124	30.27	Tansley*	16,636	498.54	33.37	10.24
2,250	27.20	Thorpe	2,250	83.16	27.06	-0.51
2,500	36.40	Tissington & Lea Hall	2,500	68.44	36.53	0.36
300	5.38	Wardlow	400	55.43	7.22	34.20
15,278	59.07	Winster	15,655	254.19	61.59	4.27
17,993	41.08	Youlgreave	18,135	444.52	40.80	-0.68
0	0.00	All other Parts of the Council's Area				
1,440,092		Total	1,519,747	28,833.86		

- Precepts for 2018/19 subject to formal confirmation

BACK TO AGENDA

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

COUNCIL
5 MARCH 2018

Report of the Head of Regeneration and Policy

CORPORATE PLAN 2018/19

PURPOSE OF REPORT

The Corporate Plan is the District Council's primary policy document. It sets out the top priorities for the District Council, and provides the framework for allocating scarce resources through the budget on this agenda. This report recommends the Corporate Plan targets for 2018/19, on the basis of the Corporate Plan 2015-2019 adopted in November 2015. The report also presents performance against the Corporate Plan targets 2017/18 as at the end of the third quarter.

RECOMMENDATIONS

1. Corporate Plan targets for 2018/19 are adopted as set out in section 2
2. Performance to date against 2017/18 Corporate Plan targets is noted

WARDS AFFECTED

All

STRATEGIC LINK

Every plan, strategy policy, and action of the District Councils flows from the Corporate Plan. The Corporate Plan is put into effect by the Budget, which in turn is supplemented by service plans, policies and strategies. Through the Performance and Development Review scheme (PDR), employees' activities and appraisals are linked to the Corporate Plan. The Corporate Plan reflects the Peak District Partnership Statement of Priorities 2015-2019, which highlights national and local priorities and how they affect the Derbyshire Dales. We describe this linking of common priorities from the Peak District Partnership, through our Corporate and Performance Plan, and ultimately to service plans and individual employees' PDR Plans, as our 'golden thread'.

---

1 BACKGROUND

1.1 The Corporate Plan sets out the vision, and aims of the District Council, and lists the key improvement priorities. The Corporate Plan is the primary strategy for the District Council as it sets out specific new areas to maintain and improve service delivery in the coming year.

1.2 To allocate resources solely based on priority areas for improvement is impossible, because the District Council has only limited flexibility within its budgets. Nevertheless, the Corporate Plan does give the Council an important steer on the direction of travel it needs to take when setting discretionary budgets. It indicates priority areas for improvement and helps direct where the District Council needs to focus service delivery and policy development. By *not* identifying other areas as priorities, the Corporate Plan indicates where discretionary budgets should not be focused.

1.3 The Corporate Plan 2015-2019 was adopted by Council on 19 November 2015 following very thorough public, staff and Member consultation. It identifies a **thriving district** as the priority for improvement and focussed attention. The three priorities set by Members, in order, are:

1. Business growth and job creation (helping new businesses to start; helping existing businesses to grow; and promoting key development sites in and around towns)
2. Affordable housing (identifying and delivering new affordable housing sites; reducing empty homes in the private sector; and improving housing opportunities for vulnerable people)
3. Market towns (reviving stall markets; and seeking public realm improvements)

The Corporate Plan also recognises the need to maintain a **clean and safe** district, and to continue to **seek efficiencies and innovative working practices** across all areas. The additional target area (under Affordable Housing) of 'reducing empty homes in the private sector' was added by Council on 30 November 2017, following a mid-term review of the Corporate Plan. The District Council's priorities are summarised below.

2 SETTING CORPORATE PLAN TARGETS 2018/19

2.1 In order to set budgets and plan services for the 2018/19 financial year, targets need to be set. Service targets come to Council at the same time as the budget is set, which enables resourcing to be taken into account.

2.2 Sixteen specific Corporate Plan targets for 2018/19 are proposed, in accordance with the target areas set by Council on 30 November 2017:

TARGET AREAS 2018/19	*TARGET FOR MARCH 2019*
Priority 1 - Increase business growth and job creation	
Help new businesses to start	• Enable 25 new businesses to start
Help existing businesses to grow	• Provide support to 75 established businesses in the Derbyshire Dales, enabling the creation of local jobs
	• 8 Derbyshire Dales businesses supported to access grants or loans from Government, EU and Local Enterprise Partnerships
Promote key development sites in/around towns	• Assist private sector partners to secure funding and commence work on a new access road at Ashbourne Airfield Industrial Estate, opening up 8 ha of new employment land
	• Develop a business case for the District Council to more directly intervene in the creation of employment units/ business workspace
Priority 2 - Affordable housing	
Identify and deliver new affordable housing sites	• Complete 105 new affordable homes
	• Develop a business case for the District Council to more directly secure and develop affordable housing
Reduce empty homes in the private sector	• Develop proposed activities to reduce overall long term empty homes
Improve housing opportunities for vulnerable people	• Provide debt and welfare advice to 250 vulnerable households
	• Provide adaptations to the homes of 50 disabled people
Priority 3 - Market towns	
Revive stall markets	• Encourage 2 more themed and farmers markets within existing District Council stall markets
	• Increase stall occupancy at District Council markets to 65%
Seek public realm improvements	• Prepare a draft Estate Regeneration Master Plan for Hurst Farm
	• Ensure the feasibility study for Bakewell Road (Matlock Community Vision) is complete
	• Achieve 75% resident satisfaction overall with Derbyshire Dales District Council keeping areas including highways free from litter
Other target	
-	• Continue a programme of efficiency savings and service reviews with a target of generating a further £1.7 million in savings by 2021/22 of which £630,000 is expected by 31 March 2019

2.3 Performance against the 2018/19 targets will be reported to Council during the coming year.

3 PERFORMANCE AGAINST CORPORATE PLAN TARGETS 2017/18

3.1 For the current year's Corporate Plan, Council on 2 March 2017 adopted thirteen specific targets for 2017/18. Progress to December 2017 (end of Q3) is as follows. Full details are set out in Appendix 1, and outturn performance will be published later this year.

TARGET AREAS	*TARGET FOR MARCH 2018*	*Q3 STATUS*
Priority 1 - Increase business growth and job creation		
Help new businesses to start	• Enable 25 new businesses to start	13 (Q1, Q2 & Q3)
Help existing businesses to grow	• Provide assistance to 75 established businesses in the Derbyshire Dales, enabling the creation of local jobs	58 (Q1, Q2 & Q3)
	• 8 Derbyshire Dales businesses supported to access grants or loans from Government and LEPs	7 (Q1, Q2 & Q3)
Promote key development sites in/around towns	• Assist private sector partners to secure Growth Deal funding and commence work on a new access road at Ashbourne Airfield Industrial Estate by March 2018, opening up 8 ha of new employment land	Project paused as County Council assess opportunity to serve whole site via single roundabout off A52 in place of consented signalised junction
Priority 2 - Affordable housing		
Identify and deliver new affordable housing sites	• Complete 63 new affordable homes	26 (Q1, Q2 & Q3)
Improve housing opportunities for vulnerable people	• Support 150 social housing tenants affected by Welfare Reform to access financial and budgeting advice, and where necessary, help move home	97 (Q1, Q2 & Q3)
	• Provide adaptations to the homes of 35 disabled people	59 (Q1, Q2 & Q3)
Priority 3 - Market towns		
Reviving stall markets	• Pilot two specialist markets within existing District Council stall markets	2 (Q1, Q2 & Q3)
	• Increase overall stall occupancy at District Council markets to 70%	60% (Q1, Q2 & Q3)
Seeking public realm improvements	• Subject to the results of the survey to be carried out by Matlock Bath Parish Council, conduct an audit of existing, replacement and new directional signs and interpretation signs between Matlock Bath and Cromford	Audit completed June 2017
	• Manage the restoration of the wrought iron railings at St Mary's Church, Wirksworth	Delays experienced
	• 75% customer satisfaction overall with Derbyshire Dales District Council keeping areas including highways free from litter	72%
Other targets		
	• Continue a programme of efficiency savings and service reviews with a target of generating £1m in savings	Not available until end of Q4

3.2 The current end of Q3 figures indicate that seven out of twelve targets for which data is available are on track to be achieved during 2017/18. Achievement is uncertain for a further two out of thirteen. Three targets are unlikely to be achieved on schedule. The detailed position for each of the key performance indicators for 2017/18 is set out in Appendix 2.

3.3 The Corporate Plan targets where performance is particularly strongly include:

- **Disabled Facilities Grants** – has already exceeded the annual target by 24 – due to a large increase in demand for the service as a result of reduced funding from previous providers (Dales Housing).

3.4 The Corporate Plan targets at risk of not being met on schedule are:

- **Assist private sector partners to secure Growth Deal funding and commence work on a new access road at Ashbourne Airfield Industrial Estate by March 2018, opening up 8 ha of new employment land**. This partnership scheme had been progressing with the full business case submitted to the LEP in August and revisions made by December. However, the project is now paused while the lead partner (Derbyshire County Council) assesses an alternative junction arrangement to the new access road to serve the whole site (phases 1 and 2) via a single roundabout off the A52 in place of the consented signalised junction. Their intention is to deliver the scheme later in 2018/19 in partnership with landowners.

- **Increased overall average stall occupancy at District Council markets to 70%**. Stall occupancy has been consistently below target for each quarter of 2017/18, and is currently 10% below target with one quarter remaining. Ashbourne markets in particular have seen a decline in stall occupancy over this year to date (from 58% to 32% for the Saturday market and 80% to 40% for the Thursday market). Promotion of the markets to encourage new traders is planned in the final quarter of 2017/18 to attract new traders for March, but the target set was challenging in the light of the national decline in markets.

- **% customer satisfaction overall with Derbyshire Dales District Council keeping areas including highways free from litter**. The response to this from on-line panel members was 3% lower than the target level (at 72% compared to a target of 75%), however satisfaction in 2016/17 was measured at 65%, so this year has in fact seen a 7% improvement.

3.5 The targets for which achievement is uncertain are:

- **No. of new business start-ups enabled by Derbyshire Dales Business Advice**. 12 more new business start-ups will need to be enabled in Q4 for this target to be achieved. The 'Launchpad' article in the Autumn edition of ‘dalesMATTERS’ led to a number of new clients engaged onto the programme, so further start-ups are anticipated in Q4.

- **Manage the restoration of the wrought iron railings at St Mary’s Church, Wirksworth, using capital funds**. This project was carried forward from 2016/17. It was originally scheduled to have started in summer 2017; the start was delayed (due to negotiations between various partners on the specification for the works and time taken to obtain legal agreements) and the condition of the stonework that the railings are set into has delayed the project further. Work on site has now had to stop until a period of warmer and drier weather. A recent change of project manager on the contractor side has resulted in improvements.

4 RISK ASSESSMENT

4.1 Legal

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

4.2 Financial

Service and financial planning is an integrated process. The budget and service plans are prepared simultaneously, and actions for 2018/19 are to be funded from within budgetary provision for 2018/19. The financial risk is therefore considered to be low at this stage.

4.3 Corporate Risk

There is a risk that Corporate Plan targets may not be achieved. Progress is monitored regularly by Service Heads and by Corporate Leadership Team. The risk of not achieving corporate targets is classified as medium.

5 OTHER CONSIDERATIONS

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

CONTACT INFORMATION

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

BACKGROUND PAPERS

Description	Date
Council report: Corporate Plan 2015-2019	19 November 2015
Council report: Corporate Plan – performance mid-year 2017/18 and targets 2018/19	30 November 2017

ATTACHMENTS

Appendix 1 Performance to date against Corporate Plan targets 2017/18

BACK TO AGENDA

APPENDIX 1 PERFORMANCE ON CORPORATE PLAN TARGETS 2017/18 Q3

Target Areas 2017/18	Target (by March 2018) and performance to end of Q3
Priority 1 - Increase business growth and job creation	
Help new businesses to start	Enable 25 new businesses to start : 13 The ERDF requirement for 12hrs support per client is impacting on numbers assisted. The 'Launchpad' article in Autumn DalesMatters has led to a number of new clients engaged onto the programme, so further start-ups anticipated in Q4.
Help existing businesses to grow	Provide support to 75 established businesses in the Derbyshire Dales, enabling the creation of local jobs : 58 On track.
	8 Derbyshire Dales businesses supported to access grants or loans from Government and Local Enterprise Partnerships : 7 On track, 4 EAFRD (RDPE Growth Programme) applications prepared with clients and due for decision in Q4
Promote key development sites	Assist private sector partners to secure Growth Deal funding and commence work on a new access road at Ashbourne Airfield Industrial Estate, opening up 8 ha of new employment land : Updated Business Case prepared but project paused with a view to delivering the scheme later in 2018/19 in partnership with landowners. Derbyshire County Council assessing opportunity to serve whole site (phases 1 and 2) via single roundabout off A52 in place of consented signalised junction. Positive meetings held with landowners. Decision to be made end April on form of access and ability to serve both phases. Now targeting project start in 2018/19.
Priority 2 - Affordable housing	
Identify and deliver new affordable housing sites	Complete 63 new affordable homes : 26 Including 7 homes on former Dales Housing garage sites and 6 bungalows in Ashbourne, 5 units on Dales Garage sites at Matlock, 6 at Moorcroft completed to date. A further 59 units should also complete in Q4 taking the total to 85.
Improve housing opportunities for vulnerable people	Support 150 social housing tenants affected by Welfare Reform access financial and budgeting advice, and where necessary, help move home : 97 25 new clients were advised in Q3, which is lower than Q3 last year (when 38 people were supported), with 24 continuing to receive support. 154 debt issues were tackled resulting in £240,769 of debt managed and £21,844 in financial gains.
	Provide adaptations to the homes of 35 disabled people : 59 Target exceeded.

Target Areas 2017/18	Target (by March 2018) and performance to end of Q3
Priority 3 - Market towns	
Reviving stall markets	Pilot two specialist markets within existing District Council stall markets : 1 The Artisan market at Ashbourne started on 10th September. The Bakewell Christmas Weekend took place in November.
	Increase overall stall occupancy at District Council markets to 70% : 60% Ashbourne Saturday market has seen an 18% decrease in stall occupancy compared with Q2 and which continues a declining trend since Q1. Bakewell saw a 10% decrease. No particular reason has been identified for the decreases, but more promotion of the markets is planned - to encourage new traders. Stall occupancy at the other markets has remained comparable with Q2. Stall occupancy this quarter has been: Ashbourne Saturday – 32%, Ashbourne Thursday – 40%, Bakewell – 81%, Wirksworth – 54%.
Seeking public realm improvements	Assist Matlock Bath Parish Council in conducting an audit of existing, replacement and new directional signs and interpretation signs between Matlock Bath and Cromford The District Council's offer of support was taken up on 1st June 2017, when a joint signage audit was undertaken by the District Council's Economic Development and Tourism Officer and the parish council Chair. The District Council supported Matlock Bath's Community Interest Company with developing a LEADER funding bid for improved tourist signage in the village. It is understood the LEADER bid has been successful and funding has been awarded.
	Manage the restoration of the wrought iron railings at St Mary's Church, Wirksworth The project was originally scheduled to have been started in the summer, when the weather was more favourable to outside work. The start was delayed and further delays have been experienced with unforeseen conditions of the stonework which have slowed work. Some of the railing repairs are to be undertaken onsite and this will have to be done when the temperature is milder and there is no rain - to ensure the paint takes.
Other targets	
	Continue a programme of efficiency savings and service reviews with a target of generating £1.6m in savings by 2019/20: £tbc The 2017-18 savings figure will be reported when budgets have been finalised.

BACK TO AGENDA

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

COUNCIL
5 MARCH 2018

Report of the Head of Resources

TREASURY MANAGEMENT STRATEGY STATEMENT 2018/19

PURPOSE OF REPORT

This report determines the Treasury Management Strategy and Annual Investment Strategy for 2018/19.

RECOMMENDATIONS

1. That the Treasury Management Strategy Statement for 2018/19 be approved;

2. That the Annual Investment Strategy for 2018/19 be approved.

WARDS AFFECTED

All

STRATEGIC LINK

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

1. REPORT

1.1 TREASURY MANAGEMENT ANNUAL REPORT

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

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

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

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

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

1.2 REPORTING REQUIREMENTS

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

The Treasury Strategy (this report) – The first, and most important, report covers:

- The treasury management strategy (how the investments and borrowings are to be organised) including treasury indicators; and
- An investment strategy (the parameters on how investments are to be managed).

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

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

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

1.3 EXTERNAL CONTEXT

1.3.1. Economic background

The major external influence on the Council's treasury management strategy for 2018/19 will be the UK's progress in negotiating a smooth exit from the European Union and agreeing future trade arrangements. The domestic economy has remained relatively robust since the surprise outcome of the 2016 referendum, but there are indications that uncertainty over the future is now weighing on growth. Transitional arrangements may prevent a cliff-edge, but will also extend the period of uncertainty for several years. Economic growth is therefore forecast to remain sluggish throughout 2018/19.

Consumer price inflation reached 3.0% in September 2017 as the post-referendum devaluation of sterling continued to feed through to imports. Unemployment continued to fall and the Bank of England's Monetary Policy Committee judged that the extent of spare capacity in the economy seemed limited and the pace at which the economy can grow without generating inflationary pressure had fallen over recent years. With its inflation-control mandate in mind, the Bank of England's Monetary Policy Committee raised official interest rates to 0.5% in November 2017.

In contrast, the US economy is performing well and the Federal Reserve is raising interest rates in regular steps to remove some of the emergency monetary stimulus it has provided for the past decade. The European Central Bank is yet to raise rates, but has started to taper its quantitative easing programme, signalling some confidence in the Eurozone economy.

Credit outlook: High profile bank failures in Italy and Portugal have reinforced concerns over the health of the European banking sector. Sluggish economies and fines for pre-crisis behaviour continue to weigh on bank profits, and any future economic slowdown will exacerbate concerns in this regard.

Bail-in legislation, which ensures that large investors including local authorities will rescue failing banks instead of taxpayers in the future, has now been fully implemented in the European Union, Switzerland and USA, while Australia and Canada are progressing with their own plans. In addition, the largest UK banks will ring-fence their retail banking functions into separate legal entities during 2018. There remains some uncertainty over how these changes will impact upon the credit strength of the residual legal entities.

The credit risk associated with making unsecured bank deposits has therefore increased relative to the risk of other investment options available to the Authority; returns from cash deposits however remain very low.

Interest rate forecast: The Authority's treasury adviser Arlingclose's central case is for UK Bank Rate to remain at 0.50% during 2018/19**,** following the rise from the historic low of 0.25%. The Monetary Policy Committee re-emphasised that any prospective increases in Bank Rate would be expected to be at a gradual pace and to a limited extent.

Future expectations for higher short term interest rates are subdued and on-going decisions remain data dependant and negotiations on exiting the EU cast a shadow over monetary policy decisions. The risks to Arlingclose's forecast are broadly balanced on both sides. The Arlingclose central case is for gilt yields to remain broadly stable across the medium term. Upward movement will be limited, although the UK government's seemingly deteriorating fiscal stance is an upside risk.

A more detailed economic and interest rate forecast provided by Arlingclose is attached at ***Appendix A***.

For the purpose of setting the budget, it has been assumed that new investments will be made at an average rate of 0.4%.

Local Context

On 31st December 2017, the Council held £5.6m of borrowing and £19m of investments. This is set out in further detail at ***Appendix B***. Forecast changes in the balance sheet analysis in table 1 below:

Table 1: Balance Sheet Summary and Forecast

	31.3.17 Actual £m	31.3.18 Estimate £m	31.3.19 Forecast £m	31.3.20 Forecast £m	31.3.21 Forecast £m
General Fund CFR	6.8	6.4	5.9	5.6	5.6
Less: Other debt liabilities *	0.9	0.5	0.2	0	0
Less: External borrowing **	5.6	5.6	5.6	5.6	5.6
Internal (over) borrowing	**0.3**	**0.3**	**0.1**	**0**	**0**

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

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

The Council's capital expenditure plans do not currently imply any need to borrow over the forecast period. Investments are forecast to fall to £6m as capital receipts are used to finance capital expenditure and reserves are used to finance the revenue budget.

CIPFA's *Prudential Code for Capital Finance in Local Authorities* recommends that the Council's total debt should be lower than its highest forecast CFR over the next three years. Table 1 shows that the Council expects to comply with this recommendation during 2018/19

1.3.2. Borrowing Strategy

The Council currently holds £5.6 million of loans, as part of its strategy for funding previous years' capital programmes. The balance sheet forecast in table 1 shows that the Council does not expect to need to borrow in 2018/19. The Council may however borrow to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of £14 million.

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

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

By doing so, the Council is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal / short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose will assist the Council with this 'cost of carry' and breakeven analysis. Its output may determine whether the Council borrows additional sums at long-term fixed rates in 2018/19 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

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

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

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

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

- operating and finance leases
- hire purchase
- Private Finance Initiative
- sale and leaseback

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

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

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

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

1.4 INVESTMENT STRATEGY

1.4.1 The Council holds invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Council's investment balance has ranged between £6million and £19 million, and similar levels are expected to be maintained in the forthcoming year

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

1.4.3 Negative Interest Rates: If the UK enters into a recession in 2018/19, there is a small chance that the Bank of England could set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options. This situation already exists in many other European countries. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.

1.4.4 Strategy: Given the increasing risk and very low returns from short-term unsecured bank investments, the Council aims to further diversify into more secure and/or higher yielding asset classes during 2018/19. This is especially the case for the estimated £1.5m that is available for longer-term investment. The majority of the Authority's surplus cash remains invested in short-term unsecured bank deposit, certificates of deposits and money market firms. This diversification will represent a continuation of the new strategy adopted in 2017.

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

<u>Table 2: Approved Investment Counterparties and Limits for 2018/19</u>

Credit Rating	**Banks Unsecured***	**Banks Secured***	**Government**	**Corporates**	**Registered Providers**
UK Gov't	n/a	n/a	£ Unlimited 50 years	n/a	n/a
AAA	£1m 5 years	£3m 20 years	£3m 50 years	£1m 20 years	£1m 20 years
AA+	£1m 5 years	£3m 10 years	£3m 25 years	£1m 10 years	£1m 10 years
AA	£1m 4 years	£3m 5 years	£3m 15 years	£1m 5 years	£1m 10 years
AA-	£1m 3 years	£3m 4 years	£3m 10 years	£1m 4 years	£1m 10 years
A+	£1m 2 years	£2m 3 years	£2m 5 years	£1m 3 years	£1m 5 years
A	£1m 13 months	£2m 2 years	£2m 5 years	£1m 2 years	£1m 5 years
A-	£1m 6 months	£2m 13 months	£2m 5 years	£1m 13 months	£1m 5 years

None	£0.25m 6 months	n/a	£3m 25 years	£50,000 5 years	£1m 5 years
Pooled funds	£3m per fund				

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

* **The Council's own banker – Lloyds:** The council will hold sums with Lloyds bank (the council's own bank); **the maximum amount for Lloyds is set at £6 million.** This is higher than the usual limit for a bank with this credit rating, but the practicalities of making large payments (such as precept payments) on any one day mean that funds of that magnitude will be required in the Council's current account.

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

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

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

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

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

1.4.11 Registered Providers: Loans and bonds issued by, guaranteed by or secured on the assets of Registered Providers of Social Housing, formerly known as Housing Associations. These bodies are tightly regulated by the Homes and Communities Agency and, as providers of public services, they retain the likelihood of receiving government support if needed.

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

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

1.4.13 **Operational bank accounts:** The Authority may incur operational exposures, for example though current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments, but are still subject to the risk of a bank bail-in, and balances will therefore be kept below £3m per bank. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Authority maintaining operational continuity.

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

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

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

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

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

1.4.16 **Specified Investments**:

The CLG Guidance defines specified investments as those:

- denominated in pound sterling,
- due to be repaid within 12 months of arrangement,
- not defined as capital expenditure by legislation, and
- invested with one of:
  - the UK Government,
  - a UK local authority, parish council or community council, or
  - a body or investment scheme of "high credit quality".

The Council defines "high credit quality" organisations and securities as those having a credit rating of A- or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher. For money market funds and other pooled funds "high credit quality" is defined as those having a credit rating of A- or higher.

1.4.17 **Non-specified Investments**: Any investment not meeting the definition of a specified investment is classed as non-specified. The Council does not intend to make any investments denominated in foreign currencies, nor any that are defined as capital expenditure by legislation, such as company shares. Non-specified investments will therefore be limited to long-term investments, i.e. those that are due to mature 12 months or longer from the date of arrangement, and investments with bodies and schemes not meeting the definition on high credit quality. Limits on non-specified investments are shown in table 3 below.

Table 3: Non-Specified Investment Limits

	Cash limit
Total long-term investments	£3m
Total investments without credit ratings or rated below [A-] (except UK Government and local authorities)	£1m
Total investments (except pooled funds) with institutions domiciled in foreign countries rated below [AA+]	£1m
Total non-specified investments	£5m

1.4.18 **Investment Limits**: The Council's revenue reserves available to cover investment losses are forecast to be £2 million on 31st March 2018. A group of banks under the same ownership will be treated as a single organisation for limit purposes. Limits will also be placed on fund managers, investments in brokers' nominee accounts, foreign countries and industry sectors as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

Table 4: Investment Limits

	Cash limit
Any single organisation, except the UK Central Government	£3m each
UK Central Government	unlimited
Any group of organisations under the same ownership	£3m per group
Any group of pooled funds under the same management	£5m per manager
Negotiable instruments held in a broker's nominee account	£5m per broker
Foreign countries	£2m per country
Registered Providers	£5m in total
Unsecured investments with Building Societies	£3m in total
Loans to unrated corporates	£2m in total
Money Market Funds	£12m in total
Lloyds bank – (Councils own bank)	6m in total

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

1.5 NON-TREASURY INVESTMENTS: Although not classed as treasury management activities and therefore not covered by the CIPFA Code or the CLG Guidance, the Authority may also purchase property for investment purposes and may also make loans and investments for service purposes, for example in shared ownership housing or as loans to local businesses and landlords.

Such loans and investments will be subject to the Authority's normal approval processes for revenue and capital expenditure and need not comply with this treasury management strategy.

The Authority's existing non-treasury investments are listed in Appendix B.

1.6 TREASURY MANAGEMENT INDICATORS

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

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

	Target
Portfolio average credit	*A+*

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

	Target
Total cash available within 3 months	£6m

1.6.3 Interest Rate Exposures: This indicator is set to control the Council's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as the proportion of net principal borrowed will be:

	2018/19	2019/20	2020/21
Upper limit on fixed interest rate exposure	100%	100%	100%
Upper limit on variable interest rate exposure	30%	30%	30%

Fixed rate investments and borrowings are those where the rate of interest is fixed for at least 12 months, measured from the start of the financial year or the transaction date if later. All other instruments are classed as variable rate.

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

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

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

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

	2018/19	2018/19	2019/20
Limit on principal invested beyond year end	£3m	£3m	£3m

1.7 OTHER ITEMS

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

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

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

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

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

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

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

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

The total amount borrowed will not exceed the authorised borrowing limit of £14 million. The maximum period between borrowing and expenditure is expected to be two years, although the Council is not required to link particular loans with particular items of expenditure.

1.8 OTHER OPTIONS CONSIDERED

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

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

2 RISK ASSESSMENT

2.1 Legal

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

2.2 Financial

The budget for investment income in 2018/19 is £36,000, which is based on an average interest rate of 0.40%. If actual levels of investments and actual rates differ from those forecast, performance against budget will be correspondingly different. Risks are set out on paragraph 1.8 of this report; the overall financial risk is assessed as medium.

2.3 Corporate

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

3 OTHER CONSIDERATIONS

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

4 CONTACT INFORMATION

For further information contact:

Karen Henriksen 01629 761284 or

Email: karen.henriksen@derbyshiredales.gov.uk

5 BACKGROUND PAPERS

None

6 ATTACHMENTS

Appendix A – Arlingclose Economic & Interest Rate Forecast

Appendix B – Existing Investment & Debt Portfolio Position

BACK TO AGENDA

Appendix A – Arlingclose Economic & Interest Rate Forecast November 2017

Underlying assumptions:

- In a 7-2 vote, the MPC increased Bank Rate in line with market expectations to 0.5%. Dovish accompanying rhetoric prompted investors to lower the expected future path for interest rates. The minutes re-emphasised that any prospective increases in Bank Rate would be expected to be at a gradual pace and to a limited extent.
- Further potential movement in Bank Rate is reliant on economic data and the likely outcome of the EU negotiations. Policymakers have downwardly assessed the supply capacity of the UK economy, suggesting inflationary growth is more likely. However, the MPC will be wary of raising rates much further amid low business and household confidence.
- The UK economy faces a challenging outlook as the minority government continues to negotiate the country's exit from the European Union. While recent economic data has improved, it has done so from a low base: UK Q3 2017 GDP growth was 0.4%, after a 0.3% expansion in Q2.
- Household consumption growth, the driver of recent UK GDP growth, has softened following a contraction in real wages, despite both saving rates and consumer credit volumes indicating that some households continue to spend in the absence of wage growth. Policymakers have expressed concern about the continued expansion of consumer credit; any action taken will further dampen household spending.
- Some data has held up better than expected, with unemployment continuing to decline and house prices remaining relatively resilient. However, both of these factors can also be seen in a negative light, displaying the structural lack of investment in the UK economy post financial crisis. Weaker long term growth may prompt deterioration in the UK's fiscal position.
- The depreciation in sterling may assist the economy to rebalance away from spending. Export volumes will increase, helped by a stronger Eurozone economic expansion.
- Near-term global growth prospects have continued to improve and broaden, and expectations of inflation are subdued. Central banks are moving to reduce the level of monetary stimulus.
- Geo-political risks remains elevated and helps to anchor safe-haven flows into the UK government bond (gilt) market.

Forecast:

- The MPC has increased Bank Rate, largely to meet expectations they themselves created. Future expectations for higher short term interest rates are subdued. On-going decisions remain data dependant and negotiations on exiting the EU cast a shadow over monetary policy decisions.
- Our central case for Bank Rate is 0.5% over the medium term. The risks to the forecast are broadly balanced on both sides.
- The Arlingclose central case is for gilt yields to remain broadly stable across the medium term. Upward movement will be limited, although the UK government's seemingly deteriorating fiscal stance is an upside risk.

	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Average
Official Bank Rate														
Upside risk	0.00	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	**0.19**
Arlingclose Central Case	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**
Downside risk	0.00	0.00	0.00	0.00	0.00	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	**-0.15**
3-month LIBID rate														
Upside risk	0.10	0.10	0.10	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	**0.22**
Arlingclose Central Case	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**
Downside risk	-0.10	-0.10	-0.15	-0.15	-0.15	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	**-0.20**
1-yr LIBID rate														
Upside risk	0.15	0.15	0.20	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	**0.27**
Arlingclose Central Case	**0.70**	**0.70**	**0.70**	**0.70**	**0.80**	**0.80**	**0.80**	**0.80**	**0.80**	**0.80**	**0.80**	**0.80**	**0.80**	**0.77**
Downside risk	-0.15	-0.20	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.15	-0.15	**-0.26**
5-yr gilt yield														
Upside risk	0.20	0.25	0.25	0.25	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	**0.32**
Arlingclose Central Case	**0.75**	**0.75**	**0.80**	**0.80**	**0.80**	**0.85**	**0.90**	**0.90**	**0.95**	**0.95**	**1.00**	**1.05**	**1.10**	**0.89**
Downside risk	-0.20	-0.20	-0.25	-0.25	-0.25	-0.35	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	**-0.33**
10-yr gilt yield														
Upside risk	0.20	0.25	0.25	0.25	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	**0.32**
Arlingclose Central Case	**1.25**	**1.25**	**1.25**	**1.25**	**1.25**	**1.30**	**1.30**	**1.35**	**1.40**	**1.45**	**1.50**	**1.55**	**1.55**	**1.36**
Downside risk	-0.20	-0.25	-0.25	-0.25	-0.25	-0.30	-0.35	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	**-0.33**
20-yr gilt yield														
Upside risk	0.20	0.25	0.25	0.25	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	**0.32**
Arlingclose Central Case	**1.85**	**1.85**	**1.85**	**1.85**	**1.85**	**1.90**	**1.90**	**1.95**	**1.95**	**2.00**	**2.05**	**2.05**	**2.05**	**1.93**
Downside risk	-0.20	-0.30	-0.25	-0.25	-0.30	-0.35	-0.40	-0.45	-0.50	-0.50	-0.50	-0.50	-0.50	**-0.38**
50-yr gilt yield														
Upside risk	0.20	0.25	0.25	0.25	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	**0.32**
Arlingclose Central Case	**1.70**	**1.70**	**1.70**	**1.70**	**1.70**	**1.75**	**1.80**	**1.85**	**1.90**	**1.95**	**1.95**	**1.95**	**1.95**	**1.82**
Downside risk	-0.30	-0.30	-0.25	-0.25	-0.30	-0.35	-0.40	-0.45	-0.50	-0.50	-0.50	-0.50	-0.50	**-0.39**

Appendix B – Existing Investment & Debt Portfolio Position

	February 2018 **Actual Portfolio £m**	February 2018 **Average Rate %**
External borrowing: Public Works Loan Board Other loans **Total external borrowing**	**5.5**	**4.85**
Finance Leases	0.5	
Total gross external debt	6.0	
Investments Banks & Building Societies Local Government Central Government (T-Bills) Money Market Funds External Cash Plus Fund	 5.2 1.5 2.0 8.0 2.0	
Total treasury investments	18.7	0.34
Net debt	-12.7	

Non-treasury investments: Investment property	**1.7**	

BACK TO AGENDA