

North East Derbyshire District Council

Council

31 July 2017

Treasury Management Strategy

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

This report is public

Purpose of the Report

- For Council to approve undertaking General Fund borrowing of up to £2.177m to purchase housing at Top Road, Calow (£0.425m) and to develop affordable housing at North Wingfield (£1.752m) on the basis that such borrowing meets the requirements of the Prudential Code.
- On the basis that the Council approves the Prudential Borrowing, to update the Treasury Management Strategy to ensure that this borrowing is reflected in the Authorised Borrowing Limit, the Operational Boundary and the Capital Financing Requirements.
- To agree that the recommended schemes at Calow and North Wingfield are included in the Council's Approved Capital Programme.

1 Report Details

- 1.1 The Council has a long standing commitment to promote economic growth and to work with partners to ensure that Housing needs within the District are addressed. The Council pursues this objective through its partnership with Rykneld Homes, by working with the private sector, by releasing land holdings where appropriate and by direct investment to facilitate schemes. In order to address our housing priorities Cabinet has approved two schemes which can only be undertaken on the basis that the Council agrees to enter into Prudential Borrowing to fund the work concerned.

Top Road, Calow

- 1.2 The first scheme concerns the purchase of four new build housing units at Top Road, Calow. There will be 3 x 2 bed houses available for let at affordable rents and 1 x 3 bed house available for shared ownership. The units will be purchased by Rykneld Homes.
- 1.3 There is significant demand for properties in Calow and availability is low so it is anticipated that these properties will be let immediately.

- 1.4 Prudential Borrowing of £0.425m will be needed to progress the purchase of these units which will be repaid in line with the loan agreement between the Council and Rykneld Homes.

Phase 1a, North Wingfield

- 1.5 The second scheme concerns the purchase of land and subsequent development of up to 19 housing units at North Wingfield. This scheme will complement the development already underway in North Wingfield as this site is immediately adjacent to it.
- 1.6 These homes will be developed and owned by Rykneld Homes and comprise a mixture of two and three bed houses. There is also an option to consider making up to 12 units available for sale on the open market. This will only be considered if market conditions are favourable to the development. Demand for new homes in the area is good in this area so a proposed mixed development will provide a range of quality housing choices in North Wingfield.
- 1.7 Prudential borrowing of £1.752m will be needed to progress the purchase of land and development of these units which will be repaid in line with the loan agreement between the Council and Rykneld Homes.

Prudential Borrowing

- 1.8 In considering whether or not to agree that the schemes outlined in this report should proceed, Council needs to take its decision in the light of the CIPFA Prudential Code for Capital Finance. While decisions to undertake borrowing to fund investment are a decision of the local authority concerned, in making a decision to incur borrowing the Council must satisfy itself that such borrowing is prudent, affordable and sustainable. That is to say that the additional revenue income or cost reduction arising from the investment must be sufficient to cover the cost of the borrowing over the period of the loan. In the normal course of events prudential borrowing is judged by its impact upon the revenue streams of the Council.
- 1.9 In arriving at the recommendation that the Council should support these proposals, each project has been subject to a detailed financial appraisal and risk assessment by the Council's strategic housing partner, Rykneld Homes. In addition, both schemes will help progress the economic, social and environmental well being of the District. The reports to Cabinet set this out in detail.
- 1.10 In agreeing to enter into the General Fund prudential borrowing as set out within this report Council should note that the borrowing limits previously agreed will need to be amended to reflect this proposed new borrowing. The position agreed in the Treasury Management Strategy approved by Council is set out in the table below along with the impact of the proposed increase. By revising the Capital Financing Requirement, Council is in effect approving that officers may enter into further borrowing to the sum of £2.177m The Authorised Limit and Operational Boundary for borrowing will also need to be increased by the same amount.

	2017/18 £000's	2018/19 £000's	2019/20 £000's
Capital Financing Requirement as at 31 March 2018 (approved Feb 17)	165,555	160,051	154,196
Adjustments for outturn	(2,333)	(2,333)	(2,333)
Add prudential borrowing for Calow and North Wingfield Schemes:	625	2,177	2,177
Revised Capital Financing Requirement 31 March 2018	163,847	159,895	154,040
Operational Boundary 31 March 2018	168,847	164,895	159,040
Authorised Limit 31 March 2018	173,847	169,895	164,040

2 Conclusions and Reasons for Recommendation

- 2.1 The Council has a range of priorities within the Corporate Plan which it seeks to deliver for local residents. While the two schemes proposed within this report will make their main contribution to housing need, they will also facilitate economic growth and improve the environment in the areas concerned. In order to secure these benefits the Council will need to undertake £2.177m of prudential borrowing. Both schemes will be delivered by Rykneld Homes.
- 2.2 While progressing these schemes requires that the Council undertake additional borrowing of £2.177m, officers are satisfied that both schemes – which are supported by robust business plans – meet the requirements of the Prudential Code that Council borrowing be prudent, sustainable and affordable. Officers will continue to monitor and actively manage both schemes to ensure that they progress in line with the Business Plan. Council should note in particular that both schemes are subject to final due diligence work before contractual commitments are entered into and officers will only commit to either scheme on the basis that the further work that is undertaken does not identify any areas of concern.
- 2.3 On the basis that Council agrees to the recommendations contained within this report it will be necessary to amend the borrowing limits previously agreed within the Treasury Management Strategy at Council on February 2017. Likewise these schemes will need to be included within the Council's Approved Capital Programme.

3 Consultation and Equality Impact

- 3.1 Appropriate consultation on both schemes recommended within the report will be undertaken. Such consultation will primarily be achieved through the Planning process.

4 Alternative Options and Reasons for Rejection

- 4.1 Given the limited financial resources available to the Council it would not be possible to progress these schemes without utilising prudential borrowing. Other

options at the scheme level were considered in more detail in the reports approved by Cabinet.

5 Implications

5.1 Finance and Risk Implications

5.1.1 The financial implications are set out within the main body of the report. In terms of managing financial and other risks officers from both the Council and Rykneld Homes are continuing to ensure that effective management arrangements are in place and that we continue to work to a robust and up to date business plan.

5.1.2 While there are clearly risks associated in delivering such schemes, these need to be considered against the benefits that the scheme will deliver. Given the current financial framework within which local government operates it is essential for all local authorities to deliver economic growth in order to be able to achieve financial sustainability. The two schemes outlined within this report will deliver 23 additional housing units to the district, which will bring financial benefits to the Council in respect of council tax and new homes bonus.

5.2 Legal Implications including Data Protection

5.2.1 These are covered where appropriate in the main body of the report. There are no Data Protection issues arising directly from this report.

5.3 Human Resources Implications

5.3.1 There are no HR issues arising directly from this report.

6 Recommendations

6.1 That Council approves the undertaking of prudential borrowing of £2.177m, being £1.752m for the Phase 1a North Wingfield scheme and £0.425m for the purchase of housing units at Top Road, Calow.

6.2 That Council approves both schemes as outlined within this report for inclusion into the Approved Capital Programme.

6.3 That Council approves the revised Capital Financing Requirement, Operational boundary and Authorised Limit as set out in 1.10 of this report.

7 Decision Information

<p>Is the decision a Key Decision? A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds: <i>BDC: Revenue - £75,000</i> <input type="checkbox"/> <i>Capital - £150,000</i> <input type="checkbox"/> <i>NEDDC: Revenue - £100,000</i> <input type="checkbox"/> <i>Capital - £250,000</i> <input type="checkbox"/> <input checked="" type="checkbox"/> <i>Please indicate which threshold applies</i></p>	No
<p>Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In)</p>	No
<p>District Wards Affected</p>	North Wingfield, Calow
<p>Links to Corporate Plan priorities or Policy Framework</p>	Growth, Housing Need

8 Document Information

Appendix No	Title
None	
<p>Background Papers (These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Cabinet (NEDDC) or Executive (BDC) you must provide copies of the background papers)</p>	
None	
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