

Public Document Pack



**North East
Derbyshire**
District Council

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Date: Friday, 22 January 2021

To: **All Members of the Council**

You are summoned to attend a meeting of the Council to be held on **Monday, 1 February 2021 at 3.00 pm**. Access credentials to the meeting will be sent to you under separate cover.

The public parts of the meeting will be streamed from the Council's website on its 'You Tube' channel.

Group meetings will be arranged, where necessary, by the Group Leaders.

Virtual Attendance and Hybrid Meetings

I have provided the Leader and Deputy Leader with advice on the holding of "hybrid" meetings outlining the risks including to employees dealing with the Chamber and to Members. Hybrid meetings are those where some attendance is in person in the Council Chamber and some is virtual. I would encourage you all to attend virtually. Accordingly if you attend in person you will be deemed to have accepted the following disclaimer as applying.

Risk Assessment Disclaimer

When attending this meeting in person, I confirm that I have read and understood the contents of each of the following risk assessments and agree to act in line with its content.

- ☐ RA – Return to Work Mill Lane Covid 19 V13
- ☐ Mill Lane Coronavirus Control Measures V8

Both documents have been emailed to Members and are available on the Modern.Gov App library.

The same advice is given to officers who are also encouraged to participate in the meeting remotely.

Yours sincerely



Joint Head of Corporate Governance and Monitoring Officer

A G E N D A

1 Apologies for Absence

2 Declarations of Interest

Members are requested to declare the existence and nature of any disclosable pecuniary interest and/or other interests, not already on their register of interests, in any items on the agenda and withdraw from the meeting at the appropriate time.

3 Minutes of Last Meeting (Pages 5 - 12)

To approve as a correct record and the Chair to sign the attached Minutes of the Council meeting held on 11 January 2021.

4 Chair's Announcements (if any)

To receive any announcements the Chair may wish to make at the meeting.

5 Leader's Announcements

To receive any announcements the Leader may wish to make at the meeting.

6 Public Participation - Question submitted by Anne Thoday to Councillor J Kenyon, Portfolio Holder for Leisure, Transformation and Climate Change (Page 13)

In accordance with Council Procedure Rule No 8 to allow members of the public to ask questions about the Council's activities for a period up to fifteen minutes. The replies to any such questions will be given by the appropriate Cabinet Member. Questions must be received in writing or by email to the Monitoring Officer by 12 noon twelve clear working days before the meeting.

7 Medium Term Financial Plan 2020/21 - 2024/25 (Pages 14 - 37)

Report of Councillor P Parkin, Portfolio Holder for Finance

8 Treasury Management Strategy 2021/22 to 2024/25 (Pages 38 - 79)

Report of Councillor P Parkin, Portfolio Holder for Finance.

9 To answer any questions from Members asked under Procedure Rule No 9.2

In accordance with Council Procedure Rule No 9.2 to allow Members to ask questions about Council activities. The replies to any such questions will be given by the Chair of the Council or relevant Committee or the appropriate Cabinet Member. Questions must be received in writing or by email to the Monitoring Officer by 12 noon twelve clear working days before the meeting.

- (a) Question submitted by Councillor R Shipman to Councillor C Cupit, Deputy Leader and Portfolio Holder for Environmental Services

A significant number of residents have raised questions regarding the collection amid treatment of recycling. One in particular relates to the ultimate end result of collections once they have been sorted and ongoing news reports that recyclable materials end up either in landfill or dumped overseas. Could Cllr Cupit confirm what measures the council has in place to monitor the performance of contractors in terms of the end result of the recycled waste?

(b) Question submitted by Councillor D Hancock to Councillor C Cupit, Deputy Leader and Portfolio Holder for Environmental Services

Residents have raised concerns in regard to perceived obstacles in terms of encouraging more residents to recycle waste. In particular to being instructed to segregate particular materials (such as white paper and clothing), only for them to observe that all materials are then gathered in the same receptacle by the contractor to be sorted at a later point. Can the Cabinet Member explain why residents are being asked to engage in, what would appear to be, a meaningless practice when we are trying to encourage greater recycling?

10 To consider any Motions from Members under Procedure Rule No 10

In accordance with Council Procedure Rule No 10 to consider Motions on notice from Members. Motions must be received in writing or by email to the Monitoring Officer by 12 noon twelve clear working days before the meeting.

(a) Motion proposed by Councillor R Shipman – seconded by Councillor P Windley

Council notes:

- its responsibilities in respect of the health and well-being of the community we serve;
- that we continue to encourage and promote the value of walking as a healthy form of exercise;
- that the current pandemic has increased the general appetite for walking as a form of exercise;
- that many residents have limited capacity for walking.

Council believes:

- that we have a responsibility to make exercise as accessible to as many residents as possible.

Council resolves:

- to ensure that there are adequate resting places along popular walking routes throughout the district.

(b) Motion proposed by Councillor D Hancock – seconded by Councillor P Windley

Council notes:

- the disparity in leisure services provision between the north and south

of the district.

Council believes:

- that all residents should have adequate provision and easy access to the council's leisure services.

Council resolves:

- to review what leisure facilities are available throughout the district;
- to address any identified imbalances.

11 **Exclusion of Public**

The Chair to move:-

That the public be excluded from the meeting during the discussion of the following item of business to avoid the disclosure to them of exempt information as defined in Paragraphs 1, 2 and 5 Part 1 of Schedule 12A to the Local Government Act 1972, (as amended by the Local Government (Access to Information) (Variation) Order 2006).

12 **Section 85 of the Local Government Act 1972 - the 6 month rule** (Pages 80 - 85)

Report of the Joint Head of Corporate Governance and Monitoring Officer
(Paragraphs 1, 2 & 5)

13 **Chair's Urgent Business**

To consider any other matter which the Chair is of the opinion should be considered as a matter of urgency.



***We speak
your language***

Polish
Mówimy Twoim językiem

French
Nous parlons votre langue

Spanish
***Hablamos su
idioma***

Slovak
***Rozprávame Vaším
jazykom***

Chinese
我们会说你的语言

If you require
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**01246
217753**

If you require an adjustment to enable you to participate in or access the meeting please contact the Governance Team at least 72 hours before the meeting starts.

COUNCIL

MINUTES OF MEETING HELD ON MONDAY, 11 JANUARY 2021

Present:

Councillor Pat Antcliff (Chair) (in the Chair)
Councillor Martin E Thacker MBE JP (Vice-Chair)

Councillor Nigel Barker	Councillor Jayne Barry
Councillor William Armitage	Councillor Joseph Birkin
Councillor Kevin Bone	Councillor Patricia Bone
Councillor Stephen Clough	Councillor Andrew Cooper
Councillor Suzy Cornwell	Councillor Charlotte Cupit
Councillor Alex Dale	Councillor Lilian Deighton
Councillor Peter Elliott	Councillor Michelle Emmens
Councillor Angelique Foster	Councillor Mark Foster
Councillor John Funnell	Councillor Roger Hall
Councillor David Hancock	Councillor Lee Hartshorne
Councillor Bette Hill	Councillor Ann Holmes
Councillor Anthony Hutchinson	Councillor Maggie Jones
Councillor Jeremy Kenyon	Councillor Pat Kerry
Councillor Barry Lewis	Councillor Heather Liggett
Councillor Jeff Lilley	Councillor Gerry Morley
Councillor Paul Parkin	Councillor Stephen Pickering
Councillor Maureen Potts	Councillor Alan Powell
Councillor Tracy Reader	Councillor Oscar Gomez Reaney
Councillor Carolyn Renwick	Councillor Kathy Rouse
Councillor Diana Ruff	Councillor Ross Shipman
Councillor Kevin Tait	Councillor Richard Welton
Councillor Nick Whitehead	Councillor Pam Windley
Councillor Brian Wright	Councillor Philip Wright

Also Present:

G Callingham	Director of Growth and Economic Development
K Hanson	Joint Director of Environment and Enforcement
L Hickin	Joint Director of Corporate Resources and Head of Paid Service
J Dethick	Head of Finance and Resources, Section 151 Officer
S Sternberg	Joint Head Of Service - Corporate Governance & Monitoring Officer
N Calver	Governance Manager
M E Derbyshire	Members ICT & Training Officer
A Maher	Senior Governance Officer

COU/73/ Apologies for Absence 20-21

Apologies for absence were received from Councillors C D Huckerby, J Ridgway, M Roe and L Stone.

**COU/74/
20-21** **Declarations of Interest**

Councillors K Bone, P Bone, S Clough, M Potts and N Whitehead declared an interest in Item 14 (Killamarsh Sports Centre) and confirmed that they would withdraw from the meeting during Council's consideration of it.

**COU/75/
20-21** **Minutes of Previous Meetings**

RESOLVED – That the minutes of the meetings held on 12 October 2020 and 11 November 2020 were approved as a true record (by acclamation).

**COU/76/
20-21** **Chair's Announcements**

The Chair of the Council, Councillor P Antcliff, informed Members of her charitable fund-fund raising work during recent weeks.

RESOLVED - That Council noted the announcements of the Chair of the Council, Councillor P Antcliff (by acclamation).

**COU/77/
20-21** **Leader's Announcements**

The Leader of the Council, Councillor A Dale, expressed his continuing thanks to the Council's staff and the staff of Rykneld Homes Limited (RHL) for all their hard work in adapting and responding to the challenges of the Coronavirus (Covid-19) outbreak.

The Leader of the Council reiterated his thanks for the contribution made by Councillors from all political groups in helping the Council respond effectively to the virus outbreak. In particular, he emphasised the valuable contribution which the cross-party VIPER meetings had continued to make in helping support North East Derbyshire and its communities.

Councillor A Dale explained how the Council had worked to support vulnerable people during the virus outbreak. In this context he thanked those who had supported the Care at Christmas appeal, which aimed to provide presents for young people in residential accommodation. He also explained how the Council was helping the Coronavirus (Covid 19) vaccination programme to take place. It was currently exploring how additional Council owned venues might be used for this, in order to speed up the delivery of vaccinations to local people.

Members heard about the support offered to local businesses affected by the outbreak. In particular, he explained that £1.3M of grant aid had been allocated to businesses since the District had first entered into the Coronavirus 'Tier Two' restrictions, in October 2020.

RESOLVED – That Council noted the announcements of the Leader of the Council, Councillor A Dale (by acclamation).

**COU/78/
20-21** **Public Participation**

Council was informed that no questions from the public had been received.

**COU/79/
20-21** **Annual Audit Letter**

Council considered the Annual Audit letter for the 2019-20 financial year from its external Auditors. The Portfolio Holder for Finance, Councillor Paul Parkin, explained the work which the Auditors had carried out during the year and how they had given an 'unqualified opinion' on the way in which the Council had managed its finances. In particular, the Auditors had identified no significant financial risks and concluded that proper arrangements had been in place to secure economy, efficiency and effective use of resources during the year.

RESOLVED – That Council noted the Audit letter prepared by its external Auditors for the 2019-20 year (by acclamation).

**COU/80/
20-21** **Mental Health Strategy**

Members received an update report from Councillor D Ruff, the Council's Elected Member Mental Health Champion, on the work of the Mental Health Action Group and what it had done to promote mental health.

Council discussed the report. In particular, Members considered the role of the newly-trained Mental Health First Aiders. They also discussed how Councillors might contribute to the Mental Health Action Group by sharing their own experiences of dealing with people with mental health issues.

Members considered how the Council could work with other organisations to ensure greater support, especially on more complicated mental health issues, to both its own staff and to the wider community. Members were keen to explore how they and might be able to help identify potential problems, so that appropriate support could then be provided. They noted that this would be similar to the role which Members already played in identifying safeguarding issues involving adults and young people.

At the conclusion of the discussion, Council made clear that it welcomed the work of the Mental Health Action Group in promoting and addressing mental health issues and looked forward to further progress.

RESOLVED – That Council noted the progress of the Mental Health Action Group (by acclamation).

**COU/81/
20-21** **Vision Derbyshire**

Councillors N Barker, A Dale, A Foster, and B Wright declared interest in this issue as Members of Derbyshire County Council. They indicated that they would remain in the meeting during Council's discussion and determination on it. Councillor B Lewis also declared an interest in this issue as a Member of Derbyshire County Council. He indicated that he would remain in the meeting during the Council's discussion and then decide on whether or not to take part in any vote.

Members were reminded of how the Council, in co-operation with the other district and borough local authorities in the County, had sought to develop a new collaborative approach for future joint working between councils across

Derbyshire. This collaborative approach, it was explained, would enable them to focus on their collective ambitions, without requiring any changes to the existing structure of local government. In this respect it differed from proposals made by other authorities, which if accepted would fundamentally alter the structure of Derbyshire local government.

Members discussed extensively 'Vision Derbyshire'. Support was expressed for its collaborative approach and the proposed key ambitions identified by the district councils. Some Members made it clear that they hoped the approach would be developed further and supported by the Government.

Council noted that Ministers intended to publish a White Paper on 'Devolution and Local Recovery', possibly in the Spring. This White Paper was expected to set out proposals for local government reform in England. It was explained that in advance of this, Ministers had been asked to support the Vision Derbyshire approach, as an alternative to structural changes to local government in the County.

Members were assured that any proposed structural changes set out in the White Paper affecting the District would be submitted to Council for consideration.

Councillor A Dale and Councillor C Cupit moved and seconded the recommendations as set out in the report.

The motion was put to the vote and was carried.

RESOLVED -

- (1) That Council noted the progress and work which had taken place with Derbyshire Councils on the development of Vision Derbyshire – as a new collaborative approach to delivering non-structural reform across Derbyshire.
- (2) That Council noted the Government's plans to publish a White Paper on Devolution and Local Recovery and the potential implications for local government reform in Derbyshire, as well as the more recent announcement from the Secretary of State for Housing, Communities and Local Government in relation to local government reform, as set out in the report.
- (3) That Council authorised the Leader and Joint Director of Corporate Resources and Head of Paid Service to engage in further discussions at local, regional and national level to support and enable the full development of Vision Derbyshire as a concept and possible option for non-structural local government reform in Derbyshire, as an alternative to 'unitarisation'.
- (4) That if not supported by Government, the Council would maintain that now is not the time for structural reform of local government in Derbyshire.

- (5) That Council asked the Leader and Director of Corporate Resources to prepare update reports for Council, as required, on Vision Derbyshire, the Government's White Paper on Devolution and Local Recovery, when published, and on details of any alternative proposals as they arise.
- (6) That any commitments to Vision Derbyshire or any other related proposals be subject to a further decision of Council.

**COU/82/
20-21 Emergency Delegations**

Council considered a report on decisions made under the Council's scheme for Emergency Delegations since March 2020 in response to the Coronavirus (Covid-19) outbreak. The report listed the decisions which had been taken under these delegated powers. It explained that one of the first decisions taken was to extend the delegations in order to ensure the normal business of the Council could continue in the absence of formal Member meetings, as a result of the Coronavirus (Covid-19) lockdown restrictions.

Council was informed that there was no legal or constitutional requirement to report these decisions, but that they had been made available on the website, should Members wish to consider them.

Council discussed the report. As part of this, Members considered and expressed concern about the delays in presenting the information on Delegated Decisions. As part of this, they highlighted specific decisions. Council also heard of the difficulties which some Members had experienced in accessing decision documents, using the electronic links provided.

Councillor A Dale and Councillor C Cupit moved and seconded the recommendations as set out in the report.

The motion was put to the vote and was carried.

RESOLVED - That Council noted the decisions made under emergency delegated powers.

**COU/83/
20-21 To answer any questions from Members asked under Procedure Rule No 9.2**

There were no questions from Members under Procedure Rule No. 9.2

**COU/84/
20-21 To consider any Motions from Members under Procedure Rule No 10**

Motion submitted by Councillor Suzy Cornwell

Members considered a motion submitted by Councillor S Cornwell calling for the Council to install new signage on its accessible toilets, to make clear that people with invisible disabilities, such as those with Crohn's disease, were entitled to use them.

Council discussed extensively the motion. Members made it clear that they supported its aims. They felt strongly that all those with invisible disabilities, including people with Crohn's Disease and Colitis, should also be able to use

accessible toilets without any fear of stigma, in the same way that those with visible disabilities can do.

Council discussed the timescales and the way in which the revised signage could be put in place. In order to help get over the message that access toilets were also intended for use by people with invisible disabilities, Councillor P Windley asked that any new signs be displayed at a height easily visible to those in wheel chairs. Councillors S Cornwell and N Barker agreed to incorporate this suggestion into the motion.

The revised motion (changes underlined) was:

This Council notes that:

- *The charity Crohn's and Colitis UK is encouraging venues providing accessible toilets to install new signage. This is to help stop stigma and discrimination towards people with Crohn's Disease and Ulcerative Colitis and other invisible conditions.*
- *There have been instances nationally where such individuals using an accessible toilet have been accused by staff members of being ineligible to use them.*
- *The charity signs have two standing figures and a wheelchair user with the words Accessible Toilet and the logo 'Not every disability is visible'.*

The Government has decided recently that large accessible toilets for severely disabled people - known as Changing Places - will be made compulsory for large new buildings, such as shopping centres, supermarkets, sports and arts venues

Council resolves to:

- *Ensure that accessible toilets on Council premises bear these signs displayed at a height easily visible to those in wheelchairs.*
- *Ask town and district centre retailers and leisure outlets to do likewise with their accessible toilets displayed at a height easily visible to those in wheelchairs.*
- *Seek advice from the charity Crohn's & Colitis UK on the information and training we should provide to council staff members. This is so they understand these conditions and to prevent potential embarrassment for those who suffer with them.*
- *Ensure that any Changing Places toilets in our buildings are properly signposted for visitors.*

Councillor S Cornwell and N Barker moved and seconded the motion. The motion was put to the vote and carried unanimously by Council.

**COU/85/
20-21** **Exclusion of Public**

RESOLVED - That the public be excluded from the meeting during the discussion of the following item of business to avoid the disclosure to them of exempt information as defined in Paragraph 3, Part 1 of Schedule 12A to the Local Government Act 1972, (as amended by the Local Government (Access to Information) (Variation) Order 2006).

**COU/86/
20-21** **Killamarsh Leisure Centre**

Councillors K Bone, P Bone, S Clough, M Potts and N Whitehead left the meeting during Council's consideration of this item.

Council received a report from Councillor J Kenyon, Portfolio Holder for Leisure, Transformation and Climate Change, on the future of the Killamarsh Sports Centre. This set out Cabinet's preferred approach on the future operation of the centre. Members considered the report, discussed the Cabinet's preferred approach and other possible options.

At the conclusion of the discussion Councillor J Kenyon and Councillor A Dale moved and seconded the recommendations as set out in the report.

At the request of three Members, (Councillor O Gomez Reaney, M Foster and K Tait) a recorded vote was called for.

The motion was put to the vote and was carried.

For the motion: 24

Councillors P Wright, R Welton, M Thacker, K Tait, D Ruff, C Renwick, A Powell, P Parkin, H Liggett, B Lewis, J Kenyon, A Hutchinson, O Gomez Reaney, J Funnell, M Foster, A Foster, M Emmens, P Elliot, L Deighton, A Dale, C Cupit, A Cooper, W Armitage and P Antcliff.

Against the motion: 3

Councillors P Windley, R Shipman and D Hancock.

Abstained: 15

Councillors B Wright, K Rouse, T Reader, S Pickering, G Morley, J Lilley, P Kerry, M Jones, P Holmes, E Hill, L Hartshorne, S Cornwell, J Birkin, J Barry and N Barker.

RESOLVED -

- (1) That Council note the decision of Cabinet and the recommendations to be presented to Council in February 2021.
- (2) That Council supported Cabinet's decision and the impending recommendations for its implementation.

COU/87/20-21 Senior Management Review

Councillors K Bone, P Bone, S Clough, M Potts and N Whitehead re-entered the meeting at this point.

The relevant senior officers left the meeting during Council's consideration of this item.

Members were reminded that in March 2020 Council agreed to a new Senior Management Structure. As part of its decision, Council requested a further review be undertaken to assess the effectiveness of the new structure. The report of Councillor A Dale, Leader of the Council, explained what progress had been made with this review and made specific follow-on recommendations relating to senior posts.

During the discussion Councillor N Barker suggested that the proposed report on the future of the role of the Head of Paid Service post be submitted to Council before the end of the current municipal year. Councillor A Dale agreed that this be incorporated into the motion.

Councillor A Dale and C Cupit moved and seconded the motion:

The motion was put to the vote and was carried.

RESOLVED -

- (1) That the Council agree to continue with the current Senior Management arrangements, which had in place since March 2020
- (2) That Council agreed the specific proposals relating to the senior post holders identified in the report.
- (3) That a further report be presented to Council before the end of the current municipal year on the role of the Head of Paid Service.

COU/88/20-21 Chair's Urgent Business

Members discussed the ways in which the Chair's charitable appeal and other activities could be promoted by the Council.

NORTH EAST DERBYSHIRE DISTRICT COUNCIL

COUNCIL

1 FEBRUARY 2021

Question submitted to Councillor J Kenyon, Portfolio Holder for Leisure, Transformation and Climate Change from Anne Thoday:-

The North East Derbyshire Climate Action plan 2019 contains a promise to develop a Climate Change Communication Strategy. As we know good communication is a process of sharing information and also of listening to other points of view. I have been very disappointed in this council's inability to consult and listen to the people of North East Derbyshire on the subject of local climate action.

To date your communication with the public on the topic of climate change has consisted of one short online 'snap survey', an information piece in the 'News' publication on what individuals can do to reduce their carbon emissions and a one page climate change statement on the council website that has not been updated for a year.

You have previously used the covid pandemic as a justification for your lack of action in this area of public consultation but other local councils are successfully engaging with their local residents on climate action despite the covid restrictions.

Derbyshire Dales District Council is appointing a climate officer who will work with partners, businesses, residents and the wider community to influence positive environmental action. This council is has also welcomed involvement from 'The Hub' a group of residents who have come together to offer help and support to the Council in developing strategies to address climate change issues.

Chesterfield Borough Council held a process of public engagement earlier this year with a series of meetings where a cross section of local residents were involved in consultation about the development of the climate plan and they already have a climate officer in place. Chesterfield Council have created an active webpage sharing information about climate strategies and a long-term communications and engagement strategy is being developed with an emphasis on partnership and collaborative working. The council have consulted the residents group Chesterfield Climate Alliance on both the above actions.

As the North East Derbyshire Climate Action plan (theme 6 Community and Collaboration) clearly recognises the role of community engagement on this issue, can you explain how you propose to improve your process of consulting and working collaboratively with the wider community on this very urgent issue of the climate emergency?

North East Derbyshire District Council

Council

1 February 2021

Medium Term Financial Plan 2020/21 to 2024/25
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Report of Councillor P Parkin, Portfolio Holder for Finance

This report is public

Purpose of the Report

- To seek approval of the current budget for 2020/21 and original budget for 2021/22 for the General Fund, Housing Revenue Account and Capital Programme as part of the Council's Medium Term Financial Plan covering the years 2020/21 to 2024/25.

1 Report Details

- 1.1 Attached at **Appendix 1** is the report presented to Cabinet on 28 January 2021 providing details of the current budget for 2020/21, original budget for 2021/22 and financial plans for 2022/23 – 2024/25.
- 1.2 Cabinet considered the report on 28 January 2021 following scrutiny at the Audit and Corporate Governance Scrutiny Committee on 20 January. The recommendations are now referred to this Council for members' consideration and approval.

2 Conclusions and Reasons for Recommendation

- 2.1 These are detailed in the attached report.

3 Consultation and Equality Impact

Consultation

- 3.1 These are detailed in the attached report.

Equalities

- 3.2 These are detailed in the attached report.

4 Alternative Options and Reasons for Rejection

- 4.1 These are detailed in the attached report.

5 Implications

5.1 Finance and Risk Implications

- 5.1.1 These are detailed in the attached report.

5.2 Legal Implications including Data Protection

5.2.1 These are detailed in the attached report.

5.3 Human Resources Implications

5.3.1 These are detailed in the attached report.

6 Recommendations

6.1 That the view of the Chief Financial Officer, that the estimates included in the Medium Term Financial Plan 2020/21 to 2024/25 are robust and that the level of financial reserves whilst at minimum levels are adequate, be accepted.

6.2 That officers report back to Cabinet and the Audit and Corporate Governance Scrutiny Committee on a quarterly basis regarding the overall position in respect of the Council's budgets. These reports to include updates on achieving the savings and efficiencies necessary to secure balanced budgets over the life of the medium term financial plan.

GENERAL FUND

6.3 That the budget in respect of Killamarsh Leisure Centre (**Appendix 2**) be approved as the Original Budget 2021/22 and as the financial projections in respect of 2022/23 to 2024/25.

6.4 That a Council Tax increase of £3.70 (1.95%) will be levied in respect of a notional Band D property.

6.5 That the Medium Term Financial Plan in respect of the General Fund as set out in the report to Cabinet (**Appendix 1**) be approved as the Current Budget 2020/21, as the Original Budget 2021/22, and as the financial projections in respect of 2022/23 to 2024/25.

6.6 That any under spend in respect of 2020/21 be transferred to the Resilience Reserve to provide increased financial resilience for future years of the plan.

HOUSING REVENUE ACCOUNT

6.7 That Council sets its rents for 2021/22 in line with the Social Housing Rent Standard increasing by 1.5% from 1st April 2021.

6.8 That all other charges be implemented in line with the table shown at 1.38 of the MTFP with effect from 1 April 2021.

6.9 That the Medium Term Financial Plan in respect of the Housing Revenue Account as set out in the report to Cabinet (**Appendix 1**) be approved as the Current Budget in respect of 2020/21, as the Original Budget in respect of 2021/22, and the financial projection in respect of 2022/23 to 2024/25.

- 6.10 That the Management Fee for undertaking housing services at £9.692m and the Management Fee for undertaking capital works at £1.1m to Rykneld Homes in respect of 2021/22 be approved.
- 6.11 That Members endorse the section in the current Financial Protocol which enables the Council to pay temporary cash advances to Rykneld Homes in excess of the Management Fee in order to help meet the cash flow requirements of the company should unforeseen circumstances arise in any particular month.
- 6.12 That Members note the requirement to provide Rykneld Homes with a 'letter of comfort' to the company's auditors and grant delegated authority to the Council's Chief Financial Officer in consultation with the Portfolio Member for Finance to agree the contents of that letter.

CAPITAL PROGRAMME

- 6.13 That the Capital Programme for 2021/22 in respect of Killamarsh Leisure Centre as set out in the report to Cabinet (**Appendix 1**) be approved.
- 6.14 That the Capital Programme as set out in the report to Cabinet (**Appendix 1**) be approved as the Current Budget in respect of 2020/21, and as the Approved Programme for 2021/22 to 2024/25.

7 Decision Information

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 <input type="checkbox"/></i> <i>Capital - £150,000 <input type="checkbox"/></i> <i>NEDDC: Revenue - £100,000 <input type="checkbox"/></i> <i>Capital - £250,000 <input type="checkbox"/></i> <input checked="" type="checkbox"/> <i>Please indicate which threshold applies</i>	No
Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In)	NO
Has the relevant Portfolio Holder been informed	Yes
District Wards Affected	All
Links to Corporate Plan priorities or Policy Framework	All

8 Document Information

Appendix No	Title	
1	Medium Term Financial Plan and Appendices 1-4	
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)		
Report Author		Contact Number
Jayne Dethick – Head of Finance and Resources		7078

North East Derbyshire District Council

Cabinet

28 January 2021

Medium Term Financial Plan 2020/21 to 2024/25

Report of Councillor P Parkin, Portfolio Holder for Finance

This report is public

Purpose of the Report

- To seek approval of the Current Budget for 2020/21 and Original Budget for 2021/22 for the General Fund, Housing Revenue Account and Capital Programme as part of the Council's Medium Term Financial Plan covering the years 2020/21 to 2024/25.
- To provide Elected Members with an overview of the Council's financial position in order to inform the decision making process.

1 Report Details

Introduction

1.1 This report presents the following budgets for Members to consider:

- General Fund – **Appendix 1 and 2**
- Housing Revenue Account (HRA) – **Appendix 3**
- Capital Programme – **Appendix 4**

In particular financial projections are provided for:

- 2020/21 Current Budget – this is the current year budget, revised to take account of any changes during the financial year that will end on 31 March 2021.
- 2021/22 Original Budget – this is the proposed budget for the next financial year starting 1 April 2021. For the General Fund, this is the budget on which the Council Tax will be based. The HRA budget also includes proposals on increases to rents and charges.
- 2022/23 to 2024/25 Financial Plan - In accordance with good practice the Council agrees its annual budgets within the context of a Medium Term

Financial Plan (MTFP). This includes financial projections in respect of the next three financial years for the General Fund, HRA and Capital Programme.

- 1.2 Once Cabinet has considered this report and the appendices, the recommendations agreed will be referred to the Council meeting of 1 February 2021 for members' consideration and approval.

General Fund

2020/21 Current Budget

- 1.3 In February 2020, Members agreed a budget for 2020/21 to determine Council Tax. At this time there was a requirement to achieve efficiencies of £0.217m to balance the budget.
- 1.4 The Covid-19 pandemic has inevitably had a detrimental impact on the Council's 2020/21 budget. The main concern has been income lost from fees and charges, predominantly within Leisure Services but also within other services such as MOT testing and commercial waste collection. Growth from Business Rates is also expected to be considerably lower than in previous years. Government grant of £1.44m has been received to assist with the continued delivery of council services and in addition the Government's income compensation scheme will compensate us for a proportion of the income we expect to lose from independently generated sources such as our leisure centres.
- 1.5 The Revised Budget was considered by Cabinet at its meeting on 8 October 2020. There have been no material changes to the budget position since this time.
- 1.6 The final position will clearly be dependent on the actual financial performance out-turning in line with the revised budgets and there may be further budget changes required as the year progresses. As additional expenditure this year is largely covered by the Covid grant received from the Government and with further assistance from the income compensation scheme expected, a balanced position is anticipated in 2020/21. Should any surpluses arise, they will be transferred to the Resilience Reserve to assist with future budget pressures.

2021/22 Original Budget and 2022/23 - 2024/25 Financial Plan

- 1.7 The proposed budget for 2021/22 currently shows a shortfall of £0.133m and the Council's first priority will be to balance next year's budget. However, given the scale of the challenge that faces the Council in future years it is important to ensure these savings are secured by underlying reductions in expenditure or increases in income. The Covid pandemic has made it hugely challenging to maintain momentum on the growth and transformation agenda this year and this will become a priority in 2021. This will put us in a better position to secure the projected financial savings needed over the medium term financial plan. Further

shortfalls forecast for future years are £1.055m in 2022/23, £1.855m in 2023/24 and £2.610m in 2024/25 (**Appendix 1**).

- 1.8 Table 1 below shows the current position then identifies savings that it is anticipated will be removed from the budget during the year along with aspirational savings that are not yet realisable but will be addressed through the Transformation Programme:

Table 1

	2020/21 Estimated Outturn £000	2021/22 Original Budget £000	2022/23 Forecast £000	2023/24 Forecast £000	2024/25 Forecast £000
Efficiency Target/Budget Shortfall - MFTP	217	133	1,055	1,855	2,610
Efficiencies Identified to date *	217	(200)	(200)	(200)	(200)
Current Budget Shortfall (Surplus)	0	(67)	855	1,655	2,410
Efficiencies identified <u>not yet</u> realised:					
Forecast Transformation Savings	0	0	(331)	(543)	(659)
Proposed Council tax increase 2021/22	0	(117)	(117)	(117)	(117)
Forecast Budget Shortfall (Surplus)	0	(184)	407	995	1,634

** Each year the budget is based on a full establishment so a vacancy savings target of £0.200m has been included as an efficiency. This will be monitored and savings removed from the budget throughout the year.*

- 1.9 The main factors taken into account in developing the Council's financial plans are set out below.

Level of Government Funding

- 1.10 The current financial year (2020/21) is a one year extension of the four year settlement announced in December 2015. As a result of the Covid pandemic, the spending review has been delayed until 2022/23 meaning that the 2021/22 budget is also a rollover from the previous settlement. The impact of national funding changes including the Fair Funding Review and Business Rates reset that were expected to affect the 2021/22 budget have therefore been further delayed until 2022/23.

- 1.11 This relieves some pressure on the 2021/22 budget but assumptions have continued to be made where sufficient information is available to do so for future years in the medium term financial plan as follows:

New Homes Bonus

- 1.12 The rollover of the current settlement however means that New Homes Bonus will once again be awarded in 2021/22 generating income of £0.360m. This is for one year only, no legacy payments will be made.
- 1.13 New Homes Bonus is not confirmed beyond 2021/22 and the Government has been clear that it will not continue into the next spending review period. So, estimates for 2022/23 onwards exclude any new allocations for new homes bonus. This loss of funding creates a significant budget pressure in the future years of the medium term financial plan.

Fair Funding Review

- 1.14 Although a delay to implementation has been confirmed it is too early to say with any clarity what the impact of the Fair Funding Review will be. Financial modelling continues to show that resources will be directed to councils based on “highest need” which will impact negatively on most shire districts.
- 1.15 The risk of losses from the Fair Funding Review is also much greater for those councils who can raise income from council tax. This puts a greater burden on local decision making with regards to council tax setting each year.
- 1.16 Due to the high level of uncertainty at this stage, the impact of the Fair Funding Review has not been included in the medium term financial plan at this time. Members will be updated on the impact as soon as this becomes available.

Business Rates Retention

- 1.17 Members will be aware that the Council has been a member of the Derbyshire Business Rates Pool since its establishment in 2015/16. Being a member of the pool allows us to retain more of our Business Rates income locally. Income from the Pool has been removed from the 2020/21 budget due to uncertainties over growth during the pandemic. This creates a budget pressure in the region of £0.200m per annum. Furthermore, growth has not been included in future years due to continued uncertainty surrounding business growth and proposed changes to business rates and the reset (see 1.18 below).

Business Rates Reset

- 1.18 Debate around Business Rates Retention Reform was a topic of national discussion prior to the pandemic with the review focusing on resetting the business rates baseline. This means any growth gained since 2013/14 will be built into a new baseline, effectively wiping it out. Consideration is also being

given to increasing the local share for business rates retention from 50% to 75%, however it is widely expected that the Upper Tier councils will be the ones to benefit from this.

- 1.19 The further delay to the spending review because of the Covid pandemic means that the impact of the reset will not now affect the 2021/22 budget but has been included from 2022/23. It must be stressed these are early estimates and therefore subject to change, but the expected impact of the reset is significant for the Council (2022/23 £0.790m, 2023/24 £0.758m and 2024/25 £0.758m). To help mitigate against these losses transfers from the NNDR Growth Protection Reserve into the General Fund have been made.

Council Tax and Business Rates collection

- 1.20 A scheme to fund 75% of irrecoverable losses in council tax and business rates was also announced in the Spending Review. This scheme will run parallel to the requirement for billing authorities to spread the 2020/21 collection fund deficit for both of these over 3 years. At the time of writing this report, calculations for council tax and business rates are currently being undertaken as part of the statutory collection fund reporting requirements.
- 1.21 Early indications are that the scheme is generous and that both council tax and business rates expected budgeted income will be compensated regardless of whether the losses occurred because of lower collection rates, increased council tax support costs or lower tax base growth. As the billing authority we are still required to continue appropriate collection and enforcement action for outstanding council tax and business rates debt however.

Expenditure, income levels and efficiencies

- 1.22 In developing the financial projections covering the period 2021/22 -2024/25, a number of assumptions have been made:
- A pay award of 1% has been included in 2021 pay budgets and 2% thereafter.
 - Inflation specific budgets such as energy costs and fuel have been amended to reflect anticipated price changes.
 - Fees and charges – service specific increases as agreed by Members.
 - Leisure Income – the impact of Covid has materially affected the sector so estimates for income have been reduced by 15% in 2021/22.

Appendix 2 provides further analysis for each budget area.

- 1.23 No provision has been made in the budget for costs that may be incurred as a result of Brexit. Should there be any significant impact on the Council's resources as a result this will be addressed at that time. A small grant received from the Government of £0.034m has been earmarked in reserves to cover any incidental expenses that may arise.

Impact of the Covid Pandemic

- 1.24 As mentioned in 1.4 above, the effect of the pandemic on the 2020/21 budget was reported to Cabinet in October. The Government's income compensation scheme is expected to continue in quarter 1 of next year which will assist with income losses and the Covid grant will continue to be utilised as required. We have also made payments totalling £0.070m to provide financial assistance to the Parish Councils in the district towards their continued Covid response work in 2021/22.
- 1.25 The Spending Review 2020, allocated a further tranche of Covid grant funding for 2021. Our provisional share is £0.491m to cover continued cost pressures. Additionally, a Lower Tier Services grant of £0.205m will also be paid in 2021/22 to provide additional financial assistance.

Reserves

- 1.26 The Council's main uncommitted Financial Reserves are the General Fund Working Balance of £2.0m and the uncommitted element of the Invest to Save Reserve of £2.7m. Due to the uncertainty surrounding local authority income, particularly in relation to the pandemic and the national financial settlement from 2022, it is important that the Council continues to review its position regards financial resilience and ensures that reserves are sufficient to meet these challenges wherever possible.
- 1.27 Contributions of £1.179m in 202/21 and £0.677m in 2021/22 have been made from the Resilience Reserve to mitigate against additional costs or income lost to the general fund as a result of the pandemic.

Council Tax Implications

Council Tax Base

- 1.28 In preparation for the budget, the Chief Finance Officer under delegated powers has determined the Tax Base at Band D for 2021/22 as 31658.37.

Council Tax Options

- 1.29 The Council's part of the Council Tax bill in 2020/21 was set at £189.65 for a Band D property. This was the same as in 2019/20 as no increase was applied.
- 1.30 The Council has a range of options when setting the Council Tax. The Government indicate what upper limit they consider acceptable. For 2021/22, District Councils are permitted to increase their share of the Council Tax by 1.99% or £5, whichever is the greater, without triggering the need to hold a referendum. The Table below shows increase options and the extra revenue this would generate:

Increase	New Band D £	Annual Increase £	Weekly Increase £	Extra Revenue £
1.00%	191.55	1.90	0.04	60,040
1.95%	193.35	3.70	0.07	117,078
1.99%	193.42	3.77	0.07	119,480
2.63%	194.64	4.99	0.10	157,905

The level of increase each year affects the base for future years and the proposed increase for 2021/22 is 1.95%, generating additional revenue of £117,078.

Housing Revenue Account (HRA)

2020/21 Current Budget

- 1.31 In February 2020, Members agreed a budget for 2020/21 including setting of rent levels in line with Government regulations. HRA fees and charges were also set, effective from the same date.
- 1.32 The Revised Budget was considered by Cabinet at its meeting on the 8 October 2020. There have been no material changes to the budget position since this time.
- 1.33 The estimated surplus in the year will be dependent on the actual financial performance out-turning in line with the revised budgets. The surplus will be utilised to fund additional homes and/or improved services to tenants' in future financial years so all surpluses will be transferred to reserves.
- 1.34 The working balance brought forward from 2019/20 was £3.0m. This will be retained at £3.0m through the plan.

2021/22 Original Budget and 2022/23 to 2024/25 Financial Plan

- 1.35 The proposed budget for 2021/22 currently shows a balanced position. (**Appendix 3**). The HRA budget makes the same assumptions as the General Fund budget for staff costs and inflation. There are however, some additional assumptions that are specific to the HRA. The main factors taken into account in developing the Council's financial plans for the HRA are set out within the sections below.

Level of Council Dwelling Rents

- 1.36 In April 2020 the new Social Housing Rent Standard comes into force which will be externally regulated by the Housing Regulator and apply to all registered providers of social housing. The Government has directed the Regulator to apply the rent standard to all registered providers and this includes local authorities. The Standard confirms that rent increases of up to CPI + 1% will be permitted, until it is reviewed in 2025. In line with the standard an increase of 1.5% is being recommended in the budget for 2021/22. Future year rent increases will be considered as part of the annual refresh of this plan each year.

Fees and Charges

- 1.37 Although the main source of income for the HRA is property rents, the HRA is also dependent for its financial sustainability on a range of other charges. Heating charges are set on the principle that wherever possible they will reflect the cost of providing those services.
- 1.38 The schedule of proposed charges is set out below:

	Weekly Charge 2020/21 £	Proposed Weekly Charge 2021/22 £
Heating:		
Marx Court	7.81	7.95
Church Avenue	5.51	5.68
Garages:		
Private	12.00	14.00
Tenants - new	9.00	10.00
Tenants - existing	9.00	10.00
Garage Plots:		
Plots - Annual	200.00	230.00
Plots – Per Week	3.50	4.00

Rykneld Homes Ltd Management Fee

- 1.39 The majority of the funding available to Rykneld Homes is provided by way of a management fee from the Council for delivery of services in line with the Management Agreement. Whilst it is intended that this payment will form a regular source of income for Rykneld Homes against which it can effectively budget to meet its expenditure commitments it is recognised that on occasions the Council as sole shareholder may be required to contribute funds in order to help it manage any adverse cash flow issues which might arise.
- 1.40 It is recommended that the management fee for 2021/22 will be £9.692m. This is contained within two budgets on the HRA – Repairs and Maintenance (£4.978m) and Supervision and Management (£4.714m).
- 1.41 A further issue needs to be brought to the attention of Cabinet which concerns the fact that Rykneld Homes is a company wholly owned by the Council. As such

the company's external auditors seek from the Council on an annual basis at the time of the audit of the Company's accounts a Letter of Comfort from the Council as the parent company. That letter of comfort fundamentally seeks reassurance regarding the fact that the Council will continue to provide financial support to the company over the coming financial year (which in the case of the 2020/21 accounts will be the 2021/22 financial year). On the basis that this report is approved then it is reasonable to provide such a letter of comfort from the Council. In addition it may be the case that specific representations are required in order to support the Auditors view that the Company remains a going concern. The reasonableness of providing such assurances will need to be considered at that point in time when the Company's auditors approach the Council, and it is therefore recommended that delegated powers be granted to the Chief Financial Officer in consultation with the Portfolio Member for Finance to provide a response on behalf of the Council.

Financial Reserves – HRA

- 1.42 The Council's main uncommitted Financial Reserve for the Housing Revenue Account is the working balance of £3.00m. In addition to the Working Balance there are further reserves for the HRA specifically used to fund the Council's HRA capital programme. These are the Major Repairs Reserve and the Development Reserve. There is also an Insurance Reserve held. The 2020/21 capital programme includes a revision which is funded from HRA reserves and as such an additional contribution of £1.9m has been made.

Capital Programme

- 1.43 There will be a separate report to Council on 1 February 2021 concerning the Council's Treasury Strategies. The report will consider capital financing such as borrowing which enables the proposed capital programme budgets to proceed.

2020/21 Current Budget

- 1.44 In February 2020, Members approved a Capital Programme in respect of 2020/21 to 2023/24. Scheme delays and technical problems can often cause expenditure to slip into future years and schemes can be added or extended as a result of securing additional external funding. All slippage from 2019/20 has been accounted for in the 2020/21 revised position.
- 1.45 The Revised Capital Programme was considered by Cabinet at its meeting on the 8 October 2020. There has been one addition since this time, inclusion of £2.75m for stock purchases, funded from retained capital receipts and HRA reserves.

General Fund Capital Programme 2021/22 to 2024/25

- 1.46 The proposed Capital Programme for the General Fund totals £3.95m for 2021/22; £4.4m for 2022/23, £2.26m for 2023/24 and £1.86m for 2024/25. The budget in 2021/22 includes the cost of refurbishment works at Killamarsh Leisure Centre and the carbon efficiency works at Eckington Sports Centre. The budget in 2022/23 reflects the profile of the vehicle replacement programme. The

remainder of the programme is relatively static including the asset management programme of £0.500m per annum.

HRA Capital Programme 2020/21 to 2023/24

- 1.47 The proposed programme for HRA capital works totals £10.647m for 2021/22; £10.509m for 2022/23; £10.441m for 2023/24 and £10.441m for 2024/25.
- 1.48 The proposed programme for HRA capital works on the non-traditional stock reflects the latest stock condition survey and in addition in 2021/22 includes £7.152m for additional eco works which is in part grant funded. The programme totals £7.652m for 2021/22; £2.530m for 2022/23; £4.370m for 2023/24 and £4.370m for 2024/25. The capital fee paid to RHL for delivering the programmes detailed at 1.47 and 1.48 is £1.1m.
- 1.49 Programmes remain for parking solutions (£0.288m per annum) and garage demolitions (£0.023m per annum).
- 1.50 In addition, £3m per annum has been included to fund the ongoing commitment to purchasing affordable houses in the district to replace those lost through right to buy sales.
- 1.51 An analysis of all the schemes and associated funding are attached at **Appendix 4** to this report.

Robustness of the Estimates

- 1.52 Under the provisions of the Local Government Act 2003, the Council's Section 151 Officer is required to comment on the robustness of the estimates made and on the adequacy of the financial reserves.

The Council's Section 151 Officer (The Head of Finance and Resources) is satisfied that the estimates are considered to be robust, employee costs are based on the approved establishment, investment income is based on the advice of the Council's Treasury Management Advisors and income targets are considered to be achievable.

Likewise, the Section 151 Officer is satisfied that the levels of reserves are considered to be adequate to fund planned expenditure and potential issues and risks that face the Council.

2 Conclusions and Reasons for Recommendations

- 2.1 This report presents a budget for consideration by Cabinet. It seeks to secure approval to recommend budgets to Council in respect of the General Fund, the Housing Revenue Account and the Capital Programme.

3 Consultation and Equality Impact

3.1 The Council is required to consult with stakeholders on the proposed budget. This consultation is part of the Council's service planning framework and has effectively been taking place throughout the financial year. These mechanisms include active participation in the Local Strategic Partnership, a range of meetings with local groups and associations, a performance management framework and scrutiny by the Audit and Corporate Governance Scrutiny Committee.

3.2 There are no equality impact implications from this report.

4 Alternative Options and Reasons for Rejection

4.1 Alternative options are considered throughout the report.

5 Implications

5.1 Finance and Risk Implications

5.1.1 Financial issues and implications are covered in the relevant sections throughout this report.

5.1.2 The Council has a risk management strategy and associated framework in place and the Strategic Risk Register is regularly reviewed through the Council's performance management framework. Strategic risks along with the mitigation in place to ensure such risks are manageable are reported to the Audit and Corporate Governance Scrutiny Committee at each meeting. The risk of not achieving a balanced budget is outlined as a key risk within the Council's Strategic Risk Register and is therefore closely monitored through these practices and reporting processes.

5.2 Legal Implications including Data Protection

5.2.1 The Council is legally obliged to approve a budget prior to the commencement of the new financial year, 1 April 2021. This report together with the associated budget timetable has been prepared in order to comply with our legal obligations.

5.2.2 The recommended budget for the General Fund, Housing Revenue Account and Capital Programme complies with the Council's legal obligation to agree a balanced budget.

5.2.3 There are no Data Protection issues arising directly from this report.

5.3 Human Resources Implications

5.3.1 These are covered in the main report and supporting appendices where appropriate.

6 Recommendations

- 6.1 That all recommendations below are referred to the Council meeting of 1 February 2021.

The following recommendations to Council are made:

- 6.2 That the view of the Chief Financial Officer, that the estimates included in the Medium Term Financial Plan 2020/21 to 2024/25 are robust and that the level of financial reserves whilst at minimum levels are adequate, be accepted.
- 6.3 That officers report back to Cabinet and the Audit and Corporate Governance Scrutiny Committee on a quarterly basis regarding the overall position in respect of the Council's budgets. These reports to include updates on achieving the savings and efficiencies necessary to secure a balanced budget over the life of the medium term financial plan.

GENERAL FUND

- 6.4 A Council Tax increase of £3.70 will be levied in respect of a notional Band D property (1.95%).
- 6.5 The Medium Term Financial Plan in respect of the General Fund as set out in **Appendix 1** of this report be approved as the Current Budget 2020/21, as the Original Budget 2021/22, and as the financial projections in respect of 2022/23 to 2024/25.
- 6.6 That any under spend in respect of 2020/21 be transferred to the Resilience Reserves to provide increased financial resilience for future years of the plan.

HOUSING REVENUE ACCOUNT

- 6.7 That Council sets its rent levels for 2021/22 in line with the Social Housing Rent Standard increasing rents by 1.5% from 1st April 2021.
- 6.8 That all other charges be implemented in line with the table shown at 1.38 above with effect from 1 April 2021.
- 6.9 The Medium Term Financial Plan in respect of the Housing Revenue Account as set out in **Appendix 3** of this report be approved as the Current Budget in respect of 2020/21, as the Original Budget in respect of 2021/22, and the financial projection in respect of 2022/23 to 2024/25.
- 6.10 That the Management Fee for undertaking housing services at £9.692m and the Management Fee for undertaking capital works at £1.1m to Rykneld Homes in respect of 2021/22 be approved.
- 6.11 That Members endorse the section in the current Financial Protocol which enables the Council to pay temporary cash advances to Rykneld Homes in excess of the Management Fee in order to help meet the cash flow requirements of the company should unforeseen circumstances arise in any particular month.

- 6.12 That Members note the requirement to provide Rykneld Homes with a 'letter of comfort' to the company's auditors and grant delegated authority to the Council's Chief Financial Officer in consultation with the Portfolio Member for Finance to agree the contents of that letter.

CAPITAL PROGRAMME

- 6.13 That the Capital Programme as set out in **Appendix 4** be approved as the Current Budget in respect of 2020/21, and as the Approved Programme for 2022/23 to 2024/25.

7 Decision Information

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>	Yes
Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In)	Yes
Has the relevant Portfolio Holder been informed	Yes
District Wards Affected	All
Links to Corporate Plan priorities or Policy Framework	All

8 Document Information

Appendix No	Title
1	General Fund Summary
2	General Fund Detail
3	Housing Revenue Account
4	Capital Programme
Background Papers	
Budget working papers	
Report Author	Contact Number

Jayne Dethick - Head of Finance and Resources	01246 217078

GENERAL FUND SUMMARY 2020/21 - 2024/25

Appendix 1

	Current Budget 2020/21 £	Original Budget 2021/22 £	Planning Budget 2022/23 £	Planning Budget 2023/24 £	Planning Budget 2024/25 £
Environment & Enforcement	4,634,770	4,459,801	4,748,928	5,103,564	5,328,731
Corporate Resources	5,536,414	6,400,346	6,105,392	6,380,160	6,566,104
Growth and Economic Development	1,409,415	1,243,886	1,325,493	1,364,881	1,373,776
Bad Debt Provision	40,000	40,000	40,000	40,000	40,000
Recharges to Capital and HRA	(527,500)	(527,500)	(527,500)	(527,500)	(527,500)
Savings Target	0	(133,015)	(1,055,589)	(1,855,281)	(2,610,307)
Net Cost of Services	11,093,099	11,483,518	10,636,724	10,505,824	10,170,804
Investment Properties	(469,270)	(413,910)	(412,274)	(410,636)	(410,471)
Interest	(162,766)	(177,160)	(387,007)	(479,140)	(567,734)
Debt Repayment Minimum Revenue Provision	56,000	56,000	56,000	56,000	56,000
Parish Precepts	3,295,048	3,295,048	3,295,048	3,295,048	3,295,048
Parish Council Tax Support Grant	70,382	0	0	0	0
Covid Support Grant to Parishes	0	70,382	0	0	0
Transfer from NNDR Reserve	0	(823,900)	(790,700)	(758,000)	(346,339)
Transfer To Earmarked Reserves	1,418,566	60,000	20,000	20,000	20,000
Transfer From Earmarked Reserves	(1,954,399)	(859,286)	(148,173)	(38,038)	(26,250)
Total Spending Requirement	13,346,660	12,690,692	12,269,618	12,191,058	12,191,058
Business Rates	(3,200,000)	(2,826,100)	(2,859,300)	(2,892,000)	(2,892,000)
New Homes Bonus	(823,860)	(360,439)	(111,260)	0	0
Lower Tier Services Grant	0	(205,095)	0	0	0
Collection Fund (Surplus)/Deficit - Council Tax	(98,661)	0	0	0	0
Collection Fund (Surplus)/Deficit - NNDR	0	0	0	0	0
NEDDC Council Tax Requirement	(5,929,091)	(6,004,010)	(6,004,010)	(6,004,010)	(6,004,010)
Parish Council Council Tax Requirement	(3,295,048)	(3,295,048)	(3,295,048)	(3,295,048)	(3,295,048)
Council Tax Requirement	(13,346,660)	(12,690,692)	(12,269,618)	(12,191,058)	(12,191,058)

		Current Budget 2020/21 £	Original Budget 2021/22 £	Planning Budget 2022/23 £	Planning Budget 2023/24 £	Planning Budget 2024/25 £
<u>Environment & Enforcement</u>						
Director Environment & Enforcement						
5700	Strategic Director - Environment & Enforcement	54,892	55,930	57,039	58,171	59,325
5706	HS2	(3,550)	0	0	0	0
1218	Community Safety	20,080	20,624	21,428	22,245	23,079
1283	Emergency Planning	21,000	16,000	16,000	16,000	16,000
Head of Service Environmental Health						
3400	Environmental Protection	71,122	97,143	102,253	107,484	111,826
3401	Food, Health & Safety	151,130	117,176	122,882	128,910	132,449
3402	Environmental Enforcement	94,882	115,000	121,054	127,991	131,999
3404	Licensing	(12,013)	13,132	16,750	20,213	23,087
3405	Pollution	106,682	117,873	121,488	125,124	128,864
3407	Pest Control	47,680	17,227	20,725	24,273	25,624
3408	Home Improvement	20,477	21,141	21,492	21,850	22,215
3409	EH Technical Support & Management	237,688	239,640	245,804	252,131	258,392
3410	Private Sector Housing	70,010	77,432	79,842	82,266	84,759
3419	Destitute Funerals	1,500	1,500	1,500	1,500	1,500
3420	Fly Tipping	0	3,000	3,000	3,000	3,000
3423	Air Quality Feasibility Study	57,091	0	0	0	0
Head of Service Street Scene						
3174	Street Scene	311,875	319,503	327,051	334,706	342,223
3227	Materials Recycling	286,450	196,220	202,160	208,210	233,320
3231	Recycling Promotional Work	0	0	0	0	0
3244	Parks Derbyshire County Council Agency	(360,000)	(360,000)	(360,000)	(360,000)	(360,000)
3282	Eckington Depot	99,200	109,242	112,063	114,976	115,442
3285	Dronfield Bulk Depot	3,500	3,580	3,650	3,720	3,720
3511	Hasland Cemetery	(43,290)	(44,995)	(44,870)	(44,730)	(44,730)
3513	Temple Normanton Cemetery	(8,080)	(8,070)	(8,070)	(8,060)	(8,060)
3514	Clay Cross Cemetery	(63,200)	(59,685)	(59,685)	(59,685)	(59,685)
3516	Killamarsh Cemetery	(15,770)	(18,250)	(18,240)	(18,220)	(18,220)
3918	Dog Fouling Bins	(56,160)	(55,000)	(55,000)	(55,000)	(55,000)
3921	Street Cleaning Service	582,230	615,330	632,022	644,294	651,745
3943	Transport	463,040	158,675	299,512	434,654	441,798
3944	Grounds Maintenance	528,160	706,752	742,086	778,749	802,413
3945	Domestic Waste Collection	1,564,435	1,499,865	1,503,513	1,669,312	1,760,883
3946	Commercial Waste Collection	(149,182)	(181,898)	(180,785)	(179,651)	(178,494)
4436	The Avenue - Dowry					
Head of Service Planning						
4111	Applications And Advice	(554,000)	(542,400)	(542,400)	(542,400)	(542,400)
4113	Planning Appeals	7,830	0	0	0	0
4116	Planning Policy	321,953	262,824	268,204	273,576	278,447
4119	Neighbourhood Planning Grant	0	0	0	0	0
4311	Environmental Conservation	17,650	20,665	20,815	20,965	20,965
4511	Hos Planning	54,680	62,574	63,817	65,084	66,377
4513	Planning	646,778	804,051	833,828	773,906	797,868
4515	Building Control	58,000	58,000	58,000	58,000	58,000
Total for Environment & Enforcement Directorate		4,634,770	4,459,801	4,748,928	5,103,564	5,328,731
<u>Corporate Resources</u>						
Director Corporate Resources						
1141	Chief Executive	300	0	0	0	0
1142	Chief Executive	38,675	0	0	0	0
4500	Strategic Director - Corporate Resources	57,132	60,367	61,478	62,611	63,767
5720	Supporting PA's	84,990	86,276	88,063	89,885	91,744
Head of Service Partnerships and Transformation						
1331	Strategic Partnerships	155,645	196,924	201,177	205,524	209,965
1332	Strategic Partnership Projects	0	0	0	0	0
1333	Healthy North East Derbyshire	816	30,134	0	0	0
1334	NE Derbyshire Business Growth Fund	4,000	0	0	0	0
1335	Big Local	0	0	0	0	0
4443	Elderly Peoples Clubs	2,000	4,000	4,000	4,000	4,000
4561	Leisure Centre Management	134,970	133,471	135,169	136,899	138,665
4600	Hos Partnerships & Transformation	35,612	37,552	39,368	40,161	40,970
4720	Sportivate	0	0	0	0	0
4722	Physical Inactivity Fund	0	0	0	0	0
4723	Generation Games	0	0	0	0	0
4724	Walking into Communities	11,000	11,000	0	0	0
4726	Walking for Health	0	0	0	0	0
4727	Five 60	0	0	0	0	0

4731	Promotion Of Recreation And Leisure	29,910	30,312	30,935	31,569	32,216
4732	Schools Promotion	0	0	0	0	0
4736	Derbyshire Sports Forum	14,450	14,450	14,450	14,450	14,450
4742	Arts Development	2,530	2,530	2,530	2,530	2,530
5215	Telephones	29,220	29,220	29,220	29,220	29,220
5216	Mobile Phones and I pads	19,125	23,170	23,170	23,170	23,170
5221	Customer Services	353,295	357,989	365,490	376,941	384,707
5223	Franking Machine	47,700	57,150	57,150	57,150	57,150
5701	Joint ICT Service	28,103	0	0	0	0
5734	NEDDC ICT Service	421,476	520,178	539,025	555,468	571,077
5735	Cyber Security	(6,000)	0	0	0	0
5736	Business Development	51,077	74,392	77,103	79,890	82,734
5737	Corporate Printing Costs	15,790	15,890	15,950	16,010	16,070
5785	Contributions	136,085	136,085	136,085	136,085	136,085
5825	Concessionary Bus Passes	(9,600)	(10,100)	(10,100)	(10,100)	(10,100)
8441	Eckington Swimming Pool	408,850	328,128	145,273	194,839	207,569
8445	Eckington Pool Cafe	8,730	(3,381)	(6,555)	(5,878)	(5,187)
8451	Dronfield Sports Centre	415,445	60,477	(91,009)	(64,564)	(48,098)
8455	Dronfield Café	12,140	(8,634)	(19,240)	(18,047)	(16,832)
8461	Sharley Park Sports Centre	604,110	427,397	347,948	374,827	389,776
8465	Sharley Park Sports Centre Outdoor	(590)	(3,090)	(3,635)	(3,635)	(3,635)
8471	Killamarsh Leisure Centre	0	13,200	76,000	110,000	144,000

Head of Service Corporate Governance

1121	Member's Services	427,328	435,283	435,283	435,283	435,283
1123	Chair's Expenses	6,720	11,120	9,650	6,700	6,700
1231	Corporate Training	27,500	41,980	41,980	41,980	41,980
1255	Strategy and Performance	106,386	109,612	112,474	114,685	116,939
1256	Corporate Consultation	13,148	13,498	13,780	14,068	14,360
1259	Corporate Groups	1,000	6,000	1,000	6,000	1,000
1311	Human Resources	184,595	199,990	206,140	212,559	217,698
1312	Payroll	55,553	58,251	60,049	61,877	63,747
1313	Work Well Team	0	0	0	0	0
1315	Design & Print	120,310	116,305	118,092	119,913	121,771
1321	Communications & Marketing	60,530	93,574	97,720	101,726	104,532
1323	NEDDC News	25,000	28,000	28,000	28,000	28,000
1329	Corporate Web Site	1,670	780	780	780	780
3121	Health & Safety Advisor	73,043	62,567	68,301	53,960	54,835
5273	Brass Band Concert	500	3,700	3,700	3,700	3,700
5313	Register Of Electors	146,181	162,029	164,801	167,054	169,356
5321	HoS Corporate Governance	40,353	41,367	42,207	43,060	43,869
5353	Legal Section	170,028	167,295	173,052	178,976	184,289
5354	Land Charges	(6,650)	(8,605)	(7,889)	(7,158)	(6,414)
5392	Scrutiny	51,375	51,889	52,948	54,032	55,135
5711	Democratic Services	203,135	248,358	255,279	262,768	269,208

Head of Service Finance and Resources

3176	Pool Car	500	2,270	2,430	2,430	2,430
3512	CBC Crematorium	(173,000)	(173,000)	(173,000)	(173,000)	(173,000)
5113	Unison Duties	16,310	16,766	17,113	17,464	17,824
5611	External Audit	67,510	105,490	105,490	105,490	105,490
5615	Bank Charges	74,500	95,500	95,500	95,500	95,500
5621	Contribution to/from HRA	(185,600)	(185,600)	(185,600)	(185,600)	(185,600)
5705	HoS Finance & Resources	0	0	0	0	0
5713	Audit	107,030	113,540	113,540	113,540	113,540
5714	Financial Support Services	2,130	3,500	3,500	3,500	3,500
5715	Procurement	46,244	46,231	47,292	48,369	49,469
5721	Financial Services	313,480	332,785	341,405	350,299	358,635
5723	Housing Act Advances	0	0	0	0	0
5724	Insurance	286,508	321,000	321,000	321,000	321,000
5725	Apprenticeship Levy	45,000	45,000	45,000	45,000	45,000
5727	Cost Of Ex-Employees	936,000	936,000	936,000	936,000	936,000
5728	Covid-19 Response	(1,061,109)	0	0	0	0
5741	Housing Benefit Service	(19,944)	(29,810)	(3,220)	42,708	59,303
5747	Debtors	50,255	50,768	51,832	52,917	54,025
5751	`NNDR Collection	(2,596)	(12,265)	(10,261)	(8,204)	(6,110)
5759	Council Tax Administration	203,635	249,221	260,979	273,779	286,317
5781	Village Hall Grants	14,870	14,870	0	0	0

Total for Corporate Resources Directorate

5,536,414 6,400,346 6,105,392 6,380,160 6,566,104

Growth & Economic Development

Director Growth & Economic Development

1143	Director of Growth & Economic Development	63,510	61,423	64,457	67,589	70,820
3135	Drainage	38,475	40,125	41,318	42,374	40,570
3172	Engineers	80,065	99,892	104,279	108,677	112,053
3241	Car Parks	41,890	43,180	43,920	44,670	44,670
3247	Street Names/Lights	4,230	6,000	6,000	6,000	6,000
3249	Footpath Orders	(1,200)	(400)	(400)	(400)	(400)
3265	Dams And Fishing Ponds	17,245	(450)	(450)	(450)	(450)
3281	Clay Cross Depot	(1,070)	0	0	0	0

3283	Northwood	0	0	0	0	0
3811	Closed Circuit Television	0	440	460	490	490
4412	Midway Business Centre	(63,445)	(61,100)	(60,740)	(60,360)	(60,300)
4425	Coney Green Business Centre	(158,040)	(107,928)	(102,916)	(97,701)	(96,928)
4523	Estates Administration	287,100	338,594	347,897	357,246	364,927
5205	Mill Lane	243,962	272,471	278,355	283,946	285,424
5206	Mill Lane Land	(5,150)	0	0	0	0
5209	Facilities Management	51,225	45,610	42,770	42,930	46,090
5210	Pioneer House	(51,593)	(40,400)	(37,966)	(36,898)	(42,461)

Head of Service Housing & Economic Development

3165	Housing Options Team	195,375	209,382	214,252	219,097	224,061
3740	Strategic Housing	55,982	56,861	57,962	59,087	60,235
3741	Housing Ambition Project	0	0	0	0	0
3743	Manufacturing Zone Bid	15,960	0	0	0	0
3747	Homeless Temp Accomodation	16,665	(41,556)	(40,789)	(40,005)	(42,807)
3748	Homelessness Grant	1,610	22,000	62,000	62,000	62,000
3749	Empty Properties	2,599	2,000	2,000	2,000	2,000
3750	Housing Growth	14,825	15,009	15,367	11,788	0
3751	Care Call System	0	0	0	0	0
3752	Homeless Bond Scheme	1,660	0	0	0	0
3754	Rough Sleepers	(30,776)	0	0	0	0
3755	PRS Access Fund	37,500	0	0	0	0
4211	Tourism Promotions	18,500	12,500	12,500	12,500	12,500
4238	Working Communities Strategy	70,925	72,772	74,217	75,692	77,197
4240	Project X	0	0	0	0	0
4351	Alliance	0	0	0	0	0
4512	Growth Agenda	13,430	22,674	23,007	23,350	23,497
4516	Clay Cross OPE	0	0	0	0	0
4517	Economic Development	156,700	158,323	161,276	164,286	167,354
4519	The Avenue, Wingerworth	0	0	0	0	0
4520	Killamarsh/Eckington OPE	53,381	0	0	0	0
4524	New Towns Fund	138,545	0	0	0	0
4526	Sheffield City Region	4,000	4,000	4,000	4,000	4,000
4527	Dronfield Civic Centre	50,000	0	0	0	0
5750	HoS Economic Development & Housing	45,330	12,464	12,717	12,973	13,234

Total for Growth & Economic Development Directorate	1,409,415	1,243,886	1,325,493	1,364,881	1,373,776
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Investment Properties

4411	Stonebroom Industrial Estate	(59,700)	(41,560)	(41,459)	(41,356)	(41,356)
4413	Clay Cross Industrial Estate	(84,600)	(80,000)	(79,950)	(79,905)	(79,900)
4415	Norwood Industrial Estate	(225,400)	(221,615)	(221,500)	(221,390)	(221,380)
4417	Eckington Business Park	(6,200)	(13,000)	(13,000)	(13,000)	(13,000)
4418	Rotherside Court Eckington Business Unit	(23,720)	(12,865)	(12,270)	(11,660)	(11,525)
4423	Pavillion Workshops Holmewood	(89,800)	(81,990)	(81,880)	(81,780)	(81,780)
4432	Miscellaneous Properties	20,150	37,120	37,785	38,455	38,470

Total for Investment Properties	(469,270)	(413,910)	(412,274)	(410,636)	(410,471)
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	Current Budget 2020/21	Original Budget 2021/22	Original Budget 2022/23	Original Budget 2023/24	Original Budget 2024/25
INCOME					
Dwelling Rents	(30,743,726)	(31,120,048)	(31,017,571)	(30,915,071)	(30,812,625)
Non-Dwelling Rents	(420,817)	(433,422)	(437,222)	(441,022)	(442,022)
Charges for Services and Facilities	(137,700)	(144,639)	(144,348)	(144,060)	(143,778)
Contributions Towards Expenditure	(50,000)	(50,000)	(50,000)	(50,000)	(50,000)
INCOME TOTAL	(31,352,243)	(31,748,109)	(31,649,141)	(31,550,153)	(31,448,425)
EXPENDITURE					
Repairs & Maintenance	5,185,929	5,185,929	5,185,929	5,185,929	5,185,929
Supervision & Management	6,252,560	6,204,703	6,207,213	6,209,776	6,212,404
Rents, Rates & Taxes	110,000	110,000	110,000	110,000	110,000
Depreciation	7,764,936	7,764,937	7,764,937	7,764,937	7,764,937
Provision for Doubtful Debts	250,000	250,000	250,000	250,000	250,000
Debt Management Expenses	11,500	11,500	11,500	11,500	11,500
EXPENDITURE TOTAL	19,574,925	19,527,069	19,529,579	19,532,142	19,534,770
NET COST OF SERVICES	(11,777,318)	(12,221,040)	(12,119,562)	(12,018,011)	(11,913,655)
Corporate & Democratic Core	185,450	185,450	185,450	185,450	185,450
NET COST OF HRA SERVICES	(11,591,868)	(12,035,590)	(11,934,112)	(11,832,561)	(11,728,205)
HRA Debt, and Reserve charges					
Interest Payable	5,081,477	5,015,777	4,917,088	4,898,790	4,903,953
Interest Receivable	(61,206)	(61,511)	(62,256)	(63,362)	(64,505)
Contribution to Major Repairs Reserve	3,554,064	9,409,241	5,274,063	7,046,063	7,046,063
Contribution to/from Earmarked Reserves	3,017,533	(2,327,917)	1,805,217	(48,930)	(157,306)
(Surplus)/Deficit on HRA Services	0	0	0	0	0
Opening HRA Balance	(3,000,000)	(3,000,000)	(3,000,000)	(3,000,000)	(3,000,000)
Transfers (to)/from Balances	0	0	0	0	0
Transfers (to)/from Balances	(3,000,000)	(3,000,000)	(3,000,000)	(3,000,000)	(3,000,000)
Closing HRA Balance	(3,000,000)	(3,000,000)	(3,000,000)	(3,000,000)	(3,000,000)

CAPITAL PROGRAMME 2020/21 - 2024/25

	Current Budget 2020/21 £	Original Budget 2021/22 £	Original Budget 2022/23 £	Original Budget 2023/24 £	Original Budget 2024/25 £
Capital Expenditure					
Housing Revenue Account					
HRA Capital Works	9,164,000	10,647,000	10,509,000	10,441,000	10,441,000
HRA Capital Works - Non Traditional Properties	0	7,152,178	2,530,000	4,370,000	4,370,000
Green Homes EWI - Mickley	2,725,000	500,000	0	0	0
EWI Scheme - Heath & Pilsley	520,000	0	0	0	0
Pine View, Danesmoor	1,071,000	0	0	0	0
North Wingfield New Build Scheme	66,000	0	0	0	0
Stock Purchase Programme (1-4-1)	2,751,730	3,000,000	3,000,000	3,000,000	3,000,000
Acquisitions and Disposals (RHL)	500,000	500,000	500,000	500,000	500,000
North Wingfield New Build Project	2,015,000	0	0	0	0
Garage Demolitions	23,000	23,000	23,000	23,000	23,000
Concrete Balconies	115,000	0	0	0	0
Parking Solutions	288,000	288,000	288,000	288,000	288,000
HRA - Capital Expenditure	19,238,730	22,110,178	16,850,000	18,622,000	18,622,000
General Fund					
Private Sector Housing Grants (DFG's)	630,000	742,410	742,410	742,410	742,410
ICT Schemes	214,000	35,000	160,000	63,000	63,000
Clay Cross Football Pitch	10,000	0	0	0	0
Asset Refurbishment - General	667,000	500,000	500,000	500,000	500,000
Roller Shutter Doors	42,000	0	0	0	0
Eckington Pool Carbon Efficiencies Programme	0	1,015,000	0	0	0
Eckington Pool Roof Replacement	77,000	0	0	0	0
Replacement of Vehicles	1,126,000	661,000	3,007,000	956,000	558,000
Contaminated Land	42,000	0	0	0	0
Killamarsh Leisure Centre	0	1,000,000	0	0	0
Northwood Grant	510,000	0	0	0	0
General Fund Capital Expenditure	3,318,000	3,953,410	4,409,410	2,261,410	1,863,410
Total Capital Expenditure	22,556,730	26,063,588	21,259,410	20,883,410	20,485,410
Capital Financing	2020/21	2021/22	2022/23	2023/24	2023/24
Housing Revenue Account					
Major Repairs Reserve	(11,319,000)	(17,174,178)	(13,039,000)	(14,811,000)	(14,811,000)
Prudential Borrowing - HRA	(1,476,000)	(2,100,000)	(2,100,000)	(2,100,000)	(2,100,000)
Development Reserve	(3,883,211)	(391,000)	(311,000)	(311,000)	(311,000)
Capital Receipts Reserve	(350,000)	(350,000)	(350,000)	(350,000)	(350,000)
Grants	(570,000)	(1,045,000)	0	0	0
1-4-1 Receipts	(1,640,519)	(1,050,000)	(1,050,000)	(1,050,000)	(1,050,000)
HRA Capital Financing	(19,238,730)	(22,110,178)	(16,850,000)	(18,622,000)	(18,622,000)
General Fund					
Disabled Facilities Grant	(610,000)	(722,410)	(722,410)	(722,410)	(722,410)
External Grant - Lottery Funded Schemes	(10,000)	0	0	0	0
External Grant - Contaminated Land	(42,000)	0	0	0	0
External Grant - Carbon Efficiencies	0	(1,015,000)	0	0	0
Prudential Borrowing - Vehicles	(1,126,000)	(661,000)	(3,007,000)	(956,000)	(558,000)
Prudential Borrowing - Eckington Pool Roof	(77,000)	0	0	0	0
Prudential Borrowing - Killamarsh Leisure Centre	0	(1,000,000)	0	0	0
RCCO - Roller Shutter Doors	(42,000)	0	0	0	0
Useable Capital Receipts	(901,000)	(555,000)	(680,000)	(583,000)	(583,000)
1-4-1 Receipts	(510,000)	0	0	0	0
General Fund Capital Financing	(3,318,000)	(3,953,410)	(4,409,410)	(2,261,410)	(1,863,410)
HRA Development Reserve					
Opening Balance	(1,456,000)	(1,456,000)	(1,456,000)	(2,900,217)	(2,900,217)
Amount due in year	(3,883,211)	(391,000)	(1,755,217)	(311,000)	(311,000)
Amount used in year	3,883,211	391,000	311,000	311,000	311,000
Closing Balance	(1,456,000)	(1,456,000)	(2,900,217)	(2,900,217)	(2,900,217)
Major Repairs Reserve					
Opening Balance	(176,000)	(176,000)	(176,000)	(176,000)	(176,000)
Amount due in year	(11,319,000)	(17,174,178)	(13,039,000)	(14,811,000)	(14,811,000)
Amount used in year	11,319,000	17,174,178	13,039,000	14,811,000	14,811,000
Closing Balance	(176,000)	(176,000)	(176,000)	(176,000)	(176,000)
Capital Receipts Reserve					
Opening Balance	(1,384,000)	(933,000)	(1,828,000)	(2,598,000)	(3,465,000)
Income expected in year	(4,000,000)	(3,600,000)	(3,600,000)	(3,600,000)	(3,600,000)
Allowable Debt/Pooling Expenses	3,200,000	1,800,000	1,800,000	1,800,000	1,800,000
Amount used in year	1,251,000	905,000	1,030,000	933,000	933,000
Closing Balance	(933,000)	(1,828,000)	(2,598,000)	(3,465,000)	(4,332,000)
Capital Receipts Reserve 1-4-1 receipts					
Opening Balance	(1,909,000)	(408,481)	(308,481)	(208,481)	(108,481)
Income expected in year	(650,000)	(950,000)	(950,000)	(950,000)	(950,000)
Amount used in year	2,150,519	1,050,000	1,050,000	1,050,000	1,050,000
Closing Balance	(408,481)	(308,481)	(208,481)	(108,481)	(8,481)
Total Capital Financing	(22,556,730)	(26,063,588)	(21,259,410)	(20,883,410)	(20,485,410)

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North East Derbyshire District Council

Council

1 February 2021

Treasury Strategy Reports 2021/22 - 2024/25

Report of Councillor P Parkin, Portfolio Holder for Finance

This report is public

Purpose of the Report

The purpose of this report is to provide Council with the necessary information to approve the Council's suite of Treasury Strategies for 2021/22 to 2024/25.

1 Report Details

- 1.1 Treasury risk management at the Council is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2017 Edition* (the CIPFA Code) which requires the Council to approve a treasury management 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 the CIPFA Code.
- 1.2 The CIPFA Code requires that a Capital Strategy be produced alongside the Treasury Management Strategy. In addition, the 2018 Investment Guidance issued by the Ministry of Housing, Communities and Local Government requires local authorities to produce an investment Strategy. So there is now a requirement to produce three separate treasury strategies.
- 1.3 As in previous years, the Council's Treasury Management Strategy provides the framework for managing the Council's cash flows, borrowing and investments, and the associated risks for the years 2021/22 to 2024/25. The Treasury Management Strategy sets out the parameters for all borrowing and lending as well as listing all approved borrowing and investment sources. Prudential indicators aimed at monitoring risk are also included. (Appendix 1).
- 1.4 The Capital Strategy is intended to provide a high level, concise overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of the Council's services. The report also provides an overview of the associated risk, its management and the implications for future financial sustainability. The Capital Strategy sets out the capital expenditure plans for the period and how they will be financed. It also provides information of the minimum revenue provision, capital financing requirement and prudential indicators aimed at monitoring risk (Appendix 2).

- 1.5 The Investment Strategy focuses on investments made for service purposes and commercial reasons, rather than those made for treasury management. Investments covered by this strategy include earning income through commercial investments or by supporting local services by lending to or buying shares in other organisations (Appendix 3).
- 1.6 At its meeting on 20 January, the Audit and Corporate Governance Scrutiny Committee considered the suite of treasury management reports. The Council's treasury management advisors were also present. The impact of external factors on the Council's treasury management investments was discussed and the Committee requested that a report be presented to a future meeting further exploring this impact. The report will include a number of factors including information on the risk of investing in banks due to bail in rules and a review of the Council's current portfolio in respect of ethical investments. Findings from the review can be considered for inclusion in future strategies.

2 Conclusions and Reasons for Recommendation

- 2.1 This report outlines the Council's proposed suite of Treasury Strategies for the period 2021/22 to 2024/25 for consideration and approval by Council. It contains:
- The Treasury Management Strategy which provides the framework for managing the Council's cash flows, borrowing and investments for the period.
 - The Capital Strategy which is intended to provide a high level, concise overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of the Council's services.
 - The Investment Strategy which focuses on investments made for service purposes and commercial reasons, rather than those made for treasury management.

The above strategies provide an approved framework within which the officers undertake the day to day capital and treasury activities.

3 Consultation and Equality Impact

- 3.1 There are no equality issues arising from this report.

4 Alternative Options and Reasons for Rejection

- 4.1 Alternative options are considered throughout the

5 Implications

5.1 Finance and Risk Implications

- 5.1.1 These are considered throughout the report

5.2 Legal Implications including Data Protection

- 5.2.1 As part of the requirements of the CIPFA Treasury Management Code of Practice the Council is required to produce every year a Treasury Management Strategy and Capital Strategy which requires approval by full Council prior to the commencement of each financial year. This report is prepared in order to comply with these obligations.
- 5.2.2 There are no Data Protection issues arising directly from this report.

5.3 Human Resources Implications

- 5.3.1 There are no human resource implications arising directly out of this report.

6 Recommendations

- 6.1 It is recommended that Council approve the Treasury Management Strategy at Appendix 1 and in particular:
- a) Approve the Borrowing Strategy
 - b) Approve the Investment Strategy
 - c) Approve the use of the external treasury management advisors Counterparty Weekly List – or similar - to determine the latest assessment of the counterparties that meet the Council's Criteria before any investment is undertaken.
 - d) Approve the Prudential Indicators
- 6.2 It is recommended that Council approve the Capital Strategy as set out in Appendix 2 and in particular:
- a) Approve the Capital Financing Requirement
 - b) Approve the Minimum Revenue Provision Statement for 2021/22
 - c) Approve the Prudential Indicators for 2021/22 detailed in the Capital Strategy, in particular:

Authorised Borrowing Limit	£202,762,000
Operational Boundary	£197,761,000
Capital Financing Requirement	£192,761,000

- 6.3 It is recommended that Council approve the Investment Strategy as set out in Appendix 3.
- 6.4 It is recommended that Council note the review of Investments by the Audit and Corporate Governance Scrutiny Committee, the outcomes of which can be considered for inclusion in future strategies.

7 Decision Information

<p>Is the decision a Key Decision?</p> <p>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:</p> <p><i>BDC: Revenue - £75,000 <input type="checkbox"/></i></p> <p><i> Capital - £150,000 <input type="checkbox"/></i></p> <p><i>NEDDC: Revenue - £100,000 <input type="checkbox"/></i></p> <p><i> Capital - £250,000 <input type="checkbox"/></i></p> <p><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>Has the relevant Portfolio Holder been informed</p>	Yes
<p>District Wards Affected</p>	All
<p>Links to Corporate Plan priorities or Policy Framework</p>	All

8 Document Information

Appendix No	Title	
1	Treasury Management Strategy	
2	Capital Strategy	
3	Investment Strategy	
<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>		
Report Author		Contact Number
Jayne Dethick Head of Finance and Resources		01246 217078



North East Derbyshire District Council

Treasury Management Strategy 2021/22 – 2024/25

Introduction

- 1.1 Treasury Management is the management of the Council's cash flows, borrowing and investments, and the associated risks. The Council has borrowed and invested 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 financial risk are therefore central to the Council's prudent financial management.
- 1.2 Treasury risk management at the Council is conducted within the framework of the *Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2017 Edition* (the CIPFA Code) which requires the Council to approve a treasury management 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 the CIPFA code.
- 1.3 Investments held for service purposes or for commercial profit are considered in a different report, the investment Strategy.

External Context

- 1.4 **Economic background:** The impact on the UK from coronavirus, together with its exit from the European Union and future trading arrangements with the bloc, will remain a major influence on the Council's treasury management strategy for 2021/22.
- 1.5 The Bank of England (BoE) maintained Bank Rate at 0.10% in November 2020 and also extended its Quantitative Easing programme by £150 billion to £895 billion. The Monetary Policy Committee voted unanimously for both, but no mention was made of the potential future use of negative interest rates. Within the latest forecasts, the Bank expects the UK economy to shrink -2% in Q4 2020 before growing by 7.25% in 2021, lower than the previous forecast of 9%. The BoE also forecasts the economy

will now take until Q1 2022 to reach its pre-pandemic level rather than the end of 2021 as previously forecast.

- 1.6 UK Consumer Price Inflation (CPI) for September 2020 registered 0.5% year on year, up from 0.2% in the previous month. Core inflation, which excludes the more volatile components, rose to 1.3% from 0.9%. The most recent labour market data for the three months to August 2020 showed the unemployment rate rose to 4.5% while the employment rate fell to 75.6%. Both measures are expected to deteriorate further due to the ongoing impact of coronavirus on the jobs market, particularly when the various government job retention schemes start to be unwound in 2021, with the BoE forecasting unemployment will peak at 7.75% in Q2 2021. In August, the headline 3-month average annual growth rate for wages were 0% for total pay and 0.8% for regular pay. In real terms, after adjusting for inflation, total pay growth fell by -0.8% while regular pay was up 0.1%.
- 1.7 GDP growth fell by -19.8% in the second quarter of 2020, a much sharper contraction from -2.0% in the previous three months, with the annual rate falling -21.5% from -1.6%. All sectors fell quarter-on-quarter, with dramatic declines in construction (-35.7%), services (-19.2%) and production (-16.3%), and a more modest fall in agriculture (-5.9%). Monthly GDP estimates have shown the economy is recovering but remains well below its pre-pandemic peak. Looking ahead, the BoE's November Monetary Policy Report forecasts economic growth will rise in 2021 with GDP reaching 11% in Q4 2021, 3.1% in Q4 2022 and 1.6% in Q4 2023
- 1.8 GDP growth in the euro zone rebounded by 12.7% in Q3 2020 after contracting by -3.7% and -11.8% in the first and second quarters, respectively. Headline inflation, however, remains extremely weak, registering -0.3% year-on-year in October, the third successive month of deflation. Core inflation registered 0.2% y/y, well below the European Central Bank's (ECB) target of 'below, but close to 2%'. The ECB is expected to continue holding its main interest rate of 0% and deposit facility rate of -0.5% for some time with further monetary stimulus expected later in 2020.
- 1.9 The US economy contracted at an annualised rate of 31.7% in Q2 2020 and then rebounded by 33.1% in Q3. The Federal Reserve maintained the Fed Funds rate at between 0% and 0.25% and announced a change to its inflation targeting regime to a more flexible form of average targeting. The Fed also provided strong indications that interest rates are unlikely to change from current levels over the next three years.
- 1.10 Former vice-president Joe Biden won the 2020 US presidential election. Mr Biden is making tackling coronavirus his immediate priority and will also be reversing several executive orders signed by his predecessor and take the US back into the Paris climate accord and the World Health Organization.
- 1.11 **Credit outlook:** After spiking in late March as coronavirus became a global pandemic, credit default swap (CDS) prices for the larger UK banks have steadily fallen back to almost pre-pandemic levels. Although uncertainly around COVID-19

related loan defaults lead to banks provisioning billions for potential losses in the first half of 2020, drastically reducing profits, reported impairments for Q3 were much reduced in some institutions. However, general bank profitability in 2020 is likely to be significantly lower than in previous years.

- 1.12 The credit ratings for many UK institutions were downgraded on the back of downgrades to the sovereign rating. Credit conditions more generally though in banks and building societies have tended to be relatively benign, despite the impact of the pandemic.
- 1.13 Looking forward, the potential for bank losses to be greater than expected when government and central bank support starts to be removed remains a risk, suggesting a cautious approach to bank deposits in 2021/22 remains advisable.
- 1.14 **Interest rate forecast:** The Council's treasury management adviser Arlingclose is forecasting that Bank Rate will remain at 0.1% until at least the end of 2023. The risks to this forecast are judged to be to the downside as the BoE and UK government continue to react to the coronavirus pandemic and the Brexit transition period ending. The BoE extended its asset purchase programme to £895 billion in November while keeping Bank Rate on hold. However, further interest rate cuts to zero, or possibly negative, cannot yet be ruled out but this is not part of the Arlingclose central forecast.
- 1.15 Gilt yields are expected to remain very low in the medium-term while short-term yields are likely remain below or at zero until such time as the BoE expressly rules out the chance of negative interest rates or growth/inflation prospects improve. The central case is for 10-year and 20-year to rise to around 0.5% and 0.75% respectively over the time horizon. The risks around the gilt yield forecasts are judged to be broadly balanced between upside and downside risks, but there will almost certainly be short-term volatility due to economic and political uncertainty and events.
- 1.16 A more detailed economic and interest rate forecast provided by Arlingclose is attached at **Appendix A**.
- 1.17 For the purpose of setting the budget, it has been assumed that new treasury management investments will be made at an average rate of 0.01%, and that new long-term loans will be borrowed at an average rate of 0.05%.

Local Context

- 1.18 On 31st December 2020, the Council held £149.4m of borrowing and £43.0m of investments. This is set out in further detail at **Appendix B**. Forecast changes in these sums are shown in the balance sheet analysis in **Table 1** below.

Table 1: Balance sheet summary and forecast

	31/3/20 Actual £m	31/3/21 Estimate £m	31/3/22 Forecast £m	31/3/23 Forecast £m	31/3/24 Forecast £m	31/3/25 Forecast £m
General Fund CFR	12.5	13.7	19.6	22.8	20.6	15.7
HRA CFR	171.4	171.1	173.2	175.3	177.4	179.5
Total CFR	183.9	184.8	192.8	198.1	198.0	195.2
Less: Other debt liabilities *	0	0	0	0	0	0
Less: External borrowing **	(149.5)	(149.2)	(147.0)	(146.9)	(144.8)	(140.7)
Internal borrowing	34.4	35.6	45.8	51.2	53.2	54.5
Less: Usable reserves	(60.1)	(63.7)	(56.7)	(60.2)	(62.7)	(63.9)
Less: Working capital (balance)	(0.3)	(1.9)	(0.8)	(1.0)	(0.5)	(0.6)
Investments	26.0	30.0	11.7	10.0	10.0	10.0

* leases that form part of the Council's total debt.

** shows only loans to which the Council is committed and excludes optional refinancing

- 1.19 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.
- 1.20 The Council has an increasing CFR due to commitments within the capital programme and also loans for Northwood Group Ltd and Rykneld Homes Ltd. The forecast level of reserves means that the majority of borrowing throughout this period is likely to be from internal resources.
- 1.21 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 2021/22.
- 1.22 **Liability benchmark:** To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk

level of borrowing. This assumes the same forecasts as **Table 1** above, but that cash and investment balances are kept to a minimum level of £10m at each year-end to maintain sufficient liquidity but minimise credit risk.

Table 2: Liability benchmark

	31/3/20 Actual £m	31/3/21 Estimate £m	31/3/22 Forecast £m	31/3/23 Forecast £m	31/3/24 Forecast £m	31/3/25 Forecast £m
CFR	183.9	184.8	192.8	198.1	198.0	195.2
Less: Usable reserves	(60.1)	(63.7)	(56.7)	(60.2)	(62.7)	(63.9)
Plus: Working capital	(0.3)	(1.9)	(0.8)	(1.0)	(0.5)	(0.6)
Plus: Minimum investments	10.0	10.0	10.0	10.0	10.0	10.0
Liability Benchmark	133.5	129.2	145.3	146.9	144.8	140.7

Borrowing Strategy

- 1.23 The Council currently holds £149m of loans, a decrease of £1m on the previous year, 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 2021/22. The Council may however, borrow to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of £202.762m.
- 1.24 **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.
- 1.25 **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.
- 1.26 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 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 2021/22 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

- 1.27 The Council has previously raised all of its long-term borrowing from the PWLB but will consider long-term loans from other sources including banks, pensions and local authorities, and will investigate the possibility of issuing bonds and similar instruments, in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield; the Council intends to avoid this activity in order to retain its access to PWLB loans.
- 1.28 Alternatively, the Council may arrange forward starting loans during 2021/22, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.
- 1.29 In addition, the Council may borrow short-term loans to cover unplanned cash flow shortages.
- 1.30 **Sources of borrowing:** The approved sources of long-term and short-term borrowing are:
- HM Treasury's PWLB lending facility (formerly the Public Works Loan Board)
 - any institution approved for investments (see below)
 - any other bank or building society authorised to operate in the UK
 - any other UK public sector body
 - UK public and private sector pension funds (except Derbyshire County Council Pension Fund)
 - capital market bond investors
 - UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues
- 1.31 **Other sources of debt finance:** In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:
- leasing
 - hire purchase
 - Private Finance Initiative
 - sale and leaseback
- 1.32 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 that may be available at more favourable rates.
- 1.33 **Municipal Bonds Agency:** UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It issues bonds on the capital markets and lends the proceeds to local authorities. This is a more complicated source of finance than the PWLB for two reasons: borrowing authorities

will be required to provide bond investors with a 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.

- 1.34 **LOBOs:** The Council doesn't hold or intend to hold any LOBO (Lender's Option Borrower's Option) loans.
- 1.35 **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 interest rate exposure limits in the treasury management indicators below. Financial derivatives may be used to manage this interest rate risk (see section below).
- 1.36 **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. 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.

Treasury Investment Strategy

- 1.37 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 treasury investment balance has ranged between £26.0m and £43.5m, and similar levels are expected to be maintained in the forthcoming year.
- 1.38 **Objectives:** The CIPFA Code requires the Council to invest its treasury 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.
- 1.39 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.
- 1.40 **Negative interest rates:** The COVID-19 pandemic has increased the risk that the Bank of England will 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. Since investments cannot pay negative income, negative rates will be applied by reducing the value of investments. 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.

- 1.41 **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 2021/22. The majority of the Council's surplus cash is currently invested in short-term unsecured bank deposits, local authorities and money market funds. This diversification will represent a continuation of the strategy currently adopted.
- 1.42 **Business models:** Under the new IFRS 9 standard, the accounting for certain investments depends on the Council's "business model" for managing them. The Council aims to achieve value from its internally managed treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.
- 1.43 **Approved counterparties:** The Council may invest its surplus funds with any of the counterparty types in **Table 3** below, subject to the cash limits (per counterparty) and the time limits shown.

Table 3: Approved investment counterparties and limits

Sector	Time limit	Counterparty limit	Sector limit
The UK Government	50 years	Unlimited	n/a
Local authorities & other government entities	25 years	£5m	Unlimited
Secured investments *	25 years	£5m	Unlimited
Banks (unsecured) *	13 months	£5m	Unlimited
Building societies (unsecured) *	13 months	£5m	£20m
Registered providers (unsecured) *	5 years	£5m	£20m
Money market funds *	n/a	£5m	Unlimited
Strategic pooled funds	n/a	£5m	£20m
Real estate investment trusts	n/a	£5m	£20m
Other investments *	5 years	£5m	£20m

- 1.44 * **Minimum credit rating:** Treasury investments in the sectors marked with an asterisk will only be made with entities whose lowest published long-term credit rating is no lower than A-. 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.

- 1.45 For entities without published credit ratings, investments may be made either (a) where external advice indicates the entity to be of similar credit quality; or (b) to a maximum of £5m per counterparty as part of a diversified pool e.g. via a peer-to-peer platform.
- 1.46 **Government:** Loans to, and 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 generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Government are deemed to be zero credit risk due to its ability to create additional currency and therefore may be made in unlimited amounts for up to 50 years.
- 1.47 **Secured Investments:** Investments secured on the borrower's assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds and reverse repurchase agreements with banks and building societies 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. The combined secured and unsecured investments with any one counterparty will not exceed the cash limit for secured investments.
- 1.48 **Banks and building societies (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.
- 1.49 **Registered providers (unsecured):** Loans to, and bonds issued or guaranteed by, registered providers of social housing or registered social landlords, formerly known as housing associations. These bodies are regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government and the Department for Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed. .
- 1.50 **Money market funds:** Pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over bank accounts of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee. Although no sector limit applies to money market funds, the Authority will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times.
- 1.51 **Strategic pooled funds:** Bond, equity and property funds that offer enhanced returns over the longer term but are more volatile in the short term. These allow the Authority 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 Authority's investment objectives will be monitored regularly.

- 1.52 **Real estate investment trusts:** Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties. Investments in REIT shares cannot be withdrawn but can be sold on the stock market to another investor.
- 1.53 **Other investments:** This category covers treasury investments not listed above, for example unsecured corporate bonds and company loans. Non-bank companies cannot be bailed-in but can become insolvent placing the Authority's investment at risk.
- 1.54 **Operational bank accounts:** The Council may incur operational exposures, for example through current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments, but are still subject to the risk of a bank bail-in, and balances will therefore be kept at £5m 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 Council maintaining operational continuity.
- 1.55 **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. The credit rating agencies in current use are listed in the Treasury Management Practices document. 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.
- 1.56 Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "negative watch") 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.

- 1.57 **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, reports in the quality financial press and analysis and advice from the Council's treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.
- 1.58 When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2020, 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 investment returns to fall, but will protect the principal sum invested.
- 1.59 **Investment limits:** The Council's revenue reserves available to cover investment losses are forecast to be £17.9 million on 31st March 2021. In order that no more than 27.9% of available reserves will be put at risk in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government) will be £5 million. A group of entities under the same ownership will be treated as a single organisation for limit purposes.
- 1.60 Credit risk exposures arising from non-treasury investments, financial derivatives and balances greater than £5,000,000 in operational bank accounts count against the relevant investment limits.
- 1.61 Limits are also placed on fund managers, investments in brokers' nominee accounts and foreign countries 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: Additional Investment limits

	Cash limit
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	£5m per country

- 1.62 **Liquidity management:** The Council uses its own cash flow forecasting techniques 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.
- 1.63 The Authority will spread its liquid cash over a number of providers (e.g. bank accounts and money market funds) to ensure that access to cash is maintained in the event of operational difficulties at any one provider.

Treasury Management Indicators

- 1.64 The Council measures and manages its exposures to treasury management risks using the following indicators:
- 1.65 **Security:** The Authority 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.

Credit risk indicator	
Portfolio average credit rating	Target <3.0
Current portfolio average credit rating on investments	Actual 1.2

- 1.66 **Liquidity:** The Authority 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.

Liquidity risk indicator	Amount available
Total cash available within 3 months	£40m

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

Interest rate risk indicator	Limit each year
Upper limit on one-year revenue impact of a 1% <u>rise</u> in interest rates	£1.5m
Upper limit on one-year revenue impact of a 1% <u>fall</u> in interest rates	(£1.5m)

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

Refinancing rate risk indicator	Upper limit	Lower limit
Under 12 months	20%	0%
12 months and within 24 months	20%	0%
24 months and within 5 years	40%	0%
5 years and within 10 years	40%	0%
10 years and above	90%	0%

- 1.70 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.
- 1.71 **Principal sums invested for periods longer than a year:** The purpose of this indicator is to control the Authority'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:

Price risk indicator	2021/22	2022/23	2023/24
Limit on principal invested beyond year end	£20m	£20m	£20m

Related Matters

- 1.72 The CIPFA Code requires the Council to include the following in its treasury management strategy.
- 1.73 **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).

- 1.74 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.
- 1.75 Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria, assessed using the appropriate credit rating for derivative exposures. An allowance for credit risk calculated using the methodology in the Treasury Management Practices document will count against the counterparty credit limit and the relevant foreign country limit.
- 1.76 In line with the CIPFA code, the Council will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.
- 1.77 **Markets in Financial Instruments Directive:** The Council has opted up to professional client status with its providers of financial services, including advisers, banks, brokers and fund managers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Council's treasury management activities, the Chief Financial Officer believes this to be the most appropriate status.
- 1.78 **Financial Implications:** The General Fund budget for investment income in 2021/22 is £0.028m with the HRA budget for investment income in 2021/22 being £0.061m, based on an average investment portfolio of £20.0m at an average interest rate of 0.03%. The General Fund budget for debt interest paid in 2021/22 is £0.213m with the HRA budget for debt interest paid in 2021/22 being £5.016m, based on an average debt portfolio of £149.3m at an average interest rate of 3.53%. If actual levels of investments and borrowing, or actual interest rates, differ from those forecast, performance against budget will be correspondingly different.

Other Options Considered

- 1.79 The CIPFA Code does not prescribe any particular treasury management strategy for local authorities to adopt. The Chief Financial Officer, having consulted the Cabinet Member for Finance, 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

Appendix A

Economic & Interest Rate Forecast (Arlingclose November 2020)

Underlying assumptions:

- The medium-term global economic outlook remains weak. Second waves of Covid cases have prompted more restrictive measures and further lockdowns in Europe and the UK. This ebb and flow of restrictions on normal activity will continue for the foreseeable future, at least until an effective vaccine is produced and importantly, distributed.
- The global central bank and government responses have been significant and are in many cases on-going, maintaining more stable financial, economic and social conditions than otherwise.
- Although these measures supported a sizeable economic recovery in Q3, the imposition of a second national lockdown in England during November will set growth back and likely lead to a fall in GDP in Q4.
- Signs of a slowing economic recovery were already evident in UK monthly GDP and PMI data, even before the latest restrictions. Despite some extension to fiscal support measures, unemployment is expected to rise when these eventually come to an end in mid-2021.
- This situation will result in central banks maintaining low interest rates for the medium term. In the UK, Brexit is a further complication. Bank Rate is therefore likely to remain at low levels for a very long time, with a distinct possibility of being cut to zero. Money markets continue to price in a chance of negative Bank Rate.
- Longer-term yields will also remain depressed, anchored by low central bank policy rates, expectations for potentially even lower rates and insipid inflation expectations. There is a chance yields may follow a slightly different path in the medium term, depending on investor perceptions of growth and inflation, the development of a vaccine or if the UK leaves the EU without a deal.

Forecast:

- Arlingclose expects Bank Rate to remain at the current 0.10% level.
- Additional monetary loosening through increased financial asset purchases was delivered as we expected. Our central case for Bank Rate is no change, but further cuts to zero, or perhaps even into negative territory, cannot be completely ruled out.

- Gilt yields will remain low in the medium term. Shorter term gilt yields are currently negative and will remain around zero or below until either the Bank expressly rules out negative Bank Rate or growth/inflation prospects improve.
- Downside risks remain in the near term, as the government continues to react to the escalation in infection rates and the Brexit transition period comes to an end.

	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23
Official Bank Rate													
Upside risk	0.00	0.00	0.00	0.15	0.15	0.15	0.15	0.30	0.30	0.30	0.30	0.30	0.30
Arlingclose Central Case	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
Downside risk	-0.10	-0.20	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50
3-month money market rate													
Upside risk	0.05	0.05	0.05	0.10	0.10	0.15	0.20	0.30	0.30	0.30	0.30	0.30	0.30
Arlingclose Central Case	0.10	0.10	0.15	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
Downside risk	-0.40	-0.40	-0.45	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50
5yr gilt yield													
Upside risk	0.40	0.40	0.40	0.45	0.45	0.50	0.50	0.55	0.60	0.60	0.65	0.65	0.70
Arlingclose Central Case	0.00	0.00	0.05	0.10	0.15	0.15	0.20	0.20	0.25	0.25	0.25	0.25	0.25
Downside risk	-0.30	-0.40	-0.50	-0.55	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60
10yr gilt yield													
Upside risk	0.40	0.40	0.40	0.45	0.45	0.50	0.50	0.55	0.60	0.60	0.65	0.65	0.70
Arlingclose Central Case	0.30	0.30	0.35	0.40	0.40	0.45	0.45	0.50	0.50	0.55	0.55	0.55	0.55
Downside risk	-0.30	-0.40	-0.50	-0.55	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50
20yr gilt yield													
Upside risk	0.40	0.40	0.40	0.45	0.45	0.50	0.50	0.55	0.60	0.60	0.65	0.65	0.70
Arlingclose Central Case	0.70	0.70	0.70	0.75	0.75	0.75	0.80	0.80	0.85	0.85	0.85	0.85	0.85
Downside risk	-0.20	-0.20	-0.25	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30
50yr gilt yield													
Upside risk	0.40	0.40	0.40	0.45	0.45	0.50	0.50	0.55	0.60	0.60	0.65	0.65	0.70
Arlingclose Central Case	0.60	0.60	0.60	0.65	0.65	0.65	0.70	0.70	0.75	0.75	0.75	0.75	0.75
Downside risk	-0.20	-0.20	-0.25	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30

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

PWLB HRA Rate = Gilt yield + 0.80%

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

Appendix B

Existing Investment & Debt Portfolio Position

	31/12/20 Actual Portfolio £m	31/12/20 Average Rate %
External borrowing:		
Public Works Loan Board	149	3.53
Total external borrowing	149	3.53
Total other long-term liabilities:	0	0
Total gross external debt	149	3.53
Treasury investments:		
The UK Government	3	0.01
Local authorities	3	0.18
Banks (unsecured)	0	0.00
Money Market Funds	37	0.01
Total treasury investments	43	0.03
Net debt	106	



North East Derbyshire District Council

Capital Strategy 2021/22 – 2024/25

Introduction

- 1.1 This capital strategy report, gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability. It has been written in an accessible style to enhance members' understanding of these sometimes technical areas.
- 1.2 Decisions made this year on capital and treasury management will have financial consequences for the Council for many years into the future. They are therefore subject to both a national regulatory framework and to a local policy framework, summarised in this report.

Capital Expenditure and Financing

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

In 2021/22, the Council is planning capital expenditure of £26.1m as summarised below:

Table 1: Prudential Indicator: Estimates of Capital Expenditure

	2019/20 Actual £m	2020/21 Forecast £m	2021/22 Budget £m	2022/23 Budget £m	2023/24 Budget £m	2024/25 Budget £m
General Fund Services	2.2	3.3	4.0	4.4	2.3	1.9
Council Housing (HRA)	12.5	19.2	22.1	16.8	18.6	18.6
Capital Investments	0	0	0	0	0	0
TOTAL	14.7	22.5	26.1	21.2	20.9	20.5

- 1.4 The main General Fund capital projects include replacement vehicles, asset refurbishment, ICT replacement and disabled facilities grants.
- 1.5 The Housing Revenue Account (HRA) is a ring-fenced account which ensures that council housing does not subsidise, or is itself subsidised, by other local services. HRA capital expenditure is therefore recorded separately. The main HRA capital projects involve refurbishment and ECO works to the Council's non-traditional housing stock.
- 1.6 Capital investments include loans and shares made for service purposes and property to be held primarily for financial return in line with the definition in the CIPFA Treasury Management Code.
- 1.7 **Governance:** Projects are included in the capital programme as part of the annual budget review or through ad hoc approval during the year. The capital programme is refreshed each year and the new requirements are presented to Cabinet and Council each February. Full details of the Council's Capital Programme can be seen at **Appendix A** to this report.
- 1.8 All capital expenditure must be financed, either from external sources (government grants and other contributions), the Council's own resources (revenue, reserves and capital receipts) or debt (borrowing and leasing). The planned financing of the above expenditure is as follows:

Table 2: Financing of Capital Programme

	2019/20 Actual £m	2020/21 Forecast £m	2021/22 Budget £m	2022/23 Budget £m	2023/24 Budget £m	2024/25 Budget £m
External Sources	0.8	1.2	2.8	0.7	0.7	0.7
Own Resources	12.2	18.6	19.5	15.4	17.1	17.1
Debt	1.7	2.7	3.8	5.1	3.1	2.7
TOTAL	14.7	22.5	26.1	21.2	20.9	20.5

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

Table 3: Replacement of debt finance

	2019/20 Actual £m	2020/21 Forecast £m	2021/22 Budget £m	2022/23 Budget £m	2023/24 Budget £m	2024/25 Budget £m
Capital Resources	3.7	1.8	0	0	0	0
Revenue Resources	1.0	0.7	0.6	0.8	1.1	1.2
Total	4.7	2.5	0.6	0.8	1.1	1.2

The Council's full minimum revenue provision statement is **Appendix B** to this report.

- 1.10 The Council's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP and capital receipts used to replace debt. The CFR is expected to increase by £8.00m during 2021/22. Based on the above figures for expenditure and financing, the Council's estimated CFR is as follows:

Table 4: Prudential Indicator: Estimates of Capital Financing Requirement

	31/3/2020 Actual £m	31/3/2021 Forecast £m	31/3/2022 Budget £m	31/3/2023 Budget £m	31/3/2024 Budget £m	31/3/2025 Budget £m
General Fund Services	12.5	13.7	19.6	22.8	20.6	15.7
Council Housing (HRA)	171.4	171.1	173.2	175.3	177.4	179.5
Capital Investments	0	0	0	0	0	0
TOTAL CFR	183.9	184.8	192.8	198.1	198.0	195.2

- 1.11 **Asset management:** The Council's assets require regular maintenance to ensure they remain safe and fit for purpose. It is also important for income generation that assets remain in a good condition and so remain lettable. A planned approach yields savings in running costs and energy efficiency benefits over time as works are completed and asset conditions improve.

- 1.12 **Asset disposals:** When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or to repay debt. Repayments of capital grants, loans and investments also generate capital receipts. The Council plans to receive £4.55m of capital receipts in the coming financial year as follows:

Table 5: Capital receipts receivable

	2019/20 Actual £m	2020/21 Forecast £m	2021/22 Budget £m	2022/23 Budget £m	2023/24 Budget £m	2024/25 Budget £m
Asset Sales	5.3	4.65	4.55	4.55	4.55	4.55
Loans Repaid	0	0	0	0	0	0
TOTAL	5.3	4.65	4.55	4.55	4.55	4.55

Treasury Management

- 1.13 Treasury Management is concerned with keeping sufficient but not excessive cash available to meet the Council's spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account. The Council is typically cash rich in the short-term as revenue income is received before it is spent, but cash poor in the long-term as capital expenditure is incurred before being financed. The revenue cash surpluses are offset against capital cash shortfalls to reduce overall borrowing.
- 1.14 Due to decisions taken in the past, the Council currently has £149.4m borrowing at an average interest rate of 3.53% and £43.0m treasury investments at an average rate of 0.03%.
- 1.15 **Borrowing strategy:** The Council's main objectives when borrowing are to achieve a low but certain cost of finance while retaining flexibility should plans change in future. These objectives are often conflicting, and the Council therefore seeks to strike a balance between cheap short-term loans (currently available at around 0.10%) and long-term fixed rate loans where the future cost is known but higher (currently 1.50%-2.50%).
- 1.16 Projected levels of the Council's total outstanding debt (which comprises borrowing and leases) are shown below, compared with the capital financing requirement (see above):

Table 6: Prudential Indicator: Gross Debt and the Capital Financing Requirement

	31/3/2020 Actual £m	31/3/2021 Forecast £m	31/3/2022 Budget £m	31/3/2023 Budget £m	31/3/2024 Budget £m	31/3/2025 Budget £m
Debt	149.5	149.2	147.0	146.9	144.8	140.7
Capital Financing Requirement	183.9	184.8	192.8	198.1	198.0	195.2

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

1.18 **Liability benchmark:** To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing:

Table 7: Borrowing and the Liability Benchmark

	31/3/2020 Actual £m	31/3/2021 Forecast £m	31/3/2022 Budget £m	31/3/2023 Budget £m	31/3/2024 Budget £m	31/3/2025 Budget £m
Outstanding Borrowing	149.5	149.2	147.0	146.9	144.8	140.7
Liability Benchmark	133.5	129.2	145.3	146.9	144.8	140.7

1.19 The table above shows that the Council expects to remain borrowed above or at its liability benchmark. This is because cash outflows to date have been below the assumptions made when the loans were borrowed.

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

Table 8: Prudential Indicators: Authorised limit and operational boundary for external debt

	2020/21 limit £m	2021/22 limit £m	2022/23 limit £m	2023/24 limit £m	2024/25 limit £m
Authorised Limit – Borrowing	194.8	202.8	208.1	208.0	205.2
Authorised Limit – Leases	0	0	0	0	0
Authorised Limit – Total External Debt	194.8	202.8	208.1	208.0	205.2
Operational Boundary – Borrowing	189.8	197.8	203.1	203.0	200.2
Operational Boundary – Leases	0	0	0	0	0
Operational Boundary – Total External Debt	189.8	197.8	203.1	203.0	200.2

- 1.21 **Treasury Investment strategy:** Treasury investments arise from receiving cash before it is paid out again. Investments made for service reasons or for pure financial gain are not generally considered to be part of treasury management.
- 1.22 The Council's policy on treasury investments is to prioritise security and liquidity over yield, which is to focus on minimising risk rather than maximising returns. Cash that is likely to be spent in the near term is invested securely, for example with the government, other local authorities or selected high-quality banks, to minimise the risk of loss. Money that will be held for longer terms is invested more widely, including in bonds, shares and property, to balance the risk of loss against the risk of receiving returns below inflation. Both near-term and longer-term investments may be held in pooled funds, where an external fund manager makes decisions on which particular investments to buy and the Council may request its money back at short notice.

Table 9: Treasury Management investments

	31/3/2020 Actual £m	31/3/2021 Forecast £m	31/3/2022 Budget £m	31/3/2023 Budget £m	31/3/2024 Budget £m	31/3/2025 Budget £m
Near-Term Investments	26.0	30.0	11.7	10.0	10.0	10.0
Longer-Term Investments	0	0	0	0	0	0
TOTAL	26.0	30.0	11.7	10.0	10.0	10.0

- 1.23 **Risk management:** The effective management and control of risk are prime objectives of the Council's treasury management activities. The treasury management strategy therefore sets out various indicators and limits to constrain the

risk of unexpected losses and details the extent to which financial derivatives may be used to manage treasury risks.

- 1.24 **Governance:** Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Chief Finance Officer and staff, who must act in line with the treasury management strategy approved by Council. Quarterly reports on treasury management activity are presented to Cabinet. The Audit and Corporate Governance Scrutiny Committee is responsible for scrutinising treasury management decisions.

Investments for Service Purposes

- 1.25 The Council can make investments to assist local public services, including making loans to local service providers and businesses to promote economic growth. In light of the public service objective, the Council is willing to take more risk than with treasury investments, however it still plans for such investments to at least break even after all costs. This includes loans to the Rykneld Homes Ltd to allow development of social housing. Rykneld Homes Ltd is a wholly owned subsidiary of the Council, limited by guarantee.
- 1.26 **Governance:** Decisions on service investments are made by the relevant service manager and submitted to Cabinet then Council in consultation with the Chief Finance Officer and must meet the criteria and limits laid down in the Investment Strategy. Most loans and shares are capital expenditure and purchases will therefore also be approved as part of the capital programme.

Commercial Activities

- 1.27 With central government financial support for local public services declining, the Council has invested in developing residential property through Northwood Group Ltd. Currently (at 31/12/20), an investment of £1.318m has been made into Northwood Group Ltd and further future investment of £7.495m is approved to provide a total investment of £8.813m.
- 1.28 The Council accepts higher risk on commercial investment than with treasury investments. The principal risk exposures include build cost estimates, sales values estimates and demand. These risks are mitigated by working with experienced builders and professionals who have knowledge of the local market. In order that commercial investments remain proportionate to the size of the Council, these are subject to an overall maximum investment limit of £8.813m and contingency plans are in place should expected yields not materialise.
- 1.29 **Governance:** Decisions on commercial investments are made by Council in line with the criteria and limits approved in the Investment Strategy. Property and most other commercial investments are also capital expenditure and purchases will therefore also be approved as part of the capital programme.

- 1.30 The Council also has investment properties generating £0.491m in net income a year after all costs.

Liabilities

- 1.31 In addition to debt of £149.5m detailed above, the Council is committed to making future payments to cover its net pension fund deficit (valued at £39.8m). It has also set aside £1.3m to cover risks of business rates appeals.
- 1.32 **Governance:** Decisions on incurring new discretionary liabilities are taken to Council for approval. The risk of liabilities occurring and requiring payment are monitored as part of the year-end process.

Revenue Budget Implications

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

Table 10: Prudential Indicator: Proportion of financing costs to net revenue stream

	2019/20 Actual £m	2020/21 Forecast £m	2021/22 Budget £m	2022/23 Budget £m	2023/24 Budget £m	2024/25 Budget £m
Financing Costs	0.9	0.5	0.4	0.4	0.6	0.6
Proportion of Net Revenue Stream	6.11%	3.84%	2.95%	3.15%	4.30%	3.94%

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

Knowledge and Skills

- 1.35 The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. Suitably qualified and experienced officers are employed throughout the Council to perform such functions.

- 1.36 Where Council officers do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. The Council currently employs Arlingclose Limited as treasury management advisers. This approach is more cost effective than employing such staff directly, and ensures that the Council has access to knowledge and skills commensurate with its risk appetite.
- 1.37 Members receive individual training and development through the Member Development Programme and are periodically required to attend seminars held by the external treasury management advisors.

Treasury Management Operations

- 1.38 As mentioned above the Council uses external treasury management advisors. The company provides a range of services which include:
- Technical support on treasury matters, capital finance issues and the drafting of Member reports;
 - Economic and interest rate analysis;
 - Debt services which includes advice on the timing of borrowing;
 - Debt rescheduling advice surrounding the existing portfolio;
 - Generic investment advice on interest rates, timing and investment instruments;
 - A number of places at training events offered on a regular basis.
 - Credit ratings/market information service comprising the three main credit rating agencies;
- 1.39 Whilst the advisers provide support to the internal treasury function, under current market rules and the CIPFA Code of Practice the final decision on treasury matters remains with the Council. This service is subject to regular review. It should be noted that the Council has Arlingclose Ltd as external treasury management advisors, for a period of up to 3 years commencing October 2019.

Banking Contract

- 1.40 The contract with the Councils banking provider Lloyds Bank commenced on the 10th February 2015 for a period of 7 years.

Business Continuity Arrangements

- 1.41 As part of the Councils business continuity arrangements officers have sought to set up and provide alternative banking arrangements for the Council should they be required at short notice. These arrangements effectively mean a separate bank account is in place with the required security controls and appropriate officer access to undertake transactions. This account is with Barclays Bank and will only be utilised should a business continuity need or similar issue arise. Officers will continue to review this arrangement.

Appendix A

Capital Programme 2020-2025

Capital Expenditure	Revised Budget 2020/21 £	Original Budget 2021/22 £	Original Budget 2022/23 £	Original Budget 2023/24 £	Original Budget 2024/25 £
Housing Revenue Account					
HRA Capital Works	9,164,000	10,567,000	10,509,000	10,441,000	10,441,000
HRA Capital Works - Non Traditional Properties	0	7,152,178	2,530,000	4,370,000	4,370,000
Green Homes EWI - Mickley	2,725,000	500,000	0	0	0
EWI Scheme - Heath & Pilsley	520,000	0	0	0	0
Pine View, Danesmoor	1,071,000	0	0	0	0
North Wingfield New Build Scheme	66,000	0	0	0	0
Stock Purchase Programme (1-4-1)	2,751,730	3,000,000	3,000,000	3,000,000	3,000,000
Acquisitions and Disposals (RHL)	500,000	500,000	500,000	500,000	500,000
Thirlmere Drive, Dronfield Play Equipment	0	80,000	0	0	0
North Wingfield New Build Project	2,015,000	0	0	0	0
Garage Demolitions	23,000	23,000	23,000	23,000	23,000
Concrete Balconies	115,000	0	0	0	0
Parking Solutions	288,000	288,000	288,000	288,000	288,000
HRA - Capital Expenditure	19,238,730	22,110,178	16,850,000	18,622,000	18,622,000
General Fund					
Private Sector Housing Grants (DFG's)	630,000	742,410	742,410	742,410	742,410
ICT Schemes	214,000	35,000	160,000	63,000	63,000
Clay Cross Football Pitch	10,000	0	0	0	0
Asset Refurbishment - General	667,000	500,000	500,000	500,000	500,000
Roller Shutter Doors	42,000	0	0	0	0
Eckington Pool Carbon Efficiencies Programme	0	1,015,000	0	0	0
Eckington Pool Roof Replacement	77,000	0	0	0	0
Replacement of Vehicles	1,126,000	661,000	3,007,000	956,000	558,000
Contaminated Land	42,000	0	0	0	0
Killamarsh Leisure Centre	0	1,000,000	0	0	0
Northwood Grant	510,000	0	0	0	0
General Fund Capital Expenditure	3,318,000	3,953,410	4,409,410	2,261,410	1,863,410
Total Capital Expenditure	22,556,730	26,063,588	21,259,410	20,883,410	20,485,410
Capital Financing					
Housing Revenue Account					
Major Repairs Reserve	(11,319,000)	(17,174,178)	(13,039,000)	(14,811,000)	(14,811,000)
Prudential Borrowing - HRA	(1,476,000)	(2,100,000)	(2,100,000)	(2,100,000)	(2,100,000)
Development Reserve	(3,883,211)	(391,000)	(311,000)	(311,000)	(311,000)
Capital Receipts Reserve	(350,000)	(350,000)	(350,000)	(350,000)	(350,000)
Grants	(570,000)	(1,045,000)	0	0	0
1-4-1 Receipts	(1,640,519)	(1,050,000)	(1,050,000)	(1,050,000)	(1,050,000)
HRA Capital Financing	(19,238,730)	(22,110,178)	(16,850,000)	(18,622,000)	(18,622,000)
General Fund					
Disabled Facilities Grant	(610,000)	(722,410)	(722,410)	(722,410)	(722,410)
External Grant - Lottery Funded Schemes	(10,000)	0	0	0	0
External Grant - Contaminated Land	(42,000)	0	0	0	0
External Grant - Carbon Efficiencies	0	(1,015,000)	0	0	0
Prudential Borrowing - Vehicles	(1,126,000)	(661,000)	(3,007,000)	(956,000)	(558,000)
Prudential Borrowing - Eckington Pool Roof	(77,000)	0	0	0	0
Prudential Borrowing - Killamarsh Leisure Centre	0	(1,000,000)	0	0	0
RCCO - Roller Shutter Doors	(42,000)	0	0	0	0
Useable Capital Receipts	(901,000)	(555,000)	(680,000)	(583,000)	(583,000)
1-4-1 Receipts	(510,000)	0	0	0	0
General Fund Capital Financing	(3,318,000)	(3,953,410)	(4,409,410)	(2,261,410)	(1,863,410)
HRA Development Reserve					
Opening Balance	(1,456,000)	(1,456,000)	(1,456,000)	(2,900,217)	(2,900,217)
Amount due in year	(3,883,211)	(391,000)	(1,755,217)	(311,000)	(311,000)
Amount used in year	3,883,211	391,000	311,000	311,000	311,000
Closing Balance	(1,456,000)	(1,456,000)	(2,900,217)	(2,900,217)	(2,900,217)
Major Repairs Reserve					
Opening Balance	(176,000)	(176,000)	(176,000)	(176,000)	(176,000)
Amount due in year	(11,319,000)	(17,174,178)	(13,039,000)	(14,811,000)	(14,811,000)
Amount used in year	11,319,000	17,174,178	13,039,000	14,811,000	14,811,000
Closing Balance	(176,000)	(176,000)	(176,000)	(176,000)	(176,000)
Capital Receipts Reserve					
Opening Balance	(1,384,000)	(933,000)	(1,828,000)	(2,598,000)	(3,465,000)
Income expected in year	(4,000,000)	(3,600,000)	(3,600,000)	(3,600,000)	(3,600,000)
Allowable Debt/Pooling Expenses	3,200,000	1,800,000	1,800,000	1,800,000	1,800,000
Amount used in year	1,251,000	905,000	1,030,000	933,000	933,000
Closing Balance	(933,000)	(1,828,000)	(2,598,000)	(3,465,000)	(4,332,000)
Capital Receipts Reserve 1-4-1 receipts					
Opening Balance	(1,909,000)	(408,481)	(308,481)	(208,481)	(108,481)
Income expected in year	(650,000)	(950,000)	(950,000)	(950,000)	(950,000)
Amount used in year	2,150,519	1,050,000	1,050,000	1,050,000	1,050,000
Closing Balance	(408,481)	(308,481)	(208,481)	(108,481)	(8,481)
Total Capital Financing	(22,556,730)	(26,063,588)	(21,259,410)	(20,883,410)	(20,485,410)

Appendix B

Annual Minimum Revenue Provision Statement 2021/22

Where the Council finances General Fund 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 Ministry for Housing, Communities and Local Government's *Guidance on Minimum Revenue Provision* (the MHCLG Guidance) most recently issued in 2018.

The broad aim of the MHCLG Guidance is to ensure that capital expenditure is financed over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government, Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.

The MHCLG Guidance requires the Council, to approve an Annual MRP Statement each year, and includes recommendations for calculating a prudent amount of MRP. In line with this guidance the Council has adopted the following approach:

- For capital expenditure incurred after 31st March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant asset in equal instalments, starting in the year after the asset becomes operational. MRP on purchases of freehold land will be charged over 50 years. MRP on expenditure not related to fixed assets but which has been capitalised by regulation or direction will be charged over 20 years.
- For assets acquired by leases, MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.
- For capital expenditure loans to third parties that are repaid in annual or more frequent instalments of principal, the Council will make nil MRP, but will instead apply the capital receipts arising from principal repayments to reduce the capital financing requirement instead. In years where there is no principal repayment, MRP will be charged in accordance with the MRP policy for the assets funded by the loan, including where appropriate, delaying MRP until the year after the assets become operational. While this is not one of the options in the MHCLG Guidance, it is thought to be a prudent approach since it ensures that the capital expenditure incurred in the loan is fully funded over the life of the assets.
- No MRP will be charged in respect of assets held within the Housing Revenue Account.

Capital expenditure incurred during 2021/22 will not be subject to a MRP charge until 2022/23 and so on.

Based on the Council's latest estimate of its Capital Financing Requirement on 31st March 2021, the budget for MRP has been set as follows:

	31/03/21 Estimated CFR £m	2021/22 Estimated MRP £m
Supported Capital Expenditure after 31.03.2008	0	0
Unsupported Capital Expenditure after 31.03.2008	13.7	0.7
Total General Fund	13.7	0.7
Assets in the Housing Revenue Account	44.0	0
HRA Subsidy Reform Payment	127.1	0
Total Housing Revenue Account	171.1	0
Total	184.8	0.7

Revenue Account (HRA)

Following the budget on 30 October 2018, the legislation that capped the amount of HRA debt a local housing authority could hold was revoked with immediate effect. The capital financing requirements relating to the HRA will remain the same so there will still be no requirement for an MRP and levels of debt will be managed through prudential borrowing limits controlled by the Treasury Management Strategy.

Removing the debt cap and not having a statutory requirement to make a provision to repay debt presents a significant risk to the HRA. Very careful treasury management is needed to ensure that the Council's HRA borrowing remains affordable, prudent and reasonable and that the HRA remains sustainable over the long term.



North East Derbyshire District Council

Investment Strategy 2021/22 – 2024/25

Introduction

- 1.1 The Council invests its money for three broad purposes:
- because it has surplus cash as a result of its day-to-day activities, for example when income is received in advance of expenditure (known as **treasury management investments**),
 - to support local public services by lending to or buying shares in other organisations (**service investments**), and
 - to earn investment income (known as **commercial investments** where this is the main purpose).
- 1.2 This investment strategy meets the requirements of the statutory guidance issued by the government in January 2018, and focuses on the second and third of these categories.

Treasury Management Investments

- 1.3 The Council typically receives its income in cash (e.g. from taxes and grants) before it pays for its expenditure in cash (e.g. through payroll and invoices). It also holds reserves for future expenditure and collects local taxes on behalf of other local authorities and central government. These activities, plus the timing of borrowing decisions, lead to a cash surplus which is invested in accordance with guidance from the Chartered Institute of Public Finance and Accountancy. The balance of treasury management investments is expected to fluctuate between £26.0m and £43.5m during the 2021/22 financial year (based on previous year's figures).
- 1.4 **Contribution:** The contribution that these investments make to the objectives of the Council is to support effective treasury management activities.

- 1.5 **Further details:** Full details of the Council's policies and its plan for 2021/22 for treasury management investments are covered in the Treasury Management Strategy.

Service Investments: Loans

- 1.6 **Contribution:** The Council lends money to assist local public services, including making loans to local service providers and businesses to stimulate local economic growth. This includes loans to Rykneld Homes Ltd to allow development of social housing. Rykneld Homes Ltd is a wholly owned subsidiary of the Council, limited by guarantee. It also includes a loan to Northwood Group Ltd for a mixed tenure housing development scheme in the district.
- 1.7 **Security:** The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due. In order to limit this risk, and ensure that total exposure to service loans remains proportionate to the size of the Council, upper limits on the outstanding loans to each category of borrower have been set as follows:

Table 1: Loans for service purposes

Category of borrower	31/3/2020 actual			2021/22
	Balance owing £m	Loss allowance £m	Net figure in accounts £m	Approved Limit £m
Rykneld Homes Ltd	6.348	0	6.348	13.500
Northwood Group Ltd	1.318	0	1.318	8.813
TOTAL	7.666	0	7.666	22.313

- 1.8 Accounting standards require the Council to set aside loss allowance for loans, reflecting the likelihood of non-payment. The figures for loans in the Council's statement of accounts are shown net of this loss allowance. However, the Council makes every reasonable effort to collect the full sum lent and has appropriate credit control arrangements in place to recover overdue repayments.
- 1.9 **Risk assessment:** The Council assesses the risk of loss before entering into and whilst holding service loans by requiring a fully costed business case in all instances that includes any investment/loan requirements and financial/risk implications. A significant amount of due diligence work is undertaken in each case to ensure the business case is robust. Regards loans to Rykneld Homes Ltd, the strength of the partnership between the company and the Council helps to mitigate any risk associated with non-payment of the loan.

Service Investments: Shares

- 1.10 **Contribution:** The Council has invested £0.150m to date (up to 31st December 2020) in the shares of Northwood Group Ltd to support local public services and stimulate local economic growth by delivering housing developments whilst generating income for the Council.
- 1.11 **Security:** One of the risks of investing in shares is that they fall in value meaning that the initial outlay may not be recovered. In order to limit this risk, upper limits on the sum invested in each category of shares have been set as follows:

Table 2: Shares held for service purposes

Category of company	31/3/2020 actual			2021/22
	Amounts invested £m	Gains or (losses) £m	Value in accounts £m	Approved Limit £m
Northwood Group Ltd	0.150	(0.059)	0.091	0.150
TOTAL	0.150	(0.059)	0.091	0.150

- 1.12 **Risk assessment:** The Council assesses the risk of loss before entering into and whilst holding shares by working with experienced professionals who have extensive knowledge of the projects and the local markets. In order that commercial investments remain proportionate to the size of the Council, these are subject to overall maximum investment limits and contingency plans are in place should expected yields not materialise.
- 1.13 **Liquidity:** the viability models for each project the Council considers take account of the maximum periods for which funds may prudently be committed and states what those maximum periods are within approved contracts. This will assist the Council to stay within its stated investment limits.
- 1.14 **Non-specified Investments:** Shares are the only investment type that the Council has identified that meets the definition of a non-specified investment in the government guidance. The Council has not adopted any procedures for determining further categories of non-specified investment since none are likely to meet the definition.

Commercial Investments: Property

- 1.15 MHCLG defines property to be an investment if it is held primarily or partially to generate a profit.
- 1.16 **Contribution:** The Council invests in local, commercial and residential property with the intention of making a profit that will be spent on local public services. This includes

the industrial units across the district as well as residential property development through Northwood Group Ltd.

Table 3: Property held for investment purposes

Property	Actual	31/3/2020 actual		31/3/2021 expected	
	Purchase cost £m	Gains or (losses) £m	Value in accounts £m	Gains or (losses) £m	Value in accounts £m
Industrial Units	4.4	3.3	7.7	0	7.7
Land	1.7	2.0	3.7	0	3.7
Commercial Properties	1.1	0.3	1.4	0	1.4
Shared Ownership Properties	1.1	0.2	1.3	0	1.3
Northwood Group Ltd	0	0	0	0	0
TOTAL	8.3	5.8	14.1	0	14.1

- 1.17 **Security:** In accordance with government guidance, the Council considers a property investment to be secure if its accounting valuation is at or higher than its purchase cost including taxes and transaction costs.
- 1.18 A fair value assessment of the Council's investment property portfolio has been made within the past twelve months, and the underlying assets provide security for capital investment. Should the 2020/21 year end accounts preparation and audit process value these properties below their purchase cost, then an updated investment strategy will be presented to full council detailing the impact of the loss on the security of investments and any revenue consequences arising therefrom.
- 1.19 Where value in accounts is below purchase cost: The fair value of the Council's investment property portfolio is no longer sufficient to provide security against loss, and the Council is therefore taking mitigating actions to protect the capital invested. These actions include maintaining the investment properties to a required standard and once vacant, advertising any empty investment properties quickly and with professional advertising agencies.
- 1.20 **Risk assessment:** The Council assesses the risk of loss before entering into and whilst holding property investments by working with experienced professionals who have extensive knowledge of the projects, properties and local markets. In order that commercial investments remain proportionate to the size of the Council, these are subject to overall maximum investment limits and contingency plans are in place should expected yields not materialise.

- 1.21 **Liquidity:** Compared with other investment types, property is relatively difficult to sell and convert to cash at short notice, and can take a considerable period to sell in certain market conditions. The Council's Treasury Management Strategy provides assurances through limits on long-term investments to ensure that the invested funds or suitable alternatives can be accessed when they are needed, for example to repay capital borrowed.

Loan Commitments and Financial Guarantees

- 1.22 Although not strictly counted as investments, since no money has exchanged hands yet, loan commitments and financial guarantees carry similar risks to the Council and are included here for completeness.
- 1.23 The Council has contractually committed to make up to £8.813m of loans to Northwood Group Ltd should it request it. The Council has also guaranteed loans of £13.165m to Rykneld Homes Ltd.

Proportionality

- 1.24 The Council's revenue budget includes income from its properties held for investment purposes. Table 4 below shows the extent to which the expenditure planned to meet the service delivery objectives is dependent on achieving the expected net profit from investments over the lifecycle of the Medium Term Financial Plan. Should it fail to achieve the expected net profit, the Council's contingency plans for continuing to provide these services are to meet the shortfalls from other efficiencies generated within the general fund revenue budget or utilise reserves set aside for this purpose.

Table 4: Proportionality of investments

	2019/20 Actual £m	2020/21 Forecast £m	2021/22 Budget £m	2022/23 Budget £m	2023/24 Budget £m	2024/25 Budget £m
Net Service Expenditure	9.217	11.093	11.616	11.692	12.361	12.781
Net Investment Income	0.491	0.469	0.414	0.412	0.411	0.410
Proportion	5.3%	4.2%	3.6%	3.5%	3.3%	3.2%

Borrowing in Advance of Need

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

Capacity, Skills and Culture

- 1.26 **Elected members and statutory officers:** The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. Suitably qualified and experienced officers are employed throughout the Council to perform such functions.
- 1.27 Where Council officers do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. The Council currently employs Arlingclose Limited as treasury management advisers. This approach is more cost effective than employing such staff directly, and ensures that the Council has access to knowledge and skills commensurate with its risk appetite.
- 1.28 Members receive individual training and development through the Member Development Programme and are periodically required to attend seminars held by the external treasury management advisors.
- 1.29 **Commercial deals:** All Officers involved in negotiating such arrangements are aware of the core principles of the prudential framework and of the regulatory regime within which local authorities operate and considerable due diligence is undertaken in all instances.
- 1.30 **Corporate governance:** All decisions regards new loans or investments of this nature are considered by the Council's Cabinet before being recommended for approval at Council. Any presentation to members will have been through a fully costed business case that includes any investment/loan requirements and financial/risk implications. A significant amount of due diligence work is undertaken in each case to ensure the business case is robust before reporting to Cabinet.

Investment Indicators

- 1.31 The Council has set the following quantitative indicators to assess the total risk exposure as a result of its investment decisions.
- 1.32 **Total risk exposure:** The first indicator shows the Council's total exposure to potential investment losses. This includes amounts the Council is contractually committed to lend but have yet to be drawn down and guarantees the Council has issued over third party loans.

Table 5: Total investment exposure

Total investment exposure	31/03/2020 Actual £m	31/03/2021 Forecast £m	31/03/2022 Forecast £m
Treasury management investments	26.00	30.00	17.50
Service investments: Loans – Rykneld Homes Ltd	6.35	7.10	10.93
Service investments: Loans – Northwood Group Ltd	1.32	2.50	8.81
Service investments: Shares – Northwood Group Ltd	0.15	0.15	0.15
Commercial investments: Property	14.13	14.13	14.13
TOTAL INVESTMENTS	47.95	53.88	51.52
Commitments to lend	14.64	12.71	2.57
TOTAL EXPOSURE	62.59	66.59	54.09

- 1.33 **How investments are funded:** Government guidance is that these indicators should include how investments are funded. Since the Council does not normally associate particular assets with particular liabilities, this guidance is difficult to comply with. To date these investments have been funded by usable reserves and income received in advance of expenditure.

Table 6: Investments funded by borrowing

Investments funded by borrowing	31/03/2020 Actual £m	31/03/2021 Forecast £m	31/03/2022 Forecast £m
Treasury management investments	0	0	0
Service investments: Loans – Rykneld Homes Ltd	6.35	7.10	10.93
Service investments: Loans – Northwood Group Ltd	1.32	2.50	2.50
Service investments: Shares – Northwood Group Ltd	0	0	0
Commercial investments: Property	0	0	0
TOTAL FUNDED BY BORROWING	7.67	9.60	13.43

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

Table 7: Investment rate of return (net of all costs)

Investments net rate of return	2019/20 Actual £m	2020/21 Forecast £m	2021/22 Forecast £m
Treasury management investments	0.66%	0.16%	0.17%
Service investments: Loans – Rykneld Homes Ltd	3.77%	3.55%	3.55%
Service investments: Loans – Northwood Group Ltd	5.09%	5.09%	5.09%
Service investments: Shares – Northwood Group Ltd	0.00%	0.00%	0.00%
Commercial investments: Property	3.48%	3.32%	2.93%

- 1.35 The indicators used to report on the risks and opportunities associated with investment decisions will be kept under review as the Council's Investment Strategy and activities evolve over time.

Agenda Item 12

By virtue of paragraph(s) 1, 2, 5 of Part 1 of Schedule 12A of the Local Government Act 1972.

Document is Restricted