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North East Derbyshire District Council

Our Ref:

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Date: Tuesday, 12 January 2021

To: **All Members of the Audit & Corporate Governance Scrutiny Committee**

Please attend a meeting of the Audit & Corporate Governance Scrutiny Committee to be held on **Wednesday, 20 January 2021 at 3.00 pm by Conference Call**. Access credentials to the meeting will be sent to you separately. The public parts of the meeting will be streamed from the Council's website.

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

Sarah Steinberg

Joint Head of Corporate Governance and Monitoring Officer

Conservative Group	Labour Group	Liberal Democrat Group
Cllr W Armitage Cllr S Clough Cllr L Deighton Cllr M Roe Cllr M E Thacker	Cllr N Barker Cllr P R Kerry Cllr G Morley	Cllr R Shipman

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 interest, not already on their register of interests, in any item on the agenda and withdraw from the meeting at the appropriate time.

3 Minutes of Last Meeting (Pages 4 - 7)

To approve as a correct record and the Chair to sign the Minutes of the Audit and Corporate Governance Scrutiny Committee held on 2 December 2020.

4 Presentation from Arlingclose - Treasury Advisors

5 Report of Internal Audit Consortium Manager

a. Business Continuity - Maintaining Financial Control

6 Reports of Head of Finance and Resources and Section 151 Officer

a. Money Laundering Policy Refresh

b. Treasury Management

c. Medium Term Financial Plan

7 Forward Plan of Executive Decisions - November to December 2020

To consider the Forward Plan of Executive Decisions. The most up-to-date Forward Plan of Executive Decisions can be accessed via the following link:

https://democracy.ne-derbyshire.gov.uk/mgListPlans.aspx?RPId=1137&RD=0&bcr=1

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

9 **<u>Date of Next Meeting</u>**

The next meeting of the Audit and Corporate Governance Scrutiny Committee is scheduled for 10 February 2021 at 3.00 pm.

AUDIT & CORPORATE GOVERNANCE SCRUTINY COMMITTEE

MINUTES OF MEETING HELD ON WEDNESDAY, 2 DECEMBER 2020

Present:

Councillor Martin E Thacker MBE JP (Chair) (in the Chair)
Councillor Stephen Clough (Vice-Chair)

Councillor William Armitage
Councillor Pat Kerry
Councillor Michael Roe
Councillor Lilian Deighton
Councillor Gerry Morley
Councillor Ross Shipman

Also Present:

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
J Williams	Internal Audit Consortium Manager
D Stanton	Governance Officer
A Bashir	Improvement Officer

AUD/15/20-21 **Apologies for Absence**

An apology for absence was received from Councillor Nigel Barker.

AUD/16/20-21 **Declarations of Interest**

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

There were no interests declared at this meeting.

AUD/17/20-21 **Minutes of Last Meeting**

RESOLVED – That the Minutes of the meeting of the Audit and Corporate Governance Scrutiny Committee held on 30 September 2020 be approved as a correct record and signed by the Chair.

AUD/18/20-21 **Summary of Progress on the 2020/21 Internal Audit Plan**

The Internal Audit Consortium Manager presented the report which detailed the progress made by the Internal Audit Consortium in respect of the 2020/21 Internal Audit Plan and included a summary of Internal Audit Reports issued since the last meeting of this committee.

The officer highlighted that over this period five reports had been issued as

detailed in Appendix 2, four had received substantial assurance and one reasonable assurance. Members noted that no fraud had been identified and there were no issues to bring to the attention of the Committee.

The progress on the 2020/2021 plan was highlighted in Appendix 3. The Internal Audit Consortium Manager detailed that nine reports had been issued to date and there were a further six audits in progress. The Committee heard that a mid-year review had been conducted with the S151 Officer about the risks arising from COVID-19. It was stated that the current plan was still considered appropriate and that COVID-19 had not affected controls in place. The officer highlighted that if any significant risks were to still emerge then the plan would need to be varied. Members noted that there was reasonable progress on the plan, but it was likely that some areas would need to be carried over to 2021-2022.

RESOLVED –

(1) That the report be noted;
(2) The impact of the coronavirus on the ability to complete the current audit plan and the potential for future changes to the plan is noted.

AUD/19/20-21 **Implementation of Internal Audit Recommendations**

The Internal Audit Consortium Manager presented the report which contained a summary of the internal audit recommendations made and implemented for the financial years 2018/19 - 2020/21 (to date), as highlighted in Appendix 1. Members noted that COVID-19 may have had an impact on the officer's ability to implement some recommendations or ensure that PERFORM was updated and that given the current circumstances the progress made was reasonable.

The Chairman noted that the business continuity arrangements were marked as a medium priority and requested that the impact of Covid on business continuity and the recovery plans the Council has in place to address this should be more highly prioritised.

The Chairman therefore requested that an additional recommendation be added to state that a report reviewing business continuity and recovery arrangements in relation to maintaining financial control as a result of the pandemic be brought back to the next meeting of the Audit & Corporate Governance Scrutiny Committee.

RESOLVED - That

(1) the report be noted;
(2) that a further update be brought in 6 months' time; and
(3) a report on business continuity arrangements and recovery arrangements as a result of the pandemic be brought back to the next meeting of the Audit & Corporate Governance Scrutiny Committee.

AUD/20/20-21 **Council Plan Targets Performance Update - July - September 2020 (Q2 - 2020/21)**

The Improvement Officer presented a report which detailed the Quarter 2 outturns

for the Council Plan 2019-2023 targets. The officer highlighted that a number of targets had been selected for a review due to the impact and ongoing challenges of COVID-19 and that a report would be going to Cabinet in December.

RESOLVED - That quarterly outturns against the Council Plan 2019-2023 targets be noted.

AUD/21/20-21 **Risk Management**

The Director of Corporate Resources and Head of Paid Service presented the report which provided an update of the current position regarding Risk Management arrangements and the Strategic Risk Register as at November 2020. Members noted that an additional Strategic Risk had been added to the Strategic Risk Register around COVID-19, and that the Risk Management Group would be bringing regular retrospective updates to the Committee.

The Chairman suggested that a Member of the Audit Committee be included on the Risk Management Group and that this appointment be added to the agenda of the next meeting of the Audit & Corporate Governance Scrutiny Committee. He also requested that a framework and forward plan of those meetings be brought to the Committee so that Members could be part of, and contribute to, the process.

RESOLVED - That the Audit and Corporate Governance Scrutiny Committee notes the report and Strategic Risk Register as at November 2020 as set out in Appendix 2.

AUD/22/20-21 **Corporate Debt**

The S151 Officer presented the report which contained a summary of the corporate debt position at 31 October 2020.

RESOLVED - That the Audit and Corporate Governance Scrutiny Committee note the report concerning the Council's Corporate Debt as at 31 October 2020.

AUD/23/20-21 **Financial Impact of COVID-19 for Local Authorities**

The S151 Officer presented the report which provided benchmarking information on the impact of COVID-19 on local authority finances.

RESOLVED - That the Audit and Corporate Governance Scrutiny Committee note the report.

AUD/24/20-21 **Treasury Management Update**

The S151 Officer presented the report which provided an update on the Council's treasury management activities.

RESOLVED – That the Audit and Corporate Governance Scrutiny Committee note the treasury management activities undertaken during the first half of the year as outlined in Appendix 1.

AUD/25/20-21 **Corporate Work Programme 2020/21**

The Joint Head of Corporate Governance and Monitoring Officer presented the report which was to enable the Audit and Corporate Governance Scrutiny Committee to review the Work Programme for the remainder of the municipal year 2020/2021.

Members noted the following additions to the Work Programme; for the meeting on 20 January 2021 the Committee would consider an additional member to the Risk Management Group as requested by the Chair; and for the meeting on 10 February 2021 there would be a report to Review the Code of Corporate Governance.

Members noted that there was also an addition to the 20 January meeting for a report on the Business Continuity arrangements. The Internal Audit Consortium Manager noted that for the meeting of 10 February 2021 the report on Fighting Fraud and Corruption Locally would be dependent on CIPFA issuing the results of the relevant survey, and if there was a delay it would be taken to the following meeting.

RESOLVED - That the Committee notes and approves the Audit and Corporate Governance Scrutiny Work Programme for the remainder of the 2020/2021 municipal year as set out in the attached Appendix 1.

AUD/26/20-21 **To consider any other items which the Chair is of the opinion should be considered as a matter of urgency.**

There were no other items to be considered as a matter of urgency.

AUD/27/20-21 **Exclusion of Public**

The Chair moved a motion that the Committee continue in private session, this was seconded by Cllr Roe.

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 Paragraphs 1 and 3, Part 1 of Schedule 12A to the Local Government Act 1972, (as amended by the Local Government (Access to Information) (Variation) Order 2006).

AUD/27/20-21a **Coronavirus (Covid-19) Recovery Plans**

The Committee was presented with a report which outlined the Council's Coronavirus Recovery Plans.

RESOLVED – That the update be noted.

North East Derbyshire District Council

Audit and Corporate Governance Scrutiny Committee

20th January 2021

Business Continuity – Maintaining Financial Control

Report of the Internal Audit Consortium Manager

This report is public

Purpose of the Report

- The purpose of this report is to provide members with assurance in terms of business continuity in relation to maintaining financial control.

1 Report Details

Background

1.1 At the last meeting of the Committee it was noted that one of the outstanding recommendations related to the updating of Service Area Business Continuity plans. This Committee is particularly concerned with business continuity in terms of maintaining financial control and therefore the Internal Audit Consortium Manager was asked to bring a report addressing this issue.

1.2 A review of wider business continuity arrangements and plans will be made a priority by the Internal Audit Consortium in the 2021/22 financial year.

Key areas

1.3 Several key areas have been reviewed to provide the required assurance on financial control:-

- Compliance with the CIPFA Financial Management Code
- External Audit Assurance
- Internal Audit of Key Financial Systems
- Progress on Key Financial Areas in Recovery Plans

Compliance with the CIPFA Financial Management Code

1.4 In 2019 CIPFA published its Financial Management Code. The Code provides guidance for good and sustainable financial management in Local Authorities. By complying with the principles and standards within the Code Local Authorities can demonstrate their financial sustainability.

1.5 In August 2020 Internal Audit reviewed the extent of NEDDC compliance with the CIPFA Financial Management Code. The following key principles in determining financial stability were examined:-

- Leadership
- Accountability
- Transparency
- Standards
- Assurance
- Sustainability

1.6 The review concluded that the council's processes satisfy the principles of good financial management and is managing its resources effectively. A rating of Substantial Assurance was given. The full report can be seen at Appendix 1.

External Audit Assurance

1.7 The Council has consistently achieved positive reports from external audit. The 2019/20 accounts have been completed and signed off within the required deadlines.

1.8 In terms of value for money in 2019/20 external audit have concluded that the council has proper arrangements in place to secure economy, efficiency and effectiveness in the use of resources.

Internal Audit of Key Financial Systems

1.9 Most of the key financial systems are audited on an annual basis. The latest results of these audits are:-

Main Accounting and Budgetary Control	- Substantial Assurance
Debtors	- Substantial Assurance
Housing Benefits	- Substantial Assurance
Council Tax	- Substantial Assurance
Treasury Management	- Substantial Assurance
Cash and Banking	- Substantial Assurance
Non Domestic Rates	- Substantial Assurance

1.10 This means that the Council can have confidence in the operation of these systems.

Progress on Key Financial Areas in Recovery Plans

1.11 In order to help mitigate the risks of COVID-19 the Council developed detailed inward and outward recovery plans. The financial aspects of these plans have been extracted reviewed and updated with the section 151 Officer (Appendix 2).

2 <u>Conclusions and Reasons for Recommendation</u>

2.1 The report demonstrates that as far as possible in the current climate and given the impact of Covid-19 on local authorities the Council has effective systems and processes in place to manage its finances effectively.

3 Consultation and Equality Impact

3.1 None

4 Alternative Options and Reasons for Rejection

4.1 Not Applicable

5 Implications

5.1 Finance and Risk Implications

5.1.1 The Covid-19 pandemic is having an unprecedented detrimental impact on the finances of local authorities across the country.

5.1.2 Whilst there are undoubtedly major financial challenges ahead the Council complies with the financial principles within the CIPFA Financial Management Code that enable it to demonstrate financial sustainability.

5.2 Legal Implications including Data Protection

5.2.1 None

5.3 Human Resources Implications

5.3.1 None

6 Recommendation

6.1 That the report be noted.

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: *BDC: Revenue - £75,000* ☐ *Capital - £150,000* ☐ *NEDDC: Revenue - £100,000* ☐ *Capital - £250,000* ☐ ☑ *Please indicate which threshold applies*	No
Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In)	No
District Wards Affected	All
Links to Corporate Plan priorities or Policy Framework	All

8 Document Information

Appendix No	Title
Appendix 1	Internal Audit Report – CIPFA Financial Management Code
Appendix 2	Progress on Recovery Plan at December 2020

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)	
N/A	
Report Author	**Contact Number**
Jenny Williams	01246 959770

JENNY WILLIAMS

INTERNAL AUDIT CONSORTIUM MANAGER

Bolsover, Chesterfield and North East Derbyshire District Councils'

Internal Audit Consortium

Internal Audit Report

Authority:	**North East Derbyshire District Council**
Subject:	**CIPFA Financial Management Code Report Reference: N004**
Date of Issue:	**1st September 2020**
Assurance Level	**Substantial**
Report Distribution:	**Head of Service Finance & Resources, Director of Corporate Resources.**

INTERNAL AUDIT REPORT

FINANCE & RESOURCES

CIPFA Financial Management Code Review

Introduction

Due to the arrangements in place for working under COVID-19 the Head of Finance and Resources requested a review of the CIPFA Management Code to ascertain the levels of compliance.

This area has not been previously covered by Internal Audit but was included in the 2020/21 Internal Audit Plan for review.

CIPFA's Financial Management Code (FM Code) was published in October 2019 and provides guidance for good and sustainable financial management in local authorities. The FM Code offers assurance that authorities are managing resources effectively, regardless of their current level of financial risk. The FM Code was supported by guidance issued by CIPFA in May 2020. Compliance with the FM Code is expected by 1 April 2021, having been delayed due to COVID-19 pandemic.

Scope and Objectives

The scope of the audit was to review the CIPFA Financial Management Code and ascertain the levels of compliance within NEDDC and identify and report on any gaps identified to enable full implementation.

The basis of the review was to use both the FM Code and associated guidance in a proactive manner to provide management with insight into both current working practices and financial management arrangements and how these supported the FM Code.

Conclusion

The conclusion of the audit was that the Council complied with the majority of requirements of the CIPFA Financial Management Code and there was '**Substantial**' assurance.

There is a sound system of controls in place, designed to achieve the system objectives. Controls are being consistently applied and risks well managed. (See Appendix A). The review concluded that the Council complied with the majority of the Financial Management

Code. A small number of recommendations were raised due to the current COVID-19 pandemic.

The help and assistance of the Head of Finance and Resources was appreciated during the review.

Findings and Recommendations

Leadership

1. The leadership team should be able to demonstrate that the services provided by the authority provide value for money. An integral part of this requirement is that decision making is completed in a robust and transparent manner which ensures accountability for members and staff. There is evidence that this is fully supported through the Council's Corporate Governance framework and the Council reports annually against this code. In addition there is a Scheme of Delegation which is currently being complied with. Due to current COVID-19 arrangements the financial accounts were agreed within updated timescales and the Annual Governance Statement for 2019/2020 drafted and will be presented to Audit Committee 30th September 2020.

2. The review identified that there were robust financial management arrangements in place relating to budgetary control, budget setting and devolved financial management arrangements. The Constitution of the Council has been annually reviewed and fully incorporated the management and role changes during 2019/2020. As part of the CIPFA Code there is a requirement for both Section 151 and Monitoring Officers to be appropriately qualified and experienced. These roles are defined within the Council's Constitution. The Council's Constitution was refreshed in May 2020.

3. Due to COVID-19 the timing of the Council's accounts and annual governance statement were delayed to 30th September 2020. The Council published its Statement of Accounts on 22 June 2020 via its website. The Annual Governance Statement will be required to be reported in due course.

Recommendation	
R1	**Arrangements to be put into place to ensure that both the Annual Governance Statement and Review of the Local Code of Corporate Governance are reviewed and published.** **(Priority: Low)**

4. As part of the CIPFA Financial Management code the Section 151 Officer should comply with the five guiding principles outlined within the CIPFA Statement on the Role of the Chief Financial Officer. The Head of Service, Finance and Resources (Section 151 Officer) is;

    - A member of the management team with a clear role and responsibility as outlined within he role as Section 151 Officer (this is further addressed by being included within the statutory role);

- Has responsibility for the reporting and compliance with overall financial management and strategy within the authority;
- Responsibility for the good financial management of the authority through budget monitoring and the reporting of the Medium Term Financial Plan to Council;
- Maintains and operates a suitably resourced section to deliver financial management to the authority; and
- Is professionally qualified and experienced.

5. Budgets should be regularly reviewed by both Accountancy on a day to day basis and as an overview of Senior Management Team and elected members. There was full evidence that budgets are actively monitored within all levels of the Council. This includes the Medium Term Financial Plan (MTFP) and Strategic Risk Registers. Cabinet/Senior Management Team and Quarterly Performance meetings review budgets regularly.

6. Due to a change in political control of the Council at the May 2019 local elections budgets were further reviewed and updated, taking into account the new Council aims and objectives. These budgets were reviewed on a line by line basis. In addition due to COVID-19 further budget review work has been undertaken. This ensures that the financial stability of the Council is maintained and kept under review.

7. During 2019/2020 there were changes to the Risk Management Framework these are currently ongoing and will include a specific Risk Management Group.

Accountability

8. In respect of Accountability the Council should apply and maintain the CIPFA/SOLACE Delivering Good Governance in Local Government Framework. Due to the Annual Governance Statement (AGS) not currently being agreed at the time of the audit, we reviewed the latest available statement. The risks identified included; efficiencies around MTFP, local plan, recruitment to key posts (Section 151), Brexit and failure to maintain resources and capacity in strategic areas. These were fully addressed within both the AGS and Strategic Risk Registers.

9. In 2018/2019 the Council complied with the Statement on Delivering Good Governance by publishing its Local Code at the same time as providing the AGS.

10. It was confirmed that the annual accounts for 2018/2019 were produced within the required timeframes and reported on 25th July 2019. Due to COVID-19 and the timing of this review the accounts for 2019/2020 were completed ahead of the revised statutory deadline and are currently being examined by external audit.

11. There is a robust review process of material variances and these are reported during the review of MTFP and variances agreed at Cabinet and approved at Council.

12. Out turn figures are regularly reviewed and reported at the time of presenting the Statement of Accounts. For 2018/2019 this was completed and reported on 25th July 2019. In addition at the budget setting meeting for the Council 2020/2021 the Head of Service, Finance and Resources, provided an opinion over the financial management of the council and its resource requirements. The out-turn figures will be presented to Cabinet on 30th August 2020.

Transparency

13. The authority maintains a MTFP and annual budget and these were agreed by Council at its budget setting meetings during February/March 2020 for 2020/2021. There are no specific long term plans i.e., 10 years or more except the Housing Revenue Account 30 year plan. Whilst there is no Medium Term Financial Strategy, discussions with the Section 151 Officer identified that the MTFP also served as the Financial Strategy of the Council.

14. The Section 151 Officer is of the opinion that looking forward further than the MTFP is problematic due to potential changes in political aims and objectives, together with funding settlements from central government. This has been further affected by the latest COVID-19 pandemic and its affects for example on current budgets which were set in early 2020 and have been subsequently reviewed.

15. The Council maintains and carries out regular consultations with its stakeholders and specific consultations were carried out in relation to the new Council Plan adopted in mid-2019/2020.

16. The Council has implemented an overarching project appraisal methodology and this is further complimented by the current Transformation Agenda.

Standards

17. As previously outlined the Council has adopted a robust MTFP together with monitoring of efficiencies which are reviewed on a line by line basis and also via Committees of the Council and full Council itself.

18. The Council has fully maintained the expected standards for budget setting and reporting of accounts within the framework of the legislative requirements. Budgets have been set and approved by Council.

19. Additionally the Council has achieved an unqualified audit opinion for its Statement of Accounts for 2018/2019.

20. The Section 151 Officer has included the relevant statements regarding both robustness of estimates and adequacy of financial reserves/compliance with legislative requirements as part of the budget setting for 2020/2021.

Assurance

21. The Council has adopted a robust framework for governance and this is further supported by the risk management framework and strategy which was approved in March 2020. The Council's Scheme of Delegation was reviewed and approved by Council on 18th May 2020 and included within the refreshed Council Constitution.

22. The Scheme of Delegation was reviewed as part of this audit and was found to be current and where tested delegated decisions were made under the powers defined in the scheme. In addition due to the current COVID-19 pandemic delegations have been reviewed and approved to allow the Council to function lawfully.

23. As outlined within the report the Council has appropriately qualified and experienced staff within the roles of both Section 151 and Monitoring Officers.

24. The financial resilience and sustainability of the Council is reviewed and reported upon by the Section 151 Officer. This officer has robust methods for reviewing the council's sustainability that includes benchmarking of financial reserves. The Council does not use the CIPFA Financial Resilience Index as this is not felt to be as accurate as the current benchmarking available that is in use.

Recommendation	
R2	**Head of Service, Finance and Resources maintains an overview of current benchmarking arrangements and adopts a methodology that can demonstrate the Council's financial resilience has been assessed.** **(Priority: Low)**

25. Reporting arrangements and scrutiny are robust, these include; Council, Cabinet, Audit, Budget Monitoring and Quarterly Performance meetings. Strategic risks are also identified and the framework has been updated in March 2020, this include the Risk Management Group being led by Director of Corporate Resources.

26. As outlined above the current risk management processes are being developed and due to COVID-19 are not fully implemented. To provide further assurance in this area and compliance with the Financial Management Code this area should be reviewed and reported upon once implementation has been achieved.

Recommendation	
R3	**Further review of risk management, by audit, once working arrangements are back to normal following COVID_19 and the implementation of the Risk Management Group.** **(Priority: Medium)**

Sustainability

27. As outlined earlier in the report the authority has a number of committees and officer led committees that review financial management. From the review undertaken there are robust reporting arrangements in place and these support transparent and accountable reporting structures.

28. Despite COVID-19 and new working arrangements, Council meetings have been undertaken remotely and video-conferenced. This has been supported by the resilience identified by the roll-out of new communication methods available to staff despite the requirements to work from home.

29. Performance is regularly monitored by a specific Performance Monitoring Team and this is further supported by the Quarterly Performance meetings.

30. The Council's Transformation Agenda is currently supportive around sustainability. The audit review during 2019/2020 identified that there were robust project management processes in place and further time has been allocated to review specific projects during 2020/2021. Communication around the Transformation Agenda was identified as an area for improvement and this has been implemented subsequently to the audit.

31. The Council Plan was updated and refreshed following the elections in May 2019 and the subsequent change in administration. The Council's strategic objectives are contained within this document. Performance against the targets within the Council Plan are reported regularly as contained within the performance management framework.

32. In relation to the Council Plan and finance/service delivery the aims and values adopted relate to; delivery of high quality cost efficient services and engagement with residents, partners and staff. In support of this there have already been line by line budget reviews and freezing of Council Tax for 2020/2021. Council members and the Leader of the Council have been instrumental in this development.

33. Service Plans are being linked into the Council Plan and these included resourcing requirements, funding and income data and progress against budgets.

Appendix A

Assurance Level	Definition
Substantial Assurance	There is a sound system of controls in place, designed to achieve the system objectives. Controls are being consistently applied and risks well managed.
Reasonable Assurance	The majority of controls are in place and operating effectively, although some control improvements are required. The system should achieve its objectives. Risks are generally well managed.
Limited Assurance	Certain important controls are either not in place or not operating effectively. There is a risk that the system may not achieve its objectives. Some key risks were not well managed.
Inadequate Assurance	There are fundamental control weaknesses, leaving the system/service open to material errors or abuse and exposes the Council to significant risk. There is little assurance of achieving the desired objectives.

Internal Audit Report – Implementation Schedule

Report Title:	CIPFA Financial Management Code	Report Date:	1st September 2020
		Response Due By Date:	22nd September 20

Recommendations		Priority (High, Medium, Low)	Agreed	To be Implemented By:		Disagreed	Further Discussion Required	Comments
				Officer	Date			
R1	Arrangements to be put into place to ensure that both the Annual Governance Statement and Review of the Local Code of Corporate Governance are reviewed and published.	Low		Jayne Dethick	30/9/20			Going to Audit Committee on 30 Sept
R2	Head of Service, Finance and Resources maintains an overview of current benchmarking arrangements and adopts a methodology that can demonstrate the Council's financial resilience has been assessed.	Low		Jayne Dethick	Ongoing			Will include this in the MTFP process and consideration will be given to including in the AGS each year
R3	Further review of this area, by audit, once working arrangements are back to normal following COVID-19 and the implementation of the Risk Management Group.	Medium		Jenny Williams				Include in the Audit Plan on a regular basis

Please tick the appropriate response (✓) and give comments for all recommendations not agreed.

Signed Head of Service:		Date:	

Note: In respect of any High priority recommendations please forward evidence of their implementation to the Internal Audit team as soon as possible.

Inward and outward facing Action Plan – Maintaining Financial Control – December 2020

Ref	Project Title / Activity	Responsibility to deliver	Delivery team	Start date	Completion date	Comments / progress	Funding / resource requirement	Council Plan
1	Utilise £1m Covid-19 funding to underpin the Council's budget as a result of the pandemic	Jayne Dethick	Finance / SAMT	27/4/20	30/6/20	The funding is being held in the Resilience Reserve and will be used to meet budget shortfalls as a result of Covid-19	Officer time	Managing our Finances
2	Review the Council's financial position to include: • Planned restraints on expenditure • Moratorium on recruitment and use of non-essential agency/temporary staff • Use of reserves • Ongoing review of income and expenditure levels (both revenue and capital) • Ongoing review of cash flow	Jayne Dethick	Finance / SAMT	27/4/20	30/6/20	A budget review has been undertaken to identify a position post Covid-19. This will need to be kept under constant review as costs and incomes change. Relevant staff have been identified for furlough Cash flow being monitored daily A revised budget was considered by Cabinet in November reflecting changes needed as a result of Covid-19. The MTFP is currently being drafted, due to be scrutinised by the Audit	Officer time	Managing our Finances

Ref	Project Title / Activity	Responsibility to deliver	Delivery team	Start date	Completion date	Comments / progress	Funding / resource requirement	Council Plan
	• Detailed review of the ongoing financial position of Leisure Services • Furlough of staff as required					and Corporate Governance Scrutiny Committee on the 20th January.		
4	Grants and loans - Provide support grants to businesses in a timely manner. Agree criteria for new discretionary grant to support vulnerable businesses	Jayne Dethick	Finance / SAMT	June 2020	Review October 20	First tranche Completed Second and future tranches ongoing	Grant provided by Government	Managing our Finances
5	Offer soft landing for new businesses - Consider reduced business rates for 6 months for businesses relocating to NEDDC or for new businesses with x number of employees	Jayne Dethick	Finance / SAMT	May 2020	Ongoing	Completed	Promote our properties	Managing our Finances

North East Derbyshire District Council

Audit & Corporate Governance Committee

20 January 2021

Anti-Money Laundering Policy

Report of the Head of Finance and Resource

This report is public

Purpose of the Report

- To enable the Committee to consider the Anti-Money Laundering Policy attached at **Appendix 1**.

1 Report Details

1.1 The Anti-Money Laundering policy and the accompanying procedures and reporting forms, are to clearly demonstrate that the Council embraces the underlying principles of money laundering legislation.

1.2 The policy is to comply with the requirements of the following legislation ***as applicable to public authorities***:

- The Terrorism Act 2000 (as amended by the Anti-Terrorism, Crime and Security Act 2001, the Terrorism Act 2006 and the Terrorism Act 2000 and Proceeds of Crime Act 2002 (Amendment) Regulations 2007),

- The Proceeds of Crime Act 2002 (as amended by the Crime and Courts Act 2013 and the Serious Crime Act 2015),

- The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017.

1.3 It sets out appropriate and proportionate anti-money laundering safeguards and reporting arrangements, designed to detect and avoid involvement in the crimes described in the above legislation.

2 Conclusions and Reasons for Recommendation

2.1 The Anti-Money Laundering policy has been updated to take account of all legislative and operational changes to ensure it remains fit for purpose.

3 Consultation and Equality Impact

3.1 There are no consultation and equality impact implications from this report.

4 Alternative Options and Reasons for Rejection

4.1 No alternatives found – the Council is required to have a policy in order to adhere to the requirements of the Proceeds of Crime Act 2002 and the Terrorism Act 2006. Both place a number of duties and responsibilities on the Council, its officers and Members to prevent themselves being subject to criminal prosecution.

5 Implications

5.1 Finance and Risk Implications

Financial issues are covered in the Policy which is attached at **Appendix 1** to this report.

There are no financial implications arising from this report.

5.2 Legal Implications including Data Protection

Money Laundering is a criminal activity. This policy is intended to minimise the risk that this Council suffers as a result of such criminal activity, or that the Council is unwittingly used to undertake or assist such activity.

There are no data protection issues arising directly out of this report.

5.3 Human Resources Implications

There are no human resource implications arising from this report.

6 Recommendations

6.1 That the Committee considers the Anti-Money Laundering Policy and recommends it to Cabinet for approval as set out in **Appendix 1**.

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: *BDC: Revenue - £75,000* ☐ *Capital - £150,000* ☐ *NEDDC: Revenue - £100,000* ☐ *Capital - £250,000* ☐ ☑ *Please indicate which threshold applies*	No
Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In)	No
Has relevant Portfolio Member been informed?	Yes

District Wards Affected	None directly
Links to Corporate Plan priorities or Policy Framework	All

8 Document Information

Appendix No	**Title**
1	Anti-Money Laundering Policy
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 & Resources	01246 217078

North East Derbyshire District Council

Anti – Money Laundering Policy

CONTROL SHEET FOR ANTI-MONEY LAUNDERING POLICY

Policy Details	**Comments / Confirmation** **(To be updated as the document progresses)**
Policy title	Anti-Money Laundering Policy
Current status – i.e. first draft, version 2 or final version	First draft
Policy author (post title only)	Head of Finance and Resources
Location of policy (whilst in development)	S/Drive
Relevant Cabinet Member (if applicable)	Finance Portfolio Holder
Equality Impact Assessment approval date	n/a
Partnership involvement (if applicable)	n/a
Final policy approval route i.e. Cabinet/ Council	Audit Committee then Cabinet
Date policy approved	
Date policy due for review (maximum three years)	2023
Date policy forwarded to Performance & Communications (to include on Extranet and Internet if applicable to the public)	

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1. Introduction

1.1 This policy and the accompanying procedures and reporting forms, seek to demonstrate that the Council embraces the underlying principles of money laundering legislation.

1.2 The policy is to comply with the requirements of the following legislation ***as applicable to public authorities***:

- The Terrorism Act 2000 (as amended by the Anti-Terrorism, Crime and Security Act 2001, the Terrorism Act 2006 and the Terrorism Act 2000 and Proceeds of Crime Act 2002 (Amendment) Regulations 2007),
- The Proceeds of Crime Act 2002 (as amended by the Crime and Courts Act 2013 and the Serious Crime Act 2015),
- The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017.

1.3 It sets out appropriate and proportionate anti-money laundering safeguards and reporting arrangements, designed to detect and avoid involvement in the crimes described in the above legislation.

1.4 The risks to the Council of contravening money laundering legislation remain relatively low and some aspects of the legal and regulatory requirements do not apply to local authorities. However, it is recognised that local authorities are not completely immune from the risks surrounding money laundering and it is the Council's responsibility to take all reasonable steps to minimise the likelihood of money laundering occurring.

1.5 Failure to adhere to the requirements of the legislation may result in criminal prosecutions. The Proceeds of Crime Act 2002 and the Terrorism Act 2006, both place a number of duties and responsibilities on the Council, its Officers and Members to prevent themselves being subject to criminal prosecution.

1.6 This policy seeks to address both the underlying spirit of the 2017 regulations whilst ensuring responsibilities under the Proceeds of Crime Act 2002 and Terrorism Act 2006 are clear.

2. Scope of the Policy

2.1 This policy applies to all Officers and Members of the Council and aims to maintain the high standards of conduct which currently exist within the Council. It aims to prevent criminal activity through money laundering and to enable employees and Members to respond to a concern that they may have in the course of their dealings for the Council.

2.2 This policy sets out the procedures which must be followed to enable the Council to meet its legal obligations under legislation. Whilst the policy particularly applies to employees involved with monetary transactions it is everyone's responsibility to be vigilant.

2.3 The Anti-Money Laundering Policy is part of the Council's Anti-Fraud and Corruption Policy and Strategy and sits alongside its Whistleblowing Policy and Employee Code of Conduct and Member/Officer Relations.

3 Principles of the Policy

3.1 The legislative requirements concerning anti-money laundering procedures are extensive and complex. This policy has been written so as to enable the Council to meet legislation in a way which is proportionate to the low risk of contravening the law.

3.2 Any employee could potentially be caught by the money laundering provisions if they suspect money laundering and either become involved with it in some way or do nothing about it. Whilst the risk to the Council of contravening the legislation is low, it is extremely important that all employees are familiar with their legal responsibilities.

3.3 The objectives of this policy are to:

- Ensure that all employees are aware of the legislation and money laundering offences within it, their responsibilities regarding the legislation and the consequences of non-compliance;
- Establish the Council's requirements for the appointment of an officer responsible for anti-money laundering;
- Establish the Council's internal reporting procedures;
- Define the Council's expectations in respect of employee awareness and training; and
- Document certain procedures of internal control and communication for activities which are restricted or regulated.

4 The Legislation and Offences

4.1 The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 became effective in June 2017. These replaced the Money Laundering Regulations 2007. The regulations built on the current regulatory framework but in general terms, these regulations impose requirements on those conducting 'relevant business". Local authorities are not classified as a relevant business in the legislation so this policy addresses the legislation included at 1.2, as it is applicable to public authorities.

4.2 Under the legislation, money laundering is interpreted very widely and is the term used for a number of offences involving the proceeds of crime or terrorist funds. These offences relate to the improper handling of funds that are the proceeds of criminal or terrorist acts, so that they appear to come from a legitimate source. It relates to the activities of organised crime but also to those who benefit financially from dishonest activities such as receiving stolen goods.

4.3 The four main offences that may be committed under money laundering legislation are:

- Concealing, disguising, converting, transferring, or removing criminal property from the United Kingdom;
- Entering into or becoming concerned in an arrangement in which someone, knowingly or suspecting, facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person;
- Acquiring, using or possessing criminal property;
- Doing something that might prejudice an investigation, for example falsifying a document or tipping off a person or persons, suspected of being involved in money laundering.

5 Employee Responsibilities

5.1 Although the term 'money laundering' is generally used when describing the activities of organised crime - for which the legislation and regulations were first and foremost introduced - to most people who are likely to come across or be affected by it, it involves a suspicion that someone they know, or know of, is benefiting financially from dishonest activities.

5.2 Guidance for employees on their possible exposure to money laundering is attached at **Appendix 1**. This provides information on the types of activities where the Council may be subject to money laundering offences.

5.3 Employees should follow this policy in respect of all crimes, however small. The money laundering regime adopts an 'all crimes' approach and sets no lower limit below which suspected crimes should not be internally reported.

5.4 The offences may apply to a very wide range of more everyday activities within the Council. This could include for example, being complicit in crimes involving the falsification of claims, benefiting from non-compliance with the conditions attaching to a grant, retaining customer overpayments on a ledger or facilitating employment on which tax is not paid.

6 Consequences of Non-Compliance

6.1 Failure by an employee to comply with the procedures set out in this policy may lead to disciplinary action being taken against them in accordance with the Council's Disciplinary Policy.

6.2 The money laundering offences cited above carry a prison sentence of up to 14 years. A defence is available if it can be shown that any knowledge or suspicion of money laundering was reported to the National Crime Agency and as a result that any resultant transaction was on hold until consent to proceed was given.

7 The Anti-Money Laundering Reporting Officer

7.1 All employees and Members are obliged to report any suspicion of money laundering or terrorist financing to the Council's nominated officer for anti-money laundering activities. The Council has nominated the Head of Paid Service as the Anti-Money Laundering Reporting Officer (MLRO). In their absence, the Deputy Head of Paid Service acts as the Deputy Anti-Money Laundering Reporting Officer.

7.2 The Council's appointed Officer and deputy should:

- Maintain the Council's policies and procedures in respect of money laundering;
- Receive and manage the concerns of employees about money laundering and their suspicion of it;
- Document internal money laundering reports in conjunction with the employee concerned;
- Make internal enquiries to follow up concerns; and
- Make external reports to the National Crime Agency where necessary.

8 Internal Reporting Procedures

8.1 The primary duty of any employee, Member or third party under this policy is to ensure that suspicions or concerns regarding money laundering are reported to the Council's Anti-Money Laundering Reporting Officer (MLRO), or their deputy without delay. All suspicious transactions, irrespective of their values, should be reported. The disclosure should be within hours of a suspicious activity coming to an individual's attention.

8.2 Employees should first have an initial discussion with the MLRO, which should be recorded on an internal form if the MLRO decides that the matter is serious enough to warrant this. The MLRO will then decide whether an external report is needed. **Appendix 2** provides template forms.

8.3 All forms shall be retained for 6 years from the date on which the matter is satisfactorily concluded.

8.4 Once an employee has reported their suspicions to the MLRO, they have fully satisfied their own statutory obligation.

8.5 The employee, Member or third party should not make any further enquiries into the matter themselves. At no time should suspicions be voiced to the person suspected of money laundering by those who have raised the concern.

8.6 Upon receipt of a disclosure report the MLRO must acknowledge receipt and confirm the timescale within which they expect to respond.

8.7 The MLRO is required to promptly evaluate any concerns/disclosures raised and determine whether they require further investigation and referral to the National Crime Agency using the forms at **Appendix 2**. <u>The MLRO should not undertake investigation of any concerns themselves.</u> Where legal professional privilege may apply, the MLRO must liaise with the Council's Monitoring Officer to determine the action to be taken.

8.8 Where money laundering is suspected, the MLRO will report to the National Crime Agency and also notify the Head of the Internal Audit Consortium and Head of Finance and Resources.

8.9 To ensure the Council minimises the risk of tipping off and to minimise any reputational damage should the suspicion be unfounded, the confidentiality of the matter will be respected at all times. The MLRO will only inform anyone of the suspicion where there is a genuine business need.

8.10 In some cases it may be necessary to seek approval from the National Crime Agency before the Council can undertake any further activity in respect of the transaction. Where the MLRO has made such a referral to the National Crime Agency, they will notify the person raising the concern and again inform the individual when the Agency has provided permission for the transaction to proceed.

8.11 If a request for consent has been made to the National Crime Agency, no action should occur for a period of 7 days or until the Agency gives consent. If this results in a transaction having to be deferred or delayed, it should be carefully handled to ensure that the customer is not tipped off as to the money laundering concern.

8.12 After 7 days if the National Crime Agency does not notify otherwise, they are deemed to have given their consent to the transaction. If the Agency instead notifies they refuse to give consent, they have a further 31 calendar days to take action. A moratorium period of 31 days starts on the day the Council receives the refusal notice. During this period the Council cannot proceed with the matter for which the consent was applied. At the expiry of the 31 days if nothing has been heard, the Agency is deemed to have consented to the request and the Council can proceed.

8.13 The MLRO should retain the details of any referrals made including correspondence with the necessary bodies. All information should be retained for a minimum of 6 years.

9 Employee Awareness and Training

9.1 It is not necessary for all staff to have a detailed knowledge of what constitutes a criminal offence under the legislation. Those who are most likely to encounter money laundering should read this policy as it documents what procedures are in place to help prevent money launder and informs them of their personal responsibilities and possible liabilities as individuals.

9.2 The Council does not have any areas of activity that are considered to be especially vulnerable to money laundering. This is supported by the fact that local authorities are not included as a 'relevant business' in the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 and are therefore not specifically covered by those regulations.

9.3 Any managers who believe they have identified any especially vulnerable areas should first consult the Anti-Money Laundering Reporting Officer. If agreed, more targeted training to the employees should then be delivered.

10 Restricted or Regulated Activities

10.1 This policy requires certain activities to be regulated or restricted as follows:

10.1.1 Undertaking Investment Activities for a Third Party

In making investment arrangements, the Council should not act as a principal or agent in, or an arranger of, investment activities for a third party, without prior authority from the MLRO, as such activities might be interpreted as being a regulated activity and expose the Council to additional money laundering regulations.

This excludes the investments of trust and charitable funds and the placing of cash deposits for other local authorities, as such activities in CIPFA's view, would not be interpreted as being 'by way of business'.

10.1.2 Receiving High Value Cash Receipts

For the purpose of preventing money laundering:

- Cash receipts of £10,000 or more should not be accepted. 'Cash' includes notes, coins or travellers' cheques in any currency. It is not appropriate for payment of a balance owed to the Council to be sub-divided into smaller cash receipts to circumvent this limit, whatever the purpose of the payment. Any attempts to do this should be reported to the MLRO as suspicious activity.

- If money offered in cash is £10,000 or more, then the payment must not be accepted until the employee has received guidance from the MLRO or their deputy.

- The Council in the normal operation of its services, accepts cash payments from individuals and organisations. For all transactions under £10,000, no action is required unless the employee has reasonable grounds to suspect money laundering activities, proceeds of crime or is simply suspicious.

10.1.3 Refunds

A significant overpayment of an amount owed which results in a repayment, should be properly investigated and authorised as not suspicious, before repayment is made.

10.1.4 Structuring of Agreements

Advice from the MLRO should be sought in structuring agreements relating to the following activities, if undertaken on behalf of third parties. Such activities might be interpreted as being a regulated activity and expose the Council to additional money laundering regulations:

- Advice about tax affairs;
- Accountancy services;
- Audit services;
- Legal services which involve participation in a financial or real property transactions; and

- Services which involve the formation, operation or management of a company.

11 CIPFA's Treasury Management Code

11.1 Treasury management activities and the legal and best practice requirements relating to them (including money laundering), are subject to the provisions of CIPFA's Treasury Management: Code of Practice. This document is legally enforceable in local authorities.

12 Responsibility for Implementation

The Policy will be referred to the Risk Management Group to be reviewed at least every 3 years by the Anti-Money Laundering Reporting Officer (or more frequently if required by changes to statutory legislation). It will be the Audit and Corporate Governance Scrutiny Committee's responsibility to review the policy then recommend to Cabinet for approval.

Appendix 1

How the Council may be exposed to Money Laundering

1 Guidelines to staff and members on concerns or suspicions

It is anticipated that the most likely scenario in which a money laundering issue may arise is where we unwittingly become concerned or involved in an arrangement which we know or suspect enables criminal property to be retained or acquired by a third party.

1.1 If you do have any suspicions or concerns about an individual or transaction then it is always better to raise those concerns appropriately. If necessary, you may wish to use the Council's Whistleblowing Policy for further support and guidance on how to raise a concern. Conversely, if in doubt, seek advice from the Anti-Money Laundering Reporting Officer (MLRO).

1.2 Although some offences and suspicions may be fairly apparent, some can be more difficult to identify. The simple guidance is to be vigilant and not be afraid to question something if you don't think it looks right. If you think something looks suspicious, then the probability is someone else may also think the same. It is better for the Council's reputation if it was found we had taken monies that were obtained through theft, drug trafficking, terrorism, etc.

1.3 It is recognised that a lot of the Council's activities are sensitive in nature and in cases what, to some people, may be suspicious or concerning behaviour, from a money laundering perspective may not necessarily be in line with the activity occurring. However, people should always be mindful of genuine concern and suspicion.

2 The types of activities that may be affected

The following table sets out the types of activities that might be suspicious and how we may come across those activities. It is not intended to be exhaustive and just because something you are suspicious about is not on the list, it doesn't mean you shouldn't report it.

Activity	The types of activity that may be affected

New customers with high value transactions	• Selling property to individuals or businesses • Renting out property to individuals or businesses • Entering into other lease agreements • Undertaking services for other organisations
Secretive clients	• Housing benefit claimants who have sums of money entering into/out of their bank account (even if we do not award them benefit, we should still consider money laundering implications) • People buying or renting property from the Council who may not want to say what it is for • People receiving grant funding who refuse to demonstrate what funding was used for
Customers who we think are acting dishonestly or illegally	• People paying for Council services who do not provide details about themselves • People making odd or unusual requests for payment arrangements
Illogical transactions	• People paying cash then requesting refunds • Requests for the Council to pay seemingly unconnected third parties in respect of goods/services provided to the Council • Requests for the Council to pay in foreign currencies for no apparent reason
Payments of substantial sums by cash	• Large debt arrears paid in cash • Refunding overpayments • Deposits/payments for property
Movement of funds overseas	• Requests to pay monies overseas, potentially for 'tax purposes'
Cancellation of earlier transactions	• Third party 'refunds' grant payment as no longer needed/used • No payment demanded even though goods/services have been provided • Sudden and unexpected termination of lease agreements

Requests for client account details outside normal course of business	• Queries from other companies regarding legitimacy of customers • Council receiving correspondence/information on behalf of other companies
Extensive and overcomplicated client business structures/arrangements	• Requests to pay third parties in respect of goods/services • Receipt of business payments (rent, business rates) in settlement from seemingly unconnected third parties
Poor accounting records and internal financial control	• Requests for grant funding/business support, indicates third party not supported by financial information • Companies tendering for contracts, unable to provide proper financial information/information provided raises concerns • Tender for a contract which is suspiciously low
Unusual property investments or transactions	• Requests to purchase Council assets/land with no apparent purpose • Requests to rent Council property with no apparent business motive
Overcomplicated legal arrangements/multiple solicitors	• Property transactions where the Council is with several different parties

3 The Council's Officer Responsible for Anti-Money Laundering (MLRO)

The Council has nominated the Head of Paid Service as the Anti-Money Laundering Reporting Officer (MLRO). In their absence, the Deputy Head of Paid Service acts as the Deputy Anti-Money Laundering Reporting Officer.

Internal Suspicion of Money Laundering Activity Form **Appendix 2**

STRICTLY CONFIDENTIAL

Report to: Officer Responsible for Anti-Money Laundering (MLRO)

Regarding: Suspicion of Money Laundering Activity

From: ……

Department/Section: ……

Job Title: ……

Contact Details: ……

Date Reported: ……

Details of Suspected Offence

Name and address of persons or company involved: *[If a company/public body please include details of nature of business]*   *[Please continue on a separate sheet if necessary]*

Nature, value and timing of activity involved:
[Please include full details e.g. what, when, where, how]

[Please continue on a separate sheet if necessary]

Reason you are suspicious of activity:

[Please continue on a separate sheet if necessary]

Have you discussed your suspicions with anyone else? Yes/No

If yes, please specify below, explaining why such discussion was necessary:

[Please continue on a separate sheet if necessary]

Has any investigation been undertaken (as far as you are aware)? Yes/No

If yes, please include details below:

[Please continue on a separate sheet if necessary]

Internal Suspicion of Money Laundering Activity Form Appendix 2

Have you consulted any supervisory body guidance on money laundering (e.g. the Law Society)? Yes/No

If yes, please specify below:

[Please continue on a separate sheet if necessary]

Do you feel you have a reasonable excuse for not disclosing the matter to the National Crime Agency (NCA) (e.g. are you a lawyer and wish to claim legal professional privilege)? Yes/No

If yes, please give full details below:

[Please continue on a separate sheet if necessary]

Please include below any other information you believe is relevant:

[Please continue on a separate sheet if necessary]

DECLARATION:

Signed: ……

Dated: ……

Please do not discuss the content of this report with anyone you believe to be involved in the suspected money laundering activity described. To do so may constitute a tipping off offence, which carries a maximum penalty of 5 years' imprisonment. This form, upon completion, should be passed directly to the Anti-Money Laundering Reporting Officer (MLRO).

Internal Suspicion of Money Laundering Activity Form Appendix 2

THE FOLLOWING PART OF THIS FORM IS FOR COMPLETION BY THE ANTI-MONEY LAUNDERING REPORTING OFFICER (MRLO)

Date report received: ……

Date receipt of report acknowledged: ……

CONSIDERATION OF DISCLOSURE:

Action Plan:

OUTCOME OF CONSIDERATION OF DISCLOSURE:

Are there reasonable grounds for suspecting money laundering activity?

If there are reasonable grounds for suspicion, will a report be made to NCA?

Yes/No

If yes, please confirm date of report to NCA:……
and complete the box overleaf:

Internal Suspicion of Money Laundering Activity Form Appendix 2

Details of liaison with NCA regarding this report:
Notice Period: …….
Moratorium Period: …….
(See 8.11 – 8.12 of policy)

Is consent required from NCA to any ongoing or imminent transactions which would otherwise be prohibited acts?

Yes/No

If yes, please give details below:

Date consent received from NCA: ……

Date consent given by you to employee: ……

If there are reasonable grounds to suspect money laundering but you do not intend to report the matter to NCA, please set out below the reason(s) for non-disclosure:

Internal Suspicion of Money Laundering Activity Form Appendix 2

Other relevant information:

Signed: ……

Dated: ……

THIS REPORT IS TO BE RETAINED FOR AT LEAST SIX YEARS

North East Derbyshire District Council

Audit and Corporate Governance Scrutiny Committee

20 January 2021

Treasury Strategy Reports 2020/21 - 2023/24

Report of the Head of Finance and Resources

This report is public

Purpose of the Report

- To enable the Audit and Corporate Governance Scrutiny Committee to consider the attached treasury strategies prior to them being taken to Council for approval.

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.

1.4 The Capital Strategy is intended to be 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 also sets out the capital expenditure plans for the period and how they will be financed. It provides information of the minimum revenue provision, capital financing requirement and prudential indicators aimed at monitoring risk.

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.

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 on 1 February 2021. 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 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 That the Audit and Corporate Governance Scrutiny Committee note this report and the attached strategies and make any comments that they believe to be appropriate with regards to them.

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: *BDC: Revenue - £75,000* ☐ *Capital - £150,000* ☐ *NEDDC: Revenue - £100,000* ☐ *Capital - £250,000* ☐ ☑ *Please indicate which threshold applies*	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
	Council report Treasury Management Strategy Capital Strategy Investment Strategy
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	01246 217078

Agenda Item No

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).

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.

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:	No

BDC: Revenue - £75,000 ☐ *Capital - £150,000* ☐ *NEDDC: Revenue - £100,000* ☐ *Capital - £250,000* ☐ ☑ *Please indicate which threshold applies*	
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 2 3	Treasury Management Strategy Capital Strategy Investment Strategy
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
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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 though current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments, but are still subject to the risk of a bank bail-in, and balances will therefore be kept 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% rise in interest rates	£1.5m
Upper limit on one-year revenue impact of a 1% fall 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 discretional 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	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)**

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.

North East Derbyshire District Council

Audit and Corporate Governance Scrutiny Committee

20 January 2021

Medium Terms Financial Plan 2020/21 to 2024/25

Report of the Head of Finance and Resources

This report is public

Purpose of the Report

- To enable the Audit and Corporate Governance Scrutiny Committee to consider the attached report concerning the Medium Term Financial Plan (MTFP) 2020/21 to 2024/25 prior to the report being taken to Cabinet and Council.

1 Report Details

1.1 To update Members of the Audit and Corporate Governance Scrutiny Committee to ensure they are kept informed of the Council's financial position as set out in the MTFP 2020/21 to 2024/25. Any comments expressed by the Audit and Corporate Governance Scrutiny Committee will be taken into account in the report, or reported verbally to Cabinet.

1.2 The appendices providing details of the financial plans that will be taken to Cabinet on 28 January 2021 and to Council on the 1 February 2021 are attached to this report.

1.3 Whilst the financial plans are substantially complete they are still subject to change at this stage. Work is still ongoing in relation to council tax and business rates projections to take account of the Government's measures announced in the Spending review and detailed at 1.20 – 1.21 of the cabinet report attached.

1.4 The main variations in the MTFP are reported below.

General Fund

1.5 The proposed budget for 2021/22 currently shows a shortfall of £0.133m. Further shortfalls are also budgeted for future years being £1.055m in 2022/23, £1.855m in 2023/24 and £2.610m in 2024/25. The main factors taken into account in developing the Council's financial plans are:

1.6 Government Funding - 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.

1.7 New Homes Bonus - The rollover of the current settlement 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. 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.

1.8 Fair Funding Review - 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. 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. Due to this uncertainty the likely 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.

1.9 Business Rates Reset - 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. The further delay to the spending review because of the pandemic means that the impact of the reset will not now affect the 2021/22 budget but has been included from 2022/23.

1.10 Expenditure, income levels and efficiencies – a pay award of 1% in 2021/22 and 2% thereafter have been included in staffing budgets and inflation specific budgets such as energy costs have been amended to reflect anticipated price changes. An allowance for the impact of the Covid pandemic on income generating services, in particular Leisure, has been made with those affected income budgets being reduced by 15% in 2021.

1.11 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.

Housing Revenue Account (HRA)

1.12 The proposed budget for 2021/22 currently shows a balanced position. The HRA budget makes the same assumptions as the General Fund budget for staff costs and inflation.

1.13 Rents - 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 considered as part of the annual refresh of this plan each year.

1.14 Fees and Charges - These charges are set on the principle that wherever possible charges for services should reflect the cost of providing those services.

Capital Programme

1.15 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.

1.16 The proposed Capital Programme for the HRA totals £22m in 2021/22 which includes £7.152m for additional eco works which is in part grant funded. The programme totals £16.85m in 2022/23, £18.6m in 2023/24 and £18.6m in 2024/25.

2 Conclusions and Reasons for Recommendation

2.1 These are detailed in the attached report.

Reasons for Recommendation

2.2 To ensure that the Audit and Corporate Governance Scrutiny Committee are kept informed of the Council's financial position as set out within the Medium Term Financial Plan.

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

Financial

These are detailed in the attached report.

Risk

These are detailed in the attached report.

5.2 Legal Implications including Data Protection

These are detailed in the attached report.

5.3 Human Resources Implications

These are detailed in the attached report.

6 Recommendations

6.1 That the Audit and Corporate Governance Scrutiny Committee note the report and make any comments that they believe to be appropriate with regards to the attached report which will be taken to Cabinet on 28 January 2021.

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: *BDC: Revenue - £75,000* ☐ *Capital - £150,000* ☐ *NEDDC: Revenue - £100,000* ☐ *Capital - £250,000* ☐ ☑ *Please indicate which threshold applies*	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 2 3 4	Medium Term Financial Plan General Fund Summary General Fund Detail Housing Revenue Account Capital Programme
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

Agenda Item No

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	0	0	(331)	(543)	(659)
Forecast Budget Shortfall (Surplus)	**0**	**(67)**	**524**	**1,112**	**1,751**

** 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.

<u>Level of Government Funding</u>

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 2021/222 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.

<u>Level of Council Dwelling Rents</u>

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 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 on the traditional stock remains in line with the latest stick condition survey and totals £10.567m 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 also 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). A budget of £0.080m has also been included in 2021/22 to upgrade play equipment at Thirlmere Park, Dronfield.

1.53 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.

1.54 An analysis of all the schemes and associated funding are attached at **Appendix 4** to this report.

Robustness of the Estimates

1.55 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

6.8 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.

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

6.10 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.

6.11 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.

6.12 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.

6.13 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

6.14 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: *BDC: Revenue - £75,000* ☐ *Capital - £150,000* ☐ *NEDDC: Revenue - £100,000* ☐ *Capital - £250,000* ☐ ☑ *Please indicate which threshold applies*	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 2 3 4	General Fund Summary General Fund Detail Housing Revenue Account 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)**

GENERAL FUND ACCOUNT - MTFP 2020/21 - 2024/25 Appendix 2

		Current Budget 2020/21	Original Budget 2021/22	Planning Budget 2022/23	Planning Budget 2023/24	Planning Budget 2024/25	
		£	£	£	£	£	
	Environment & Enforcement						
	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						increased establishment to meet service demands
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	increased cost of utilities
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	MRP increase - vehicle replacement
3944	Grounds Maintenance	528,160	706,752	742,086	778,749	802,413	MRP increase - vehicle replacement
3945	Domestic Waste Collection	1,564,435	1,499,865	1,503,513	1,669,312	1,760,883	MRP increase - vehicle replacement
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	Temporary increase to estblishment funded from reserves
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**	
	Corporate Resources						
	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 Ipads	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	Annual cost of Office 365

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	extra edition funded
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	Cost of IER reintroduced
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	Impact of Redmond Review
5615	Bank Charges	74,500	95,500	95,500	95,500	95,500	increased commision for credit card usage
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)	increased utilities
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	reduced rental income
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	grant funded schemes
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**	
	Investment Properties						
4411	Stonebroom Industrial Estate	(59,700)	(41,560)	(41,459)	(41,356)	(41,356)	reduced income forecast
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)**	

Housing Revenue Account 2021/22 - 2024/25

APPENDIX 3

	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					
Closing HRA Balance	**(3,000,000)**	**(3,000,000)**	**(3,000,000)**	**(3,000,000)**	**(3,000,000)**

CAPITAL PROGRAMME 2020/21 - 2024/25

Capital Expenditure	Current 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	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)**
Check	0	0	0	0	0