BUDGET SCRUTINY COMMITTEE

AGENDA

<u>Wednesday 30th January 2019 at 1400 hours in the Council Chamber, The Arc, Clowne,</u>

Item No.		Page No.s
	PART A – OPEN ITEMS	
1.	To receive apologies for absence, if any.	
2.	To note any urgent items of business which the Chairman has consented to being considered under the provisions of Section 100(B) 4 (b) of the Local Government Act 1972.	
3.	Members should declare the existence and nature of any Disclosable Pecuniary Interest and Non Statutory Interest as defined by the Members' Code of Conduct in respect of: a) any business on the agenda b) any urgent additional items to be considered c) any matters arising out of those items and, if appropriate, withdraw from the meeting at the relevant time.	
4.	Minutes of a meeting held on 14th November 2018.	3 to 7
5.	Update on the Go Active Leisure Facility.	Presentation
6.	Medium Term Financial Plan – Revised Budgets 2018/19.	8 to 26
7.	Medium Term Financial Plan - Proposed Budget 2019/20 to 2022/23.	27 to 53
8.	Treasury Management Strategy.	To Follow
9.	Capital Strategy.	To Follow
10.	Corporate Investment Strategy.	To Follow
11.	Update from Scrutiny Chairs.	Verbal Update

BUDGET SCRUTINY COMMITTEE

Minutes of a meeting of the Budget Scrutiny Committee of the Bolsover District Council held in the Council Chamber, The Arc, Clowne on Wednesday 14th November 2018 at 1400 hours.

PRESENT:-

Members:-

Councillor S. Peake in the Chair

Councillors P.M. Bowmer, J.A. Clifton, C.P. Cooper, P.A. Cooper, A. Joesbury, C.R. Moesby (until Minute No. 0454), T. Munro, K. Reid, J.E. Smith, P. Smith, K.F. Walker, D.S. Watson and J. Wilson

Also in attendance was Councillor A.M. Syrett (until Minute No. 0454)

Officers:-

D. Swaine (Chief Executive Officer) (until Minute No. 0454), K. Hanson (Joint Strategic Director – Place) (until Minute No. 0454), D. Clarke (Joint Head of Finance and Resources), J. Wilson (Scrutiny and Elections Officer) and A. Brownsword (Senior Governance Officer)

Also in attendance were Mr. S. Kitchen and Mr. P. Roberts of Arlingclose.

0449. APOLOGIES

Apologies for absence were received from Councillors A. Anderson, G. Buxton and R.A. Heffer

0450. URGENT ITEMS OF BUSINESS

The Chair consented to the following item of business being heard at the end of the agenda:

Recommendation from Council on 7th November 2018 – Appointments to Outside Bodies – Sheffield City Region Combined Authority Audit Committee and Scrutiny Committees

0451. DECLARATIONS OF INTEREST

There were no declarations of interest.

0452. MINUTES – 30TH MAY 2018

Moved by Councillor R.J. Bowler and seconded by Councillor J. Wilson
RESOLVED that the minutes of Budget Scrutiny Committee held on 30th May 2018 be approved as a true and correct record.

0453. ORDER OF BUSINESS

The Chair consented to the order of business being changed.

Councillor C.R. Moesby left the meeting during the following item of business.

0454. INVESTMENT STRATEGY

Councillor Syrett introduced the report that had been presented to Executive on 5 November. The report set out the financial pressures facing the Council and summarised the measures being taken to maximise income, reduce costs and redesign services. The report also set out the Council's financial position up to 2021/22 highlighting the general fund surplus and shortfalls during that period.

Members sought clarification as to the aim of the Investment Strategy given the Council had an Asset Management Strategy. The Chief Executive Officer explained that purpose of an Investment Strategy was to assist Councillors in determining suitable investment opportunities. He added that the strategy could provide guidance and parameters to inform investment decisions, taking into account factors such as the level of risk, the potential income generation, and how the investment could support economic growth or provide a social return.

The Chief Executive Officer gave a presentation which considered:

- The current budget and future shortfalls and financial pressures
- A summary of the Statutory guidance on investments for Councils as set out in the 'Statutory Guidance on Local Gov Investments – S51 (1) (a) Local Government Act 2003
- An example of the potential rate of return from commercial property investments and areas of risk associated with reduced occupancy and increased costs
- Potential Investment criteria and a weighting mechanism
- Details of the Executive report recommendations and the reasons for them

The Chief Executive Officer confirmed that the Council had managed its financial position well and was in line to maintain a surplus in 2019/20. This was as a result of effective management and successful participation in the Derbyshire Business Rates Retention Pilot. Consequently, The Council's cash reserves gave some freedom to invest, however the future financing of local government remained uncertain and at this stage it was not clear if a further Business Rate retention scheme would be secured at a lesser 75%. Given the need for local authorities to look at secure investments taking into account the cumulative risks Statutory guidance had been produced to ensure that Councils were risk aware and could demonstrate a robust and informed decision making process. It was noted that previous investments had been made under the prudential code, but the new guidance must be considered for future investments and this came in force in April 2019. Subsequently any investment strategy needed to reflect the key elements of the statutory guidance.

A question was asked regarding whether the Council was looking to mitigate the negative impact of HS2 on business rates within the District. Councillor Syrett noted that although there were a few positives of HS2, Bolsover District would be negatively impacted by the creation of HS2. The Chief Executive Officer noted that the 28 miles of the District would be affected and HS2 were being urged to look at how to maximise the opportunities this could present to reduce the negative impact and support growth.

In response to a comment on the purpose of the Executive report, the Leader clarified that it set out three recommendations including the production of a draft investment strategy. It also requested that a further executive report be provided setting out a detailed analysis of the performance of the Councils non housing property portfolio to help inform any future investment decisions. The report also sought that Executive give regard to other areas of investment that could support delivery of its corporate aspirations in order to prioritise areas where more detailed analysis was required.

Moved by Councillor T. Munro and seconded by Councillor J. Wilson
RESOLVED that the report be noted.

Councillor A.M. Syrett, the Chief Executive Officer and the Joint Strategic Director – Place left the meeting.

0455. UPDATE FROM ARLINGCLOSE

Mr. S. Kitching – Arlingclose gave a presentation to Committee which looked at:

- Treasury Management
- Members Responsibilities
- Economic Outlook
- Investments
- Borrowing

It was noted that the borrowing authorisation limit was set by Council and Members could challenge if appropriate. It was preferable to borrow from other local authorities in the short term and from the Public Works Loan Board for longer term loans who provide an interest rate based on government borrowing.

Members asked questions including what effect Brexit may have and it was noted that most of the Council's borrowing was UK domiciled which posed no concerns.

Moved by Councillor S. Peake and seconded by Councillor R. Bowler
RESOLVED that the presentation be noted.

Mr. S. Kitching and Mr. P. Roberts left the meeting.

0456. MEDIUM TERM FINANCIAL PLAN – BUDGET MONITORING REPORT QUARTER 2 – APRIL TO SEPTEMBER 2018

The Joint Head of Finance and Resources presented the report which provided an update on the financial position of the Council following the second quarter budget monitoring exercise for the for the General Fund, the Housing Revenue Account, Capital Programme and Treasury Management Activity.

It was noted that the Council had a good surplus, but it was not yet known if the Council had been successful in the Business Rates Pilot.
Moved by Councillor S. Peake and seconded by Councillor R. Bowler
RESOLVED that the report be noted.

0457. REVISED BUDGETS

The Chair noted that the revised budget item had been deferred.

0458. UPDATE FROM SCRUTINY CHAIRS

1. Healthy, Safe, Clean and Green Scrutiny Committee

The Chair noted that the Review of Authority's Perception of Young People and the update on homelessness were ongoing.

2. Customer Service and Transformation Scrutiny Committee

The Chair of the Customer Service and Transformation Scrutiny Committee noted that the Review of Delivery of Environmental Health and Licensing and the Review of Standards Committee – Operational Review were both in the final stages and draft reports were being prepared.

3. Growth Scrutiny Committee

The Chair of Growth Scrutiny Committee noted that the Committee were close to finalising their report on monitoring growth which looked at growth, property strategy and rental income (Review of Income Generation).

0459. URGENT ITEM OF BUSINESS
RECOMMENDATION FROM COUNCIL ON 7TH NOVEMBER 2018 – APPOINTMENTS TO OUTSIDE BODIES – SHEFFIELD CITY REGION COMBINED AUTHORITY AUDIT COMMITTEE AND SCRUTINY COMMITTEES

Councillor Reid presented the report and noted 3 substitutes were required for both Audit and Scrutiny Committees, but that the same 3 Members could substitute for both. It was noted that the substitutes needed to be from the Majority Group.

Moved by Councillor J. Smith and seconded by Councillor S. Peake

RECOMMENDED that Council approve the following Members as substitutes for the Sheffield City Region Combined Authority Audit Committee and Scrutiny Committees:

Councillor T. Munro
Councillor P. Smith
Councillor J. Wilson

(Senior Governance Officer)

The meeting concluded at 1536 hours.

Agenda Item No. 6

Bolsover District Council

Budget Scrutiny Committee

30 January 2019

MTFP Revised Budgets 2018/19

Report of the Head of Finance & Resources

This report is public

Purpose of the Report

- The purpose of this report is to present to Members of Budget Scrutiny Committee the Revised Budgets for 2018/19.

1 Report Details

1.1 To update Members of the Budget Scrutiny Committee concerning the current position in respect of the 2018/19 budget.

1.2 The report that was taken to the Council's Executive on 3rd December 2018 is accordingly brought to the Budget Scrutiny Committee for its consideration.

2 Conclusions and Reasons for Recommendation

2.1 To ensure that the Budget Scrutiny Committee are kept informed of the latest position concerning the 2018/19 budget.

3 Consultation and Equality Impact

3.1 These are detailed in the attached report at **Appendix 1**.

4 Alternative Options and Reasons for Rejection

4.1 These are detailed in the attached report.

5 Implications

5.1 **Finance and Risk Implications**

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 Budget Scrutiny Committee note the report concerning the Council's Revised Budget for 2018/19.

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**
1	Executive Report 3 December 2018 MTFP – Revised Budgets
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**
Dawn Clarke – Head of Finance & Resources	01246 242414

Agenda Item No 8(B)

Bolsover District Council

Executive Committee

3 December 2018

Medium Term Financial Plan - Revised Budgets 2018/19

Report of the Head of Service - Finance and Resources

This report is public

Purpose of the Report

- To seek Executive approval of the 2018/19 revised budget for the General Fund, Housing Revenue Account and Capital Programme which will assist in improving the Councils financial position in both 2018/19 and future financial years.

1 Report Details

General Fund Revenue Account

1.1 The revised budget process is now complete and the proposed 2018/19 revised budget for the General Fund is attached at **Appendix 1**. The appendix shows the original budget for 2018/19 which was agreed in February 2018, the current budget which reflects budget transfers and approved changes during the financial year, and the proposed revised budget for 2018/19. The revised budget shows that Net Cost of Services has increased to £10.552m which is £1.84m above the original budget figures. This increase in the Net Cost of Services reflects approvals during the year to fund new expenditure, predominantly funded from either earmarked reserves, new grant allocations or new income received, since the original budget was set.

1.2 The original budget showed a surplus of £1.027m. In addition £1.547m business rates income, the result of being a pilot authority in 2018/19, has also been included in the forecast. Due to the volatile nature of business rates the actual level of income will not be confirmed until April 2019 so to be prudent, £1.547m has been allocated to the NNDR Growth Protection Reserve until the final position is known. This reserve will be used to help mitigate the implications of the Business Rates Reset which is planned by Government for 2020/21. Table 1 below shows the revised savings target position for 2018/19:

Table 1

	2018/19 Original Budget £000	2018/19 Current Budget £000	2018/19 Revised Budget £000
Opening Budget Surplus	**(1,027)**	**(1,027)**	**(1,027)**
Council Tax Increase 18/19	(107)	(107)	(107)
Options Identified:			
NNDR Growth	0	(1,547)	(1,547)
Transformation, Income Generation/Cost Reduction/Business Redesign	0	(28)	(243)
Vacancy Management	0	(86)	(290)
Total Transformation Options	(107)	(1,768)	(2,187)
Costs Pressures	0	41	628
General Fund (surplus)/Budget Shortfall	**(1,134)**	**(2,754)**	**(2,586)**
Transfer to NNDR Growth Reserve	0	1,547	1,547
General Fund (surplus)/Budget Shortfall	**(1,134)**	**(1,207)**	**(1,039)**

1.3 In all cases the budget managers have been consulted and are in agreement with the budget changes proposed. It has been a clear objective in the exercise not to make any budget changes that have a significant adverse impact on the service provision being delivered. **Appendix 2** details the net cost of each cost centre by Directorate. The key variances within the revised budget are detailed in Table 2 below:

Table 2

	£000's
Waste Recycling Contract	147
Vacancy Management	(204)
Debt charges/investment income	(215)
Go Active changes including business rates	263
Reductions in Benefits grants	102
Miscellaneous income reduction/cost increases	75
Net Increase in Expenditure	**168**

1.4 An explanation of each of the variances in table 2 is as follows:

- Waste recycling contract – in the 2017/18 revised budget process, reductions were made to expenditure in-line with a new contract. This has had to be reversed because Chesterfield Borough Council are currently unable to meet the criteria required to achieve the full benefits of the new contract.

- Vacancy management has been effective during the year with a pro-active approach. Each vacancy is considered to ensure there is still a business need for it while also considering the requirements of the service to ensure no negative impact is caused.

- Debt charges/Investment income – updates to the debt charges calculation for the 2017/18 outturn position have meant a reduction in charges of £0.152m. More favourable interest rates and higher levels of cash flow have meant an increase in interest income of £0.063m.

- Go Active – In the 2017/18 revised budget process it was reported the facility would outturn £0.056m surplus for its first full financial year of operation. The actual position at outturn was £0.075m subsidy. The reason for this was due to income projections being inclusive of VAT. At the point this was fully understood the budget for 2018/19 had already been set. Therefore agreement was reached that the necessary budget amendment would be addressed at revised budget time in November 2018. Hence this large variation against the budget. The facility remains on target to achieve the original business case.

- The reduction in benefits grants received of £0.102m is as a result of the half year subsidy claim. It is dependent on the level of benefits granted to claimants and is outside of our control.

- Miscellaneous income reduction/cost increases - the main changes are a reduction in funding for the Wellness Programme from Public Health of £0.017m; nett changes to Strategic Alliance working is a cost of £0.024m and various small service changes of £0.034m.

1.5 Some of the above will continue into future years so will be included within the Medium Term Financial Plan for 2019/20 onward.

1.6 The final position will clearly be dependent on the actual financial performance out-turning in line with the revised budgets as there may be further costs and/or savings identified from restructuring processes and other variances as the year progresses. All surpluses generated in the financial year are transferred into the Transformation Reserve so as to be available for financing the Council's transformation plans, service developments and any restructuring costs.

Housing Revenue Account (HRA)

1.7 The Housing Revenue Account revised budget for 2018/19 is set out in **Appendix 3** to this report.

Income

1.8 In total, income is £0.271m lower than the current budget. Dwelling rents are £0.307m lower due to a high level of voids resulting from a delay in the capital scheme.

1.9 Income from Special Services has been revised down by £0.057m. This is due to a reduction in the income expected from heating charges.

1.10 It was forecast that the Council would see a reduction in contributions towards expenditure as the Supporting People payments from Derbyshire County Council were due to end. However, the funding has now been extended beyond the original end date whilst a review is undertaken by the County Council. Therefore the income has been increased by £0.057m. The outcome of this review will impact on the HRA in the future so will continue to be monitored.

Expenditure

1.11 Expenditure on the HRA is showing a net reduction against current budgets of £0.116m. Vacancies from repair and maintenance and supporting people - wardens have been removed of £0.087m.

1.12 The remainder of the HRA expenditure reduction is from lower stores expenditure £0.021m; lower utilities costs of £0.032m and a reduction in hired and contracted services and legal/professional fees of £0.048m and £0.065m respectively. There has been an increase in interest costs of £0.134m.

1.13 Taking account of the proposed budget changes detailed above, the HRA is anticipated to deliver a surplus in the current financial year of £0.002m, which is £0.025m lower than the current budget. This surplus will be retained in the development reserve to fund improved services to Council tenants' in future financial years.

Capital Programme

1.14 The Council's capital programme is shown in **Appendix 4.** It has been updated from the original budgets to reflect approvals within the year and the profiling of the individual schemes following approved changes by Members and from detailed discussions with budget officers.

1.15 As part of the revised budget process, officers have estimated the likely level of spend in the current financial year. As a result £3.534m has been removed from the current budget and put into 2019/20 as this is when the work is likely to be undertaken. The proposed estimated outturn for 2018/19 is therefore a budget of £22.801m.

1.16 The changes that are shown in the revised capital programme mean that the financing is adjusted accordingly to meet the anticipated spend. There are no issues to report with regard to the financing of the 2018/19 capital programme.

2 Conclusions and Reasons for Recommendation

2.1 The purpose of this report is to set revised budgets as early as possible within the financial year to ensure that identified budget savings are realised, that all budget managers are working to the revised budgets and to allow any planned changes to be delivered. The improved position on both the Council's main revenue budgets reflects a combination of favourable circumstances during the year, together with careful budget management and the ongoing polices of progressing the transformation agenda in order to reduce the underlying level of expenditure in line with the ongoing reductions in the level of government grant. The savings achieved will be used to support service delivery to residents and tenants in future financial years.

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 General Fund and HRA

The anticipated surplus on the Council's two main revenue accounts will result in an increase in financial reserves at the year-end which are available to protect services at a time of declining central government support. How these additional resources are utilised is a decision for Members which will be taken as part of the 2019/20 budget process.

4.2 Capital

There are no alternative options being considered with regard to the proposed allocations from the Capital Programme budget as it ensures the Council's assets meet health and safety requirements in that they are maintained in a fit for purpose state that ensures they remain fully operational.

5 Implications

5.1 Finance and Risk Implications

5.1.1 The issue of financial risk is covered throughout the report. In addition, however, it should be noted that the risk of not achieving a balanced budget is outlined as a key risk within the Council's Strategic Risk Register. While officers are of the view that these risks are being appropriately managed it needs to be recognised that continued reductions in budgets may mean that adverse variances arising from particular issues or pressures may not be able to be absorbed from favourable variances in other budgets.

There is also no provision within the revised budget to meet any costs of delivering financial savings required for future years. Any proposals to utilise the forecast surplus in the current year must take this risk into account.

5.1.2 The capital programme identifies and recognises the need to maintain the Council's assets in a fit for purpose state and to retain and attract income streams for the Council. The financing of the capital programme is secured for 2018/19 thus minimising the risk of any additional unplanned borrowing.

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

5.2 <u>Legal Implications including Data Protection</u>

5.2.1 There are no legal issues arising directly from this report.

5.3 <u>Human Resources Implications</u>

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

6 <u>Recommendations</u>

6.1 That Executive approves the revised General Fund budget for 2018/19 as set out in Appendix 1 and detailed in Appendix 2.

6.2 That Executive approves the revised HRA budget for 2018/19 as set out in Appendix 3.

6.2 That Executive approves the revised Capital Programme for 2018/19 as set out within Appendix 4.

7 <u>Decision Information</u>

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 HRA 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
Chief Accountant Head of Service – Finance and Resources	01246 242458 01246 217658

BOLSOVER DISTRICT COUNCIL **APPENDIX 1**
GENERAL FUND

Description	**Original Budget 2018/19 £**	**Current Budget 2018/19 £**	**Revised Budget 2018/19 £**
People Directorate	9,283,374	9,448,052	9,847,667
Place Directorate	2,884,902	3,201,081	3,167,490
Recharges to HRA and Capital	(3,578,847)	(3,578,847)	(3,578,847)
S106 Expenditure			
People	125,035	515,322	515,322
Place	1,116	600,248	600,248
Net Cost of Services	**8,715,580**	**10,185,856**	**10,551,880**
Debt Charges	987,025	987,025	834,648
Investment Interest	(135,729)	(135,729)	(198,556)
	9,566,876	**11,037,152**	**11,187,972**
Appropriations:			
Contributions to Reserves:	226,989	226,989	343,555
Contribution from Earmarked Reserves:	(101,858)	(605,081)	(799,344)
Contribution from NNDR Growth Protection Reserve			
Amount to cover previous years' deficit	141,652	141,652	141,652
Amount to cover timing of NNDR1 and budget	0	1,547,000	1,547,000
Contribution (from)/to NNDR Growth Protection Reserve	141,652	1,688,652	1,688,652
Contribution from Grant Accounts	(5,320)	(5,320)	(5,320)
Contribution (from)/to Holding Accounts	(78,487)	(168,923)	(74,185)
Contribution from S106 Holding A/cs	(126,151)	(1,115,570)	(1,115,570)
TOTAL EXPENDITURE	**9,623,701**	**11,057,899**	**11,225,760**
Parish Precepts	2,594,840	2,767,252	2,767,252
Council Tax Support Grant - Parish	209,000	250,067	250,067
TOTAL SPENDING REQUIREMENT	**12,427,541**	**14,075,218**	**14,243,079**
Business Rates Retention total	(6,299,598)	(7,846,598)	(7,846,598)
New Homes Bonus Grant total	(991,206)	(993,166)	(993,166)
COUNCIL TAX - BDC precept	(3,568,899)	(3,675,609)	(3,675,609)
Council tax - Parish element from above	(2,594,840)	(2,767,252)	(2,767,252)
TOTAL FUNDING	**(13,454,543)**	**(15,282,625)**	**(15,282,625)**
FUNDING GAP / (SURPLUS)	**(1,027,002)**	**(1,207,407)**	**(1,039,546)**

APPENDIX 2

List of net budgets per cost centre per directorate

		Original Budget 2018/19 £	Current Budget 2018/19 £	Revised Budget 2018/19 £
	Total for: Appropriations	**(8,715,580)**	**(10,185,856)**	**(10,551,880)**
G001	Audit Services (G001)	116,690	116,690	114,121
G002	I.C.T. (G002)	759,308	767,708	740,496
G003	Communications (G003)	133,494	174,164	230,598
G005	Joint Chief Executive Officer 50% People (G005)	42,877	43,000	40,263
G006	CEPT (G006)	395,417	406,884	417,340
G014	Customer Contact Service (G014)	784,559	777,890	813,189
G015	Strategy + Performance (G015)	124,041	123,763	123,661
G024	Street Cleansing (G024)	332,987	329,461	326,516
G028	Waste Collection (G028)	880,958	879,850	863,525
G032	Grounds Maintenance (G032)	609,676	592,763	579,688
G033	Vehicle Fleet (G033)	788,179	784,201	761,976
G038	Concessionary Fares + TV Licenses (G038)	(9,110)	(9,110)	(9,460)
G040	Corporate Management (G040)	146,293	146,293	146,399
G041	Non Distributed Costs (G041)	689,808	689,808	684,808
G044	Financial Services (G044)	283,206	297,345	302,819
G052	Human Resources (G052)	199,526	202,811	193,413
G054	Electoral Registration (G054)	150,401	153,522	162,538
G055	Democratic Representation + Management (G055)	529,200	529,200	533,891
G056	Land Charges (G056)	(5,783)	(5,783)	(11,316)
G057	District Council Elections (G057)	31,850	31,850	31,850
G058	Democratic Services (G058)	172,440	172,440	172,177
G060	Legal Services (G060)	207,053	217,696	216,301
G061	Bolsover Wellness Programme (G061)	11,872	59,872	122,403
G062	Extreme Wheels (G062)	(3,563)	(3,563)	(25,554)
G063	Go Football (G063)	10,864	10,864	0
G064	Bolsover Sports (G064)	140,200	140,200	163,802
G065	Parks, Playgrounds + Open Spaces (G065)	47,875	51,469	43,395
G069	Arts Projects (G069)	44,473	46,043	45,507
G070	Outdoor Sports + Recreation Facilities (G070)	20,844	20,844	20,577
G072	Leisure Services Mgmt + Admin (G072)	190,916	190,916	212,306
G084	Head of Partnerships and Transformation (G084)	0	5,371	21,533
G086	Alliance (G086)	7,250	7,250	7,250
G094	Joint Strategic Director - People (G094)	47,544	47,544	55,482
G097	Groundwork + Drainage Operations (G097)	48,990	48,506	54,691
G100	Benefits (G100)	573,416	553,521	372,193
G103	Council Tax / NNDR (G103)	289,091	285,950	306,049
G104	Sundry Debtors (G104)	93,115	93,115	93,016

APPENDIX 2

List of net budgets per cost centre per directorate

		Original Budget 2018/19 £	Current Budget 2018/19 £	Revised Budget 2018/19 £
G111	Shared Procurement (G111)	34,860	50,500	43,632
G115	One Public Estate (G115)	0	(3,500)	(3,500)
G117	Payroll (G117)	69,851	69,851	69,467
G123	Riverside Depot (G123)	168,235	168,235	178,507
G124	Street Servs Mgmt + Admin (G124)	72,478	72,478	73,304
G125	S106 Percent for Art (G125)	26,682	123,446	123,446
G126	S106 Formal and Informal Recreation (G126)	52,072	148,151	148,151
G129	Bolsover Apprenticeship Programme (G129)	7,371	7,371	27,269
G146	Pleasley Vale Outdoor Activity Centre (G146)	42,426	42,426	24,873
G148	Trade Waste (G148)	(77,605)	(77,605)	(100,858)
G149	Recycling (G149)	55,975	55,975	203,484
G155	Customer Services (G155)	29,385	29,385	29,078
G157	Controlling Migration Fund (G157)	(103,356)	(35,541)	(86,648)
G161	Rent Rebates (G161)	(150,876)	(150,876)	(55,193)
G162	Rent Allowances (G162)	(35,109)	(35,109)	37,906
G164	Support Recharges (G164)	(3,578,847)	(3,578,847)	(3,578,847)
G168	Multifunctional Printers (G168)	53,370	37,700	42,521
G170	S106 Outdoor Sports (G170)	46,281	243,725	243,725
G179	Streets Sports (G179)	0	0	(1)
G182	SHIFT (G182)	0	654	654
G184	Us Girls (G184)	0	710	710
G192	Scrutiny (G192)	19,566	19,566	20,711
G195	Head of Corporate Governance (G195)	37,104	37,104	36,477
G197	Head of Finance and Resources (G197)	36,158	36,158	36,460
G199	Head of Street Scene (G199)	36,323	36,323	36,685
G201	Head of HR + Payroll (G201)	33,912	33,912	0
G202	Head of Leisure (G202)	31,328	0	0
G203	Club 1 (G203)	0	578	578
G205	Innovation (G205)	0	500	500
G206	Street Games (G206)	0	0	800
G207	Cycling (G207)	400	400	2,345
G216	Raising Aspirations (G216)	74,795	78,235	46,450
G218	Namibia Bound (G218)	932	25,932	26,358
G220	Locality Funding (G220)	0	(105,941)	(105,941)
G224	Prime Ministers Challenge Fund (G224)	0	2,540	2,540
G225	Eats and Treates Events (G225)	9,193	14,623	14,623
G228	Go Active Clowne Leisure Centre (G228)	(174,459)	(174,459)	88,220
G238	HR Health + Safety (G238)	59,151	72,401	71,035
G240	Affordable Warmth Buddies (G240)	3,131	3,131	3,131

APPENDIX 2

List of net budgets per cost centre per directorate

		Original Budget 2018/19 £	Current Budget 2018/19 £	Revised Budget 2018/19 £
G241	Working Together for Older People (G241)	0	24,734	24,734
G244	Bolsover Business Growth Fund (G244)	20,000	129,313	129,313
	Total for People Directorate	**5,786,684**	**6,384,527**	**6,784,142**
G004	Joint Chief Executive Officer 50% Place (G004)	42,878	43,005	40,269
G007	Community Safety - Crime Reduction (G007)	55,085	55,085	61,000
G010	Neighbourhood Management (G010)	87,224	87,224	76,317
G013	Community Action Network (G013)	277,576	324,475	270,580
G017	Private Sector Housing Renewal (G017)	59,728	59,728	59,620
G020	Public Health (G020)	(78,000)	(78,000)	(72,000)
G021	Pollution Reduction (G021)	172,739	172,739	162,220
G022	Health + Safety (G022)	0	0	(180)
G023	Pest Control (G023)	36,809	36,809	42,560
G025	Food Safety (G025)	124,477	124,477	122,029
G026	Animal Welfare (G026)	95,726	95,726	77,734
G027	Emergency Planning (G027)	16,590	16,590	15,847
G036	Environmental Health Mgmt & Admin (G036)	188,621	188,621	182,464
G043	Joint Strategic Director - Place (G043)	51,952	51,952	52,403
G046	Homelessness (G046)	164,451	173,709	173,645
G048	Town Centre Housing (G048)	(10,700)	(10,700)	(10,700)
G053	Licensing (G053)	(2,518)	(2,518)	746
G073	Planning Policy (G073)	265,805	361,942	441,522
G074	Planning Development Control (G074)	(132,331)	(92,261)	(99,387)
G076	Planning Enforcement (G076)	83,841	82,833	80,135
G079	Planning Services Mgmt & Admin (G079)	21,538	21,456	20,920
G080	Engineering Services (G080)	86,909	86,909	92,334
G081	Drainage Services (G081)	3,300	3,300	3,300
G083	Building Control Consortium (G083)	55,000	55,000	55,000
G085	Economic Development (G085)	29,425	29,425	29,425
G087	HS2 Costs (G087)	0	0	0
G088	Derbyshire Economic Partnership (G088)	15,000	15,000	15,000
G089	Premises Development (G089)	(73,560)	(73,560)	(75,277)
G090	Pleasley Vale Mills (G090)	(151,491)	(151,491)	(115,796)
G091	CISWO Duke St Building (G091)	0	16,140	17,212
G092	Pleasley Vale Electricity Trading (G092)	(78,000)	(78,000)	(78,000)
G095	Estates + Property (G095)	629,719	629,927	612,563
G096	Building Cleaning (General) (G096)	91,244	89,951	90,403
G099	Catering (G099)	5,200	5,200	5,200
G106	Housing Anti Social Behaviour (G106)	76,297	76,297	80,095

APPENDIX 2

List of net budgets per cost centre per directorate

		Original Budget 2018/19 £	Current Budget 2018/19 £	Revised Budget 2018/19 £
G113	Parenting Practitioner (G113)	33,873	33,873	33,833
G132	Planning Conservation (G132)	71,368	71,368	47,819
G133	The Tangent Business Hub (G133)	(43,141)	(43,141)	(44,912)
G135	Domestic Violence Worker (G135)	40,897	40,897	41,330
G138	Bolsover Town Centre Consultation (G138)	0	34,042	34,042
G142	Community Safety - CCTV (G142)	0	9,218	9,218
G143	Housing Strategy (G143)	33,008	35,008	23,417
G144	Enabling (Housing) (G144)	37,146	37,146	37,551
G151	Street Lighting (G151)	25,900	25,900	31,000
G153	Housing Advice (G153)	12,647	12,647	12,632
G156	The Arc (G156)	144,885	145,807	152,434
G167	Facilities Management (G167)	10,328	10,328	10,328
G169	Closed Churchyards (G169)	10,000	10,000	10,000
G172	S106 Affordable Housing (G172)	1,116	1,116	1,116
G176	Affordable Warmth (G176)	35,813	35,813	35,613
G188	Cotton Street Contact Centre (G188)	20,539	20,539	19,549
G193	Economic Development Management + Admin (G193)	158,729	164,558	146,371
G194	Head of Economic Development (G194)	36,728	36,728	36,899
G196	Head of Planning (G196)	36,858	18,915	17,566
G198	Head of Housing (GF) (G198)	0	0	127
G208	Head of Estates and Property (G208)	37,743	37,743	37,378
G226	S106 - Highways (G226)	0	569,000	569,000
G227	S106 - Public Health (G227)	0	30,132	30,132
G237	Joint Venture (LLP) (G237)	0	32,987	32,987
G239	Housing + Community Safety Fixed Penalty A/c (G239)	1,500	1,500	5,890
G242	New Bolsover MV - CVP Worker (G242)	12,425	12,215	7,215
	Total for Place Directorate	**2,928,896**	**3,801,329**	**3,767,738**

APPENDIX 3

HOUSING REVENUE ACCOUNT	Original Budget 2018/19 £	Current Budget 2018/19 £	Revised Budget 2018/19 £
Expenditure			
Repairs and Maintenance	4,949,712	4,468,993	4,384,689
Supervision and Management	5,188,992	5,307,205	5,249,542
Special Services	587,280	547,137	485,398
Supporting People - Wardens	611,401	577,657	552,480
Supporting People - Central Control	241,076	247,763	228,379
Tenants Participation	84,679	90,169	89,563
Revenue Contribution to Capital	0	500,000	500,000
Increase in Bad Debts Provision	150,000	150,000	150,000
Cost of Capital - Interest	3,443,652	3,443,652	3,577,169
Debt Management Expenses	8,578	8,578	7,886
Total Expenditure	**15,265,370**	**15,341,154**	**15,225,106**
Income			
Dwelling Rents	(20,274,640)	(20,274,640)	(20,007,812)
Garage Rents	(140,648)	(140,648)	(140,648)
Other Income	(45,810)	(45,810)	(28,990)
Repairs and Maintenance	(10,345)	(10,345)	(16,445)
Supervision and Management	(380)	(380)	(1,143)
Special Services	(191,643)	(191,643)	(134,231)
Supporting People - Wardens	(459,993)	(459,993)	(516,420)
Supporting People - Central Control	(242,022)	(242,022)	(239,768)
Tenants Participation	0	(5,490)	(5,490)
Leased Flats	(16,000)	(16,000)	(25,119)
Leased Shops	(7,980)	(7,980)	(7,980)
Total Income	**(21,389,461)**	**(21,394,951)**	**(21,124,046)**
Appropriations			
Depreciation	3,264,385	3,264,385	3,200,000
T/f to/(from) Major Repairs Reserve	1,653,184	1,653,184	1,717,569
Contribution to Insurance Reserve	50,000	50,000	50,000
Contribution to Development Reserve	50,000	1,050,000	1,000,000
Contribution to Debt Repayment Reserve	1,000,000	0	0
Contribution to Vehicle Replacement Reserve	80,000	80,000	0
Use of Reserves	0	(70,294)	(70,294)
	6,097,569	**6,027,275**	**5,897,275**
Net Operating (Surplus) / Deficit	**(26,522)**	**(26,522)**	**(1,665)**
Working Balance at Beginning of Year	**(1,928,826)**	**(1,928,826)**	**(1,928,826)**
Contribution to/(from) Balances	(26,522)	(26,522)	(1,665)
Working Balance at End of Year	**(1,955,348)**	**(1,955,348)**	**(1,930,491)**

APPENDIX 4

CAPITAL PROGRAMME SUMMARY	Original Budget 2018/19 £	Current Budget 2018/19 £	Revised Budget 2018/19 £
General Fund			
AMP - PV Mills	0	84,463	84,463
AMP - The Arc	0	76,726	76,726
AMP - Emercency Lighting	0	20,000	20,000
AMP - Leisure Buildings	0	12,010	12,010
AMP - Riverside Depot	0	2,515	2,515
AMP - The Tangent	0	3,537	3,537
AMP - Investment Properties	0	745	745
AMP - Refurbishment Work	260,000	30,653	30,653
Refurbishment - Oxcroft House	0	27,500	27,500
Refurbishment - 3 Cotton St Bolsover	0	4,376	4,376
Shirebrook Contact Centre	206,453	282,453	282,453
Pleasley Vale Mill 1 - Dam Wall	0	121,470	121,470
Car Parking at Clowne - Additional	90,200	135,200	135,200
Security and CCTV at Pleasley Vale	0	27,487	27,487
The Tangent - Phase 2	0	122,490	57,900
PV Resurfacing Works	0	95,100	95,100
PV Lightning Protection	0	13,515	0
PV Mansafe System	0	74,511	74,511
PV Fire Compartmentation & Fire Doors	0	102,935	102,935
Can Ranger Expansion	0	35,000	35,000
	556,653	**1,272,686**	**1,194,581**
Project Horizon			
Clowne Campus - Refurbishment	0	23,076	23,076
	0	**23,076**	**23,076**
ICT Schemes			
ICT infrastructure	113,200	133,097	114,439
	113,200	**133,097**	**114,439**
Leisure Schemes			
P Vale Outdoor Education Centre Ph 2	0	34,322	34,322
Clowne Leisure Facility	0	65,422	65,422
Go Active Equipment	15,000	15,000	15,000
	15,000	**114,744**	**114,744**

APPENDIX 4

CAPITAL PROGRAMME SUMMARY	Original Budget 2018/19 £	Current Budget 2018/19 £	Revised Budget 2018/19 £
Private Sector Schemes			
Disabled Facility Grants	600,000	600,000	850,000
Group Repair (WT)	0	2,674	2,674
Carr Vale Group Repair	0	9,579	9,579
Station Road Shirebrook	0	1,340	1,340
	600,000	**613,593**	**863,593**
Joint Venture			
Dragonfly Joint Venture Shares	0	333,741	333,741
Dragonfly Joint Venture Loan	0	1,469,929	1,469,929
	0	**1,803,670**	**1,803,670**
Vehicles and Plant			
Vehicle Replacements	687,500	803,669	466,195
Vehicle Lift for Garage	0	40,000	40,000
Vehicle Wash Area	0	70,000	70,000
8 x Hedge cutters (GM)	4,000	4,000	4,000
10 x Strimmers (GM)	5,000	5,000	5,000
	696,500	**922,669**	**585,195**
Total General Fund	**1,981,353**	**4,883,535**	**4,699,298**
Housing Revenue Account			
New Build Properties			
Rogers Ave Creswell	0	980	980
Blackwell Hotel Site	0	11,674	11,175
Fir Close Shirebrook	0	10,540	10,540
Derwent Drive Tibshelf	0	31,227	31,195
Recreation Close Clowne	601,442	536,243	536,243
Hilltop	2,822,669	1,750,458	1,750,458
Ash Close Pinxton	1,033,907	934,396	934,396
Elm Close Pinxton	767,657	592,428	592,428
Lime Close Pinxton	460,594	355,243	355,243
Beech Grove South Normanton	334,271	257,886	262,886
Leamington Drive South Normanton	452,820	432,699	437,699
St Michaels Drive South Normanton	237,099	290,243	300,000
Highcliffe Ave Shirebrook	227,382	189,285	189,285
The Paddock Bolsover	544,162	1,978,205	78,205
Keepmoat Properties at Bolsover	1,390,000	1,390,000	690,000
	8,872,003	**8,761,507**	**6,180,733**
Vehicle Replacements	62,000	88,636	22,897
	62,000	**88,636**	**22,897**

APPENDIX 4

CAPITAL PROGRAMME SUMMARY	Original Budget 2018/19 £	Current Budget 2018/19 £	Revised Budget 2018/19 £
Public Sector Housing			
Unallocated Major Repairs Reserve	4,848,249	640,000	861,695
External Wall Insulation	0	12,314	12,314
Electrical Upgrades	0	208,625	208,625
Ashbourne Court Extension	0	750,000	10,000
Cavity Wall + Loft Insulation	0	4,692	4,692
External Door Replacements	0	259,459	259,459
Heating Upgrades	0	85,138	85,138
Environmental Works	0	79,529	7,834
Unforeseen Reactive Capital Works	0	315,690	165,690
Kitchen Replacements - Decent Homes	0	267,257	267,257
GD Boiler Replacement / Heat Meters	0	2,441,890	2,441,890
Regeneration Mgmt & Admin	69,320	69,320	69,320
Re Roofing	0	789,012	789,012
Flat Roofing	0	50,000	50,000
Soffit and Fascia	0	207,511	207,511
House Fire Damage (Insurance)	0	48,080	64,359
	4,917,569	**6,228,517**	**5,504,796**
ICT Schemes	0	448,747	468,747
	0	**448,747**	**468,747**
New Bolsover Scheme (inc HLF)			
New Bolsover	0	304,775	304,775
New Bolsover-Repair&Conservation BDC	5,047,440	4,005,005	4,005,005
New Bolsover-Repair&Conservation Private	776,361	628,052	628,052
New Bolsover-Other Cap Works-Landscaping	231,452	381,452	381,452
New Bolsover-Comp&Fac (Prelims)BDC	306,132	126,562	126,562
New Bolsover-Comp&Fac (Prelims)Private	34,121	15,325	15,325
New Bolsover-Decants BDC	138,000	337,472	337,472
New Bolsover-Fees-BDC	51,165	57,196	57,196
New Bolsover-Fees-Private	20,524	21,639	21,639
New Bolsover - Staff Costs	35,363	47,392	47,392
	6,640,558	**5,924,870**	**5,924,870**
Total HRA	**20,492,130**	**21,452,277**	**18,102,043**
TOTAL CAPITAL EXPENDITURE	**22,473,483**	**26,335,812**	**22,801,341**

APPENDIX 4

CAPITAL PROGRAMME SUMMARY	Original Budget 2018/19 £	Current Budget 2018/19 £	Revised Budget 2018/19 £
Capital Financing			
General Fund			
Specified Capital Grant	(600,000)	(600,000)	(850,000)
Prudential Borrowing	(632,500)	(2,562,061)	(2,826,035)
Reserves	(418,853)	(985,527)	(899,651)
External Funding	0	(10,955)	(13,593)
Capital Receipts	(330,000)	(724,992)	(110,019)
	(1,981,353)	**(4,883,535)**	**(4,699,298)**
HRA			
Major Repairs Reserve	(10,093,392)	(10,725,780)	(10,528,870)
Prudential Borrowing	(8,455,003)	(7,911,808)	(3,828,982)
Vehicle Reserve	(62,000)	(88,636)	(22,897)
HRA Direct Revenue Financing	0	(500,000)	(500,000)
Capital Receipts	(417,000)	(849,699)	(594,963)
External Funding	(1,464,735)	(1,376,354)	(2,626,331)
	(20,492,130)	**(21,452,277)**	**(18,102,043)**
TOTAL CAPITAL FINANCING	**(22,473,483)**	**(26,335,812)**	**(22,801,341)**
Capital Reserves			
Major Repairs Reserve			
Opening Balance	(6,488,128)	(7,536,922)	(7,536,922)
Contribution to reserve in year	(4,917,569)	(4,917,569)	(4,917,569)
Amount to be used in year	10,093,392	10,725,780	10,528,870
Closing Balance	**(1,312,305)**	**(1,728,711)**	**(1,925,621)**
HRA Development Reserve			
Opening Balance	(300,124)	(265,171)	(265,171)
Contribution to reserve in year	0	(50,000)	(1,000,000)
Amount to be used in year	0	0	0
Closing Balance	**(300,124)**	**(315,171)**	**(1,265,171)**
HRA Vehicle Reserve			
Opening Balance	(158,238)	(352,822)	(352,822)
Contribution to reserve in year	0	(80,000)	0
Amount to be used in year	62,000	88,636	22,897
Closing Balance	**(96,238)**	**(344,186)**	**(329,925)**
Capital Receipts Reserve			
Opening Balance	(1,035,936)	(1,119,501)	(1,119,501)
Contribution to reserve in year	(200,000)	(200,000)	(300,000)
Amount to be used in year	747,000	849,699	594,963
Closing Balance	**(488,936)**	**(469,802)**	**(824,538)**

Agenda Item No. 7

Bolsover District Council

Budget Scrutiny Committee

30 January 2019

Medium Term Financial Plan 2019/20 to 2022/23

Report of the Head of Finance and Resources

This report is public

Purpose of the Report

- To enable the Budget Scrutiny Committee to consider the attached report concerning the Medium Term Financial Plan 2019/20 to 2022/23 prior to the report being taken to Executive and Council.

1 Report Details

1.1 To update Members of the Budget Scrutiny Committee to ensure they are kept informed of the Council's financial position as set out in the Medium Term Financial Plan 2019/20 to 2022/23. Any comments expressed by the Budget Scrutiny Committee will be taken into account in the report, or reported verbally to Executive.

1.2 The appendices providing details of the financial plans that will be taken to Executive on 18 February 2019 and to Council on the 20 February 2019 are attached to this report.

1.3 Whilst the financial plans are substantially complete they are still subject to change at this stage.

2 Conclusions and Reasons for Recommendation

2.1 These are detailed in the attached report.

Reasons for Recommendation

2.2 To ensure that the Budget 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 Budget 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 Executive on 18 February 2019.

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)	N/A
Has the relevant Portfolio Holder been informed	Yes
District Wards Affected	All indirectly.
Links to Corporate Plan priorities or Policy Framework	All

8 Document Information

Appendix No	**Title**
	Medium Term Financial Plan
1	General Fund Summary
2	General Fund Detail
3	Housing Revenue Account
4	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**
Dawn Clarke – Head of Finance and Resource	7658

Agenda Item No

Bolsover District Council

Executive

18th February 2019

Medium Term Financial Plan 2019/20 to 2022/23

Report of Councillor Ann Syrett, Leader of the Council

This report is public

Purpose of the Report

- To seek approval of the proposed budget for 2019/20 for the General Fund, Housing Revenue Account and Capital Programme as part of the Council's Medium Term Financial Plan covering the years 2019/20 to 2022/23.
- 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:

- 2018/19 Estimated Outturn Position – this is the current year budget, revised to take account of changes during the financial year that will end on 31st March 2019.
- 2019/20 Original Budget – this is the proposed budget for the next financial year, on which the Council Tax will be based, and will commence from 1st April 2019.
- 2019/20 Original Budget – this includes proposed increases to rents and charges for the Housing Revenue Account will be included.
- 2020/21 to 2022/23 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.

1.2 Once Executive has considered this report and the appendices, recommendations agreed by Executive will be referred to the Council meeting of 20th February 2019 for members' consideration and approval.

General Fund

2018/19 Estimated Outturn

1.3 In February 2018, Members agreed a budget for 2018/19 to determine Council Tax. The original budget showed a surplus of £1.027m. Despite this, budgets have still been actively managed throughout the year with savings removed from the budget once they have been agreed.

1.4 The Revised Budget was considered by Executive at its meeting on the 3rd December 2018. A surplus to the General Fund of £1.039m was estimated, representing a net improved position of £0.012m. The key factors for the improvement are summarised in the following table.

	£000's
Council Tax Increase	(107)
Waste Recycling Contract	147
Vacancy Management	(290)
Debt charges/investment income	(215)
Go Active Leisure Centre	263
Reductions in Benefits grants	102
Miscellaneous Expenditure Reductions	88
Net Reduction in Expenditure	**(12)**

1.5 The estimated surplus in the year will be dependent on the actual financial performance out-turning in line with the revised budgets. Whilst these estimates reflect the position at the time of setting there can be some volatility from the budget to the outturn position. It was agreed that the surplus generated in the financial year be transferred to the Transformation Reserve where it can finance the Council's transformation plans, service developments and any restructuring costs.

2019/20 Original Budget and 2020/21 to 2022/23 Financial Plan

1.6 The proposed budget for 2019/20 currently shows a deficit of £0.083m. However, based on current information the requirement to achieve financial savings for future years is 2020/21 £0.975m; 2021/22 £1.559m; 2022/23 £2.205m (**Appendix 1**). **Appendix 2** details the net cost of each cost centre by Directorate.

1.7 The financial projection in respect of 2019/20 to 2021/22 was approved by Members in February 2018. The table below shows the movement from the financial projection of February 2018 to the updated figures now presented and also the movement on the Estimated Outturn for 2018/19.

	2018/19 Estimated Outturn £000	2019/20 Forecast £000	2020/21 Forecast £000	2021/22 Forecast £000
Opening Budget (surplus)/Budget Shortfall	**(1,027)**	**34**	**550**	**1,184**
Council Tax Increase 18/19	(107)	(107)	(107)	(107)
NNDR Growth	(1,547)	0	0	0
Transformation, Income Generation/Cost Reduction /Business Redesign	(243)	(619)	(495)	(412)
Vacancy Management	(290)	(156)	(149)	(141)
Total Transformation Options	(2,187)	(882)	(751)	(660)
Cost Pressures	628	821	905	875
Expected loss of New Homes Bonus /RSG /NNDR	0	110	971	860
General Fund (surplus)/Budget Shortfall	**(2,586)**	**83**	**1,675**	**2,259**
Transfer to/(from) NNDR Growth Reserve	1,547	0	(700)	(700)
Closing Budget (surplus)/Budget Shortfall	**(1,039)**	**83**	**975**	**1,559**

1.8 The main factors taken into account in developing the Council's financial plans are set out within the sections below.

Level of Government Funding

1.9 The current financial year 2018/19 is the third year of the four year settlement announced in December 2015. The Provisional Local Government Finance Settlement announced in December 2018, provided an update on the New Homes Bonus and informed us that the Derbyshire Business Rates Pool was not accepted by Government as a 75% Business Rates Pilot for 2019/20. Details for Bolsover District Council are:

New Homes Bonus

1.10 The Government made changes to the way New Homes Bonus operated in 2017/18 and 2018/19. The number of years for payments to be received (legacy payments) was reduced from 6 – 5 in 2017/18 and then down to 4 years in 2018/19. A national baseline was introduced in 2017/18. It was set at 0.4% in 2017/18 and remained at this level in 2018/19.

1.11 Due to the uncertainty created by the consultation on the future of New Homes Bonus payments, prudent estimates were included in the budget during 2017/18. The provisional allocations now received mean we can update the estimates previously included. Unfortunately, provisional allocation figures decrease receipts even further for 2019/20 by £0.110m each year to 2022/23.

1.12 New Homes Bonus is not confirmed beyond 2019/20 and there is a real risk that the scheme will either be ended in 2020, or its value eroded over the next spending review period. It is for this reason that we have made prudent updates to estimates for future years. For 2020/21 onwards we have estimated no new allocation each year and have removed all estimates of receipts. Instead we have estimated we will receive a share of the New Homes Bonus returned funding pot of £0.059m for 2020/21; £0.101m for 2021/22 and £0.145m for 2022/23, all to be received in that year only. Therefore in our financial plan years, the net decreases will be 2019/20 £0.110m; 2020/21 £0.457m and 2021/22 £0.860m (no figures were previously included for 2022/23).

Business Rates Retention (BRR) Pilot

1.13 The Derbyshire Business Rates Pool was accepted by the Government as one of ten 100% Business Rates Retention Pilot for 2018/19 as part of the Finance Settlement announced in December 2017.

1.14 As the pilot was for one financial year only, a bid was submitted by the Derbyshire Business Rates Pool to the 75% Business Rates Pilot round for 2019/20. The terms offered for 2019/20 were not as good as those available for 2018/19 with only 75% being retained. Thirty bids were submitted, of which Derbyshire was one, and fifteen were accepted. As mentioned in paragraph 1.9, the Derbyshire Business Rates Pool was not accepted this time and income therefore reverts back to existing pool arrangements.

The National Funding Settlement 2020/21

1.15 As reported in the quarter 1 budget monitoring report, a number of fundamental changes to local authority funding are currently being considered by the Government for incorporation into the 2020/21 settlement. The Fair Funding Review and the Business Rates Reset are both likely to negatively affect district councils.

Fair Funding Review

1.16 A further consultation paper on part of the Fair Funding Review was issued in December 2018 and it is still too early to say with any clarity what the impact of the Fair Funding Review will be but initial modelling is showing that the recalculated Settlement Funding Assessment (SFA) is redirecting resources to those based on "need" which will impact negatively on most shire districts.

1.17 The risk of losses from the Fair Funding Review is also much greater for district councils because of their ability to raise council tax. This puts a greater burden on the local decision making with regards council tax setting each year.

1.18 The lack of any concrete figures means we have not been able to include an estimate of the likely impact of the Fair Funding Review in the budgets at this time. When information is received to enable a value to be attributed to the changes, Members will be updated at the first opportunity.

Business Rates Reset

1.19 As previously mentioned, income for Business Rates for 2019/20 and future years reverts back to existing pool arrangements when the pilot ends. A consultation paper was released in December 2018 on Business Rates Retention Reform. The issues are around resetting our business rates baseline and therefore potentially wiping out any growth since 2013/14 and also changing the share for business rates from 50% to 75% from 2020/21 (although increases are likely to go to county councils).

1.20 The figures for Business Rates have therefore been revised to include estimates of likely changes to our baseline funding level information, tariff amounts and the impact of a business rate reset. It must be stressed these are initial estimates of the changes and are subject to change resulting from the consultation. As protection against further negative adjustments, no growth in business rates has been included for any year, figures have only been uprated by the change in the business rates multiplier. The increase each year to the financial plan is 2020/21 £0.255m and 2021/22 £0.373m. At this point in time no changes have been made to 2019/20 until the NNDR1 form has been completed. The updated 2019/20 position will be reported to Executive with quarter 1 monitoring.

1.21 To help mitigate losses caused by these funding changes a transfer from the NNDR Growth Protection Reserve into general fund has been included: £0.700m in both 2020/21 and 2021/22 and £0.500m in 2022/23.

Revenue Support Grant

1.22 The provisional settlement in December 2017 confirmed that Revenue Support Grant will be phased out. Bolsover District Council will receive £1.169m in 2019/20, the last year of this settlement.

Expenditure, income levels and efficiencies

1.23 In developing the financial projections covering the period 2019/20 to 2022/23, officers have made a number of assumptions. The major assumptions are:

- A pay award in-line with the National Pay Agreement has been included in staffing budgets for the financial year 2019/20. For 2020/21 to 2022/23, 2% has been included in staffing budgets.
- Employer superannuation contributions are fixed amounts for 2019/20. For 2020/21 to 2022/23 a 1% increase on the 2019/20 cost has been assumed.
- Inflation specific budgets such as energy costs and fuel have been amended to reflect anticipated price changes.

- With respect to planning fees, a base level for income has been included for all future years of £0.400m. Where income levels and the associated workload increase above this level, then part of the additional income may be used to fund costs such as agency staff.
- Fees and charges – service specific increases as agreed by Members.
- Brexit – no provision has been made in the budget for costs that may be incurred. Any significant impact will be dealt with in a future report, if necessary with financing from reserves.

1.24 Additionally, the Council's transformation programme seeks to contribute to the financial challenges faced through the progression of innovative and forward thinking ideas.

Council Tax Implications

Council Tax Base

1.25 In preparation for the budget, the Chief Finance Officer under delegated powers has determined the Tax Base at Band D for 2019/20 as 21,982.87.

Council Tax Options

1.26 The Council's part of the Council Tax bill in 2018/19 was set at £171.17 for a Band D property. This was an increase of 2.99%.

1.27 The Council has a range of options when setting the Council Tax. The Government indicate what upper limit they consider acceptable. For 2019/20 District Councils are again permitted to increase their share of the Council Tax by the greater of 3% or £5 without triggering the need to hold a referendum.

1.28 The table below shows some of the options and the extra revenue generated.

Increase	New Band D £	Annual Increase £	Weekly Increase £	Extra Revenue £
1.00%	172.88	1.71	0.03	37,614
2.00%	174.59	3.42	0.07	75,242
2.90%	176.14	4.97	0.09	109,241
2.99%	176.29	5.12	0.10	112,494

1.29 The level of increase each year affects the base for future years and the proposed increase for 2019/20 is 2.99%, generating additional revenue of £112,494.

Financial Reserves – General Fund

1.30 The Council's main uncommitted Financial Reserves are the General Fund Working Balance of £2.0m and the uncommitted element of the Transformation Reserve of £3.440m. Due to the uncertainty surrounding local authority income and the fact that the Council has reduced budgets to a minimal level, it is important that the

Council continues to review whether we have an acceptable General Fund Working Balance.

Housing Revenue Account (HRA)

2018/19 Estimated Outturn

1.31 In February 2018, Members agreed a budget for 2018/19. Rent levels were set in line with Government regulations with a reduction of 1%, effective from 1st April 2018. HRA fees and charges were also set, effective from the same date.

1.32 The Revised Budget was considered by Executive at its meeting on the 3rd December 2018. A surplus of £0.002m was estimated, which was £0.025m lower than the current budget of £0.027m. The key factors for the reduction were detailed in the report.

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 improved services to Council tenants in future financial years and it was agreed that the surplus be transferred to the HRA development reserve.

1.34 The working balance brought forward from 2017/18 was £1.928m. After taking account of the projected surplus of £0.002m, this produces an anticipated working balance at 31st March 2019 of £1.930m.

2019/20 Original Budget and 2020/21 to 2022/23 Financial Plan

1.35 The proposed budget for 2019/20 currently shows a surplus of £0.023m. Based on current information the surplus for future years is 2020/21 £0.023m; 2021/22 £0.014m; 2022/23 £0.009m (**Appendix 3**).

1.36 The HRA budget is made up of the same assumptions as the General Fund budget for staff costs, superannuation costs and inflation. There are however, some assumptions that are specific to the HRA. The main factors taken into account in developing the Council's financial plans for the HRA are set out within the sections below.

Level of Council Dwelling Rents

1.37 Government rent policy is currently that rent levels will reduce by 1% per annum for four years from April 2016. Therefore for 2019/20 the income for dwelling rents has been included in the budget on this basis. For future years it has been assumed that we will return to the previous policy, based upon increases in line with inflation.

Fees and Charges

1.38 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. These charges are set on the principle that wherever possible charges for services should reflect the cost of providing those services.

1.39 A schedule of the proposed charges is set out at **Appendix 3, table 1.** For 2019/20 the charges are recommended to be increased by 2.4%.

Financial Reserves - HRA

1.40 The Council's main uncommitted Financial Reserves are the Housing Revenue Account Working Balance of £1.928m. In addition to the Working Balance there are further reserves for the HRA used only to fund the Council's HRA capital programme. These are the Major Repairs Reserve, New Build Reserve, Vehicle Repair and Renewal Reserve, Development Reserve and Debt Repayment Reserve.

Capital Programme

1.41 There will be three separate reports to Council on 20th February 2019 concerning the Council's Treasury Management Strategy, Investment Strategy and Capital Strategy. The Capital Strategy report will consider capital financing such as borrowing which enables the proposed capital programme budgets to proceed.

2018/19 Estimated Outturn

1.42 In February 2018, Members approved a Capital Programme in respect of 2018/19 to 2021/22. Scheme delays and technical problems can cause expenditure to slip into following years and schemes can be added or extended as a result of securing additional external funding. Where capital expenditure slipped into 2018/19, the equivalent amount of funding was not applied during 2017/18 and is therefore available in 2018/19 to meet the delayed payments.

1.43 The Revised Capital Programme was considered by Executive at its meeting on the 3rd December 2018. An amount of £3.534m was removed from 2018/19 and re-profiled into 2019/20. An estimated outturn of £22.801m was proposed.

General Fund Capital Programme 2019/20 to 2022/23

1.44 The proposed Capital Programme for the General Fund totals £3.536m for 2019/20; £1.720m for 2020/21; £3.037m for 2021/22 and £1.881m for 2022/23 (**Appendix 4**).

Housing Revenue Account Capital Programme 2019/20 to 2022/23

1.45 The proposed Capital Programme for the Housing Revenue Account totals £8.371m for 2019/20; £4.869m for 2020/21; £4.980m for 2021/22 and £5.404m for 2022/23 (**Appendix 4**).

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

Robustness of the Estimates

1.47 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 Service – 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 Executive. It seeks to ensure approval to budgets 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 and a performance management framework. These meetings help to inform the Council's understanding of what is expected of it by our local communities.

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 Committee on a quarterly basis. 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 in April 2019. 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 comply 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 meeting of Full Council on the 20th February 2019.

The recommendations to Council are:

6.2 That in the view of the Chief Financial Officer, that the estimates included in the Medium Term Financial Plan 2019/20 to 2022/23 are robust and that the level of financial reserves whilst at minimum levels are adequate, be accepted.

6.3 That officers report back to Executive and to the Budget 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 for 2020/21 and future years.

GENERAL FUND

6.4 A Council Tax increase of £5.12 is levied in respect of a notional Band D property (2.99%).

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 Estimated Outturn Budget 2018/19, as the Original Budget in respect of 2019/20, and the financial projection in respect of 2020/21 to 2022/23.

6.6 That any under spend in respect of 2018/19 is transferred to the Transformation Reserve.

6.7 On the basis that income from Planning Fees may exceed £0.500m in 2019/20, the Chief Executive in consultation with the Leader be granted delegated powers to authorise such additional resources as are necessary to effectively manage the resultant increase in workload.

HOUSING REVENUE ACCOUNT

6.8 That Council sets its rent levels in line with Government regulations, reducing rent levels by 1% to apply from 1st April 2019.

6.9 That the increases in respect of other charges as outlined in **Appendix 3 Table 1** be implemented with effect from 1 April 2019.

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 Estimated Outturn Budget in respect of 2018/19, as the Original Budget in respect of 2019/20, and the financial projection in respect of 2020/21 to 2022/23.

CAPITAL PROGRAMME

6.11 That the Capital Programme as set out in **Appendix 4** be approved as the Estimated Outturn in respect of 2018/19, and as the Approved Programme for 2019/20 to 2022/23.

6.12 The Head of Service - Property and Estates be granted delegated powers in consultation with the Portfolio Member and the Asset Management group to approve the utilisation of the £260,000 of AMP Refurbishment Work allocation, with such approvals to be reported back to Executive through the Quarterly Budget Monitoring Report.

7 <u>Decision Information</u>

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	General Fund Summary
2	General Fund Detail
3	Housing Revenue Account
4	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
Head of Service Finance and Resources	01246 217658
Chief Accountant	01246 242458

BOLSOVER DISTRICT COUNCIL
GENERAL FUND

APPENDIX 1

Description	Revised Budget 2018/19 £	Original Budget 2019/20 £	Forecast 2020/21 £	Forecast 2021/22 £	Forecast 2022/23 £
People Directorate	9,847,667	10,424,721	10,297,385	10,436,460	10,706,571
Place Directorate	3,167,490	3,156,636	3,156,089	3,253,916	3,338,319
Recharges to HRA and Capital	(3,578,847)	(3,738,619)	(3,819,192)	(3,874,879)	(3,952,552)
S106 Expenditure					
People	515,322	10,013	8,678	8,633	34,152
Place	600,248	0	0	0	0
Net Cost of Services	**10,551,880**	**9,852,751**	**9,642,960**	**9,824,130**	**10,126,490**
Debt Charges	834,648	1,087,636	1,240,002	1,361,968	1,487,102
Investment Interest	(198,556)	(258,884)	(271,748)	(260,402)	(264,049)
Surplus/ (Savings Target)	**1,039,546**	**(82,749)**	**(974,536)**	**(1,559,378)**	**(2,204,665)**
	12,227,518	**10,598,754**	**9,636,678**	**9,366,318**	**9,144,878**
Appropriations:					
Contributions to Reserves:	343,555	161,625	191,000	270,000	165,000
Contribution from Earmarked Reserves:	(799,344)	(189,602)	(85,428)	(74,870)	(62,728)
Contribution (from)/to NNDR Growth Protection Reserve	1,688,652	0	(700,000)	(700,000)	(500,000)
Contribution from Grant Accounts	(5,320)	(52,991)	(5,320)	(5,320)	(5,320)
Contribution (from)/to Holding Accounts	(74,185)	(486,569)	(198,439)	(88,884)	(88,884)
Contribution from S106 Holding A/cs	(1,115,570)	(10,013)	(8,678)	(8,633)	(34,152)
TOTAL EXPENDITURE	**12,265,306**	**10,021,204**	**8,829,813**	**8,758,611**	**8,618,794**
Parish Precepts	2,767,252	2,767,252	2,767,252	2,767,252	2,767,252
Council Tax Support Grant - Parish	250,067	167,933	0	0	0
TOTAL SPENDING REQUIREMENT	**15,282,625**	**12,956,389**	**11,597,065**	**11,525,863**	**11,386,046**
Revenue Support Grant from SFA - total	0	(1,169,290)	0	0	0
Business Rates Retention total	(7,846,598)	(4,445,944)	(4,462,903)	(4,540,903)	(4,615,903)
New Homes Bonus Grant total	(993,166)	(811,095)	(604,102)	(454,900)	(240,083)
COUNCIL TAX - BDC precept	(3,675,609)	(3,762,808)	(3,762,808)	(3,762,808)	(3,762,808)
Council tax - Parish element from above	(2,767,252)	(2,767,252)	(2,767,252)	(2,767,252)	(2,767,252)
TOTAL FUNDING	**(15,282,625)**	**(12,956,389)**	**(11,597,065)**	**(11,525,863)**	**(11,386,046)**

Detail Budgets by Cost Centre

APPENDIX 2

		Revised Budget 2018/19 £	Original Budget 2019/20 £	Forecast 2020/21 £	Forecast 2021/22 £	Forecast 2022/23 £
	Total for: Appropriations	**(10,551,880)**	**(9,852,751)**	**(9,642,960)**	**(9,824,130)**	**(10,126,490)**
G001	Audit Services (G001)	114,121	120,160	120,160	120,160	120,160
G002	I.C.T. (G002)	740,496	778,981	795,358	806,268	816,257
G003	Communications (G003)	230,598	229,452	234,003	238,696	242,217
G005	Joint Chief Executive Officer 50% People (G005)	40,263	40,930	40,626	40,645	41,466
G006	CEPT (G006)	417,340	402,370	404,769	361,590	366,657
G014	Customer Contact Service (G014)	813,189	761,473	781,436	798,792	819,152
G015	Strategy + Performance (G015)	123,661	121,503	124,487	127,179	129,546
G024	Street Cleansing (G024)	326,516	338,644	346,755	356,079	365,392
G028	Waste Collection (G028)	863,525	909,251	934,440	957,787	977,939
G032	Grounds Maintenance (G032)	579,688	661,523	685,105	706,209	725,425
G033	Vehicle Fleet (G033)	761,976	793,602	809,417	820,304	833,263
G038	Concessionary Fares + TV Licenses (G038)	(9,460)	(9,460)	(9,460)	(9,460)	(9,460)
G040	Corporate Management (G040)	146,399	143,962	147,562	149,308	154,680
G041	Non Distributed Costs (G041)	684,808	697,651	703,427	703,427	703,427
G044	Financial Services (G044)	302,819	292,525	299,918	305,943	312,089
G052	Human Resources (G052)	193,413	214,253	218,101	222,126	225,434
G054	Electoral Registration (G054)	162,538	162,318	165,505	169,109	171,517
G055	Democratic Representation + Management (G055)	533,891	544,978	545,469	545,973	546,490
G056	Land Charges (G056)	(11,316)	(3,304)	(2,340)	(1,481)	(608)
G057	District Council Elections (G057)	31,850	40,800	5,000	0	31,850
G058	Democratic Services (G058)	172,177	183,110	187,204	190,990	196,179
G060	Legal Services (G060)	216,301	213,480	209,206	214,245	218,459
G061	Bolsover Wellness Programme (G061)	122,403	73,075	77,957	82,078	85,353
G062	Extreme Wheels (G062)	(25,554)	8,449	3,860	4,768	5,504
G064	Bolsover Sports (G064)	163,802	159,370	161,510	165,448	168,706
G065	Parks, Playgrounds + Open Spaces (G065)	43,395	49,679	50,238	50,898	53,538
G069	Arts Projects (G069)	45,507	46,227	48,109	49,380	50,187
G070	Outdoor Sports + Recreation Facilities (G070)	20,577	19,047	19,341	19,636	19,940
G072	Leisure Services Mgmt + Admin (G072)	212,306	216,274	221,669	226,203	230,240
G084	Head of Partnerships and Transformation (G084)	21,533	35,262	36,977	38,735	40,551
G086	Alliance (G086)	7,250	7,250	7,250	7,250	7,250
G094	Joint Strategic Director - People (G094)	55,482	53,698	54,782	55,874	56,992
G097	Groundwork + Drainage Operations (G097)	54,691	61,773	64,108	66,255	68,044
G100	Benefits (G100)	372,193	527,762	582,637	633,341	681,901
G103	Council Tax / NNDR (G103)	306,049	333,668	347,813	358,312	368,077
G104	Sundry Debtors (G104)	93,016	95,518	97,205	98,897	100,654
G111	Shared Procurement (G111)	43,632	39,318	40,274	41,229	42,204
G115	One Public Estate (G115)	(3,500)	0	0	0	0
G117	Payroll (G117)	69,467	72,853	75,264	76,798	78,361
G123	Riverside Depot (G123)	178,507	183,260	187,688	192,187	196,806
G124	Street Servs Mgmt + Admin (G124)	73,304	73,203	74,732	76,263	77,826
G125	S106 Percent for Art (G125)	123,446	0	0	0	0
G126	S106 Formal and Informal Recreation (G126)	148,151	10,013	8,678	8,633	34,152
G129	Bolsover Apprenticeship Programme (G129)	27,269	23,995	0	0	0

Detail Budgets by Cost Centre

APPENDIX 2

		Revised Budget 2018/19 £	Original Budget 2019/20 £	Forecast 2020/21 £	Forecast 2021/22 £	Forecast 2022/23 £
G146	Pleasley Vale Outdoor Activity Centre (G146)	24,873	44,614	45,920	47,251	48,610
G148	Trade Waste (G148)	(100,858)	(103,000)	(103,000)	(103,000)	(103,000)
G149	Recycling (G149)	203,484	49,037	39,312	29,593	19,879
G155	Customer Services (G155)	29,078	29,883	30,507	31,131	31,770
G157	Controlling Migration Fund (G157)	(86,648)	369,233	0	0	0
G161	Rent Rebates (G161)	(55,193)	(58,505)	(62,015)	(65,736)	(69,680)
G162	Rent Allowances (G162)	37,906	39,976	41,624	43,355	45,173
G164	Support Recharges (G164)	(3,578,847)	(3,738,619)	(3,819,192)	(3,874,879)	(3,952,552)
G168	Multifunctional Printers (G168)	42,521	42,776	42,776	42,776	42,776
G170	S106 Outdoor Sports (G170)	243,725	0	0	0	0
G179	Streets Sports (G179)	(1)	(1,385)	0	0	0
G182	SHIFT (G182)	654	0	0	0	0
G184	Us Girls (G184)	710	0	0	0	0
G192	Scrutiny (G192)	20,711	21,729	21,985	22,411	22,845
G195	Head of Corporate Governance (G195)	36,477	37,230	37,992	38,760	39,545
G197	Head of Finance and Resources (G197)	36,460	37,163	37,905	38,662	39,435
G199	Head of Street Scene (G199)	36,685	37,393	38,135	38,893	39,665
G203	Club 1 (G203)	578	0	0	0	0
G205	Innovation (G205)	500	0	0	0	0
G206	Street Games (G206)	800	0	0	0	0
G207	Cycling (G207)	2,345	0	0	0	0
G216	Raising Aspirations (G216)	46,450	27,560	48,125	0	0
G218	Namibia Bound (G218)	26,358	(17,926)	0	0	0
G220	Locality Funding (G220)	(105,941)	0	0	0	0
G224	Prime Ministers Challenge Fund (G224)	2,540	0	0	0	0
G225	Eats and Treates Events (G225)	14,623	0	0	0	0
G228	Go Active Clowne Leisure Centre (G228)	88,220	94,409	122,210	144,803	167,895
G238	HR Health + Safety (G238)	71,035	56,651	58,347	60,120	61,993
G240	Affordable Warmth Buddies (G240)	3,131	0	0	0	0
G241	Working Together for Older People (G241)	24,734	0	0	0	0
G244	Bolsover Business Growth Fund (G244)	129,313	0	0	0	0
	Total for People Directorate	**6,784,142**	**6,696,115**	**6,486,871**	**6,570,214**	**6,788,171**
G004	Joint Chief Executive Officer 50% Place (G004)	40,269	40,936	40,632	40,651	41,472
G007	Community Safety - Crime Reduction (G007)	61,000	56,970	58,294	59,628	60,986
G010	Neighbourhood Management (G010)	76,317	90,020	92,372	94,791	97,282
G013	Community Action Network (G013)	270,580	288,440	296,436	304,081	300,510
G017	Private Sector Housing Renewal (G017)	59,620	60,468	61,533	62,653	63,795
G020	Public Health (G020)	(72,000)	(78,000)	(78,000)	(78,000)	(78,000)
G021	Pollution Reduction (G021)	162,220	170,009	173,859	177,869	183,051
G022	Health + Safety (G022)	(180)	0	0	0	0
G023	Pest Control (G023)	42,560	36,724	36,081	38,481	39,114
G025	Food Safety (G025)	122,029	124,110	127,350	130,675	133,506
G026	Animal Welfare (G026)	77,734	94,088	83,867	99,139	89,358
G027	Emergency Planning (G027)	15,847	15,847	15,847	15,847	15,847
G036	Environmental Health Mgmt & Admin (G036)	182,464	191,759	195,871	199,712	203,511

Detail Budgets by Cost Centre

APPENDIX 2

		Revised Budget 2018/19 £	Original Budget 2019/20 £	Forecast 2020/21 £	Forecast 2021/22 £	Forecast 2022/23 £
G043	Joint Strategic Director - Place (G043)	52,403	53,421	54,482	55,563	56,667
G046	Homelessness (G046)	173,645	166,997	169,401	171,828	174,304
G048	Town Centre Housing (G048)	(10,700)	(10,700)	(10,700)	(10,700)	(10,700)
G053	Licensing (G053)	746	5,183	8,855	11,380	13,981
G073	Planning Policy (G073)	441,522	343,892	262,730	270,336	275,765
G074	Planning Development Control (G074)	(99,387)	(11,137)	(3,924)	4,355	12,299
G076	Planning Enforcement (G076)	80,135	82,871	84,513	86,172	87,862
G079	Planning Services Mgmt & Admin (G079)	20,920	21,405	21,846	22,255	22,866
G080	Engineering Services (G080)	92,334	92,438	94,029	95,667	97,354
G081	Drainage Services (G081)	3,300	3,300	3,300	3,300	3,300
G083	Building Control Consortium (G083)	55,000	55,000	55,000	55,000	55,000
G085	Economic Development (G085)	29,425	29,425	29,425	29,425	29,425
G088	Derbyshire Economic Partnership (G088)	15,000	15,000	15,000	15,000	15,000
G089	Premises Development (G089)	(75,277)	(74,006)	(73,679)	(73,386)	(73,083)
G090	Pleasley Vale Mills (G090)	(115,796)	(141,606)	(138,790)	(136,108)	(133,351)
G091	CISWO Duke St Building (G091)	17,212	11,793	12,078	12,371	12,670
G092	Pleasley Vale Electricity Trading (G092)	(78,000)	(74,976)	(71,879)	(68,709)	(65,462)
G095	Estates + Property (G095)	612,563	642,552	661,639	676,690	690,159
G096	Building Cleaning (General) (G096)	90,403	95,070	97,074	100,398	104,351
G099	Catering (G099)	5,200	5,200	5,200	5,200	5,200
G106	Housing Anti Social Behaviour (G106)	80,095	79,247	84,447	86,162	87,911
G113	Parenting Practitioner (G113)	33,833	34,761	35,703	36,654	37,623
G132	Planning Conservation (G132)	47,819	45,419	32,258	32,913	33,580
G133	The Tangent Business Hub (G133)	(44,912)	(67,033)	(65,951)	(64,887)	(56,747)
G135	Domestic Violence Worker (G135)	41,330	42,116	42,913	43,714	44,534
G138	Bolsover Town Centre Consultation (G138)	34,042	0	0	0	0
G142	Community Safety - CCTV (G142)	9,218	0	0	0	0
G143	Housing Strategy (G143)	23,417	40,292	56,848	46,398	44,364
G144	Enabling (Housing) (G144)	37,551	38,918	39,717	40,533	41,364
G151	Street Lighting (G151)	31,000	31,000	31,000	31,000	31,000
G153	Housing Advice (G153)	12,632	12,933	13,196	13,462	13,735
G156	The Arc (G156)	152,434	159,285	165,823	172,428	185,897
G167	Facilities Management (G167)	10,328	10,338	10,338	10,338	10,338
G169	Closed Churchyards (G169)	10,000	10,000	10,000	10,000	10,000
G172	S106 Affordable Housing (G172)	1,116	0	0	0	0
G176	Affordable Warmth (G176)	35,613	35,808	36,711	37,644	38,606
G188	Cotton Street Contact Centre (G188)	19,549	20,261	20,970	21,691	22,440
G193	Economic Development Management + Admin (G193)	146,371	140,004	144,358	147,297	150,294
G194	Head of Economic Development (G194)	36,899	37,603	38,346	39,104	39,878
G196	Head of Planning (G196)	17,566	37,088	37,830	38,587	39,360
G198	Head of Housing (GF) (G198)	127	134	140	143	147
G208	Head of Estates and Property (G208)	37,378	37,641	38,403	39,171	39,956
G226	S106 - Highways (G226)	569,000	0	0	0	0
G227	S106 - Public Health (G227)	30,132	0	0	0	0
G237	Joint Venture (LLP) (G237)	32,987	0	0	0	0
G239	Housing + Community Safety Fixed Penalty A/c (G239)	5,890	1,500	1,590	0	0

Detail Budgets by Cost Centre

APPENDIX 2

		Revised Budget 2018/19 £	Original Budget 2019/20 £	Forecast 2020/21 £	Forecast 2021/22 £	Forecast 2022/23 £
G242	New Bolsover MV - CVP Worker (G242)	7,215	6,828	1,707	0	0
	Total for Place Directorate	**3,767,738**	**3,156,636**	**3,156,089**	**3,253,916**	**3,338,319**

HOUSING REVENUE ACCOUNT

APPENDIX 3

	Revised Budget 2018/19 £	Original Budget 2019/20 £	Forecast 2020/21 £	Forecast 2021/22 £	Forecast 2022/23 £
Expenditure					
Repairs and Maintenance	4,384,689	4,897,470	4,985,893	5,103,851	5,236,607
Supervision and Management	5,249,542	5,357,138	5,371,319	5,444,459	5,539,644
Special Services	485,398	549,994	549,743	554,255	564,880
Supporting People - Wardens	552,480	606,571	621,467	634,399	646,401
Supporting People - Central Control	228,379	224,968	228,246	231,164	234,143
Tenants Participation	89,563	66,247	67,673	89,947	70,246
Revenue Contribution to Capital	500,000	500,000	500,000	500,000	500,000
Increase in Bad Debts Provision	150,000	150,000	150,000	150,000	150,000
Cost of Capital - Interest	3,577,169	3,513,950	3,472,479	3,386,257	3,296,637
Debt Management Expenses	7,886	8,120	8,200	8,300	8,400
Total Expenditure	**15,225,106**	**15,874,458**	**15,955,020**	**16,102,632**	**16,246,958**
Income					
Dwelling Rents	(20,007,812)	(20,025,070)	(20,969,076)	(21,729,486)	(22,515,766)
Garage Rents	(140,648)	(144,027)	(147,483)	(151,904)	(155,554)
Other Income	(28,990)	(23,060)	(23,435)	(23,810)	(24,185)
Repairs and Maintenance	(16,445)	(16,445)	(16,445)	(16,445)	(16,445)
Supervision and Management	(1,143)	(380)	(380)	(380)	(380)
Special Services	(134,231)	(138,135)	(142,156)	(146,298)	(150,564)
Supporting People - Wardens	(516,420)	(515,863)	(139,123)	(142,462)	(145,882)
Supporting People - Central Control	(239,768)	(245,522)	(251,415)	(257,449)	(263,628)
Tenants Participation	(5,490)	0	0	0	0
Leased Flats	(25,119)	(19,000)	(19,000)	(19,000)	(19,000)
Leased Shops	(7,980)	(7,980)	(7,980)	(7,980)	(7,980)
Total Income	**(21,124,046)**	**(21,135,482)**	**(21,716,493)**	**(22,495,214)**	**(23,299,384)**
Appropriations					
Depreciation	3,200,000	3,200,000	3,200,000	3,200,000	3,200,000
T/f to/(from) Major Repairs Reserve	1,717,569	908,249	808,249	808,249	1,508,249
Contribution to Insurance Reserve	50,000	50,000	50,000	50,000	50,000
Contribution to Development Reserve	1,000,000	1,000,000	1,500,000	1,900,000	0
Contribution to Debt Repayment Reserve	0	0	0	0	2,000,000
Contribution to Vehicle Replacement Reserve	0	80,000	180,000	420,000	285,000
Use of Reserves	(70,294)	0	0	0	0
	5,897,275	**5,238,249**	**5,738,249**	**6,378,249**	**7,043,249**
Net Operating (Surplus) / Deficit	**(1,665)**	**(22,775)**	**(23,224)**	**(14,333)**	**(9,177)**
Working Balance at Beginning of Year	**(1,928,826)**	**(1,930,491)**	**(1,953,266)**	**(1,976,490)**	**(1,990,823)**
Contribution (to)/from Balances	(1,665)	(22,775)	(23,224)	(14,333)	(9,177)
Working Balance at End of Year	**(1,930,491)**	**(1,953,266)**	**(1,976,490)**	**(1,990,823)**	**(2,000,000)**

HRA - Fees and Charges 2019/20

Weekly Charge over 48 Weeks unless otherwise specified
September 2018 Consumer Price Index was 2.4%

	Current £	Proposed £	Change £	Change %
Garages (tenant)	12.23	12.52	0.29	2.4%
Garage - Direct Debit Payment	9.23	9.45	0.22	2.4%
Garage (in curtledge)	4.61	4.73	0.12	2.5%
(Set at 50% of garage DD payment)				
garage plots	197.76	202.51	4.75	2.4%
(Billed annually)				
New Bolsover Service Charge	2.00	2.00	0.00	0.0%
(applies to new tenants only)				
Special Services Charge (See Note1)	16.00	16.38	0.38	2.4%
Reduced special service	10.66	10.92	0.26	2.5%
(Reduced special services for scheme other than Cat 2 who receive reduced service)				
Heating Service Charge (See Note 2)				
Bedsits	2.92	2.92	0.00	0.0%
1 bed flat	3.98	3.98	0.00	0.0%
2 bed flat	6.64	6.64	0.00	0.0%
3 bed flat	7.35	7.35	0.00	0.0%
1 bed bungalow	4.43	4.43	0.00	0.0%
2 bed bungalow	5.89	5.89	0.00	0.0%
Heating Charge (See Note 3)				
Bedsits	4.83	4.83	0.00	0.0%
1 bed flat	6.58	6.58	0.00	0.0%
2 bed flat	10.97	10.97	0.00	0.0%
3 bed flat	12.14	12.14	0.00	0.0%
1 bed bungalow	7.31	7.31	0.00	0.0%
2 bed bungalow	9.73	9.73	0.00	0.0%
Support Charges	13.65	13.98	0.33	2.4%
Mobile Warden	5.26	5.79	0.53	10.0%
(long term aim to reach cost, increased capped at 10% per year)				
Lifeline - bronze	4.73	4.84	0.11	2.4%
Lifeline - gold	7.27	7.44	0.17	2.4%
Lifeline - RSL	4.53	4.64	0.11	2.4%
Buggy Parking	3.85	3.94	0.09	2.4%
(including charging facilities)				
Choice Based Lettings Postage	1.12	1.16	0.04	3.6%

(suggested cost is twice the cost of a second class stamp)

Note 1

Special Services Charge includes the heating, cleaning and furnishing of communal areas, provision of laundry and kitchen facilities and other costs. The charge is a contribution to the full cost of these services. This charge is added to the rent amount and is covered by housing benefit if appropriate.

The Heating Charge is split into two separate charges.

Note 2

Heating Service Charge is the cost for the provision and maintenance of a communal heating system. This includes an allowance for electricity to circulate heat within the system. This charge is added to the rent amount and is covered by housing benefit if appropriate.

Note 3

The Heating Charge reflects the cost of fuel only, this is not covered by housing benefit and is charged and monitored to a sub account on the main rent account.

This split is intended to make it easier to understand how we charge for heating.

APPENDIX 4

CAPITAL PROGRAMME SUMMARY	Revised Budget 2018/19 £	Original Programme 2019/20 £	Original Programme 2020/21 £	Original Programme 2021/22 £	Original Programme 2022/23 £
General Fund					
AMP - PV Mills	84,463	0	0	0	0
AMP - The Arc	76,726	0	0	0	0
AMP - Emercency Lighting	20,000	0	0	0	0
AMP - Leisure Buildings	12,010	0	0	0	0
AMP - Riverside Depot	2,515	0	0	0	0
AMP - The Tangent	3,537	0	0	0	0
AMP - Investment Properties	745	0	0	0	0
AMP - Refurbishment Work	30,653	260,000	260,000	260,000	260,000
Refurbishment - Oxcroft House	27,500	0	0	0	0
Refurbishment - 3 Cotton St Bolsover	4,376	0	0	0	0
Shirebrook Contact Centre	282,453	0	0	0	0
Pleasley Vale Mill 1 - Dam Wall	121,470	0	0	0	0
Car Parking at Clowne - Additional	135,200	0	0	0	0
Security and CCTV at Pleasley Vale	27,487	0	0	0	0
The Tangent - Phase 2	57,900	0	0	0	0
PV Resurfacing Works	95,100	0	0	0	0
PV Mansafe System	74,511	0	0	0	0
PV Fire Compartmentation & Fire Doors	102,935	0	0	0	0
Can Ranger Expansion	35,000	0	0	0	0
	1,194,581	**260,000**	**260,000**	**260,000**	**260,000**
Project Horizon					
Clowne Campus - Refurbishment	23,076	0	0	0	0
	23,076	**0**	**0**	**0**	**0**
ICT Schemes					
ICT infrastructure	114,439	141,200	50,200	127,200	27,250
	114,439	**141,200**	**50,200**	**127,200**	**27,250**
Leisure Schemes					
P Vale Outdoor Education Centre	34,322	0	0	0	0
Clowne Leisure Facility	65,422	0	0	0	0
Go Active Equipment	15,000	0	0	0	0
Replacement Astro Turf Pitch	0	0	50,000	0	0
Gym Equipment & Spin Bikes	0	0	0	365,000	0
Kitchen & Associated Equipment	0	0	0	20,000	0
	114,744	**0**	**50,000**	**385,000**	**0**
Private Sector Schemes					
Disabled Facility Grants	850,000	900,000	900,000	900,000	900,000
Group Repair	2,674	0	0	0	0
Carr Vale Group Repair	9,579	0	0	0	0
Station Road Shirebrook	1,340	0	0	0	0
	863,593	**900,000**	**900,000**	**900,000**	**900,000**
Joint Venture					
Dragonfly Joint Venture Shares	333,741	188,750	0	0	0
Dragonfly Joint Venture Loan	1,469,929	1,510,000	0	0	0
	1,803,670	**1,698,750**	**0**	**0**	**0**
Vehicles and Plant					
Vehicle Replacements	466,195	524,500	460,000	1,365,000	693,575
Vehicle Lift for Garage	40,000	12,000	0	0	0
Vehicle Wash Area	70,000	0	0	0	0
8 x Hedge cutters	4,000	0	0	0	0
10 x Strimmers	5,000	0	0	0	0
	585,195	**536,500**	**460,000**	**1,365,000**	**693,575**
Total General Fund	**4,699,298**	**3,536,450**	**1,720,200**	**3,037,200**	**1,880,825**

APPENDIX 4

CAPITAL PROGRAMME SUMMARY	Revised Budget 2018/19 £	Original Programme 2019/20 £	Original Programme 2020/21 £	Original Programme 2021/22 £	Original Programme 2022/23 £
Housing Revenue Account					
New Build Properties					
Rogers Ave Creswell	980	0	0	0	0
Blackwell Hotel Site	11,175	0	0	0	0
Fir Close Shirebrook	10,540	0	0	0	0
Derwent Drive Tibshelf	31,195	0	0	0	0
Recreation Close Clowne	536,243	0	0	0	0
Hilltop	1,750,458	0	0	0	0
Ash Close Pinxton	934,396	0	0	0	0
Elm Close Pinxton	592,428	0	0	0	0
Lime Close Pinxton	355,243	0	0	0	0
Beech Grove South Normanton	262,886	0	0	0	0
Leamington Drive South Normanton	437,699	0	0	0	0
St Michaels Drive South Normanton	300,000	0	0	0	0
Highcliffe Ave Shirebrook	189,285	0	0	0	0
The Paddock Bolsover	78,205	1,900,000	0	0	0
Keepmoat Properties at Bolsover	690,000	700,000	0	0	0
	6,180,733	**2,600,000**	**0**	**0**	**0**
Vehicle Replacements	22,897	172,500	361,000	471,833	196,000
	22,897	**172,500**	**361,000**	**471,833**	**196,000**
Public Sector Housing					
Unallocated Major Repairs Reserve	861,695	0	3,938,929	3,938,929	4,638,929
Unallocated Direct Revenue Funding	0	0	500,000	500,000	500,000
External Wall Insulation	12,314	0	0	0	0
Electrical Upgrades	208,625	200,000	0	0	0
Ashbourne Court Extension	10,000	1,490,000	0	0	0
Welfare Adaptations	0	175,000	0	0	0
Cavity Wall + Loft Insulation	4,692	0	0	0	0
External Door Replacements	259,459	50,000	0	0	0
Heating Upgrades	85,138	0	0	0	0
Environmental Works	7,834	50,000	0	0	0
Reactive Capital Works	165,690	200,000	0	0	0
Kitchen Replacements - Decent Homes	267,257	300,000	0	0	0
Safe and Warm	2,441,890	2,163,929	0	0	0
Regeneration Mgmt & Admin	69,320	69,320	69,320	69,320	69,320
Re Roofing	789,012	750,000	0	0	0
Flat Roofing	50,000	50,000	0	0	0
Soffit and Fascia	207,511	100,000	0	0	0
House Fire Damage (Insurance)	64,359	0	0	0	0
	5,504,796	**5,598,249**	**4,508,249**	**4,508,249**	**5,208,249**
ICT Schemes	468,747	0	0	0	0
	468,747	**0**	**0**	**0**	**0**
New Bolsover Scheme (inc HLF)					
New Bolsover-Regeneration Scheme	5,924,870	0	0	0	0
	5,924,870	**0**	**0**	**0**	**0**
Total HRA	**18,102,043**	**8,370,749**	**4,869,249**	**4,980,082**	**5,404,249**
TOTAL CAPITAL EXPENDITURE	**22,801,341**	**11,907,199**	**6,589,449**	**8,017,282**	**7,285,074**

APPENDIX 4

CAPITAL PROGRAMME SUMMARY	Revised Budget 2018/19 £	Original Programme 2019/20 £	Original Programme 2020/21 £	Original Programme 2021/22 £	Original Programme 2022/23 £
Capital Financing					
General Fund					
Better Care Fund	(850,000)	(900,000)	(900,000)	(900,000)	(900,000)
Prudential Borrowing	(2,826,035)	(2,495,250)	(770,000)	(2,010,000)	(953,575)
Reserves	(899,651)	(141,200)	(50,200)	(127,200)	(27,250)
External Funding	(13,593)	0	0	0	0
Capital Receipts	(110,019)	0	0	0	0
	(4,699,298)	**(3,536,450)**	**(1,720,200)**	**(3,037,200)**	**(1,880,825)**
HRA					
Major Repairs Allowance	(10,528,870)	(5,098,249)	(4,008,249)	(4,008,249)	(4,708,249)
Prudential Borrowing	(3,828,982)	(1,820,000)	0	0	0
Vehicle Reserve	(22,897)	(172,500)	(361,000)	(471,833)	(196,000)
HRA Direct Revenue Financing	(500,000)	(500,000)	(500,000)	(500,000)	(500,000)
Capital Receipts	(594,963)	(780,000)	0	0	0
External Funding	(2,626,331)	0	0	0	0
	(18,102,043)	**(8,370,749)**	**(4,869,249)**	**(4,980,082)**	**(5,404,249)**
TOTAL CAPITAL FINANCING	**(22,801,341)**	**(11,907,199)**	**(6,589,449)**	**(8,017,282)**	**(7,285,074)**
Capital Reserves					
Major Repairs Reserve					
Opening Balance	(7,536,922)	(1,925,621)	(935,621)	(935,621)	(935,621)
Amount due in Year	(4,917,569)	(4,108,249)	(4,008,249)	(4,008,249)	(4,708,249)
Amount used in Year	10,528,870	5,098,249	4,008,249	4,008,249	4,708,249
Closing Balance	**(1,925,621)**	**(935,621)**	**(935,621)**	**(935,621)**	**(935,621)**
HRA Development Reserve					
Opening Balance	(265,171)	(1,265,171)	(2,265,171)	(3,765,171)	(5,665,171)
Amount due in Year	(1,000,000)	(1,000,000)	(1,500,000)	(1,900,000)	0
Amount used in Year	0	0	0	0	0
Closing Balance	**(1,265,171)**	**(2,265,171)**	**(3,765,171)**	**(5,665,171)**	**(5,665,171)**
HRA Vehicle Reserve					
Opening Balance	(352,822)	(329,925)	(237,425)	(56,425)	(4,592)
Amount due in Year	0	(80,000)	(180,000)	(420,000)	(285,000)
Amount used in Year	22,897	172,500	361,000	471,833	196,000
Closing Balance	**(329,925)**	**(237,425)**	**(56,425)**	**(4,592)**	**(93,592)**
Capital Receipts Reserve					
Opening Balance	(1,119,501)	(824,538)	(44,538)	(44,538)	(44,538)
Amount due in Year	(300,000)	0	0	0	0
Amount used in Year	594,963	780,000	0	0	0
Closing Balance	**(824,538)**	**(44,538)**	**(44,538)**	**(44,538)**	**(44,538)**
Debt Repayment Reserve					
Opening Balance	(12,082,225)	(12,082,225)	(12,082,225)	(12,082,225)	(10,082,225)
Amount due in Year	0	0	0	0	(2,000,000)
Amount used in Year	0	0	0	2,000,000	0
Closing Balance	**(12,082,225)**	**(12,082,225)**	**(12,082,225)**	**(10,082,225)**	**(12,082,225)**

Agenda Item Nos. 8, 9 &10

Bolsover District Council

Budget Scrutiny Committee

30 January 2019

Treasury Strategy Reports 2019/20 - 2022/23

Report of the Head of Finance and Resources

This report is public

Purpose of the Report

- To enable the Budget 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 From 2019/20, 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 from 2019/20 there is 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 2019/20 to 2022/23. 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. (Item 8)

1.4 The Capital Strategy is intended to 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 (Item 9).

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 investment income through commercial investments or by supporting local services by lending to or buying shares in other organisations (Item 10).

2 Conclusions and Reasons for Recommendation

2.1 This report outlines the Council's proposed suite of Treasury Strategies for the period 2019/20 to 2022/23 for consideration and approval by Council on 20 February 2019. 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 That the Budget 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 Indirectly
Links to Corporate Plan priorities or Policy Framework	All

8 Document Information

Appendix No	Title

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
Dawn Clarke Head of Finance and Resources	01246 217658

Agenda Item No

Bolsover District Council

Council

20 February 2019

Treasury Management Strategy 2019/20 - 2022/23

Report of Cllr B Watson, Portfolio Holder Finance and Resources and Renewable Energy

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 Treasury Management Strategy 2019/20 to 2022/23.

1 Report Details

1.1 Treasury risk management at the Authority 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 Authority to approve a Treasury Management Strategy before the start of each financial year. This report fulfils the Authority's legal obligation under the *Local Government Act 2003* to have regard to the CIPFA Code.

1.2 In previous years the Treasury Management Strategy contained information which included Capital Expenditure and Financing; the Minimum Revenue Provision policy and details on the Authority's investments and loans. From 2019/20 there is a requirement to produce three separate reports.

1.3 This report outlines the Authority's Treasury Management Strategy for the years 2019/20 to 2022/23 for consideration and approval by Council.

1.4 Investments held for service purposes or for commercial profit are considered in a different report, the Corporate Investment Strategy.

1.5 A further report, the Capital Strategy, sets out the Authority's Capital Expenditure programme and Minimum Revenue Provision policy (MRP).

Introduction

1.6 Treasury management is the management of the Authority's cash flows, borrowing and investments, and the associated risks. The Authority 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 Authority's prudent financial management.

External Context

1.7 **Economic background:** The UK's progress negotiating its exit from the European Union, together with its future trading arrangements, will continue to be a major influence on the Authority's Treasury Management Strategy for 2019/20.

1.8 UK Consumer Price Inflation (CPI) for October was 2.4%, slightly below the consensus forecast and broadly in line with the Bank of England's November Inflation Report. The most recent labour market data for October 2018 showed the unemployment rate edged up slightly to 4.1% while the employment rate of 75.7% was the joint highest on record. The 3-month average annual growth rate for pay excluding bonuses was 3.3% as wages continue to rise steadily and provide some pull on general inflation. Adjusted for inflation, real wages grew by 1.0%, a level still likely to have little effect on consumer spending.

1.9 The rise in quarterly GDP growth to 0.6% in Q3 from 0.4% in the previous quarter was due to weather-related factors boosting overall household consumption and construction activity over the summer following the weather-related weakness in Q1. At 1.5%, annual GDP growth continues to remain below trend. Looking ahead, the Bank of England, in its November Inflation Report, expects GDP growth to average around 1.75% over the forecast horizon, providing the UK's exit from the EU is relatively smooth.

1.10 Following the Bank of England's decision to increase Bank Rate to 0.75% in August, no change to monetary policy has been made since. However, the Bank expects that should the economy continue to evolve in line with its November forecast, further increases in Bank Rate will be required to return inflation to the 2% target. The Monetary Policy Committee continues to reiterate that any further increases will be at a gradual pace and limited in extent.

1.11 While US growth has slowed over 2018, the economy continues to perform robustly. The US Federal Reserve continued its tightening bias throughout 2018, pushing rates to the current 2%-2.25% in September. Markets continue to expect one more rate rise in December, but expectations are fading that the further hikes previously expected in 2019 will materialise as concerns over trade wars drag on economic activity.

1.12 **Credit outlook:** The big four UK banking groups have now divided their retail and investment banking divisions into separate legal entities under ring-fencing legislation. Bank of Scotland, Barclays Bank UK, HSBC UK Bank, Lloyds Bank, National Westminster Bank, Royal Bank of Scotland and Ulster Bank are the ring-fenced banks that now only conduct lower risk retail banking activities. Barclays Bank, HSBC Bank, Lloyds Bank Corporate Markets and NatWest Markets are the investment banks. Credit rating agencies have adjusted the ratings of some of these banks with the ring-fenced banks generally being better rated than their non-ring-fenced counterparts.

1.13 The Bank of England released its latest report on bank stress testing, illustrating that all entities included in the analysis were deemed to have passed the test once the levels of capital and potential mitigating actions presumed to be taken by management were factored in. The BoE did not require any bank to raise additional capital.

1.14 European banks are considering their approach to Brexit, with some looking to create new UK subsidiaries to ensure they can continue trading here. The credit strength of these new banks remains unknown, although the chance of parental support is assumed to be very high if ever needed. The uncertainty caused by protracted negotiations between the UK and EU is weighing on the creditworthiness of both UK and European banks with substantial operations in both jurisdictions.

1.15 **Interest rate forecast:** Following the increase in Bank Rate to 0.75% in August 2018, the Authority's treasury management adviser Arlingclose is forecasting two more 0.25% hikes during 2019 to take official UK interest rates to 1.25%. The Bank of England's Monetary Policy Committee has maintained expectations for slow and steady rate rises over the forecast horizon. The Monetary Policy Committee continues to have a bias towards tighter monetary policy but is reluctant to push interest rate expectations too strongly. Arlingclose believes that Monetary Policy Committee members consider both that ultra-low interest rates result in other economic problems, and that higher Bank Rate will be a more effective policy weapon should downside Brexit risks crystallise when rate cuts will be required.

1.16 The UK economic environment remains relatively soft, despite seemingly strong labour market data. Arlingclose's view is that the economy still faces a challenging outlook as it exits the European Union and Eurozone growth softens. Whilst assumptions are that a Brexit deal is struck and some agreement reached on transition and future trading arrangements before the UK leaves the EU, the possibility of a "no deal" Brexit still hangs over economic activity. As such, the risks to the interest rate forecast are considered firmly to the downside.

1.17 Gilt yields and hence long-term borrowing rates have remained at low levels but some upward movement from current levels is expected based on Arlingclose's interest rate projections, due to the strength of the US economy and the European Central Bank's forward guidance on higher rates. 10-year and 20-year gilt yields are forecast to remain around 1.7% and 2.2% respectively over the interest rate forecast horizon, however volatility arising from both economic and political events are likely to continue to offer borrowing opportunities.

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

1.19 For the purpose of setting the budget, it has been assumed that new investments will be made at an average rate of 0.75%.

Local Context

1.20 On 31st December 2018, the Authority held £102.1m of borrowing and £41.8m 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

	31.3.18 Actual £m	**31.3.19 Estimate £m**	**31.3.20 Forecast £m**	**31.3.21 Forecast £m**	**31.3.22 Forecast £m**	**31.3.23 Forecast £m**
General Fund CFR	8.4	10.9	12.4	12.2	13.1	12.7
HRA CFR	104.1	107.9	109.8	109.8	109.8	109.8
Total CFR	**112.5**	**118.8**	**122.2**	**122.0**	**122.9**	**122.5**
Less: External borrowing **	(102.1)	(102.1)	(99.1)	(97.1)	(93.4)	(89.4)
Internal borrowing	**10.4**	**16.7**	**23.10**	**24.9**	**29.5**	**33.1**
Less: Usable reserves	(39.7)	(39.7)	(39.7)	(39.7)	(39.7)	(39.7)
Less: Working capital (balance)	(6.7)	(6.7)	(6.7)	(6.7)	(6.7)	(6.7)
Investments	**36.0**	**29.7**	**23.3**	**21.5**	**16.9**	**13.3**

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

1.21 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 Authority's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.

1.22 The Authority has an increasing CFR due to the capital programme, but reducing investments and may therefore be required to borrow by the beginning of 2021/22 based on the most recent forecast.

1.23 **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

	31.3.18 Actual £m	31.3.19 Estimate £m	31.3.20 Forecast £m	31.3.21 Forecast £m	31.3.22 Forecast £m	31.3.23 Forecast £m
CFR	**112.5**	**118.8**	**122.2**	**122.0**	**122.9**	**122.5**
Less: Usable reserves	(39.7)	(39.7)	(39.7)	(39.7)	(39.7)	(39.7)
Less: Working capital	(6.7)	(6.7)	(6.7)	(6.7)	(6.7)	(6.7)
Plus: Minimum investments	10	10	10	10	10	10
Liability Benchmark	**76.1**	**82.4**	**85.8**	**85.6**	**86.5**	**86.1**

Borrowing Strategy

1.24 The Authority currently holds £102.1m of loans, as part of its strategy for funding previous years' capital programmes. The balance sheet forecast in table 1 shows that the Authority anticipates borrowing during 2021/22 but does not expect to need to borrow in 2019/20. The Authority may also borrow additional sums to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of £131.9m.

1.25 **Objectives:** The Authority'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 Authority's long-term plans change is a secondary objective.

1.26 **Strategy:** Given the significant cuts to public expenditure and in particular to local government funding, the Authority'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.

1.27 By doing so, the Authority 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 Authority with this ‘cost of carry’ and breakeven analysis. Its output may determine whether the Authority borrows additional sums at long-term fixed rates in 2019/20 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

1.28 Alternatively, the Authority may arrange forward starting loans during 2019/20, 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 Authority 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:

- Public Works Loan Board (PWLB) and any successor body
- any institution approved for investments (see below)
- any other bank or building society authorised to operate in the UK
- 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 Authority 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 plans to issue bonds on the capital markets and lend the proceeds to local authorities.

This will be a more complicated source of finance than the PWLB for two reasons: borrowing authorities will be required to provide bond investors with a joint and several guarantee to refund their investment in the event that the agency is unable to for any reason; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report to Council.

1.34 **LOBOs:** The Authority 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 Authority 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.

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 Authority 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 Management Investment Strategy

1.37 The Authority holds an average of £38m invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Authority's investment balance has ranged between £33m and £42m, and similar levels are expected to be maintained in the forthcoming year.

1.38 **Objectives:** The CIPFA Code requires the Authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority'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 Authority 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:** If the UK enters into a recession in 2019/20, there is a small chance that the Bank of England could set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options. This situation already exists in many other European countries. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.

1.41 **Strategy:** Given the increasing risk and very low returns from short-term unsecured bank investments, the Authority aims to diversify into more secure and higher yielding asset classes during 2019/20. This is especially the case for the estimated £10m that is available for longer-term investment. The majority of the Authority's surplus cash is currently invested in short-term unsecured bank deposits, short term fixed deposits with local authorities and money market funds. This diversification will represent a substantial change in strategy over the coming year

1.42 **Business models:** Under the new IFRS 9 standard, the accounting for certain investments depends on the Authority's "business model" for managing them. The Authority 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 Authority 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

Credit rating	Banks unsecured	Banks secured	Government	Corporates	Registered Providers
UK Govt	n/a	n/a	£ Unlimited 50 years	n/a	n/a
AAA	£5m 5 years	£5m 20 years	£5m 50 years	£5m 20 years	£1m 20 years
AA+	£5m 5 years	£5m 10 years	£5m 25 years	£5m 10 years	£1m 10 years
AA	£5m 4 years	£5m 5 years	£5m 15 years	£5m 5 years	£1m 10 years
AA-	£5m 3 years	£5m 4 years	£5m 10 years	£5m 4 years	£1m 10 years
A+	£2.5m 2 years	£5m 3 years	£5m 5 years	£2.5m 3 years	£1m 5 years
A	£2.5m 13 months	£5m 2 years	£5m 5 years	£2.5m 2 years	£1m 5 years
A-	£2.5m 6 months	£5m 13 months	£5m 5 years	£2.5m 13 months	£1m 5 years
None	n/a	n/a	£5m 25 years	n/a	£1m 5 years
Pooled funds and real estate investment trusts	£5m per fund				

1.44 **Credit rating:** Investment limits are set by reference to the lowest published long-term credit rating from a selection of external rating agencies. 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 **Banks unsecured:** Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.

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

1.47 **Government:** Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities, Parish Councils 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 Central Government may be made in unlimited amounts for up to 50 years.

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

1.49 **Registered providers:** Loans and bonds issued by, guaranteed by or secured on the assets of registered providers of social housing and registered social landlords, formerly known as housing associations. These bodies are tightly regulated by the Regulator of Social Housing. As providers of public services, they retain the likelihood of receiving government support if needed.

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

1.51 Bond, equity and property funds 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.

1.53 **Operational bank accounts:** The Authority may incur operational exposures, for example through current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments, but are still subject to the risk of a bank bail-in, and balances will therefore be kept below £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 Authority maintaining operational continuity.

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

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

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

1.56 **Other information on the security of investments**: The Authority 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 Authority'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.

1.57 When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Authority 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 Authority's cash balances, then the surplus will be deposited with the UK Government via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.

1.58 **Investment limits**: In order to minimise investments that 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 £5m. A group of banks under the same ownership will be treated as a single organisation for limit purposes. Limits will also be placed on fund managers, investments in brokers' nominee accounts, foreign countries and industry sectors as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

Table 4: Investment limits

	Cash limit
Any single organisation, except the UK Central Government	£5m each
UK Central Government	unlimited
Any group of organisations under the same ownership	£5m per group
Any group of pooled funds under the same management	£10m per manager
Foreign countries	£5m per country
Registered providers and registered social landlords	£10m in total

Unsecured investments with building societies	£5m per society
Loans to unrated corporates	£5m in total
Money market funds	£30m in total
Real estate investment trusts	£5m in total
Lloyds Bank (as providers of operational banking services)	£5m overnight

1.59 **Liquidity management**: The Authority 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 Authority being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Authority's medium-term financial plan and cash flow forecast.

Treasury Management Indicators

1.60 The Authority measures and manages its exposures to treasury management risks using the following indicators:

1.61 **Interest rate exposures**: This indicator is set to control the Authority'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	£60,418
Upper limit on one-year revenue impact of a 1% fall in interest rates	(£60,418)

1.62 The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at current rates.

1.63 **Maturity structure of borrowing:** This indicator is set to control the Authority's exposure to refinancing risk. This indicator used to be for fixed rate borrowing only but now includes all borrowing. 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	40%	0%
24 months and within 5 years	60%	0%
5 years and within 10 years	80%	0%
10 years and above	100%	0%

1.64 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.

1.65 **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	2019/20	2020/21	2021/22	2022/23
Limit on principal invested beyond year end	£5m	£4m	£3m	£2m

Related Matters

1.66 The CIPFA Code requires the Authority to include the following in its treasury management strategy.

1.67 **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).

1.68 The Authority 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 Authority 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.

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

1.70 **Housing Revenue Account:** The Authority completed the HRA self-financing settlement in March 2012 which resulted in an increase in housing debt of £94.386m. Within the HRA business plan and HRA budgets there is a sum set-aside to repay the outstanding debt, this amount is variable dependant on the level of available resources within the HRA each year. The Debt Repayment Reserve will be used to repay the debt arising from the self-financing settlement. For the period 2018/19 to 2021/22 no contribution will be made to the Debt Repayment

Reserve. The amount that was going to be put into this Reserve will now be used in the capital programme to fund further B@home new build schemes.

1.71 **Markets in Financial Instruments Directive**: The Authority 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 Authority's treasury management activities, the Chief Financial Officer believes this to be the most appropriate status.

2 Conclusions and Reasons for Recommendation

2.1 This report outlines the Council's proposed Treasury Management Strategy for the period 2019/20 to 2022/23 for consideration and approval by Council. It fulfils the following key requirements:

- The Treasury Management Strategy sets out the parameters for all borrowing and lending associated with the day to day treasury management of the Council's cash flow requirements.
- Within the strategy the Council is required to include a number of prudential indicators covering future financial years which show the impact of changes in the level of the Council's debt on its revenue accounts.
- The report also includes a Treasury Management Investment strategy which sets out the Council's criteria for choosing investment counterparties and limiting exposure to the risk of loss.

The above policies and parameters 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 The CIPFA Code does not prescribe any particular Treasury Management Strategy for local authorities to adopt. The Chief Financial Officer 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
Alternative	**Impact on income and expenditure**	**Impact on risk management**
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

5 Implications

5.1 Finance and Risk Implications

5.1.1 The budget for investment income in 2019/20 is £258,884 GF; £21,750 HRA, based on an average investment portfolio of £33m at an interest rate of 0.75%. The budget for debt interest paid in 2019/20 is £1,087,636 GF, £3,513,950 HRA, based on an average debt portfolio of £102m at an average interest rate of 3.57%. If actual levels of investments and borrowing, or actual interest rates, differ from those forecast, performance against budget will be correspondingly different.

5.1.2 Risk is 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 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 as set out in this report and in particular:

a) Approve the Borrowing Strategy as set out in Sections **1.24 – 1.36** of this report.

b) Approve the Treasury Management Investment Strategy as set out in Sections **1.37 – 1.59** of this report.

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 under section **1.43 – 1.58** before any investment is undertaken.

d) Approve the Prudential Indicators as set out in Sections **1.60 – 1.65**.

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*	N/A
Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In)	N/A
Has the relevant Portfolio Holder been informed	Yes
District Wards Affected	N/A
Links to Corporate Plan priorities or Policy Framework	This Treasury Management Strategy is an integral part of the Council's Medium Term Financial Plan which links our financial position to the Corporate Plan and our other service strategies.

8 Document Information

Appendix No	Title
A B	Economic & Interest Rate Forecast Existing Investment & Debt Portfolio Position
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)	
Finance Section	
Report Author	**Contact Number**
Chief Accountant Principal Accountant	01246 242458 01246 242459

Appendix A

Economic & Interest Rate Forecast (Arlingclose October 2018)

Underlying assumptions:

- Our central interest rate forecasts are predicated on there being a transitionary period following the UK's official exit from the EU.

- The Monetary Policy Committee has a bias towards tighter monetary policy but is reluctant to push interest rate expectations too strongly. We believe that Monetary Policy Committee members consider that: 1) tight labour markets will prompt inflationary pressure in the future, 2) ultra-low interest rates result in other economic problems, and 3) higher Bank Rate will be a more effective policy weapon if downside risks to growth crystallise.

- Both our projected outlook and the increase in the magnitude of political and economic risks facing the UK economy means we maintain the significant downside risks to our forecasts, despite the potential for slightly stronger growth next year as business investment rebounds should the EU Withdrawal Agreement be approved. The potential for severe economic outcomes has increased following the poor reception of the Withdrawal Agreement by MPs. We expect the Bank of England to hold at or reduce interest rates from current levels if Brexit risks materialise.

- The UK economic environment is relatively soft, despite seemingly strong labour market data. GDP growth recovered somewhat in the middle quarters of 2018, but more recent data suggests the economy slowed markedly in Q4. Our view is that the UK economy still faces a challenging outlook as the country exits the European Union and Eurozone economic growth softens.

- Cost pressures are easing but inflation is forecast to remain above the Bank's 2% target through most of the forecast period. Lower oil prices have reduced inflationary pressure, but the tight labour market and decline in the value of sterling means inflation may remain above target for longer than expected.

- Global economic growth is slowing. Despite slower growth, the European Central Bank is conditioning markets for the end of QE, the timing of the first rate hike (2019) and their path thereafter. More recent US data has placed pressure on the Federal Reserve to reduce the pace of monetary tightening – previous hikes and heightened expectations will, however, slow economic growth.

- Central bank actions and geopolitical risks have and will continue to produce significant volatility in financial markets, including bond markets.

Forecast:

- The Monetary Policy Committee has maintained expectations of a slow rise in interest rates over the forecast horizon, but recent events around Brexit have dampened interest rate expectations. Our central case is for Bank Rate to rise twice in 2019, after the UK exits the EU. The risks are weighted to the downside.

- Gilt yields have remained at low levels. We expect some upward movement from current levels based on our central case that the UK will enter a transitionary period following its EU exit in March 2019. However, our projected weak economic outlook and volatility arising from both economic and political events will continue to offer borrowing opportunities.

	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Average
Official Bank Rate														
Upside risk	0.00	0.00	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	**0.17**
Arlingclose Central Case	**0.75**	**0.75**	**1.00**	**1.00**	**1.25**	**1.25**	**1.25**	**1.25**	**1.25**	**1.25**	**1.25**	**1.25**	**1.25**	**1.13**
Downside risk	0.00	-0.50	-0.75	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	**-0.85**
3-mth money market rate														
Upside risk	0.10	0.10	0.10	0.10	0.15	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	**0.17**
Arlingclose Central Case	**0.90**	**0.95**	**1.10**	**1.30**	**1.40**	**1.40**	**1.40**	**1.35**	**1.35**	**1.35**	**1.35**	**1.35**	**1.35**	**1.27**
Downside risk	-0.20	-0.45	-0.60	-0.80	-0.90	-0.90	-0.90	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	**-0.76**
1-yr money market rate														
Upside risk	0.20	0.30	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	**0.33**
Arlingclose Central Case	**1.15**	**1.25**	**1.35**	**1.50**	**1.70**	**1.60**	**1.50**	**1.40**	**1.35**	**1.35**	**1.35**	**1.35**	**1.35**	**1.40**
Downside risk	-0.35	-0.50	-0.60	-0.80	-0.90	-0.90	-0.90	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	**-0.77**
5-yr gilt yield														
Upside risk	0.25	0.30	0.30	0.35	0.35	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	**0.37**
Arlingclose Central Case	**1.15**	**1.25**	**1.35**	**1.50**	**1.50**	**1.40**	**1.35**	**1.35**	**1.30**	**1.30**	**1.30**	**1.30**	**1.30**	**1.33**
Downside risk	-0.50	-0.60	-0.65	-0.80	-0.80	-0.70	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	**-0.66**
10-yr gilt yield														
Upside risk	0.25	0.30	0.30	0.35	0.35	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	**0.37**
Arlingclose Central Case	**1.50**	**1.65**	**1.70**	**1.80**	**1.80**	**1.75**	**1.75**	**1.70**	**1.70**	**1.70**	**1.70**	**1.70**	**1.70**	**1.70**
Downside risk	-0.55	-0.70	-0.70	-0.80	-0.80	-0.75	-0.75	-0.70	-0.70	-0.70	-0.70	-0.70	-0.70	**-0.71**
20-yr gilt yield														
Upside risk	0.25	0.30	0.30	0.35	0.35	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	**0.37**
Arlingclose Central Case	**2.00**	**2.10**	**2.20**	**2.20**	**2.20**	**2.20**	**2.20**	**2.20**	**2.20**	**2.20**	**2.20**	**2.20**	**2.20**	**2.18**
Downside risk	-0.60	-0.70	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	**-0.73**
50-yr gilt yield														
Upside risk	0.25	0.30	0.30	0.35	0.35	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	**0.37**
Arlingclose Central Case	**1.90**	**1.95**	**2.00**	**2.00**	**2.00**	**2.00**	**2.00**	**2.00**	**2.00**	**2.00**	**2.00**	**2.00**	**2.00**	**1.99**
Downside risk	-0.60	-0.70	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	**-0.73**

PWLB Certainty Rate (Maturity Loans) = Gilt yield + 0.80%
PWLB Infrastructure Rate (Maturity Loans) = Gilt yield + 0.60%

Appendix B

Existing Investment & Debt Portfolio Position

	31.12.18 Actual Portfolio £m	31.12.18 Average Rate %
External borrowing:		
Public Works Loan Board	102.1	3.57%
Total external borrowing	**102.1**	**3.57%**
Other long-term liabilities:		
Finance Leases	0	0
Total other long-term liabilities	**0**	**0**
Total gross external debt	**102.1**	**3.57%**
Treasury investments:		
Banks & building societies (unsecured)	5.0	0.95%
Government (incl. local authorities)	20.5	0.82%
Money Market Funds	16.3	0.74%
Total treasury investments	**41.8**	**0.84%**
Net debt	**60.3**	

Agenda Item No

Bolsover District Council

Council

20 February 2019

Capital Strategy 2019/20 - 2022/23

Report of Cllr B Watson, Portfolio Holder Finance and Resources and Renewable Energy

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 Capital Strategy 2019/20 to 2022/23.

1 Report Details

1.1 The Capital Strategy is a new report introduced by the 2017 edition of the Prudential Code which is intended to give a high level, concise and comprehensible overview to all elected members of how capital expenditure, capital financing and treasury management activity, contribute to the provision of the Authority's services. The report also provides an overview of the associated risk, its management and the implications for future financial sustainability.

1.2 This Capital Strategy report outlines the Authority's Capital Expenditure programme and Minimum Revenue Provision policy (MRP) for the years 2019/20 to 2022/23 for consideration and approval by Council before the start of each financial year.

1.3 Investments held for service purposes or for commercial profit are considered in a different report, the Corporate Investment Strategy.

1.4 A further report, the Treasury Management Strategy, details the Authority's plans to invest cash surpluses and borrow to cover cash shortfalls.

Introduction

1.5 This Capital Strategy is a new report for 2019/20, giving 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.

Capital Expenditure and Financing

1.6 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 2019/20, the Council is planning capital expenditure of £11.907m as summarised below:

Table 1: Prudential Indicator: Estimates of Capital Expenditure

	2017/18 actual £m	2018/19 forecast £m	2019/20 budget £m	2020/21 budget £m	2021/22 budget £m	2022/23 budget £m
General Fund services	2.555	2.895	1.837	1.720	3.037	1.881
Council housing (HRA)	14.275	18.102	8.371	4.869	4.980	5.404
Capital investments	0.045	1.804	1.699	0	0	0
TOTAL	16.875	22.801	11.907	6.589	8.017	7.285

1.7 The main General Fund capital projects for 2019/20 include Grants for Disabled Facilities £0.900m and the purchase of Vehicles and Plant £0.536m. The Council also plans to incur £1.699m of capital expenditure on investments in 2019/20.

1.8 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, and includes the building of 30 new homes during the current financial year.

1.9 **Governance**: Projects are included in the Council's capital programme usually as a result of a committee report throughout the year. The vehicle replacement programme is updated each year and the new requirements are included in the revised capital programme. The final capital programme is then presented to Executive and Council in February each year.

- For full details of the Council's capital programme see **Appendix A** to this report.

1.10 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: Capital financing

	2017/18 actual £m	2018/19 forecast £m	2019/20 budget £m	2020/21 budget £m	2021/22 budget £m	2022/23 budget £m
External sources	2.443	3.490	0.900	0.900	0.900	0.900
Own resources	9.079	12.656	6.692	4.919	5.107	5.431
Debt	5.353	6.655	4.315	0.770	2.010	0.954
TOTAL	**16.875**	**22.801**	**11.907**	**6.589**	**8.017**	**7.285**

1.11 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

	2017/18 actual £m	2018/19 forecast £m	2019/20 budget £m	2020/21 budget £m	2021/22 budget £m	2022/23 budget £m
MRP	0.714	0.706	0.890	0.999	1.087	1.162
Capital receipts	2.128	0	0	0	0	0
TOTAL	**2.842**	**0.706**	**0.890**	**0.999**	**1.087**	**1.162**

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

1.12 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 £3.425m during 2019/20. 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

	31.3.2018 actual £m	31.3.2019 forecast £m	31.3.2020 budget £m	31.3.2021 budget £m	31.3.2022 budget £m	31.3.2023 budget £m
General Fund services	8.313	8.879	10.439	11.909	12.832	12.440
Council housing (HRA)	104.234	107.963	109.783	109.783	109.783	109.783
Capital investments	0	1.653	1.699	0	0	0
TOTAL CFR	**112.547**	**118.495**	**121.921**	**121.692**	**122.615**	**122.407**

1.13 **Asset management:** To ensure that capital assets continue to be of long-term use, the Council has an asset management strategy in place. The Council developed this strategy to set the context for the Corporate Asset Management Plan. The purpose of the plan is to manage the Council's corporate property and land portfolio effectively by providing buildings that meet the needs of the service, which are fit for purpose, sustainable, allow access for all, underpin corporate priorities and provide value for money

- The Council's asset management strategy can be found on the data transparency area of our website, www.bolsover.gov.uk

1.14 **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 has produced a Disposal and Acquisition Policy which documents the method and approval route for the disposal of an asset. The Council has not identified any specific sites for disposal and does not set budgets for receipts due to the uncertain nature of disposals, but a target to receive £150,000 of capital receipts in the coming financial year has been set as follows:

Table 5: Capital receipts

	2017/18 actual £m	2018/19 forecast £m	2019/20 budget £m	2020/21 budget £m	2021/22 budget £m	2022/23 budget £m
Asset sales	0.222	0.100	0.150	0	0	0

Treasury Management

1.15 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.

1.16 Due to decisions taken in the past, the Council currently has £102.1m borrowing at an average interest rate of 3.57% and £41.8m treasury investments at an average rate of 0.84%.

1.17 **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 0.75%) and long-term fixed rate loans where the future cost is known but higher (currently 2.0 to 3.0%).

1.18 Projected levels of the Council's total outstanding debt are shown below, compared with the capital financing requirement (see above).

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

	31.3.2018 actual £m	**31.3.2019 forecast £m**	**31.3.2020 budget £m**	**31.3.2021 budget £m**	**31.3.2022 budget £m**	**31.3.2023 budget £m**
Debt	102.906	102.665	99.700	97.700	93.700	90.300
Capital Financing Requirement	112.547	118.495	121.921	121.692	122.615	122.407

1.19 Statutory guidance is 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.

1.20 **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 that cash and investment balances are kept to a minimum level of £10m at each year-end. This benchmark is currently £82.4m and is forecast to rise to £86.1m over the next four years. The table below shows that the Council expects to remain borrowed above its liability benchmark.

Table 7: Borrowing and the Liability Benchmark

	31.3.2018 actual £m	31.3.2019 forecast £m	31.3.2020 budget £m	31.3.2021 budget £m	31.3.2022 budget £m	31.3.2023 budget £m
Outstanding PWLB borrowing	102.1	102.1	99.1	97.1	93.4	89.4
Liability benchmark	76.1	82.4	85.8	85.6	86.5	86.1

1.21 **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

	2018/19 limit £m	2019/20 limit £m	2020/21 limit £m	2021/22 limit £m	2022/23 limit £m
Authorised limit	128.495	131.921	131.692	132.615	132.407
Operational boundary	123.495	126.921	126.692	127.615	127.407

- Further details on borrowing are in paragraphs 1.24 to 1.36 of the Treasury Management Strategy.

1.22 **Corporate 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.

1.23 The Council's policy on treasury investments is to prioritise security and liquidity over yield. That 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

	31.3.2018 actual £m	31.3.2019 forecast £m	31.3.2020 budget £m	31.3.2021 budget £m	31.3.2022 budget £m	31.3.2022 budget £m
Near-term investments	36.0	29.7	23.3	21.5	16.9	13.3
Longer-term investments	0	0	0	0	0	0
TOTAL	**36.0**	**29.7**	**23.3**	**21.5**	**16.9**	**13.3**

- Further details on treasury investments are in paragraphs 1.37 to 1.59 of the Treasury Management Strategy.

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 Executive. The Audit committee is responsible for scrutinising treasury management decisions.

Investments for Service Purposes

1.25 The Council makes investments to assist local public services, including making loans to parish/town councils or local community organisations 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.

1.26 **Governance:** Decisions on service investments are made by the relevant service manager and submitted to Council/Executive in consultation with the Chief Finance Officer and must meet the criteria and limits laid down in the Corporate Investment Strategy. Most loans and shares are capital expenditure and purchases will therefore also be approved as part of the capital programme.

- Further details on service investments are in paragraphs 1.10 to 1.18 of the Corporate Investment strategy.

Commercial Activities

1.27 With central government financial support for local public services declining, the Council is developing a Commercial Property Investment Strategy based around expanding its existing non-housing property portfolio. This is in order to develop revenue streams that provide a required level of return to offset the forecast budget deficits for forthcoming years. This approach can also support economic development and regeneration in the District through targeted investment.

1.28 With financial return being the main objective, the Council accepts higher risk on commercial investment than with treasury investments. The financial viability of each individual potential investment opportunity will be fully assessed within a comprehensive business case. In order to reflect the potential risk that may arise as a consequence of undertaking commercial property investment and provide a sufficient financial contribution to the Council's General Fund. A minimum Internal Rate of Return (IRR) will be set in the Commercial Property Investment Strategy.

1.29 **Governance:** It is acknowledged that commercial investment opportunities may require agile and quick decision making. However, in order to ensure appropriate governance arrangements are maintained, investment decisions will be made in accordance with the Council's existing decision making process, threshold levels and Scheme of Delegation contained within the Council's Constitution. Where it is not possible to wait until the next Executive and/or Council meeting, an extra-ordinary meeting will be arranged as soon as practicably possible.

- Further details on commercial investments and limits on their use are in paragraphs 1.19 to 1.23 of the Corporate Investment Strategy.

- Further details on the risk management of commercial investments are in the Commercial Property Investment Strategy

<u>Liabilities</u>

1.30 In addition to debt of £102.665m detailed above, the Council is committed to making future payments to cover its net pension fund deficit (valued at £39.9m). It has also set aside £3.2m to cover risks of future legal costs, Single Status and Business Rates Appeals. (All figures are as at 31/3/18)

1.31 **Governance:** Decisions on incurring new discretional liabilities are taken to Council for approval. The risk of liabilities crystallising and requiring payment is monitored as part of the year-end process.

- Further details on liabilities are in note 21 and 38 of the 2017/18 Statement of Accounts document, which is available on our website.

<u>Revenue Budget Implications</u>

1.32 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

	2017/18 actual	**2018/19 forecast**	**2019/20 budget**	**2020/21 budget**	**2021/22 budget**	**2022/23 budget**
Financing costs (£m)	0.749	0.636	0.829	0.968	1.102	1.223
Proportion of net revenue stream	6.91%	5.67%	8.20%	9.88%	10.68%	11.30%

1.33 **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

1.34 The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the Chief Finance Officer is a qualified accountant, the Head of Service – Property and Estates is a member of the Chartered Institute of Building (MCIOB)

1.35 Where Council staff 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 advisors. 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.

Treasury Management Operations

1.36 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 free places at training events offered on a regular basis.
- Credit ratings/market information service, comprising the three main credit rating agencies;

1.37 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 3 years commencing October 2016.

1.38 It is important that both Members and Officers dealing with treasury management are trained and kept up to date with current developments. This Council has addressed these requirements by:

a. Members' individual training and development needs are addressed by a Member Development Programme.
b. Officers attend training seminars held by the external treasury management advisors and CIPFA.

Banking Contract

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

2 Conclusions and Reasons for Recommendation

2.1 This report outlines the Council's proposed Capital Strategy for the period 2019/20 to 2022/23 for consideration and approval by Council. It fulfils three key requirements:

- The Council is required to determine a policy on the repayment of its debt each year through the Minimum Revenue Provision (MRP). The MRP is the amount of debt being repaid and is a charge on the revenue accounts of the Council.

- The Capital Expenditure Strategy sets out the Council's Capital Expenditure Programme for the medium term and covers how this expenditure will be financed.

- Within the strategy the Council is required to include a number of prudential indicators covering the next three financial years (we include four) which show the impact of the changes in the level of the Council's debt on its revenue accounts.

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 report.

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 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 Capital Strategy as set out in this report and in particular:

a) Approve the Capital Financing Requirement as summarised in **Table 4** of this report.

b) Approve the Minimum Revenue Provision Statement for 2019/20 as set out in **Appendix B** to this report.

c) Approve the Prudential Indicators for 2019/20 detailed throughout the report, in particular:

Authorised Borrowing Limit	£131,921,000
Operational Boundary	£126,921,000
Capital Financing Requirement	£121,921,000

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* ☐	N/A

☑ *Please indicate which threshold applies*	
Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In)	N/A
Has the relevant Portfolio Holder been informed	Yes
District Wards Affected	N/A
Links to Corporate Plan priorities or Policy Framework	This Capital Strategy is part of the Treasury Management suite of reports. This is an integral part of the Council's Medium Term Financial Plan which links our financial position to the Corporate Plan and our other service strategies.

8 **Document Information**

Appendix No	Title
A B	Capital Programme MRP Statement
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)	
Finance Section	

Report Author	Contact Number
Chief Accountant Principal Accountant	01246 242458 01246 242459

APPENDIX A

CAPITAL PROGRAMME SUMMARY	Revised Budget 2018/19 £	Original Programme 2019/20 £	Original Programme 2020/21 £	Original Programme 2021/22 £	Original Programme 2022/23 £
General Fund					
AMP - PV Mills	84,463	0	0	0	0
AMP - The Arc	76,726	0	0	0	0
AMP - Emercency Lighting	20,000	0	0	0	0
AMP - Leisure Buildings	12,010	0	0	0	0
AMP - Riverside Depot	2,515	0	0	0	0
AMP - The Tangent	3,537	0	0	0	0
AMP - Investment Properties	745	0	0	0	0
AMP - Refurbishment Work	30,653	260,000	260,000	260,000	260,000
Refurbishment - Oxcroft House	27,500	0	0	0	0
Refurbishment - 3 Cotton St Bolsover	4,376	0	0	0	0
Shirebrook Contact Centre	282,453	0	0	0	0
Pleasley Vale Mill 1 - Dam Wall	121,470	0	0	0	0
Car Parking at Clowne - Additional	135,200	0	0	0	0
Security and CCTV at Pleasley Vale	27,487	0	0	0	0
The Tangent - Phase 2	57,900	0	0	0	0
PV Resurfacing Works	95,100	0	0	0	0
PV Mansafe System	74,511	0	0	0	0
PV Fire Compartmentation & Fire Doors	102,935	0	0	0	0
Can Ranger Expansion	35,000	0	0	0	0
	1,194,581	**260,000**	**260,000**	**260,000**	**260,000**
Project Horizon					
Clowne Campus - Refurbishment	23,076	0	0	0	0
	23,076	**0**	**0**	**0**	**0**
ICT Schemes					
ICT infrastructure	114,439	141,200	50,200	127,200	27,250
	114,439	**141,200**	**50,200**	**127,200**	**27,250**
Leisure Schemes					
P Vale Outdoor Education Centre	34,322	0	0	0	0
Clowne Leisure Facility	65,422	0	0	0	0
Go Active Equipment	15,000	0	0	0	0
Replacement Astro Turf Pitch	0	0	50,000	0	0
Gym Equipment & Spin Bikes	0	0	0	365,000	0
Kitchen & Associated Equipment	0	0	0	20,000	0
	114,744	**0**	**50,000**	**385,000**	**0**
Private Sector Schemes					
Disabled Facility Grants	850,000	900,000	900,000	900,000	900,000
Group Repair	2,674	0	0	0	0
Carr Vale Group Repair	9,579	0	0	0	0
Station Road Shirebrook	1,340	0	0	0	0
	863,593	**900,000**	**900,000**	**900,000**	**900,000**
Joint Venture					
Dragonfly Joint Venture Shares	333,741	188,750	0	0	0
Dragonfly Joint Venture Loan	1,469,929	1,510,000	0	0	0
	1,803,670	**1,698,750**	**0**	**0**	**0**
Vehicles and Plant					
Vehicle Replacements	466,195	524,500	460,000	1,365,000	693,575
Vehicle Lift for Garage	40,000	12,000	0	0	0
Vehicle Wash Area	70,000	0	0	0	0
8 x Hedge cutters	4,000	0	0	0	0
10 x Strimmers	5,000	0	0	0	0
	585,195	**536,500**	**460,000**	**1,365,000**	**693,575**

APPENDIX A

CAPITAL PROGRAMME SUMMARY	Revised Budget 2018/19 £	Original Programme 2019/20 £	Original Programme 2020/21 £	Original Programme 2021/22 £	Original Programme 2022/23 £
Total General Fund	**4,699,298**	**3,536,450**	**1,720,200**	**3,037,200**	**1,880,825**
Housing Revenue Account					
New Build Properties					
Rogers Ave Creswell	980	0	0	0	0
Blackwell Hotel Site	11,175	0	0	0	0
Fir Close Shirebrook	10,540	0	0	0	0
Derwent Drive Tibshelf	31,195	0	0	0	0
Recreation Close Clowne	536,243	0	0	0	0
Hilltop	1,750,458	0	0	0	0
Ash Close Pinxton	934,396	0	0	0	0
Elm Close Pinxton	592,428	0	0	0	0
Lime Close Pinxton	355,243	0	0	0	0
Beech Grove South Normanton	262,886	0	0	0	0
Leamington Drive South Normanton	437,699	0	0	0	0
St Michaels Drive South Normanton	300,000	0	0	0	0
Highcliffe Ave Shirebrook	189,285	0	0	0	0
The Paddock Bolsover	78,205	1,900,000	0	0	0
Keepmoat Properties at Bolsover	690,000	700,000	0	0	0
	6,180,733	**2,600,000**	**0**	**0**	**0**
Vehicle Replacements	22,897	172,500	361,000	471,833	196,000
	22,897	**172,500**	**361,000**	**471,833**	**196,000**
Public Sector Housing					
Unallocated Major Repairs Reserve	861,695	0	3,938,929	3,938,929	4,638,929
Unallocated Direct Revenue Funding	0	0	500,000	500,000	500,000
External Wall Insulation	12,314	0	0	0	0
Electrical Upgrades	208,625	200,000	0	0	0
Ashbourne Court Extension	10,000	1,490,000	0	0	0
Welfare Adaptations	0	175,000	0	0	0
Cavity Wall + Loft Insulation	4,692	0	0	0	0
External Door Replacements	259,459	50,000	0	0	0
Heating Upgrades	85,138	0	0	0	0
Environmental Works	7,834	50,000	0	0	0
Reactive Capital Works	165,690	200,000	0	0	0
Kitchen Replacements - Decent Homes	267,257	300,000	0	0	0
Safe and Warm	2,441,890	2,163,929	0	0	0
Regeneration Mgmt & Admin	69,320	69,320	69,320	69,320	69,320
Re Roofing	789,012	750,000	0	0	0
Flat Roofing	50,000	50,000	0	0	0
Soffit and Fascia	207,511	100,000	0	0	0
House Fire Damage (Insurance)	64,359	0	0	0	0
	5,504,796	**5,598,249**	**4,508,249**	**4,508,249**	**5,208,249**
ICT Schemes	468,747	0	0	0	0
	468,747	**0**	**0**	**0**	**0**
New Bolsover Scheme (inc HLF)					
New Bolsover-Regeneration Scheme	5,924,870	0	0	0	0
	5,924,870	**0**	**0**	**0**	**0**
Total HRA	**18,102,043**	**8,370,749**	**4,869,249**	**4,980,082**	**5,404,249**
TOTAL CAPITAL EXPENDITURE	**22,801,341**	**11,907,199**	**6,589,449**	**8,017,282**	**7,285,074**

APPENDIX A

CAPITAL PROGRAMME SUMMARY	Revised Budget 2018/19 £	Original Programme 2019/20 £	Original Programme 2020/21 £	Original Programme 2021/22 £	Original Programme 2022/23 £
Capital Financing					
General Fund					
Better Care Fund	(850,000)	(900,000)	(900,000)	(900,000)	(900,000)
Prudential Borrowing	(2,826,035)	(2,495,250)	(770,000)	(2,010,000)	(953,575)
Reserves	(899,651)	(141,200)	(50,200)	(127,200)	(27,250)
External Funding	(13,593)	0	0	0	0
Capital Receipts	(110,019)	0	0	0	0
	(4,699,298)	**(3,536,450)**	**(1,720,200)**	**(3,037,200)**	**(1,880,825)**
HRA					
Major Repairs Allowance	(10,528,870)	(5,098,249)	(4,008,249)	(4,008,249)	(4,708,249)
Prudential Borrowing	(3,828,982)	(1,820,000)	0	0	0
Vehicle Reserve	(22,897)	(172,500)	(361,000)	(471,833)	(196,000)
HRA Direct Revenue Financing	(500,000)	(500,000)	(500,000)	(500,000)	(500,000)
Capital Receipts	(594,963)	(780,000)	0	0	0
External Funding	(2,626,331)	0	0	0	0
	(18,102,043)	**(8,370,749)**	**(4,869,249)**	**(4,980,082)**	**(5,404,249)**
TOTAL CAPITAL FINANCING	**(22,801,341)**	**(11,907,199)**	**(6,589,449)**	**(8,017,282)**	**(7,285,074)**

APPENDIX A

CAPITAL PROGRAMME SUMMARY	Revised Budget 2018/19 £	Original Programme 2019/20 £	Original Programme 2020/21 £	Original Programme 2021/22 £	Original Programme 2022/23 £
Capital Reserves					
Major Repairs Reserve					
Opening Balance	(7,536,922)	(1,925,621)	(935,621)	(935,621)	(935,621)
Amount due in Year	(4,917,569)	(4,108,249)	(4,008,249)	(4,008,249)	(4,708,249)
Amount used in Year	10,528,870	5,098,249	4,008,249	4,008,249	4,708,249
Closing Balance	**(1,925,621)**	**(935,621)**	**(935,621)**	**(935,621)**	**(935,621)**
HRA Development Reserve					
Opening Balance	(265,171)	(1,265,171)	(2,265,171)	(3,765,171)	(5,665,171)
Amount due in Year	(1,000,000)	(1,000,000)	(1,500,000)	(1,900,000)	0
Amount used in Year	0	0	0	0	0
Closing Balance	**(1,265,171)**	**(2,265,171)**	**(3,765,171)**	**(5,665,171)**	**(5,665,171)**
HRA Vehicle Reserve					
Opening Balance	(352,822)	(329,925)	(237,425)	(56,425)	(4,592)
Amount due in Year	0	(80,000)	(180,000)	(420,000)	(285,000)
Amount used in Year	22,897	172,500	361,000	471,833	196,000
Closing Balance	**(329,925)**	**(237,425)**	**(56,425)**	**(4,592)**	**(93,592)**
Capital Receipts Reserve					
Opening Balance	(1,119,501)	(824,538)	(44,538)	(44,538)	(44,538)
Amount due in Year	(300,000)	0	0	0	0
Amount used in Year	594,963	780,000	0	0	0
Closing Balance	**(824,538)**	**(44,538)**	**(44,538)**	**(44,538)**	**(44,538)**
Debt Repayment Reserve					
Opening Balance	(12,082,225)	(12,082,225)	(12,082,225)	(12,082,225)	(10,082,225)
Amount due in Year	0	0	0	0	(2,000,000)
Amount used in Year	0	0	0	2,000,000	0
Closing Balance	**(12,082,225)**	**(12,082,225)**	**(12,082,225)**	**(10,082,225)**	**(12,082,225)**

Appendix B

Annual Minimum Revenue Provision Statement 2019/20

Where the Authority finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Authority to have regard to the 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 Authority to approve an Annual MRP Statement each year, and recommends a number of options for calculating a prudent amount of MRP. The following statement incorporates options recommended in the Guidance:

> Capital expenditure incurred before 1 April 2008 or which in the future will be supported capital expenditure, the Minimum Revenue Provision policy will be:
>
> - **Historic Debt** - MRP will follow the existing practice outlined in former MHCLG Regulations (Option 1) - capital financing requirement minus "adjustment A" multiplied by 4%.
>
> From 1 April 2008 for all capital expenditure funded by borrowing the Minimum Revenue Provision policy will be:
>
> - **Asset Life Method** - MRP will be based on the estimated useful life of the asset 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 finance leases or the Private Finance Initiative, MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.

No MRP will be charged in respect of assets held within the Housing Revenue Account.

MRP in respect of the £94.386m payment made in 2012 to exit the Housing Revenue Account subsidy system will be determined as being equal to the principal amount repaid on the loans borrowed to finance that payment.

Capital expenditure incurred during 2019/20 will not be subject to a MRP charge until 2020/21.

Based on the Authority's latest estimate of its Capital Financing Requirement on 31st March 2019, the budget for MRP has been set as follows:

	31.03.2019 Estimated CFR £m	2019/20 Estimated MRP £
Capital expenditure before 01.04.2008	0.172	0.166
Unsupported capital expenditure after 31.03.2008	0.513	0.724
Finance leases	0.021	Nil
Total General Fund	**0.706**	**0.890**
Assets in the Housing Revenue Account	Nil	Nil
HRA subsidy reform payment	Nil	Nil
Total Housing Revenue Account	**Nil**	**Nil**
Total	**0.706**	**0.890**

Agenda Item No

Bolsover District Council

Council

20 February 2019

Corporate Investment Strategy 2019/20 - 2022/23

Report of Cllr B Watson, Portfolio Holder Finance and Resources and Renewable Energy

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 Corporate Investment Strategy 2019/20 to 2022/23.

1 Report Details

1.1 The Corporate Investment Strategy is a new style report introduced by the 2018 edition of the government's Guidance on Local Government Investments. It focuses on investments made for service purposes and commercial reasons, rather than those made for treasury management.

1.2 This report outlines the Authority's Corporate Investment Strategy for the years 2019/20 to 2022/23 for consideration and approval by Council before the start of each financial year.

1.3 The Authority's Capital Expenditure programme and Minimum Revenue Provision policy (MRP) are considered in a different report, the Capital Strategy.

1.4 A further report, the Treasury Management Strategy, details the Authority's plans to invest cash surpluses and borrow to cover cash shortfalls.

Introduction

1.5 The Authority 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).

1.6 This Corporate Investment Strategy is a new report for 2019/20, meeting the requirements of statutory guidance issued by the government in January 2018, and focuses on the second and third of these categories.

<u>Treasury Management Investments</u>

1.7 The Authority 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 £25m and £45m during the 2019/20 financial year.

1.8 **Contribution:** The contribution that these investments make to the objectives of the Authority is to support effective treasury management activities.

1.9 **Further details:** Full details of the Authority's policies and its plan for 2019/20 for treasury management investments are covered in a separate document, the Treasury Management Strategy.

<u>Service Investments: Loans</u>

1.10 **Contribution:** The Authority lends money to its joint ventures, business partners, parish/town councils, local charities, housing associations, and community groups to support local public services and stimulate local economic growth. For example we may give a loan to a parish council who are undertaking a large building project to help with cash flow until external monies are received.

1.11 **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 Authority, 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	31.3.2018 actual			2019/20
	Balance owing	**Loss allowance**	**Net figure in accounts**	**Approved Limit**
Joint Ventures - Dragonfly	£0.040m	0	£0.040m	£6m
Business Partners	0	0	0	£5m
Parish / Town Councils	0	0	0	£5m
Local charities	0	0	0	£5m
Housing associations	0	0	0	£5m
Community Groups	0	0	0	£5m
TOTAL	**£0.040m**	**0**	**£0.040m**	

1.12 Accounting standards require the Authority to set aside a loss allowance for loans, reflecting the likelihood of non-payment. The figures for loans in the Authority's statement of accounts from 2018/19 onwards will be shown net of this loss allowance. However, the Authority makes every reasonable effort to collect the full sum lent and has appropriate credit control arrangements in place to recover overdue repayments.

1.13 **Risk assessment:** The Authority assesses the risk of loss before entering into and whilst holding service loans by undertaking a comprehensive business case for each individual potential investment opportunity. This will include a market analysis focusing on competition, demand and current market trends. External advisors will be used where appropriate to ensure that the Authority has access to quality advice and expertise in specialist areas. Each potential investment will undergo qualitative and quantitative appraisal to establish it's suitability to the Authorities core values and the legal and financial implications of the purchase.

Service Investments: Shares

1.14 **Contribution:** The Authority invests in the shares of its Joint Venture, Dragonfly Development Limited to support local public services and stimulate local economic growth by delivering housing and commercial developments whilst generating income for the Authority.

1.15 **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	31.3.2018 actual			2019/20
	Amounts invested	Gains or losses	Value in accounts	Approved Limit
Joint Venture - Dragonfly	£0.023m	0	£0.023m	£0.578m
TOTAL	**£0.023m**	**0**	**£0.023m**	**£0.578m**

1.16 **Risk assessment:** The Authority assesses the risk of loss before entering into and whilst holding shares by undertaking a comprehensive business case for each individual potential investment opportunity. This will include a market analysis focusing on competition, demand and current market trends. External advisors will be used where appropriate to ensure that the Authority has access to quality advice and expertise in specialist areas. Each potential investment will undergo qualitative and quantitative appraisal to establish it's suitability to the Authorities core values and the legal and financial implications of the purchase.

1.17 **Liquidity:** Based on the approved limit in Table 2 the funds will not be required in the short term and may prudently be committed for the periods covered by this strategy.

1.18 **Non-specified Investments:** Shares are the only investment type that the Authority has identified that meets the definition of a non-specified investment in the government guidance. The limits above on share investments are therefore also the Authority's upper limits on non-specified investments. The Authority has not adopted any procedures for determining further categories of non-specified investment since none are likely to meet the definition.

Commercial Investments: Property

1.19 **Contribution:** The Authority's current investment in commercial property is characterised by the larger investments, Pleasley Vale Mills and The Tangent Business Hub which are aimed to provide appropriate commercial accommodation to support local small businesses to develop and grow. The Authority is in the process of developing a Commercial Property Investment Strategy which will look to expand its existing non-housing property portfolio with the intention of making a profit that will be spent on local public services.

1.20 **Security:** In accordance with government guidance, the Authority considers a property investment to be secure if its accounting valuation is at or higher than its purchase cost including taxes and transaction costs.

1.21 A fair value assessment of the Authority's investment property portfolio has been made within the past twelve months, and the underlying assets provide security for capital investment. Should the 2018/19 year end accounts preparation and audit process value these properties below their purchase cost, then an updated Corporate 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.

1.22 **Risk assessment:** The Authority assesses the risk of loss before entering into and whilst holding property investments by undertaking a comprehensive business case for each individual potential investment opportunity. This will include a market analysis focusing on competition, demand and current market trends. External advisors will be used where appropriate to ensure that the Authority has access to quality advice and expertise in specialist areas. Each potential investment will undergo qualitative and quantitative appraisal to establish its suitability to the Authorities core values and the legal and financial implications of the purchase

1.23 **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. To ensure that the invested funds can be accessed when they are needed, for example to repay capital borrowed, the Authority will only invest cash that is not needed in the short term based on current cash flow predictions. In addition to this a well diversified property portfolio will be held, spread across different property sectors.

Loan Commitments and Financial Guarantees

1.24 Although not strictly counted as investments, since no money has exchanged hands yet, loan commitments and financial guarantees carry similar risks to the Authority and are included here for completeness.

1.25 The Authority has contractually committed to make up to £3.020m of loans to Dragonfly Development Limited should it request it.

Borrowing in Advance of Need

1.26 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

1.27 **Elected members and statutory officers:** This Authority recognises the importance of ensuring that all Elected Members and Officers involved in investment decisions are fully equipped to undertake the duties and responsibilities allocated to them. It will therefore seek to appoint individuals who are both capable and experienced and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills. Elected Members' individual training and development needs are addressed by a Member Development Programme. The Authority's Treasury Management Advisors Arlingclose, provide both Elected Members and Officers with training in relation to all areas of Treasury Management.

1.28 **Commercial deals:** The Authority has a decision making framework which is aligned to the requirements of the Statutory Guidance Relating to Local Authority Investments. A dedicated Property Investment Panel, made up of Cabinet Members and the relevant Directors / Heads of Service, including legal and financial Officers will prepare a business case for each potential Commercial Investment.

1.29 **Corporate governance:** The Commercial Property Investment Strategy sets out a number of core principles the Council will require in a commercial investment. All investments will need to align with Corporate Plan priorities.

Investment Indicators

1.30 The Authority has set the following quantitative indicators to allow elected members and the public to assess the Authority's total risk exposure as a result of its investment decisions.

1.31 **Total risk exposure:** The first indicator shows the Authority's total exposure to potential investment losses. This includes amounts the Authority is contractually committed to lend but have yet to be drawn down and guarantees the Authority has issued over third party loans.

Table 3: Total investment exposure

Total investment exposure	31.03.2018 Actual	31.03.2019 Forecast	31.03.2020 Forecast
Treasury management investments	£36.00m	£29.70m	£23.30m
Service investments: Loans	£0.04m	£1.45m	£1.53m
Service investments: Shares	£0.01m	£0.17m	£0.19m
TOTAL INVESTMENTS	**£36.05m**	**£31.32m**	**£25.02m**
Commitments to lend	£2.98m	£1.53m	0
TOTAL EXPOSURE	**£39.03m**	**£32.85m**	**£25.02m**

1.32 **How investments are funded:** Government guidance is that these indicators should include how investments are funded. Since the Authority does not normally associate particular assets with particular liabilities, this guidance is difficult to comply with. However, the following investments could be described as being funded by borrowing. The remainder of the Authority's investments are funded by usable reserves and income received in advance of expenditure.

Table4: Investments funded by borrowing

Investments funded by borrowing	31.03.2018 Actual	31.03.2019 Forecast	31.03.2020 Forecast
Joint Venture - Dragonfly	£0m	£1.62m	£1.72m
TOTAL FUNDED BY BORROWING	**£0m**	**£1.62m**	**£1.72m**

1.33 **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 5: Investment rate of return (net of all costs)

Investments net rate of return	2017/18 Actual	2018/19 Forecast	2019/20 Forecast
Treasury management investments	0.43%	0.54%	0.75%
ALL INVESTMENTS	**0.43%**	**0.54%**	**0.75%**

- The Joint Venture, Dragonfly has not been included in the above table as its main focus is to support local public services and stimulate local economic growth rather than commercial investment.

2 Conclusions and Reasons for Recommendation

2.1 This report outlines the Council's proposed Corporate Investment Strategy for the period 2019/20 to 2022/23 for consideration and approval by Council.

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 report.

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 Statutory Guidance on Local Government Investments (3rd Edition) (Statutory Investment Guidance) issued by the Ministry for Housing, Communities and Local Government a Corporate Investment Strategy 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 Corporate Investment Strategy as set out in this report.

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*	N/A
Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In)	N/A
Has the relevant Portfolio Holder been informed	Yes
District Wards Affected	N/A

Links to Corporate Plan priorities or Policy Framework	This Corporate Investment Strategy is part of the Treasury Management suite of reports. This is an integral part of the Council's Medium Term Financial Plan which links our financial position to the Corporate Plan and our other service strategies.

8 Document Information

Appendix No	**Title**
N/A	

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)
Finance Section

Report Author	**Contact Number**
Chief Accountant Principal Accountant	01246 242458 01246 242459

Agenda Item No 2
Urgent Item of Business

Bolsover District Council

Executive

18th February 2019

Commercial Property Investment Strategy

Report of the Leader

This report is public.

Purpose of report

- To provide Executive with a draft Commercial Property Investment Strategy for consideration and approval.

1. Report Details

1.1 At is meeting on 5th November 2018, Executive considered a report detailing the financial pressures facing the Council including a summary of the measures being taken to maximise income, reduce costs and redesign services in line with the Transformation Programme. It was agreed that a further report would be provided to a future meeting setting out a draft commercial property investment strategy for approval.

1.2 In addition, on 3rd December 2018, Executive considered a report which contained a detailed analysis of the Council's existing non-housing property stock; setting out details of occupancy levels, voids, return rates and percentages, maintenance and capital depreciation costs, debt write offs, trends and demands.

1.3 Given the financial challenges faced, Executive have indicated a will to progress the development of an investment strategy for commercial property based around expanding its existing non-housing property portfolio. This is in order to develop revenue streams that provide a required level of return to offset the forecast budget deficits for forthcoming years. This approach can also support economic development and regeneration in the District through targeted investment.

1.4 It was agreed that, given the importance of ensuring that investment decisions to generate income are sound, it is important that the mechanisms for management of the Council's future budget deficit are properly understood. This is in order to ensure the extent and level of risk arising from any additional investment properly reflects the budget deficit that income generation is aiming to help address. Executive has, therefore been provided with the financial details required in order to make informed decisions in relation to future investments.

1.5 During the development of the draft Commercial Property Investment Strategy, a number of key factors were considered in order to shape an approach that ensures due diligence is undertaken. The strategy reflects the requirements within the

‘**Statutory Guidance on Local Government Investments** issued under Section 15(1) (a) of the Local Government Act 2003’, which came into force April 2018. Further details of this statutory guidance are available at:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/678866/Guidance_on_local_government_investments.pdf

1.6 Table 2 below sets out a summary of the statutory guidance requirements to be covered in an investment strategy:

Table 2

Requirement	**Considerations**
Clearly show how investments contribute to Council’s objectives	• Need to align with Corporate Plan priorities • Clarify purpose and extent to which it supports deficit reduction and /or economic regeneration in the District
Strategy must include indicators to show how Councillors have assessed the total risk exposure on decision	• How is it funded • Rate of return expected and why (benchmarked) • Show additional debt costs • Risks over the repayment period • Extent of support for deficit gap • Mitigation if returns fail and / or borrowing increases • Assessment of capital depreciation
Clearly consider and demonstrate how the investment is proportionate to the overall financial position of the Council	• Loan corresponds in size or degree (terms/rate/returns) • Risk exposure is reasonable and accepted • Within agreed and defined ‘affordability ‘ limit
Risk assessment should be robust	• Market assessment (competition, demand, trends) • Proper quality external advice and expertise • Credit ratings
Contingency	• Loss of investment return / Increase in loan repayments • Capital depreciation • Extra costs and budget impact • Loss of revenue stream - service delivery impact

1.7 In developing the strategy, consideration has also been given to a number of essential elements which will inform acceptable investment choices, specifically:

- Ethical investment (for instance, prohibiting investment in alcohol and tobacco production or sale, animal exploitation, gambling, sex establishments, arms trade or environmentally damaging practices)
- Geographic spread of investments
- Limits of individual and cumulative risk
- Timescales for the achievement of objectives
- The level of losses that can be tolerated
- The degree to which the Council can realistically become reliant on the income stream to provide services

1.8 In addition to reflecting the statutory requirements and the essential elements to inform acceptable investment choices, the strategy should show how property investment choices will be considered. Therefore the strategy sets out the need to consider key factors such as:

- **Location** – location of the property is critical to ensure it is an attractive position, so that in the long term it optimises its ability to re-let/re-sell if capital is required, or is strategically located for re-development. The location of the property will affect the ability of the Council to undertake inspections and to deal with management issues without the need to employ specialist agents. It will also affect income to the Council from Business rates, Council Tax and New Homes Bonus, depending on the type of investment.

- **Covenant Strength** - the quality of the tenant and, more importantly, their ability to pay the rent on time and in full is essential. This is particularly important where the Council has borrowed against the investment, and minimum acceptable financial strength for any given tenant will be determined through a financial appraisal of company accounts and the use of appropriate methods of risk assessment and credit scoring. It is however worth noting that the Council, as a public body, may not wish to invest in properties where the occupiers are generally seen to be undertaking business which is contrary to its corporate values.

- **Lease length** - the unexpired length of the term of the lease is of key importance in ensuring that the landlord's revenue stream is secure and uninterrupted. The Council will take into consideration the risks associated with a tenant vacating and the potential to attract good quality replacements tenants at acceptable rental levels.

1.9 In order to assist with the decision making process and the assessment and appraisal of property investment opportunities the strategy includes a matrix to 'score' investment opportunities through an established criteria. This criteria has been weighted in order to score an opportunity on its 'acceptability' providing a first stage in determining if it should be further progressed. The matrix is included within the draft Commercial Property Investment Strategy at Appendix 1.

1.10 In addition to the application of the matrix and weighting mechanism there are a range of other factors which should be considered when appraising an investment opportunity and therefore have been reflected in the strategy. These are:

- **Risk** – any borrowing needs to balance against the risk of the return. In general, the higher the sought level of return from an investment, the higher level of risk that it carries. The intention of an investment strategy is to minimise the risk to the Council on any investment.

- **Growth** – property investments have the potential for both revenue and capital growth. The Council will take into account that potential when assessing the strength of the investment opportunity. However Property values can fall as well as rise and mechanisms to minimise revenue reductions should be identified. Monitoring and review of the portfolio and any anticipated trends, will be required given how the market can change over time.

- **Sector and trends** - information as to the sector of use of the property (e.g. office, retail, retail, warehousing, industrial, and leisure) and trends in demand will assist in deciding on the risks associated with specific properties and the mix of sectors within the portfolio.

2. Conclusions and recommendations

2.1 Understanding the performance of the Council's existing budget pressures and the performance of its existing non-housing property is essential in determining how future property investment opportunities should be approached. This information was, therefore, provided to Executive during its meetings on 5th November 2018 and 3rd December 2018 to enable it to give full consideration to areas of risk and reward within the management of existing stock and to determine and how well placed the Council is to expand its commercial property portfolio activity.

2.2 As set out in this report, the development of the strategy has required the consideration of a number of key issues to ensure it reflects the requirements of the statutory guidance and enables Councillors to make informed 'risk based' decisions. The draft Commercial Property Investment Strategy is attached at Appendix 1.

3. Consultation and Equality Impact

3.1 None directly from the report, however future investment decisions will require consultation proportionate with the extent and nature of the proposal. Additionally any investment decisions will require consideration by the Council of its legal duties to eliminate unlawful discrimination, advance equal opportunities and promote good relations between people. The Council will also need to ensure when making financial investment decisions, that it considers the needs of all members of the community.

4. Alternative Options and Reasons for Rejection

4.1 An alternative option would be to not progress the development of a commercial property investment strategy and not consider other high level investment opportunities. Whilst this approach would limit any risks associated with the use of Council resources or additional borrowing for investment, it could restrict the ability to generate additional income or deliver key corporate priorities.

5. Implications

5.1 Financial and Risk implications

5.1.1 None directly from the report, however given the Council's financial position, future pressures and uncertainties, it is essential any investment decisions are fully and properly considered. The proposed strategy will help to ensure that when making decisions the Council can demonstrate compliance with the statutory expectations and evidence awareness of the risks and rewards.

5.2 Legal Implications including Data Protection

5.2.1 As set out the development of the Council's Commercial Property Investment Strategy will need to give due regard to the provisions contained within the Statutory Guidance on Local Government Investments issued under Section 15(1) (a) of the Local Government Act 2003. Legal and financial advice will be taken to ensure the strategy aligns with the requirements to prepare and publish an Annual Investment Strategy consistent with the Treasury Management Code principles. This advice will also ensure the strategy sufficiently reflects the importance of risk, ensuring gross debt is proportionate to net service expenditure, in order to prevent over-extension of investment activities.

5.2.2 Furthermore any future property investment decisions will need to be taken in line with the Council's established governance structure and provide a sufficiently robust evidence based business case.

5.3 Human Resource Implications

5.3.1 None directly from the report.

6. Recommandations

6.1 That Executive considers the draft Commercial Property Investment Strategy for approval.

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
1	Draft Commercial Property 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)	
Statutory Guidance on Local Government Investments issued under Section 15(1) (a) of the Local Government Act 2003	

Report Author	Contact Number
Karen Hanson	7053

DRAFT Bolsover District Council
Commercial Property Investment Strategy

1. Purpose

1.1 The objective of the Commercial Property Investment Strategy (the Strategy) is to establish a framework for the identification of commercial property investments which, if acquired, would provide the Council with an income stream and potential regeneration opportunities and additional social benefits.

2. Introduction

2.1 The Strategy aims to provide a robust and viable framework for the acquisition of commercial property investments. The key underlying objectives are:

- **Governance Arrangements** – to provide a decision making framework aligned to the requirements of **the Statutory Guidance Relating to Local Authority Investments (Appendix1);**

- **Investment Criteria** – to identify suitable property investment opportunities;

- **Risk Management** – to balance the requirement for income return with an acceptable level of managed risk;

- **Financial Viability** – each potential investment will have a full business case and be evaluated to ensure the income received is sufficient to provide an acceptable rate of return following the payment of borrowing costs, management fees and any running costs.

2.2 The management of the Council's existing property portfolio (comprising operational and commercial investment properties) is managed by the Asset Management Group. This Group will ensure that all property investments acquired under this Strategy continue to be appropriately managed.

3. Principles

3.1 Any commercial investment will follow at least one of the following principles:

- Be sustainable and provide income to the Council
- Benefit the District and provide an element of social value
- Follow the principles of an ethical investments as outlined in paragraph 5.3 of this report
- Contribute towards the economic development of the District, creating skilled jobs and housing growth
- Enhance partnership working
- Contribute towards Bolsover District Council being high performing, financially secure with good governance

- Be innovative, aspirational, creative and forward-thinking

4. Governance Arrangements

4.1 **Property Investment Panel (PIP)**

It is necessary to have a framework for determining which properties should be invested in. A dedicated Property Investment Panel (PIP) will consider property investment opportunities and where appropriate make acquisition recommendations to the Leader of the Council and the Chief Executive.

4.2 PIP membership will comprise:-

- The Cabinet
- Joint Strategic Director - Place
- Joint Head of Service – Property and Estates
- Joint Head of Service - Legal
- Joint Head of Service – Finance
- Joint Head of Service – Economic Development
- Specialist external advice to be commissioned on an ‘as required’ basis.

4.3 For a potential property investment to be considered by the PIP, it must:-

- achieve a minimum weighted score of 70 from the investment criteria matrix and
- be accompanied by a full and comprehensive business case.

4.4 The business case will be prepared by the a core team of Officers (Head of Property and Estates, Head of Finance and Head of Legal together with other relevant Officers for specific assets). Each potential property investment will undergo qualitative and quantitative appraisal to establish portfolio suitability and the legal and financial implications of the purchase. The core team will seek external investment and/or technical expertise where specialist property market knowledge is required.

4.5 All acquisitions, where relevant, will be subject to building survey, purchase report and valuation. Occasionally, opportunities will arise that do not score highly on the matrix criteria and in these circumstances, low scoring properties will be considered by the PIP on their own individual regeneration, economic development, employment and social value merits, in accordance with the decision making process outlined below.

4.6 The Investment Criteria Scoring Matrix is not intended to provide an assessment for regeneration opportunities. Separate elements will apply for such opportunities which are not covered by this Strategy.

4.7 Decision Making Process

4.8 It is acknowledged that commercial investment opportunities may require agile and quick decision making. However, in order to ensure appropriate governance arrangements are maintained, investment decisions will be made in accordance with the Council's existing decision making process, threshold levels and Scheme of Delegation contained within the Council's Constitution. Where it is not possible to wait until the next Executive and/or Council meeting, an extra-ordinary meeting will be arranged as soon as practicably possible.

5. Investment Criteria

5.1 All investments must reflect the requirements within the **Statutory Guidance on Local Government Investments** issued under Section 15(1) (a) of the Local Government Act 2003', which came into force April 2018. Further details of this statutory guidance are available at:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/678866/Guidance_on_local_government_investments.pdf

A copy of this guidance is also attached at **Appendix 1**

5.2 Table 1 below sets out a summary of the statutory guidance requirements:

Table 1

Requirement	**Considerations**
Clearly show how investments contribute to Council's objectives	• Need to align with Corporate Plan priorities • Clarify purpose and extent to which it supports deficit reduction and /or economic regeneration in the District
Strategy must include indicators to show how Councillors have assessed the total risk exposure on decision	• How is it funded • Rate of return expected and why (benchmarked) • Show additional debt costs • Risks over the repayment period • Extent of support for deficit gap • Mitigation if returns fail and / or borrowing increases • Assessment of capital depreciation
Clearly show how the investment is proportionate?	• Loan corresponds in size or degree (terms/rate/returns) • Risk exposure is reasonable and accepted • Within agreed and defined 'affordability ' limit

Risk assessment should be robust	• Market assessment (competition, demand, trends) • Proper quality external advice and expertise • Credit ratings
Contingency	• Loss of investment return / Increase in loan repayments • Capital depreciation • Extra costs and budget impact • Loss of revenue stream - service delivery impact

5.3 Consideration must also be given to a number of essential elements which will inform acceptable investment choices, specifically:

- Ethical investment (for instance, prohibiting investment in alcohol and tobacco production or sale, animal exploitation, gambling, sex establishments, arms trade or environmentally damaging practices)
- Geographic spread of investments
- Limits of individual and cumulative risk
- Timescales for the achievement of objectives
- The level of losses that can be tolerated
- The degree to which the Council can realistically become reliant on the income stream to provide services

5.4 As with other forms of investment at their most basic level, property investment is a trade-off between risk and return. A traditional well diversified property portfolio (spread across different property sectors and geographical regions) will deliver a balanced long term return with minimal risk.

5.5 This strategy adopts the same underlying principles of diversification in acquiring property investments. Four main property sectors will be included (industrial, office, leisure and retail) and in turn, these will be diversified on criteria including location, the tenant's financial (covenant) strength, lease term (income duration) and investment lot size. This will assist in protecting the Council portfolio's return should a property investment cease to be income producing (for example, it is undergoing refurbishment or awaiting a new tenant).

5.6 An Investment Criteria Scoring Matrix (Matrix) allows the relative merits of an investment opportunity to be measured and assessed against a target threshold.

The Matrix is attached at **Appendix 2** and includes the following criteria:

- **Location** - the location of the property is critical to ensure it is an attractive position, so that in the long term it optimises its ability to re-let/re-sell if capital is required, or is strategically located for re-development. The location of the property will affect the ability of the Council to undertake inspections and to deal with management issues without the need to employ specialist agents. It will also affect income to the Council from Business rates, Council Tax and New Homes Bonus, depending on the type of investment.

- **Tenant Covenant** – the quality of the tenant and, more importantly, their ability to pay the rent on time and in full is essential. This is particularly important where the Council has borrowed against the investment, and minimum acceptable financial strength for any given tenant will be determined through a financial appraisal of company accounts and the use of appropriate methods of risk assessment and credit scoring. It is however worth noting that the Council, as a public body, may not wish to invest in properties where the occupiers are generally seen to be undertaking business which is contrary to its corporate values.

- **Lease Terms** - the unexpired length of the term of the lease is of key importance in ensuring that the revenue stream is secure and uninterrupted. The Council will take into consideration the risks associated with a tenant vacating and the potential to attract good quality replacements tenants at acceptable rental levels.

- **Occupational Lease Length –** the lease term will determine the duration of the tenant's contractual obligation to pay rent. The most attractive investments offer a long lease with a strong tenant covenant. The lease term will reflect any tenant break clauses.

- **Building Quality –** a brand new or recently refurbished building will not usually require capital expenditure for at least 15 years. This is attractive for income investors requiring long term rental income with the minimum of ongoing capital expenditure.

- **Tenure –** anything less than a freehold acquisition will need to be appropriately reflected in the price.

- **Tenant Repair obligations –** under a Full Repairing & Insuring Lease (FRI), the tenant is responsible for the building's interior and exterior maintenance / repair. The obligation is limited to the building's interior under an Internal Repairing & Insuring Lease (IRI). The preference will be to favour FRI terms (or FRI by way of service charge i.e. all costs relating to occupation and repairs are borne by the tenants and administered through a service charge).

6. Risk Management

6.1 Market forces

6.2 As with all investments, there are risks that capital values and rental values can fall as well as rise. To mitigate against future unfavourable market forces, acquisitions will be made on the basis that the Council is willing and capable of:-

- Holding property investments for the long term i.e. 25 years +. This will ensure income and capital returns are considered over the long term thereby smoothing out any cyclical economic/property downturns.

- Fixing borrowing liabilities. The Council can borrow from the Public Works Loan Board at historically low levels thus protecting the Council from future Increases in financing rates.

- Effective partnership working to share risk where appropriate, for example, joint venture arrangements.

6.3 Portfolio Management

6.4 To mitigate the risk of void periods where the property is either partially or fully vacant, or a tenant has defaulted on its rental obligations, the investment portfolio will be actively managed.

6.5 In addition, the investment criteria specified in the scoring matrix will favour secure property investments i.e. high quality buildings in prime locations, thus mitigating the risk of void periods on re-letting.

6.6 Resources

6.7 Property investment markets are, in general, controlled by national and regional commercial property agencies and establishing links and relationships with a number of such property agents is the best method of sourcing suitable properties for acquisition.

6.8 Staffing resources will be made available in order to source suitable property assets for acquisition that match the criteria set under the Strategy. If additional resources are required for specific projects, this can be done either by recruitment into the existing Property and Estates Team or by employing suitable and appropriate external expertise as required. It is recognised that expertise is essential to enable informed decision making.

7. Financial Viability

7.1 The financial viability of each individual potential investment opportunity will be fully assessed within a comprehensive business case. In order to reflect the potential risk that may arise as a consequence of undertaking commercial property investment and provide a sufficient financial contribution to the Council's General Fund, a positive Internal Rate of Return (IRR) is required. However, the Council may still consider pursuing a property acquisition if the IRR is positive but low if a social and/or regeneration opportunity is identified.

7.2 The level of return will be heavily influenced by two factors: (a) the cost of capital and (b) the regulatory requirements of the minimum revenue provision (MRP).

Appendix 1

STATUTORY GUIDANCE ON LOCAL GOVERNMENT INVESTMENTS

(3rd Edition)

Issued under section 15(1)(a) of the Local Government Act 2003 and effective for financial years commencing on or after 1 April 2018

POWER UNDER WHICH THE GUIDANCE IS ISSUED

1. The following Guidance is issued by the Secretary of State under section 15(1)(a) of the Local Government Act 2003. Under that section local authorities are required to “have regard” to “such guidance as the Secretary of State may issue”.

DEFINITION OF TERMS

2. In this guidance the 2003 Act means the Local Government Act 2003.

3. Local authority has the meaning given in section 23 of the 2003 Act. To the extent that this guidance applies to parish councils and charter trustees (see paragraph 11) a reference to a local authority includes those councils and trustees.

4. The definition of an investment covers all of the financial assets of a local authority as well as other non-financial assets that the organisation holds primarily or partially to generate a profit; for example, investment property portfolios. This may therefore include investments that are not managed as part of normal treasury management processes or under treasury management delegations.

5. For the avoidance of doubt, the definition of an investment also covers loans made by a local authority to one of its wholly-owned companies or associates, to a joint venture, or to a third party. The term does not include pension funds or trust fund investments, which are subject to separate regulatory regimes and therefore are not covered by this guidance.

6. A credit rating agency is one of the following three companies:

• Standard and Poor’s;

• Moody’s Investors Service Ltd; and

• Fitch Ratings Ltd.

7. For the purposes of this guidance a loan is a written or oral agreement where a local authority temporarily transfers cash to a third party, joint venture, subsidiary or associate who promises to return it according to the terms of the agreement, normally with interest. This definition does not include a loan to another local authority, which is classified as a specified investment.

8. The **Treasury Management Code** means the statutory code of practice issued by CIPFA: “Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes, 2017 Edition”.

9. The **Prudential Code** means the statutory code of practice, issued by CIPFA: “The Prudential Code for Capital Finance in Local Authorities, 2017 Edition”.

10. The **Capital Strategy** is the strategy required by the updates to the Prudential Code and Treasury Management Code.

APPLICATION

Effective date

11. This guidance applies for financial years commencing on or after 1 April 2018. It supersedes all previous editions of the Statutory Guidance on Local Authority Investments.

12. Strategies presented to Council or equivalent before 1 April 2018 but relating to 2018-19 and future financial years do not need to include all of the additional disclosures required by this edition of the guidance should it not prove practical or cost effective to do so. If a local authority chooses not to include the new disclosures in its 2018-19 Strategy, it must include the disclosures in full in the first Strategy presented to full Council or equivalent after 1 April 2018.

Local authorities

13. This guidance applies to all local authorities in England.

14. This guidance applies to parish councils and charter trustees, providing their total investments exceed or are expected to exceed £100,000 at any time during the financial year. Where a parish council or charter trustee expects its total investments to be between £10,000 and £100,000, it is encouraged to adopt the principles in this guidance.

KEY PRINCIPLES

Transparency and democratic accountability

15. For each financial year, a local authority should prepare at least one Investment Strategy (“the Strategy”). The Strategy should contain the disclosures and reporting requirements specified in this guidance.

16. The Strategy should be approved by the full council. For authorities without a full Council, the Strategy should be approved at the closest equivalent level. The

Secretary of State recommends that the Strategy should be presented for approval prior to the start of the financial year.

17. Where a local authority proposes to make a material change to its Strategy during the year a revised Strategy should be presented to full council or equivalent for approval before the change is implemented.

18. The Strategy should be publicly available on a local authority's website. Where a parish council or charter trustee does not maintain its own website, they should post a public notice detailing how local residents can obtain a copy of the Strategy, free of charge.

19. Where a local authority prepares a Capital Strategy in line with the requirements of the Prudential Code, a Treasury Management Strategy in line with the requirements of the Treasury Management Code, or any other publicly available document, the disclosures required to be included in the Strategy can be published in those documents instead of in the Strategy.

Contribution

20. Investments made by local authorities can be classified into one of two main categories:

• Investments held for treasury management purposes; and

• Other investments.

21. Where local authorities hold treasury management investments, they should apply the principles set out in the Treasury Management Code. They should disclose that the contribution that these investments make to the objectives of the local authority is to support effective treasury management activities. The only other element of this Guidance that applies to treasury management investments is the requirement to prioritise Security, Liquidity and Yield in that order of importance.

22. Local authorities should disclose the contribution that all other investments make towards the service delivery objectives and/or place making role of that local authority. It is for each local authority to define the types of contribution that investments can make and a single investment can make more than one type of contribution.

Use of indicators

23. The Strategy should include quantitative indicators that allow Councillors and the public to assess a local authority's total risk exposure as a result of its investment decisions. This should include how investments are funded and the rate of return

received. Where investment decisions are funded by borrowing the indicators used should reflect the additional debt servicing costs taken on.

24. Local authorities should consider the most appropriate indicators to use, given their risk appetite and capital and investment strategies. Whilst this guidance does not prescribe specific indicators or thresholds, the indicators used should be consistent from year to year and should be presented in a way that allows elected members and the general public to understand a local authorities' total risk exposure from treasury management and other types of investment.

25. Where a local authority has entered into a long term investment or has taken out long term debt to finance an investment the indicators used should allow Councillors and the general public to assess the risks and opportunities of the investment over both its payback period and over the repayment period of any debt taken out.

Security, Liquidity and Yield

26. A prudent investment policy will have two underlying objectives:

• Security – protecting the capital sum invested from loss; and

• Liquidity – ensuring the funds invested are available for expenditure when needed.

27. The generation of yield is distinct from these prudential objectives. However, this does not mean that local authorities are recommended to ignore potential revenues. Once proper levels of security and liquidity are determined, it will then be reasonable to consider what yield can be obtained consistent with these priorities.

28. When entering into treasury management investments, local authorities should consider security, liquidity and yield in that order of importance.

29. When entering into other types of investments local authorities should consider the balance between security, liquidity and yield based on their risk appetite and the contribution(s) of that investment activity.

Security

<u>Financial Investments</u>

30. Financial investments can fall into one of three categories:

• Specified investments;

• Loans; and

• Other Non-specified investments.

<u>Specified Investments</u>

31. An investment is a specified investment if all of the following apply:

• The investment is denominated in sterling and any payments or repayments in the respect of the investment are payable only in sterling.

• The investment is not a long term investment. This means that the local authority has contractual right to repayment within 12 months, either because that is the expiry term of the investment or through a non-conditional option.

• The making of the investment is not defined as capital expenditure by virtue of Regulation 25(1)(d) of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 [as amended].

• The investment is made with a body or in an investment scheme described as high quality (see paragraph 33 or with one of the following bodies:

i. The United Kingdom Government;

ii. A local authority in England or Wales (as defined in section 23 of the 2003 Act) or a similar body in Scotland or Northern Ireland; or

iii. A parish council or community council.

32. For the purposes of paragraph 32 the Strategy should define high credit quality. Where this definition incorporates ratings provided by credit rating agencies paragraph 42 is relevant.

Loans

33. A local authority may choose to make loans to local enterprises, local charities, wholly owned companies and joint ventures as part of a wider strategy for local economic growth even though those loans may not all be seen as prudent if adopting a narrow definition of prioritising security and liquidity.

34. Local authorities can make such loans whilst continuing to have regard to this guidance if they can demonstrate in their Strategy that:

• Total financial exposure to these type of loans is proportionate;

• They have used an allowed “expected credit loss” model for loans and receivables as set out in International Financial Reporting Standard (IFRS) 9 Financial Instruments as adopted by proper practices to measure the credit risk of their loan portfolio;

• They have appropriate credit control arrangements to recover overdue repayments in place; and

• The local authority has formally agreed the total level of loans by type that it is willing to make and their total loan book is within their self-assessed limit.

Non-specified investments

35. A non-specified investment is any financial investment that is not a loan and does not meet the criteria to be treated as a specified investment.

36. For non-specified investments (i.e. those not meeting the criteria in paragraph 31), the Strategy should:

• Set out procedures for determining which categories of investments may be prudently used (and where these procedures involve the use of credit ratings, paragraph 32 is relevant).

• Identify which categories of investments have been defined as suitable for use.

• State the upper limits for the maximum amounts both individually and cumulatively that may be held in each identified category and for the overall amount held in non-specified investments and confirm that investments made have remained within those limits.

Non-financial investments

37. As defined in paragraph 4 of this guidance non-financial investments are non-financial assets that the organisation holds primarily or partially to generate a profit. Where a local authority holds a non-financial investment, it will normally have a physical asset that can be realised to recoup the capital invested. Local authorities should consider whether the asset retains sufficient value to provide security of investment using the fair value model in International Accounting Standard 40: Investment Property as adapted by proper practices.

38. Where the fair value of non-financial investments is sufficient to provide security against loss, the Strategy should include a statement that a fair value assessment has been made within the past twelve months, and that the underlying assets provide security for capital investment.

39. Where the fair value of non-financial investments is no longer sufficient to provide security against loss, the Strategy should provide detail of the mitigating actions that the local authority is taking or proposes to take to protect the capital invested.

40. Where a local authority recognises a loss in the fair value of a non-financial investment as part of the year end accounts preparation and audit process, an updated Strategy should be presented to full council detailing the impact of the loss on the security of investments and any revenue consequences arising therefrom.

Risk Assessment

41. The Strategy should state the local authority's approach to assessing risk of loss before entering into and whilst holding an investment, making clear in particular:

• How it has assessed the market that it is/will be competing in, the nature and level of competition, how it thinks that the market/customer needs will evolve over time, barriers to entry and exit and any ongoing investment requirements.

• Whether and, if so how, a local authority uses external advisors be they treasury management advisors, property investment advisors or any other relevant persons.

• How the local authority monitors and maintains the quality of advice provided by external advisors.

• To what extent, if at all, any risk assessment is based on credit ratings issued by credit ratings agencies.

• Where credit ratings are used, how frequently they are monitored and the procedures for taking action if credit ratings change.

• What other sources of information are used to assess and monitor risk.

Liquidity

42. For financial investments that are not treasury management investments or loans the Strategy should set out the procedures for determining the maximum periods for which funds may prudently be committed and state what those maximum periods are and how the local authority will stay within its stated investment limits.

43. For non-financial investments the Strategy should set out the procedures for ensuring that the funds can be accessed when they are needed, for example to repay capital borrowed. It should also state the local authority's view of the liquidity of the investments that it holds, recognising that assets can take a considerable period to sell in certain market conditions. Where local authorities hold non-financial investment portfolios they can choose to assess liquidity by class of asset or at a portfolio level if appropriate.

Proportionality

44. Where a local authority is or plans to become dependent on profit generating investment activity to achieve a balanced revenue budget, the Strategy should detail the extent to which funding expenditure to meet the service delivery objectives and/or place making role of that local authority is dependent on achieving the expected net profit. In addition, the Strategy should detail the local authority's contingency plans should it fail to achieve the expected net profit.

45. The assessment of dependence on profit generating investments and borrowing capacity allocated to funding these should be disclosed as a minimum over the life-cycle of the Medium Term Financial Plan. However, an assessment of longer term risks and opportunities is recommended.

Borrowing in advance of need

46. 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.

47. Where a local authority chooses to disregard the Prudential Code and this Guidance and borrows or has borrowed purely to profit from the investment of the extra sums borrowed the Strategy should explain:

• Why the local authority has decided not to have regard to this Guidance or to the Prudential Code in this instance; and

• The local authority's policies in investing the money borrowed, including management of the risks, for example, of not achieving the desired profit or borrowing costs increasing.

Capacity, skills and culture

48. The Strategy should disclose the steps taken to ensure that those elected members and statutory officers involved in the investments decision making

process have appropriate capacity, skills and information to enable them to take informed decisions as to whether to enter into a specific investment, to assess individual assessments in the context of the strategic objectives and risk profile of the local authority and to enable them to understand how the quantum of these decisions have changed the overall risk exposure of the local authority.

49. The Strategy should disclose the steps taken to ensure that those negotiating commercial deals are aware of the core principles of the prudential framework and of the regulatory regime within which local authorities operate.

50. Where appropriate the Strategy should comment on the corporate governance arrangements that have been put in place to ensure accountability, responsibility and authority for decision making on investment activities within the context of the local authority’s corporate values.

Appendix 2 Property Investment Matrix

Criteria	Maximum score
Location	15
Tenant covenant	20
Lease terms	15
Lease length	15
Building quality	15
Tenure	10
Tenant repair obligations	10

As previously highlighted, the score for each of the criteria could be weighted at application, in order to reflect how the opportunity ranks. Table 4 below sets out details of how the weighted process could work

Excellent	5	100%
Good	4	80%
Acceptable	3	60%
Marginal	2	40%
Poor	1	20%

Based on the proposed criteria and the weighting an example of its application is set out below.

- If 'opportunity' scores 5 on a criteria it achieves 100% of the weighting – so 5 for location achieves 15 points
- If 'opportunity' scores 4 on a criteria it achieves 80% of the weighting – so 4 for location achieves 12 points
- If 'opportunity' scores 3 on a criteria it achieves 60% of the weighting – so 3 for location achieves 9 points