The Arc
High Street
Clowne
Derbyshire
S43 4JY

Date: 27 January 2015

Dear Sir or Madam,

You are hereby summoned to attend a meeting of the Bolsover District Council to be held in the Chamber Suites, The Arc, High Street, Clowne, on **Wednesday 4 February 2015 at 1000 hours.**

Notes for Members:

Register of Members' Interests - Members are reminded that a Member must within 28 days of becoming aware of any changes to their Disclosable Pecuniary Interests provide written notification to the Authority's Monitoring Officer.

You will find the contents of the agenda itemised on pages 2 to 4.

Yours faithfully,

Sarah Sternberg

Assistant Director – Governance & Monitoring Officer
To: Chairman & Members of the Council

ACCESS FOR ALL

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Chief Executive Officer: Wes Lumley, B.Sc.,F.C.C.A.

COUNCIL

AGENDA

WEDNESDAY 4 FEBRUARY 2015 AT 1000

Item No.		Page No.(s)
	PART 1 – OPEN ITEMS	
1.	**Apologies for Absence**	
2.	**Urgent Items of Business**	
	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.	**Declarations of Interest**	
	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 additional urgent items to be considered c) any matters arising out of the business of those items and withdraw from the meeting at the relevant time, if appropriate.	
4.	**Questions**	
	(a) Questions submitted by the Public pursuant to Rule 4.1.10 of the Council Procedure Rules.	None
	(b) Questions submitted by Members pursuant to Rule 4.1.10 of the Council Procedure Rules.	None

5.	**Reports on special urgency decisions**	
	In any event the Leader will submit reports to the Council on the Executive decisions taken in the circumstances set out in Rule 16 (special urgency) in the preceding three months. The report will include the number of decisions so taken and a summary of the matters in respect of which those decisions were taken.	None
6.	**Minutes of Last Meeting**	
	To approve and the Chairman to sign the minutes of the ordinary and extraordinary Council meetings on 7 January 2015	See Minute Book
7.	**Minute Book**	
	Members may put questions for clarification in respect of the minutes contained within the latest Minute Book dated 4 February 2015	To Follow
8.	**Member Development Minutes**	5-8
	To receive the minutes of the Member Development Working Group on 11 December 2014	
9.	**Recommended Items**	
	<u>Executive, 2 February 2015</u>	
	Medium Term Financial Plan 2015/16 to 2017/18 ***Recommendations on pages 16-18***	9-62
10.	Treasury Management Strategy 2015/16 to 2017/18 ***Recommendations on page 84***	63-85
11.	Appointments to Committees ***Recommendations on page 87***	86-87

12.	**Talent Match Progress Update** To consider the attached report and a video on the Talent Match Programme ***Recommendation on page 90***	88-91
13.	The Strategic Alliance Agreement to provide Joint Management Services ***Recommendations on page 94***	92-107
14.	**Chairman's Communications** To receive such communications as the Chairman may desire to lay before the Council.	

MEMBER DEVELOPMENT WORKING GROUP

Notes of a meeting of the Member Development Working Group held on Thursday 11th December 2014 at 1000 hours.

PRESENT:-

Members:-

Councillor C. Munks in the Chair

Councillors K. Bowman, H. Gilmour and D. Watson

Officers:-

M. Derbyshire (Members IT and Training Officer) and A. Brownsword (Governance Officer)

36. APOLOGIES

Apologies for absence were received from Councillors Bowler and Dooley, M. Kane (Governance Manager) and S. Chambers (Communications Officer)

37. NOTES – 24TH OCTOBER 2014

Moved by Councillor K. Bowman and seconded by Councillor H. Gilmour
AGREED that the notes of a meeting of the Member Development Working Group held on 24th October 2014 be approved as a true and correct record.

38. MATTERS ARISING

1. Note No. 24(ii) – ICT Update – The Provision of App Training and Continuous Servicing of Members Ipads

It was noted that an invite had been extended to Derbyshire Dales District Council for their Members to attend training at either Bolsover District Council or North East Derbyshire District Council. However, no Members had attended.

AGREED that the update be noted.

2. Note No. 31 – Member Development Strategies
   Note No. 32 – Member Induction Programme: Proposals For 2015

It was noted that the Member Development Policies and Strategies and the Member Induction Programme: proposals for 2015 would be included on the Council agenda in January 2015.

AGREED that the update be noted.

39. FEEDBACK FROM FUTURE OF LOCAL GOVERNMENT SEMINAR

The Chair informed the meeting that the Future of Local Government Seminar held by East Midland Councils had been attended by Councillors K. Bowman, M. Dooley, H. Gilmour, C. Munks and A. Syrett. The Governance Manager had also been in attendance.

The Seminar had had many speakers including: Sir Peter Soulsby, Graham Allen MP, Tony Travers, Councillor Jon Collins, Kris Hopkins MP and David Sparks.

The seminar covered topics such as:

- Combined authorities
- Plight of small rural communities
- Regional Government
- LEPs
- Service delivery
- Government cuts
- Devolution to communities through Councils

A comment was made that devolution to local councils was not set in stone and central Government may not be ready to devolve powers.

AGREED that the report be noted.

40. EVALUATION REPORTS

a) Member Development Session – 2nd December 2014

The Governance Officer explained that due to time constraints, only two of the three scheduled sessions had taken place. The session on Anti Social Behaviour would be held on a future date.

20 Members attended all or part of the session which covered the Joint Environmental Health Service Update and the Local Government Transparency code. 14 Members completed the evaluation forms.

Both sessions were positively received and Members felt that the Joint Environmental Health Update was much needed.

ACTION: that the report be noted

b) Report from Planning Advisory Service (PAS) on recent Planning Committee Training

The Governance Officer explained that PAS had provided an evaluation of the Planning Committee Training carried out at North East Derbyshire District Council that some Bolsover District Council Members had attended.

The key issues highlighted were the importance of an up to date Local Plan and 5 year land supply, involvement of Members in pre application discussions, communication between officers and Members, obtaining and challenging evidence and clear evidential decision making.

ACTION: that the report be noted.

41. COMMUNICATIONS UPDATE

There were no communications updates.

42. ICT UPDATE

a) The Provision and Monitoring of Training and ICT Support for BDC and NEDDC Members

The Members IT and Training Officer presented the report which informed Members of the way training and ICT support would be monitored in the future. It was noted that attendance at recent scheduled IPad training courses had been extremely low. It was felt that this was due to Members now being able to utilise the various Apps and opting for ad-hoc sessions when the need arose. These ad-hoc sessions were currently not monitored.

The Members IT and Training Officer had produced a spreadsheet that would monitor all ad-hoc training and support requested by Members. This would enable the ad-hoc sessions to count towards feedback which would assist the Council in monitoring its service and help towards improving it.

ACTION: that the Members IT and Training Officer continue to utilise the monitoring spreadsheet and provide ad-hoc training on request.

b) New Member Equipment

A discussion took place on the length of time it would take to give all New Members their IT equipment after the election.

Concern was expressed that it could take up to two weeks to provide the equipment. This was because if outgoing Members did not hand their equipment back prior to the election it would take up to two weeks to rebuild the IPads and download the new Member profiles.

The Members IT and Training Officer noted that IT staff would be available to help with the task.

ACTION: that the report be noted.

43. ANY OTHER BUSINESS

a) Independent Members as Scrutiny Chairs

The possibility of utilising Independent Members to chair Scrutiny Committees was raised, as it was seen as good practise to allow the opposition to chair Scrutiny.

ACTION: to be raised at Labour Group

Councillor G. Webster left the meeting.

b) Enforcement Across Bolsover District Council

Members noted that, currently, enforcement was spread across many different departments and raised the possibility of a single enforcement department.

ACTION: to be raised at the Scrutiny Chairs meeting.

44. DATE OF NEXT MEETING

The next meeting of the Member Development Working Group would be held on Thursday 29th January 2015 at 1400 hours in Meeting Room 4.

The meeting concluded at 1120 hours.

This is the appendix to Item 9 on the agenda. The recommended item will be circulated in advance of the meeting. Please note this item will be the subject of a recorded vote.

Bolsover District Council

Executive

2nd February 2015

Medium Term Financial Plan 2015/16 to 2017/18

Report of Councillor Eion Watts, Leader of the Council

Purpose of the Report

- To secure the approval of Council to the proposed budget in respect of 2015/16 as part of a consideration of the Council's Medium Term Financial Plan covering the years 2015/16 to 2017/18.
- 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. This report presents the following budgets and financial plans for Executive to consider:

   - General Fund Revenue account which is attached as **Appendix 1** to this report.
   - Housing Revenue Account (HRA) account which is attached as **Appendix 2** to this report.
   - Capital Programme which is attached as **Appendix 3** to this report.

   Once Executive has considered the position as set out within this report and associated appendices then any recommendations made by Executive will be referred to the Council meeting of 4th February 2015 in order to secure agreement to the Council's budget in respect of the 2015/16 financial year. It should be noted that the report has previously been considered by both the Budget Scrutiny Committee at its meeting of 22nd January 2015 and by the Audit Committee at its meeting on 19th January 2015.

2. While all of the above accounts are detailed separately within the report it is important that Executive gives appropriate consideration to the Council's overall financial position which encompasses all the three separate accounts as outlined within this report and to the range of services that it is planned to deliver to local residents. In addition to the consideration of the above three reports Council at its meeting of 4th February 2015 will also be requested to consider the Council's proposed Treasury Management Strategy which links the above three accounts into the Borrowing and Investment strategy. This helps to ensure that the Council's financial plans are affordable, prudent and sustainable.

3. While this report is predominantly concerned with financial issues it needs to be recognised that the Council's financial plans are part of a wider service planning framework which incorporates service plans together with the range of related Council strategies and policies. This helps ensure that the available resources are targeted at agreed Council priorities.

4. Within the reports which follow in respect of each of the Council's main accounts there are a number of common features. In particular financial projections are provided with regard to the following:

- <u>2014/15 Estimated Outturn Position</u>
  This is the current year budget revised to reflect changes which have taken place or which it is anticipated will take place during the remainder of this financial year. It will therefore provide a more accurate indication of the likely outturn position than the original budget in respect of the current financial year.

- <u>2015/16 Original Budget</u>
  This is the proposed budget for the next financial year commencing 1st April 2015 which Council will need to consider for approval at its meeting on 4th February 2015.

- <u>2016/17 and 2017/18 Financial Plan</u>
  In accordance with good practice the Council agrees its annual budgets within the context of a Medium Term Financial Plan (MTFP) which includes financial projections in respect of the next three financial years. This approach provides the Council with a longer planning horizon over which to develop service plans and to ensure that its underlying level of expenditure remains in line with its underlying level of resources. Effective multi-year planning is particularly important in the current climate given that the Comprehensive Spending Review and other Central Government announcements are based upon plans which incorporate significant year on year expenditure reductions for local government.

Robustness of the Estimates

4 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

also on the adequacy of the proposed financial reserves. The Council's S151 Officer (the Executive Director Operations) is satisfied that the methodology adopted to calculate the estimates is robust, and provides Members with reliable information on which to base their decisions. Likewise, the S151 Officer is satisfied that the proposed level of reserves, which although at a relatively low level, are adequate to cover the issues and potential risks which face the Council. The adequacy of the current level of reserves is considered in Appendix 1 in relation to the General Fund, in Appendix 2 in relation to the HRA, and in Appendix 3 in relation to the Capital Programme.

5 In arriving at the assessment that the methodology adopted is robust the Chief Financial Officer is satisfied that the policies upon which the estimates are based are reasonable, and that these policies have been applied consistently across the Council's activities. The approach that has been adopted has taken account of the following:

- The Council's actual expenditure and income both in the previous financial year (2013/14) and to date in the current financial year as at the end of September 2014. The views of cost centre managers concerning the level of expenditure which will be incurred during the remainder of the 2014/15 financial year have also been taken into account. Where necessary these figures have been validated by considering the incidence of income and expenditure up to the end of December 2014. This process has enabled a robust Estimated Outturn to be prepared in respect of the current financial year (2014/15), which has formed the basis for the 2015/16 Budget and the financial forecasts in respect of 2016/17 and 2017/18.

- With regard to estimates included within this report these have been developed with and agreed by the responsible cost centre managers who have the primary responsibility for managing them during the course of the financial year. This process has helped to ensure that agreed service developments, potential cost increases and changes in the level of demand for services, etc. have been taken into account. While the Chief Financial Officer is satisfied that the budgets which have been agreed are robust it does need to be recognised that non-employee related expenditure heads have been minimised and will need to be carefully managed if the Council is to operate within its approved budgets. This approach reflects the fact that a policy decision has been taken to minimise all non employee budgets. This increases the risk of an overspend developing during the year as there is now little room to manage unforeseen items of expenditure. This increased level of financial risk is taken into account in the Financial Risk Register which has been developed in respect of each of the three main accounts of the Council.

- The Accountancy Section have co-ordinated the preparation of the budget, and have ensured that all estimates are reasonable and have been developed in a consistent fashion. While the budgets that have been agreed are challenging and will need to be reviewed in the light of changing circumstances and priorities over the three year period of the Medium Term

Financial Plan the Chief Financial Officer is satisfied that they constitute a firm foundation on which to base the Council's financial management.

2. Conclusions and Reasons for Recommendations

This report presents a budget for consideration by Executive. It seeks to secure approval to budgets in respect of the General Fund, the Housing Revenue Account and the Capital Programme which are fully funded within the year and therefore meet the Council's legal obligation to agree a balanced budget.

3 Consultation and Equality Impact

Consultation

- Given that this budget report is based on the assumption that in overall terms existing levels of service will continue to be delivered by the current staffing establishment then there is not a requirement for an extensive consultation process to be undertaken. A specific meeting to consult on the impact of the proposed budget on the local business and commercial sector was held on the 26th January. The outcome of this meeting will be reported to Executive and at the meeting of Council on the 4th February.
- The Council is required to consult with stakeholders on the proposed budget. This consultation which is part of the Council's service planning framework has effectively been taking place throughout the financial year. These mechanisms which include active participation in the Local Strategic Partnership, a range of meetings with local groups and associations and a performance management framework which actively considers customer comments and complaints helps ensure that the Council remains responsive to local residents. These meetings help to inform the Council's understanding of what is expected of it by our local communities. In addition the budget process has also sought to ensure that the knowledge of Members in their role as Community Champions has been used to inform the service development process.
- It should also be noted that the budget process itself does not propose any significant change or amendment in the level of services provided to local residents, or any significant change to staffing structures or ways of working. Where significant change is planned this is subject to an appropriate consultation process concerning the proposal under consideration. The outcome of these consultation processes are reported back to Executive or Council for consideration as part of the decision making process. In particular, the Council has in place a Policy covering Organisational Review which details consultation procedures with staff affected, etc.
- In terms of internal consultation on the budget process consideration of a draft version of this report has been undertaken by both the Budget Scrutiny Committee at its meeting on 22nd January and by the Audit Committee on the 19th January. The main themes of the report have also been discussed at the monthly meetings between trade union representatives and management.

Equality Impact.

- Equalities issues are covered in the Service Plans which are linked to the resources allocated by the budgets recommended for approval within the Medium Term Financial Plan.

4 Alternative Options and Reasons for Rejection

4.1 Alternative options are considered throughout the report.

5 Implications

5.1 Finance and Risk Implications

These are covered through the report and associated Appendices but may be summarised as follows:

General Fund

- Estimated Outturn 2014/15:
  The Council set its original budget for 2014/15 on the basis that it was necessary to secure some £0.447m of savings. Due to a variety of factors including an improvement in non domestic rates income (£0.4m), reduction in non employee costs (£0.3m), employee costs (£0.3m), debt charge (£0.2m) combined with the ability to charge certain Invest to Save costs against Efficiency Grant that position has been managed into one where there is a currently anticipated surplus of £0.900m. The forecast surplus will be dependent upon the use of the £1.064m of Efficiency Grant provided by Central Government in order to fund the costs of rationalisation, restructuring and Invest to Save measures. While this surplus has been based upon minimising all budgets and therefore some upward drift of costs is likely such cost presses are highly unlikely to eliminate the forecast surplus. This is a significant achievement for the Council and provides the Council with a firm basis to address the Council's forecast financial position over the period of the Medium Term Financial Plan.

- **Original Budget 2015/16:**
  The budget in respect of 2015/16 currently shows a breakeven position. As part of the Council's longer terms plans to reduce expenditure in line with the reducing resource base officers have already identified measure to implement during the course of 2015/16 which should secure financial savings amounting to some £0.350m. On the basis that these are implemented then they will constitute a contribution into the Transformation Reserve can be funded. This will help maintain the momentum on the growth and transformation agenda and crucially will put the Council in a better position to secure the projected financial savings of some £2.3m which it is anticipated will be necessary over the years 2016/17 and 2017/18. Given the Council's performance over the previous four financial years the efficiency target of £0.350m should be

achievable. The minimal level of savings required in respect of next year partly reflects both the fact that this was never planned by central government to be a year for major spending reductions, together with the work that the Council has continued to undertake in order to secure efficiencies and to take advantage of the opportunities offered by the growth agenda in previous years. A continuation of that approach is an essential part of a strategy to secure the necessary level of financial savings in future years whilst minimising the impact on local residents.

- **Budgets 2016/17 and 2017/18**
  While the Council has relatively robust figures in terms of anticipated expenditure over the period of the MTFP the figures concerning Government funding are based upon the limited information that has been provided in respect of future public expenditure plans. While there are national elections in May 2015 that will clearly influence the shape of the Autumn statement in the November of 2015 it is not considered likely that there will be any move away from the ongoing reductions in the level of funding provided by central to local government. The position is complicated by the reality that there may also be changes in the distribution of that funding between different services and tiers within local government itself. On the basis of the information to date we are anticipating a shortfall of some £1.3m in 2016/17 followed by a further shortfall of £1m in 2017/18. These projections are in line with savings targets over the last few year (£1.259m 2011/12, £0.975m 2012/13 £0.884m 2013/14, £0.447m in 2014/15).
- Given the Government's spending plans it is clear that further reductions will be required in future financial years and it is therefore important that the Council maintains its momentum in achieving ongoing financial savings. While clearly these ongoing expenditure reductions will continue to have an impact on services it should be noted that the Council's current approach if continued will enable changes to budgets and service plans to be appropriately considered, planned and managed. This gradual ongoing planned approach is considered to be the most appropriate method for minimising the impact upon local residents.

Housing Revenue Account (HRA)

- **Estimated Outturn 2014/15**
  The Estimated Outturn figures provided within this report are in line with those previous reported to Executive in December 2014 and show no significant variation from the original budget. To summarise the overall position for the HRA in 2014/5 the overall surplus on the HRA remains one of £20,000 which is in line with the Original Budget agreed in February 2014.

- **Original Budget 2015/16**
  The key issues for 2015/16 are that the average rent increase required to comply with Government rent guidelines for social housing is one of 2.2% which results in the average rent for a Council house increasing to one of £85.28 per week (on a 48 week basis). In addition it is recommended that all new tenants should be required to pay target rent. While the 2.2.% rent

increase is required by Government Guidance (although such guidance is not compulsory) it needs to be recognised that rent increases in line with inflation are necessary if the Council is to be able to maintain its houses to a good standard in line with the expectations of tenants. It should also be recognised that rental levels for Council housing are and will continue to be significantly below those in the private rented sector.

- **Forecasts 2016/17 and 2017/18**

  The forecast position for the latter two years of the proposed MTFP effectively project or roll forward the figures in respect of 2015/16. These figures demonstrate that despite the range of recent changes to the HRA which have reduced the future rental stream and made the loss of stock under Right to Buy more likely that the HRA remains financially sustainable. This position is supported by the HRA Business Plan which covers a full 30 year period. Recent changes have, however, substantially impacted on the financial model which underpinned the localism of the HRA under which Bolsover District Council was allocated a debt of £94.3m to repay. These changes which all serve to reduce the longer term rental income of the HRA will add a further impetus to the ongoing work to secure efficiencies and improvements in the delivery of the Housing service.

Capital Programme

- Finally, with respect to the capital programme the majority of expenditure will continue to be in respect of the HRA Programme which is funded by capital resources ring fenced to the Council's HRA. The financial provision to fund the ongoing programme of housing refurbishment work is planned to continue at a level of some £4m per annum over the period of the proposed MTFP. After 2017/18 it will be necessary to increase the rate of spend as key elements of the Housing Stock, such as Roofs, Kitchens and bathrooms need replacement. Since the introduction of HRA reform in 2012 the Council has already built some 66 new houses and this programme is set to continue. The new homes at New Houghton will be completed by the end of the current financial year and proposals are now well under way to deliver 7 homes on a former garage site at Rodgers Avenue Creswell.
- With regard to the General Fund it is envisaged that the Bolsover Mini Hub will be fully completed and operational by Autumn 2015 at a cost of some £2.2m providing a range of public services from good quality premises. The capital programme also includes expenditure provision in respect of the proposed new enhanced Leisure facilities (swimming pool) at Clowne and for £1.177m of vehicle replacements which predominantly relates to the Refuse Fleet. Officers are also currently working on projects concerning the replacement of the contact centre at Shirebrook and into continuing to explore options to secure the long term sustainability of Pleasley Vale Mills. Additional reports on these issues will be brought back to Executive as appropriate during the course of the year.

Risk Issues

- A Financial Risk Register has been developed in respect of each of the main accounts and is provided at **Appendix 1 Table 2**, **Appendix 2 Table 3**, and **Appendix 3 Table 2**.

5.2 Legal Implications including Data Protection

- The Council is legally obliged to approve a budget prior to the commencement of the new financial year in April 2015. This report together with the associated budget timetable has been prepared in order to comply with our legal obligations.
- There are no Data Protection issues arising directly from this report.

5.3 Human Resources Implications

- These are covered in the main report and supporting Appendices where appropriate.

6 Recommendations

That all recommendations below are referred to the meeting of full Council on the 4th February 2015.

The following overall recommendations to Council are made:

a) That the view of the Chief Financial Officer that the estimates included in the Medium Term Financial Plan 2014/15 to 2017/18 are robust and that the level of financial reserves are adequate for sound financial management, be accepted.

b) That officers be required to report back to Executive and to the Audit Committee on at least a quarterly basis regarding the overall position in respect of the Council's budgets, these reports to include updates on progress in achieving the agreed range of savings and efficiencies necessary to achieve the agreed savings target for the 2015/16 financial year.

In addition to the above the following recommendations are made in respect of each of the main accounts of the Council.

GENERAL FUND

a) No Council Tax increase is levied for the financial year 2015/16 and the Council accept the proposed Government grant compensation arrangements and this recommendation is submitted for approval by the Council at its meeting on 4th February 2015.

b) The Executive recommends to Council (at its meeting on 4 February 2015) the Medium Term Financial Plan in respect of the General Fund as set out in **Appendix 1** of this report and agrees the Estimated Outturn Budget 2014/15 with a spending requirement of £12,359,032 together with the original budget for 2014/15 with a spending requirement of £13,119,526 as detailed in **Appendix 1 Table 1.**

c) Officers continue to progress the implementation of measures designed to secure the forecast surplus in respect of 2014/15 and the agreed savings targets in respect of 2015/16 with progress to be reported back to both Executive and Audit Committee on a quarterly basis.

d) That Executive agrees to recommend that the initial £0.3m of any surplus generated in the financial year 2014/15 is used to increase the General Fund balances to a position of £2m with the remainder being allocated to the Transformation reserve.

HOUSING REVENUE ACCOUNT

a) That Council sets its rent increases in line with Government policy increasing rent levels by the increase in Consumer Price Inflation plus 1% which in respect of 2015/16 gives a rent increase of 2.2% which it is recommended to apply from 1st April 2015.

b) That in recognition of the need to ensure the long term sustainability of the HRA in the light of the financial burdens arising from the debt settlement of March 2012 that the Council agrees to increase the rent on properties that are relet to target rent.

c) That the increases in respect of other charges as outlined in **Appendix 2 Table 2** be implemented with effect from 1 April 2015.

d) That the Housing Revenue Account as set out in **Appendix 2 Table 1** be approved as the Estimated Outturn Budget in respect of 2014/15, as the Original Budget in respect of 2015/16, and the financial projection in respect of 2016/17 and 2017/18.

CAPITAL PROGRAMME

(a) That the Capital Programme for 2014/15 to 2017/18 as set out in **Appendix 3 Table 1** be approved.

(b) That the Assistant Director (Property and Estates) be granted delegated powers in consultation with the Portfolio Member and the Asset Management group to approve the utilisation of the £200,000 of AMP Refurbishment allocation, with such approvals to be reported back to Executive through the Quarterly Budget Monitoring Report.

(c) That the Asset Management Group be requested to identify suitable assets for disposal in order to fund the Council's Capital Programme, reduce revenue costs and support the wider regeneration of the District.

7 Decision Information

Is the decision a Key Decision? (A Key Decision is one which results in income or expenditure to the Council of £50,000 or more or which has a significant impact on two or more District wards)	-
District Wards Affected	All
Links to Corporate Plan priorities or Policy Framework	**RELEVANT CORPORATE AIMS** STRATEGIC ORGANISATIONAL DEVELOPMENT – to continually improve the efficiency and effectiveness of all Council Services by maximising the potential use of Council resources. **TARGETS** The operation of policy led budgeting will help to inform future spending plans and ensure that resources are efficiently utilised in the promotion of Council priorities. **VALUE FOR MONEY** The budget process enables existing expenditure patterns to be challenged and where necessary redirected to ensure that resources are used effectively and directed towards the delivery of the Corporate Aims.

8 Document Information

Appendix No	Title
1 2 3	General Fund Revenue Account Housing Revenue Account Capital Programme
Background Papers (These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Cabinet (NEDDC) or Executive (BDC) you must provide copies of the background papers)	

Report Author	Contact Number
Executive Director – Operations	(01246) 242431

AGIN 12 (CAB 0702) MTFP (Conf)/AJD

APPENDIX 1

General Fund Revenue Account

Introduction

1. This report considers the element of the Medium Term Financial Plan relating to the Council's General Fund Revenue Account budgets. As such it covers all of the Council's revenue expenditure other than those elements which relate to the provision of Council Housing which are accounted for within the Housing Revenue Account (HRA).

2. The General Fund Budget report will form part of the Council's Medium Term Financial Plan.

3. The main areas covered by this report are as follows:

Item	
2014/15 Estimated Outturn	
2015/16 Original Budget	
• Level of Government Grant	
• Expenditure, income Levels and efficiencies	
Medium Term Financial Plan 2016/17 to 2017/18	
Options for Council Tax Levels	
Financial Reserves	
Risk Register	
Recommendations	
General Fund Revenue Account (inc Cost Centre detail)	Table 1
General Fund Risk Register	Table 2

4. The provisional budgets for both 2014/15 (Estimated Outturn) and 2015/16 (Original Budget) are shown in Table 1 to this report. Table 1 also details the projected position – on the basis of current patterns of income and expenditure – for both 2016/17 and 2017/18.

2014/15 Estimated Outturn

5. In February 2014 Members agreed a budget in respect of the current financial year 2014/15. Given that the Council was faced with achieving a challenging level of savings in respect of the current financial year it has been necessary to actively manage budgets throughout the year and to remove savings from the budget once they have been agreed. Given that the budget has been under a process of

ongoing revision the Revised Budget (the latest version considered by Executive at its meeting on the 1st December 2014) has evolved from the Original Budget which was approved in February 2014. For the purposes of this report, the comparison in Table 1 shows the movement between the Original Budget the Current Budget and the Estimated Outturn position. Given the extent of the work which has been undertaken during the year there is relatively little change between the Current Budget and Estimated Outturn position. As part of the budget process it is recommended that Members formally approve the Estimated Outturn position as set out within Table 1. The main reason for the variation between the Original Budget and the current position is that the savings which were necessary to balance the budget have now been recognised in service expenditure, while increased funding from reserves and S106 funding etc have been brought into the budget. All of these amendments are reflected in changes in the approved budget at cost centre level and have been subject to appropriate Member approval.

6. The key feature that has driven the Council's financial position during 2014/15 continues to be the ongoing reduction in the level of Central Government grant arising from the Government's Comprehensive Spending Review of Autumn 2010. From 2011/12 Bolsover was one of the 10 English local authorities which suffered the maximum reduction in spending power with this level of grant loss was one of the key factors which lay behind Central Government's decision to provide Transition Grant in respect of 2011/12 (£2.311m) and 2012/13 (£1.930m), with Efficiency Grant of £1.064m in both 2013/14 and 2014/15. Against this background Bolsover District Council has taken appropriate measures in order to bring its underlying level of expenditure back into line with its underlying level of resources. This is reflected in a proposed budget in respect of 2015/16 where a further savings target has been established.

.

7. The majority of the measures that have secured savings in previous and the current financial year will continue to provide ongoing savings for the Council into 2015/16 and beyond. As such they have made an important contribution to the financial sustainability of the Council. If these savings had not been secured then the financial challenge facing the Council during 2015/16 and future years would have been significantly greater.

8. As previously outlined within the report in recognition of the severity of the grant cuts that affected Bolsover District Council it has been awarded £1.064m of Efficiency Grant in both 2013/14 and 2014/15. The Efficiency Grant funding is designed to be invested in measures which reduce the underlying level of expenditure and Central Government will only make payment where it is satisfied that the grant is being appropriately used. Given the progress to date it is assumed that the Department for Communities and Local Government will be satisfied with the use of Efficiency Grant in 2014/15 and that its availability will be confirmed.

9. While budgets have been adjusted to minimal levels in order to maximise the level of financial savings secured officers have continued to operate a policy of restricting expenditure wherever possible. While this management action may be offset by upward cost pressures, officers are currently of the view that it should be

possible to achieve an outturn position with a significant underspend against the original budget in 2014/15. The forecast Estimated Outturn position in Table 1 incorporates an assumed surplus of £0.9m which is reflected in a contribution to balances. Given that the Original Budget also required the Council to secure savings of some £0.447m this represents an overall improvement of some £1.347m. It should, hover, be recognised that the availability of £1.064m of Efficiency Grant in 2014/15 has made a significant contribution in that this has covered a range of costs on restructuring and service investment which otherwise would have fallen on the General Fund.

Original Budget 2015/16

10. One of the key purposes of this report is for the Council to agree its detailed income and spending proposals in respect of the next financial year which commences on the 1st April 2015. The provisional budget which is recommended for consideration by Members is detailed in Table 1 of this Appendix.

11. In developing the proposed budget the main elements which have been taken into account are as follows:

- Grants from Government
- Expenditure, income levels and efficiencies
- Options for the level of Council Tax in respect of 2015/16
- Enhancement / Use of Reserves to assist in the management of the Council's financial position provided that the level of reserves remains adequate in the light of the risks facing the organisation.
- The need to ensure that the Council is taking appropriate steps to ensure that its underlying level of expenditure remains in line with the forecast level of resources that will be available to the Council in the light of the ongoing reductions in the level of government grant available to the Council.

Each of the above themes is now considered in greater detail in the sections below:

Level of Government Grant

12 On 18th December 2013 the Government provided details concerning the level of Grant that would be available to local authorities for the two year period covering the 2014/15 and the 2015/16 financial years. This announcement was updated in late December 2014 and the figures in respect of next year have been included on the basis of that announcement which showed a small improvement (£50k) from the original position. The 2016/17 figure is a projection based upon the general principle that the Government will cease to provide Revenue Support Grant to District Council's after the 2017/18 financial year. While the Government has provided details regarding the grant settlement Members should note that – in part arising from the philosophy of localism – there is now less certainty regarding the future level of financial resources. In particular Non Domestic Rating Income, Localisation of Council Tax Benefit and New Homes Bonus all bring significant uncertainties into the financial planning process. In respect of the Efficiency Grant

the Government retains an element of discretion over whether this grant should be paid in respect of 2014/15. The figures provided in respect of RSG for future years assume a continuation of this funding within RSG. These resources will be credited to the Transformation Reserve to ensure that they continue to support Invest to Save initiatives. While the details concerning the overall level of grant are sufficiently firm to provide a robust base for the Council's budget it does need to be appreciated that there remains a considerably greater degree of uncertainty concerning Government grant and related resources than was previously the case.

13 Details of the Government grant settlement are included in Table 1 to this Appendix. In terms of the financial support provided by Central Government National Non Domestic rates has become more significant than Revenue Support Grant. Council will be aware that the nature of Non Domestic Rates has evolved in that the Government now provides local authorities an incentive to grow NNDR locally given that they currently retain 20% of the growth in NNDR levels against the baseline figure. Whilst all local authorities are provided with an incentive in that they will retain a proportion of any growth in Business Rates there is a safety net which will protect those local authorities which suffer from a reduction in their local Non Domestic Rating Base. There is accordingly a direct financial incentive for local authorities to promote economic growth in their area, although local authorities would take the view that they have already been active in promoting such growth in order to protect and promote local employment. For Bolsover there are a number of schemes currently in the pipeline which should enhance the Non Domestic Rate Base over the next two to three years. There is, however, the clear risk that these may be offset by decline in other sectors of the local economy, or by the impact of revaluation. More generally whilst local authorities can facilitate and promote growth it does need to be recognised that there are other factors outside the influence of local authorities which are arguably of greater significance in promoting economic growth (the national economic position, geographical location, land availability). The localisation of business rates is, however, clearly intended to provide local authorities with an incentive to promote local economic development. While no growth in respect of the current financial year has currently been assumed within the budget appropriate figures are included within the proposed savings / efficiencies as outlined in section 18 below.

14 Executive will be aware that in respect of 2015/16 that a 'pool' of authorities across Derbyshire has been established in respect of Non Domestic Rate Income. Membership of a Derbyshire Wide pool was agreed by Council at a meeting 22nd October 2014 in recognition of the fact that those authorities which are members of a pool will in most cases benefit from retaining a higher level of locally generated non domestic rating income. Within the budget we have assumed that this Council will benefit by some £0.2m in respect of the 2015/16 financial year. Given the uncertainty concerning the availability of such income in respect of 2016/17 or future years no assumptions have been made regarding additional income in respect of those years. While it is reasonable to assume that the income of £0.2m will be secured in respect of 2015/16 it does need to be recognised that there may be a requirement to contribute to the Derbyshire Combined Authorities or other regional growth initiatives which may require a call on this funding.

15 With regard to the New Homes Bonus this is included in the 2015/16 base budget at £1.049m and by the end of 2017/18 is anticipated to be approaching £1.5m. Every new home built, or empty property brought back into use (offset by demolitions and those properties falling out of use) will provide the local authority with an increased income of £1,000 p.a. for 6 years for a Band A property. This reward, which is top sliced from the overall Government Grant pot – is intended to reward those authorities who allow and facilitate additional housing in their areas. With effect from 2017/18 the first year of New Homes Bonus (2011/12) will no longer be counted because at that stage it will have been paid for the full six years for which it was due to be paid. While the Council will at that time be receiving approximately £1.5m p.a. from the six years of New Homes Bonus to maintain the income at that level the Council will need to secure an additional 250 homes p.a. The majority of these additional homes will need to come from new build properties.

Expenditure, income levels and efficiencies

16 A key element of the Government's approach to local government is that it should seek to secure local sources of funding rather than remaining heavily dependent upon central funding. In part the Government see this objective being realised by local authorities maximising their local development potential by way of Non Domestic Rates (growing the level of business activity) or by way of New Homes Bonus (increasing housing numbers). In addition authorities have been encouraged to look at raising other local sources of income. Over the past two years the Council has taken a number of steps to improve the level of income that it receives from a range of services and in particular Leisure. While Officers will seek to continue to secure further incremental improvements it does perhaps need to be recognised that the majority of gains that are readily achievable have already been secured and are incorporated within the budget proposed in this report.

17 While the Council will continue with efforts to identify and secure additional income with which to support services it is clear that both locally and nationally the key opportunity for the Council to balance its budget arises in respect of managing expenditure levels and securing efficiencies.

18 With respect to the next financial year the Council has set itself a savings target of some £0.350m in order to secure a balanced budget and build the Transformation Reserve. This approach will help address the savings that will be required in respect of both 2016/17 and 2017/18 currently estimated at some £2.3m. On the basis that the Council takes action in the next financial year to start the process of securing the £2.3m of savings required then that will minimise the detrimental impact of funding cuts on local residents as the Council will be able to adopt a more gradual and considered approach to securing cost reductions. In respect of the current financial year a range of savings and

efficiencies amounting to some £0.350m have been identified. These are outlined below:

- Vacancy Allowance £75,000.
  All vacancies – including maternity leave, requests for additional annual leave, etc - will continue to be subject to review by Senior Alliance Management Team and will be controlled in order to secure financial savings. Where appropriate reports will be brought forward for Members to consider the disestablishment of posts which it is not considered appropriate to fill. While the target of £0.075m is in line with savings achieved in the current and previous financial years it does need to be recognised that the reductions in staffing numbers over recent years make these savings increasingly difficult to achieve given the requirement to maintain service levels. It is, however, crucial that the Council does not allow posts to be filled in 2015/16 which are unlikely to be a high priority in future financial years.

- Transformation, Secondments and Joint Working £125,000
  As part of the decision made in the autumn of 2013 to progress the Strategic Alliance as a vehicle for securing further savings Council accepted a recommendation that officers progress a transformation agenda. As part of this Transformation Agenda it is recommended that Executive approve a savings target of some £150,000 in respect of 2015/16. It should be noted that this is a net target after any associated implementation costs. In previous financial years the costs of restructuring have been met from Efficiency or Transition grant which are no longer available to the Council for the 2015/16 financial year. It is therefore crucial that the Council seeks to cover the costs of restructuring or investment to secure improved working within the financial year in which they are implemented. On that basis these measures should provide greater savings in future financial years. Further secondments and joint working arrangements with North East Derbyshire District Council will continue to be targeted to secure savings to Bolsover District Council. Given that these measures generally arise as a result of natural wastage they tend to involve minimal costs in terms of redundancy, etc whilst minimising the impact on the workforce of the requirement to shrink the size of the organisation.

- Property Rationalisation Savings £50,000
  While the Council has made significant progress during 2014/15 in maintaining rent levels at the Arc it is important that the Council's property assets continue to make an increasing contribution to supporting its financial position. In terms of improving the contribution from the Council's property portfolio the following options are currently being pursued:
    - Officers are in the process of concluding an agreement which will secure Derbyshire County Council as long term tenants at the Arc. Once Chesterfield College have fully moved out from the buildings there will be further opportunities to let out space to other potential tenants. To the extent to which the Council can rent out further space this will secure additional income. Officers are also continuing to work to maximise occupancy levels at the Council's business rental

locations. Given the improvement that has been secured at Pleasley Vale over the past two to three years Officers consider it unlikely that significant further income growth can be achieved. By contrast the facility at the Tangent is a relatively new one and officers are of the view that occupancy levels will increase as the facility becomes more established. Occupancy of further space should improve income accordingly.

- Officers are also looking to dispose of surplus assets where appropriate in order to secure reductions in the cost of day to day maintenance, etc.

19 The table below summarises the savings options that are proposed in order to address the 2015/16 position together with their impact on 2016/17 and 2017/18:

Summary of Proposed Savings

	2015/16 £000's	**2016/17 £000's**	**2017/18 £000's**
Efficiency Target / Budget Shortfall	**350**	**1,361**	**2,288**
Savings Proposals			
NNDR Growth Target 2015/16	(100)	(100)	(100)
NNDR Growth Target 2016/17		(100)	(100)
NNDR Growth Target 2017/18			(100)
Vacancy Management	(75)	(100)	(125)
Transformation, Secondments &Joint Working	(125)	(200)	(300)
Property Rationalisation Savings	(50)	(75)	(75)
Total Savings Proposals	**(350)**	**(575)**	**(800)**
Unidentified Savings Target 2015/16	0	0	0
Unidentified Savings Target 2016/17	-	(786)	(786)
Unidentified Savings Target 2017/18	-	-	(702)
Call on General Fund Balances	**0**	**0**	**0**

Given the importance of securing the above savings to the financial stability of the Council, progress will be reported on a regular basis to Executive. It should also be noted that it is proposed that the Council should approve that actual budgets are amended to take account of identified savings as soon as those savings are formally approved. This will help to ensure that cost centre managers are fully aware of the budgets that they are working to, and that those savings which are identified are fully achieved during the initial year.

Medium Term Financial Plan 2016/17 to 2017/18

23 While the main focus of this report is on the Revised Outturn position in respect of the current financial year (2014/15) and upon securing approval for the original Budget in respect of 2015/16, it is important that decisions are taken in the context of the financial position of the Council over the period of its Medium Term Financial Plan which covers the 3 year period up to the end of March 2018. The key feature of the Council's financial position over this period of time is the requirement to make ongoing revenue savings. The level of financial savings previously achieved and projected as being required – both on an annual basis and cumulative - are as follows:

Summary of Required Level of Financial Savings

	2012/13 £000	**2013/14 £000**	**2014/15 £000**	**2015/16 £000**	**2016/17 £000**	**2017/18 £000**
Annual Savings / Efficiencies Required	975	884	447	350	1,011	927
Cumulative Achieved / Required	975	1,859	2,306	350	1,361	2,288

24 While the level of savings required is based upon a number of assumptions - which are outlined below – it is clear that under any scenario the Council faces a significant reduction in its spending power. This is consistent with the plans set out within the Government's Comprehensive Spending Reviews of Autumn 2010 and 2013. Given the scale of the financial savings which are required over the period of the current Medium Term Financial Plan it is crucial that the Council acts to manage its financial position effectively, and in a manner that protects the level of services provided to local residents.

25 Provided that the Council can meet and possibly exceed the recommended Efficiency / Savings Target of some £0.350m in respect of next financial year (2015/16), officers are of the view that the Council will be in a relatively good financial position given the extent of the reductions in Government grant which have been experienced. The Council's financial position reflects the fact that it has put in plans over the last three financial years which have led to longer term savings rather than only addressing the in year financial position. Given the ongoing nature of the expenditure reductions which the Council is facing; in particular the shortfall of a further £1.361m (£1.011m after 2015/16 savings) in respect of 2016/17 it would seem to be appropriate to continue this policy which has both secured the necessary savings while minimising the impact on local residents.

26 In developing the financial projections in respect of 2015/16 to 2017/18 which are included within Appendix 1 to this report, officers have made a number of assumptions. The major assumptions which have been made are as follows:

- Pay increases of 2% in respect of 2015/16, with 1.5% in respect of both 2016/17 and 2017/18.
- No changes to employer superannuation contributions or to the lump sum deficit recovery.
- No allowance has been made in respect of general inflation although specific budget heads such as energy costs and business rates have been adjusted to reflect anticipated price movements. Executive should note that a significant allowance has been made within the draft budget for an increase in recycling costs which reflects the fact that payments for recycled materials have significantly reduced. Likewise budget increases of some £18k for the role out of Firmstep (2015/16 only), £12k for the cost of maintaining cash machines and £10k for improvements to the HR systems (2015/16 only) have also been proposed.
- A Council Tax increase of 1% or Council Tax Freeze Grant at 1% in respect of 2015/16, with Council Tax or Freeze Grant at 1.9% in respect of both 2016/17 and 2017/18.
- Government Grant reductions of £1.039m in 2016/17 and £0.882m in 2017/18. (It is anticipated that the level of government grant and other funding will be established for both 2016/17 and 2017/18 by the Chancellors Autumn Statement towards the end of the 2015 calendar year). In the absence of any information the contrary it is assumed that both the Non Domestic rating system and the New Homes Bonus funding will continue to operate along existing lines.
- Fees and Charges – service specific increases as agreed by Members.

<u>Options for Council Tax Levels</u>

27 Members will recall that since 2011/12 the Council has decided on a nil Council tax increase enabling the authority to take advantage of successive Government schemes which provided grant to partially compensate for the income lost as a result of a decision to freeze council tax. These compensatory grant payments to those Councils who did not increase Council Tax are, however, generally limited in the period in which they are receivable and unlike Council Tax increases do not result in an increase in the underlying revenue base of the Council. Council may wish to note that had the Council increased Council Tax in the region of 2% each year that its underlying financial position would have improved by a figure in the region of £0.25m, which would flow from increased Council Tax income.

28 Central Government has continued to make strong requests to local authorities not to increase Council Tax in respect of the 2015/16 financial year. The settlement details that were released in December 2014 have indicated that those Council's which do not increase Council Tax will benefit from a 'freeze grant' funded from the national exchequer which the case of BDC amounts to £0.037m. For those Council's who take the view that an increase in Council Tax is appropriate in order to minimise the impact of expenditure cuts then an increase of up to 2% will be allowed before the Government requires that a referendum is held. It is assumed that the freeze grant will only apply for a period of one year. Given that the Council could raise Council Tax by 2% - without the additional cost and logistical burden of

a referendum – there could be a financial benefit to the Council of up to £0.030m in the next financial year. The additional income from the increase in Council Tax of £0.064m would continue to be available to the Council in future financial years. Overall if the Council chooses to accept the additional Government Grant then it will not benefit from the positive impact to its Tax base in future years that would have been secured by a Council Tax increase in 2015/16. This will require that in future years expenditure will need to be £0.064m below what it otherwise would have been, or higher council tax rises will be necessary in subsequent years.

29 In reaching a decision regarding the appropriate level of Council Tax in respect of 2015/16 Members need therefore to give consideration to the Council's financial position in respect of both 2015/16 and in respect of the remainder of the period covered by this MTFP. In summary officers are currently forecasting that over the period April 2015 to March 2018 expenditure reductions (or increased income) of £2.287m will be necessary.

30 While there are significant financial reasons for opting to increase the level of Council Tax in 2015/16 in order to strengthen the Council's underlying financial position and to reduce the reliance on expenditure reductions as a means of balancing the budget, this needs to be balanced against the detrimental impact which the current economic situation and the level of inflation are having on local residents. It may be considered that the Council needs to take all appropriate steps in order to minimise the burden on local residents, and that to secure an – albeit smaller - increase in funding from national resources rather than local residents is the appropriate action at this point in time. This is the approach that has been taken by Cabinet in its consideration of the budget proposals in respect of 2015/16 and accordingly is the position recommended in this report.

Financial Reserves

31 The Council's main uncommitted Financial Reserves which relate to its General Fund are the General Fund Balance of £1.7m and within Earmarked Reserves the Transformation Reserve of £3.1m. Given the growing level of uncertainty surrounding local authority income and the fact that the Council itself has reduced all budgets to a minimal level thus reducing its financial resilience it is important that the Council continues to review what it would consider to be an acceptable level of General Fund balances. Given that the Council has continued to effectively achieve the in year savings targets and has a range of other balances available £1.7m would appear to be a reasonable minimum level of balances going forward. This position is supported by the General Fund Risk Register as set out in Appendix 1 Table 2 which details the financial risks currently faced by the Council which indicates notional financial risks with a total value of £1.425m.

32 In considering the position in respect of the level of financial balances Executive will be aware that it is proposed to utilise some £2m of the Transformation Reserve on the development of the enhanced Leisure facility at Clowne. There is also a clear intention that the remaining balance in the Transformation Reserve of £1.158m will be utilised to progress the Transformation and the Growth agenda. On the basis of current projections the Council should achieve a surplus of some

£0.9m at the end of the current financial year. Given the intention to fully utilise the Transformation Reserve it would be appropriate to give consideration to increasing the level of General Fund balances to one of £2m which would require a contribution of some £0.3m at the year end. That would leave the remainder of any surplus to be directed into the Transformation Reserve to fund Invest to Save activities in future years. At a level of some £2m General Fund balances would be some 40% above the estimated level of risk faced by the Council. Crucially should the Council fail to achieve its savings target then the availability of General balances of £2m would enable a period of time in which to make any necessary adjustments and to minimise the impact on local residents.

33 The opportunity to increase the General Fund balances position in 2014/15 should be seen as sound financial management as it needs to be recognised that the financial environment within which local authorities are now operating is characterised by a significantly higher level of risk over that which prevailed during previous financial years. Executive is well aware of the importance of managing expenditure reductions in a planned fashion in order to protect the quality of services to local residents, and an increase in the target level of balances which will secure improved financial resilience is an important element of protecting service delivery to local people.

Risk Register

34 A financial Risk Assessment is set out in Table 2, which outlines the risks, the mitigation which is in place, the potential impact and the probability of the event occurring in order to arrive at a notional calculation concerning the potential financial impact of the risks which the Council is currently facing. This indicates that the identified risks which the Council is currently facing amount to £1.425m. This is broadly in line with the current General Fund balances of £1.7m. Given, however, that it is anticipated that the Transformation Reserve will be significantly reduced in order to support Invest to Save projects it is recommended that consideration is given to utilising some £0.3m of the anticipated surplus in respect of 2014/15 in order to increase General Fund balances to a level of some £2m. Given the current level of uncertainty concerning future levels of Government funding that would appear to be an appropriate stance.

35 The assessment concerning the level of risk is essentially used for two purposes. In the first place an understanding of the risks which the Council faces is crucial in agreeing an appropriate level of financial reserves. Secondly, the identification of the risks is the first stage in the process of more effectively managing, or of mitigating those risks. By identifying the risks it is possible to avoid them, to insure against them, to transfer the risk, or most likely, actions can be taken to reduce or to mitigate the risk. The Council’s Financial Risk Register is closely linked to both the Strategic and Operational Risk Registers. The Council has in place a comprehensive approach to Risk Management which is reported on a regular basis to Executive, and this process will continue to be utilised in order to manage the key financial risks.

RECOMMENDATIONS

The recommendations arising from this Appendix which are set out in the covering report are as follows:

a) No Council Tax increase is levied for the financial year 2015/16 and the Council accept the proposed Government grant compensation arrangements and this recommendation is submitted for approval by the Council at its meeting on 4th February 2015.

c) The Executive recommends to Council (at its meeting on 4 February 2015) the Medium Term Financial Plan in respect of the General Fund as set out in **Appendix 1** of this report and agrees the Estimated Outturn Budget 2014/15 with a spending requirement of £12,359,032 together with the original budget for 2014/15 with a spending requirement of £13,119,526 as detailed in **Appendix 1 Table 1.**

c) Officers continue to progress the implementation of measures designed to secure the forecast surplus in respect of 2014/15 and the agreed savings targets in respect of 2015/16 with progress to be reported back to both Executive and Audit Committee on a quarterly basis.

d) That Executive agrees to recommend that the initial £0.3m of any surplus generated in the financial year 2014/15 is used to increase the General Fund balances to a position of £2m with the remainder being allocated to the Transformation reserve.

BOLSOVER DISTRICT COUNCIL
GENERAL FUND

APPENDIX 1 : Table 1

Description	Original Estimate 2014/15 £	Current Budget 2014/15 £	Estimated Outturn 2014/15 £	Original Budget 2015/16 £	Forecast 2016/17 £	Forecast 2017/18 £
Growth Directorate	2,692,066	3,304,342	3,182,157	2,933,928	2,802,701	2,776,614
Operations Directorate	6,815,649	6,733,186	6,421,029	6,378,639	6,471,703	6,480,556
Transformation Directorate	2,851,423	2,792,255	2,977,590	2,951,776	2,865,261	2,871,840
Recharges to HRA and Capital	(3,475,950)	(3,475,950)	(3,475,950)	(3,475,528)	(3,509,112)	(3,538,211)
Provision for Pay Award	80,675	80,675	72,758	5,246	125,023	252,469
Debt Charges	771,677	781,459	635,534	892,020	1,199,843	1,442,411
Investment Interest	(72,861)	(82,643)	(87,579)	(100,311)	(128,771)	(116,093)
S106 Expenditure						
Growth	60,116	80,383	80,383	120,233	0	0
Transformation	195,122	368,571	368,571	42,334	208,734	88,723
	9,917,917	**10,582,278**	**10,174,493**	**9,748,337**	**10,035,382**	**10,258,309**
Appropriations:						
Contributions to Reserves:	217,850	217,850	1,118,297	1,545,323	1,281,584	1,281,584
Contribution from Earmarked Reserves:	(155,919)	(801,820)	(939,308)	(198,094)	(60,026)	(17,888)
Contribution (from)/to Unapplied Grants/Holding Accounts	64,841	(85,068)	(153,716)	(33,579)	(3,835)	(2,120)
Efficiency Measures	0	0	0	(350,000)	0	0
Contribution from S106 Holding Accounts	(255,238)	(448,954)	(448,954)	(162,567)	(208,734)	(88,723)
TOTAL EXPENDITURE	**9,789,451**	**9,464,286**	**9,750,812**	**10,549,420**	**11,044,371**	**11,431,162**
Parish Precepts	2,144,612	2,227,081	2,227,081	2,227,081	2,227,081	2,227,081
Council Tax Support Grant - Parish	381,139	381,139	381,139	343,025	308,723	277,850
TOTAL SPENDING REQUIREMENT	**12,315,202**	**12,072,506**	**12,359,032**	**13,119,526**	**13,580,175**	**13,936,093**
Revenue Support Grant from SFA	(2,905,097)	(2,905,097)	(2,905,097)	(3,102,529)	(2,063,734)	(1,180,904)
Council Tax Grant (13/14)	(36,052)	(36,052)	(36,052)	0	0	0
Council Tax Grant (14/15)	(31,391)	(36,784)	(36,784)	0	0	0
Business Rates Retention from SFA	(2,606,266)	(2,606,266)	(2,606,266)	(2,656,067)	(2,729,374)	(2,804,705)
NNDR Growth 13/14	(155,079)	(155,079)	(155,079)	(155,079)	(155,079)	(155,079)
NNDR Growth 14/15	0	0	(378,012)	(452,517)	(469,287)	(486,519)
NNDR Pooling - Levy share	0	0	0	(200,000)	0	0
New Homes Bonus Grant 11/12	(117,312)	(117,312)	(117,312)	(117,312)	(117,312)	0
New Homes Bonus Grant 12/13	(193,346)	(193,346)	(193,346)	(193,346)	(193,346)	(193,346)
New Homes Bonus Grant 13/14	(169,639)	(178,391)	(178,391)	(169,639)	(169,639)	(169,639)
New Homes Bonus Grant 14/15	(292,058)	(292,058)	(292,058)	(292,058)	(292,058)	(292,058)
New Homes Bonus Grant 15/16	0	0	0	(277,154)	(277,154)	(277,154)
New Homes Bonus Grant 16/17	0	0	0	0	(275,000)	(275,000)
New Homes Bonus Grant 17/18	0	0	0	0	0	(275,000)
COUNCIL TAX - BDC precept	(3,139,072)	(3,139,072)	(3,139,072)	(3,189,278)	(3,189,278)	(3,189,278)
Council Tax Income	0	0	0	(37,019)	(60,596)	(122,344)
Council tax - Parish element from above	(2,144,612)	(2,227,081)	(2,227,081)	(2,227,081)	(2,227,081)	(2,227,081)
General Government Grants - misc	0	(16,402)	(16,402)	0	0	0
Council Tax - New Burdens Funding	(78,080)	(78,080)	(78,080)	0	0	0
Council Tax Collection Fund Surplus	0	0	0	(50,447)	0	0
TOTAL FUNDING	**(11,868,004)**	**(11,981,020)**	**(12,359,032)**	**(13,119,526)**	**(12,218,938)**	**(11,648,107)**
FUNDING GAP / (SURPLUS)	**447,198**	**91,486**	**0**	**0**	**1,361,237**	**2,287,986**

APPENDIX 1 Table 1

List of net budgets per cost centre per directorate

		Original Estimate 2014/15 £	Current Budget 2014/15 £	Estimated Outturn 2014/15 £	Original Budget 2015/16 £	Forecast 2016/17 £	Forecast 2017/18 £
G909	Cont. to/from Revenue Reserves (G909)	(128,466)	(1,117,992)	(423,681)	801,083	1,008,989	1,172,853
G911	Provision for Repayment of External Loan (G911)	445,936	445,936	384,241	566,298	757,171	875,985
G913	Precept Demand from Collection Fund (G913)	(5,315,075)	(5,366,153)	(5,366,153)	(5,503,825)	(5,476,955)	(5,538,703)
G914	General Government Grants (G914)	(6,552,929)	(6,614,867)	(6,992,879)	(7,615,701)	(6,741,983)	(6,109,404)
G916	Interest Received (G916)	(82,643)	(82,643)	(111,720)	(116,635)	(145,208)	(136,070)
G919	Interest Paid - PWLB (G919)	324,003	324,003	248,714	324,012	440,962	563,462
G920	Interest Paid - Parish (G920)	1,155	1,155	1,782	1,710	1,710	2,964
G925	Internal Interest Received (G925)	583	583	796	0	0	0
G927	Interest Received (G927)	9,782	9,782	24,142	16,324	16,437	19,977
G928	Local Precepts (G928)	2,525,751	2,608,220	2,608,220	2,570,106	2,535,804	2,504,931
	Efficiency Measures	0	0	0		0	0
G930	T/f of General Fund Balance (G930)	(447,198)	(91,486)	0	0	(1,361,237)	(2,287,986)
	Total for: Appropriations	**(9,219,101)**	**(9,883,462)**	**(9,626,538)**	**(8,956,628)**	**(8,964,310)**	**(8,931,991)**
G005	Joint Chief Executive Officer (G005)	80,904	80,904	81,557	86,220	86,220	86,220
G006	CEPT (G006)	245,975	336,586	337,432	300,042	282,634	279,719
G010	Neighbourhood Management (G010)	89,144	89,144	85,143	82,125	83,158	84,163
G017	Private Sector Housing Renewal (G017)	126,862	43,670	132,981	129,085	129,583	129,593
G020	Public Health (G020)	(14,000)	(14,000)	(28,000)	(28,000)	(28,000)	(28,000)
G021	Pollution Reduction (G021)	65,639	148,831	74,224	69,170	69,630	70,099
G023	Pest Control (G023)	45,680	45,680	47,144	48,298	49,156	49,158
G025	Food Safety (G025)	138,081	138,081	135,525	133,980	135,141	135,827
G026	Animal Welfare (G026)	90,025	90,025	84,949	85,542	85,970	85,975
G036	Environmental Health Mgmt & Admin (G036)	199,094	166,338	171,092	167,677	168,395	168,410
G053	Licensing (G053)	(43,115)	(43,115)	(37,382)	(41,517)	(41,512)	(41,507)
G054	Electoral Registration (G054)	69,160	69,160	58,787	69,160	69,160	69,160
G055	Democratic Representation & Management (G055)	537,689	535,689	537,042	527,135	525,135	525,135
G056	Land Charges (G056)	5,288	5,199	6,032	7,337	7,843	8,142
G057	District Council Elections (G057)	7,000	7,000	7,000	42,000	0	0
G058	Democratic Services (G058)	227,779	224,264	215,623	241,830	243,581	243,581
G060	Legal Services (G060)	182,049	159,785	139,545	166,067	166,572	166,872
G073	Planning Policy (G073)	242,692	247,322	273,992	228,014	208,014	180,448
G074	Planning Development Control (G074)	(3,366)	106,705	113,572	17,735	17,735	17,735
G076	Planning Enforcement (G076)	75,864	71,849	68,832	77,453	77,453	77,453
G079	Planning Services Mgmt & Admin (G079)	59,310	19,582	19,860	21,023	21,023	21,023
G085	Economic Development (G085)	29,750	52,550	52,550	30,550	30,550	30,550
G086	Alliance (G086)	9,250	9,250	9,250	9,250	9,250	9,250
G088	Derbyshire Economic Partnership (G088)	15,000	15,000	15,000	15,000	15,000	15,000
G132	Planning Conservation (G132)	66,895	66,995	39,858	51,793	48,491	48,491
G143	Housing Strategy (G143)	32,611	31,816	32,054	33,369	33,685	33,685
G144	Enabling (Housing) (G144)	19,574	19,574	19,729	20,606	20,817	20,817
G145	Handy Van Service (G145)	11,798	11,798	(6,184)	0	0	0
G154	ERDF - Work for Yourself (G154)	0	26,099	26,099	11,222	0	0
G171	S106 Education (G171)	0	(54,633)	(54,633)	120,233	0	0
G172	S106 Affordable Housing (G172)	60,116	135,016	135,016	0	0	0
G176	Affordable Warmth (G176)	27,953	27,953	(4,425)	(4,836)	(4,378)	(3,910)
G191	Public Health (G191)	0	12,000	0	0	0	0
G192	Scrutiny (G192)	0	18,787	20,092	19,596	19,596	19,596

		Original Estimate 2014/15	Current Budget 2014/15	Estimated Outturn 2014/15	Original Budget 2015/16	Forecast 2016/17	Forecast 2017/18
		£	£	£	£	£	£
G193	Economic Development Management + Admin (G193)	18,140	125,025	100,573	161,489	164,771	168,199
G194	Assist Dir - Economic Growth (G194)	0	33,726	33,872	33,984	33,984	33,984
G195	Assist Dir - Governance + Monitoring (G195)	33,341	33,331	33,529	35,036	35,036	35,076
G196	Assist Dir - Planning + Env Health (G196)	0	31,678	32,045	34,413	34,413	36,270
G198	CEPT Commissioning (G198)	0	7,800	7,800	0	0	0
G209	Conservation - Carr Vale HLF Scheme	0	0	(6,896)	7,810	400	400
G211	Help to Work (G211)	0	20,680	20,680	20,085	4,195	0
G212	Budget Buddies (G212)	0	12,000	12,000	1,935	0	0
G213	Volunteering (G213)	0	7,975	7,975	12,025	0	0
G214	Healthy Weight (G214)	0	29,055	29,055	0	0	0
G215	Community Health Checks (G215)	0	14,310	14,310	10,225	0	0
G217	Residual WNF Schemes (G217)	0	168,241	168,241	0	0	0
	Total for: Growth Directorate	**2,752,182**	**3,384,725**	**3,262,540**	**3,054,161**	**2,802,701**	**2,776,614**
G001	Audit Services (G001)	123,510	123,510	123,450	124,650	124,650	124,650
G007	Community Safety - Crime Reduction (G007)	52,271	51,073	45,737	51,618	51,618	51,618
G013	Community Action Network (G013)	228,171	226,867	225,093	230,021	229,074	229,943
G018	Public Conveniences (G018)	21,948	21,910	21,910	10,955	0	0
G024	Street Cleansing (G024)	347,130	349,630	345,778	344,011	332,325	330,603
G028	Waste Collection (G028)	1,010,415	1,024,345	978,500	972,590	862,849	841,411
G032	Grounds Maintenance (G032)	524,143	528,743	545,699	545,690	529,784	507,922
G033	Vehicle Fleet (G033)	722,185	706,776	698,831	718,522	723,991	729,956
G038	Concessionary Fares & TV Licenses (G038)	(7,000)	(7,600)	(8,707)	(7,800)	(7,800)	(7,500)
G040	Corporate Management (G040)	157,967	243,920	183,258	127,161	246,938	374,384
G041	Non Distributed Costs (G041)	1,202,462	1,133,227	1,081,000	766,100	784,080	784,080
G044	Financial Services (G044)	325,889	305,765	298,688	322,445	322,879	322,839
G046	Homelessness (G046)	137,634	137,634	145,352	157,855	158,000	158,000
G048	Town Centre Housing (G048)	(23,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)
G050	Joint Director of Development	1,165	0	0	0	0	0
G080	Engineering Services (ESRM) (G080)	66,743	66,743	73,548	74,208	73,958	73,958
G081	Drainage Services (G081)	3,300	3,300	3,300	3,300	3,300	3,300
G083	Building Control Consortium (G083)	120,700	120,700	96,550	96,550	97,515	98,490
G089	Premises Development (G089)	(62,343)	(65,809)	(64,904)	(77,263)	(77,248)	(77,233)
G090	Pleasley Vale Mills (G090)	(123,055)	(81,023)	(96,331)	(137,234)	(136,858)	(136,481)
G092	Pleasley Vale Electricity Trading (G092)	(39,440)	(39,440)	(39,440)	(39,440)	(39,440)	(39,440)
G093	Sherwood Lodge (G093)	9,786	8,950	44,855	(4,749)	0	0
G094	Joint Director of Neighbourhoods (G094)	995	0	0	0	0	0
G095	Estates + Property (G095)	564,903	418,641	490,329	460,192	461,155	461,155
G096	Building Cleaning (General) (G096)	71,778	71,778	72,136	74,301	74,301	74,301
G097	Groundwork & Drainage Operations (G097)	45,585	45,585	46,675	44,436	44,734	44,608
G099	Catering (G099)	6,000	6,000	6,000	6,000	6,000	6,000
G100	Benefits (G100)	293,352	281,592	289,153	374,018	427,886	477,845
G103	Council Tax / NNDR (G103)	262,432	263,027	218,186	248,879	253,088	253,967
G104	Sundry Debtors (G104)	81,008	81,008	81,488	83,135	83,201	83,213
G106	Housing Anti Social Behaviour (G106)	65,487	65,487	55,541	69,913	69,913	69,913
G111	Shared Procurement Unit (G111)	36,000	36,000	36,000	36,000	36,000	36,000
G113	Parenting Practitioner (G113)	40,084	38,084	39,509	44,542	44,542	44,542
G123	Riverside Depot (G123)	170,464	161,580	165,670	170,545	171,780	173,980
G124	Street Servs Mgmt & Admin (G124)	54,874	65,576	63,202	66,648	66,648	66,648
G127	Planning + Estates Admin (G127)	48,579	47,185	47,219	48,973	48,973	48,473
G128	Neighbourhoods Management + Admin (G128)	95,423	0	0	0	0	0

		Original Estimate 2014/15	Current Budget 2014/15	Estimated Outturn 2014/15	Original Budget 2015/16	Forecast 2016/17	Forecast 2017/18
		£	£	£	£	£	£
G133	The Tangent Business Hub (G133)	52,695	52,695	47,017	44,502	49,973	50,811
G135	Domestic Violence Worker (G135)	33,548	35,548	37,370	38,151	38,151	38,151
G138	Sherwood Lodge Development (G138)	0	500	500	0	0	0
G142	Community Safety - CCTV (G142)	33,370	93,390	93,390	33,370	33,370	33,370
G148	Trade Waste (G148)	(65,186)	(65,186)	(63,596)	(63,548)	(63,548)	(63,548)
G149	Recycling (G149)	(16,737)	(16,737)	(25,870)	80,156	227,156	227,156
G150	Waste Minimisation (G150)	500	0	0	0	0	0
G151	Street Lighting (G151)	3,000	3,000	3,000	3,000	3,000	3,000
G153	Housing Advice (G153)	8,202	8,202	9,553	11,604	11,627	11,627
G156	The Arc (G156)	329,211	306,821	224,151	308,391	316,642	318,435
G159	Council Tax Benefit Reform (G159)	0	0	(3,648)	0	0	0
G161	Rent Rebates (G161)	(58,834)	(58,834)	(65,277)	(69,193)	(73,346)	(77,746)
G162	Rent Allowances (G162)	(138,704)	(138,704)	(150,694)	(158,779)	(167,267)	(176,180)
G164	Support Recharges (G164)	(3,475,950)	(3,475,950)	(3,475,950)	(3,475,528)	(3,509,112)	(3,538,211)
G167	Facilities Management (G167)	20,500	17,370	18,410	20,500	20,500	20,500
G169	Closed Churchyards (G169)	10,000	10,000	10,000	10,000	10,000	10,000
G188	Bolsover Mini Hub (G188)	(1,606)	0	0	0	0	0
G190	Executive Director - Operations (G190)	48,820	48,820	49,951	49,930	49,930	49,930
G197	Assist Dir - Finance, Revenues + Benefits (G197)	0	31,900	31,340	31,388	32,296	33,203
G199	Assist Dir - Street Scene (G199)	0	30,235	29,776	31,080	31,988	32,895
G208	Assist Dir - Estates and Property (G208)	0	39,077	10,513	31,561	33,418	35,276
	Total for Operations Directorate	**3,420,374**	**3,337,911**	**3,068,211**	**2,908,357**	**3,087,614**	**3,194,814**
G002	I.C.T. (G002)	679,245	646,845	648,587	673,768	678,666	683,431
G003	Reprographics (printing) (G003)	42,303	42,303	42,312	44,743	44,743	44,743
G014	Customer Contact Service (G014)	713,144	712,045	764,599	778,778	772,275	778,468
G015	Strategy & Performance (G015)	227,540	178,159	182,861	197,374	183,579	183,051
G027	Emergency Planning (G027)	15,200	15,200	15,200	15,200	15,200	15,200
G052	Human Resources & Payroll (G052)	342,708	308,958	305,027	310,899	298,599	299,299
G061	Bolsover Wellness Programme (G061)	(47,074)	(47,074)	(8,934)	22,301	22,301	22,301
G062	Extreme Wheels (G062)	(13,897)	(10,449)	(10,198)	(5,350)	(4,361)	(3,336)
G063	Go Football (G063)	10,178	10,178	10,394	13,814	10,187	10,187
G064	Bolsover Community Sports Coach Scheme (G064)	83,439	119,240	96,481	150,528	132,387	134,895
G065	Parks, Playgrounds & Open Spaces (G065)	55,813	49,397	49,385	49,577	49,590	48,448
G066	Sports Development (G066)	86,939	0	0	0	0	0
G067	Culture & Heritage (G067)	26,878	45,508	45,359	27,530	27,530	27,530
G069	Kissingate Leisure Centre (G069)	50,000	50,000	50,000	0	0	0
G070	Outdoor Sports & Recreation Facilities (G070)	28,955	28,419	30,827	30,269	30,406	30,548
G071	Creswell Leisure Centre (G071)	156,582	127,826	134,702	144,436	146,018	143,069
G072	Leisure Services Mgmt & Admin (G072)	184,838	152,995	171,250	153,352	154,372	154,629
G112	Frederick Gents School Community Use (G112)	37,510	18,160	12,165	20,989	12,807	13,196
G125	S106 Percent for Art (G125)	0	94,566	94,566	0	0	0
G126	S106 Formal and Informal Recreation (G126)	187,655	58,933	58,933	9,323	91,999	88,723
G129	Bolsover Apprenticeship Programme (G129)	0	39,292	36,810	46,199	15,495	15,495
G146	Pleasley Vale Outdoor Activity Centre (G146)	10,337	25,456	29,879	25,637	23,886	23,905
G155	Customer Services (G155)	59,696	73,120	73,330	26,797	26,797	26,797
G160	Clowne Leisure Centre (G160)	(6,470)	(5,470)	34,051	25,914	25,914	25,914
G168	Multifunctional Printers (G168)	58,519	59,119	59,119	59,119	59,119	58,062
G170	S106 Outdoor Sports (G170)	7,467	215,072	215,072	33,011	116,735	0
G173	SE Community Sports (G173)	0	0	0	289	47	0
G179	Streets Sports (G179)	0	(1,000)	0	0	0	0

		Original Estimate 2014/15 £	Current Budget 2014/15 £	Estimated Outturn 2014/15 £	Original Budget 2015/16 £	Forecast 2016/17 £	Forecast 2017/18 £
G181	BLACA (G181)	0	2,000	1,000	0	0	0
G182	Village Games (G182)	0	8,585	8,585	0	0	0
G188	Bolsover Min Hub (G188)	0	(1,606)	0	(17,859)	(22,384)	(22,271)
G189	Executive Director - Transformation (G189)	49,040	49,040	49,291	49,275	49,275	49,275
G200	Assist Dir - Customer Services + Improvement (G200)	0	31,266	31,614	33,998	35,855	35,855
G201	Assist Dir - HR + Payroll (G201)	0	33,900	34,106	34,085	34,085	34,085
G202	Assist Dir - Leisure (G202)	0	31,843	31,792	34,186	36,043	36,043
G203	Sportivate (G203)	0	(1,000)	0	0	0	0
G205	Badminton (G205)	0	0	0	86	0	0
G206	Street Games (G206)	0	0	(2,378)	5,842	6,830	3,021
	Total for Transformation Directorate	**3,046,545**	**3,160,826**	**3,295,787**	**2,994,110**	**3,073,995**	**2,960,563**
	Total for: General Fund	**0**	**0**	**0**	**0**	**0**	**0**

Appendix 1 : Table 2

BOLSOVER DISTRICT COUNCIL: GENERAL FUND RISK REGISTER

Risk and Mitigation in Place	Gross Value of Risk £000's	Probability	Potential Impact £000's
1. Overspend on challenging revenue budgets. • The financial information system and budget monitoring arrangements are robust. The Council has a good record of managing spending against budgets. • Regular monitoring reports will be taken to Executive, Council and Audit Committee. • Elected Members have a good awareness of the Council's financial position. • The development of the current budgets has been based upon the active engagement of cost centre managers.	1,000	30%	300
2. Reduction in Government Grant/NNDR/ New Homes Bonus or loss of other income above the budgeted level incorporated within the MTFP • Income Budgets have been established on a prudent basis. • The position on income levels will be monitored as part of the Council's routine budget procedures.	1,500	30%	450
3. Inability to achieve assumed level of efficiencies. • Regular reports will be taken to Executive, Council and Audit Committee. • Most of the necessary savings for 2014/15 have been consolidated within the Estimated Outturn position. • The Council has a good record of achieving savings over the last three financial years	500	25%	125

Risk and Mitigation in Place	Gross Value of Risk £'s	Probability	Potential Impact £'s
4 Overspend on Capital Programme or underachievement of capital receipts leads to a charge against the Revenue Position • The revenue framework outlined above will also govern the position in respect of the Capital Programme. • The Council has agreed a general principle of not entering into capital commitments unless the resource required to finance those commitments has been secured.	500	25%	125
5. A major Business Continuity Issue arises. • The Council has in place Business Continuity Plans and Insurance Arrangements which are intended to address these risks. • Previously in exceptional circumstances Central Government has provided financial support to authorities in these circumstances.	2,000	10%	200
6. Increased cost of Council Tax Benefit as a result of increasing costs not being fully covered by additional government grant, or from the proposed reforms of the service. • Budgets have been established on a prudent basis, however, part of the risk of cost increase is now upon local authorities.	500	25%	125
7. An increase in employee costs associated with a national pay award, requirement to retain key staff or with changes in local terms and conditions. • While the Council has made budget provision for all known changes there remain risks around the fact that key personnel could leave for better remunerated posts elsewhere, or that a challenge is made in respect of existing terms and conditions.	250	40%	100
Notional Potential Financial Impact of Identified Risks			**1,425**

APPENDIX 2

Housing Revenue Account

Introduction

1. This report considers the elements of the Medium Term Financial Plan relating to the Council's Housing Revenue Account (HRA) budgets. As such it covers the Council's revenue expenditure relating to the provision of Council Housing. This financial and service planning framework has a direct impact upon the quality of the housing service provided by the Council to our tenants.

2. The Housing Revenue Account appendix forms part of the Council's Medium Term Financial Plan.

3. The main areas covered by this report are as follows:

Item	
2014/15 Estimated Outturn Budget	
Level of Council House Rents	
Housing Revenue Account Budgets 2015/16	
Planning Budgets 2016/17 to 2017/18	
Fees and Charges	
Level of HRA Balances	
HRA Risk Register	
Recommendations	
Housing Revenue Account Budget	Table 1
Proposed Service Charges	Table 2
Housing Revenue Account – Risk Register	Table 3

4. The proposed budgets for both 2014/15 (Estimated Outturn) and 2015/16 (Original Budget) are detailed in Table 1 to this Appendix. The Appendix also details the projected position, on the basis of current patterns of income and expenditure, for both 2016/17 and 2017/18.

2014/15 Estimated Outturn Budget

5. In February of 2014 Members agreed a budget in respect of the current financial year 2014/15. That original budget is detailed in Table 1 of this Appendix, where it can be compared against the Estimated Outturn Budget for 2014/15. The position on the HRA has been monitored during the course of the year with Estimated Outturn budgets for the HRA having only minor changes to the Revised Budget figures reported and approved by the Executive in December 2014.

6. The key points of change in arriving at the Estimated Outturn position are listed below:

- Rental income is £0.167m (0.8%) below the original budget which reflects a range of minor variances. With respect to other income while that has improved overall by £0.039m there is a decline in Supporting People income of some £0.073m (almost 9%), offset by increased income from Special Services.
- With respect to expenditure there is an overall increase in costs of some £0.180m from the original budget comprising a range of small variances across all areas of activity. The most noticeable trends are the increase in Supervision and Management costs of £0.182m (4%) together with a £0.030m (4%) increase in the cost of Supporting People.
- The impact of an overall reduction in income of £127k combined with an increase in overall expenditure of £179k, is offset by an increased use of Reserves of £0.106m, together with a reduction of £0.2m in the contribution to the Development Reserve.

7. The overall outcome of the recommended amendments to the Budget as outlined in section 6 above is that the HRA general balance continues to increase by some £0.020m resulting in a projected balance at the year end of some £1.881m.

8. Although the HRA has been through a period of significant reform it should be noted that the impact upon the Council's tenants has been minimal. This was always the intended outcome although it needs to be recognised that there is now a significantly greater level of responsibility which needs to be exercised locally. While local authorities have considerably more freedom to operate the HRA on a local basis it needs to be recognised that this greater freedom needs to be exercised within the context of the financial settlement of March 2012 which was intended to ensure that local authorities had sufficient funding to operate the localised HRA provided that they continued to manage the service in an effective fashion and raised appropriate levels of income from rents and other charges.

9. While the new arrangements should prove to be affordable and sustainable the revised financial governance framework does place significantly more responsibility upon individual local authorities. In particular it will be necessary to ensure adequate financial provision to maintain and refurbish the stock to an appropriate standard and to meet the service expectations of our tenants whilst covering the significant debt charges which arose from the 2012 settlement. During the course of the 2014/15 financial year the Council has updated its HRA Business Plan, to reflect the outcome of the full stock survey which provides a detailed picture of the value and timing of the underlying need for investment in the Housing Stock. To date the Council has utilised the freedom and flexibilities offered by the new HRA regime to replace existing non traditional stock with new homes where appropriate. Under the reformed HRA arrangements one of the

key issues will be the ability of local authorities to ensure that their housing stock remains sustainable and continues to meet a decent homes standard. Poor housing management, not securing value for money, and failure to raise rents in line with that of other social housing providers – as required by the Governments rent policy – will result in the Council not having sufficient funding to maintain the homes of our tenants at an acceptable standard which over the 30 year period of the business plan would result in the stock becoming increasingly unsustainable.

Level of Council House Rents

10. In the period since 2002/03 successive national Governments have operated a rents convergence policy which sought to establish aligned rents across social housing tenures (Housing Association and Council Housing) by 2012. That policy was based upon a maximum increase for individual tenants of Retail Price Inflation RPI) plus 0.5% and £2 a week. As part of the 2013 Spending Round the Government announced that from 2015-16 social rents will rise by Consumer Price Index (CPI) plus 1 per cent each year for 10 years. Effectively this policy announcement has brought to an end the rent convergence policy which has operated since 2002/03. In the case of those authorities where target rents have not been reached there will be a significant reduction in the growth of rental income with resultant financial pressures.

11. Any decision regarding rents needs to be taken in the context of the fact that as part of the Localisation of Council Housing Bolsover District Council was required to take on total debt of some £94.3m. That sum was calculated on the ability of the Council to afford the repayment costs, with the income stream used in the financial model being based on the continuation of the rent convergence policy.

12. The Government's new approach does not include an allowance for rent convergence within the formula for calculating rent increases. Given that the majority of council housing in Bolsover has not reached target level the impact on the HRA in 2015/16 is an estimated loss of income in that year of some £0.6m rising to a loss of £1.7m for 2019/20. Over the 30 year life of the business plan the loss of rental income arising from not continuing the rent convergence policy is forecast to amount to some £48m (excluding inflation). While the Government has justified the ending of the rent convergence policy on the basis that a majority of Council's have already reached target rents this is not the case in Bolsover where as a Council we started at a lower level of rent than many other authorities.

13. With respect to the change in the basis of setting rental levels this will have a significant impact of the financial sustainability of the local HRA. This in turn could result in poorer services to Council tenants, a reduction in spend on maintenance costs, while potentially new build Council properties would become unaffordable for the Council. To mitigate the impact of these changes upon both

current and future tenants the Council will clearly need to implement the annual increase in line with the Government's rent setting policy. In addition it is recommended that when houses fall vacant and are occupied by a new tenant that the new tenant be charged at the target rent level rather than at the current historical level. While rental income will rise more slowly to target rents than under the previous convergence policy tenants will be aware of the increased rental level before accepting the property, while the HRA will over time benefit from income which will enable the sustainability of the current HRA as a viable tenancy option. Under the recommended approach full rent convergence will be delayed from 2022 to 2028, which will result in a rent loss of £18m compared to the original rent convergence policy. While this is still a significant loss it will reduce overall rent loss by some £30m and will leave the Council better placed to offer a housing service in line with tenant expectations.

Housing Revenue Account Budget 2015/16

14. The proposed HRA budget in respect of 2015/16 is presented in Table 1 to this report. The forecast net position for the HRA in the 2015/16 year is that a small surplus of £0.015m will be generated. It is recommended that this surplus be utilised to increase the level of HRA General Reserves which will take them to an estimated level of £1.896m at the end of March 2016. It is also envisaged that any underspend achieved at the end of the 2014/15 financial year would be taken to the HRA general reserve in order to move general balances towards the agreed level of £2m.

15. As part of the setting of the HRA budget the Council also now also needs to give active consideration to the level of HRA capital expenditure which it is able to fund. Under the previous HRA arrangements the level of capital investment was determined by the Government setting the Major Repairs Allowance, providing additional funding such as grant or borrowing approvals, or by the Council agreeing additional contributions from the HRA revenue account. Under the new regime the Council is able to determine the level of capital expenditure, but this is restricted by the affordability to the revenue position of making capital contributions and by the Government's HRA debt ceiling which controls the amount of borrowing that may be undertaken. The budget for 2015/16 proposes a contribution from the HRA to the Major Repairs account of £3.929m (Depreciation £2.210m plus Transfer to Major Repairs Account £1.719m). This is an increase in allocation over the current year of some £0.6m. Details concerning the capital expenditure plans of the HRA are outlined within the capital programme section of this report.

16. The measures outlined within this report enable the funding of HRA expenditure budgets for 2015/16 which are essentially a roll forward budget. Under the current proposals it is planned that tenants will see a continuation of existing levels of service over the period of the current Medium Term Financial Plan. Over the period of the 30 year Business Plan the budget also helps put the

Council in a position where Council Housing remains a sustainable form of tenure offering good quality housing with robust tenant rights at a rental level significantly below that available in the private rented sector.

Planning Budgets 2016/17 to 2017/18

17. In line with established good practice the MTFP sets out the Council's projected financial position over a 3 year period. The forecasts in respect of the latter two years are largely based upon a roll forward of the budgets in respect of next financial year. With respect to debt repayments these will be maintained at the at the £3.5m level, while in the latter two years it is envisaged that the contribution to the Development Reserve will be resumed to finance new build schemes that would otherwise require prudential borrowing. The policy of continuing to repay debt at this stage of the Business Plan is crucial both to reducing borrowing costs and in order to build up the funding necessary to finance an accelerated programme of renovation work which will be necessary in the later years of the 30 Year Business Plan. If debt is not lowered at this stage then the funding will not be available to replace bathrooms, kitchens, roofs, doors and windows as these major investments become necessary.

18. Within the budgets in respect of these latter two years the key assumptions that are made are as follows :

- The Council continues with the agreed rent setting policy as outlined within this report which adheres to the Government's recommendation that rents in the social housing sector rise by inflation (as measured by the Consumer Price Index) plus 1% per annum, with new tenants paying rents at target rent level.
- Fees and charges service specific increases as agreed by Members.
- Interest rates remain low and stable with a rise in Bank Rate – which determines short term borrowing and investment costs – in the region of 1%.
- That salary costs rise by 2% in respect of 2015/16 with a 1.5% increase in both 2016/17 and 2017/18.
- That Employer Pension costs remain unchanged for the period 1 April 2015 to 31 March 2018.
- No allowance has been made in respect of general inflation but allowance has been made for specific items where that is considered to be appropriate.

Fees and Charges

19. While the main source of income for the HRA arises from property rents the HRA is also dependent for its financial sustainability upon a range of other charges. These charges are now set in the light of an agreed principle that

wherever possible the Council should seek to move as quickly as possible to a position where charges for the service reflect the cost of providing that service.

20. While the Council has adopted the general principle that charges to tenants should reflect the cost of providing the services, in many cases the historical charge was a notional one. Accordingly Members have recognised that the move to full charging should be phased in over a number of years. The pricing that is proposed in respect of 2015/16 reflects this gradual approach.

21. A schedule of the proposed charges – is set out within Table 2 to this report.

22. With respect to the services provided one of the key services provided to HRA tenants is the warden service. The majority of the warden's service is funded through a contract with the Supporting People Team at Derbyshire County Council. During the course of 2014/15 there have been reductions in the level of income received in respect of Supporting People together with increased costs in operating the service. Given that the County Council is in the process of reviewing the service there are inevitably uncertainties about the future of what will be delivered to local residents.

Level of HRA Balances

23. Given the greater level of uncertainty associated with a localised HRA Council has previously accepted that a minimum level of balances of some £2m is necessary to provide an appropriate level of financial resilience to the account. The financial projections given in Appendix 1 (summarised below) show that the level of HRA balances is projected to increase gradually from the level of £1.881m at the end of the current financial year to a position of some £1.955m at the end of the current planning period. At the targeted minimum level of HRA balances there is effectively a reserve of some £390 per property.

Actual / Projected HRA Balances

31/03/12	31/03/13	31/03/14	31/03/15	31/03/16	31/03/17	31/03/17
£m's	£m's	£m's	£m's	£m's	£m's	£m's
1.024	1.776	1.861	1.881	1.896	1.926	1.955

In addition to the HRA General Reserve it should be noted that there are capital reserves in respect of the Major Repairs Reserve, the Development Reserve and the Vehicle Reserve. While these amount to some £5m it should be noted that they are largely contractually committed to support Approved schemes within the Council's HRA capital programme.

24. In the light of the HRA Risk Register which is provided as Table 3 to this Appendix (which indicates a potential level of risk of some £1.5m), a level of

working balances in the region of £2m would appear to be adequate and provide a sound base for the medium term financial management of the HRA.

HRA Risk Register

25. A financial Risk Assessment is set out in Table 3, which outlines the risks, the mitigation which is in place, the potential impact and the probability of the event occurring in order to arrive at a notional calculation concerning the potential financial impact of the risks which the Council is currently facing. This indicates that the identified risks which the Council's HRA is currently managing amount to some £1.5m. This report recommends that during the course of this MTFP that the HRA continues to operate a policy of maintaining a general balance of £2m.

26. The assessment concerning the level of risk is essentially used for two purposes. In the first place an understanding of the risks which the Council faces is crucial in agreeing an appropriate level of financial reserves which are required. Secondly, the identification of the risks is the first stage in the process of more effectively managing, or of mitigating those risks. By identifying the risks it is possible to avoid them, to insure against them, to transfer the risk, or most likely actions can be taken to reduce or to mitigate the risk. The Council's Financial Risk Register is closely linked to both the Strategic and Operational Risk Registers. The Council has in place a comprehensive approach to Risk Management which is reported on a regular basis to Executive, and this process will continue to be utilised in order to manage the key financial risks.

27. Given that the reformed or localised HRA is now in place and operational there has been a change in the nature of the strategic risks facing the HRA. While the HRA should benefit from greater financial certainty as a result of the ending of annual financial settlements from central government, this will only lead to greater financial stability overall if the Council is able to maintain and deliver a robust 30 year Business Plan. The HRA Business Plan and Treasury Management Strategy are both crucial elements in mitigating the risk of financial instability or un-sustainability for our local HRA housing stock. Both our tenants and the Council have a greater degree of influence under the new system but this increased level of local influence operates within the context of a framework where rent levels will continue to be set nationally, where the housing stock is required, at a minimum, to meet the Decent Homes standard, and where a continued good level of service needs to be delivered to local tenants.

28. While much has been made of the difficulties experienced by local authority housing operations under the previous system as a result of the fact that financial resources are only made available on an annual basis, it needs to be recognised that the previous system also had some important flexibilities built into it. In particular the annual settlement acknowledged issues such as reductions in the level of stock arising from demolition, transfer and right to buy,

while it also took account of changes in the costs of operating a housing service. These risks were effectively those of central government and the national housing pool. With the introduction of HRA reform these risks now need to be managed locally, and they emphasise the importance of robust local planning and financial control in the effective management of our Housing stock.

RECOMMENDATIONS

a) That Council sets its rent increases in line with Government policy increasing rent levels by the increase in Consumer Price Inflation plus 1% which in respect of 2015/16 gives a rent increase of 2.2% which it is recommended to apply from 1st April 2015.

b) That in recognition of the need to ensure the long term sustainability of the HRA in the light of the financial burdens arising from the debt settlement of March 2012 that the Council agrees to increase the rent on properties that are relet to target rent.

c) That the increases in respect of other charges as outlined in **Appendix 2 Table 2** be implemented with effect from 1 April 2015.

d) That the Housing Revenue Account as set out in **Appendix 2 Table 1** be approved as the Estimated Outturn Budget in respect of 2014/15 , as the Original Budget in respect of 2015/16, and the financial projection in respect of 2016/17 and 2017/18.

APPENDIX 2 : Table 1

Actual 2013/14 £	Details of Expenditure	Original Budget 2014/15 £	Current Budget 2014/15 £	Estimated Outturn 2014/15 £	Original Budget 2015/16 £	Forecast 2016/17 £	Forecast 2017/18 £
	HOUSING REVENUE ACCOUNT						
	Expenditure						
4,574,597	Repairs and Maintenance	4,451,671	4,431,671	4,484,369	4,654,184	4,634,058	4,635,722
4,426,397	Supervision and Management	4,290,000	4,390,000	4,472,209	4,790,798	4,835,494	4,865,593
551,221	Special Services	727,591	733,591	625,477	633,369	643,175	652,630
759,661	Supporting People	776,455	776,455	806,530	797,989	796,482	793,423
76,575	Tenants Participation	88,807	88,807	77,765	100,858	90,858	90,858
158,765	Increase in Bad Debts Provision	200,000	200,000	200,000	200,000	200,000	200,000
3,345,374	Cost of Capital - Interest	3,368,222	3,368,222	3,440,050	3,351,435	3,228,935	3,106,435
2,000,000	Cost of Capital - Debt Repayment	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000
11,125	Debt Management Expenses	10,500	10,500	11,125	11,125	11,125	11,125
0	Contingency for Pay Award	31,900	31,900	31,026	90,117	144,012	191,323
0	Contingency for 1% Pension Increase	24,378	24,378	0	0	0	0
15,903,715	**Total Expenditure**	**17,469,524**	**17,555,524**	**17,648,551**	**18,129,875**	**18,084,139**	**18,047,109**
	Income						
(19,674,171)	Income	(21,049,980)	(21,049,980)	(20,883,017)	(21,378,789)	(21,911,161)	(22,463,856)
(87,311)	Repairs and Maintenance	(34,990)	(14,990)	(16,490)	(16,490)	(16,490)	(16,490)
(1,267)	Supervision and Management	(410)	(410)	(3,480)	(3,480)	(3,480)	(3,480)
(362,901)	Special Services	(264,000)	(264,000)	(384,855)	(354,576)	(363,441)	(372,527)
(843,670)	Supporting People	(837,500)	(837,500)	(764,927)	(772,956)	(382,279)	(391,837)
(14,568)	Leased Flats	(10,000)	(10,000)	(15,970)	(15,970)	(15,970)	(15,970)
(2,655)	Leased Shops	(2,650)	(2,650)	(2,650)	(2,650)	(2,650)	(2,650)
0	Bringing Empty Properties back into use	0	0	(1,000)	(4,000)	(4,000)	(4,000)
(20,986,543)	**Total Income**	**(22,199,530)**	**(22,179,530)**	**(22,072,389)**	**(22,548,911)**	**(22,699,471)**	**(23,270,810)**
	Appropriations						
2,210,234	Depreciation	2,127,647	2,127,647	2,210,234	2,210,234	2,210,234	2,210,234
1,364,981	T/f to/(from) Major Repairs Reserve	1,202,356	1,202,356	1,119,769	1,718,766	1,834,766	2,054,766
3,575,215		**3,330,003**	**3,330,003**	**3,330,003**	**3,929,000**	**4,045,000**	**4,265,000**
50,000	Contribution to Insurance Reserve	50,000	50,000	50,000	50,000	50,000	50,000
1,250,000	Contribution to Development Reserve	1,150,000	1,150,000	950,000	0	300,000	780,000
200,000	Cont to Vehicle Replacement Reserve	180,000	180,000	180,000	425,000	190,000	100,000
(73,474)	Use of Reserves	0	(100,000)	(100,000)	0	0	0
(4,590)	Use of Unapplied Revenue Grant	0	(6,000)	(6,000)	0	0	0
1,421,936		**1,380,000**	**1,274,000**	**1,074,000**	**475,000**	**540,000**	**930,000**
(85,676)	**Net Operating (Surplus) / Deficit**	**(20,003)**	**(20,003)**	**(19,835)**	**(15,036)**	**(30,332)**	**(28,701)**
(1,775,649)	**Working Balance at Beginning of Year**	**(1,861,325)**	**(1,861,325)**	**(1,861,325)**	**(1,881,160)**	**(1,896,195)**	**(1,926,527)**
(85,676)	Contribution (to)/from Balances	(20,003)	(20,003)	(19,835)	(15,036)	(30,332)	(28,701)
(1,861,325)	**Working Balance at End of Year**	**(1,881,328)**	**(1,881,328)**	**(1,881,160)**	**(1,896,195)**	**(1,926,527)**	**(1,955,228)**

APPENDIX 2 - TABLE 2

Section A - Charges Made over 48 weeks

Type of charge	Charge per week		Difference	
	Current	Proposed	(£)	%
a. HEATING				
Besit (sheltered)	£10.26	£9.44	-£0.82	-8.0%
1 bed flat (sheltered)	£14.55	£13.39	-£1.16	-8.0%
Wardens Flat	£27.12	£24.95	-£2.17	-8.0%
1 bed bungalow	£16.16	£14.87	-£1.29	-8.0%
2 bed bungalow	£21.49	£19.77	-£1.72	-8.0%
2 bed flat	£24.34	£22.39	-£1.95	-8.0%
b. WARDEN SERVICES				
Static (self funded)	£12.58	£12.86	£0.28	2.2%
Mobile (self funded)	£3.69	£3.77	£0.08	2.2%
c. WARDEN SERVICES (DCC funded)				
Static (DCC)	£13.10	£13.10	Fixed by Contract	
Mobile (DCC)	£5.92	£5.92	Fixed by Contract	
Alarm Monitoring (DCC)	£2.55	£2.55	Fixed by Contract	
d. SPECIAL SERVICES				
Special Services	£14.76	£15.08	£0.32	2.2%
e. BUGGY PARKING				
Buggy Parking (inc electricity)	£3.50	£3.60	£0.10	2.9%
f. GARAGES				
Garages (Direct debit)	£8.50	£8.70	£0.20	2.4%
Garages (other)	£11.25	£11.50	£0.25	2.2%

APPENDIX 2 - TABLE 2
(Continued)

Section B - Charges Made Over 52 Weeks

Type of charge	Charge per week		Difference	
	Current	**Proposed**	**(£)**	**%**
g. LIFELINE (INC MONITORING)				
Lifeline Bronze	£4.35	£4.45	£0.10	2.3%
Lifeline Gold	£6.70	£6.85	£0.15	2.2%
Lifeline RSL	£4.15	£4.25	£0.10	2.4%

Section C - Annual Charge

Type of charge	Charge per year		Difference	
	Current	**Proposed**	**(£)**	**%**
Garage Plot	£180.00	£185.00	£5.00	2.8%

APPENDIX 2, Table 3

HOUSING REVENUE ACCOUNT: RISK REGISTER

Risk and Mitigation in Place	Gross Value of Risk £'s	Probability	Potential Impact £'s
1. With effect from April 2012 the Government introduced a new financial regime to manage the HRA. This reform effectively transferred a number of risks from the national HRA pool to individual local authorities. These include reduction in property numbers from RTB, demolition, failure to increase rents in line with Government policy, etc. • While the new system brings with it uncertainty and associated risks the flexibility incorporated within the system means that risks are more likely to materialise in respect of the longer term sustainability of the HRA. The indicative figures provided cover the initial year impact only. • While the Council will monitor the impact of trends in respect of the HRA through its budgets and the Business Plan it needs to be recognised that many of the risks arise from situations beyond the Council's direct control such as the loss of stock through Right to Buy, or through elements of the housing stock not being economically sustainable.	£2,000,000	25%	£500,000
2. Rental collections fall as a result of the wider economic position and major changes being introduced to the welfare system. • Assumed income levels have been calculated on the basis of previous experience and are based on prudent assumptions with appropriate bad debt provisions in place. • The Council will work with tenants to maximise benefits eligibility and to ensure rent payments are kept up to date. • The Council has recently strengthened its	£500,000	25%	£125,000

procedures for the recovery of arrears and has established appropriate financial provisions should write offs be required.			

Risk and Mitigation in Place	Gross Value of Risk £'s	Probability	Potential Impact £'s
3. The level of void property is above the budgeted allowance. • Void levels have fluctuated quite significantly as major works and plans are undertaken. A void allowance is built into the main rental budgets to minimise this variance.	£500,000	25%	£125,000
4. There are unanticipated pressures on demand led budgets such as repairs and maintenance, or costs or income fall outside of the budgeted position. • All budgets are based on previous experience of expenditure / income and should be sufficiently robust to cope with the expected range of fluctuation.	£1,000,000	30%	£300,000
5. A significant Business Continuity issue arises. • The Council have developing Business Continuity Plans which should reduce these risks. • Appropriate insurance arrangements are in place. • In exceptional circumstances Central Government has provided an element of financial support.	£2,000,000	10%	£200,000
6. Capital Expenditure • Any significant overspend on the capital programme may require an additional contribution from the HRA to finance. • Regular contract management and capital budget monitoring meetings will manage the HRA capital programme.	£1,000,000	50%	£250,000
Calculated Potential Financial Impact of Identified Risks			**£1,500,000**

APPENDIX 3

Capital Programme

Introduction

1. This Appendix considers the Medium Term Financial Plan as it relates to the Council's capital programme.

2. The main areas covered by this report are as follows:

Item

Capital Programme – Estimated Outturn 2014/15
Capital Programme – Original Programme 2015/16
HRA Capital Expenditure
Risk Assessment
Recommendations
Table 1 – Detailed Capital Programme
Table 2 – Capital Programme Risk Assessment

3. The provisional capital budgets for both 2014/15 (Revised Programme) and 2015/6 (Original Programme) are shown in Table 1 to this Appendix. The table also details the forecast investment planned for both 2016/17 and 2017/18.

4. It should be noted that there will be a separate report to Council concerning the Council's Treasury Management Strategy. That report includes consideration of issues concerning leasing and borrowing which constitute the capital financing to enable the proposed capital budgets outlined within this report to proceed. Given its links with the budget process the Treasury Management Strategy will be considered by the budget setting Council on 4th February 2015. With regard to both the HRA and the General Fund elements of the Capital Programme asset surveys have been completed which inform future investment priorities. In the case of the HRA the Capital Programme is effectively fully funded by HRA resources and needs to ensure that assets are replaced at the point in time when they are at the end of their useful operational life. This process is informed by the stock condition survey. A particular issue for the HRA is that its capital investment strategy will need to be shaped by the requirement to undertake replacement of items such as bathrooms and kitchens once they are due for replacement at the end of their effective life. This results in investment needs being concentrated into certain periods rather than being spread evenly over the 30 life of the Business Plan. Accordingly at certain points in time the HRA needs to generate financial balances to fund the level of investment required in future financial years. A

clear consequence of poor financial planning will be deterioration in the quality of the homes currently enjoyed by our tenants.

5. With regard to the General Fund the Stock Condition survey has provided indicative details of the longer term refurbishment requirement of the Council's assets. During 2014/15 the Council concluded the sale of two major assets. This removed the risk that these sales would not be achieved which would have had a major impact on the Council's resource position. With respect to the General Fund stock condition survey the Council has benefitted from the recent investment into the Clowne Campus. Currently major schemes are underway with respect to the construction of the Mini Hub the replacement contact centre at Bolsover. This scheme is estimated to cost a total of some £2.4m and will be open in the autumn of 2015. While the scheme has a significant cost it will provide a range of services to local residents and given the rental streams that are generated from other users provides a revenue stream to the Council.

6. An overview of the scale of the current approved and proposed capital programme is provided in the table below:

	2014/15 Current £,000	**2014/15 Revised £,000**	**2015/16 Original £,000**	**2016/17 Original £,000**	**2017/18 Original £,000**
General Fund Schemes	5,684	4,131	4,216	3,663	1,786
HRA Schemes	5,870	4,979	5,422	4,721	4,349
Total	11,554	9,110	9,638	8,384	6,135

Capital Programme – Estimated Outturn 2014/15

7. The Estimated Outturn in respect of the current financial year, which is detailed in Appendix 3 Table 1, shows a net decrease of £2.444m (£11.554m less £9.110m) over the Current Programme. The majority of this decrease in expenditure (£1.830m) relates to expenditure with respect of the Mini Hub at Bolsover which will now take place in 2015/16, with the remainder of the underspend spread across a variety of schemes within the Programme.

General Fund Programme 2014/15

8. Within the General Fund table are the capital expenditure plans for 2014/15 and future years. The following are the key schemes.

- The Asset Management Programme currently shows an expenditure requirement of £1.228m. This total is intended to capture all of the intended expenditure requirements as set out within the Asset Management Plan for the current and next three years. With respect to next financial year the Programme contains a provision of £0.5m. Of this amount some £0.3m is classified as Asset Management Plan work and will not be committed prior to any report back to Cabinet. An amount of £200,000 has been put into an Asset Refurbishment Programme which will allow any urgent refurbishment / upgrading requirements to be addressed as they arise. It is proposed that any plans for the use of this money will be agreed through the Asset Management Group. It is recommended that delegated powers to approve any expenditure are granted to the Assistant Director (Property and Estates) in consultation with the Portfolio Member. Any agreed expenditure would be reported to Executive as part of the Quarterly Budget Monitoring report.

The key buildings which are currently operated by the Council are as follows:

- Project Horizon Office / Admin Buildings (The Arc Clowne, the Hub Bolsover) are both modern buildings and are anticipated to require minimal maintenance over the next 10 years. The one administrative building where a significant upgrade has been identified as being necessary is the contact centre in Shirebrook where the existing facility is not fit for purpose and is poorly located. Officers are currently exploring options for an upgraded facility.
- The Tangent Shirebrook – Again a modern building with little maintenance requirement anticipated over the next 10 years.
- Pleasley Vale Mills : The Council submitted a Heritage Lottery Bid for the Asset in the spring of 2014 which has proved unsuccessful. Whilst the building is likely to have a limited capital requirement for the next five years or so the reality is that a major refurbishment is likely to be necessary within a 10 year period. Although the cost cannot be forecast with certainty until a more detailed scheme is developed officers would anticipate that it would amount to at least £5m which is unlikely to be fundable from within the Council's anticipated capital resources. Officers are therefore continuing to explore options in respect of the site, including those of a partnership working.
- Leisure Swimming Pool / Fixed site facilities. Executive at its meeting of 5th January 2015 agreed a strategy to develop a new swimming pool facility at Clowne to replace the existing provision at Creswell. The proposed programme of £4.0m (including £0.5m contingency) is now incorporated into the Capital Programme given in Table 1, on the basis that it will be funded from a combination of £2m from the Transformation Reserve with costs above that (up to £4m in total) met from prudential borrowing. On completion it is anticipated that the new facility will require minimal maintenance for a period of some 10 years. Executive should note that the work undertaken in respect of Creswell Pool has indicated a likely refurbishment / upgrading cost over the next five years of up to £0.5m. Whilst some work may need to be undertaken to maintain services at Clowne prior to the new facility being opened the cost of this work will need to be contained within the revised Asset Management Plan capital allocation as set out within this report.
- The Bolsover public realm and infrastructure project (overall cost £0.6m) is the continuation of the scheme that commenced in 2013/14. It is to be financed 100% from external grant and will be concluded in the current (2014/15) financial year.

- ICT infrastructure – The overall cost of this work over the period of the current MTFP (April 2015 onwards) is one of £0.214m which will be funded from a combination of revenue contribution and capital receipts.
- Disabled Facilities Grants – £0.250m. Over the last few years the capital budget sum proposed for DFG's has been in line with the anticipated grant to be received. It is proposed that the continuation of this arrangement should be assumed within the capital programme for the future years of the MTFP. Council should, however, note that the arrangements around the funding of DFG's are changing and this may result in a greater level of need being identified, or a reduction in the level of external funding. The DFG expenditure and associated grant funding arrangements will be monitored carefully with any changes from the approved programme being reported back to Members.
- The vehicle replacement programme (£1.918m) is an ongoing programme to replace operational vehicles as they reach the end of their economic life. The financing is planned to be via prudential borrowing over the life of the assets replaced. The prudential borrowing will be funded from the Street Scene revenue account.

The sections above have outlined the main elements of the Programme and how they should be financed. For those scheme where no specific funding has been identified the work will need to be funded by Capital Receipts. As at April 2015 it is anticipated that there will be some £2m in unutilised capital receipts remaining which will cover the funding of General Fund schemes over the period of the current MTFP. In order to ensure the continued funding of the capital programme it is recommended that the Asset Management Group be requested to develop options in terms of asset sales with which to fund the capital programme in respect of future years. It should be noted that asset sales of unutilised or underutilised assets generally also secure both revenue savings for the Council whilst encouraging investment from the purchaser of the asset concerned. This makes an important contribution to delivering the Council's growth agenda.

HRA Capital Expenditure 2014/15

9. The larger element of the Council's Capital Programme is that which relates to work on council dwellings. Under the new HRA self financing arrangements local authorities are required to fund the capital necessary to maintain their houses in line with the decent homes standard either from the revenue generated by the HRA, or by borrowing up to the level of the housing debt cap which has been set by the Government (£112.350m in the case of BDC). One of the purposes of developing a 30 year Business Plan is so that local authorities can ensure that they are in a position to maintain their property, and that the necessary level of capital expenditure on the properties can be afforded.

10. The Council's capital programme for 2014/15 in respect of its Housing Assets amounts to some £4.979m. Of this some £2m relates to the completion of the New Houghton housing scheme to provide replacement bungalows and houses. It is envisaged that

these new properties will be fully occupied by the end of the current financial year. This work will be funded from the Development Reserve to avoid the requirement to undertake any prudential borrowing. The remainder of the programme has included expenditure of some £0.8m on heating and insulation upgrades, £0.6m on external door replacements, with £0.5m on kitchen replacements.

11. For next years programme there will be an investment of £1.5m in heating upgrades, and over £1m on reroofing work of a total recommended Programme of £5.4m. It is anticipated that further schemes will be brought forward for Members approval during the course of the year including a regeneration / new build scheme at Rodgers Avenue. Given that the HRA Capital Programme is in the region of £5m in each of the four years covered by the MTFP this amounts to an investment of almost £1,000 a year in every property. This will enable a continuation of our current programme of upgrading and refurbishing our properties to ensure that they continue to meet the Decent Homes standard.

12. A number of HRA vehicles are due for replacement across the period of the current capital programme. These vehicles which were previously funded via leasing arrangements will now be funded from the Vehicle Reserve set up within the HRA accounts which provides a more cost effective financing option.

Capital Programme Risk Assessment – 2015/16

15 A full Risk Assessment is set out in **Table 2**, which outlines the risks, the mitigation which is in place, the potential impact and the probability in order to arrive at a notional calculation concerning the potential financial impact of the risks which the Council is facing with regard to the proposed 2015/16 capital programme. This indicates that the identified risks which the Council is facing in respect of its 2015/16 Capital Programme amount to some £1.25m. Should any of these risks arise then all possible financing options will be explored, however, if all these risks materialise then it may be necessary ultimately to charge these costs against General Fund or HRA balances.

16 As is the case in respect of both the General Fund and the HRA the assessment concerning the level of risk is essentially used for two purposes. In the first place an understanding of the risks which the Council faces is crucial in agreeing an appropriate level of financial reserves which are required. Secondly, the identification of the risks is the first stage in the process of more effectively managing, or of mitigating those risks. By identifying the risks it is possible to avoid them, to insure against them, to transfer the risk, or most likely actions can be taken to reduce or to mitigate the risk. The Council has in place a comprehensive approach to Risk Management which is reported on a quarterly basis to Cabinet, and this process will be utilised in order to manage the key financial risks.

Recommendations:

17. It is recommended:-

(a) That the Capital Programme for 2014/15 to 2017/18 as set out in **Appendix 3 Table 1** be approved.

(b) That the Assistant Director (Property and Estates) be granted delegated powers in consultation with the Portfolio Member and the Asset Management group to approve the utilisation of the £200,000 of AMP Refurbishment allocation, with such approvals to be reported back to Executive through the Quarterly Budget Monitoring Report.

(c) That the Asset Management Group be requested to identify suitable assets for disposal in order to fund the Council's Capital Programme, reduce revenue costs and support the wider regeneration of the District.

CAPITAL PROGRAMME SUMMARY

Fund		Original Estimate 2014/15 £	Current Outturn 2014/15 £	Revised Outturn 2014/15 £	Base Budget 2015/16 £	Forecast 2016/17 £	Forecast 2017/18 £
	General Fund						
	Assets						
ASS	AMP - PV Mills		14,265	14,265			
ASS	AMP - Leisure Buildings		3,750	3,750			
ASS	AMP - The Tangent		4,000	4,000			
ASS	PV Mills Creative Industries		11,253	11,253			
ASS	Pleasley Vale Mills HLF		45,960	45,960			
ASS	AMP - Prior to Exec Approval	500,000	477,985	227,985	500,000	250,000	250,000
ASS	CCTV - Various Sites		29,322	29,322			
ASS	Bolsover Public Realm and Infrastructure	207,910	423,820	423,820			
		707,910	**1,010,355**	**760,355**	**500,000**	**250,000**	**250,000**
	Project Horizon						
HOR	ICT infrastructure - Project Horizon		59,208	59,208			
HOR	Bolsover Mini Hub		2,433,000	603,577	1,682,730		
HOR	Clowne Campus - Refurbishment		98,278	77,152			
HOR	Sherwood Lodge Disposal		443,496	857,717	40,000		
		0	**3,033,982**	**1,597,654**	**1,722,730**	**0**	**0**
	ICT Schemes						
ICT	ICT infrastructure	111,600	118,592	129,592	57,980	24,000	132,000
ICT	Idox Uniform System		16,100	16,100			
ICT	Fleet Management System		11,002	11,002			
		111,600	**145,694**	**156,694**	**57,980**	**24,000**	**132,000**
	Leisure Schemes						
LEI	Clune Street Recreation Ground		6,944	6,944			
LEI	P Vale Outdoor Education Centre Ph 2		47,134	47,134			
LEI	Fitness Equipment Creswell Leisure Centre						60,000
LEI	Clowne Leisure Facility				500,000	2,500,000	1,000,000
		0	**54,078**	**54,078**	**500,000**	**2,500,000**	**1,060,000**
	Private Sector Schemes						
PS	Disabled Facility Grants	250,000	250,000	300,000	250,000	250,000	250,000
PS	Group Repair (WT)		5,372	5,372			
PS	Carr Vale Group Repair		1,270	1,270			
PS	New Houghton Group Repair		5,887	5,887			
PS	Church Drive Energy Project		9,579	9,579			
PS	Pte Sector Decent Homes		18,611	18,611			
PS	Station Road Shirebrook		1,340	1,340			
PS	Verney & Crompton Street		157,391	157,391			
PS	Photovoltaic System		90,000	90,000			
		250,000	**539,450**	**589,450**	**250,000**	**250,000**	**250,000**
	Vehicles and Plant						
VEH	Vehicle Replacements	826,000	890,980	963,500	1,176,500	630,000	85,000
VEH	8 x Hedgecutters (GM)	4,000	4,000	4,000	4,000	4,000	4,000
VEH	10 x Strimmers (GM)	5,000	5,000	5,000	5,000	5,000	5,000
		835,000	**899,980**	**972,500**	**1,185,500**	**639,000**	**94,000**
	Total General Fund	**1,904,510**	**5,683,539**	**4,130,731**	**4,216,210**	**3,663,000**	**1,786,000**
	Housing Revenue Account						
HRA	Public Sector Housing (funded by MRA)	3,260,683					4,195,680
HRA	Vehicle Replacements	138,000	188,020	261,730	528,000	186,000	84,000
HRA	External Wall Insulation		13,634	191,634			
HRA	Electrical Rewiring Decent Homes		150,000	150,000	250,000	200,000	
HRA	Group Dwellings Safety Work		150,000		250,000	100,000	
HRA	Window Replacement		5,000				
HRA	Cavity Wall + Loft Insulation		9,692	14,692	20,000	20,000	
HRA	External Door Replacements		532,976	632,976	100,000	100,000	
HRA	Heating Upgrades		415,673	470,673	1,220,000	1,200,000	
HRA	Environmental Works		50,000	50,000	100,000	100,000	
HRA	Decent Homes - External		500,711	265,711	408,680	9,680	
HRA	Kitchen Replacements - Decent Homes		493,970	493,970	400,000	800,000	
HRA	GD Boiler Replacement / Heat Meters		150,000	150,000	200,000	200,000	

HRA	New Bolsover		300,000		350,000	250,000	
HRA	HRA New Build - New Houghton Disturb Pymts		50,000	59,000			
HRA	Regeneration Mgmt & Admin	69,320	69,320	69,320	69,320	69,320	69,320
HRA	Re Roofing		750,000	128,000	1,060,000	800,000	
HRA	Sprinkler Systems		16,000	16,000	16,000	16,000	
HRA	HRA New Build - New Houghton	680,163	2,025,185	2,025,185			
HRA	Wall Finishes EWI				400,000	220,000	
HRA	Flat Roofing				50,000	50,000	
	Total HRA	**4,148,166**	**5,870,181**	**4,978,891**	**5,422,000**	**4,321,000**	**4,349,000**
	TOTAL CAPITAL EXPENDITURE	**6,052,676**	**11,553,720**	**9,109,622**	**9,638,210**	**7,984,000**	**6,135,000**
	Capital Financing						
	General Fund						
	Specified Capital Grant	(250,000)	(250,000)	(300,000)	(250,000)	(250,000)	(250,000)
	Private Sector Contributions		(120,975)	(120,975)			
	Prudential Borrowing	(1,362,350)	(1,635,450)	(1,267,842)	(1,734,480)	(1,904,000)	(1,527,000)
	Reserves	(84,250)	(375,312)	(375,312)	(509,000)	(1,509,000)	(9,000)
	External Grant	(207,910)	(265,820)	(265,820)			
	Capital Receipts	0	(3,035,982)	(1,800,782)	(1,722,730)		
		(1,904,510)	**(5,683,539)**	**(4,130,731)**	**(4,216,210)**	**(3,663,000)**	**(1,786,000)**
	HRA						
	Major Repairs Allowance	(3,330,003)	(3,648,976)	(2,683,976)	(4,894,000)	(4,135,000)	(4,265,000)
	Vehicle Reserve	(138,000)	(188,020)	(261,730)	(528,000)	(186,000)	(84,000)
	Development Reserve	(680,163)	(2,025,185)	(2,025,185)			
	External Grant	0	(8,000)	(8,000)			
		(4,148,166)	**(5,870,181)**	**(4,978,891)**	**(5,422,000)**	**(4,321,000)**	**(4,349,000)**
	TOTAL CAPITAL FINANCING	**(6,052,676)**	**(11,553,720)**	**(9,109,622)**	**(9,638,210)**	**(7,984,000)**	**(6,135,000)**
		0	0	0	0	0	0
	HRA Capital Reserves						
	Major Repairs Reserve						
	Opening Balance	(4,161,108)	(4,161,108)	(4,161,108)	(4,807,135)	(3,842,135)	(3,752,135)
	Amount due in Year	(3,330,003)	(3,330,003)	(3,330,003)	(3,929,000)	(4,045,000)	(4,265,000)
	Amount used in Year	3,330,003	3,648,976	2,683,976	4,894,000	4,135,000	4,265,000
	Closing Balance	**(4,161,108)**	**(3,842,135)**	**(4,807,135)**	**(3,842,135)**	**(3,752,135)**	**(3,752,135)**
	Development Reserve						
	Opening Balance	(492,654)	(1,837,676)	(1,837,676)	(762,491)	(762,491)	(1,112,491)
	Amount due in Year	(1,150,000)	(1,150,000)	(950,000)	0	(350,000)	(850,000)
	Amount used in Year	680,163	2,025,185	2,025,185	0	0	0
	Closing Balance	**(962,491)**	**(962,491)**	**(762,491)**	**(762,491)**	**(1,112,491)**	**(1,962,491)**
	Vehicle Reserve						
	Opening Balance	(142,816)	(188,816)	(188,816)	(107,086)	(4,086)	(8,086)
	Amount due in Year	(180,000)	(180,000)	(180,000)	(425,000)	(190,000)	(100,000)
	Amount used in Year	138,000	188,020	261,730	528,000	186,000	84,000
	Closing Balance	**(184,816)**	**(180,796)**	**(107,086)**	**(4,086)**	**(8,086)**	**(24,086)**

APPENDIX 3 TABLE 1

CAPITAL PROGRAMME SUMMARY

Fund		Original Estimate 2014/15 £	Current Outturn 2014/15 £	Estimated Outturn 2014/15 £	Approved Programme 2015/16 £	Approved Programme 2016/17 £	Approved Programme 2017/18 £
	General Fund						
	Assets						
ASS	AMP - PV Mills		14,265	14,265			
ASS	AMP - Leisure Buildings		3,750	3,750			
ASS	AMP - The Tangent		4,000	4,000			
ASS	PV Mills Creative Industries		11,253	11,253			
ASS	Pleasley Vale Mills HLF		45,960	45,960			
ASS	AMP - Prior to Exec Approval	500,000	477,985	227,985	300,000	250,000	250,000
ASS	AMP - Refurbishment Work				200,000		
ASS	CCTV - Various Sites		29,322	29,322			
ASS	Bolsover Public Realm and Infrastructure	207,910	423,820	423,820			
		707,910	**1,010,355**	**760,355**	**500,000**	**250,000**	**250,000**
	Project Horizon						
HOR	ICT infrastructure - Project Horizon		59,208	59,208			
HOR	Bolsover Mini Hub		2,433,000	603,577	1,682,730		
HOR	Clowne Campus - Refurbishment		98,278	77,152			
HOR	Sherwood Lodge Disposal		443,496	857,717	40,000		
		0	**3,033,982**	**1,597,654**	**1,722,730**	**0**	**0**
	ICT Schemes						
ICT	ICT infrastructure	111,600	118,592	129,592	57,980	24,000	132,000
ICT	Idox Uniform System		16,100	16,100			
ICT	Fleet Management System		11,002	11,002			
		111,600	**145,694**	**156,694**	**57,980**	**24,000**	**132,000**
	Leisure Schemes						
LEI	Clune Street Recreation Ground		6,944	6,944			
LEI	P Vale Outdoor Education Centre Ph 2		47,134	47,134			
LEI	Fitness Equipment Creswell Leisure Centre						60,000
LEI	Clowne Leisure Facility				500,000	2,500,000	1,000,000
		0	**54,078**	**54,078**	**500,000**	**2,500,000**	**1,060,000**
	Private Sector Schemes						
PS	Disabled Facility Grants	250,000	250,000	300,000	250,000	250,000	250,000
PS	Group Repair (WT)		5,372	5,372			
PS	Carr Vale Group Repair		1,270	1,270			
PS	New Houghton Group Repair		5,887	5,887			
PS	Church Drive Energy Project		9,579	9,579			
PS	Pte Sector Decent Homes		18,611	18,611			
PS	Station Road Shirebrook		1,340	1,340			
PS	Verney & Crompton Street		157,391	157,391			
PS	Photovoltaic System		90,000	90,000			
		250,000	**539,450**	**589,450**	**250,000**	**250,000**	**250,000**
	Vehicles and Plant						
VEH	Vehicle Replacements	826,000	890,980	963,500	1,176,500	630,000	85,000
VEH	8 x Hedgecutters (GM)	4,000	4,000	4,000	4,000	4,000	4,000
VEH	10 x Strimmers (GM)	5,000	5,000	5,000	5,000	5,000	5,000
		835,000	**899,980**	**972,500**	**1,185,500**	**639,000**	**94,000**
	Total General Fund	**1,904,510**	**5,683,539**	**4,130,731**	**4,216,210**	**3,663,000**	**1,786,000**
	Housing Revenue Account						
HRA	Public Sector Housing (funded by MRA)	3,260,683					4,195,680
HRA	Vehicle Replacements	138,000	188,020	261,730	528,000	186,000	84,000
HRA	External Wall Insulation		13,634	191,634			
HRA	Electrical Rewiring Decent Homes		150,000	150,000	250,000	200,000	
HRA	Group Dwellings Safety Work		150,000		250,000	100,000	
HRA	Window Replacement		5,000				
HRA	Cavity Wall + Loft Insulation		9,692	14,692	20,000	20,000	
HRA	External Door Replacements		532,976	632,976	100,000	100,000	
HRA	Heating Upgrades		415,673	470,673	1,220,000	1,200,000	
HRA	Environmental Works		50,000	50,000	100,000	100,000	
HRA	Decent Homes - External		500,711	265,711	408,680	409,680	
HRA	Kitchen Replacements - Decent Homes		493,970	493,970	400,000	800,000	
HRA	GD Boiler Replacement / Heat Meters		150,000	150,000	200,000	200,000	
HRA	New Bolsover		300,000		350,000	250,000	
HRA	HRA New Build - New Houghton Disturb Pymts		50,000	59,000			
HRA	Regeneration Mgmt & Admin	69,320	69,320	69,320	69,320	69,320	69,320

HRA	Re Roofing		750,000	128,000	1,060,000	800,000	
HRA	Sprinkler Systems		16,000	16,000	16,000	16,000	
HRA	HRA New Build - New Houghton	680,163	2,025,185	2,025,185			
HRA	Wall Finishes EWI				400,000	220,000	
HRA	Flat Roofing				50,000	50,000	
	Total HRA	**4,148,166**	**5,870,181**	**4,978,891**	**5,422,000**	**4,721,000**	**4,349,000**
	TOTAL CAPITAL EXPENDITURE	**6,052,676**	**11,553,720**	**9,109,622**	**9,638,210**	**8,384,000**	**6,135,000**
	Capital Financing						
	General Fund						
	Specified Capital Grant	(250,000)	(250,000)	(300,000)	(250,000)	(250,000)	(250,000)
	Private Sector Contributions		(120,975)	(120,975)			
	Prudential Borrowing	(1,362,350)	(1,635,450)	(1,267,842)	(1,176,500)	(1,654,000)	(1,277,000)
	Reserves	(84,250)	(375,312)	(375,312)	(566,980)	(1,509,000)	(9,000)
	External Grant	(207,910)	(265,820)	(265,820)			
	Capital Receipts	0	(3,035,982)	(1,800,782)	(2,222,730)	(250,000)	(250,000)
		(1,904,510)	**(5,683,539)**	**(4,130,731)**	**(4,216,210)**	**(3,663,000)**	**(1,786,000)**
	HRA						
	Major Repairs Allowance	(3,330,003)	(3,648,976)	(2,683,976)	(4,894,000)	(4,535,000)	(4,265,000)
	Vehicle Reserve	(138,000)	(188,020)	(261,730)	(528,000)	(186,000)	(84,000)
	Development Reserve	(680,163)	(2,025,185)	(2,025,185)			
	External Grant	0	(8,000)	(8,000)			
		(4,148,166)	**(5,870,181)**	**(4,978,891)**	**(5,422,000)**	**(4,721,000)**	**(4,349,000)**
	TOTAL CAPITAL FINANCING	**(6,052,676)**	**(11,553,720)**	**(9,109,622)**	**(9,638,210)**	**(8,384,000)**	**(6,135,000)**
	Checks	0	0	0	0	0	0

HRA Capital Reserves

Major Repairs Reserve						
Opening Balance	(4,161,108)	(4,161,108)	(4,161,108)	(4,807,135)	(3,842,135)	(3,352,135)
Amount due in Year	(3,330,003)	(3,330,003)	(3,330,003)	(3,929,000)	(4,045,000)	(4,265,000)
Amount used in Year	3,330,003	3,648,976	2,683,976	4,894,000	4,535,000	4,265,000
Closing Balance	**(4,161,108)**	**(3,842,135)**	**(4,807,135)**	**(3,842,135)**	**(3,352,135)**	**(3,352,135)**
Development Reserve						
Opening Balance	(492,654)	(1,837,676)	(1,837,676)	(762,491)	(762,491)	(1,112,491)
Amount due in Year	(1,150,000)	(1,150,000)	(950,000)	0	(350,000)	(850,000)
Amount used in Year	680,163	2,025,185	2,025,185	0	0	0
Closing Balance	**(962,491)**	**(962,491)**	**(762,491)**	**(762,491)**	**(1,112,491)**	**(1,962,491)**
Vehicle Reserve						
Opening Balance	(142,816)	(188,816)	(188,816)	(107,086)	(4,086)	(8,086)
Amount due in Year	(180,000)	(180,000)	(180,000)	(425,000)	(190,000)	(100,000)
Amount used in Year	138,000	188,020	261,730	528,000	186,000	84,000
Closing Balance	**(184,816)**	**(180,796)**	**(107,086)**	**(4,086)**	**(8,086)**	**(24,086)**

CAPITAL PROGRAMME RISK REGISTER – 2015/16 APPENDIX 3, TABLE 2

Risk and Mitigation in Place	Gross Value of Risk £'s	Probability	Potential Impact £'s
1. Cost Overruns on Approved Projects • Financial monitoring including formal reports to Members is undertaken on a regular basis which should enable mitigating action to be taken. • The Council have robust management arrangements in place. • The Financial Risk Registers in respect of both General Fund and HRA include the risk of an unfunded overspend arising on the Capital Programme.	£10,000,000	10%	£1,000,000
2. Reduction in the forecast level of capital resources. • The assumptions that have been made in respect of 2015/16 are realistic and prudent. • Should any issues be identified which casts doubt upon the level of resources included in the Programme then Officers will take any necessary actions to reduce the level of exp commitments.	£500,000	10%	£50,000
3. An unanticipated capital requirement arises which requires funding as a matter of urgency. • Existing approved projects may need to be reprofiled into future years • Additional capital resources may need to be identified • A charge against revenue balances be required.	£500,000	40%	£200,000
Calculated Potential Financial Impact of Identified Risks			**£1,250,000**

Agenda Item No 10

Bolsover District Council

Council

4 February 2015

Treasury Management Strategy 2015/16 to 2017/18

Report of Councillor Eion Watts Leader of the Council

This report is public

Purpose of the Report

Explanatory Foreword

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 outlines the Council's proposed Treasury Management Strategy for the period 2015/16 to 2017/18 for consideration and approval by Council. It fulfils four key requirements:

- The Treasury management Strategy sets out how the treasury management function will support the capital decisions approved within the MTFP and 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 the next three financial years which show the impact of changes in the level of the Council's debt on its revenue accounts.

- The Council is also 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 report also includes an 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.

1 Report Details

1.1 The objectives of the Treasury Management Strategy are as follows:-

- To outline the Council's debt position and the impact this has on the revenue accounts
- to enable Members to reach appropriate judgements on long-term and short-term borrowing and investment strategies
- to provide a framework within which the day to day liquidity of the Council's cash balances can be managed
- to provide some key baseline information to enable immediate reaction to changes in the money market to meet the statutory requirements of the Local Government Act 2003
- to meet the requirements of the CIPFA Treasury Management Code of Practice.

1.2 This Strategy includes:

- An explanatory foreword
- An introduction
- An outline of the statutory powers relating to the Council's Borrowings
- A review of the Council's outstanding debt position
- A review of how the Council's debt is financed
- Minimum Revenue Provision Policy
- Investments
- Investments Strategy
- Interest rate projections
- The prudential indicators
- Treasury Management Operations
- Recommendations

The statutory powers relating to the Council's Borrowings

1.3 Before the report considers the full implications of the latest MTFP on the level of the Council's outstanding debt Members are reminded of the prudential code framework that applies to Local Government.

1.4 The Prudential Capital Finance System relies on the provisions of Part 1 of the Local Government Act 2003. The system commenced on 1 April 2004, replacing the capital finance legislation in Part 4 of the Local Government and Housing Act 1989 and the Local Authorities (Capital Finance) Regulations 1997.

1.5 The key objectives of the prudential code are to ensure that:-

- the capital investment plans of local authorities are affordable, prudent and at sustainable levels

- to ensure and demonstrate that the local authority is aware of its financial position and therefore able to take corrective action should it be in danger of failing to ensure the above
- to ensure that treasury management decisions are taken in accordance with good professional practice and in a manner that supports prudence, affordability and sustainability

1.6 By enabling a greater degree of local discretion the Code also has the objective of being consistent with and supporting local strategic planning, local asset management planning and proper option appraisal.

1.7 The underlying principle of the Prudential Code is that local authorities are able to borrow without Government consent provided the authority can afford to enter into these commitments.

1.8 It is a statutory duty under Section 3 of the Local Government Act 2003, and supporting regulations, for the Council to determine and keep under review how much it can afford to borrow. The amount so determined is termed the Authorised Borrowing Limit.

1.9 The Council must have regard to the Prudential Code when setting its Authorised Borrowing Limit, which essentially requires it to ensure that total capital investment remains within sustainable limits and, in particular, that the impact upon its future council tax/rent levels is acceptable.

1.10 Whilst termed an Authorised Borrowing Limit, the capital plans that need to be considered for inclusion within that limit incorporate those planned to be financed by both external borrowing and other forms of liability, such as credit arrangements (leasing). The authorised borrowing limit is required to be set, on a rolling basis, for the forthcoming financial year and two successive financial years.

1.11 Details of the Authorised Borrowing Limits are shown in Section 1.49 of this report.

<u>A review of the Council's outstanding Debt position</u>.

1.12 To establish the Treasury Management Strategy for the forthcoming financial year it is essential to understand the overall debt position of the Council. This is calculated through the Capital Financing Requirement (CFR). The CFR calculates the Council's underlying need to borrow in order to finance capital expenditure. The revised estimate of the CFR for 2014/15 and the estimated CFR for 2015/16 through to the end of 2017/18 are shown in table 1 below: -

Table 1

	2014/15 £000's	2015/16 £000's	2016/17 £000's	2017/18 £000's
Capital Financing Requirement 1 April	**109,563**	**106,878**	**103,969**	**101,347**
Repayment of borrowing	0	0	0	0
Prudential Borrowing	1,268	1,177	1,654	1,277
Finance Leasing	0	0	0	0
Minimum Revenue Provision (MRP)	(384)	(567)	(757)	(876)
Minimum Revenue Provision Leasing	(69)	(19)	(19)	0
HRA Debt Repayment per HRA Business Plan	(3,500)	(3,500)	(3,500)	(3,500)
Capital Financing Requirement 31 March	**106,878**	**103,969**	**101,347**	**98,248**

1.13 Prudential Borrowing - Debt Repayment

The Council has previously determined that following the completion of the second of two major land sales in 2014/15 that £7.865m of prudential borrowing undertaken in respect of capital expenditure incurred in 2012/13 and 2013/14 will be repaid. These receipts were also required to fund outstanding commitments on the General Capital Programme from 2012/13 and 2013/14 in relation to the purchase and refurbishment of Clowne Campus, the disposal of Sherwood Lodge, and other capital schemes within the Asset Management Plan. In order to minimise borrowing costs Capita the Council's Treasury Management advisors have recommended that capital receipts unapplied at the yearend should be used to secure a temporary reduction in the level of borrowing, which is reversed once the funding generated from capital receipts is required to support investment needs.

1.14 Prudential Borrowing – 2014/15

Prudential borrowing of an estimated £1.268m is estimated to be required during 2014/15 to finance vehicle replacement (£0.964m), ICT investment (£0.054m) and Asset Management Plan (£0.250m) incurred during the year. Council has previously determined that these schemes shall be financed from prudential borrowing.

1.15 Prudential Borrowing 2015/16

In 2015/16 prudential borrowing of £1.177m will be required in order to finance vehicle replacements. The vehicles that will be purchased are replacements for assets previously acquired under operating lease. Given that prudential borrowing is a more cost effective option there is sufficient revenue provision within currently approved budgets to meet the costs of repaying this debt.

1.16 Prudential Borrowing – future years

In 2016/17 (£1.654m) and 2017/18 (£1.277m) the forecast prudential borrowing is limited at this stage to finance the enhanced Leisure Facility at Clowne and vehicle replacement. With respect to the affordability of the borrowing in respect of upgraded Leisure facilities a business case has been developed which demonstrates that the borrowing costs can be met from the financial savings which will arise from introducing a more modern facility capable of attracting greater levels of usage. That business case will continue to be tested against more detailed information as this becomes available. In particular the procurement exercise should bring greater certainty concerning both the construction and the operating costs of the proposed facility.

1.17 Leasing

The Council has no current plans to undertake any leasing that is required to be treated as finance leasing over the period of the MTFP (i.e. treated as outstanding debt on the balance sheet). In particular this reflects the decision to switch from finance leases to prudential borrowing to finance vehicle purchases. It should be noted that the impact on the CFR would be broadly the same irrespective of whether borrowing or finance leasing is used to finance these acquisitions.

1.18 Lease Repayments

The Council still holds a number of finance lease agreements for operational vehicles and equipment. This sum represents the principal repayments that will be made during 2014/15 and future years and equates to the MRP charge that is made to the General Fund. On the basis of current plans these leases will be extinguished during the 2016/17 financial year.

1.19 Minimum Revenue Provision (MRP)

The MRP is the amount of principal repayment on the debt outstanding being made by the Council in the financial year and is the sum charged to the revenue accounts (General Fund and HRA). The MRP policy is discussed in detail in section 1.30

1.20 HRA Debt Repayment

The Council 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 over a 30 year period with debt repayment set at £3.5m for 2014/15 and future years. The debt repayments will reduce the outstanding debt of the HRA and the amount of interest charged. It also has the impact of increasing the headroom available between the HRA outstanding debt and the debt ceiling (£112.350m) which allows opportunities for financing future HRA capital expenditure from prudential borrowing. Such schemes are of course subject to the requirement that they are affordable, prudent and sustainable.

1.21 Summary of Capital Financing Strategy

The capital financing strategy is driven by the Council's capital expenditure plans and available resources. The detailed capital expenditure plans are contained within the main MTFP report that appears elsewhere on this agenda.

The Housing Revenue Account is forecast to be in a position to set its repayment of the self financing settlement debt at the full level required to repay the debt over the 30 year business plan period. This will reduce interest costs to the HRA and provide wider financing options for future schemes.

How the Council's debt is financed

1.22 The Capital Financing Requirement as set out in section 1.12 above calculates the authorities underlying need to borrow for capital purposes. Arising out of the analysis of the debt position the Council can determine how this debt is financed. The CFR also helps to ensure that where an authority is undertaking long term borrowing that such borrowing is being utilised in order to fund capital expenditure, and is not being used inadvertently or otherwise to fund revenue expenditure.

1.23 Table 2 below outlines the current and planned debt financing arrangements over the term of the MTFP

Table 2

	2014/15 **£000's**	**2015/16** **£000's**	**2016/17** **£000's**	**2017/18** **£000's**
PWLB	104,100	104,100	103,100	102,100
Leasing Arrangements	106	38	19	0
Internal Borrowing	2,672	(169)	(1772)	(3852)
Temporary Borrowing	0	0	0	0
Capital Financing Requirement	**106,878**	**103,969**	**101,347**	**98,248**

1.24 PWLB Loans

The level of external Public Works Loan Board (PWLB) loans will reduce by £1m in 2016/17 and £1m in 2017/18 as short term loans mature.

Table 3 below outlines the PWLB debt maturity profile of existing PWLB loans as 31 March 2016.

Table 3

PWLB BORROWING **Term**	**Maturity Profile 31 March 2016** **£m**
12 Months (2017/18)	1.0
1 - 2 years	1.0
2 - 5 years	8.7
5 - 10 years	16.6
10 - 15 years	22.8
Over 15 years	54.0
Total PWLB Debt	**104.1**

1.25 Leasing Arrangements

The current leasing arrangements relate to vehicles and equipment utilised in the provision of services. The move away from leasing to prudential borrowing as a means of financing the vehicle purchase is reflected in the reduction each year of outstanding leasing balance as the lease is repaid and not replaced. All current finance leasing arrangements will come to an end during 2016/17. While prudential borrowing is currently a more advantageous method of financing the acquisition of vehicles and similar items officers will continue to keep the position under review.

1.26 Internal Borrowing

The balance between the CFR and the external borrowing (PWLB and Leasing) is made up from the utilisation of internal cash balances held by the Council. This effectively avoids the Council having to borrow money from external sources.

The forecast rate of reduction in the Council's CFR means that the Council is less and less reliant on its internal balances to finance capital expenditure over the next few years. This means that these balances will be available for investment purposes. Current investment interest rates continue to remain very low in the money markets and finding suitable counterparties that match our strict lending criteria is also difficult at the present time. The forecast cash flow position indicates that balances of up to £25m may be available for investment during 2015/16 and future years. Again this level will depend on the future capital investment plans outlined at an earlier stage of this report. The investment strategy is examined in detail later in this report.

The internal cash balances are made up from the General Fund Reserve, HRA balances, Provisions and Earmarked Reserves and any positive cash flows from within the main accounts of the Council.

1.27 Where the Council has internal borrowing it is required under accounting regulations to ensure that the funds of the relevant accounts (HRA and General Fund) are treated equitably. The internal balances of the General Fund and the HRA are therefore paid an interest rate to reflect the level of internal borrowing from each of these main accounts. The Council will apply the short-term interest rate (London Interbank Three Month Bid (LIBID)) to internal borrowing balances.

1.28 Temporary Borrowing

It may be necessary at times to undertake some very short term temporary borrowing during the year to ensure the Council has sufficient liquidity to meet day to day cash flow requirements. This is most likely to arise as available cash flow balances diminish during February and March i.e. a lower level of Council Tax receipts are received in this period.

1.29 Summary of the Proposed Borrowing Strategy 2015/2016

- Leasing debt will continue to be repaid in accordance with existing contractual arrangements.
- Temporary Borrowing will only be utilised where short term cash flow shortages occur.
- Internal balances will be utilised to reduce the need for external borrowing where possible, however, the forecast increase in available balances for investment will require careful management (see Investment Strategy later in report).
- Officers will monitor the position with regard to ensuring that external borrowing remains within the CFR limit during 2015/16.
- The debt financing arrangements as outlined in Table 2 are approved.

Minimum Revenue Provision Policy

1.30 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 against the revenue accounts of the Council. Details of the proposed MRP levels for 2015/16 are shown below:

For capital expenditure incurred before 1 April 2008 or which in the future will be supported capital expenditure the Minimum Revenue Provision policy will be:

- **Existing practice** - Minimum Revenue Provision will follow the existing practice outlined in former CLG 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** - Minimum Revenue Provision will be based on the estimated life of the assets.

- In the case of finance leases the Minimum Revenue Provision would be regarded as met by a charge equal to the element of the charge that goes to write down the balance sheet liability.

1.31 HRA Debt Repayments

There is no statutory requirement for the Council to set an MRP in relation to HRA debt. The budgetary provision to repay HRA debt which is proposed for the period of the MTFP is effectively a local decision taken in the light of the requirements to satisfy the Prudential Code namely affordability, prudence and sustainability.

1.32 Leased Assets

The current level of anticipated MRP in respect of leased assets along with the year end liability is set out in table 4 below:

Table 4

	2015/16 £000's	**2016/17 £000's**	**2017/18 £000's**	**2018/19 £000's**
Finance Leases				
Leasing Liability 1 April	106	38	19	0
Less MRP	(68)	(19)	(19)	0
Add New Finance Leases	0	0	0	0
Leasing Liability 31 March	38	19	0	0

1.33 Summary of MRP policy arrangements for 2014/15 and 2015/16

Table 5

	MRP 2014/15 £'000	**MRP 2015/16 £'000**
General Fund		
Existing Practice	188	181
Asset Life	196	385
Leased Assets	69	19
Total – General Fund	**453**	**585**
Housing Revenue Account		
Debt Repayment	3,500	3,500
Total – HRA	**3,500**	**3,500**

Investments

1.34 The Council monitors its day to day cash flow and forecasts when surplus cash flows will be available for investment during the financial year. This section of the Treasury Management Strategy informs Members of the main principles governing the Council's investment criteria.

1.35 The prime consideration when it comes to investments is first of all the security of the investment closely followed by the liquidity of the investment. Subject to adequate security and liquidity then the yield or return on the investment becomes a consideration.

1.36 In order to ensure that the key principles of security and liquidity are adhered to the Council needs to ensure the following.

- That it has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators which have been reported separately. This is set out in greater detail in the section on the Liquidity of Investments below.

- That it maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and for monitoring their security. Further details are provided in the Specified and Non-Specified investment sections below.

1.37 Security of Investments

External treasury management advisors are engaged by the Council to provide regular updates on the counterparties who meet the Council's investment criteria. They have now set up a comprehensive assessment and monitoring criteria process covering the counterparties used by the Council to place investments. The process involves the Council receiving a weekly list detailing their current assessment of all the main counterparties in the money markets. The list utilises the latest ratings from all the main credit rating agencies and supplements this further with information on trading on insurance instruments which they use to monitor early warning signals of individual counterparties. The counterparties are all colour coded, based on the risk assessment applied, and each colour represents the maximum period of investment for each counterparty. The weekly list is also supplemented with daily alerts, if required, on changes to the ratings on individual counterparties. It is proposed that the Council continues to use the weekly counterparty listing or similar evidence to assess the status of individual counterparties for investment purposes.

1.38 Liquidity of Investments

The Council will consider and carefully balance the use of specified investments (less than one year) and non-specified investments (greater than one year) to ensure there is appropriate operational liquidity (i.e. that it has sufficient funds to meet the expenditure incurred).

1.39 Specified Investments

These investments are sterling investments of not more than one-year maturity, or those which could be for a longer period but where the Council has the right to be repaid within 12 months if it wishes. These are low risk assets where the possibility of loss of principal or investment income is negligible. These would include investments with:

1. The UK Government (such as the Debt Management Office, UK Treasury Bills or gilt with less than one year to maturity).
2. Supranational bonds of less than one year's duration.
3. A local authority (including parish councils).
4. An investment scheme that has been awarded a high credit rating (where a borrower (or its parent) is required to have a minimum F1 or equivalent short-term credit rating).
5. A body that has been awarded a high credit rating by a credit rating agency (see 4 above) such as a bank, building society or money market fund.
6. Rated Building Societies from the top 20 Building Societies.
7. Non UK banks domiciled in a country which has a sovereign long term rating of AA+.

1.40 Non-Specified Investments

The use of longer term instruments (greater than one year from inception to repayment) will fall in the non-specified investment category. These instruments will only be used where the Council's liquidity requirements are safeguarded. Under the Prudential Code the Council is required to review and set limits for the maximum level of long term investments over the forthcoming three years. These limits are part of the mechanisms which ensure that the Council has sufficient funds to meet its expenditure requirements over the period in question.

1.41 Non-specified investments are any other type of investment:

1. Supranational Bonds greater than 1 year to maturity
(a) Multilateral development bank bonds - These are bonds defined as an international financial institution having as one of its objects economic development, either generally or in any region of the world (e.g. European Investment Bank etc.).
(b) A financial institution that is guaranteed by the United Kingdom Government - The security of interest and principal on maturity is on a par with that of the Government and so very secure, and these bonds usually provide returns above equivalent gilt edged securities. However the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.

2. Gilt edged securities
Gilt edged securities with a maturity of greater than one year. These are Government bonds and so provide the highest security of interest and the repayment of principal on maturity. Similar to category 1 above, the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.

3. Building Societies not meeting the basic security requirements under the specified investments.
The operation of some building societies does not require a credit rating, although in every other respect the security of the society would match similarly sized societies with ratings. These would include the non-rated building societies from the top 20 building societies.

4. Any bank or building society that has a minimum long term credit rating of A- and above. For deposits with a maturity of greater than one year.

5. Any non rated subsidiary of a credit rated institution included in the specified investment category.

6. Share capital or loan capital in a body corporate – The use of these instruments will be deemed to be capital expenditure, and as such will be an application (spending) of capital resources. Revenue resources will not be invested in corporate bodies. However this category of investments may be used for a treasury management purpose not related to a service, and in this instance will not be considered as capital expenditure.

1.42 Specified Investments Strategy

Specified Investments (less than 12 months) can be made with the counterparties covered by the list in Section 1.39. The Council however is also advised to overlay the following criteria which are designed to minimise risk as set out below:

Who we will invest our money with:

- UK Government
- Top rated UK banks (including part Nationalised Banks)
- The top 20 UK building societies
- Other local authorities (including Parish Councils)
- AAA rated money market funds
- Co-Operative Bank until expiry of the current contract
- Non UK banks domiciled in a country which has a sovereign long term rating of AA+.
- All the counterparties above must meet the strict assessment criteria applied by external treasury management advisors before any investment is made.

Limits and Controls on these investments

- A limit of £5m to be invested with any individual counterparty.
- A limit of £5m to be invested in any individual AAA rated money market fund.
- Lloyds bank – limited to overnight cash balances up to £3m
- All lending subject to "on the day" credit checks against the weekly list of counterparty ratings.
- Parish Councils are charged interest equivalent to the Bank Base Rate (currently 0.5%).
- For 2015/16 only – Lloyds Bank – Up to £8m consisting of up to £3m in overnight balances and £5m fixed term investment until 9/07/2015

Council should note that officers are currently in discussion with one of the local Parish Council's concerning the provision of a loan which would enable the Parish to undertake investment prior to receiving grant funding from an external organisation. The amounts involved would be limited (under £100,000) and the period involved is unlikely to exceed a year. While the Council has accepted and invested cash balances of behalf of a number of Parish Council making a loan to Parish Council's whilst allowed within the Treasury Management strategy and having been undertaken on previous occasions is not a regular transaction.

1.43 <u>Non Specified Investments Strategy</u>

Given the level of funds at its disposal it is appropriate that the Council gives consideration to the use of non specified investments (investments for a period of over 12 months) as these will generally secure better rates of return without significantly compromising the security of our funds. These instruments will, however, only be used where the Council's liquidity requirements are safeguarded.

With regard to non specified investments it is recommended that the following controls should be put in place:

- The overall level of investment in non specified instruments will be limited to one of £7m.
- The counterparties which may be used will be limited to those listed in section 1.42 above.
- No more than £5m as an overall investment limit with any counterparty (i.e. the Council will not invest more than £5m with any counterparty be it specified or non specified investments or both).
- Given that the Lloyds bank is the holder of the Council's bank account no non-specified investments will be placed with that institution as it would make it very difficult to limit our level of risk in respect of that bank.

Interest rate projections

1.44 Officers have made the following base rate assumptions with regards interest rates over the term of the MTFP

2014/15	0.49%
2015/16	0.54%
2016/17	0.81%
2017/18	0.99%

It should be noted that the current Bank Base Rate is 0.5%.

The Prudential Indicators

1.45 In putting together the Medium Term Financial Plan the Council has had regard to the requirements of the Prudential Code.

1.46 The following are the prudential indicators that have been calculated in respect of this period:-

1.47 Ratio of financing costs to the net revenue stream

This indicator identifies the trend in the cost of capital (interest on borrowing and other long term obligation costs net of investment income) against the net revenue stream.

Table 6

	2015/16 Estimated	2016/17 Estimated	2017/18 Estimated
GF	7.35%	9.55%	11.43%
HRA	39.52%	39.60%	40.19%

The estimates of financing costs include current commitments and borrowing required by the proposed Capital Programme.

The General Fund ratio reflects that the borrowing costs in relation to Council Tax and Government Grant will increase in 15/16 and future years due to the reduction in direct Central Government grant that the Council receives.

The HRA ratio is high as a result of the increased interest charges following the transfer of external debt to the Council as a result of the HRA reforms. Council should note that one of the key issues addressed by the 30 Year HRA Business Plan was that of the affordability of the projected level of the HRA debt. The Business Plan demonstrates that the Council's Housing Revenue Account is financially sustainable taking into account the increased level of borrowing

1.48 Impact on Council Tax and Rents from prudential borrowing.

This indicator measures the impact of prudential borrowing on the revenue accounts of the Council. The indicator takes the cost of the principal (MRP) and interest charges arising from any new borrowing and calculates how much Council Tax is required to cover these costs.

In relation to the General Fund the capital programme has prudential borrowing planned for vehicle replacement.

It should be noted that the MRP and interest charges in relation to vehicle replacement simply replaces the leasing charges previously paid when vehicles were leased.

Table 7

Impact on Council Tax	2014/15	2015/16	2016/17	2017/18
Borrowing Amount	£1.268m	£1.177m	£1.654m	£1.277m
Planned Prudential Borrowing	£13.44	£14.01	£12.07	£6.33

There is no planned prudential borrowing for the HRA from 2014/15 through to 2017/18 at this present time, and accordingly no figures are provided in the above table with respect to that account.

1.49 Authorised Borrowing Limit

The Authorised Limit for External Debt sets out the maximum level of borrowing which a local authority should enter into, and it covers both borrowing for capital purposes and borrowing for temporary purposes to cover any potential shortfall of revenue cash flow. The limit is set as £10m above the forecast CFR levels.

Table 8

	2014/15 Revised £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000
Authorised Borrowing Limit	116,878	113,969	111,347	108,248

The linking of the Authorised Borrowing Limit to the movement in the Capital Financing Requirement means that the limits remain relevant to the Council in each year of the MTFP. The reduction shown in the table therefore reflects the debt repayments planned within the CFR between 2014/15 to 2017/18.

1.50 Operational Boundary

The Operational Boundary is intended to provide a management tool which helps to assess whether the authority's level of borrowing is in line with its agreed Medium Term Financial Plan and in particular the capital expenditure and capital financing plans. In normal operating circumstances the level of borrowing should not exceed the Operational Boundary. The figures above are set at £5m below the authorised limit.

Table 9

	2014/15 Revised £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000
Operational Boundary	111,878	108,969	106,347	103,248

1.51. **Compliance with the CIPFA Code of Practice for Treasury Management in the Public Services**

1.52 One of the key indicators to ensure that a Council demonstrates sound treasury management practice is compliance with the CIPFA Code of Practice for Treasury Management in the Public Services. This Council has complied with the Code since its introduction on 1st April 2004, and one of the key purposes of the current report is to demonstrate continued compliance with the Code.

1.53 Interest Rate Exposures

In determining its borrowing policy the Council has a choice between opting for fixed or variable interest rates. While variable interest rates are generally cheaper in the short term by their very nature these rates can move up or down in relation to the wider movements on the money markets. While a greater reliance on variable rates will obviously tend to reduce costs in the short term, it does leave the authority open to fluctuations in market interest rates.

1.54 In order to protect local authorities against unforeseen fluctuations in interest rates the Prudential Code requires that all authorities establish the following ratios: -

An Upper limit for borrowing that is at fixed rates less investments that are fixed rate investments.

An Upper limit for borrowing that is at variable rates less investments that are variable rate investments

These prudential indicators are designed to ensure that the authority considers the risk that fluctuations in the levels of interest rate can create an unexpected or unbudgeted burden on the authority's finances, against which the authority has to protect itself adequately.

1.55 With respect to Bolsover District Council it is recommended that the Council continues to adhere to the limits set out below:

Table 10

	Upper Limit Fixed Interest Rate	**Upper Limit Variable Interest Rate**
2014/2015	100%	45%
2015/2016	100%	45%
2016/2017	100%	45%
2017/2018	100%	45%

The percentage figure for Variable interest rate is relatively high as the Council has three triple A rated money market funds available for investments and in total there could therefore be a maximum of £15m invested in these accounts

1.56 Maturity Structure of Borrowing

Amount of projected borrowing that is fixed rate maturing in each period

This indicator is designed to be a control over an authority having large concentrations of fixed rate debt that need to be replaced over a relatively short period of time. This ensures that an authority does not find itself in a position of having to replace a large proportion of its debt at a time when interest rates are adverse or uncertain.

Table 11

	Lower Limit	Upper Limit	Forecast Position at 31 March 2016
Under 12 months	0 %	20 %	0.96%
12 months and within 24 months	0 %	40 %	0.96%
24 months and within 5 years	0 %	60 %	8.36%
5 years and within 10 years	0 %	80 %	15.95%
10 years and above	0 %	100 %	73.78%

1.57 Upper limit for principal sums invested for periods longer than 364 days

The risk inherent in the maturity structure of the authority's investment is that it may be forced to realise an investment before it reaches final maturity and thus at a time when its value may be dependent on market conditions that cannot be known in advance.

1.58 Where the authority invests, or plans to invest for periods longer than 364 days, the authority is required to project the maturing of such investments. The authority is required to set an upper limit for the total principal sum invested to final maturities beyond the period end less projected cash balances in the period.

1.59 In line with the current policies in respect of non specified investments it is proposed that this prudential indicator will be set at £7m for 2014/15 revised and 2015/16 based on increased cash balances being available for investment. The financial years 2016/17 and 2017/18 are set at a lower levels as the forecast cash balances position is harder to predict at this stage.

Table 12

Year	Limit of investments maturing beyond the year end
2014/2015	£7 million
2015/2016	£7 million
2016/2017	£3.5 million
2017/2018	£0 million

In practice this indicator means that the Council could:

- In 2014/15 invest up to £7m to 31 March 2017 (approx 2 years)
- In 2015/16 invest up to £7m to 31 March 2017 (maximum period of just under two years)
- In 2016/17 invest up to £3.5m to 31 March 2018 (maximum period of just under two years)
- In 2017/18 no investments to go past 31 March 2018.

Treasury Management Operations

1.60 Treasury Management Advisors

As mentioned earlier the Council uses external treasury management advisors as its treasury management consultants. The company provides a range of services which include:

- Technical support on treasury matters, capital finance issues and the drafting of Member reports;
- Economic and interest rate analysis;
- Debt services which includes advice on the timing of borrowing;
- Debt rescheduling advice surrounding the existing portfolio;
- Generic investment advice on interest rates, timing and investment instruments;
- A number of places at training events offered on a regular basis.
- Credit ratings/market information service comprising the three main credit rating agencies;

1.61 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's current contract with its current external treasury management advisors Capita expires at the end of June 2015 and that officers will be undertaking a procurement exercise to determine the most appropriate Treasury advisors.

1.62 Member and Officer Training

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 some of these requirements by:

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

Member views are sought about organising a specific treasury management training event during 2015/16 for those charged with monitoring and scrutinising treasury management. It would be prudent to do this training after the elections in May 2015 and near to the 2016/17 Treasury Management Strategy publication. Should this be considered as a definite training requirement then officers will consider what options are available to ensure that appropriate training is available.

1.63 Lloyds Bank

Members will be aware that the Council's current banking arrangements with the Co-operative Bank will cease on the 8th February 2015. The contract with the Councils new banking provider Lloyds Bank will commence on the 9th February 2015. The Coop account will remain open for a maximum of 3 months to allow for a smooth transfer.

The Council currently has a fixed term investment of £5 million with Lloyds bank which was fixed on the 9th July 2014 for 12 months which was undertaken before the need to change banks arose. This means that until July 2015 we will have both the overnight banking arrangements and a fixed term investment with Lloyds bank. Officers will seek to minimise the level of overnight investments with Lloyds until the ending of the fixed term investment. Council should note that external treasury management advisors currently assess Lloyds standing as being one of the Top Rated UK Banks which reflects the fact that they are currently part owned by the UK government.

1.64 Business Continuity Arrangements

As part of the Councils business continuity arrangements officers set up alternative banking arrangements for the Council should they be required at short notice. These arrangements effectively mean a separate bank account is in place with the required security controls and appropriate officer access to undertake transactions. This account is with Barclays Bank but with the transfer of the Council's account to Lloyds this backup account is no longer considered to be necessary.

2 Conclusions and Reasons for Recommendation

2.1 This report outlines the Council's proposed Treasury Management Strategy for the period 2015/16 to 2017/18 for consideration and approval by Council. It fulfils four key requirements:

- The Treasury management Strategy sets out how the treasury management function will support the capital decisions approved within the MTFP and 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 the next three financial years which show the impact of changes in the level of the Council's debt on its revenue accounts.
- The Council is also 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 report also includes an 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 equalities issues arising directly out of 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

These are covered throughout the report.

5.2 Legal Implications including Data Protection

- 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 our legal obligations.

- There are no Data Protection issues arising directly from this report

5.3 Human Resources Implications

- These are covered in the main report and supporting Appendices where appropriate

6 Recommendations

6.1 Approve the Capital Financing Requirement as set out within Table 1 and detailed in section 1 of this report. In particular

- Prudential borrowing of up to £1.268m in 2014/15, £1.177m in 2015/16 and £1.654m in 2016/17 to finance capital expenditure, with up to £2m to be committed over the years 2016/17 and 2017/18 in respect of the enhanced Leisure facilities at Clowne.

6.2 Approve the Borrowing Strategy as summarised in section 1.29 of this report and that Members note that no new long term external borrowing is planned over the term of the MTFP (2014/15 to 2017/18).

6.3 Approve the Minimum Revenue Provision policy for 2015/16 as set out in section 1.33.

6.4 Approve the Investment Strategy as set out in sections 1.34 – 1.43

6.5 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 1.39 and 1.42 before any investment is undertaken.

6.6 Approve the Prudential Indicators for 2015/16 detailed in this report and in particular:

	2015/16
Authorised Borrowing Limit	£113,969,000
Operational Boundary	£108,969,000
Capital Financing Requirement	£103,969,000

6.7 Consider and recommend any Member training requirements for 2015/16.

6.8 Note the progress in moving the Council's bank accounts from the Co-Op bank to the new banking provider Lloyds bank, and that for the period up to June 2015 that the Council will have both a fixed term investment and potentially overnight balances placed at Lloyds.

7 Decision Information

Is the decision a Key Decision? (A Key Decision is one which results in income or expenditure to the Council of £50,000 or more or which has a significant impact on two or more District wards)	Yes/No
District Wards Affected	
Links to Corporate Plan priorities or Policy Framework	

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**
Principal Accountant	2459

Report Reference –

Agenda Item No 11

Bolsover District Council

Council

4 February 2015

Appointments to Committees

Report of the Governance Manager

This report is public

Purpose of the Report

- To advise of the outcome of a recent by-election.
- To appoint members to committees.

1 Report Details

1.1 Following the death of former Councillor Tom Rodda a by-election was held in Bolsover North West on 8 January 2015. Sue Sttater of the Labour Party won the contest and was elected to the Council.

1.2 Councillor Statter's election means that the political balance is as it was before the late Councillor Rodda's death. The Labour Group has 32 seats, District Residents Group three and Independent Group two.

1.3 The result means there are no changes to the current number of seats each Group has on the Council's committees. There are currently vacancies on the Sustainable Communities Scrutiny Committee and Planning Committee where Councillor Rodda was a member. Council may decide to appoint Councillor Statter to these vacancies.

1.4 Councillor Statter will also be a member of the Council's Budget Scrutiny meeting.

2 Conclusions and Reasons for Recommendation

2.1 To advise Council of the outcome of the Bolsover North West by-election and to appoint the new member to committees.

3 Consultation and Equality Impact

3.1 None.

4 Alternative Options and Reasons for Rejection

4.1 None.

5 Implications

None.

6 Recommendations

6.1 That Council notes the result of the Bolsover North West by-election on 8 January 2015 and Councillor Statter's election to the Council.

6.2 That Council decides to appoint Councillor Sue Statter to vacant positions on Planning and Sustainable Communities Scrutiny Committees.

6.3 That Council notes Councillor Statter's automatic appointment to the Budget Scrutiny Committee as a Scrutiny Member from the Labour Group.

7 Decision Information

Is the decision a Key Decision? (A Key Decision is one which results in income or expenditure to the Council of £50,000 or more or which has a significant impact on two or more District wards)	No
District Wards Affected	Bolsover North West
Links to Corporate Plan priorities or Policy Framework	None

8 Document Information

Appendix No	**Title**
None	

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)
None

Report Author	**Contact Number**
M Kane	7753

Agenda Item No 12

Bolsover District Council

Council

4th February 2015

Talent Match Progress Update

Report of the Chief Executive's & Partnership Manager

This report is public

Purpose of the Report

To provide Council with an update on the Big Lottery Talent Match Programme operating across the Sheffield City Region (SCR) area.

1 Report Details

Background to the Talent Match Programme

Talent Match is a £108 million investment aimed at tackling youth unemployment in 21 areas of England hardest hit by the economic downturn. It is a 5-year investment for young people aged 18-24 who have not been in employment, education or training (NEET) for 12 months or more, and need particular support to help them into work. The investment was co-designed with young people and will continue to have young people at the heart of decision making throughout the programme.

Sheffield Futures, the lead agency for the Sheffield City Region (SCR) partnership, secured a £10 million investment following an extensive period of programme development between July 2012 and December 2013. A strategic partnership comprising representatives across the region from the voluntary/community sector, public and private sectors worked with Sheffield Futures to secure the investment, and a local steering group representing Bolsover, Bassetlaw, Chesterfield and North East Derbyshire worked to develop the local aspects of the Talent Match programme. An advisory group consisting of 12 young people from the four districts were also involved in shaping the programme and continue to influence the design of activities as the programme develops.

The SCR Talent Match programme works with young people aged 18-24 who have been unemployed for 12 months, and fall into one of the following categories:

- With mild to moderate learning difficulties
- Lone parents before they sign onto Job Seekers Allowance
- Young people with mental health issues
- Homeless young people
- Care leavers

Programme Delivery

Key elements of the Talent Match programme include:

Talent Match Coaches: Four Coaches, employed by Derbyshire County Council (DCC), work across Bolsover, Bassetlaw, Chesterfield and North East Derbyshire and help young people through one-to-one support. The TM Coaches have access to a 'barrier busting' budget to address some of the obstacles to young people securing employment such as transport and financial exclusion, as well as access to a budget and framework of specialist provision where additional support for individuals is needed.
Peer Mentoring: Young people across the SCR are being recruited as volunteers to act as Peer Mentors, Young Commissioners and Inspectors.
Enterprise Creation: Two specialist coaches have been employed to work across the SCR and support young people to either set up a social enterprise/business or to secure work experience in a social enterprise. This strand will also see a number of initiatives including residential enterprise awareness weeks for all beneficiaries and enterprise training for TM Coaches.
Work Fund: A minimum of 55 new jobs will be created within the voluntary/community sector across Bolsover, Bassetlaw, Chesterfield and North East Derbyshire, with funding to provide a minimum of 6 months paid employment for TM beneficiaries.

Current Position:

Programme delivery in BBCNED commenced July/August 2014 with the appointment of four TM Coaches by DCC. Despite a late start, the programme has made really positive progress and the majority of targets for the period April to December 2014 were achieved in just 6 months. The table below also identifies excellent progress being made in Bolsover district.

	TOTAL (BBCNED)		**TOTAL (Bolsover)**	
KPI	Target	Target	Actual	Actual
Employment/Enterprise				
No of yp securing employment	8	13	2	3
No of yp securing sustained employment (6 months +)	4	0*	1	0*
Work Experience				
No of yp undertaking work placement	4	7	1	3
Training, Skills and Education				
No of yp undertaking basic skills training opportunities	8	25	2	12
No of yp into apprenticeships	4	2	1	0
No of yp into formal education (16hrs +)	4	5	1	2
No of yp who receive peer mentoring	4	0	1	0
Volunteering				
No of yp undertaking volunteering	0	1	0	1
No of yp regularly undertaking volunteering (4 weeks +)	4	8	1	1
Young People Engagement				
No of yp who were previously classes as "hidden"	24	16	5	6
No of yp engaged	97	93	21	29

** Target can only be achieved in 2015 due to delayed delivery start date*

Since January 2014, Bolsover District Council has in place a service level agreement with Sheffield Futures to provide the local co-ordination function across the BBCNED area. This support continues and brings together the local authorities, voluntary/community sector and young people to shape and engage fully with the programme.

Talent Match is complimentary to the new Ambition programme that also works with unemployed 18-24 year olds. The difference between the two programmes is that Talent Match supports long term unemployed whereas Ambition works with those who have been on Job Seekers Allowance for between three and six months.

In September 2014, the SCR Talent Match programme was officially launched in Sheffield and a video, produced by Talent Match beneficiaries, will be shown during the Council meeting for information.

2 Conclusions and Reasons for Recommendation

2.1 A summary update of the programme has been provided to raise awareness of the support that is available to long term unemployed 18-24 year olds and to ensure that funding is targeted to best effect.

3 Consultation and Equality Impact

3.1 The Talent Match programme is aimed at disadvantaged young people who have been NEET for 12 months or more. It works with vulnerable groups that have been identified across the SCR, and is designed by young people for young people. The programme is continually reviewed through a series of assessments and evaluations and delivery shaped as appropriate.

4 Alternative Options and Reasons for Rejection

4.1 None.

5 Implications

None.

5.1 Finance and Risk Implications

None.

5.2 Legal Implications including Data Protection

None.

5.3 Human Resources Implications

None.

6 Recommendations

6.1 That the report be received.

7 Decision Information

Is the decision a Key Decision? (A Key Decision is one which results in income or expenditure to the Council of £50,000 or more or which has a significant impact on two or more District wards)	No
District Wards Affected	All
Links to Corporate Plan priorities or Policy Framework	REGENERATION – Developing healthy, prosperous and sustainable communities. The use of BIG Lottery Talent Match funding through targeted activity that takes account of the effects upon the wellbeing of residents in local communities in respect of their health, wealth and secure employment; all of which contributes to building sustainable communities in the district.

8 Document Information

Appendix No	Title
	Talent Match Progress Update

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
Laura Khella Partnership Programme Management Consultant	01246 242302

Report Reference –

Agenda Item No 13

Bolsover District Council

Council

4 February 2015

The Strategic Alliance Agreement to provide Joint Management Services

Report of the Joint Chief Executive

This report is public

Purpose of the Report

- To report the coming to an end of the above agreement
- To seek members approval to the renewal of the agreement for a further 4 year term.

1 Report Details

1.1. Following the establishment of the Strategic Alliance in 2011, in January 2012, both Councils agreed to enter the Strategic Alliance agreement to provide Joint Management Services.

1.2. The agreement is for the appointment of the Strategic Alliance Management Team and the joint appointment of the officers in the Team and sets out the financial arrangements for this. It is one of a series of interrelated agreements covering shared services and administrative arrangements between the 2 Councils.

1.3. It also provides for the establishment of the Strategic Alliance Joint Committee.

1.4. This agreement commences on 31st May 2011 and lasts for 4 years. The agreement contains no provision for extension and it is therefore for members of the 2 Councils to decide on renewal before the agreement ends. A copy of the proposed agreement is attached as **Appendix 1** to this report (to follow).

1.5. Clause 4.2.4 requires the 2 Councils to discuss any business change to assess the impact. This would include future arrangements.

1.6. Although this is called an agreement, it is in fact an administrative arrangement – an agreement between the 2 Councils as to how they intend to manage the Councils at a senior officer level. It is not intended by either Council that it should be actionable as a legal contract in the courts.

1.7. However there are employment contracts in place which could not be sorted immediately if the arrangements were to come to an end. It was always intended that the notice periods would apply allowing for the disaggregation of employees and other contractual arrangements.

1.8. In addition, there are a number of other agreements, a shared service and administrative arrangements that are a part of the overall Strategic Alliance arrangements. In the event of termination it would be necessary to determine the future of all these arrangements.

1.9. The officer appointments were made some time ago and the arrangements have been operating satisfactorily in that time.

1.10. At the time the agreement was considered by the Joint Strategic Alliance Joint Committee on 8th November 2011, the following change was recommended to the 2 Councils and agreed by them:-

- In relation to the term of the agreement, the original draft included words to the effect that the agreement would continue from year to year at the end of the original term. Members decided to remove these words to ensure certainty of the term. Unfortunately the removal of these words has had exactly the opposite effect in that the agreement cannot terminate at the end of the term because of the ancillary contracts such as the joint employment contracts for the joint officers but the agreement could be interpreted as requiring this. Whatever members' wishes are to terminate there would have to be a significant period of time to work through these employment issues.

It is therefore recommended that the clause relating to the term is amended to read as follows:-

"3.1 This Agreement will start on the Commencement Date and will remain in force for a minimum period of 4 years and thereafter from year to year subject to the provisions of clauses 11 and 12 below"

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

2.1 The future of the Strategic Alliance agreement beyond the end of the current corporate year needs to be determined.

3 <u>Consultation and Equality Impact</u>

3.1 The agreement is before this Committee as part of the consultation with members as to what decision they wish to make. The Committee's recommendation will be considered by both Councils.

3.2 Equalities implications are dealt with through employment procedures and the 2 Councils' policies.

4 Alternative Options and Reasons for Rejection

4.1 To terminate the agreement and start arrangements for ending joint employment contracts and other contractual arrangements. However this would have a significant cost and would cause disruption over a period of time. It would divert money and attention away from the external issues relating to the needs of the Councils' communities. It was not therefore considered the best option to recommend.

5 Implications

5.1 Finance and Risk Implications

5.1.1 To continue with the Strategic Alliance means that the Councils would be continuing with existing arrangements and that in budget terms the costs were already planned. No changes would have to be made to budgets.

5.2 Legal Implications including Data Protection

5.2.1 As contained in the report.

5.3 Human Resources Implications

5.3.1 As contained in the report.

6 Recommendations that

6.1 The Council enters into the Strategic Alliance agreement for a further 4 years from 31st May 2015 and approves the Agreement attached at Appendix 1.

6.2 The Council notes that the following clause has been substituted for Clause 3 in the new agreement:-

3.1 This Agreement will start on the Commencement Date and will remain in force for a minimum period of 4 years and thereafter from year to year subject to the provisions of clauses 11 and 12 below.

7 Decision Information

Is the decision a Key Decision? (A Key Decision is one which results in income or expenditure to the Council of £50,000 or more or which has a significant impact on two or more District wards)	No
District Wards Affected	All but none directly
Links to Corporate Plan priorities or Policy Framework	All

8 Document Information

Appendix No	Title
1	Strategic Alliance Agreement

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)
The existing Strategic Alliance agreement and previous reports to the Strategic Alliance Joint Committee and the 2 Councils.

Report Author	Contact Number
Sarah Sternberg	2414/7057

Appendix 1

THIS AGREEMENT is made the [ ] day of [ ] 2015

PARTIES

(1) North East Derbyshire District Council of the Council House Saltergate Chesterfield Derbyshire ("NEDDC"); and

(2) Bolsover District Council of Sherwood Lodge Bolsover Derbyshire ("BDC")

(collectively referred to as "the Councils")

RECITALS

(A) The Councils are local authorities within the meaning of the Local Government Act 1972. Consequently the parties are subject to the duty under section 3 of the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which their functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

(B) The Councils have agreed that a Strategic Alliance will improve the viability of services, provide value for money, build in greater resilience, reduce risk, and encourage the spread of best practice across the Councils

(C) The Councils have agreed that they should create a management service to serve them both with the objective of improving the economy, efficiency and effectiveness of their management functions.

(D) This Agreement is made pursuant to the Councils' powers under the Local Authorities (Goods and Services) Act 1970, the Local Government Act 1972 sections 101(5), 111, and 113, and the Local Government Act 2000 sections 2 and 20 together with all other enabling powers

IT IS HEREBY AGREED AS FOLLOWS

1 Definitions

1.1 In this Agreement, unless the context otherwise requires, the following expressions have the following meanings:

- "the Commencement Date" means the date of this Agreement
- "Dissolution Date" means the effective date of the expiry of a notice served in accordance with any of clauses 11.1, 12.1 and 16.5
- "a Force Majeure Event" means any event preventing the performance of any provision of this Agreement arising from or attributable to acts, events, omissions or accidents that are beyond the reasonable control of the parties, such as (without limitation) any abnormally inclement weather, fire, explosion, earthquake, subsidence, structural damage, epidemic or other natural physical disaster, failure or shortage of power supplies, military operations, public disorder, industrial action, act or threatened act of terrorism and/or any legislation, regulation, ruling, decision or omission (including failure to grant any necessary permissions) of any relevant authority, including any court, government agency or governing body
- " Function" means powers and duties and includes the power to do anything which is calculated to facilitate or is conducive or incidental to the discharge of functions
- "Material Breach" means: the commission of any significant breach or other persistent breaches of this Agreement by a Council; a failure to pay any monies owing by one Council to the other within 90 days of being requested in writing to do so; or conduct likely to have a serious adverse effect upon the other Council.
- "the Term" has the meaning given by Clause 3 below

2 Interpretation

2.1 The headings and recitals in this Agreement are included for convenience only and shall not affect the construction or interpretation of this Agreement.

2.2 In this Agreement where the context so permits, words importing the masculine gender shall include the feminine and neuter genders and vice versa and words importing the singular number shall include the plural number and vice versa.

2.3 Where any of the schedules are inconsistent with the clauses, the clauses shall prevail.

2.4 A reference to any statute, enactment, order, regulation or other similar instrument shall be construed as a reference to the same as amended by any subsequent statute, enactment order, regulation or instrument or as contained in any subsequent re-enactment thereof.

3 Term

3.1 This Agreement will start on the Commencement Date and will remain in force for a minimum period of 4 years and thereafter from year to year subject to the provisions of clauses 11 and 12 below.

4 Governing Principles

4.1 The Councils agree that the following principles shall govern their approach to this Agreement. In particular:

4.1.1 During the continuance of this Agreement all joint working entered into by the Councils under this Agreement shall be conducted in good faith and on the basis set out in this Agreement;

4.1.2 Each Council shall at all times act in good faith, with transparency, honesty and openness, towards the other and use all reasonable endeavours to ensure the observance of the terms of this Agreement.

4.1.3 Each Council shall do all things necessary or desirable to give effect to this Agreement provided always that any disagreement between the Councils shall be resolved in accordance with the Dispute Resolution provisions in Schedule 1.

4.1.4 Each Council has an equal standing within the Agreement, regardless of size, or financial contribution.

4.1.5 No Council shall seek to make a surplus or reduce a loss at the expense of the other Council; and

4.1.6 Where one of the Councils fails to meet its responsibilities and liabilities under this Agreement at any time the cost of any resulting penalties losses liabilities or loss shall fall on that Council.

4.1.6 Employees appointed pursuant to this Agreement will be employed to work jointly for the Councils during the continuance of the Agreement and all costs arising from their employment shall be borne in equal parts by the Councils.

4.1.7 For superannuation purposes service rendered by an employee of one of the Councils whose services are placed at the disposal of the other under this Agreement is service rendered to the Council by whom they are employed but any such employee shall be treated for the purposes of any enactment relating to the discharge of functions as an employee of the other Council and those employees may act and shall have powers to act under the constitutions of the Councils.

4.1.8 Employees appointed pursuant to this Agreement shall divide their time fairly and reasonably between the Councils and shall not show bias towards one Council or the other.

4.2 Each Council agrees that it will:

4.2.1 Commit to provide agreed resources within agreed timescales.

4.2.3 Subject to clause 4.1.6 share responsibility for liabilities arising from the operation of the services pursuant to this Agreement.

4.2.4 Before considering making a significant business change they will discuss with the other Council its possible impact on the vision and objectives of that Council and on the objectives of the Strategic Alliance.

5 The Strategic Alliance Joint Committee

5.1 The Councils have established the Strategic Alliance Joint Committee.

5.2 The Councils will agree how administrative support for the Strategic Alliance Joint Committee shall be provided and shall review such agreement from time to time. Administrative support shall include the provision of a suitable meeting venue and committee administration services.

6 The Strategic Alliance Management Team

6.1 The Councils shall establish a Strategic Alliance Management Team.

7 Financial Provisions

7.1 The costs and savings arising pursuant to this Agreement shall be apportioned as follows:

7.1.1 The one-off redundancy, associated pension costs and the one-off costs of recruitment consultants (if any are engaged), on-going salary and on-costs, superannuation, training, travel and incidental costs of the Strategic Alliance and the costs incurred in administering the Strategic Alliance Joint Committee shall be apportioned equally unless there are material factors that dictate that a different apportionment is appropriate in any particular financial year provided always that any proposal to apportion or share on-going costs other than on an equal shares basis in any particular financial year shall be made following a resolution of the Councils acting on the recommendation of the Strategic Alliance Management Team.

7.2 The Section 151 Officer shall account to each of the Councils annually regarding the expenses and costs of administering the Strategic Alliance by no later than 30 June following the end of each financial year.

7.3 In the event of a dispute between the Councils as to the amount which may be due to or from each of them the disputed amount may be dealt with in accordance with the Dispute Resolution Procedure set out in Schedule 1.

7.4 Whenever in respect of this Agreement any sum of money shall be recoverable from, or payable by, one party to the other, the same may not be deducted from any sum due, or which at any time thereafter may become due, to the other.

7.5 In the event that a Council does not make payment of an invoice by the appropriate due date or it is determined that the Council has wrongly disputed a sum claimed then the Council to whom the payment is due shall be entitled to charge daily interest at an annual rate of 4% above the Bank of England base lending rate on the unpaid invoice from the due date of payment to the actual date of payment. Any such interest so charged shall be properly invoiced by the Council to whom the payment is due and shall be payable on the terms set out in this clause.

7.6 In the event that the Council in default does not make payment or account to a Council of sums in respect of which it is obliged to issue a credit note in accordance with this clause 7, then the relevant Council shall be entitled to charge daily interest at an annual rate of 4% above the Bank of England base lending rate on the uncredited sum from the due date for such credit note to the date of its issue. Any such interest so charged shall be properly invoiced by the Council to whom the payment is due and shall be payable on the terms set out in this clause.

7.7 For the avoidance of doubt, a Council may still dispute charges which it has paid by raising such disputes through Dispute Resolution as set out in Schedule 1, in the event that it is determined that the relevant Council has been overcharged then a service credit note will be raised and interest will be chargeable as set out in this clause 7.

8 Staffing

8.1 The Councils agree that they will each provide sufficient staffing resources for the effective support and administration of the Strategic Alliance Management Team and the Strategic Alliance Joint Committee

9 Accommodation

9.1 Each Council agrees that they will each provide sufficient accommodation resources working space and associated facilities and services as shall from time to time be necessary for the effective delivery of the services of the Strategic Alliance and the meetings of the Strategic Alliance Joint Committee in such locations as are required.

9.2 Each Council hereby licences all appropriately authorised employees to enter its premises for the purposes of the performance of the functions of the Strategic Alliance pursuant to this Agreement and to use such associated services and facilities as shall be provided by each Council from time to time pursuant to clause 9.1

9.3 Employees authorised pursuant to clause 9.2 shall follow any reasonable instructions issued by the host Council when upon their premises and abide by relevant policies whilst undertaking delivery of services pursuant to this Agreement.

10 Intellectual Property

10.1 Nothing in this Agreement is intended to transfer from one Council to another any Intellectual Property Rights owned by that Council as at the Commencement Date unless otherwise agreed in writing.

10.2 Each Council hereby grants to the other Council a non-exclusive, perpetual, revocable, royalty-free licence to use and copy materials the Intellectual Property Rights which vest in either Council for the purpose of the Strategic Alliance.

10.3 All and any Intellectual Property Rights in materials developed for or on behalf of the Councils in pursuance of this Agreement and during its Term shall vest in the Councils jointly.

10.4 On expiry or termination of this Agreement for any reason each Council grants to the other Council a non-exclusive, perpetual, revocable, royalty-free licence to use and copy materials the Intellectual Property Rights that previously vested in them jointly for the purposes of the Strategic Alliance.

10.5 Nothing in clause 10.4 shall require a Council to provide or disclose to the other Council any materials to the extent that they contain confidential information or attract legal professional privilege where such provision or disclosure would put that Council or any of its employees in breach of any legal obligation.

11 Termination of the whole of this Agreement – no material breach

11.1 Without prejudice to the Local Government Act 1972 Section 101(4) if at anytime any Council shall give to the other Council notice of its wish to terminate this Agreement (provided that such notice shall be of a duration not less than 6 months to expire on 31 March in any year) then on the expiry of the notice Clauses 13 and 14 of this Agreement will apply.

12 Termination of the whole of this Agreement – material breach

12.1 If either Council shall commit a material breach of this Agreement then the other Council may by notice in writing given to the defaulting Council be entitled to invoke the provisions of this clause 12.

12.2 If the Council on whom such notice is served ('the Recipient') shall within 30 Working Days of the date of service of the said notice serve on the other Council (“the Server”) a counter-notice denying the allegations or give good reason why this clause 12 should not be invoked and if the Recipient shall do so within the period of 30 Working Days the dispute shall be referred for determination under clause 20 and the operation of the notice under clause 12.1 shall be suspended.

12.3 Such a period of suspension shall be ended by either:

12.3.1 Written notice of acceptance served by the Recipient on the Server; or

12.3.2 The successful conclusion of the dispute resolution process in clause 20.

12.4 In the event that either the Recipient does not serve a counter-notice under clause 12.2, or the period of suspension is ended in accordance with the provisions of clause 12.3 the arrangements provided for in this Agreement shall be dissolved with effect from the close of business on the date 12 months from the date 30 Working Days from the date of service of the notice under clause 12.1 or the expiry of the period of suspension whichever is the later.

13 Dissolution

13.1 In the event of the service of a notice in accordance with the provisions of clause 11.1 the arrangements provided for in this Agreement shall be dissolved with effect from the close of business on the date of the expiry of the notice.

13.2 After the Dissolution Date the authority of any Council to bind the other Council shall be limited to such matters and such period as are necessary for the implementation of the terms of clause 15 of this Agreement and not further or otherwise.

14 Consequences of Termination

14.1 Following the service of a notice under clauses 11, 12 or 16 for any reason the Councils shall continue to provide the arrangements provided for in this Agreement and shall ensure that there is no degradation in the services provided pursuant to this Agreement between the date of any notice and the date of termination or the Dissolution Date (as the case may be).

14.2 Between the date of a termination notice and the date of termination or the Dissolution Date (as the case may be), and for a reasonable period thereafter each Council will provide reasonable assistance to the other to enable a smooth transition of functions. As part of providing such reasonable assistance each Council will take all such steps as may be reasonably necessary to agree with the other Council a plan for the orderly transition of the functions to that Council or another provider, so as to cause the minimum of interruption and inconvenience to the Councils and the public.

14.3 At the date of termination or the Dissolution Date (as the case may be) each Council shall cease to provide the arrangements provided for in this Agreement except work started before the date of termination or the Dissolution Date which the Councils authorise them to complete and to complete it in accordance with the terms of this Agreement (PROVIDED ALWAYS that any continued performance of a Service shall not constitute or be construed as a renewal or continuation of this Agreement)

14.4 Within six months of the date of termination or the Dissolution Date each Council will prepare and submit final accounts for payment and any surplus after the payment of the debts shall be shared between the Councils equally or as the Councils may otherwise have agreed.

14.5 Except as provided in Clause 14.2 each Council will release each other from all of their contractual obligations and all other legal obligations to one another arising under or in connection with this Agreement or its termination, and whether such obligations arise, and/or are in respect of events occurring, before or after its termination

14.6 At the date of termination each Council shall return to the other Council or otherwise dispose of or destroy as the other Council directs all signs, advertising materials, stationery, invoices, forms, specifications, designs, records, data, samples, models, programmes and drawings pertaining to or concerning the arrangements provided for in this Agreement in its possession or under its control

14.7 The disposal or transfer of fixed assets shall be agreed in writing between the Councils

14.8 Notwithstanding the termination of this Agreement the Councils each agree to do all such acts and things and execute all such documents as each of them reasonably requires.

15 Indemnities

15.1 Each of the Councils shall indemnify and shall keep indemnified the other Council in respect of all actions, claims, demands, costs, charges and expenses including professional services and legal expenses which may arise out of or in consequence of any breach by that Council of this Agreement including, but not limited to death or personal injury to any person; loss or damage to property; or breach of any contractual obligation.

16 Audit

16.1 Throughout the period of this Agreement each Council shall:

16.1.1 Allow the other Council, its authorised servants and agents and the Auditor access at all reasonable times to all of the employees and to all books, records, correspondence, receipts, invoices and other papers of every kind in the possession of the other Council, pertaining to this Agreement required by the Council and the Auditor to and for the purposes of examining compliance with this Agreement;

16.1.2 Allow the other Council, its authorised servants and agents and the Auditor access to its and their sub-contractors' premises and to all facilities in relation to the functions referred to in this Agreement at any time for the purpose of monitoring the operation of this agreement and for the purposes set out in this clause 16.

16.2 Each Council shall retain (and shall procure that their sub-contractors shall retain) the documents and records referred to in clause 16.1.1 for a period of 2 years from termination of this Agreement. Each Council shall continue to allow the other Council access to its employees and to all records and to their premises and facilities as set out in clause 16.1.1 for the purposes of investigating and verifying the costs and charges in relation to this Agreement.

16.3 The other Council may at any time request the Auditor to audit the compliance by the other Council with its obligations under this Agreement.

16.4 If the Auditor or either of the Councils identifies any non-compliance by any Council with regard to their obligations and the performance of the work, functions and other actions arising under this Agreement, then:

16.4.1 Clause 12 will apply;

16.4.2 Otherwise, the other Council will propose action it considers necessary to ensure compliance by the relevant Council with this Agreement ('the Compliance Plan').

16.5 If the Councils fail to agree on the Compliance Plan, or any agreed Compliance Plan is not implemented by the relevant Council or not implemented within any time constraints or other criteria that may be agreed between the parties, then clause 12 will apply.

17 Confidentiality

17.1 For the purpose of this clause “Confidential Information” shall mean all information of a commercially sensitive nature including (but not limited to) specifications, drawings, computer readable media, documents, techniques and know-how which are disclosed by one Council to another for use in or in connection with the performance of this Agreement.

17. 2 The Councils hereto agree to use all reasonable endeavours to ensure that any Confidential Information disclosed or submitted in writing or any other tangible form to a Council (“the Receiving Party”) by the other Council (“the Disclosing Party”) shall be treated with the same care and discretion to avoid disclosure as the Receiving Party uses with its own similar information which it does not wish to disclose. Any information disclosed orally that is identified by the Disclosing Party as Confidential Information shall be treated the same as if it had been reduced to writing at the time of disclosure to the Receiving Party.

17.3 The Receiving Party shall not, during a period of 7 years after the termination of this Agreement, use any such Confidential Information for any purpose other than the carrying out of its obligations under this Agreement or other than in accordance with the terms of this Agreement.

17.4 The undertaking in Clause 17.3 above shall not apply to Confidential Information:

17.4.1 Which, at the time of disclosure, has already been published or is otherwise in the public domain other than through breach of the terms of this Agreement**:**

17.4.2 Which, after disclosure to the Councils is subsequently published or comes into the public domain by means other than an action or omission on the part of any of the Councils;

17.4.3 Which a Council can demonstrate was known to it or subsequently independently developed by it and was not acquired as a result of the terms of this Agreement;

17.4.4 Lawfully acquired from third parties who had a right to disclose it with no obligations of confidentiality to the other Council; or

17.4.5 Is required to be disclosed by applicable law or court order or by any regulatory body, which is empowered by Statute or Statutory Instrument, but only to the extent of such disclosure and the Receiving Party, shall notify the Disclosing Party promptly of any such request.

17.5 employees of the Councils and any agents, consultants or sub-contractors engaged to work will be subject to the principles of confidentiality outlined in this Clause 17.

18 Data Protection

The Councils will comply with the Data Protection Act 1998.

19 Freedom of Information

The Councils are covered by the Freedom of Information Act 2000 and other statutory provisions relating to freedom of information. There may be occasions where a Council will be obliged to disclose information to third parties. However a Council will only do so in circumstances where a Council judges that it is under a statutory obligation to do so or if ordered by a court or tribunal of competent jurisdiction

20 Determination of disputes

In the event of any dispute under or arising out of this Agreement (other than one for which a separate method of resolution has been provided):

20.1 The Councils shall follow the dispute resolution procedure set out in Schedule 1

20.2 Unless otherwise agreed each Council shall be responsible for its own costs incurred in connection with the resolution of any dispute.

20.3 The doctrines of laches, waiver or estoppel shall not be considered in any dispute resolution procedure.

20.4 Nothing in this clause 20 shall preclude the making of an application to the court for injunctive relief to restrain a breach or apprehended breach of this Agreement.

21 Equal Opportunities

The Councils agree that in the execution of the terms of this Agreement they will not discriminate on the grounds of sex, race, colour, age, religion, sexual orientation or disability.

22 Variation

Any terms of this Agreement may at any time be varied or amended and any such variation or amendment shall be evidenced by a document in writing executed by the Councils.

23 Contracts (Rights of Third Parties) Act 1999

Any right of any third party to enforce the whole or any part of this Agreement pursuant to the Contracts (Rights of Third Parties) Act 1999 is hereby excluded.

24 Counterparts

This Agreement may be executed in any number of counterparts or duplicates each of which shall be an original but such counterparts or duplicates shall together constitute one and the same agreement.

25 Governing Law

This Agreement is governed by and shall be interpreted in accordance with English law.

The common seals of the parties hereto were affixed to this Agreement in the presence of:

North East Derbyshire District Council:

Leader

Principal Solicitor

Bolsover District Council:

Chair

Solictor to the Council

SCHEDULE 1

Dispute Resolution

1 In the event of any dispute or disagreement arising out of or in connection with or under with this Agreement or any breach thereof ('the Dispute') a Council may serve notice upon the other setting out brief details of the Dispute that has arisen ('Notice of Dispute') and the Notice of Dispute shall be considered by the Alliance Management Team the members of which shall use their reasonable endeavours to settle such dispute by good faith negotiation.

2 If the Alliance Management Team do not reach such a settlement within a period of 90 days from service of the Notice of Dispute then upon notice ("Referral Notice") by either Council to the other the Dispute shall be referred to the Alliance Joint Committee the members of which shall use their reasonable endeavours to settle such dispute by good faith negotiation.

3 If the Alliance Joint Committee does not reach such a settlement within a period of 90 days from service of the Referral Notice it shall be referred to a sole

arbitrator ('the Arbitrator') who shall be appointed by the Councils in dispute or, failing agreement, by the President of the Chartered Institute of Arbitrators.