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To: Chair & Members of the
Finance and Corporate Overview
Scrutiny Committee

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Friday 19th January 2024

Dear Councillor

FINANCE AND CORPORATE OVERVIEW SCRUTINY COMMITTEE – TUESDAY, 23RD JANUARY, 2024 AT 14:00 HOURS

I refer to your recently circulated agenda for the above meeting and now enclose a copy of the papers which were marked 'To Follow'.

Item 6 - Medium Term Financial Plan 2024/25 - 2027/28

Item 7 - Treasury Strategy Reports 2024/25 - 2027/28

Yours faithfully

J. S. Fieldsend

Solicitor to the Council & Monitoring Officer

Equalities Statement

Bolsover District Council is committed to equalities as an employer and when delivering the services it provides to all sections of the community.

The Council believes that no person should be treated unfairly and is committed to eliminating all forms of discrimination, advancing equality and fostering good relations between all groups in society.

Access for All statement

You can request this document or information in another format such as large print or **language** or contact us by:

- **Phone:** 01246 242424
- **Email:** enquiries@bolsover.gov.uk
- **BSL Video Call:** A three-way video call with us and a BSL interpreter. It is free to call Bolsover District Council with Sign Solutions, you just need WiFi or mobile data to make the video call, or call into one of our Contact Centres.
- Call with Relay UK - a free phone service provided by BT for anyone who has difficulty hearing or speaking. It's a way to have a real-time conversation with us by text.
- **Visiting** one of our offices at Clowne, Bolsover, Shirebrook and South Normanton

FINANCE AND CORPORATE OVERVIEW SCRUTINY COMMITTEE

Tuesday, 23rd January, 2024 at 14:00 in the Council Chamber, The Arc, Clowne

Bolsover District Council

Finance and Corporate Overview Scrutiny Committee
23rd January 2024

MEDIUM TERM FINANCIAL PLAN 2023/24 - 2027/28

Report of the Portfolio Holder for Resources

Classification	This report is public
Contact Officer	Theresa Fletcher Director of Finance and Section 151 Officer

PURPOSE / SUMMARY

To enable the Committee to consider the current budget for 2023/24 and the proposed budget 2024/25, for the General Fund, Housing Revenue Account and Capital Programme as part of the Council's Medium Term Financial Plan covering the years 2023/24 to 2027/28, prior to the report being taken to Council.

To provide Elected Members with an overview of the Council's financial position in order to inform the decision-making process. Any comments expressed by the Finance and Corporate Overview Scrutiny Committee will be reported verbally to Council.

REPORT DETAILS

1 Introduction

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

- General Fund – Appendix 1 and 2
- Housing Revenue Account (HRA) – Appendix 3 and 4
- Capital Programme – Appendix 5

In particular financial projections are provided for:

- 2023/24 Current Budget Position – this is the current year budget, revised to take account of changes during the financial year that will end on 31st March 2024.

- 2024/25 Original Budget – this is the proposed budget for the next financial year, on which the Council Tax will be based, and will commence from 1st April 2024.

- 2024/25 Original Budget, this includes proposed increases to rents and fees and charges for the next financial year for the Housing Revenue Account.

- 2025/26 to 2027/28 Financial Plan – In accordance with good practice the Council agrees its annual budgets within the context of a Medium-Term Financial Plan (MTFP). This includes financial projections in respect of the next three financial years.

1.2 Recommendations agreed by Executive and Finance and Corporate Overview Scrutiny Commiittee will be referred to the Council meeting of 31st of January 2024 for Members' consideration and approval.

General Fund

2023/24 Current Budget

1.3 In February 2023, Members agreed a budget for 2023/24 to determine Council Tax. The original budget showed a funding deficit of £0.018m. Throughout the year budgets have been actively managed with savings removed from the budget once they have been agreed.

1.4 The Revised Budget was considered by Executive at its meeting on the 4th of December 2023 and by the Finance and Corporate Overview Scrutiny Committee at its meeting on 28th November. Since revised budgets were first presented there have been some adjustments made to the reported figures. These have been necessary to show the net income due from the support services provided to Dragonfly (£0.095m) and to fund small costs identified since November (£0.020m). The original revised budget funding gap is the planned use of the general fund balance for 2023/24 as agreed in 2020/21 of £0.018m.

1.5 The final in-year position will be dependent on the actual financial performance out-turning in line with the revised budgets as there may be further costs and/or savings identified as the year progresses. Whilst these estimates reflect the position at the time of setting there can be some volatility from the budget to the outturn position, especially this year with inflation being as unpredictable as it currently is.

1.6 It was agreed that any surplus on the Council's two main revenue accounts be transferred to reserves in preparation for future expenditure and to protect services at a time of declining central government support.

2024/25 Original Budget and 2025/26 to 2027/28 Financial Plan

1.7 The financial projection for 2024/25 to 2026/27 was approved by Members in February 2023. The 2023/24 budget process has updated those projections and established a base for 2027/28.

1.8 The proposed budget for 2024/25 is balanced with a transfer into the NNDR Growth Protection Reserve of £0.188m. Based on current information, where there is a shortfall in funding for a particular year, that shortfall can be met from within the NNDR Growth Protection Reserve as discussed in paragraphs 1.27 – 1.31 of this report. This transfer will increase the available balance for future years. The financial summary for each year of the MTFP is shown in **Appendix 1**. **Appendix 2** details the net cost of each cost centre by Directorate.

1.9 Table 1 below shows the updated figures resulting from the budget process.

Table 1

	2023/24 Revised Budget £000	**2024/25 Forecast £000**	**2025/26 Forecast £000**	**2026/27 Forecast £000**	**2027/28 Forecast £000**
Net Cost of Services	15,985	13,907	14,266	14,747	15,342
Net debt charges + investment interest	(1,731)	(1,052)	(806)	(1,185)	(1,235)
Net t/f to/(from) reserves + balances	(2,362)	1,178	1,462	367	321
Net t/f to/(from) NNDR Growth Protection Reserve	824	188	(620)	(3,803)	(4,122)
Parish Precept	3,968	3,968	3,968	3,968	3,968
Funding from council tax, business rates and government grants	(16,666)	(18,189)	(18,270)	(14,094)	(14,274)
Use of GF balance	**18**	**0**	**0**	**0**	**0**

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

Level of Government Funding

1.11 The current financial year 2023/24, was the first year of a two-year settlement. Every Spending Review since 2019/20 has effectively been a roll-over of the four-year settlement that covered the period 2016/17 – 2019/20.

1.12 The provisional local government finance settlement announced on December 18th was the second year of the settlement. There were no projected or indicative numbers for 2025/26 and beyond. We have had to make assumptions for 2025/26 and future years because they weren't covered by the provisional settlement.

1.13 As previously discussed many times, the early indicative results of the Fair Funding Review; the abolition of New Homes Bonus; the fundamental review of Business Rates and the baseline reset of Business Rates were all detrimental to us as a district Council who has seen much growth in recent years, both in business rates and New Homes Bonus grant. The removal of these funding streams will have a major effect on our financial position. For this reason, a delay in their implementation in their current form is not a bad thing for us. However, it does make it difficult to estimate future funding levels when there is so much uncertainty surrounding them.

1.14 A policy statement from 5th December 2023, announced the key principles that ministers intended to use in the provisional settlement and they do remain unchanged in the provisional settlement. The provisional settlement continues the series of real terms increases in Core Spending Power (CSP) with them being higher than the headline rate of inflation. However, they are likely to be lower from 2025/26 onwards, and reliant on council tax rises rather than grant increases. CSP increases are higher in authorities with responsibilities for social care.

1.15 The following paragraphs show our government funding for 2024/25 from the provisional settlement and the assumptions we have had to make for future years:

New Homes Bonus

1.16 We have been waiting for the results of the government's consultation on the future of New Homes Bonus Grant for at least five years. The Policy Statement confirmed that New Homes Bonus will continue for one (final) year in 2024/25. It is not yet known what, if anything, will replace it.

1.17 For 2024/25 we have received a roll-over of the current approach to New Homes Bonus with the delay of its abolition and a new allocation based on our property numbers. However, the allocation we have received is £0.317m less than we estimated when we set the budget this time last year. This is therefore a reduction in grant income for 2024/25.

1.18 For 2025/26 we have assumed that no New Homes Bonus will be received. This is based on commentary from our local government finance funding advisors about the expected timing of the results of the New Homes Bonus review.

Fair Funding Review

1.19 It is likely the wider local government reforms are now not going to be implemented until 2026/27 at the earliest. It is still not known with any clarity what the impact of the Fair Funding Review will be. Initial modelling showed that the recalculated Settlement Funding Assessment (SFA) was redirecting resources to those based on 'need' which would impact negatively on most shire districts. However, there does seem to be some growing acknowledgement that authorities such as us with a low tax base, would lose out significantly under this method and particularly if changes to business rates were brought in as planned, at the same time.

1.20 With the lack of any concrete figures for the likely impact of the Fair Funding Review we have once again not been able to attribute a value in our MTFP to any changes. Some commentators have even questioned whether the Fair Funding Review will be part of any changes to the funding of local government or whether it is just too complicated to implement. Whatever changes occur, in the early years it is likely damping payments would be paid to ensure authorities were eased into the new funding and for us that might be as much as £2m for each of the first 2 years.

Business Rates

1.21 The figures in the MTFP for Business Rates have been updated for the latest assumptions around likely changes to our baseline funding level information, tariff amounts and the impact of a business rate reset. The assumption is that there will not be any change to the current system until at least 2026/27 as mentioned above.

1.22 This has resulted in some additional income, particularly for 2025/26 as we move the assumption for changes to the current system to 2026/27. It has been assumed 2026/27 is now the year when the reset occurs and the income slowly increases each year as we build back the growth lost from the reset. No growth in these business rates figures has been included in any year to protect against further negative adjustments.

Revenue Support Grant

1.23 Yet again, there has been a roll-over in receiving Revenue Support Grant. We estimated this would be the case last year with the grant eventually tailing off in 2026/27. However, we have received £1.196m more than estimated in 2025/26 and we will receive £0.347m of the grant for a further year into 2027/28. We have assumed this will be the final year of receiving the grant.

Services Grant

1.24 This was introduced for 2022/23 and was meant to be a one-off grant to support all services delivered by Councils. This was distributed to every authority using the 2013/14 SFA. This grant has continued into 2024/25 and 2025/26 but has been cut significantly. The amount we are able to include as extra income for each of these years is £0.019m. Nothing has been included for future years.

3% Funding Guarantee Grant

1.25 The Funding Guarantee grant was introduced in 2023/24 and ensures that no authority has a Core Spending Power increase of less than 3% without having to increase their Band D Council Tax. For 2024/25 and 2025/26 we have been allocated funds, presumably due to our reduction in New Homes Bonus and Services grants. We have been allocated £0.392m for 2024/25 and £0.493m for 2025/26. This shows that damping as discussed earlier, is a policy intention of the government in the settlement.

1.26 To summarise, the Spending Review 2023 will deliver real terms growth in Core Spending Power for local government. Assuming authorities increase their Band D Council Tax by the maximum level allowed, CSP will increase by 6.5% on average. Districts have the smallest average increase in the Core Spending Power at only 4.93% which is marginally less than 2023/24 and the increase in government funding is only just larger than the increase we’re allowed to increase Council Tax by. Crucially, most of the recipients of the 3% Funding

Guarantee Grant were again districts but this year there were more from other classes. Once under the 3% threshold, it is difficult for a district to get out.

Mitigating Losses in Government Funding

1.27 To help mitigate losses caused by funding changes the NNDR Growth Protection Reserve was created a number of years ago. Originally this only included transfers of income from the general fund when Business Rates income calculations were updated for new growth.

1.28 This meant income received would be more than initially estimated for that year and the extra amount to be received would be transferred into the reserve, almost as a savings account to be returned back to the general fund when income was reduced in future years.

1.29 In recent years extra income received from all sources of government funding mentioned above have been transferred into the reserve if the budget for that year has already been in surplus when the extra funding has been realised.

1.30 The balance accumulated has meant we are able to use the reserve to even-out the government funding losses over the life of the current MTFP. A transfer from general fund to the reserve will be made in 2024/25 of £0.188m. Latest estimates for transfers back to the general fund are £0.620m 2025/26; £3.803m 2026/27 and £4.122m in 2027/28. This leaves a balance in the reserve of £4.033m for future years.

1.31 When savings are found from elsewhere or extra income is earned, the transfers from the reserve will be reduced.

Expenditure, income levels and efficiencies

1.32 In developing the financial projections covering the period 2024/24 to 2027/28, officers have made a number of assumptions. The major assumptions are:

- For 2024/25, 5% has been included in staffing budgets as an estimate for a pay award. For 2025/26 to 2027/28, 4% has been included.

- Investment income as a result of treasury management decisions has been increased in all years of the MTFP as interest rates have risen considerably. However, current rates are 5.25% and it is thought they have now reached their peak with the next movement being a reduction. Commentators are estimating it will possibly be May 2024 when the rates begin to fall very slowly. This is the assumption we have used for our investment income levels.

- Inflation specific budgets such as energy costs and fuel have been amended to reflect anticipated price changes. We are estimating a levelling off of prices for future years almost in line with the 2022/23 level.

- The Local Government Pension Scheme (LGPS) actuarial valuation was carried out at 31 March 2022. The results for the Derbyshire Pension Fund show an increased funding position. This meant the deficit payment of £0.962m per year was no longer necessary but to ensure the fund continued to meet the needs of future pensioners, the contribution rate was increased by the Pension Fund for employers to 20.8%. This made no significant difference to us because the amounts were very similar and they net each other off but should we suddenly get a tranche of new employees joining the scheme, we would face additional costs.

- With respect to planning fees, a base level for income has been included in the MTFP for all future years of £0.400m. The rules of the government's 20% increase to planning fees means we have to set-aside the additional 20% income we receive, to be spent specifically on the planning function.

- Fees and charges – service specific increases as agreed by Members.

Council Tax Implications

Council Tax Base

1.33 In preparation for the budget, the Section 151 Officer under delegated powers has determined the Tax Base at Band D for 2024/25 as 23,122.93. This is an overall increase on the 2023/24 Tax Base. However, the Tax Base of some of the Parishes have seen a decrease due to local circumstances relating to Single Person Discount, Council Tax Support claimants and/or net reductions in property numbers.

Council Tax Options

1.34 The Council's part of the Council Tax bill in 2023/24 was set at £197.00 for a Band D property. This was an increase of 2.99%.

1.35 The Council has a range of options when setting the Council Tax but in calculating our funding allocation in the settlement, the government will assume we will increase Council Tax by the maximum allowed. The government indicate what upper limit they consider acceptable. For 2024/25 District Councils are permitted to increase their share of the Council Tax by the greater of 3% or £5 without triggering the need to hold a referendum.

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

Increase	New Band D £	Annual Increase £	Weekly Increase £	Extra Revenue £
2.00%	200.94	3.94	0.07	91,021
2.54%	202.00	5.00	0.10	115,533
2.99%	202.89	5.89	0.11	136,117

1.37 The level of increase each year affects the base for future years and the proposed increase for 2024/25 is 2.99%, or £5.89 per year for this Council's part of the Council Tax bill, generating additional revenue of £136,117. This ensures we do not accidentally trigger a referendum.

1.38 Members will recall that in our Medium-Term Financial Strategy (MTFS) approved in July 2023, we have the strategic intention '*to raise Council Tax by* *the maximum allowed in any given year, without triggering a Council Tax referendum, to endeavour to continue to deliver services'.*

Financial Reserves – General Fund

1.39 The Council's main uncommitted Financial Reserves are the General Fund Working Balance of £2.019m, the uncommitted element of the Transformation Reserve of £0.638m and the NNDR Growth Protection Reserve which has a balance of £4.033m after being used to fund the current MTFP. Due to the uncertainty surrounding local authority income and the fact that the Council has reduced budgets to a minimal level, it is important that the Council continues to review whether we have an acceptable General Fund Working Balance.

Housing Revenue Account (HRA)

2023/24 Current Budget

1.40 In February 2023, Members agreed a budget for 2023/24. Rent levels were set with an increase of 5%, effective from 1st April 2023. This was within government regulations which capped increases at 7%. HRA fees and charges were also set, effective from the same date.

1.41 The Revised Budget was considered by Executive at its meeting on the 4th of December 2023 and by the Finance and Corporate Overview Scrutiny Committee at its meeting on the 28th of November. There have been no changes to the budget position since this time.

1.42 The HRA was in balance with neither a surplus nor deficit estimated, which was in-line with the current budget.

2024/25 Original Budget and 2025/26 to 2027/28 Financial Plan

1.43 The proposed budget for 2024/25 currently shows a contribution back to the HRA balance of £0.363m, this is the repayment of the amount used from 2023/24. Based on current information the position for 2025/26, 2026/27 and 2027/28 is a balanced budget with neither a surplus nor a deficit. This is shown on **Appendix 3**. The proposal is to transfer any surplus that arises over these amounts into the HRA Revenue Reserve in all years. **Appendix 4** details the net cost of each cost centre.

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

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

1.45 The MHCLG (now Department for Levelling Up, Housing and Communities DLUHC) Policy Statement on rents for social housing – published February 2019 states, *'In October 2017, the government announced its intention to set a long-term rent deal for both local authority landlords and housing associations. This would permit annual rent increases on both social rent and affordable rent* *properties of up to CPI (Consumer Price Index) plus 1 percent from 2020, for a period of at least five years.'*

1.46 Therefore for 2024/25 the income for dwelling rents has been included in the budget at CPI rate 6.7%, plus 1%. For future years it has been assumed the same policy will apply but 2% has been included as an estimate of the increase in income.

1.47 The table below shows the average rent increases excluding service charges, for both Social Rent and Affordable Rent, which is charged on all new build properties.

Increase	New Rent Charge	Annual Increase	Weekly Increase	Range of New Rent Charge
7.7%	£92.76	£344.76	£6.63	£68.48 - £125.49
Average for Social Rent				
7.7%	£128.70	£478.40	£9.20	£87.46 - £278.36
Average for Affordable Rent				

Empty Property Levels - Voids

1.48 It is inevitable during a financial year that there will be occasion when properties are empty and therefore no income will be earned. This could be the gap in the tenancy between one tenant vacating and the next one taking up the property or could be part of a management decision to leave the property empty because it is part of a capital or repair scheme which is soon to commence.

1.49 An estimate of the number of void properties which may occur in each financial year needs to be made so that the dwelling rent income budget can be reduced to reflect this. For 2024/25 to 2027/28 the estimate for voids which has been included in the MTFP is 3.7%.

Fees and Charges

1.50 Although the main source of income for the HRA is property rents, the HRA is also dependent for its financial sustainability on a range of other charges. These charges are set on the principle that wherever possible charges for services should reflect the cost of providing those services.

1.51 A schedule of the proposed charges is set out at **Appendix 4, table 1**. For 2024/25 in most cases the charges are recommended to be increased by 7.7%.

Financial Reserves - HRA

1.52 The Council's main uncommitted Financial Reserves are the Housing Revenue Account Working Balance of £2.039m. In addition to the Working Balance there are further reserves for the HRA used only to fund the Council's HRA capital programme. These are the Major Repairs Reserve, New Build Reserve, Vehicle Repair and Renewal Reserve and Development Reserve.

Capital Programme

1.53 There will be three separate reports to Council on 31st January 2024 concerning the Council's Treasury Management Strategy, Investment Strategy and Capital Strategy. The Capital Strategy report will consider capital financing such as borrowing which enables the proposed capital programme budgets to proceed.

2024/25 Current Budget

1.54 In February 2023, Members approved a Capital Programme in respect of 2023/24 to 2026/27. Scheme delays and technical problems can cause expenditure to slip into following years and schemes can be added or extended as a result of securing additional external funding. Where capital expenditure slipped into 2023/24 the equivalent amount of funding was not applied during 2022/23 and is therefore available in 2023/24 to meet the delayed payments.

1.55 The Revised Capital Programme was considered by Executive at its meeting on 4th December 2023 and by the Finance and Corporate Overview Scrutiny Committee at its meeting on 28th November. There have been no changes to the budget position since this time.

General Fund Capital Programme 2024/25 to 2027/28

1.56 The proposed Capital Programme for the General Fund totals £8.786m for 2024/25; £1.252m for 2025/26; £2.370m for 2026/27 and £1.377m for 2027/28 (**Appendix 5**).

Housing Revenue Account Capital Programme 2024/25 to 2027/28

1.57 The proposed Capital Programme for the Housing Revenue Account totals £20.604m for 2024/25; £10.168m for 2025/26; £5.348m for 2026/27 and £5.348m for 2027/28 (**Appendix 5**).

1.58 A list of all the schemes and associated funding are attached as **Appendix 5** to this report.

Robustness of the Estimates – Section 25 Local Government Act 2003

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

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

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

2 Reasons for Recommendation

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

3 Alternative Options and Reasons for Rejection

3.1 Alternative options are considered throughout the report.

RECOMMENDATIONS

1 That Finance and Corporate Overview Scrutiny Committee note the report and make any comments that they believe to be appropriate to be given verbally at the Council meeting on 31st January 2024.

The Executive report recommendations are as follows:

X1 That all recommendations below are referred to the meeting of Full Council on the 31st of January 2024.

The recommendations to Council are:

X2 That in the view of the Section 151 Officer, that the estimates included in the Medium-Term Financial Plan 2023/24 to 2027/28 are robust and that the level of financial reserves whilst at minimum levels are adequate, be accepted.

X3 That officers report back to Executive and to the Finance and Corporate Overview Scrutiny Committee on a quarterly basis regarding the overall position in respect of the Council's budgets.

GENERAL FUND

X4 A Council Tax increase of £5.89 is levied in respect of a notional Band D property (2.99%).

X5 The Medium-Term Financial Plan in respect of the General Fund as set out in Appendix 1 of this report be approved as the Revised Budget 2023/24, as the Original Budget in respect of 2024/25, and the financial projection in respect of 2025/26 to 2027/28.

X6 That any further under spend in respect of 2023/24 is transferred to the Council's General Fund Reserves.

X7 On the basis that income from Planning Fees may exceed £0.500m in 2023/24, the Head of Paid Service in consultation with the Leader be granted delegated powers to authorise such additional resources as are necessary to effectively manage the resultant increase in workload.

HOUSING REVENUE ACCOUNT

X8 That Council increases its rent levels by 7.7% to apply from 1st April 2024.

X9 That the increases in respect of other charges as outlined in **Appendix 4 Table 1** be implemented with effect from 1st April 2024.

X10 The Medium-Term Financial Plan in respect of the Housing Revenue Account as set out in **Appendix 3 and 4** of this report be approved as the Revised Budget in respect of 2023/24, as the Original Budget in respect of 2024/25, and the financial projection in respect of 2025/26 to 2027/28.

X11 That under spends in respect of 2023/24 to 2027/28 are transferred to the HRA Revenue Reserve.

CAPITAL PROGRAMME

X12 That the Capital Programme as set out in **Appendix 5** be approved as the Revised Budget in respect of 2023/24, and as the Approved Programme for 2024/25 to 2027/28.

Approved by Councillor Clive Moesby, Portfolio Holder for Resources

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IMPLICATIONS;

Finance and Risk: **Yes☒** **No ☐**

Details:

The issue of Financial Risk is covered throughout the report. In addition, the Council has a risk management strategy and associated framework in place and the Strategic Risk Register is regularly reviewed through the Council's performance management framework. The risk of not achieving a balanced budget is outlined as a key risk within the Council's Strategic Risk Register and is therefore closely monitored through these practices and reporting processes.

The reductions in government funding on the general fund are currently being managed by contributions to and from the National Non-Domestic Rates (NNDR) Growth Protection Reserve. The HRA does not have the use of this general fund reserve and needs to be carefully managed to ensure it continues to be sustainable over the life of the 30-year business plan. This includes any borrowing undertaken for the capital programme.

On behalf of the Section 151 Officer

<u>Legal (including Data Protection):</u> **Yes☐** **No ☒**

Details:

Under section 25 of the Local Government Act 2003, the Section 151 Officer is required to report on the robustness of the estimates made for the purposes of determining the budget for the forthcoming year and the adequacy of the proposed financial reserves.

There is also a requirement for the Council to have regard to the report of the Section 151 Officer when making decisions on its budget requirement and level of financial reserves.

The Council is legally obliged to set and deliver a balanced budget prior to the commencement of the new financial year in April 2024, which shows how income will equal spend over the short and medium term. This can take into account deliverable cost savings and/or local income growth strategies as well as useable reserves. However, a budget will not be balanced where it reduces reserves to unacceptably low levels. 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.

On behalf of the Solicitor to the Council

<u>Environment:</u>

Please identify (if applicable) how this proposal/report will help the Authority meet its carbon neutral target or enhance the environment.

Details:

Not applicable to this report

<u>Staffing</u>: **Yes☐** **No ☒**

Details:

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

On behalf of the Head of Paid Service

DECISION INFORMATION

Is the decision a Key Decision? A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds: **Revenue - £75,000** ☐ **Capital - £150,000** ☐ ☒ *Please indicate which threshold applies*	No
Is the decision subject to Call-In? (*Only Key Decisions are subject to Call-In*)	No

District Wards Significantly Affected	None
Consultation: **Leader / Deputy Leader** ☐ **Executive** ☐ **SLT** ☐ **Relevant Service Manager** ☐ **Members** ☐ **Public** ☐ **Other** ☐	Details: Portfolio Holder for Resources

Links to Council Ambition: Customers, Economy and Environment.

DOCUMENT INFORMATION	
Appendix No	**Title**
1	General Fund Summary
2	General Fund Detail
3	Housing Revenue Account Summary
4	Housing Revenue Account Detail
4 table 1	HRA – Fees and Charges 2024/25
5	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 Executive you must provide copies of the background papers).*
None

Rpttemplate/BDC/021122

BOLSOVER DISTRICT COUNCIL **APPENDIX 1**

GENERAL FUND

Description	**Revised Budget 2023/24 £**	**Original Budget 2024/25 £**	**Forecast 2025/26 £**	**Forecast 2026/27 £**	**Forecast 2027/28 £**
Community Services Directorate	9,321,374	9,560,798	9,959,866	10,306,313	10,718,157
Corporate Resources Directorate	2,516,579	2,063,871	1,977,053	2,092,946	2,192,204
Dragonfly Services	2,597,844	2,278,866	2,328,908	2,347,915	2,431,425
S106 Expenditure					
Community Services Directorate	1,549,553	3,609	0	0	0
Net Cost of Services	**15,985,350**	**13,907,144**	**14,265,827**	**14,747,174**	**15,341,786**
Debt Charges	805,393	772,534	966,348	970,617	900,184
Investment Interest	(2,536,445)	(1,824,878)	(1,772,467)	(2,155,644)	(2,135,590)
Appropriations:					
Contributions to Reserves	1,668,412	1,717,249	1,719,667	541,667	493,667
Contribution from Earmarked Reserves	(732,380)	(247,873)	(158,622)	(107,449)	(104,352)
Contribution (from)/to NNDR Growth Protection Reserve	824,300	188,167	(620,105)	(3,803,237)	(4,122,367)
Contribution from Grant Accounts	(6,320)	(5,720)	(5,720)	(5,720)	(5,720)
Contribution from Revenue Grants	(1,418,799)	(43,280)	(19,397)	0	0
Contribution (from)/to Holding Accounts	(324,053)	(238,614)	(74,191)	(61,691)	(61,691)
Contribution from S106 Holding A/cs	(1,549,553)	(3,609)	0	0	0
TOTAL EXPENDITURE	**12,715,905**	**14,221,120**	**14,301,340**	**10,125,717**	**10,305,917**
Parish Precepts	3,968,503	3,968,503	3,968,503	3,968,503	3,968,503
TOTAL SPENDING REQUIREMENT	**16,684,408**	**18,189,623**	**18,269,843**	**14,094,220**	**14,274,420**
Revenue Support Grant	(1,473,016)	(1,570,582)	(1,573,000)	(395,000)	(347,000)
Business Rates Retention	(7,312,944)	(7,311,265)	(7,661,500)	(5,175,500)	(5,403,700)
Business Rates deficit due to Covid reliefs	1,373,823	0	0	0	0
New Homes Bonus Grant	(677,892)	(361,142)	0	0	0
Services Grant	(113,676)	(18,623)	(18,623)	0	0
3% Funding Guarantee Grant	(40,837)	(392,305)	(493,000)	0	0
COUNCIL TAX - BDC precept	(4,511,361)	(4,555,217)	(4,555,217)	(4,555,217)	(4,555,217)
Council tax - Parish element from above	(3,968,503)	(3,968,503)	(3,968,503)	(3,968,503)	(3,968,503)
Council Tax Collection Fund (Surplus)/Deficit	(30,308)	(11,986)	0	0	0
Council Tax spread of 20/21 Covid loss	56,416	0	0	0	0
COVID-19 Related Support	32,235	0	0	0	0
TOTAL FUNDING	**(16,666,063)**	**(18,189,623)**	**(18,269,843)**	**(14,094,220)**	**(14,274,420)**
FUNDING GAP / (SURPLUS)	**18,345**	**0**	**0**	**0**	**0**

APPENDIX 2

List of General Fund net budgets per cost centre per directorate

		Revised Budget 2023/24	Original Budget 2024/25	Forecast 2025/26	Forecast 2026/27	Forecast 2027/28
		£	£	£	£	£
G007	Community Safety - Crime Reduction	73,086	77,227	80,637	84,185	87,876
G010	Neighbourhood Management	80,397	82,634	84,228	85,853	87,510
G013	Community Action Network	366,291	392,414	409,834	422,940	440,735
G017	Private Sector Housing Renewal	88,561	93,682	97,304	100,531	103,315
G018	Environmental Health Covid Team	48,265	0	0	0	0
G020	Public Health	(70,000)	(70,000)	(70,000)	(70,000)	(70,000)
G021	Pollution Reduction	264,609	258,080	268,066	277,696	286,820
G022	Env Health - Health + Safety	(230)	0	0	0	0
G023	Pest Control	60,342	38,010	39,333	40,706	42,133
G024	Street Cleansing	390,381	440,616	459,511	476,353	494,939
G025	Food, Health & Safety	144,546	137,543	142,422	147,559	151,593
G026	Animal Welfare	143,738	130,391	134,713	139,255	143,940
G027	Emergency Planning	17,392	17,720	18,073	18,432	18,792
G028	Domestic Waste Collection	1,317,103	1,514,127	1,601,280	1,641,806	1,708,251
G031	S106 - Biodiversity	8,030	0	0	0	0
G032	Grounds Maintenance	1,011,090	1,068,975	1,125,328	1,175,158	1,225,876
G033	Vehicle Fleet	1,172,925	1,246,023	1,282,416	1,312,546	1,338,518
G036	Environmental Health Mgmt & Admin	308,334	323,784	326,415	332,887	338,769
G037	BDC Air Quality NO2	375,000	0	0	0	0
G046	Homelessness	177,582	242,097	257,545	269,952	283,039
G048	Town Centre Housing	(10,600)	(10,600)	(10,600)	(10,600)	(10,600)
G049	Temporary Accommodation Officer	28,716	44,896	19,397	0	0
G053	Licensing	56,737	58,789	62,454	65,894	69,419
G056	Land Charges	26,312	29,121	31,370	33,700	36,121
G059	Neighbourhood Planning Referendum	9,419	0	0	0	0
G061	Bolsover Wellness Programme	84,139	63,343	71,565	78,365	85,446
G062	Extreme Wheels	(2,500)	8,018	6,826	8,162	8,182
G064	Bolsover Sport	157,675	178,051	190,815	197,568	206,792
G065	Parks, Playgrounds & Open Spaces	48,865	54,357	55,888	57,470	59,117
G067	Shirebrook TC Regeneration	40,000	0	0	0	0
G068	Biodiversity NG & LNR	65,131	18,795	18,795	18,795	18,795
G069	Arts Projects	56,857	59,252	61,264	63,358	65,534
G070	Outdoor Sports & Recreation Facilities	39,017	44,293	45,201	46,116	47,176
G072	Leisure Services Mgmt & Admin	247,405	244,795	252,745	260,059	261,168
G073	Planning Policy	243,548	273,293	287,971	300,205	312,396
G074	Planning Development Control	88,941	132,414	134,915	116,447	100,887
G076	Planning Enforcement	85,563	104,534	111,003	114,988	119,534
G079	Senior Urban Design Officer	51,452	66,135	68,819	71,609	74,512
G097	Groundwork & Drainage Operations	94,830	109,667	114,554	119,279	124,116
G106	Housing Anti-Social Behaviour	161,142	176,424	184,024	191,156	198,575
G113	Parenting Practitioner	43,624	46,438	48,809	51,272	53,840
G123	Riverside Depot	250,425	254,052	257,778	261,546	266,664
G124	Street Servs Mgmt & Admin	63,382	67,932	70,663	73,500	76,459

APPENDIX 2

List of General Fund net budgets per cost centre per directorate

		Revised Budget 2023/24 £	Original Budget 2024/25 £	Forecast 2025/26 £	Forecast 2026/27 £	Forecast 2027/28 £
G125	S106 Percent for Art	35,104	0	0	0	0
G126	S106 Formal and Informal Recreation	283,672	3,609	0	0	0
G131	Bolsover Community Woodlands Project	0	5,000	10,000	10,000	10,000
G132	Planning Conservation	50,256	52,892	55,042	57,278	59,603
G135	Domestic Violence Worker	50,615	53,038	55,065	57,176	59,373
G139	Proptech Engagement Fund	304,450	0	0	0	0
G142	Community Safety - CCTV	2,000	2,000	2,000	2,000	2,000
G143	Housing Strategy	51,193	60,487	62,837	65,279	67,822
G144	Enabling (Housing)	30,024	46,258	49,448	52,862	55,627
G146	Pleasley Vale Outdoor Activity Centre	55,127	57,041	58,916	61,613	64,493
G148	Commercial Waste	(189,160)	(198,000)	(222,000)	(235,500)	(235,500)
G149	Recycling	310,391	404,715	429,290	450,990	484,955
G153	Housing Advice	19,349	28,018	29,942	31,321	32,588
G170	S106 Outdoor Sports	484,390	0	0	0	0
G172	S106 - Affordable Housing	1,116	0	0	0	0
G176	Affordable Warmth	15,627	24,779	25,213	25,656	26,108
G179	School Sports Programme	(94)	5,040	6,325	7,685	10,317
G196	Assistant Director of Planning	35,891	89,124	95,203	101,623	108,137
G198	Assistant Director of Housing (GF)	37,620	39,597	41,188	42,843	44,565
G199	Assistant Director of Street Scene	27,989	88,335	94,381	100,768	107,514
G202	Assistant Director of Leisure, Health + Wellbeing	35,891	89,124	95,203	101,623	108,180
G209	Tourism & Culture	3,225	0	0	0	0
G210	Strategic Director of Services	77,533	119,421	124,203	129,177	134,349
G223	Contracts Administrator	55,294	58,228	60,590	63,050	65,609
G226	S106 - Highways	569,000	0	0	0	0
G227	S106 - Public Health	168,241	0	0	0	0
G228	Go Active Clowne Leisure Centre	334,587	401,241	427,226	491,462	538,003
G229	Housing Standards	(496)	0	0	0	0
G238	HR Health + Safety	110,329	116,138	117,433	112,034	115,550
G239	Housing + Comm Safety Fixed Penalty Acc	4,241	1,000	1,000	2,625	2,625
	Total for Community Services Directorate	**10,870,927**	**9,564,407**	**9,959,866**	**10,306,313**	**10,718,157**
G001	Audit Services	135,982	147,250	147,250	147,250	147,250
G002	I.C.T.	1,082,674	1,211,096	1,229,157	1,241,592	1,247,405
G003	Communications, Marketing + Design	317,966	314,573	322,369	332,100	344,233
G006	Partnership, Strategy & Policy	565,104	534,566	543,693	566,279	583,622
G011	Director for Executive and Partnerships	108,974	116,136	120,830	125,710	130,785
G012	Community Champions	15,493	15,490	15,651	15,813	16,092
G014	Customer Contact Service	907,355	969,151	1,021,043	1,066,236	1,102,738
G015	Customer Service + Improvement	155,593	160,629	165,558	170,286	175,100
G016	Skills Audit	26,733	0	0	0	0
G038	Concessionary Fares & TV Licenses	(11,653)	(11,873)	(12,097)	(12,326)	(12,560)
G039	Children and YP Emotional Well-being	50,000	0	0	0	0
G040	Corporate Management	299,208	292,657	294,430	300,963	303,145

APPENDIX 2

List of General Fund net budgets per cost centre per directorate

		Revised Budget 2023/24	Original Budget 2024/25	Forecast 2025/26	Forecast 2026/27	Forecast 2027/28
		£	£	£	£	£
G041	Non Distributed Costs	274,284	274,284	274,284	274,284	274,284
G043	Chief Executive Officer	180,444	193,341	196,244	204,123	212,320
G044	Financial Services	405,098	377,109	414,454	431,988	450,253
G051	Senior Valuer	63,533	66,785	69,469	72,259	75,162
G052	Human Resources	291,438	277,214	324,764	340,731	350,835
G054	Electoral Registration	192,938	224,622	185,324	189,979	195,196
G055	Democratic Representation & Management	545,514	552,260	552,265	552,291	552,375
G057	District Council Elections	78,928	0	0	25,000	50,000
G058	Democratic Services	242,656	289,099	306,890	320,656	329,948
G060	Legal Services	377,163	399,663	397,900	415,427	432,665
G086	Alliance	5,250	5,250	5,250	5,250	5,250
G100	Benefits	391,816	567,207	630,099	690,873	745,830
G103	Council Tax / NNDR	450,633	480,619	503,091	529,112	552,491
G105	Council Tax Energy Rebate	114,159	0	0	0	0
G107	EBSS Alternative Funding Grant	313,840	0	0	0	0
G111	Shared Procurement	53,464	37,196	33,679	34,456	35,304
G117	Payroll	98,687	110,543	117,137	122,770	127,777
G118	Union Convenor	32,717	37,853	0	0	0
G155	Customer Services	27,768	37,813	40,128	42,337	45,122
G157	Controlling Migration Fund	4,000	0	0	0	0
G161	Rent Rebates	(69,553)	(68,930)	(68,488)	(68,217)	(68,109)
G162	Rent Allowances	34,012	30,532	20,577	10,622	668
G164	Support Recharges	(5,202,089)	(5,558,673)	(5,764,186)	(5,944,257)	(6,114,380)
G168	Multifunctional Printers	37,600	37,600	37,600	37,600	37,600
G192	Scrutiny	27,169	27,969	29,066	30,205	31,391
G195	Director of Governance + Monitoring Officer	117,088	124,676	129,692	134,908	140,338
G197	Director of Finance + Section 151 Officer	116,475	124,212	129,228	134,444	139,872
G211	UK Shared Prosperity Fund	51,096	0	0	0	0
G216	Raising Aspirations	7,500	51,250	0	0	0
G218	I-Venture/Namibia Bound	17,275	12,500	12,500	0	0
G220	Locality Funding	(27,097)	50,000	0	0	0
G241	Community Rail	32,224	0	0	0	0
G247	Culture Arts Corridor	3,000	0	0	0	0
G249	Cycle & Explore	6,918	0	0	0	0
G251	Youth Based Intervention Programme	15,000	0	0	0	0
G264	Support Recharges - Dragonfly	(447,798)	(447,798)	(447,798)	(447,798)	(447,798)
	Total for Corporate Resources Directorate	**2,516,579**	**2,063,871**	**1,977,053**	**2,092,946**	**2,192,204**
G077	LGA Housing Advisers Programme (HAP)	25,000	0	0	0	0
G078	LGA Net Zero Innovation Programme (NZIP)	30,172	0	0	0	0
G080	Engineering Services (ESRM)	97,730	97,776	99,488	100,761	102,021
G082	Tourism Promotion + Development	49,558	57,933	60,298	62,756	65,317
G083	Building Control Consortium	55,000	55,000	55,000	55,000	55,000
G085	Economic Development	184,331	163,902	163,902	163,902	163,902

APPENDIX 2

List of General Fund net budgets per cost centre per directorate

		Revised Budget 2023/24 £	Original Budget 2024/25 £	Forecast 2025/26 £	Forecast 2026/27 £	Forecast 2027/28 £
G088	Derbyshire Economic Partnership	15,000	15,000	15,000	15,000	15,000
G089	Premises Development	(1,219)	(60,858)	(60,309)	(59,878)	(59,373)
G090	Pleasley Vale Mills	(101,111)	(152,352)	(149,833)	(147,593)	(145,161)
G092	Pleasley Vale Electricity Trading	(37,903)	(48,090)	(53,094)	(57,183)	(53,080)
G095	Estates + Property	702,677	750,770	778,600	804,721	830,343
G096	Building Cleaning (General)	128,317	129,305	132,650	136,133	142,154
G099	Catering	500	500	500	500	500
G109	Chief Executive Officer - Dragonfly	149,576	153,941	156,251	153,935	159,466
G110	Director of Development - Dragonfly	140,428	143,534	146,586	152,499	158,651
G114	Strategic Investment Fund	105,256	0	0	0	0
G133	The Tangent Business Hub	(2,405)	5,535	6,301	7,423	9,778
G138	Bolsover TC Regeneration Scheme	16,029	0	0	0	0
G151	Street Lighting	77,639	78,293	78,367	78,733	79,913
G156	The Arc	287,500	304,033	308,588	313,362	320,134
G167	Facilities Management	16,790	10,642	17,338	12,338	12,338
G169	Closed Churchyards	10,000	10,000	10,000	10,000	10,000
G188	Cotton Street Contact Centre	36,634	37,347	37,794	38,199	38,732
G193	Economic Development Management + Admin	492,925	509,593	510,471	491,691	509,545
G200	Director of Construction - Dragonfly	14,870	17,062	15,010	15,616	16,245
G212	Net Zero Hyper Innovation Programme UK SPF	57,509	0	0	0	0
G222	Visitor Economy Business Support	17,005	0	0	0	0
G246	Business Grants Growth Scheme	30,036	0	0	0	0
	Total for Dragonfly Services	**2,597,844**	**2,278,866**	**2,328,908**	**2,347,915**	**2,431,425**
	Total Net Cost of Services	**15,985,350**	**13,907,144**	**14,265,827**	**14,747,174**	**15,341,786**

APPENDIX 3

Housing Revenue Account

	Revised Budget 2023/24 £	Current Budget 2024/25 £	Revised Budget 2025/26 £	Revised Budget 2026/27 £	Revised Budget 2027/278 £
Expenditure					
Repairs and Maintenance	6,107,085	6,353,235	6,611,432	6,764,301	6,830,174
Director of Property + Construction - Dragonfly	98,348	108,244	115,679	123,512	131,403
Rents, Rates, Taxes + Other Charges	225,802	280,939	289,102	294,932	300,764
Supervision and Management	6,930,661	7,024,430	7,279,512	7,527,941	7,742,798
Special Services	653,023	676,648	684,716	693,985	707,330
Housing Related Support - Wardens	761,425	801,577	833,778	865,915	895,828
Housing Related Support - Central Control	515,092	405,081	431,513	443,490	454,919
Tenants Participation	88,930	89,265	92,473	95,808	99,274
New Build Schemes Evaluations	400,000	0	0	0	0
HRA Health & Safety	47,234	53,729	58,067	62,767	66,321
Debt Management Expenses	9,168	9,626	10,107	10,612	11,143
Total Expenditure	**15,836,768**	**15,802,774**	**16,406,379**	**16,883,263**	**17,239,954**
Income					
Dwelling Rents	(22,713,100)	(25,075,290)	(26,078,301)	(27,121,433)	(27,935,076)
Non-dwelling Rents	(103,764)	(113,637)	(116,467)	(119,929)	(123,496)
Leasehold Flats and Shops Income	(55,179)	(7,000)	(7,000)	(7,000)	(7,000)
Repairs and Maintenance	(101,282)	(30,500)	(30,500)	(30,500)	(30,500)
Supervision and Management	(17,446)	0	0	0	0
Special Services	(16,837)	(21,710)	(15,000)	(15,000)	(15,000)
Housing Related Support - Wardens	(405,152)	(143,952)	(146,724)	(151,023)	(155,452)
Housing Related Support - Central Control	(287,065)	(225,162)	(234,168)	(243,535)	(250,840)
Tenants Participation	(4,198)	0	0	0	0
Total Income	**(23,704,023)**	**(25,617,251)**	**(26,628,160)**	**(27,688,420)**	**(28,517,364)**
Net Cost of Services	**(7,867,255)**	**(9,814,477)**	**(10,221,781)**	**(10,805,157)**	**(11,277,410)**
Appropriations:					
Movement in Impairment Provision	130,000	130,000	130,000	130,000	130,000
Capital Interest Costs	4,417,527	4,347,105	5,027,668	5,460,590	5,267,843
Investment Interest Income	(601,738)	(408,546)	(319,087)	(268,633)	(253,633)
Depreciation	5,348,200	5,348,200	5,348,200	5,348,200	5,348,200
Contribution to HRA Reserves	35,000	35,000	35,000	135,000	785,000
Use of Earmarked Reserves	(1,044,778)	0	0	0	0
Contribution from Grant A/cs	(15,545)	0	0	0	0
Contribution to/(from) HRA Balance	(401,411)	362,718	0	0	0
Net Operating (Surplus)	**0**	**0**	**0**	**0**	**0**

APPENDIX 4

Housing Revenue Account

List of net budgets per cost centre per directorate		Revised Budget 2023/24 £	Original Budget 2024/25 £	Forecast 2025/26 £	Forecast 2026/27 £	Forecast 2027/28 £
H002	Treasury Management Advisor	9,168	9,626	10,107	10,612	11,143
H004	Supervision + Management	6,913,215	7,024,430	7,279,512	7,527,941	7,742,798
H005	Dwelling Rents Income	(22,713,100)	(25,075,290)	(26,078,301)	(27,121,433)	(27,935,076)
H006	Non-Dwelling Rents Income	(103,764)	(113,637)	(116,467)	(119,929)	(123,496)
H010	Tenants Participation	84,732	89,265	92,473	95,808	99,274
H011	Special Services	636,186	654,938	669,716	678,985	692,330
H017	Leasehold Flats	(45,897)	(7,000)	(7,000)	(7,000)	(7,000)
H018	Leasehold Shops	(9,282)	-	-	-	-
H021	Housing Related Support - Wardens	356,273	657,625	687,054	714,892	740,376
H022	Housing Related Support - Central Control	228,027	179,919	197,345	199,955	204,079
H025	HRA Health & Safety	47,234	53,729	58,067	62,767	66,321
Total for Community Services Directorate		**(14,597,208)**	**(16,526,395)**	**(17,207,494)**	**(17,957,402)**	**(18,509,251)**
H001	Repairs + Maintenance	6,005,803	6,322,735	6,580,932	6,733,801	6,799,674
H003	Rents, Rates, Taxes + Other Charges	225,802	280,939	289,102	294,932	300,764
H019	New Build Schemes Evaluations	400,000	-	-	-	-
H024	Director of Property + Construction	98,348	108,244	115,679	123,512	131,403
Total for Dragonfly Services		**6,729,953**	**6,711,918**	**6,985,713**	**7,152,245**	**7,231,841**
Total Net Cost of BDC Housing Revenue Account Services		**(7,867,255)**	**(9,814,477)**	**(10,221,781)**	**(10,805,157)**	**(11,277,410)**

HRA - Fees and Charges 2024/25

Weekly Charge unless otherwise specified

September 2023 Consumer Price Index was 6.7%

	Current £	Proposed £	Change £	Change %
Garages (tenant)	13.17	14.19	1.01	7.7%
Garage - Direct Debit Payment	9.94	10.71	0.77	7.7%
Garage (in curtledge)	4.97	5.35	0.38	7.7%
(Set at 50% of garage DD payment)				
Garage plots (billed annually)	230.74	248.51	17.77	7.7%
New Bolsover Service Charge	2.10	2.27	0.16	7.7%
(applies to new tenants only)				
Special Services Charge (See Note1)	17.23	18.56	1.33	7.7%
Reduced special service	11.49	12.37	0.88	7.7%
(Reduced special services for scheme other than Cat 2 who receive reduced service)				
Heating Service Charge (See Note 2)				
Bedsits	2.99	3.22	0.23	7.7%
1 bed flat	4.08	4.40	0.31	7.7%
Heating Charge (See Note 3)				
Bedsits	4.46	4.46	0.00	0.0%
1 bed flat	6.08	6.08	0.00	0.0%
Support Charges	14.70	15.83	1.13	7.7%
Mobile Warden	7.46	8.04	0.57	7.7%
(long-term aim to reach cost, increase capped at 10% per year)				
Lifeline - bronze	5.52	5.94	0.42	7.7%
Lifeline - gold	8.48	9.14	0.65	7.7%
Lifeline - RSL	5.29	5.69	0.41	7.7%
Buggy Parking	4.49	4.84	0.35	7.7%
(including charging facilities)				
Choice Based Lettings Postage (suggested cost is twice the cost of a second class stamp)	1.36	1.50	0.14	10.3%

HRA - Fees and Charges 2024/25

Note 1

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

The Heating Charge is split into two separate charges.

Note 2

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

Note 3

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

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

APPENDIX 5

CAPITAL PROGRAMME SUMMARY	Revised Budget 2023/24 £	Original Programme 2024/25 £	Forecast Programme 2025/26 £	Forecast Programme 2026/27 £	Forecast Programme 2027/28 £
General Fund					
Asset Management Plan					
Investment Properties	82,391	-	-	-	-
Leisure Buildings	590	-	-	-	-
Pleasley Vale Business Park	24,547	-	-	-	-
Riverside Depot	18,949	-	-	-	-
The Arc	26,310	-	-	-	-
The Tangent	15,803	-	-	-	-
Contact Centres	11,098	-	-	-	-
Asset Management Plan not yet allocated to an individual scheme	176,282	260,000	260,000	260,000	260,000
	355,970	**260,000**	**260,000**	**260,000**	**260,000**
Engineering Asset Management Plan					
Car Parks	25,000	25,000	25,000	25,000	25,000
Shelters	10,000	10,000	10,000	10,000	10,000
Lighting	15,000	15,000	15,000	15,000	15,000
	50,000	**50,000**	**50,000**	**50,000**	**50,000**
Assets					
Pleasley Vale - Storm Babet	1,000,000	-	-	-	-
Pleasley Vale Mill - Dam Wall	100,410	-	-	-	-
Pleasley Vale Grease works CCTV	-	50,000	-	-	-
Land at Portland Street	47,076	-	-	-	-
Shirebrook Crematorium	5,431,603	5,548,392	-	-	-
Cultural Business and Skills Hub	50,211	249,789	-	-	-
UKSPF - Oxcroft House Refurbishment	55,806	-	-	-	-
	6,685,106	**5,848,181**	**0**	**0**	**0**
ICT Schemes					
ICT infrastructure	610,963	170,000	102,000	100,000	100,000
HR & Payroll System upgrade	18,000	-	-	-	-
	628,963	**170,000**	**102,000**	**100,000**	**100,000**
Leisure Schemes					
Playing Pitch Improvements (Clowne)	100,953	-	-	-	-
Pleasley Vale Cycle Path	106,244	-	-	-	-
Go Active Café Equipment	8,779	-	-	-	-
Go Active Equipment	15,000	15,000	15,000	15,000	
Gym Equipment & Spin Bikes	-	-	-	392,100	-
Go-Active Gym flooring	-	-	-	40,000	-
Wellness Hub equipment	-	-	-	80,000	-
	230,976	**15,000**	**15,000**	**527,100**	**0**
Private Sector Schemes					
Disabled Facility Grants	650,000	650,000	650,000	650,000	650,000
	650,000	**650,000**	**650,000**	**650,000**	**650,000**
Investment Activities					
Economic Loan Fund	25,000	-	-	-	-
Parish Council Loans	80,000	-	-	-	-
	105,000	**0**	**0**	**0**	**0**
Vehicles and Plant					
Vehicle Replacements	2,262,721	1,793,000	175,000	782,500	317,000
UKSPF - CCTV Bolsover	23,835	-	-	-	-
District CCTV	38,751	-	-	-	-
CAN Rangers Equipment	14,231	-	-	-	-
	2,339,538	**1,793,000**	**175,000**	**782,500**	**317,000**
Total General Fund	**11,045,553**	**8,786,181**	**1,252,000**	**2,369,600**	**1,377,000**

CAPITAL PROGRAMME SUMMARY	Revised Budget 2023/24 £	Original Programme 2024/25 £	Forecast Programme 2025/26 £	Forecast Programme 2026/27 £	Forecast Programme 2027/28 £
Housing Revenue Account					
New Build Properties					
Alfreton Rd Pinxton	513,360	-	-	-	-
Ashbourne Extension	5,567	-	-	-	-
Bolsover Homes-yet to be allocated	3,910,684	8,100,000	-	-	-
Glapwell - Meadow View Homes	696,000	-	-	-	-
Harlesthorpe Ave Bungalow adaptation	152,527	-	-	-	-
Jubilee Court Bungalows	-	300,000	-	-	-
Keepmoat Properties at Bolsover	25,000	-	-	-	-
Market Close Shirebrook	4,355,669	-	-	-	-
Moorfield Lane Whaley Thorns	1,553,528	-	-	-	-
Sandy Lane/Thorpe Ave Whitwell	441	-	-	-	-
Woburn Close Cluster	910,000	6,150,000	4,609,312	-	-
The Woodlands	188,355	-	-	-	-
Valley View (2 Bungalows & extension)	639,559	100,000		-	-
West Street Langwith	747,076	-	-	-	-
	13,697,766	**14,650,000**	**4,609,312**	**0**	**0**
Vehicle Replacements	1,052,883	314,000	210,000	-	-
	1,052,883	**314,000**	**210,000**	**0**	**0**
Public Sector Housing					
Electrical Upgrades	475,000	300,000	330,000	330,000	330,000
External Door Replacements	156,976	150,000	70,000	70,000	70,000
External Wall Insulation	1,654	411,500	60,000	60,000	60,000
Bramley Vale	10,000	1,000,000	1,300,000	1,500,000	-
Flat Roofing	40,000	40,000	40,000	40,000	40,000
Heating Upgrades	40,000	80,000	80,000	80,000	80,000
Kitchen Replacements	288,767	360,000	400,000	400,000	400,000
Re Roofing	750,000	1,000,000	1,000,000	1,000,000	1,000,000
Property Services Mgmt. & Admin	125,496	130,936	136,274	141,826	147,600
Safe & Warm	3,720,834	700,000	-	-	-
Soffit and Facia	52,515	60,000	30,000	30,000	30,000
Unforeseen Reactive Capital Works	50,284	100,000	100,000	100,000	100,000
Welfare Adaptations	423,991	400,000	440,000	440,000	440,000
Wet Rooms (Bungalows)	300,000	300,000	300,000	300,000	300,000
House Fire / Flood Damage (Insurance)	10,000	-	-	-	-
Outbuilding removal project	-	100,000	100,000	100,000	100,000
Concrete surrounds	-	250,000	-	-	-
Victoria House - fire doors/scooter store	-	200,000	-	-	-
Yet to be allocated to a scheme	-	57,264	961,926	756,374	2,250,600
	6,445,517	**5,639,700**	**5,348,200**	**5,348,200**	**5,348,200**
ICT Schemes					
Open Housing	50,605	-	-	-	-
	50,605	**0**	**0**	**0**	**0**
New Bolsover Scheme (incl. HLF)					
New Bolsover-Regeneration Scheme	1,264	-	-	-	-
	1,264	**0**	**0**	**0**	**0**
Total HRA	**21,248,035**	**20,603,700**	**10,167,512**	**5,348,200**	**5,348,200**
TOTAL CAPITAL EXPENDITURE	**32,293,588**	**29,389,881**	**11,419,512**	**7,717,800**	**6,725,200**

CAPITAL PROGRAMME SUMMARY	Revised Budget 2023/24 £	Original Programme 2024/25 £	Forecast Programme 2025/26 £	Forecast Programme 2026/27 £	Forecast Programme 2027/28 £
Capital Financing					
General Fund					
Better Care Fund	(650,000)	(650,000)	(650,000)	(650,000)	(650,000)
Prudential Borrowing	(5,431,603)	(5,548,392)	-	-	-
Reserves	(3,398,322)	(2,338,000)	(602,000)	(1,719,600)	(677,000)
Capital Receipts	(152,584)	-	-	-	(50,000)
External Funding	(1,413,044)	(249,789)	-	-	-
	(11,045,553)	**(8,786,181)**	**(1,252,000)**	**(2,369,600)**	**(1,377,000)**
HRA					
Major Repairs Allowance	(6,421,407)	(5,348,200)	(5,348,200)	(5,348,200)	(5,348,200)
Prudential Borrowing	(8,223,593)	(14,250,000)	(4,609,312)	-	-
Reserves	(4,604,226)	(400,000)	-	-	-
Capital Receipts	(1,253,820)	(314,000)	(210,000)	-	-
External Funding	(744,989)	(291,500)	-	-	-
	(21,248,035)	**(20,603,700)**	**(10,167,512)**	**(5,348,200)**	**(5,348,200)**
TOTAL CAPITAL FINANCING	**(32,293,588)**	**(29,389,881)**	**(11,419,512)**	**(7,717,800)**	**(6,725,200)**

Bolsover District Council

Meeting of the Finance and Corporate Overview Scrutiny Committee on 24th January 2024

TREASURY STRATEGY REPORTS 2024/25 – 2027/28

Report of the Portfolio Holder for Resources

Classification	This report is Public
Contact Officer	Theresa Fletcher Director of Finance and Section 151 Officer

PURPOSE/SUMMARY OF REPORT

To enable the Committee to consider the Authority's suite of Treasury Strategies for 2024/25 to 2027/28, prior to the report being taken to Council.

REPORT DETAILS

1. Background

1.1 Treasury risk management at the Authority is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2021 Edition* (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year. This report fulfils the Authority's legal obligation under the *Local Government Act 2003* to have regard to the CIPFA Code.

1.2 Since 2019/20 there has been a requirement to produce three separate treasury strategies. This report, therefore, includes the strategy for Treasury Management, The Capital Strategy and the Corporate Investment Strategy.

1.3 As in previous years, the Authority's Treasury Management Strategy provides the framework for managing the Authority's cash flows, borrowing and investments, and the associated risks for the years 2024/25 to 2027/28. The Treasury Management Strategy sets out the parameters for all borrowing and lending as well as listing all approved borrowing and investment sources. Prudential indicators aimed at monitoring risk are also included **(Appendix 1)**.

1.4 The Capital Strategy is intended to be a high level, concise overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of the Authority's services. The report also provides an overview of the associated risk, its management and the implications for future financial sustainability. The Capital Strategy sets out the capital expenditure plans for the period and how they will be financed. It also provides information of the minimum revenue provision, capital financing requirement and prudential indicators aimed at monitoring risk **(Appendix 2)**.

1.5 The Corporate Investment Strategy focuses on investments made for service purposes and commercial reasons, rather than those made for treasury management. Investments covered by this strategy include earning investment income through commercial investments or by supporting local services by lending to or buying shares in, other organisations **(Appendix 3)**.

2. Reasons for Recommendation

2.1 This report outlines the Authority's proposed suite of Treasury Strategies for the period 2024/25 to 2027/28 for consideration and approval by Council. It contains:

- The Treasury Management Strategy which provides the framework for managing the Authority's cash flows, borrowing and investments for the period.

- The Capital Strategy, which is intended to provide a high level, concise overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of the Authority's services.

- The Corporate Investment Strategy which focuses on investments made for service purposes and commercial reasons, rather than those made for treasury management.

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

3 Alternative Options and Reasons for Rejection

3.1 Alternative options are considered throughout the report.

RECOMMENDATION(S)

1. That Financial and Corporate Overview Scrutiny Committee note the report and make any comments that they believe to be appropriate to be given verbally at the Council meeting on 31st January 2024.

The Council report recommendations are as follows:

X1 It is recommended that Council approve the Treasury Management Strategy at **Appendix 1** and in particular:

a) Approve the Borrowing Strategy.

b) Approve the Treasury Management Investment Strategy.

c) Approve the use of the external treasury management advisors Counterparty Weekly List – or similar – to determine the latest assessment of the counterparties that meet the Authority's Criteria before any investment is undertaken.

d) Approve the Prudential Indicators.

X2 It is recommended that Council approve the Capital Strategy as set out in **Appendix 2** and in particular:

a) Approve the Capital Financing Requirement.

b) Approve the Minimum Revenue Provision Statement for 2024/25.

c) Approve the Prudential Indicators for 2024/25 detailed in the Capital Strategy, in particular:

Authorised Borrowing Limit	£159.969m
Operational Boundary	£154.969m
Capital Financing Requirement	£149.969m

X3 It is recommended that Council approve the Corporate Investment Strategy as set out in **Appendix 3**.

Approved by Portfolio Holder - Cllr Clive Moesby, Executive Member for Resources

IMPLICATIONS;

Finance and Risk: **Yes**☒ **No** ☐

Details:

Financial implications are covered throughout this report.

On behalf of the Section 151 Officer

Legal (including Data Protection): **Yes**☒ **No** ☐

Details:

As part of the requirements of the CIPFA Treasury Management Code of Practice the Authority is required to produce every year a Treasury Management Strategy and Capital Strategy which requires approval by full Council prior to the commencement of each financial year. This report is prepared in order to comply with these obligations.

There are no data protection implications arising directly from this report.

On behalf of the Solicitor to the Council

Environment: Please identify (if applicable) how this proposal/report will help the Authority meet its carbon neutral target or enhance the environment. **Details:** Not applicable to this report **Staffing:** **Yes☐** **No ☒** **Details:** There are no human resource implications arising directly from this report. On behalf of the Head of Paid Service

DECISION INFORMATION

Is the decision a Key Decision? A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds: **Revenue - £75,000 ☐ Capital - £150,000 ☐** ☒ *Please indicate which threshold applies*	No
Is the decision subject to Call-In? (*Only Key Decisions are subject to Call-In*)	No

District Wards Significantly Affected	None
Consultation: **Leader / Deputy Leader ☐ Executive ☐** **SLT ☐ Relevant Service Manager ☐** **Members ☐ Public ☐ Other ☐**	Yes Details: Portfolio Holder

Links to Council Ambition: Customers, Economy and Environment.

DOCUMENT INFORMATION	
Appendix No	**Title**
1	Treasury Management Strategy
1A	Arlingclose Economic & Interest Rate Forecast
1B	Existing Investment & Debt Portfolio Position
2	Capital Strategy
2A	Capital Programme
2B	Annual Minimum Revenue Provision Statement
3	Corporate Investment Strategy

Background Papers
(*These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Executive you must provide copies of the background papers).*
None

Rpttemplate/BDC/021122

Appendix 1

Bolsover District Council

Treasury Management Strategy 2024/25 - 2027/28

1 Strategy Details

1.1 Treasury risk management at the Authority is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2021 Edition* (the CIPFA Code) which requires the Authority to approve a Treasury Management Strategy before the start of each financial year. This strategy fulfils the Authority's legal obligation under the *Local Government Act 2003* to have regard to the CIPFA Code.

1.2 The strategy outlines the Authority's Treasury Management Strategy for the years 2024/25 to 2027/28 for consideration and approval by Council.

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

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

Introduction

1.5 Treasury management is the management of the Authority's cash flows, borrowing and investments, and the associated risks. The Authority has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Authority's prudent financial management.

External Context

1.6 **Economic background:** The impact on the UK from higher interest rates and inflation, a weakening economic outlook, an uncertain political climate due to an upcoming general election, together with war in Ukraine and the Middle East, will be major influences on the Authority's treasury management strategy for 2024/25.

1.7 The Bank of England (BoE) increased Bank Rate to 5.25% in August 2023, before maintaining this level for the rest of 2023. In December 2023, members of the BoE's Monetary Policy Committee voted 6-3 in favour of keeping Bank Rate at 5.25%. The three dissenters wanted to increase rates by another 0.25%.

1.8 The November quarterly Monetary Policy Report (MPR) forecast a prolonged period of weak Gross Domestic Product (GDP) growth with the potential for a mild contraction due to ongoing weak economic activity. The outlook for CPI inflation was deemed to be highly uncertain, with upside risks to CPI falling to the 2% target coming from potential energy price increases, strong domestic wage growth and persistence in price-setting.

1.9 Office for National Statistics (ONS) figures showed CPI inflation was 3.9% in November 2023, down from a 4.6% rate in the previous month and, in line with the recent trend, lower than expected. The core CPI inflation rate declined to 5.1% from the previous month's 5.7%, again lower than predictions. Looking ahead, using the interest rate path implied by financial markets the BoE expects CPI inflation to continue falling slowly, but taking until early 2025 to reach the 2% target before dropping below target during the second half of 2025 and into 2026.

1.10 ONS figures showed the UK economy contracted by 0.1% between July and September 2023. The BoE forecasts GDP will likely stagnate through 2024. The BoE forecasts that higher interest rates will constrain GDP growth, which will remain weak over the entire forecast horizon.

1.11 The labour market appears to be loosening, but only very slowly. The unemployment rate rose slightly to 4.2% between June and August 2023, from 4.0% in the previous 3-month period, but the lack of consistency in the data between the two periods made comparisons difficult. Earnings growth has remained strong but has showed some signs of easing; regular pay (excluding bonuses) was up 7.3% over the period and total pay (including bonuses) up 7.2%. Adjusted for inflation, regular pay was 1.4% and total pay 1.3%. Looking forward, the MPR showed the unemployment rate is expected to be around 4.25% in the second half of the calendar year 2023, but then rising steadily over the forecast horizon to around 5% in late 2025/early 2026.

1.12 Having increased its key interest rate to a target range of 5.25-5.50% in August 2023, the US Federal Reserve appears now to have concluded the hiking cycle. It is likely this level represents the peak in US rates following a more dovish meeting outcome in December 2023. US GDP grew at an annualised rate of 4.9% between July and September 2023, ahead of expectations for a 4.3% expansion and the 2.1% reading for Q2. But the impact from higher rates has started to feed into economic activity and growth will weaken in 2024. Annual CPI inflation was 3.1% in November.

1.13 Eurozone inflation has declined steadily since the start of 2023, falling to an annual rate of 2.4% in November 2023. Economic growth has been weak and GDP contracted by 0.1% in the three months to September 2023. In line with other central banks, the European Central Bank has increased rates, taking its deposit facility, fixed rate tender, and marginal lending rates to 3.75%, 4.25% and 4.50% respectively.

1.14 **Credit outlook:** Credit Default Swap (CDS) prices were volatile during 2023, spiking in March on the back of banking sector contagion concerns following the major events of a Silicon Valley Bank becoming insolvent and the takeover of Credit Suisse by UBS. After then falling back in Q2 of the calendar year 2023, in the second half of the year, higher interest rates and inflation, the ongoing war in Ukraine, and now the Middle East, have led to CDS prices increasing steadily. On an annual basis, CDS price volatility has so far been lower in 2023 compared to 2022, but this year has seen more of a divergence in prices between ringfenced (retail) and non-ringfenced (investment) banking entities once again.

1.15 Moody's revised its outlook on the UK sovereign to stable from negative to reflect its view of restored political predictability following the volatility after the 2022 minibudget. Moody's also affirmed the Aa3 rating in recognition of the UK's economic resilience and strong institutional framework.

1.16 Following its rating action on the UK sovereign, Moody's revised the outlook on five UK banks to stable from negative and then followed this by the same action on five rated local authorities. However, within the same update the long-term ratings of those five local authorities were downgraded.

1.17 There remain competing tensions in the banking sector, on one side from higher interest rates boosting net income and profitability against another of a weakening economic outlook and likely recessions that increase the possibility of a deterioration in the quality of banks' assets. However, the institutions on our adviser Arlingclose's counterparty list remain well-capitalised and their counterparty advice on both recommended institutions and maximum duration remain under constant review and will continue to reflect economic conditions and the credit outlook.

1.18 **Interest rate forecast:** Although UK inflation and wage growth remain elevated, the Authority's treasury management adviser Arlingclose forecasts that Bank Rate has peaked at 5.25%. The Bank of England's Monetary Policy Committee will start reducing rates in 2024 to stimulate the UK economy but will be reluctant to do so until it is sure there will be no lingering second-round effects. Arlingclose sees rate cuts from Q3 2024 to a low of around 3% by early-mid 2026.

1.19 Arlingclose expects long-term gilt yields to be broadly stable at current levels (amid continued volatility), following the decline in yields towards the end of 2023, which reflects the expected lower medium-term path for Bank Rate. Yields will remain relatively higher than in the past, due to quantitative tightening and significant bond supply. As ever, there will undoubtedly be short-term volatility due to economic and political uncertainty and events.

1.20 A more detailed economic and interest rate forecast provided by Arlingclose is attached at **Appendix 1A**.

1.21 For the purpose of setting the budget, it has been assumed that new treasury management investments will be made at an average rate of 4.56%.

Local Context

1.22 On 31st December 2023, the Authority held £88m of borrowing and £39m of treasury investments. This is set out in further detail at **Appendix 1B**. Forecast changes in these sums are shown in the balance sheet analysis in **table 1** below.

Table 1: Balance sheet summary and forecast

	31.3.23 Actual £m	31.3.24 Estimate £m	31.3.25 Forecast £m	31.3.26 Forecast £m	31.3.27 Forecast £m	31.3.28 Forecast £m
General Fund CFR	6.0	11.2	16.4	16.0	15.6	15.1
HRA CFR	111.2	119.3	133.5	138.1	138.1	138.1
Total CFR	**117.2**	**130.5**	**149.9**	**154.1**	**153.7**	**153.2**
Less: Actual External borrowing	(89.4)	(86.0)	(78.8)	(76.8)	(73.8)	(66.0)
Internal borrowing	**27.8**	**44.5**	**71.1**	**77.3**	**79.9**	**87.2**
Less: Balance sheet resources	(58.0)	(58.0)	(58.0)	(58.0)	(58.0)	(59.4)
Treasury Investments (net of new borrowing)	**30.2**	**13.5**	**(13.1)**	**(19.3)**	**(21.9)**	**(27.8)**

1.23 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while balance sheet resources are the underlying sums available for investment. The Authority has an increasing CFR due to the capital programme and may therefore be required to borrow up to £28m over the forecast period. CIPFA's *Prudential Code for Capital Finance in Local Authorities* recommends that the Authority's total debt should be lower than its highest forecast CFR over the next three years. Table 1 shows that the Authority expects to comply with this recommendation during 2024/25.

1.24 **Liability benchmark:** To compare the Authority's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing (**table 2**). This assumes the same forecasts as **table 1** above, but that cash and investment balances are kept to a minimum level of £10m at each year-end to maintain sufficient liquidity but minimise credit risk.

1.25 The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. The liability benchmark itself represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow.

1.26 If the external loans are less than the liability benchmark, then this indicates that the Authority may need to borrow money to finance the capital programme. If the external loans are higher than the liability benchmark then the Authority will have more cash that could be invested.

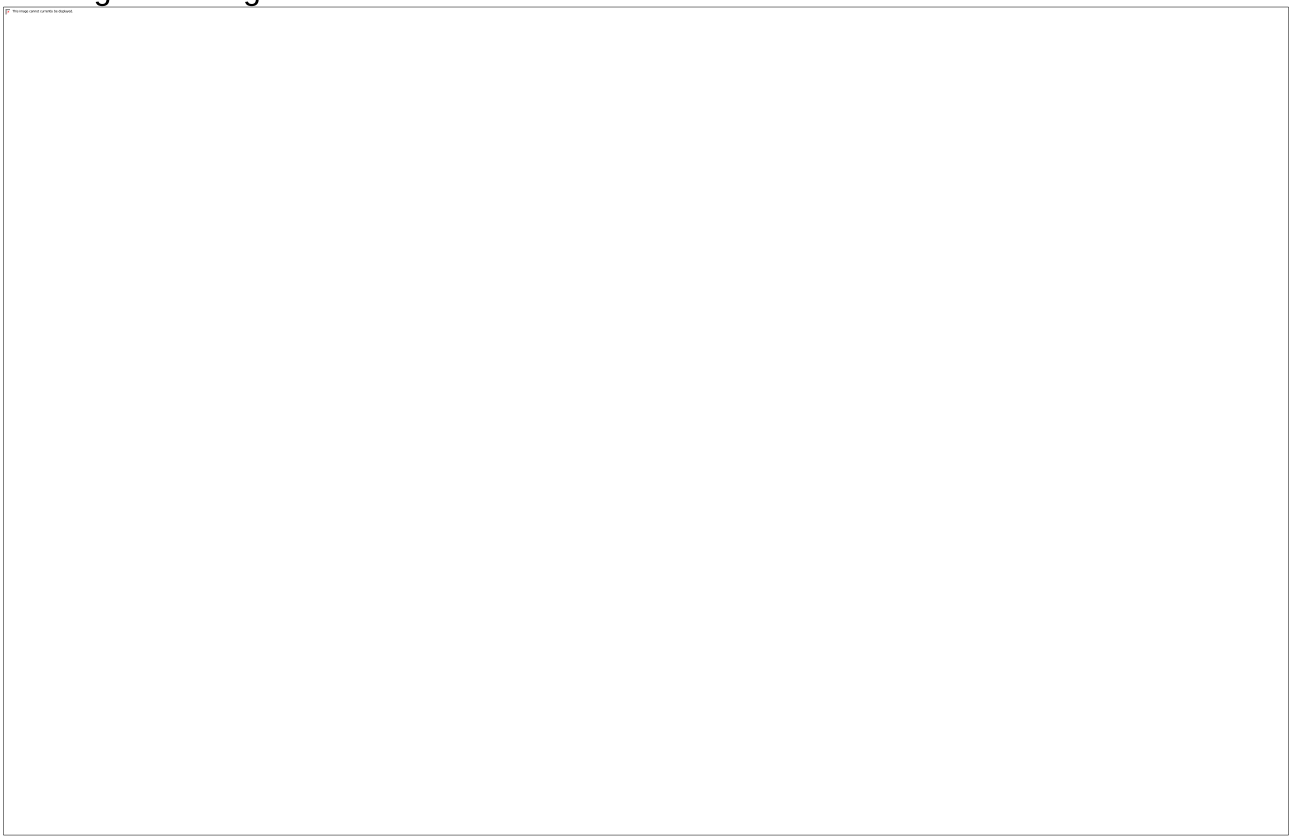
1.27 The information in table 1 and table 2 shows that for 2022/23 and 2023/24 the external loans are higher than the liability benchmark, however from 2024/25 to 2027/28 the liability benchmark is higher than the external loans. This means that the Authority may need to borrow in 2024/25 and the amount of cash available to invest may be less than in previous years. This corresponds to the capital programme borrowing to fund Bolsover Homes and the Crematorium at Shirebrook.

Table 2: Liability benchmark

	31.3.23 Actual £m	**31.3.24 Estimate £m**	**31.3.25 Forecast £m**	**31.3.26 Forecast £m**	**31.3.27 Forecast £m**	**31.3.28 Forecast £m**
CFR	**117.2**	**130.5**	**149.9**	**154.1**	**153.7**	**153.2**
Less: Balance sheet resources	(58.0)	(58.0)	(58.0)	(58.0)	(58.0)	(59.4)
Net loans requirement	**59.2**	**72.5**	**91.9**	**96.1**	**95.7**	**93.8**
Plus: Liquidity allowance	10.0	10.0	10.0	10.0	10.0	10.0
Liability Benchmark	**69.2**	**82.5**	**101.9**	**106.1**	**105.7**	**103.8**

1.28 Following on from the medium-term forecasts in table 2 above, the long-term liability benchmark assumes capital expenditure funded by borrowing of £13.6m 23/24; £19.8m 24/25; £4.6m 25/26; minimum revenue provision on new capital expenditure based on a 5-to-50-year asset life and income, expenditure and reserves all increasing by inflation of 3.5% a year.

This is shown in the chart below together with the maturity profile of the Authority's existing borrowing:



Borrowing Strategy

1.29 As at the 31st of December 2023 the Authority holds £88.0m of loans a decrease of £3.4m on the previous year, as part of its strategy for funding previous years' capital programmes. The balance sheet forecast in table 1 shows that the Authority may utilise the approval to undertake both General Fund and HRA borrowing during the period 2024/25 to 2027/28 to fund Bolsover Homes and the Crematorium at Shirebrook.

1.30 **Objectives:** The Authority's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Authority's long-term plans change, is a secondary objective.

1.31 **Strategy:** Given the significant cuts to public expenditure and in particular to local government funding, the Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. Short-term interest rates are currently at a 15-year high but are expected to fall in the coming years and it is therefore likely to be more cost effective over the medium-term to either use internal resources, or to borrow short-term loans instead.

1.32 By doing so, the Authority is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal or short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose will assist the Authority with this 'cost of carry' and breakeven analysis. Its output may determine whether the Authority borrows additional sums at long-term fixed rates in 2024/25 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

1.33 The Authority has previously raised all of its long-term borrowing from the PWLB but will consider long-term loans from other sources including banks, pensions and local authorities, and may investigate the possibility of issuing bonds and similar instruments, in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield; the Authority intends to avoid this activity in order to retain its access to PWLB loans.

1.34 Alternatively, the Authority may arrange forward starting loans, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period. In addition, the Authority may borrow short-term loans to cover unplanned cash flow shortages.

1.35 **Sources of borrowing:** The approved sources of long-term and short-term borrowing are:

- HM Treasury's PWLB lending facility (formerly the Public Works Loan Board)
- UK Infrastructure Bank Ltd
- any institution approved for investments (see below)
- any other bank or building society authorised to operate in the UK

- any other UK public sector body
- UK public and private sector pension funds (except Derbyshire County Council Pension Fund)
- capital market bond investors
- retail investors via a regulated peer-to-peer platform
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues

1.36 **Other sources of debt finance:** In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- leasing
- hire purchase
- Private Finance Initiative
- sale and leaseback
- similar asset-based finance

1.37 The Authority has previously raised all of its long-term borrowing from the PWLB but it continues to investigate other sources of finance, such as local authority loans and bank loans that may be available at more favourable rates.

1.38 **Municipal Bonds Agency:** UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It issues bonds on the capital markets and lends the proceeds to local authorities. This is a more complicated source of finance than the PWLB for two reasons: borrowing authorities will be required to provide bond investors with a guarantee to refund their investment in the event that the agency is unable to for any reason; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report to Council.

1.39 **LOBOs:** The Authority doesn't hold or intend to hold any LOBO (Lender's Option Borrower's Option) loans.

1.40 **Short-term and variable rate loans**: These loans leave the Authority exposed to the risk of short-term interest rate rises and are therefore subject to the interest rate exposure limits in the treasury management indicators below.

1.41 **Debt rescheduling:** The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. The Authority may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk. The recent rise in interest rates means that more favourable debt rescheduling opportunities should arise than in previous years.

Treasury Management Investment Strategy

1.42 The Authority holds an average of £35m invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Authority's investment balance has ranged between £43m and £30.2m, and levels are expected to reduce in the forthcoming years.

1.43 **Objectives:** The CIPFA Code requires the Authority to invest its treasury funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

1.44 Where balances are expected to be invested for more than one year, the Authority will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested. The Authority aims to be a responsible investor and will consider environmental, social and governance (ESG) issues when investing.

1.45 **Strategy:** Given the increasing risk and very low returns from short-term unsecured bank investments, the Authority may wish to diversify into more secure and higher yielding asset classes during 2024/25. This is especially the case for the estimated £10m that is available for longer-term investment. The majority of the Authority's surplus cash is currently invested in short-term unsecured bank deposits, short term fixed deposits with local authorities and money market funds. This diversification would represent a substantial change in strategy.

1.46 **ESG policy:** Environmental, social and governance (ESG) considerations are increasingly a factor in global investors' decision making, but the framework for evaluating investment opportunities is still developing and therefore the Authority does not currently include ESG scoring or other real-time ESG criteria at an individual investment level. When investing in banks and funds, the Authority will prioritise banks that are signatories to the United Nations Principles for Responsible Banking and funds operated by managers that are signatories to the United Nations Principles for Responsible Investment, the Net Zero Asset Manager's Alliance and/or the UK Stewardship Code.

1.47 **Business models:** Under IFRS 9, the accounting for certain investments depends on the Authority's "business model" for managing them. The Authority aims to achieve value from its internally managed treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.

1.48 **Approved counterparties:** The Authority may invest its surplus funds with any of the counterparty types in **table 3** below, subject to the cash limits (per counterparty) and the time limits shown.

Table 3: Approved investment counterparties and limits

Sector	Time limit	Counterparty limit	Sector limit
The UK Government	50 years	Unlimited	n/a
Local authorities & other government entities	25 years	£5m	Unlimited
Secured investments *	25 years	£5m	Unlimited
Banks (unsecured) *	13 months	£5m	Unlimited
Building societies (unsecured) *	13 months	£5m	£5m per society
Registered providers (unsecured) *	5 years	£5m	£10m
Money market funds *	n/a	£5m	Unlimited
Strategic pooled funds	n/a	£5m	£10m per manager
Real estate investment trusts	n/a	£5m	£5m
Other investments *	5 years	£5m	£5m

1.49 **Minimum Credit rating:** Treasury investments in the sectors marked with an asterisk **(*)** will only be made with entities whose lowest published long-term credit rating is no lower than A-. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

1.50 **Government:** Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities, Parish Councils and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Government are deemed to be zero credit risk due to its ability to create additional currency and therefore may be made in unlimited amounts for up to 50 years.

1.51 **Secured investments:** Investments secured on the borrower's assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds and reverse repurchase agreements with banks and building societies are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used. The combined secured and unsecured investments with any one counterparty will not exceed the cash limit for secured investments.

1.52 **Banks and building societies (unsecured):** Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.

1.53 **Registered providers (unsecured):** Loans to, and bonds issued or guaranteed by, registered providers of social housing or registered social landlords, formerly known as housing associations. These bodies are regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government and the Department for Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed.

1.54 **Money market funds:** Pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over bank accounts of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee. Although no sector limit applies to money market funds, the Authority will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times.

1.55 **Strategic pooled funds:** Bond, equity and property funds that offer enhanced returns over the longer term but are more volatile in the short term. These allow the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment objectives will be monitored regularly.

1.56 **Real estate investment trusts:** Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties.

1.57 **Other investments:** This category covers treasury investments not listed above, for example unsecured corporate bonds and company loans. Non-bank companies cannot be bailed-in but can become insolvent placing the Authority's investment at risk

1.58 **Operational bank accounts:** The Authority may incur operational exposures, for example through current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments but are still subject to the risk of a bank bail-in, and balances will therefore be kept below £5m per bank. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Authority maintaining operational continuity.

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

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

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

1.61 **Other information on the security of investments**: The Authority understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support, reports in the quality financial press and analysis and advice from the Authority’s treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.

1.62 **Reputational aspects:** The Authority is aware that investment with certain counterparties, while considered secure from a purely financial perspective, may leave it open to criticism, valid or otherwise, that may affect its public reputation, and this risk will therefore be taken into account when making investment decisions.

1.63 When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008, 2020 and 2022, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Authority will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Authority’s cash balances, then the surplus will be deposited with the UK Government via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will cause investment returns to fall but will protect the principal sum invested.

1.64 **Investment limits**: In order to minimise investments that will be put at risk in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government) will be £5m. A group of entities under the same ownership will be treated as a single organisation for limit purposes. Limits will also be placed on fund managers, investments in brokers’ nominee accounts, foreign countries and industry sectors as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country since the risk is diversified over many countries.

Table 4: Additional Investment limits

	Cash limit
Any group of pooled funds under the same management	£10m per manager
Negotiable instruments held in a broker's nominee account	£10m per manager
Foreign countries (excluding MMF where there are no limits)	£10m per country
Lloyds Bank (as providers of operational banking services)	£5m overnight

1.65 **Liquidity management**: The Authority uses its own cash flow forecasting techniques to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Authority being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Authority's medium-term financial plan and cash flow forecast. The Authority will spread its liquid cash over at least four providers (e.g. bank accounts and money market funds) to ensure that access to cash is maintained in the event of operational difficulties at any one provider

Treasury Management Prudential Indicators

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

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

Interest rate risk indicator	**Limit each year**
Upper limit on one-year revenue impact of a 1% rise in interest rates	£799,917
Upper limit on one-year revenue impact of a 1% fall in interest rates	(£799,917)

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

1.69 **Maturity structure of borrowing:** This indicator is set to control the Authority's exposure to refinancing risk. This indicator used to be for fixed rate borrowing only but now includes all borrowing. The upper and lower limits on the maturity structure of borrowing will be:

Refinancing rate risk indicator	**Upper limit**	**Lower limit**
Under 12 months	20%	0%
12 months and within 24 months	40%	0%
24 months and within 5 years	60%	0%
5 years and within 10 years	80%	0%
10 years and above	100%	0%

1.70 Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

1.71 **Long-term treasury management investments:** The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end will be:

Price risk indicator	2024/25	2025/26	2026/27	2027/28
Limit on principal invested beyond year end	£5m	£4m	£3m	£2m

Related Matters

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

1.73 **Financial Derivatives:** Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in Section 1 of the *Localism Act 2011* removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).

1.74 The Authority will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Authority is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

1.75 Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria, assessed using the appropriate credit rating for derivative exposures. An allowance for credit risk calculated using the methodology in the Treasury Management Practices document will count against the counterparty credit limit and the relevant foreign country limit. In line with the CIPFA code, the Authority will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.

1.76 **Housing Revenue Account:** The Authority completed the HRA self-financing settlement in March 2012 which resulted in an increase in housing debt of £94.386m. Interest payable and other costs/income arising from long-term loans which existed prior to this settlement (e.g. Premiums and discounts on early redemption) will be charged / credited to the respective revenue account based on the average CFR of the General Fund and HRA. Loans taken out as part of the self-financing settlement are assigned to the HRA loans pool and interest and other costs are payable from the HRA. Any new long-term loans borrowed will be assigned in their entirety to either the General Fund or HRA, there will be no single loans pool.

1.77 **Markets in Financial Instruments Directive**: The Authority has opted up to professional client status with its providers of financial services, including advisers, banks, brokers and fund managers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Authority's treasury management activities, the Section 151 Officer believes this to be the most appropriate status.

1.78 **Financial Implications:** The budget for investment income in 2024/25 is £761,873, based on an average investment portfolio of £20 million at an interest rate of 4.563%. The budget for debt interest paid in 2024/25 is £3.196 million, based on an average debt portfolio of £104 million at an average interest rate of 3.73%. If actual levels of investments and borrowing, or actual interest rates, differ from those forecast, performance against budget will be correspondingly different.

1.79 **Other Options Considered:** The CIPFA Code does not prescribe any particular treasury management strategy for local authorities to adopt. The Section 151 Officer believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long-term costs may be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain

Appendix 1A – <u>Arlingclose Economic & Interest Rate Forecast – December 2023</u>

Underlying assumptions:

- UK inflation and wage growth remain elevated but have eased over the past two months fuelling rate cuts expectations. Near-term rate cuts remain unlikely, although downside risks will increase as the UK economy likely slides into recession.
- The Monetary Policy Committee's (MPC) message remains unchanged as the Committee seeks to maintain tighter financial conditions. Monetary policy will remain tight as inflation is expected to moderate to target slowly, although some wage and inflation measures are below the Bank's last forecasts.
- Despite some deterioration in activity data, the UK economy remains resilient in the face of tighter monetary policy. Recent data has been soft but mixed; the more timely Purchasing Managers' Index (PMI) figures suggest that the services sector is recovering from a weak Q3. Tighter policy will however bear down on domestic and external activity as interest rates bite.
- Employment demand is easing. Anecdotal evidence suggests slowing recruitment and pay growth, and we expect unemployment to rise further. As unemployment rises and interest rates remain high, consumer sentiment will deteriorate. Household and business spending will therefore be weak.
- Inflation will fall over the next 12 months. The path to the target will not be smooth, with higher energy prices and base effects interrupting the downtrend at times. The MPC's attention will remain on underlying inflation measures and wage data. We believe policy rates will remain at the peak for another 10 months, or until the MPC is comfortable the risk of further 'second-round' effects has diminished.
- Maintaining monetary policy in restrictive territory for so long, when the economy is already struggling, will require significant loosening in the future to boost activity.
- Global bond yields will remain volatile. Markets are currently running with expectations of near-term US rate cuts, fuelled somewhat unexpectedly by US policymakers themselves. Term premia and bond yields have experienced a marked decline. It would not be a surprise to see a reversal if data points do not support the narrative, but the current 10-year yield appears broadly reflective of a lower medium- term level for Bank Rate.
- There is a heightened risk of fiscal policy and/or geo-political events causing substantial volatility in yields.

Forecast:

- The MPC held Bank Rate at 5.25% in December. We believe this is the peak for Bank Rate.
- The MPC will cut rates in the medium term to stimulate the UK economy but will be reluctant to do so until it is sure there will be no lingering second-round effects. We see rate cuts from Q3 2024 to a low of around 3% by early-mid 2026.
- The immediate risks around Bank Rate have become more balanced, due to the weakening UK economy and dampening effects on inflation. This shifts to the downside in the short term as the economy weakens.

- Long-term gilt yields are now substantially lower. Arlingclose expects yields to be flat from here over the short-term reflecting medium term Bank Rate forecasts. Periodic volatility is likely.

	Current	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26
Official Bank Rate													
Upside risk	0.00	0.00	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.75	0.75	1.00	1.00
Central Case	5.25	5.25	5.25	5.25	5.00	4.75	4.25	4.00	3.75	3.50	3.25	3.00	3.00
Downside risk	0.00	0.00	-0.25	-0.50	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
3-month money market rate													
Upside risk	0.00	0.00	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.75	0.75	1.00	1.00
Central Case	5.40	5.40	5.40	5.30	5.15	4.80	4.30	4.10	3.80	3.50	3.25	3.05	3.05
Downside risk	0.00	0.00	-0.25	-0.50	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
5yr gilt yield													
Upside risk	0.00	0.25	0.75	0.85	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	3.77	3.75	3.75	3.75	3.70	3.60	3.50	3.50	3.40	3.30	3.30	3.30	3.35
Downside risk	0.00	-0.25	-0.75	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
10yr gilt yield													
Upside risk	0.00	0.25	0.75	0.85	0.85	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	3.72	3.75	3.80	3.80	3.80	3.80	3.80	3.80	3.75	3.65	3.60	3.65	3.70
Downside risk	0.00	-0.25	-0.75	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
20yr gilt yield													
Upside risk	0.00	0.25	0.75	0.85	0.85	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	4.16	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.25
Downside risk	0.00	-0.25	-0.75	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
50yr gilt yield													
Upside risk	0.00	0.25	0.75	0.85	0.85	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	3.76	3.80	3.85	3.90	3.90	3.90	3.90	3.90	3.90	3.90	3.95	3.95	3.95
Downside risk	0.00	-0.25	-0.75	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00

PWLB Standard Rate = Gilt yield + 1.00%
PWLB Certainty Rate = Gilt yield + 0.80%
PWLB HRA Rate = Gilt yield + 0.40%
UK Infrastructure Bank Rate = Gilt yield + 0.40%

Appendix 1B

Existing Investment & Debt Portfolio Position

	31.12.23 Actual Portfolio £m	**31.12.23 Average Rate %**
External borrowing:		
Public Works Loan Board	88	3.63%
Total external borrowing	**88**	**3.63%**
Other long-term liabilities:		
Finance Leases	0	0
Total other long-term liabilities	**0**	**0**
Total gross external debt	**88**	**3.63%**
Treasury investments:		
Banks & building societies (unsecured)	0	0
Government (incl. local authorities)	0	0
Money Market Funds	39	4.85%
Total treasury investments	**39**	
Net debt	**49**	

Appendix 2

Bolsover District Council

Capital Strategy 2024/25 - 2027/28

1 Strategy Details

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

1.2 This Capital Strategy outlines the Authority's Capital Expenditure programme and Minimum Revenue Provision policy (MRP) for the years 2024/25 to 2027/28 for consideration and approval by Council before the start of each financial year.

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

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

Introduction

1.5 This Capital Strategy gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability. It has been written in an accessible style to enhance members' understanding of these sometimes-technical areas.

1.6 Decisions made this year on capital and treasury management will have financial consequences for the Authority for many years into the future. They are therefore subject to both a national regulatory framework and to local policy framework, summarised in this report.

Capital Expenditure and Financing

1.7 Capital expenditure is where the Authority spends money on assets, such as property or vehicles that will be used for more than one year. In local government this includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets.

In 2024/25, the Authority is planning capital expenditure of £29.390m as summarised below:

Table 1: Prudential Indicator: Estimates of Capital Expenditure

	2022/23 actual £m	2023/24 forecast £m	2024/25 budget £m	2025/26 budget £m	2026/27 budget £m	2027/28 budget £m
General Fund services	3.721	11.046	8.786	1.252	2.370	1.377
Council housing (HRA)	12.048	21.248	20.604	10.168	5.348	5.348
Capital investments	0.754	0	0	0	0	0
TOTAL	16.523	32.294	29.390	11.420	7.718	6.725

1.8 The main General Fund capital projects for 2024/25 include Grants for Disabled Facilities £0.650m, Shirebrook Crematorium £5.548m and the purchase of Vehicles and Plant £1.793m.

1.9 The Housing Revenue Account (HRA) is a ring-fenced account which ensures that council housing does not subsidise, or is itself subsidised, by other local services. HRA capital expenditure is therefore recorded separately.

1.10 Capital investments include loans and shares made for service purposes and property to be held primarily for financial return in line with the definition in the *CIPFA Treasury Management Code.*

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

- For full details of the Authority's capital programme see **Appendix 2A** to this strategy.

1.12 All capital expenditure must be financed, either from external sources (government grants and other contributions), the Authority's own resources (revenue, reserves and capital receipts) or debt (borrowing and leasing). The planned financing of the above expenditure is as follows:

Table 2: Capital financing

	2022/23 actual £m	2023/24 forecast £m	2024/25 budget £m	2025/26 budget £m	2026/27 budget £m	2027/28 budget £m
External sources	3.929	2.808	1.191	0.650	0.650	0.650
Own resources	11.347	15.831	8.401	6.161	7.068	6.075
Debt	1.247	13.655	19.798	4.609	0	0
TOTAL	16.523	32.294	29.390	11.420	7.718	6.725

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

Table 3: Replacement of prior years' debt finance

	2022/23 actual £m	2023/24 forecast £m	2024/25 budget £m	2025/26 budget £m	2026/27 budget £m	2027/28 budget £m
MRP	0.405	0.364	0.325	0.430	0.425	0.405
Capital receipts	0.231	1.406	0.314	0.210	0	0
TOTAL	**0.636**	**1.770**	**0.639**	**0.640**	**0.425**	**0.405**

- The Authority's full minimum revenue provision statement is **Appendix 2B** to this strategy.

1.14 The Authority's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP and capital receipts used to replace debt. The CFR is expected to increase by £19.473m during 2024/25. Based on the above figures for expenditure and financing, the Authority's estimated CFR is as follows:

Table 4: Prudential Indicator: Estimates of Capital Financing Requirement

	31.3.2023 actual £m	31.3.2024 forecast £m	31.3.2025 budget £m	31.3.2026 budget £m	31.3.2027 budget £m	31.3.2028 budget £m
General Fund services	6.020	11.226	16.450	16.020	15.595	15.190
Council housing (HRA)	111.184	119.270	133.519	138.128	138.129	138.129
Capital investments	0	0	0	0	0	0
TOTAL CFR	**117.204**	**130.496**	**149.969**	**154.148**	**153.724**	**153.319**

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

1.16 **Asset disposals:** When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or to repay debt. Repayments of capital grants, loans and investments also generate capital receipts. The Authority has produced a Disposal and Acquisition Policy which documents the method and approval route for the disposal of an asset. The Authority has not identified any specific sites for disposal and does not set budgets for receipts due to the uncertain nature of disposals.

Table 5: Capital receipts

	2022/23 actual £m	**2023/24 forecast £m**	**2024/25 budget £m**	**2025/26 budget £m**	**2026/27 budget £m**	**2027/28 budget £m**
Asset sales	0.450	0.350	0.0	0.0	0.0	0.0

Treasury Management

1.17 Treasury management is concerned with keeping sufficient but not excessive cash available to meet the Authority's spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account. The Authority is typically cash rich in the short-term as revenue income is received before it is spent, but cash poor in the long-term as capital expenditure is incurred before being financed. The revenue cash surpluses are offset against capital cash shortfalls to reduce overall borrowing.

1.18 Due to decisions taken in the past, as at the 31st of December the Authority has £88m borrowing at an average interest rate of 3.73% and £35m treasury investments at an average rate of 4.63%.

1.19 **Borrowing strategy:** The Authority's main objectives when borrowing are to achieve a low but certain cost of finance while retaining flexibility should plans change in future. These objectives are often conflicting, and the Authority therefore seeks to strike a balance between cheap short-term loans and long-term fixed rate loans where the future cost is known but higher. The Authority does not borrow to invest for the primary purpose of financial return and therefore retains full access to the Public Works Loans Board.

1.20 Projected levels of the Authority's total outstanding debt are shown below, compared with the capital financing requirement (shown in table 4).

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

	31.3.2023 actual £m	**31.3.2024 forecast £m**	**31.3.2025 budget £m**	**31.3.2026 budget £m**	**31.3.2027 budget £m**	**31.3.2028 budget £m**
Debt	92.010	92.441	100.241	108.241	97.241	94.241
Capital Financing Requirement	117.204	130.496	149.969	154.148	153.724	153.319

1.21 Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term. As can be seen from **table 6**, the Authority expects to comply with this in the medium term.

1.22 **Liability benchmark:** To compare the Authority's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes that cash and investment balances are kept to a minimum level of £10m at each year-end. This benchmark was £69.2m at 31st March 2023 and is forecast to increase to £103.8m over the next four years. The table below shows that the Authority expects to remain borrowed above its liability benchmark until 31st March 2024. As existing loans are repaid there may be the need to undertake new external borrowing to finance capital expenditure as discussed in 1.24 to 1.27 of the Treasury Management Strategy.

Table 7: Borrowing and the Liability Benchmark

	31.3.2023 actual £m	**31.3.2024 forecast £m**	**31.3.2025 budget £m**	**31.3.2026 budget £m**	**31.3.2027 budget £m**	**31.3.2028 budget £m**
Actual Outstanding PWLB borrowing	89.4	86.0	78.8	76.8	73.8	66.0
Liability benchmark	69.2	82.5	101.9	106.1	105.7	103.8

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

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

	2023/24 limit £m	**2024/25 limit £m**	**2025/26 limit £m**	**2026/27 limit £m**	**2027/28 limit £m**
Authorised limit	140.496	159.969	164.148	163.723	163.319
Operational boundary	135.496	154.969	159.148	158.723	158.319

- Further details on borrowing are in paragraphs 1.29 to 1.41 of the Treasury Management Strategy.

1.24 **Corporate Treasury Investment strategy:** Treasury investments arise from receiving cash before it is paid out again. Investments made for service reasons or for pure financial gain are not generally considered to be part of treasury management.

1.25 The Authority's policy on treasury investments is to prioritise security and liquidity over yield. That is to focus on minimising risk rather than maximising returns. Cash that is likely to be spent in the near term is invested securely, for example with the government, other local authorities or selected high-quality banks, to minimise the risk of loss. Money that will be held for longer terms is invested more widely, including in bonds, shares and property, to balance the risk of loss against the risk of receiving returns below inflation. Both near-term and longer-term investments may be held in pooled funds, where an external fund manager makes decisions on which particular investments to buy and the Authority may request its money back at short notice.

Table 9: Treasury management investments

	31.3.2023 actual £m	**31.3.2024 forecast £m**	**31.3.2025 budget £m**	**31.3.2026 budget £m**	**31.3.2027 budget £m**	**31.3.2028 budget £m**
Near-term investments	30.2	13.5	10.0	10.0	10.0	10.0
Longer-term investments	0	0	0	0	0	0
TOTAL	**30.2**	13.5	10.0	10.0	10.0	10.0

Further details on treasury investments are in paragraphs 1.42 to 1.64 of the Treasury Management Strategy.

1.26 **Risk management:** The effective management and control of risk are prime objectives of the Authority's treasury management activities. The treasury management strategy therefore sets out various indicators and limits to constrain the risk of unexpected losses and details the extent to which financial derivatives may be used to manage treasury risks. The treasury management prudential indicators are included in paragraphs 1.66 – 1.71 of the treasury management strategy

1.27 **Governance:** Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Section 151 Officer and staff, who must act in line with the Treasury Management Strategy approved by Council. Quarterly reports on treasury management activity are presented to Executive. The Finance and Corporate Overview Scrutiny committee is responsible for scrutinising treasury management decisions.

Investments for Service Purposes

1.28 The Authority makes investments to assist local public services, including making loans to parish/town councils or local community organisations to promote economic growth. In light of the public service objective, the Authority is willing to take more risk than with treasury investments, however it still plans for such investments to at least break even after all costs.

1.29 **Governance:** Decisions on service investments are made by the relevant service manager and submitted to Council/Executive in consultation with the Section 151 Officer and must meet the criteria and limits laid down in the Corporate Investment Strategy. Most loans and shares are capital expenditure and purchases will therefore also be approved as part of the capital programme.

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

Commercial Activities

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

1.31 In addition to this the Authority has a wholly owned company, Dragonfly Development Limited to enable economic growth and community regeneration through direct commercial action and to generate an income for the Authority. A report to Council on the 1st of February 2023 provided the full business case in relation to Dragonfly Development Limited. The business case was included with this report at Appendix 1, and page 6 of the business case set out the purpose and objectives of Dragonfly Development Limited.

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

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

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

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

Table 10: Prudential indicator: Net income from commercial and service investments to net revenue stream

	2022/23 actual £m	**2023/24 forecast £m**	**2024/25 budget £m**	**2025/26 budget £m**	**2026/27 budget £m**	**2027/28 budget £m**
Total net income from service & commercial investments	0.353	0.216	0.327	0.324	0.322	0.319
Proportion of net revenue stream	2.24%	1.70%	2.30%	2.27%	3.18%	3.09%

Other Liabilities

1.34 In addition to debt of £100.241m detailed above, the Authority is committed to making future payments to cover its net pension fund deficit (valued at £1.2m). It has also set aside £5m to cover risks of future legal costs and Business Rates Appeals. (All figures are as at 31/3/23).

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

- Further details on liabilities are in notes 21 and 38 of the 2022/23 Statement of Accounts document, which is available on our website.

Revenue Budget Implications

1.36 Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from Council Tax, business rates and general government grants.

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

	2022/23 actual	**2023/24 forecast**	**2024/25 budget**	**2025/26 budget**	**2026/27 budget**	**2027/28 budget**
Financing costs (£m)	0.405	0.364	0.325	0.430	0.425	0.405
Proportion of net revenue stream	4.56%	4.38%	2.18%	4.97%	6.15%	4.78%

1.37 **Sustainability:** Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend for up to 50 years into the future. The Section 151 Officer is satisfied that the proposed capital programme is prudent, affordable and sustainable.

Knowledge and Skills

1.38 The Authority employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the Section 151 Officer is a qualified accountant.

1.39 Where Authority staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. The Authority currently employs Arlingclose Limited as treasury management advisors. This approach is more cost effective than employing such staff directly and ensures that the Authority has access to knowledge and skills commensurate with its risk appetite.

Treasury Management Operations

1.40 As mentioned above the Authority uses external treasury management advisors. The company provides a range of services which include:

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

1.41 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 Authority. This service is subject to regular review. It should be noted that the Authority has Arlingclose Ltd as external treasury management advisors until 31st August 2025.

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

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

Banking Contract

1.43 The contract with the Authority's banking provider Lloyds Bank, has been reviewed and extended to 9th February 2025.

APPENDIX 2A

CAPITAL PROGRAMME SUMMARY	Revised Budget 2023/24 £	Original Programme 2024/25 £	Forecast Programme 2025/26 £	Forecast Programme 2026/27 £	Forecast Programme 2027/28 £
General Fund					
Asset Management Plan					
Investment Properties	82,391	-	-	-	-
Leisure Buildings	590	-	-	-	-
Pleasley Vale Business Park	24,547	-	-	-	-
Riverside Depot	18,949	-	-	-	-
The Arc	26,310	-	-	-	-
The Tangent	15,803	-	-	-	-
Contact Centres	11,098	-	-	-	-
Asset Management Plan not yet allocated to an individual scheme	176,282	260,000	260,000	260,000	260,000
	355,970	**260,000**	**260,000**	**260,000**	**260,000**
Engineering Asset Management Plan					
Car Parks	25,000	25,000	25,000	25,000	25,000
Shelters	10,000	10,000	10,000	10,000	10,000
Lighting	15,000	15,000	15,000	15,000	15,000
	50,000	**50,000**	**50,000**	**50,000**	**50,000**
Assets					
Pleasley Vale - Storm Babet	1,000,000	-	-	-	-
Pleasley Vale Mill - Dam Wall	100,410	-	-	-	-
Pleasley Vale Grease works CCTV	-	50,000	-	-	-
Land at Portland Street	47,076	-	-	-	-
Shirebrook Crematorium	5,431,603	5,548,392	-	-	-
Cultural Business and Skills Hub	50,211	249,789	-	-	-
USSPF - Oxcroft House Refurbishment	55,806	-	-	-	-
	6,685,106	**5,848,181**	**0**	**0**	**0**
ICT Schemes					
ICT infrastructure	610,963	170,000	102,000	100,000	100,000
HR & Payroll System upgrade	18,000	-	-	-	-
	628,963	**170,000**	**102,000**	**100,000**	**100,000**
Leisure Schemes					
Playing Pitch Improvements (Clowne)	100,953	-	-	-	-
Pleasley Vale Cycle Path	106,244	-	-	-	-
Go Active Café Equipment	8,779	-	-	-	-
Go Active Equipment	15,000	15,000	15,000	15,000	
Gym Equipment & Spin Bikes	-	-	-	392,100	-
Go-Active Gym flooring	-	-	-	40,000	-
Wellness Hub equipment	-	-	-	80,000	-
	230,976	**15,000**	**15,000**	**527,100**	**0**
Private Sector Schemes					
Disabled Facility Grants	650,000	650,000	650,000	650,000	650,000
	650,000	**650,000**	**650,000**	**650,000**	**650,000**
Investment Activities					
Economic Loan Fund	25,000	-	-	-	-
Parish Council Loans	80,000	-	-	-	-
	105,000	**0**	**0**	**0**	**0**
Vehicles and Plant					
Vehicle Replacements	2,262,721	1,793,000	175,000	782,500	317,000
USSPF - CCTV Bolsover	23,835	-	-	-	-
District CCTV	38,751	-	-	-	-
CAN Rangers Equipment	14,231	-	-	-	-
	2,339,538	**1,793,000**	**175,000**	**782,500**	**317,000**
Total General Fund	**11,045,553**	**8,786,181**	**1,252,000**	**2,369,600**	**1,377,000**

APPENDIX 2A

CAPITAL PROGRAMME SUMMARY	Revised Budget 2023/24 £	Original Programme 2024/25 £	Forecast Programme 2025/26 £	Forecast Programme 2026/27 £	Forecast Programme 2027/28 £
Housing Revenue Account					
New Build Properties					
Alfreton Rd Pinxton	513,360	-	-	-	-
Ashbourne Extension	5,567	-	-	-	-
Bolsover Homes-yet to be allocated	3,910,684	8,100,000	-	-	-
Glapwell - Meadow View Homes	696,000	-	-	-	-
Harlesthorpe Ave Bungalow adaptation	152,527	-	-	-	-
Jubilee Court Bungalows	-	300,000	-	-	-
Keepmoat Properties at Bolsover	25,000	-	-	-	-
Market Close Shirebrook	4,355,669	-	-	-	-
Moorfield Lane Whaley Thorns	1,553,528	-	-	-	-
Sandy Lane/Thorpe Ave Whitwell	441	-	-	-	-
Woburn Close Cluster	910,000	6,150,000	4,609,312	-	-
The Woodlands	188,355	-	-	-	-
Valley View (2 Bungalows & extension)	639,559	100,000		-	-
West Street Langwith	747,076	-	-	-	-
	13,697,766	**14,650,000**	**4,609,312**	**0**	**0**
Vehicle Replacements	1,052,883	314,000	210,000	-	-
	1,052,883	**314,000**	**210,000**	**0**	**0**
Public Sector Housing					
Electrical Upgrades	475,000	300,000	330,000	330,000	330,000
External Door Replacements	156,976	150,000	70,000	70,000	70,000
External Wall Insulation	1,654	411,500	60,000	60,000	60,000
Bramley Vale	10,000	1,000,000	1,300,000	1,500,000	-
Flat Roofing	40,000	40,000	40,000	40,000	40,000
Heating Upgrades	40,000	80,000	80,000	80,000	80,000
Kitchen Replacements	288,767	360,000	400,000	400,000	400,000
Re Roofing	750,000	1,000,000	1,000,000	1,000,000	1,000,000
Property Services Mgmt. & Admin	125,496	130,936	136,274	141,826	147,600
Safe & Warm	3,720,834	700,000	-	-	-
Soffit and Facia	52,515	60,000	30,000	30,000	30,000
Unforeseen Reactive Capital Works	50,284	100,000	100,000	100,000	100,000
Welfare Adaptations	423,991	400,000	440,000	440,000	440,000
Wet Rooms (Bungalows)	300,000	300,000	300,000	300,000	300,000
House Fire / Flood Damage (Insurance)	10,000	-	-	-	-
Outbuilding removal project	-	100,000	100,000	100,000	100,000
Concrete surrounds	-	250,000	-	-	-
Victoria House - fire doors/scooter store	-	200,000	-	-	-
Yet to be allocated to a scheme	-	57,264	961,926	756,374	2,250,600
	6,445,517	**5,639,700**	**5,348,200**	**5,348,200**	**5,348,200**
ICT Schemes					
Open Housing	50,605	-	-	-	-
	50,605	**0**	**0**	**0**	**0**
New Bolsover Scheme (incl. HLF)					
New Bolsover-Regeneration Scheme	1,264	-	-	-	-
	1,264	**0**	**0**	**0**	**0**
Total HRA	**21,248,035**	**20,603,700**	**10,167,512**	**5,348,200**	**5,348,200**
TOTAL CAPITAL EXPENDITURE	**32,293,588**	**29,389,881**	**11,419,512**	**7,717,800**	**6,725,200**

APPENDIX 2A

CAPITAL PROGRAMME SUMMARY	Revised Budget 2023/24 £	Original Programme 2024/25 £	Forecast Programme 2025/26 £	Forecast Programme 2026/27 £	Forecast Programme 2027/28 £
Capital Financing					
General Fund					
Better Care Fund	(650,000)	(650,000)	(650,000)	(650,000)	(650,000)
Prudential Borrowing	(5,431,603)	(5,548,392)	-	-	-
Reserves	(3,398,322)	(2,338,000)	(602,000)	(1,719,600)	(677,000)
Capital Receipts	(152,584)	-	-	-	(50,000)
External Funding	(1,413,044)	(249,789)	-	-	-
	(11,045,553)	**(8,786,181)**	**(1,252,000)**	**(2,369,600)**	**(1,377,000)**
HRA					
Major Repairs Allowance	(6,421,407)	(5,348,200)	(5,348,200)	(5,348,200)	(5,348,200)
Prudential Borrowing	(8,223,593)	(14,250,000)	(4,609,312)	-	-
Reserves	(4,604,226)	(400,000)	-	-	-
Capital Receipts	(1,253,820)	(314,000)	(210,000)	-	-
External Funding	(744,989)	(291,500)	-	-	-
	(21,248,035)	**(20,603,700)**	**(10,167,512)**	**(5,348,200)**	**(5,348,200)**
TOTAL CAPITAL FINANCING	**(32,293,588)**	**(29,389,881)**	**(11,419,512)**	**(7,717,800)**	**(6,725,200)**

Appendix 2B

Annual Minimum Revenue Provision Statement 2024/25

Where the Authority finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Authority to have regard to the former Ministry for Housing, Communities and Local Government's *Guidance on Minimum Revenue Provision* (the MHCLG Guidance) most recently issued in 2018.

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

The MHCLG Guidance requires the Authority to approve an Annual MRP Statement each year and recommends a number of options for calculating a prudent amount of MRP. The following statement incorporates options recommended in the Guidance:

For capital expenditure incurred before 1 April 2008 the Minimum Revenue Provision policy will be:

- **Historic Debt** - MRP will follow the existing practice outlined in former MHCLG Regulations (Option 1) - capital financing requirement minus "adjustment A" multiplied by 4%.

From 1 April 2008 for all capital expenditure funded by borrowing the Minimum Revenue Provision policy will be:

- **Asset Life Method** - MRP will be based on the estimated useful life of the asset starting in the year after the asset becomes operational. MRP on purchases of freehold land will be charged over 50 years. MRP on expenditure not related to fixed assets but which has been capitalised by regulation or direction will be charged over 20 years.

For assets acquired by finance leases or the Private Finance Initiative, MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.

For capital expenditure loans to third parties, the Authority will make nil MRP unless (a) the loan is an investment for commercial purposes and no repayment was received in year or (b) an expected credit loss was recognised or increased in-year but will instead apply the capital receipts arising from principal repayments to reduce the capital financing requirement instead. In years where there is no principal repayment on loans that are investments for commercial purposes, MRP will be charged in accordance with the MRP policy for the assets funded by the loan, including where appropriate, delaying MRP until the year after the assets become operational. Sufficient MRP will be charged to ensure that the outstanding capital financing requirement (CFR) on the loan is no higher than the principal amount outstanding less the expected credit loss. This option was proposed by the government in its recent MRP consultation and in the Authority's view is consistent with the current regulations.

- No MRP will be charged in respect of assets held within the Housing Revenue Account but depreciation on those assets will be charged instead in line with regulations.

The charge to revenue for MRP is not made until the year after which the capital expenditure is incurred.

In 2019/20 the Authority took steps to reduce the amount of MRP charged by swapping the financing of the capital programme from borrowing to the use of reserves. The Council's Medium Term Financial Strategy 2024/25 – 2027/28 approved in August 2023 states that *'Borrowing costs will be incurred (on capital projects) only where the cost is covered by new income as part of a business case.'*

Based on the Authority's latest estimate of its Capital Financing Requirement on 31st March 2024, the budget for MRP for borrowing incurred in previous years' has been set as follows:

	31.03.2024 Estimated MRP £m	**2024/25 Estimated MRP £**
Capital expenditure before 01.04.2008	0.145	0.139
Unsupported capital expenditure incurred 31.03.2008 – 31.03.2019	0.219	0.186
Finance leases	0	0
Total General Fund	**0.364**	**0.325**
Assets in the Housing Revenue Account	0	0
HRA subsidy reform payment	0	0
Total Housing Revenue Account	**0**	**0**
Total	**0.364**	**0.325**

Appendix 3

Bolsover District Council

Corporate Investment Strategy 2024/25 - 2027/28

1 Strategy Details

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

1.2 This strategy outlines the Authority's Corporate Investment Strategy for the years 2024/25 to 2027/28 for consideration and approval by Council before the start of each financial year.

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

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

Introduction

1.5 The Authority invests its money for three broad purposes:

- because it has surplus cash as a result of its day-to-day activities, for example when income is received in advance of expenditure (known as **treasury management investments**),

- to support local public services by lending to or buying shares in other organisations (**service investments**), and

- to earn investment income (known as **commercial investments** where this is the main purpose).

1.6 This Corporate Investment Strategy meets the requirements of statutory guidance issued by the government in January 2018, and focuses on the second and third of these categories.

Treasury Management Investments

1.7 The Authority typically receives its income in cash (e.g. from taxes and grants) before it pays for its expenditure in cash (e.g. through payroll and invoices). It also holds reserves for future expenditure and collects local taxes on behalf of other local authorities and central government. These activities, plus the timing of borrowing decisions, lead to a cash surplus which is invested in accordance with guidance from the Chartered Institute of Public Finance and Accountancy. The balance of treasury management investments is expected to fluctuate between £10m and £35m during the 2024/25 financial year.

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

1.9 **Further details:** Full details of the Authority's policies and its plan for 2024/25 for treasury management investments are covered in a separate document, the Treasury Management Strategy.

Service Investments: Loans

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

1.11 **Security:** The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due. In order to limit this risk, and ensure that total exposure to service loans remains proportionate to the size of the Authority, upper limits on the outstanding loans to each category of borrower have been set as follows:

Table 1: Loans for service purposes

Category of borrower	31.3.2023 actual			2024/25
	Balance owing	**Loss allowance**	**Net figure in accounts**	**Approved Limit**
Wholly owned company - Dragonfly	£0.641m	0	£0.641m	£10m
Business Partners	0	0	0	£5m
Parish / Town Councils (limit per individual Council)	0	0	0	£5m
Local charities	0	0	0	£5m
Housing associations	0	0	0	£5m
Community Groups	0	0	0	£5m
TOTAL	**£0.641m**	**0**	**£0.641m**	

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

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

Service Investments: Shares

1.14 **Contribution:** The Authority invests in the shares of its wholly owned company, Dragonfly Development Limited to enable economic growth and community regeneration through direct commercial action and to generate an income for the Authority. A report to Council on the 1st of February 2023 provided the full business case in relation to Dragonfly Development Limited. The business case was included with this report at Appendix 1, and page 6 of the business case set out the purpose and objectives of Dragonfly Development Limited.

1.15 **Security:** One of the risks of investing in shares is that they fall in value meaning that the initial outlay may not be recovered. In order to limit this risk, upper limits on the sum invested in each category of shares have been set as follows:

Table 2: Shares held for service purposes

Category of company	31.3.2023 actual			2023/24
	Amounts invested	Gains or losses	Value in accounts	Approved Limit
Wholly owned company - Dragonfly	£0.364m	0	£0.364m	£1.000m
TOTAL	**£0.108m**	**0**	**£0.108m**	**£1.000m**

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

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

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

Commercial Investments: Property

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

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

1.21 A fair value assessment of the Authority's investment property portfolio has been made within the past twelve months, and the underlying assets provide security for capital investment. Should the 2023/24 year end accounts preparation and audit process value these properties below their purchase cost, then an updated Corporate Investment Strategy will be presented to full council detailing the impact of the loss on the security of investments and any revenue consequences arising therefrom.

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

1.23 **Liquidity:** Compared with other investment types, property is relatively difficult to sell and convert to cash at short notice and can take a considerable period to sell in certain market conditions. To ensure that the invested funds can be accessed when they are needed, for example to repay capital borrowed, the Authority will only invest cash that is not needed in the short term based on current cash flow predictions. In addition to this a well-diversified property portfolio will be held, spread across different property sectors.

Loan Commitments and Financial Guarantees

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

1.25 The Authority has agreed to guarantee payment of some invoices by Dragonfly Development Limited or Dragonfly Management Limited to individual suppliers who have requested a guarantee as part of their contract with Dragonfly. The amount of the Guarantee is limited by the approved budget and contract value, and individual letters of guarantee are sent to the relevant companies by the Section 151 Officer.

Borrowing in Advance of Need

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

Capacity, Skills and Culture

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

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

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

Investment Indicators

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

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

Table 3: Total investment exposure

Total investment exposure	31.03.2023 Actual	31.03.2024 Forecast	31.03.2025 Forecast
Treasury management investments	£30.301	£21.500	£16.699
Service investments: Loans	£0.641	£0.641	£0.641
Service investments: Shares	£0.364	£0.364	£0.364
TOTAL INVESTMENTS	**£31.306**	**£22.505**	**£17.704**
Commitments to lend	£1.139	0	0
TOTAL EXPOSURE	**£32.445**	**£22.505**	**£17.704**

1.32 **How investments are funded:** Government guidance is that these indicators should include how investments are funded. Since the Authority does not normally associate particular assets with particular liabilities, this guidance is difficult to comply with.

However, the following investments could be described as being funded by borrowing. The remainder of the Authority's investments are funded by usable reserves and income received in advance of expenditure.

Table4: Investments funded by borrowing

Investments funded by borrowing	31.03.2023 Actual	31.03.2024 Forecast	31.03.2025 Forecast
Dragonfly Development Limited	0	0	0
TOTAL FUNDED BY BORROWING	**0**	**0**	**0**

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

Table 5: Investment rate of return (net of all costs)

Investments net rate of return	2022/23 Actual	2023/24 Forecast	2024/25 Forecast
Treasury management investments	1.98%	4.55%	4.56%
ALL INVESTMENTS	**1.98%**	**4.55%**	**4.56%**