



To: Chair & Members of the Budget  
Scrutiny Committee

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Tuesday, 19th January 2021

Dear Councillor

**BUDGET SCRUTINY COMMITTEE**

You are hereby summoned to attend a meeting of the Budget Scrutiny Committee of Bolsover District Council to be held as a Virtual Meeting on Wednesday, 27th January, 2021 at 10:00 hours.

Members will be sent the details on how to access the Virtual Meeting by email.

Virtual Attendance

I have provided **all Members** with advice that all meetings **must** be held virtually during the National Lockdown. The Council Chamber will not be available for Members to attend the meeting physically during this time. **Should you decide to disregard this advice and potentially be in breach of the law, you will be deemed to have accepted the risk assessments listed for the Arc.**

**The Governance and ICT teams supporting the meeting will be working remotely, and can provide assistance to you for joining virtually.**



**We speak your language**  
Polish **Mówimy Twoim językiem**  
Slovak **Rozprávame Vaším jazykom**  
Chinese **我们会说你的语言**

**If you require this agenda in **large print**  
or another format please call us on 01246 217753**

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

## Risk Assessment Disclaimer

The following risk assessments are available on the Modern.Gov App library:

- Covid-19 ARC RTW RA001
- Working in Offices At The Arc During Covid-19 Pandemic Guidance – ARC – SSW001
- Meetings – EM001 - Committee and Council Meetings during the Covid-19 pandemic

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

You will find the contents of the agenda itemised from page 3 onwards.

Yours faithfully

A handwritten signature in black ink, reading "Sarah Steenberg". The signature is written in a cursive, flowing style with a large initial 'S'.

Solicitor to the Council & Monitoring Officer

# BUDGET SCRUTINY COMMITTEE AGENDA

*Wednesday, 27th January, 2021 at 10:00 hours taking place as a Virtual Meeting*

Item No.	<b><u>PART 1 – OPEN ITEMS</u></b>	Page No.(s)
1.	<b>Apologies For Absence</b>	
2.	<b>Urgent Items of Business</b>	
	To note any urgent items of business which the Chairman has consented to being considered under the provisions of Section 100(B) 4(b) of the Local Government Act 1972.	
3.	<b>Declarations of Interest</b>	
	Members should declare the existence and nature of any Disclosable Pecuniary Interest and Non Statutory Interest as defined by the Members' Code of Conduct in respect of:	
	a) any business on the agenda	
	b) any urgent additional items to be considered	
	c) any matters arising out of those items	
	and if appropriate, withdraw from the meeting at the relevant time.	
4.	<b>Minutes</b>	5 - 11
	To consider the minutes of the last meeting held on 26 <sup>th</sup> November 2020.	
5.	<b>Medium Term Financial Plan 2021/22 to 2024/25</b>	12 - 36
6.	<b>Treasury Strategy Reports 2021/22 - 2024/25</b>	37 - 40
a.	<b>Treasury Management Strategy</b>	41 - 57
b.	<b>Capital Strategy</b>	58 - 72
c.	<b>Corporate Investment Strategy</b>	73 - 78
7.	<b>Budget Scrutiny Committee Work Programme 2020/21</b>	79 - 83
8.	<b>Update from Scrutiny Chairs</b>	
9.	<b>Exclusion of Public</b>	
	“That under Section 100(A)(4) of the Local Government Act 1972 (as amended), the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in the stated Part 1 of	

Schedule 12A of the Act and it is not in the public interest for that to be revealed.” [The category of exempt information is stated after each item].

**PART 2 – EXEMPT ITEMS**

**10. Arlingclose Treasury Management Briefing**

*(Paragraph 3)*

*This presentation is to follow.*

## BUDGET SCRUTINY COMMITTEE

Minutes of a meeting of the Budget Scrutiny Committee of Bolsover District Council held in the Council Chamber, The Arc, Clowne and as a Virtual Meeting on Thursday, 26<sup>th</sup> November 2020 at 10:00 hours.

### **PRESENT:-**

Members:-

Councillor Jen Wilson in the Chair

Councillors Rose Bowler (Vice-Chair), Derek Adams, Allan Bailey, Jane Bryson, Dexter Bullock, Tracey Cannon, Anne Clarke, Tricia Clough, Paul Cooper, David Dixon, Maxine Dixon, Ray Heffer, Natalie Hoy, Andrew Joesbury, Chris Kane, Tom Kirkham, Tom Munro, Evonne Parkin, Graham Parkin, Dan Salt, Janet Tait and Rita Turner.

Also in attendance at the meeting was Councillor Clive Moesby (Portfolio Holder for Finance & Resources).

Officers:- Theresa Fletcher (Head of Finance & Resources and Section 151 Officer), Joanne Wilson (Scrutiny & Elections Officer), Amy Bryan (Senior Governance Officer), Tom Scott (Governance Officer) and Hannah Douthwaite (Governance Apprentice).

The Portfolio Holder for Finance & Resources and the Head of Finance & Resources and Section 151 Officer left the meeting at the beginning of Minute No. BUD017-20/21.

### **BUD010-20/21 APOLOGIES FOR ABSENCE**

Apologies for absence were received on behalf of Councillors Jim Clifton, David Downes and James Watson.

### **BUD011-20/21 URGENT ITEMS OF BUSINESS**

There were no urgent items of business to consider.

### **BUD012-20/21 DECLARATIONS OF INTEREST**

There were no declarations of interest made.

### **BUD013-20/21 MINUTES**

Moved by Councillor Jen Wilson and seconded by Councillor Ray Heffer.

**RESOLVED** that the Minutes of a Budget Scrutiny Committee held on 30<sup>th</sup> July 2020 be approved as a correct record.

### **BUD014-20/21 BUDGET MONITORING REPORT - QUARTER 2 (APRIL TO SEPTEMBER 2020)**

## **BUDGET SCRUTINY COMMITTEE**

The Section 151 Officer presented a report to update Budget Scrutiny Committee on the financial position of the Council following the second quarter's budget monitoring exercise for the General Fund, the Housing Revenue Account (HRA), Capital Programme and Treasury Management activity.

The Section 151 Officer stated that many of the figures in this report had now been superseded by the Revised Budgets 2020/21 information later in the agenda, so advised Members to note this Budget Monitoring report and save their questions for the Revised Budget 2020/21 item.

It was moved by Councillor Tom Munro and seconded by Councillor Jen Wilson to postpone any questions about the Budget Monitoring report until the Revised Budget 2020/21 agenda item.

It was moved by Councillor Ray Heffer and seconded by Councillor Andrew Joesbury to note the monitoring position of the General Fund, Housing Revenue Account (HRA), Capital Programme and Treasury Management as detailed in the Quarter 2 Budget Monitoring report.

**RESOLVED** that the Budget Scrutiny Committee:

(i) Postpones any questions about the Budget Monitoring report until the Revised Budget 2020/21 agenda item.

(ii) Notes the monitoring position of the General Fund at the end of the second quarter as detailed on Appendix 1 (A net favourable variance of £0.413m against the profiled budget) and the key issues highlighted within this report.

(iii) Notes the position on the Housing Revenue Account (HRA), the Capital Programme and Treasury Management at the end of the second quarter (Appendices 3, 4 and 5).

(Section 151 Officer)

### **BUD015-20/21 SETTING OF COUNCIL TAX 2021/22**

The Section 151 Officer delivered a presentation to Members setting out options for setting Council Tax for 2021/22. This included information on:

- 1) The Council's current financial position
- 2) Timescales
- 3) Council Tax history
- 4) Future options

The Portfolio Holder for Finance & Resources spoke on the presentation and stated his belief that to continue with the £5 increase as chosen in recent years would allow the Council to keep providing its services.

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It was moved to note the presentation by Councillor Ray Heffer and seconded by Councillor Tom Munro.

**RESOLVED** that the Budget Scrutiny Committee notes the Council Tax options 2021/22 presentation.

### **BUD016-20/21 REVISED BUDGETS 2020/21**

The Section 151 Officer delivered a presentation to Members with figures for Revised Budgets 2020/21. This included:

- 1) General Fund
- 2) From Original to Current – Q1 and Q2 (savings differences)
- 3) From Current to Revised Budgets
- 4) COVID-19 Financial Impact
- 5) Housing Revenue Account
- 6) Capital Programme
- 7) Reserves and Balances

The Section 151 Officer summarised the most important parts of the Revised Budgets, which was that:

- 1) The Coronavirus pandemic is having a detrimental effect on the Council's 2020/21 general fund budget.
- 2) For 2020/21 the revised budget estimate for the housing revenue account is a surplus, this will be transferred to the HRA Development Reserve.
- 3) Any underspend on general fund will be transferred to the NNDR Growth Protection Reserve.
- 4) The level of reserves is considered to be adequate to fund planned expenditure and potential issues/risks that we face.
- 5) The capital programme for 2020/21 is fully financed and does not include any borrowing where MRP is payable.

The Portfolio Holder for Finance and Resources spoke on the presentation and stated that the Council would have to be careful and prudent in the face of reduced income. He also noted that part of the Government's COVID-19 grant to the Council would go out to Parish Councils because they had been hit hard by the pandemic.

Councillor Janet Tait asked what was in place for businesses struggling because of the pandemic. The Section 151 Officer informed her that a scheme was in place called

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Local Restrictions Support Grant to help businesses, and details on how to apply were on the Council website. She added that two other discretionary schemes to support businesses would be set up soon.

The Portfolio Holder for Finance and Resources stated that in addition to these grant schemes, there was also a scheme to give COVID-19 self-isolators £500 as encouragement to not go into the workplace. Council officers had also been as supportive as possible in collecting rents from businesses with their lockdown difficulties in mind.

Councillor Tricia Clough referred to mention in the Budget Monitoring Quarter 2 report earlier in the agenda of a meeting taking place in October or November 2020 about spending of Section 106 money before the deadline to spend it, and asked if this meeting had now occurred. The Section 151 Officer assured her that this meeting had happened recently and the officers present were reminded of their individual deadlines to spend Section 106 funds.

Councillor David Dixon referred to the mention in the presentation of grants to Parish Councils and asked if any caveats would be attached to these. The Portfolio Holder for Finance and Resources responded that the Parish Councils had been told that the funding was to keep the Parish Councils running, and they could spend it on all Parish Council duties.

Councillor Maxine Dixon referred to the mention of £500 to business workers self-isolating and asked for more detail on this. The Section 151 Officer explained that it was a scheme being run for individual people (rather than businesses) by the NHS Test and Trace system, so applications to receive the grant should be directed to the NHS.

Councillor Tom Munro referred to Councillor Tricia Clough's concern about Section 106 funds being spent before the four year deadline, and he assured her that Planning Committee received a report at its previous meeting stating that all Section 106 money would be spent before the deadline. He added that speaking as a Parish Councillor, he was pleased to see the grants to Parish Councils because Parish Council finances relied heavily on services forced to close down in the pandemic like village halls.

Councillor Tom Munro referred to the mention in the presentation of significant savings found by not filling staff vacancies, and sought assurances that this had not meant a reduction in the level of service. The Section 151 Officer assured him that the saving was made up of maternity cover and posts that were earmarked to be filled but now were not. The Portfolio Folder for Finance and Resources added that this would not mean any reduction to services, and not filling vacant posts was something often carried out to balance budgets.

Councillor Tom Munro referred to the reductions in HRA spending because of only urgent repair work being carried out in the pandemic, and asked if provisions were in place once the pandemic was over to address all of the repair work that had not been done. The Section 151 Officer explained that HRA funds not spent on repair work during the pandemic had been put into the HRA reserves, so this would be taken out of these reserves once the pandemic was over.



## **BUDGET SCRUTINY COMMITTEE**

It was moved by Councillor Ray Heffer and seconded by Andrew Joesbury to note the presentation on Revised Budgets 2020/21.

**RESOLVED** that the Budget Scrutiny Committee notes the Revised Budgets 2020/21 presentation.

### **BUD017-20/21 BUDGET SCRUTINY COMMITTEE WORK PROGRAMME 2020/21**

*N.B. At this point the Portfolio Holder for Finance and Resources and the Section 151 Officer left the meeting.*

Committee considered their Work Programme for 2020/21.

The Scrutiny & Elections Officer explained that the next meeting scheduled for 27<sup>th</sup> January 2021 would consider revisions to the Medium Term Financial Plan, the strategies for Treasury Management/Capital/Corporate Investment, and a Treasury Management briefing from Arlingclose.

Members had no questions relating to the Work Programme.

It was moved by Councillor Tom Munro and seconded by Councillor Chris Kane to note the report for the Work Programme 202/21.

**RESOLVED** that the Budget Scrutiny Committee notes the report for the Work Programme 2020/21.

(Scrutiny & Elections Officer)

### **BUD018-20/21 UPDATE FROM SCRUTINY CHAIRS**

*Customer Service & Transformation Scrutiny Committee:*

The Chair of Customer Service & Transformation Scrutiny Committee reported that since the last Budget Scrutiny Committee meeting on 30<sup>th</sup> July 2020, the Customer Service & Transformation Scrutiny Committee had held three public meetings and three informal meetings. She added that:

1) Members had considered two separate complaints reports – the Oct 19-Mar 20 report and the Annual Complaints report, and the Ombudsman Annual Letter. The Committee received an update on the redevelopment of the Council's Website to comply with new accessibility regulations, and completed a spotlight review looking at the Impact of COVID-19 on Customer services & Contact Centres.

2) Members had just commenced a Review of IT Services & Support and intended to look at Procurement Services later in the municipal year.

3) Post-scrutiny monitoring against two past reviews was nearing completion:

a) The final report in relation to the operational Review of Standards Committee was considered by the Committee in October 2020 with all recommendations bar one complete. Once pandemic restrictions eased, it was hoped that the Parish Council Liaison meetings would recommence for the last recommendation to be completed.

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b) The final report in relation to the Review of Delivery of Environmental Health & Licensing had two recommendations outstanding and would be considered at the December 2020 meeting.

3) Further work was taking place in relation to both of the reviews of the Committee from 2019/20 on Review of Re-letting of Council Properties and the Review of New Bolsover, due to the impact of COVID-19 on completion of works on site.

### *Healthy, Safe, Clean & Green Communities Scrutiny Committee:*

The Chair of Customer Service & Transformation Scrutiny Committee reported on this Committee on behalf the Chair of Healthy, Safe, Clean & Green Communities Scrutiny Committee. She reported that since the lockdown began, the Committee had held two public virtual meetings and two informal virtual meetings. She added that:

1) Members had considered the Q1 Ambitions Performance Report, received a report in relation to the spotlight review looking on the Impact of COVID-19 on Waste Collection Services, and completed a spotlight review looking at the Impact of COVID-19 on Leisure Services. This involved a presentation from the Leisure Operations Manager based on an initial brief from Members and a Q&A. Members had also reviewed the proposed consultation draft of the BDC Sex Establishment Policy and Procedure prior to submission to Licensing Committee.

2) Members had expanded the usual annual review of Health & Wellbeing to consider the impact of COVID-19, and will be questioning officers from HR and Health & Safety.

3) The review from 2019/20 in relation to Children in Care and Care Leavers was still progressing but had been altered by the pandemic and the need to focus on the more immediate impact of COVID-19.

### *Growth Scrutiny Committee:*

The Chair of Growth Scrutiny Committee reported that the Growth Scrutiny Committee had met four times formally and three times informally under the new arrangements of the Coronavirus Regulations. She added that:

1) Members had considered the Q1 Ambitions Performance Report, the Growth Strategy Update for Q3 and Q4 2019/20 and the Growth PIs for the same period.

2) Members had now considered the consultation draft of the Empty Property Strategy and at the next meeting in December 2020 would be looking at the consultation draft of the Housing Strategy.

3) Members had also had further discussion of the Director's response to the Reconsideration of the Decision – Sale of Land at Glapwell, and had now drawn work in relation to the call-in to a close.

4) At the last meeting of the Committee, Members considered a report from the Partnership team on the refresh of the Sustainable Community Strategy and also

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assessed the achievements of the partnership to date and the work of the partnership in response to COVID-19.

5) The Committee had recently agreed a new review scope to look at the Council's relationship with Robert Woodhead Limited. The first evidence gathering session had taken place examining the Bolsover Homes contract.

6) The Committee's mini-review looking at the private rented sector and selective licensing was now not moving ahead, due to recent information gathered as part of the development of the Empty Property Strategy. There was no further impact scrutiny could have had at this time.

**RESOLVED** that the updates be noted.

The meeting concluded at 1105 hours.

## **Bolsover District Council**

### **Budget Scrutiny Committee**

**27th January 2021**

#### **Medium Term Financial Plan 2021/22 to 2024/25**

### **Report of Head of Finance + Resources**

This report is public

#### **Purpose of the Report**

- To enable the Budget Scrutiny Committee to consider the proposed budget for 2021/22 for the General Fund, Housing Revenue Account and Capital Programme as part of the Council's Medium Term Financial Plan covering the years 2021/22 to 2024/25, 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 Budget Scrutiny Committee will be reported verbally to Council.

#### **1 Report Details**

##### **Introduction**

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

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

In particular financial projections are provided for:

- 2020/21 Current Budget Position – this is the current year budget, revised to take account of changes during the financial year that will end on 31<sup>st</sup> March 2021.
- 2021/22 Original Budget – this is the proposed budget for the next financial year, on which the Council Tax will be based, and will commence from 1<sup>st</sup> April 2021.
- 2021/22 Original Budget – this includes proposed increases to rents and fees and charges for the next financial year for the Housing Revenue Account.
- 2022/23 to 2024/25 Financial Plan - In accordance with good practice the Council agrees its annual budgets within the context of a Medium Term

Financial Plan (MTFP). This includes financial projections in respect of the next three financial years.

- 1.2 Recommendations agreed by Executive and Budget Scrutiny will be referred to the Council meeting of 3<sup>rd</sup> February 2021 for Members' consideration and approval

## **General Fund**

### **2020/21 Current Budget**

- 1.3 In February 2020, Members agreed a budget for 2020/21 to determine Council Tax. The original budget showed a funding deficit of £0.290m. Throughout the year budgets have been actively managed with savings removed from the budget once they have been agreed.
- 1.4 The pandemic income loss and expenditure projections were included in the Revised Budget which was considered by Executive at its meeting on the 23<sup>rd</sup> November 2020 and by Budget Scrutiny at its meeting on the 26<sup>th</sup> November. There have been no changes to the budget position since this time.
- 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, particularly this year during the pandemic.
- 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.

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

- 1.7 The financial projection for 2021/22 to 2023/24 was approved by Members in February 2020. The 2020/21 budget process has updated those projections and established a base for 2024/25.
- 1.8 The proposed budget for 2021/22 currently shows a deficit of £0.291m. Based on current information the requirement to achieve financial savings for future years is 2022/23 £0.402m; 2023/24 £0.448m; 2024/25 £2.109m (**Appendix 1**). **Appendix 2** details the net cost of each cost centre by Directorate.
- 1.9 The table on the following page shows the updated figures resulting from the budget process together with estimates of future assumptions for vacancy management and council tax increases. Also included is the funding from the general fund balance of the increase in the contribution to the Local Government Pension Scheme.

	<b>2020/21 Revised Budget £000</b>	<b>2021/22 Forecast £000</b>	<b>2022/23 Forecast £000</b>	<b>2023/24 Forecast £000</b>	<b>2024/25 Forecast £000</b>
<b>General Fund (surplus)/Budget Shortfall</b>	<b>79</b>	<b>291</b>	<b>402</b>	<b>448</b>	<b>2,109</b>
Estimate of one-off vacancies each year	0	(100)	(100)	(100)	(100)
Basic assumption for future council tax increases	0	(110)	(220)	(330)	(440)
Pension costs to be funded by GF balance	(79)	(81)	(82)	(18)	0
<b>Closing Budget Shortfall</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,569</b>

- 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 2020/21, was a roll-over settlement. The Spending Review 2019 was effectively an extension to the four-year settlement that covered the period 2016/17 – 2019/20.
- 1.12 The Spending Review 2020, was due to cover the years 2021/22 – 2024/25 and it was anticipated it would provide clarity on the impact of the Fair Funding Review; the abolition of the New Homes Bonus; the fundamental review of Business Rates and the baseline reset of Business Rates.
- 1.13 However, dealing with the Coronavirus pandemic meant the Government was not in a position to implement any changes from the reviews. The Spending Review 2020 is therefore a further one-year extension.
- 1.14 The continued uncertainty surrounding local government funding means we have had to make some significant assumptions for future years as follows:

#### New Homes Bonus

- 1.15 We have been waiting for the results of the Government's consultation on the future of New Homes Bonus Grant for at least two years. It is widely expected that the grant will be abolished but it is not yet known what, if anything, will replace it.
- 1.16 As we have effectively had a bonus year for New Homes Bonus to be received with the delay of its abolition and the roll-over from 2020/21, we have been able to include an extra £0.270m in grant income for 2021/22.

- 1.17 However, indications in the settlement are that from 2022/23 there will be no further New Homes Bonus Grant payments and it is not yet clear how it will be replaced.
- 1.18 Therefore, we have changed our assumption on the allocations of the New Homes Bonus returned funding pot for future years. This has meant reductions of £0.145m in 2022/23 and £0.192m from 2023/24, compared to the estimates made this time last year. This leaves just a legacy payment of £0.095m from the 2019/20 allocations to be received in 2022/23.

#### Fair Funding Review

- 1.19 Although delayed as mentioned earlier, 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.
- 1.20 The risk of losses from the Fair Funding Review are also much greater for district councils because of our ability to raise council tax. This puts a greater burden on the local decision making with regards council tax setting each year.
- 1.21 For now, the lack of any concrete figures means we have not been able to include an estimate of the likely impact of the Fair Funding Review in the budgets. When information is received to enable a value to be attributed to the changes, Members will be updated at the first opportunity.

#### Business Rates

- 1.22 As with New Homes Bonus, we have effectively had a bonus year for Business Rates due to the one-year delay too. We have been able to include an extra £0.335m income for 2021/22.
- 1.23 For future years although delayed, the implications of Business Rates Retention Reform have not changed. The issues are around resetting our business rates baseline and therefore potentially wiping out any growth since 2013/14 and also changing the share for business rates from 50% to 75% from 2021/22 (although increases are likely to go to county councils).
- 1.24 The figures 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. It must be stressed these are estimates of the changes as no confirmed figures have been received. As protection against further negative adjustments, no growth in business rates has been included for any year. This has resulted in a reduction of income to the financial plan of 2022/23 £0.681m and 2023/24 £0.910m.

#### Revenue Support Grant

- 1.25 The one-year delay has meant a further year of receiving Revenue Support Grant. We will receive £1.195m in this bonus year of receiving the grant. No grant will be received from 2022/23 onwards.

#### Mitigating losses in Government Funding

- 1.26 To help mitigate losses caused by funding changes the NNDR Growth Protection Reserve was created a number of years ago. Originally this included transfers of income from the general fund when Business Rates income calculations were updated for new growth.
- 1.27 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.
- 1.28 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.
- 1.29 The balance accumulated has meant we are able to use the reserve to even out some of the government funding losses over the life of the current MTFP. A transfer from general fund to the reserve will be made in 2021/22 of £0.550m. Latest estimates for transfers back to general fund are £2.268m 2022/23, £2.776m 2023/24 and the reserve balance of £1.191m in 2024/25.
- 1.30 When savings are found through the Transformation Programme the transfers from the reserve are reduced.

#### Coronavirus pandemic

- 1.31 As mentioned in 1.4, the effect of the pandemic on our 2020/21 income and expenditure was given in detail in the Executive report of 23<sup>rd</sup> November. Briefly, we've received almost £1.5m from Government (tranche payments 1-4) to cover pressures incurred due to the pandemic. We've been able to recoup some of the lost income through the income compensation scheme and we've covered the remainder with grant received.
- 1.32 We've passed on £0.448m in financial assistance to Parish Councils who were unable themselves to claim any compensation. We made reductions in expenditure budgets of £0.172m and were also able to furlough some staff, although both these amounts later had to be deducted from the income compensation amount. As the situation continues to change in 2020/21, we are assured we will continue to be compensated for some types of lost income.
- 1.33 The Spending Review 2020, gave allocations for a further tranche 5 of grant funding. Our provisional share of this is £0.497m and this is expected to be received in April for 2021/22 and is again to cover cost pressures. It was also announced that the sales, fees and charges compensation scheme would continue for the first quarter of 2021/22.
- 1.34 Therefore, the assumption made in the MTFP regarding the Coronavirus pandemic is that for 2021/22 cost pressures and losses in leisure income will be covered by the Government and no adverse effect will be felt from these.

#### Council Tax and Business Rates collection

- 1.35 A scheme to fund 75% of irrecoverable losses in council tax and business rates was also announced in the Spending Review. This scheme will run parallel to the requirement for billing authorities to spread the 2020/21 collection fund deficit for both of these over 3 years.



- 1.36 Early indications are that the scheme is very generous and that both council tax and business rates expected budgeted income will be compensated regardless of whether the losses occurred because of lower collection rates, increased council tax support costs or lower tax base growth. We as billing authority are still required to continue appropriate collection and enforcement action for outstanding council tax and business rates debt however.
- 1.37 At the time of writing this report, calculations for council tax and business rates are currently being undertaken as part of statutory requirements but it is expected there will be no detrimental impact on the MTFP as a consequence of Coronavirus due to the financial protection measures announced by the Government.

#### Expenditure, income levels and efficiencies

- 1.38 In developing the financial projections covering the period 2021/22 to 2024/25, officers have made a number of assumptions. The major assumptions are:
- For 2021/22, 1% has been included in staffing budgets as an estimate for a pay award.
  - For 2022/23 to 2024/25, 2% has been included in staffing budgets as an estimate for a pay award.
  - Investment income as a result of treasury management decisions has been reduced by £0.200m in all years of the MTFP as interest rates continue to fall. Current rates are at .1% and it is hoped negative interest rates will be avoided but this is obviously outside of our control.
  - Inflation specific budgets such as energy costs and fuel have been amended to reflect anticipated price changes.
  - With respect to planning fees, a base level for income has been included for all future years of £0.400m. 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.
  - Brexit – no provision has been made in the budget for costs that may be incurred. Any significant impact will be dealt with in a future report, if necessary with financing from reserves and a small Government grant we have already received of £0.034m.
- 1.39 Additionally, the Council's transformation programme seeks to contribute to the financial challenges faced through the progression of innovative and forward thinking ideas.

### **Council Tax Implications**

#### Council Tax Base

- 1.40 In preparation for the budget, the Chief Financial Officer under delegated powers has determined the Tax Base at Band D for 2021/22 as 22,026.33. This is a slight reduction on the 2020/21 Tax Base due to a combination of increased empty properties in the district and an increase in the number of council tax support claimants.

#### Council Tax Options

- 1.41 The Council's part of the Council Tax bill in 2020/21 was set at £181.29 for a Band D property. This was an increase of 2.83%.
- 1.42 The Council has a range of options when setting the Council Tax. The Government indicate what upper limit they consider acceptable. For 2021/22 District Councils are permitted to increase their share of the Council Tax by the greater of 2% or £5 without triggering the need to hold a referendum.
- 1.43 The table below shows some of the options and the extra revenue generated.

Increase	New Band D £	Annual Increase £	Weekly Increase £	Extra Revenue £
1.00%	183.10	1.81	0.04	39,873
2.00%	184.91	3.63	0.08	79,804
2.75%	186.28	4.99	0.10	109,853

- 1.44 The level of increase each year affects the base for future years and the proposed increase for 2021/22 is 2.75%, generating additional revenue of £109,853.

### **Financial Reserves – General Fund**

- 1.45 The Council's main uncommitted Financial Reserves are the General Fund Working Balance of £2.261m and the uncommitted element of the Transformation Reserve of £1.457m. 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)**

#### **2020/21 Current Budget**

- 1.46 In February 2020, Members agreed a budget for 2020/21. Rent levels were set in line with Government regulations with an increase of 2.7%, effective from 1<sup>st</sup> April 2020. HRA fees and charges were also set, effective from the same date.
- 1.47 The Revised Budget was considered by Executive at its meeting on the 23<sup>rd</sup> November 2020 and by Budget Scrutiny at its meeting on the 26<sup>th</sup> November. There have been no changes to the budget position since this time.
- 1.48 A surplus of £0.095m was estimated, which was £0.011m lower than the current budget of £0.106m.

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

- 1.49 The proposed budget for 2021/22 currently shows a surplus of £0.006m. Based on current information the surplus for future years is 2022/23 £0.012m; 2023/24 £0.013m; 2024/25 £0.014m (**Appendix 3**). The proposal is to transfer the surplus into the HRA Revenue Reserve in all years.

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

#### Level of Council Dwelling Rents

- 1.51 The MHCLG 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.'*
- 1.52 Therefore for 2021/22 the income for dwelling rents has been included in the budget at CPI rate .5% plus 1%. For future years it has been assumed the same policy will apply.
- 1.53 The table below shows the average rent increases on a 48 week basis, 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
1.5%	£86.42	£55.68	£1.16	£63.02 - £111.13
Average for Social Rent on a 48 week basis				
1.5%	£107.71	£70.56	£1.47	£80.49 - £162.59
Average for Affordable Rent on a 48 week basis				

#### Fees and Charges

- 1.54 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.
- 1.55 A schedule of the proposed charges is set out at **Appendix 3, table 1**. For 2021/22 in most cases the charges are recommended to be increased by CPI .5% plus 1%.

#### **Financial Reserves - HRA**

- 1.56 The Council's main uncommitted Financial Reserves are the Housing Revenue Account Working Balance of £2.154m. 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**

- 1.57 There will be three separate reports to Council on 3<sup>rd</sup> February 2021 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.

### **2020/21 Current Budget**

- 1.58 In February 2020, Members approved a Capital Programme in respect of 2020/21 to 2023/24. 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 2020/21 the equivalent amount of funding was not applied during 2019/20 and is therefore available in 2020/21 to meet the delayed payments.
- 1.59 The Revised Capital Programme was considered by Executive at its meeting on the 23<sup>rd</sup> November 2020 and by Budget Scrutiny at its meeting on the 26<sup>th</sup> November. There have been no changes to the budget position since this time.

### **General Fund Capital Programme 2021/22 to 2024/25**

- 1.60 The proposed Capital Programme for the General Fund totals £2.845m for 2021/22; £2.230m for 2022/23; £3.036m for 2023/24 and £1.556m for 2024/25 (**Appendix 4**).

### **Housing Revenue Account Capital Programme 2021/22 to 2024/25**

- 1.61 The proposed Capital Programme for the Housing Revenue Account totals £17.835m for 2021/22; £14.738m for 2022/23; £14.898m for 2023/24 and £10.038m for 2024/25 (**Appendix 4**).
- 1.62 A list of all the schemes and associated funding are attached as **Appendix 4** to this report.

## **Robustness of the Estimates**

- 1.63 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.
- 1.64 The Council's Section 151 Officer (The Head of Finance and Resources) is satisfied that the estimates are considered to be robust, employee costs are based on the approved establishment, investment income is based on the advice of the Council's Treasury Management Advisors and income targets are considered to be achievable.
- 1.65 Likewise the Section 151 Officer is satisfied that the levels of reserves are considered to be adequate to fund planned expenditure and potential issues and risks that face the Council.

## **2 Conclusions and Reasons for Recommendations**

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

### **3 Consultation and Equality Impact**

- 3.1 The Council is required to consult with stakeholders on the proposed budget. This consultation is part of the Council's service planning framework and has effectively been taking place throughout the financial year. These mechanisms include active participation in the Local Strategic Partnership, a range of meetings with local groups and associations and a performance management framework. These meetings help to inform the Council's understanding of what is expected of it by our local communities.
- 3.2 There are no equality impact implications from this report.

### **4 Alternative Options and Reasons for Rejection**

- 4.1 Alternative options are considered throughout the report.

### **5 Implications**

#### **5.1 Finance and Risk Implications**

- 5.1.1 Financial issues and implications are covered in the relevant sections throughout this report.
- 5.1.2 The Council has a risk management strategy and associated framework in place and the Strategic Risk Register is regularly reviewed through the Council's performance management framework. Strategic risks along with the mitigation in place to ensure such risks are manageable are reported to the Audit Committee on a quarterly basis. The risk of not achieving a balanced budget is outlined as a key risk within the Council's Strategic Risk Register and is therefore closely monitored through these practices and reporting processes.

#### **5.2 Legal Implications including Data Protection**

- 5.2.1 The Council is legally obliged to approve a budget prior to the commencement of the new financial year in April 2021. This report together with the associated budget timetable has been prepared in order to comply with our legal obligations.
- 5.2.2 The recommended budget for the General Fund, Housing Revenue Account and Capital Programme comply with the Council's legal obligation to agree a balanced budget.
- 5.2.3 There are no Data Protection issues arising directly from this report.

#### **5.3 Human Resources Implications**

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

## 6 Recommendations

- 6.1 That Budget Scrutiny Committee note the report and make any comments that they believe to be appropriate to be given verbally at the Council meeting on 3<sup>rd</sup> February 2021.

### The Executive report recommendations are as follows:

- x1 *That all recommendations below are referred to the meeting of Full Council on the 3<sup>rd</sup> February 2021.*

*The recommendations to Council are:*

- x2 *That in the view of the Chief Financial Officer, that the estimates included in the Medium Term Financial Plan 2021/22 to 2024/25 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 Budget Scrutiny Committee on a quarterly basis regarding the overall position in respect of the Council's budgets. These reports to include updates on achieving savings and efficiencies for 2021/22 and future years.*

### **GENERAL FUND**

- x4 *A Council Tax increase of £4.99 is levied in respect of a notional Band D property (2.75%).*
- 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 2020/21, as the Original Budget in respect of 2021/22, and the financial projection in respect of 2022/23 to 2024/25.*
- x6 *That any further under spend in respect of 2020/21 is transferred to the Council's General Fund Reserves.*
- x7 *On the basis that income from Planning Fees may exceed £0.500m in 2020/21, 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 sets its rent levels in line with government policy, increasing rent levels by CPI (.5%) plus 1% to apply from 1 April 2021.*
- x9 *That the increases in respect of other charges as outlined in **Appendix 3 Table 1** be implemented with effect from 1 April 2021.*
- x10 *The Medium Term Financial Plan in respect of the Housing Revenue Account as set out in **Appendix 3** of this report be approved as the Revised Budget in respect of 2020/21, as the Original Budget in respect of 2021/22, and the financial projection in respect of 2022/23 to 2024/25.*
- x11 *That under spends in respect of 2020/21 to 2024/25 are transferred to the HRA Revenue Reserve.*

## **CAPITAL PROGRAMME**

- x12 That the Capital Programme as set out in **Appendix 4** be approved as the Revised Budget in respect of 2020/21, and as the Approved Programme for 2021/22 to 2024/25.
- x13 That the Head of Property Services and Housing Repairs be granted delegated powers in consultation with the Portfolio Member and the Asset Management group to approve the utilisation of the £260,000 of AMP Refurbishment Work allocation, with such approvals to be reported back to Executive through the Quarterly Budget Monitoring Report.

## **7 Decision Information**

<b>Is the decision a Key Decision?</b> A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds: BDC: Revenue - £75,000 <input type="checkbox"/> Capital - £150,000 <input type="checkbox"/> NEDDC: Revenue - £100,000 <input type="checkbox"/> Capital - £250,000 <input type="checkbox"/> <input checked="" type="checkbox"/> Please indicate which threshold applies	Yes
<b>Is the decision subject to Call-In?</b> (Only Key Decisions are subject to Call-In)	Yes
<b>Has the relevant Portfolio Holder been informed</b>	Yes
<b>District Wards Affected</b>	All
<b>Links to Corporate Plan priorities or Policy Framework</b>	All

## **8 Document Information**

Appendix No	Title
1	General Fund Summary
2	General Fund Detail
3	Housing Revenue Account
3 table 1	HRA – Fees and Charges 2021/22
4	Capital Programme Summary
<b>Background Papers</b> (These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Cabinet (NEDDC) or Executive (BDC) you must provide copies of the background papers)	
<b>Report Author</b>	<b>Contact Number</b>
Head of Finance and Resources	2458

**BOLSOVER DISTRICT COUNCIL  
GENERAL FUND**

**APPENDIX 1**

	Revised Budget 2020/21 £	Original Budget 2021/22 £	Forecast 2022/23 £	Forecast 2023/24 £	Forecast 2024/25 £
<u>Directorates</u>					
Corporate Resources	3,883,741	3,593,153	3,399,402	3,473,602	3,490,725
Development	2,299,136	1,840,284	1,712,887	1,788,096	1,825,153
Environment and Enforcement	4,959,762	4,865,102	4,954,599	5,090,266	5,209,454
<u>S106 Expenditure</u>					
Corporate Resources	497,577	8,633	7,644	6,936	18,922
Development	697,806	0	0	0	0
<b>Net Cost of Services</b>	<b>12,338,022</b>	<b>10,307,172</b>	<b>10,074,532</b>	<b>10,358,900</b>	<b>10,544,254</b>
Debt Charges	895,053	967,656	637,809	513,243	474,320
Investment Interest	(217,905)	(56,972)	(60,136)	(62,531)	(68,056)
	<b>13,015,170</b>	<b>11,217,856</b>	<b>10,652,205</b>	<b>10,809,612</b>	<b>10,950,518</b>
<b>Appropriations:</b>					
Contributions to Reserves	2,022,710	763,785	211,667	220,667	156,667
Contribution from Earmarked Reserves	(888,517)	(523,647)	(115,457)	(99,365)	(55,907)
Contribution (from)/to NNDR Growth Protection Reserve	1,557,943	550,000	(2,267,931)	(2,776,467)	(1,190,779)
Contribution from Grant Accounts	(4,070)	(5,320)	(5,320)	(5,320)	(5,320)
Contribution from Holding Accounts	(831,985)	(245,361)	(183,959)	(81,518)	(113,111)
Contribution from S106 Holding A/cs	(1,195,383)	(8,633)	(7,644)	(6,936)	(18,922)
<b>TOTAL EXPENDITURE</b>	<b>13,675,868</b>	<b>11,748,680</b>	<b>8,283,561</b>	<b>8,060,673</b>	<b>9,723,146</b>
Parish Precepts	3,241,198	3,241,198	3,241,198	3,241,198	3,241,198
<b>TOTAL SPENDING REQUIREMENT</b>	<b>16,917,066</b>	<b>14,989,878</b>	<b>11,524,759</b>	<b>11,301,871</b>	<b>12,964,344</b>
Revenue Support Grant	(1,190,000)	(1,194,913)	0	0	0
Business Rates Retention total	(5,973,878)	(4,752,753)	(3,793,549)	(3,619,549)	(3,620,549)
New Homes Bonus Grant total	(952,995)	(495,861)	(95,083)	0	0
Lower Tier Services Grant 21/22	0	(228,904)	0	0	0
COUNCIL TAX - BDC precept	(4,019,068)	(3,993,153)	(3,993,153)	(3,993,153)	(3,993,153)
Council tax - Parish element from above	(3,241,198)	(3,241,198)	(3,241,198)	(3,241,198)	(3,241,198)
COVID-19 Related Support	(1,460,569)	(791,591)	0	0	0
<b>TOTAL FUNDING</b>	<b>(16,837,708)</b>	<b>(14,698,373)</b>	<b>(11,122,983)</b>	<b>(10,853,900)</b>	<b>(10,854,900)</b>
<b>FUNDING GAP / (SURPLUS)</b>	<b>79,358</b>	<b>291,505</b>	<b>401,776</b>	<b>447,971</b>	<b>2,109,444</b>



## General Fund Detail

List of net budgets per cost centre per directorate

## APPENDIX 2

		Revised	Original			
		Budget	Budget	Forecast	Forecast	Forecast
		2020/21	2021/22	2022/23	2023/24	2024/25
		£	£	£	£	£
G001	Audit Services	117,052	123,520	123,520	123,520	123,520
G002	I.C.T.	831,579	903,400	922,245	933,787	917,919
G003	Communications, Marketing + Design	283,234	333,154	341,162	348,899	356,032
G006	Partnership, Strategy + Policy	483,323	428,117	343,108	341,141	345,533
G011	Head of Leader's Executive Team	67,477	70,415	73,970	77,630	81,410
G014	Customer Contact Service	724,914	762,884	785,517	804,369	822,610
G015	Customer Service + Improvement	122,416	127,943	131,098	133,589	136,140
G038	Concessionary Fares + TV Licenses	(10,056)	(10,453)	(10,550)	(10,648)	(10,748)
G040	Corporate Management	169,342	171,431	176,996	178,809	182,781
G041	Non Distributed Costs	684,582	688,609	688,609	688,609	688,609
G044	Financial Services	258,476	313,726	320,918	327,254	333,739
G052	Human Resources	215,541	218,090	221,779	225,942	229,400
G054	Electoral Registration	179,360	185,021	188,826	191,734	194,679
G055	Democratic Representation + Management	519,501	530,725	531,066	531,415	531,773
G056	Land Charges	(3,999)	(3,248)	(2,322)	(1,461)	(556)
G057	District Council Elections	5,000	5,000	25,000	53,000	0
G058	Governance	237,176	259,371	269,844	278,479	286,586
G060	Legal Services	237,396	242,253	238,067	233,923	239,304
G061	Bolsover Wellness Programme	66,184	79,103	82,923	86,010	89,040
G062	Extreme Wheels	37,497	4,064	(2,060)	(1,263)	(449)
G064	Bolsover Sport	142,897	140,889	140,029	142,984	145,911
G065	Parks, Playgrounds + Open Spaces	44,420	37,469	40,761	40,734	44,457
G069	Arts Projects	48,643	49,543	50,355	51,183	52,026
G070	Outdoor Sports + Recreation Facilities	19,193	19,567	20,145	20,756	21,406
G072	Leisure Services Mgmt + Admin	258,753	267,010	273,502	278,520	282,874
G084	Head of Transformation + Organisation	36,374	38,289	40,114	40,912	41,728
G086	Alliance	7,250	7,250	7,250	7,250	7,250
G094	Director of Corporate Resources	55,101	55,581	56,704	57,843	59,005
G100	Benefits	298,191	487,394	532,559	572,392	607,637
G103	Council Tax / NNDR	304,144	400,929	414,504	429,394	439,935
G111	Shared Procurement	42,802	44,584	45,668	46,760	47,878
G115	One Public Estate Shirebrook	6,033	0	0	0	0
G117	Payroll	75,344	75,997	77,583	79,187	80,828
G125	S106 Percent for Art	43,250	0	0	0	0
G126	S106 Formal + Informal Recreation	161,632	8,633	7,644	6,936	18,922
G129	Bolsover Apprenticeship Programme	(1,209)	0	0	0	0
G146	Pleasley Vale Outdoor Activity Centre	73,825	59,140	61,051	63,036	65,109
G155	Customer Services (Complaints)	30,834	31,175	31,823	32,476	33,142
G157	Controlling Migration Fund	352,750	0	0	0	0
G158	Police Commissioners Election	0	0	0	0	0

## General Fund Detail

List of net budgets per cost centre per directorate

## APPENDIX 2

		Revised	Original			
		Budget	Budget	Forecast	Forecast	Forecast
		2020/21	2021/22	2022/23	2023/24	2024/25
		£	£	£	£	£
G161	Rent Rebates	(54,297)	(92,577)	(88,240)	(84,119)	(80,202)
G162	Rent Allowances	(53,960)	(39,293)	(52,132)	(61,865)	(70,647)
G164	Support Recharges	(3,905,014)	(4,020,859)	(4,060,625)	(4,136,685)	(4,251,738)
G168	Multifunctional Printers	39,900	39,900	39,900	39,900	39,900
G170	S106 Outdoor Sports	292,695	0	0	0	0
G179	School Sports Programme	6,860	0	0	0	0
G192	Scrutiny	22,172	22,458	22,897	23,341	23,795
G195	Head of Governance + Monitoring	38,345	38,742	39,530	40,328	41,144
G197	Head of Finance + Resources	68,594	71,389	74,961	78,641	81,703
G204	Construction Skills for the Unemployed	15,000	4,000	4,000	0	0
G205	Innovation	550	0	0	0	0
G207	Balanceability	851	0	0	0	0
G216	Raising Aspirations	7,500	0	0	0	0
G218	I-Venture/Namibia Bound	9,363	(9,516)	34,484	(9,516)	22,000
G220	Locality Funding	(75,265)	0	0	0	0
G228	Go Active Clowne Leisure Centre	531,515	238,170	37,480	68,212	99,406
G238	HR Health + Safety	90,287	105,572	105,383	107,200	108,856
G244	Bolsover Business Growth Fund	120,000	87,225	0	0	0
	<b>Total for Corporate Resources Directorate</b>	<b>4,381,318</b>	<b>3,601,786</b>	<b>3,407,046</b>	<b>3,480,538</b>	<b>3,509,647</b>
G031	S106 - Biodiversity	(15,036)	0	0	0	0
G073	Planning Policy	287,111	252,935	258,397	263,799	257,530
G074	Planning Development Control	22,660	5,147	4,422	14,484	22,810
G076	Planning Enforcement	118,153	122,895	127,624	130,908	111,929
G079	Senior Urban Design Officer	22,379	22,348	22,804	23,260	23,728
G080	Engineering Services (ESRM)	99,550	99,800	101,783	103,839	105,972
G082	Tourism Promotion + Development	47,375	13,774	372	377	384
G083	Building Control Consortium	55,000	55,000	55,000	55,000	55,000
G085	Economic Development	98,755	29,425	29,425	29,425	29,425
G088	Derbyshire Economic Partnership	15,000	15,000	15,000	15,000	15,000
G089	Premises Development	(50,231)	(44,456)	(43,390)	(41,905)	(41,351)
G090	Pleasley Vale Mills	(143,764)	(63,905)	(165,885)	(162,825)	(159,603)
G091	CISWO Duke St Building	1,849	5,000	0	0	0
G092	Pleasley Vale Electricity Trading	(53,571)	(62,000)	(67,312)	(72,515)	(73,510)
G095	Estates + Property	479,754	529,278	545,873	560,807	572,919
G096	Building Cleaning (General)	95,703	102,649	105,362	108,040	110,831
G099	Catering	400	500	500	500	500
G109	Director of Development	113,409	110,353	112,587	114,859	117,177
G110	Head of Planning + Development	68,141	70,934	74,498	78,170	81,593
G114	Strategic Investment Fund	413,054	0	0	0	0
G132	Planning Conservation	79,839	82,169	33,803	34,487	35,189

## General Fund Detail

List of net budgets per cost centre per directorate

## APPENDIX 2

		Revised	Original			
		Budget	Budget	Forecast	Forecast	Forecast
		2020/21	2021/22	2022/23	2023/24	2024/25
		£	£	£	£	£
G133	The Tangent Business Hub	(20,304)	(51,297)	(50,499)	(44,272)	(37,532)
G138	Bolsover TC Regeneration Scheme	24,245	0	0	0	0
G151	Street Lighting	35,000	37,625	40,480	43,584	46,960
G156	The Arc	94,365	107,985	116,581	125,652	135,357
G167	Facilities Management	15,298	11,038	9,669	11,838	10,442
G169	Closed Churchyards	10,000	10,000	10,000	10,000	10,000
G171	S106 Education	18,196	0	0	0	0
G188	Cotton Street Contact Centre	13,461	29,080	16,551	17,573	18,650
G193	Business Growth Management + Admin	280,915	341,930	351,812	360,215	367,580
G196	Head of Planning	35,391	0	0	0	0
G200	Head of Housing Repairs + Property Services	8,924	7,077	7,430	7,796	8,173
G226	S106 - Highways	551,124	0	0	0	0
G227	S106 - Public Health	143,522	0	0	0	0
G237	Joint Venture (LLP)	31,275	0	0	0	0
	<b>Total for Development Directorate</b>	<b>2,996,942</b>	<b>1,840,284</b>	<b>1,712,887</b>	<b>1,788,096</b>	<b>1,825,153</b>
G007	Community Safety - Crime Reduction	58,091	58,975	60,330	61,701	63,102
G010	Neighbourhood Management	64,960	66,196	67,467	68,763	70,086
G013	Community Action Network	317,113	270,803	268,586	274,466	280,487
G017	Private Sector Housing Renewal	75,502	82,919	85,330	87,753	90,247
G018	Environmental Health - Covid Team	12,381	36,519	0	0	0
G020	Public Health	(70,000)	(70,000)	(70,000)	(70,000)	(70,000)
G021	Pollution Reduction	183,008	220,044	228,770	237,637	245,717
G023	Pest Control	61,010	31,357	34,855	38,403	39,755
G024	Street Cleansing	324,809	321,057	329,615	337,149	343,139
G025	Food, Health + Safety	155,633	125,691	131,397	137,426	140,964
G026	Animal Welfare	79,236	116,375	109,007	115,944	119,952
G027	Emergency Planning	28,170	16,447	16,447	16,447	16,447
G028	Domestic Waste Collection	910,290	926,306	952,213	978,531	1,001,518
G032	Grounds Maintenance	733,458	707,746	733,518	750,516	766,839
G033	Vehicle Fleet	824,411	805,262	821,795	836,024	853,170
G036	Environmental Health Mgmt + Admin	240,155	241,987	248,151	254,479	260,739
G043	Director of Environment + Enforcement	54,968	56,006	57,115	58,246	59,400
G046	Homelessness	203,548	177,776	183,566	189,654	192,493
G048	Town Centre Housing	(10,600)	(10,600)	(10,600)	(10,600)	(10,600)
G053	Licensing	6,481	30,965	34,583	38,046	40,921
G097	Groundwork + Drainage Operations	69,208	69,634	71,630	73,074	74,553
G106	Housing Anti Social Behaviour	107,132	109,191	111,644	113,926	116,260
G113	Parenting Practitioner	35,523	35,836	36,819	37,811	38,826
G123	Riverside Depot	156,043	168,034	175,468	183,156	191,235
G124	Street Servs Mgmt + Admin	56,400	19,747	19,243	18,661	19,065

# General Fund Detail

List of net budgets per cost centre per directorate

# APPENDIX 2

		Revised	Original			
		Budget	Budget	Forecast	Forecast	Forecast
		2020/21	2021/22	2022/23	2023/24	2024/25
		£	£	£	£	£
G135	Domestic Violence Worker	42,635	43,126	43,952	44,787	45,640
G142	Community Safety - CCTV	7,577	0	0	0	0
G143	Housing Strategy	57,481	58,597	59,792	57,065	46,146
G144	Enabling (Housing)	40,097	40,578	41,413	42,267	43,136
G148	Commercial Waste	(124,600)	(140,600)	(141,600)	(142,600)	(143,000)
G149	Recycling	170,300	145,875	147,524	151,546	155,435
G153	Housing Advice	13,806	14,361	15,130	15,942	16,265
G176	Affordable Warmth	20,608	21,271	21,623	21,980	22,346
G198	Head of Enforcement + Housing Management (GF)	16,128	28,154	29,572	31,030	32,534
G199	Head of Street Scene	37,800	38,467	39,244	40,036	40,843
G239	Housing + Comm Safety Fixed Penalty Acc	1,000	1,000	1,000	1,000	5,794
Total for Environment + Enforcement Directorate		4,959,762	4,865,102	4,954,599	5,090,266	5,209,454
Total Net Cost of Services		12,338,022	10,307,172	10,074,532	10,358,900	10,544,254

## HOUSING REVENUE ACCOUNT

## APPENDIX 3

	Revised Budget 2020/21	Original Budget 2021/22	Forecast 2022/23	Forecast 2023/24	Forecast 2024/25
	£	£	£	£	£
<b>Expenditure</b>					
Repairs and Maintenance	4,836,282	5,223,954	5,187,515	5,286,855	5,359,149
Rents Rates and Taxes	214,117	191,708	193,621	194,427	195,603
Supervision and Management	5,282,389	5,389,863	5,414,760	5,557,140	5,689,625
Special Services	442,725	458,212	469,955	488,965	509,438
Housing Related Support - Wardens	636,020	635,544	646,407	657,368	668,595
Housing Related Support - Central Control	259,708	272,954	277,732	281,248	284,878
Tenants Participation	66,041	71,850	83,423	71,752	73,112
New Build Schemes Evaluation	453,886	400,000	0	0	0
New Bolsover Project	27,842	5,000	0	0	0
Leased Flats	92,000	0	0	0	0
Debt Management Expenses	8,000	8,240	8,490	8,750	9,020
<b>Total Expenditure</b>	<b>12,319,010</b>	<b>12,657,325</b>	<b>12,281,903</b>	<b>12,546,505</b>	<b>12,789,420</b>
<b>Income</b>					
Dwelling Rents	(20,346,910)	(20,819,238)	(21,131,520)	(21,448,490)	(21,770,220)
Non-dwelling Rents	(138,638)	(140,709)	(142,811)	(144,941)	(147,099)
Leasehold Flats and Shops Income	(14,480)	(14,480)	(14,480)	(14,480)	(14,480)
Repairs and Maintenance	(59,597)	(12,500)	(12,500)	(12,500)	(12,500)
Supervision and Management	(1,795)	(562)	0	0	0
Special Services	(44,663)	(44,663)	(44,663)	(44,663)	(44,663)
Housing Related Support - Wardens	(409,168)	(294,387)	(132,969)	(134,912)	(136,885)
Housing Related Support - Central Control	(333,263)	(283,872)	(213,528)	(216,731)	(219,982)
New Bolsover Project	(27,842)	0	0	0	0
<b>Total Income</b>	<b>(21,376,356)</b>	<b>(21,610,411)</b>	<b>(21,692,471)</b>	<b>(22,016,717)</b>	<b>(22,345,829)</b>
<b>Net Cost of Services</b>	<b>(9,057,346)</b>	<b>(8,953,086)</b>	<b>(9,410,568)</b>	<b>(9,470,212)</b>	<b>(9,556,409)</b>
<b>Appropriations</b>					
Increase in Bad Debt Provision	180,000	180,000	180,000	180,000	180,000
Capital Interest Costs	3,495,466	3,190,231	3,075,685	2,978,368	2,751,144
Investment Interest Income	(1,435)	(1,435)	(1,435)	(1,435)	(1,435)
Depreciation	3,800,000	4,274,630	4,274,630	4,274,630	4,274,630
T/f to Major Repairs Reserve	1,432,452	1,112,070	1,112,070	1,112,070	1,112,070
Contribution to Insurance Reserve	40,000	50,000	50,000	50,000	50,000
Contribution to Development Reserve	400,000	400,000	450,000	550,000	900,000
Contribution to Vehicle Replacement Reserve	200,000	180,000	296,000	352,000	276,000
Use of Earmarked Reserves	(545,886)	(400,000)	0	0	0
Contribution from HRA Balance	(38,696)	(38,693)	(38,693)	(38,693)	0
<b>Net Operating (Surplus) / Deficit</b>	<b>(95,445)</b>	<b>(6,283)</b>	<b>(12,311)</b>	<b>(13,272)</b>	<b>(14,000)</b>

## HRA - Fees and Charges 2021/22

TABLE 1

**Weekly Charge over 48 Weeks unless otherwise specified**

**September 2020 Consumer Price Index was 0.5%**

	Current	Proposed	Change	Change
	£	£	£	%
Garages (tenant)	12.86	13.05	0.19	1.5%
Garage - Direct Debit Payment	9.71	9.85	0.15	1.5%
Garage (in curtilage)	4.85	4.93	0.07	1.5%
(Set at 50% of garage DD payment)				
Garage plots (billed annually)	207.97	211.09	3.12	1.5%
New Bolsover Service Charge	2.05	2.08	0.03	1.5%
(applies to new tenants only)				
Special Services Charge (See Note1)	16.83	17.08	0.25	1.5%
Reduced special service	11.22	11.39	0.17	1.5%
(Reduced special services for scheme other than Cat 2 who receive reduced service)				
Heating Service Charge (See Note 2)				
Bedsits	2.92	2.97	0.04	1.5%
1 bed flat	3.98	4.04	0.06	1.5%
2 bed flat	6.64	6.74	0.10	1.5%
3 bed flat	7.35	7.46	0.11	1.5%
1 bed bungalow	4.43	4.49	0.07	1.5%
2 bed bungalow	5.89	5.98	0.09	1.5%
Heating Charge (See Note 3)				
Bedsits	4.83	4.83	0.00	0.0%
1 bed flat	6.58	6.58	0.00	0.0%
2 bed flat	10.97	10.97	0.00	0.0%
3 bed flat	12.14	12.14	0.00	0.0%
1 bed bungalow	7.31	7.31	0.00	0.0%
2 bed bungalow	9.73	9.73	0.00	0.0%
Support Charges	14.35	14.57	0.22	1.5%
Mobile Warden	6.36	7.00	0.64	10.0%
(long term aim to reach cost, increase capped at 10% per year)				

Lifeline - bronze	4.97	5.05	0.07	1.5%
Lifeline - gold	7.65	7.76	0.11	1.5%
Lifeline - RSL	4.76	4.84	0.07	1.5%
Buggy Parking (including charging facilities)	4.05	4.11	0.06	1.5%
Choice Based Lettings Postage (suggested cost is twice the cost of a second class stamp)	1.22	1.32	0.10	8.2%

#### **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

#### **Note 3**

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

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







## APPENDIX 4

### CAPITAL PROGRAMME SUMMARY

	Revised Budget 2020/21 £	Original Programme 2021/22 £	Forecast Programme 2022/23 £	Forecast Programme 2023/24 £	Forecast Programme 2024/25 £
<b>General Fund</b>					
<b>Asset Management Plan</b>					
Investment Properties	23,289	0	0	0	0
Leisure Buildings	61,314	0	0	0	0
Pleasley Vale Business Park	141,010	0	0	0	0
Riverside Depot	76,419	0	0	0	0
The Arc	92,315	0	0	0	0
The Tangent	10,000	0	0	0	0
Refurbishment Work	97,097	260,000	260,000	260,000	260,000
	<b>501,444</b>	<b>260,000</b>	<b>260,000</b>	<b>260,000</b>	<b>260,000</b>
<b>Engineering Asset Management Plan</b>					
Car Parks	0	25,000	25,000	25,000	25,000
Shelters	0	10,000	10,000	10,000	10,000
Lighting	0	15,000	15,000	15,000	15,000
	<b>0</b>	<b>50,000</b>	<b>50,000</b>	<b>50,000</b>	<b>50,000</b>
<b>Assets</b>					
Car Parking at Clowne - Additional	47,581	0	0	0	0
Land at Portland Drive Shirebrook	165,000	0	0	0	0
LED Lighting Upgrade	68,875	0	0	0	0
Pleasley Vale Mill 1 - Dam Wall	106,682	0	0	0	0
Shirebrook Contact Centre	15,000	0	0	0	0
Polling Booths	25,000	0	0	0	0
Clowne Campus - Refurb Retention	23,077	0	0	0	0
	<b>451,215</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>ICT Schemes</b>					
E-Store Lite & PCI Pal Midcall Solution	28,000	137,000	117,000	167,000	147,000
ICT infrastructure	109,718	0	0	0	0
Modern.Gov Software	2,100	0	0	0	0
	<b>139,818</b>	<b>137,000</b>	<b>117,000</b>	<b>167,000</b>	<b>147,000</b>
<b>Leisure Schemes</b>					
Playing Pitch Improvements (Clowne)	762,500	0	0	0	0
Go Active Equipment	9,614	15,000	15,000	15,000	15,000
Clowne Leisure Facility	65,422	0	0	0	0
Gym Equipment & Spin Bikes	0	365,000	0	0	0
Kitchen & Associated Equipment	0	20,000	0	0	0
	<b>837,536</b>	<b>400,000</b>	<b>15,000</b>	<b>15,000</b>	<b>15,000</b>
<b>Private Sector Schemes</b>					
Disabled Facility Grants	999,472	999,472	999,472	999,472	999,472
	<b>999,472</b>	<b>999,472</b>	<b>999,472</b>	<b>999,472</b>	<b>999,472</b>
<b>Joint Venture</b>					
Dragonfly Joint Venture Shares	369,150	0	0	0	0
Dragonfly Joint Venture Loan	1,753,202	0	0	0	0
	<b>2,122,352</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Vehicles and Plant</b>					
Fleet Management System	3,260	0	0	0	0
Vehicle MOT testing Equipment	17,850	0	0	0	0
Vehicle Replacements	242,771	999,000	789,000	1,545,000	85,000
Vehicle Wash Area	8,098	0	0	0	0
Can Rangers Equipment	14,231	0	0	0	0
	<b>286,210</b>	<b>999,000</b>	<b>789,000</b>	<b>1,545,000</b>	<b>85,000</b>
<b>Total General Fund</b>	<b>5,338,047</b>	<b>2,845,472</b>	<b>2,230,472</b>	<b>3,036,472</b>	<b>1,556,472</b>

## APPENDIX 4

### CAPITAL PROGRAMME SUMMARY

	Revised Budget 2020/21 £	Original Programme 2021/22 £	Forecast Programme 2022/23 £	Forecast Programme 2023/24 £	Forecast Programme 2024/25 £
<b>Housing Revenue Account</b>					
<b>New Build Properties</b>					
Bolsover Homes	0	9,000,000	9,000,000	9,000,000	4,500,000
Avant Creswell	500,000	490,000	0	0	0
Keepmoat Properties at Bolsover	564,500	57,500	0	0	0
Recreation Close Clowne	5,240	0	0	0	0
Rippon Homes South Normanton	302,500	0	0	0	0
The Paddock Bolsover	1,442,122	0	0	0	0
The Whitwell Cluster	1,456,977	1,456,998	0	0	0
Hilltop	22,930	0	0	0	0
Ash Close Pinxton	33,988	0	0	0	0
Beech Grove South Normanton	13,794	0	0	0	0
	<b>4,342,051</b>	<b>11,004,498</b>	<b>9,000,000</b>	<b>9,000,000</b>	<b>4,500,000</b>
<b>Vehicle Replacements</b>	80,464	204,000	351,000	511,000	151,000
	<b>80,464</b>	<b>204,000</b>	<b>351,000</b>	<b>511,000</b>	<b>151,000</b>
<b>Public Sector Housing</b>					
Bramley Vale	124,313	750,000	750,000	0	0
Electrical Upgrades	132,992	125,000	125,000	125,000	0
Environmental Works	61,184	50,000	50,000	50,000	0
External Door Replacements	159,760	20,000	20,000	20,000	0
Flat Roofing	25,000	40,000	40,000	40,000	0
House Fire Damage (Insurance)	41,409	0	0	0	0
Kitchen Replacements - Decent Homes	239,087	200,000	200,000	200,000	0
Re Roofing	965,529	750,000	750,000	750,000	0
Regeneration Mgmt & Admin	92,980	94,888	97,636	98,820	100,846
Safe and Warm	4,471,266	2,361,000	2,300,000	1,200,000	0
Soffit and Fascia	31,755	30,000	30,000	30,000	0
Reactive Capital Works	100,230	165,812	224,064	222,880	0
Welfare Adaptations	350,000	400,000	400,000	400,000	0
Heating Upgrades	2,692	0	0	0	0
Public Sector Housing	0	0	0	2,250,000	5,285,854
External Wall Insulation	0	400,000	400,000	0	0
	<b>6,798,197</b>	<b>5,386,700</b>	<b>5,386,700</b>	<b>5,386,700</b>	<b>5,386,700</b>
<b>ICT Schemes</b>					
Open Housing	69,494	40,000	0	0	0
	<b>69,494</b>	<b>40,000</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>New Bolsover Scheme (inc HLF)</b>					
New Bolsover-Regeneration Scheme	1,190,863	1,200,000	0	0	0
	<b>1,190,863</b>	<b>1,200,000</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total HRA</b>	<b>12,481,069</b>	<b>17,835,198</b>	<b>14,737,700</b>	<b>14,897,700</b>	<b>10,037,700</b>
<b>TOTAL CAPITAL EXPENDITURE</b>	<b>17,819,116</b>	<b>20,680,670</b>	<b>16,968,172</b>	<b>17,934,172</b>	<b>11,594,172</b>

## APPENDIX 4

### CAPITAL PROGRAMME SUMMARY

	Revised Budget 2020/21 £	Original Programme 2021/22 £	Forecast Programme 2022/23 £	Forecast Programme 2023/24 £	Forecast Programme 2024/25 £
<b>Capital Financing</b>					
<b>General Fund</b>					
Better Care Fund	(999,472)	(999,472)	(999,472)	(999,472)	(999,472)
Reserves	(3,324,027)	(1,396,000)	(881,000)	(767,500)	(232,000)
Capital Receipts	(165,875)	(450,000)	(350,000)	(1,269,500)	(325,000)
External Funding	(848,673)	0	0	0	0
	<b>(5,338,047)</b>	<b>(2,845,472)</b>	<b>(2,230,472)</b>	<b>(3,036,472)</b>	<b>(1,556,472)</b>
<b>HRA</b>					
Major Repairs Reserve	(8,017,145)	(5,386,700)	(5,386,700)	(5,386,700)	(5,386,700)
Prudential Borrowing	(2,503,639)	(10,060,148)	(9,000,000)	(9,000,000)	(4,500,000)
Development Reserve	(561,750)	(1,543,000)	0	0	0
Vehicle Reserve	(80,464)	(244,000)	(351,000)	(511,000)	(151,000)
1-4-1 Capital Receipts	(1,276,662)	(601,350)	0	0	0
External Funding	(41,409)	0	0	0	0
	<b>(12,481,069)</b>	<b>(17,835,198)</b>	<b>(14,737,700)</b>	<b>(14,897,700)</b>	<b>(10,037,700)</b>
<b>TOTAL CAPITAL FINANCING</b>	<b>(17,819,116)</b>	<b>(20,680,670)</b>	<b>(16,968,172)</b>	<b>(17,934,172)</b>	<b>(11,594,172)</b>

### Capital Reserves

#### Major Repairs Reserve

Opening Balance	(2,784,693)	0	0	0	0
Amount due in Year	(5,232,452)	(5,386,700)	(5,386,700)	(5,386,700)	(5,386,700)
Amount used in Year	8,017,145	5,386,700	5,386,700	5,386,700	5,386,700
<b>Closing Balance</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

#### HRA Development Reserve

Opening Balance	(2,660,064)	(2,498,314)	(1,355,314)	(1,805,314)	(2,355,314)
Amount due in Year	(400,000)	(400,000)	(450,000)	(550,000)	(900,000)
Amount used in Year	561,750	1,543,000	0	0	0
<b>Closing Balance</b>	<b>(2,498,314)</b>	<b>(1,355,314)</b>	<b>(1,805,314)</b>	<b>(2,355,314)</b>	<b>(3,255,314)</b>

#### HRA Vehicle Reserve

Opening Balance	(455,529)	(575,065)	(511,065)	(456,065)	(297,065)
Amount due in Year	(200,000)	(180,000)	(296,000)	(352,000)	(276,000)
Amount used in Year	80,464	244,000	351,000	511,000	151,000
<b>Closing Balance</b>	<b>(575,065)</b>	<b>(511,065)</b>	<b>(456,065)</b>	<b>(297,065)</b>	<b>(422,065)</b>

#### 1-4-1 Capital Receipts Reserve

Opening Balance	(1,236,503)	(159,841)	(8,491)	(308,491)	(608,491)
Amount due in Year	(200,000)	(450,000)	(300,000)	(300,000)	(300,000)
Amount used in Year	1,276,662	601,350	0	0	0
<b>Closing Balance</b>	<b>(159,841)</b>	<b>(8,491)</b>	<b>(308,491)</b>	<b>(608,491)</b>	<b>(908,491)</b>

## **Bolsover District Council**

### **Budget Scrutiny Committee**

**27th January 2021**

#### **Treasury Strategy Reports 2021/22 - 2024/25**

### **Report of Head of Finance and Resources**

This report is public

#### **Purpose of the Report**

To enable Budget Scrutiny Committee to consider the attached treasury strategies prior to them being taken to Council for approval.

#### **1 Report Details**

- 1.1 Treasury risk management at the Authority is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2017 Edition* (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year. This report fulfils the Authority's legal obligation under the *Local Government Act 2003* to have regard to the CIPFA Code.
- 1.2 From 2019/20, the CIPFA Code required that a Capital Strategy be produced alongside the Treasury Management Strategy. In addition, the 2018 Investment Guidance issued by the Ministry of Housing, Communities and Local Government required local authorities to produce a Corporate Investment Strategy. So from 2019/20 there has been a requirement to produce three separate treasury strategies.
- 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 2021/22 to 2024/25. The Treasury Management Strategy sets out the parameters for all borrowing and lending as well as listing all approved borrowing and investment sources. Prudential indicators aimed at monitoring risk are also included. **(Appendix 1).**
- 1.4 The Capital Strategy is intended to 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 Conclusions and Reasons for Recommendation**

2.1 This report outlines the Authority's proposed suite of Treasury Strategies for the period 2021/22 to 2024/25 for consideration and approval by Council on 3<sup>rd</sup> February 2021. 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 Consultation and Equality Impact**

3.1 There are no equality issues arising from this report.

## **4 Alternative Options and Reasons for Rejection**

4.1 Alternative options are considered throughout the report

## **5 Implications**

### **5.1 Finance and Risk Implications**

5.1.1 These are considered throughout the report

### **5.2 Legal Implications including Data Protection**

5.2.1 As part of the requirements of the CIPFA Treasury Management Code of Practice the 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.

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

### 5.3 **Human Resources Implications**

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

## 6 **Recommendations**

6.1 That the Budget Scrutiny Committee note this report and the attached strategies and make any comments that they believe to be appropriate with regards to them.

**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 2021/22*
- c) *Approve the Prudential Indicators for 2021/22 detailed in the Capital Strategy, in particular:*

*Authorised Borrowing Limit                      £136,518,022*

*Operational Boundary                              £131,518,022*

*Capital Financing Requirement      £117,518,022*

x3 *It is recommended that Council approve the Corporate Investment Strategy as set out in **Appendix 3**.*

## 7 Decision Information

<b>Is the decision a Key Decision?</b> A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds: BDC: <i>Revenue - £75,000</i> <input type="checkbox"/> <i>Capital - £150,000</i> <input type="checkbox"/> NEDDC: <i>Revenue - £100,000</i> <input type="checkbox"/> <i>Capital - £250,000</i> <input type="checkbox"/> <input checked="" type="checkbox"/> <i>Please indicate which threshold applies</i>	No
<b>Is the decision subject to Call-In?</b> (Only Key Decisions are subject to Call-In)	No
<b>Has the relevant Portfolio Holder been informed</b>	Yes
<b>District Wards Affected</b>	All indirectly
<b>Links to Corporate Plan priorities or Policy Framework</b>	All

## 8 Document Information

Appendix No	Title
1	Treasury Management Strategy
2	Capital Strategy
3	Corporate Investment Strategy
<b>Background Papers</b> (These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Cabinet (NEDDC) or Executive (BDC) you must provide copies of the background papers)	
Report Author	Contact Number
Head of Finance and Resources Principal Accountant	01246 242458 01246 242459



## **Bolsover District Council**

### **Treasury Management Strategy 2021/22 - 2024/25**

#### **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 2017 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 2021/22 to 2024/25 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 coronavirus, together with its exit from the European Union and future trading arrangements with the bloc, will remain a major influence on the Authority's treasury management strategy for 2021/22.
- 1.7 The Bank of England (BoE) maintained Bank Rate at 0.10% in November 2020 and also extended its Quantitative Easing programme by £150 billion to £895 billion. The

Monetary Policy Committee voted unanimously for both, but no mention was made of the potential future use of negative interest rates. Within the latest forecasts, the Bank expects the UK economy to shrink -2% in Q4 2020 before growing by 7.25% in 2021, lower than the previous forecast of 9%. The BoE also forecasts the economy will now take until Q1 2022 to reach its pre-pandemic level rather than the end of 2021 as previously forecast.

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

- 1.12 **Credit outlook:** After spiking in late March as coronavirus became a global pandemic, credit default swap (CDS) prices for the larger UK banks have steadily fallen back to almost pre-pandemic levels. Although uncertainty around COVID-19 related loan defaults lead to banks provisioning billions for potential losses in the first half of 2020, drastically reducing profits, reported impairments for Q3 were much reduced in some institutions. However, general bank profitability in 2020 is likely to be significantly lower than in previous years.
- 1.13 The credit ratings for many UK institutions were downgraded on the back of downgrades to the sovereign rating. Credit conditions more generally though in banks and building societies have tended to be relatively benign, despite the impact of the pandemic.
- 1.14 Looking forward, the potential for bank losses to be greater than expected when government and central bank support starts to be removed remains a risk, as does the UK not achieving a favourable Brexit deal, suggesting a cautious approach to bank deposits in 2021/22 remains advisable.
- 1.15 **Interest rate forecast:** The Authority's treasury management adviser Arlingclose is forecasting that BoE Bank Rate will remain at 0.1% until at least the end of 2023. The risks to this forecast are judged to be to the downside as the BoE and UK government continue to react to the coronavirus pandemic and the Brexit transition period ends. The BoE extended its asset purchase programme to £895 billion in November while keeping Bank Rate on hold. However, further interest rate cuts to zero, or possibly negative, cannot yet be ruled out but this is not part of the Arlingclose central forecast.
- 1.16 Gilt yields are expected to remain very low in the medium-term while short-term yields are likely to remain below or at zero until such time as the BoE expressly rules out the chance of negative interest rates or growth/inflation prospects improve. The central case is for 10-year and 20-year to rise to around 0.5% and 0.75% respectively over the time horizon. The risks around the gilt yield forecasts are judged to be broadly balanced between upside and downside risks, but there will almost certainly be short-term volatility due to economic and political uncertainty and events.
- 1.17 A more detailed economic and interest rate forecast provided by Arlingclose is attached at **Appendix 1A**.
- 1.18 For the purpose of setting the budget, it has been assumed that new treasury management investments will be made at an average rate of 0.10%.

## **Local Context**

1.19 On 31<sup>st</sup> December 2020, the Authority held £97.1m of borrowing and £43.9m 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**

	<b>31.3.20 Actual £m</b>	<b>31.3.21 Estimate £m</b>	<b>31.3.22 Forecast £m</b>	<b>31.3.23 Forecast £m</b>	<b>31.3.24 Forecast £m</b>	<b>31.3.25 Forecast £m</b>
General Fund CFR	8.2	7.5	6.8	6.3	6.0	5.8
HRA CFR	107.1	109.7	110.7	110.7	110.7	110.7
<b>Total CFR</b>	<b>115.3</b>	<b>117.2</b>	<b>117.5</b>	<b>117.0</b>	<b>116.7</b>	<b>116.5</b>
Less: Actual External borrowing *	(99.1)	(97.1)	(93.4)	(89.4)	(86.0)	(78.8)
Less: Approved External borrowing **	0	(4.5)	(9.0)	(9.0)	(9.0)	(4.5)
<b>Internal borrowing</b>	<b>16.2</b>	<b>15.6</b>	<b>15.1</b>	<b>18.6</b>	<b>21.7</b>	<b>33.2</b>
Less: Usable reserves	(44.4)	(44.4)	(44.4)	(44.4)	(44.4)	(44.4)
Less: Working capital (balance)	(9.5)	(9.5)	(9.5)	(9.5)	(9.5)	(9.5)
<b>Treasury Investments</b>	<b>37.7</b>	<b>38.3</b>	<b>38.8</b>	<b>35.3</b>	<b>32.2</b>	<b>20.7</b>

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

\*\*shows loans which the Authority has approval to undertake to fund Bolsover Homes

1.20 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The Authority's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing. 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 2021/22.

1.21 The Authority has a decreasing CFR due to the decision to use £3.937m of funding from the Transformation Reserve to finance the capital programme rather than use borrowing for the period 2020/21 to 2022/23 to make savings through reduced debt charges.

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

**Table 2: Liability benchmark**

	<b>31.3.20 Actual £m</b>	<b>31.3.21 Estimate £m</b>	<b>31.3.22 Forecast £m</b>	<b>31.3.23 Forecast £m</b>	<b>31.3.24 Forecast £m</b>	<b>31.3.25 Forecast £m</b>
<b>CFR</b>	<b>115.3</b>	<b>117.2</b>	<b>117.5</b>	<b>117.0</b>	<b>116.7</b>	<b>116.5</b>
Less: Usable reserves	(44.4)	(44.4)	(44.4)	(44.4)	(44.4)	(44.4)
Less: Working capital	(9.5)	(9.5)	(9.5)	(9.5)	(9.5)	(9.5)
Plus: Minimum investments	10	10	10	10	10	10
<b>Liability Benchmark</b>	<b>71.4</b>	<b>73.3</b>	<b>73.6</b>	<b>73.1</b>	<b>72.8</b>	<b>72.6</b>

### **Borrowing Strategy**

- 1.23 The Authority currently holds £97.1m of loans, as part of its strategy for funding previous years' capital programmes. The balance sheet forecast in table 1 shows that the Authority may utilise the approval to undertake HRA borrowing during the period 2021/22 to 2024/25 to fund Bolsover Homes, as an alternative to the development reserve, as approved.
- 1.24 **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.
- 1.25 **Strategy:** Given the significant cuts to public expenditure and in particular to local government funding, the Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead.
- 1.26 By doing so, the Authority is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose will assist the Authority with this 'cost of carry' and breakeven analysis. Its output may determine whether the Authority borrows additional sums at long-term fixed rates in 2021/22 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.
- 1.27 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.

1.28 Alternatively, the Authority may arrange forward starting loans during 2021/22, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period. In addition, the Authority may borrow short-term loans to cover unplanned cash flow shortages.

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

- HM Treasury's PWLB lending facility (formerly the Public Works Loan Board)
- any institution approved for investments (see below)
- any other bank or building society authorised to operate in the UK
- any other UK public sector body
- UK public and private sector pension funds (except Derbyshire County Council Pension Fund)
- capital market bond investors
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues

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

- leasing
- hire purchase
- Private Finance Initiative
- sale and leaseback

1.31 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.

1.32 **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.

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

- 1.34 **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.
- 1.35 **Debt rescheduling:** The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. The Authority may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk.

### **Treasury Management Investment Strategy**

- 1.36 The Authority holds an average of £42m 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 £36m and £49m, and similar levels are expected to be maintained in the forthcoming year.
- 1.37 **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.
- 1.38 Where balances are expected to be invested for more than one year, the Authority will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.
- 1.39 **Negative interest rates:** The COVID-19 pandemic has increased the risk that the Bank of England will set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options. Since investments cannot pay negative income, negative rates will be applied by reducing the value of investments. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.
- 1.40 **Strategy:** Given the increasing risk and very low returns from short-term unsecured bank investments, the Authority aims to diversify into more secure and higher yielding asset classes during 2021/22. This is especially the case for the estimated £10m that is available for longer-term investment. The majority of the Authority's surplus cash is currently invested in short-term unsecured bank deposits, short term fixed deposits with local authorities and money market funds. This diversification will represent a substantial change in strategy over the coming year

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

1.42 **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

1.43 **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.

1.44 **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.

1.45 **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.

- 1.46 **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.
- 1.47 **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.
- 1.48 **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.
- 1.49 **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.
- 1.50 **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.
- 1.51 **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

- 1.52 **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.
- 1.53 **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.
- 1.54 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.
- 1.55 **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.
- 1.56 When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2020, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the 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.

- 1.57 **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

- 1.58 **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 Indicators**

- 1.59 The Authority measures and manages its exposures to treasury management risks using the following indicators:
- 1.60 **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% <u>rise</u> in interest rates	£103,998
Upper limit on one-year revenue impact of a 1% <u>fall</u> in interest rates	(£103,998)

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

1.62 **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%

1.63 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.

1.64 **Principal sums invested for periods longer than a year:** The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end will be:

Price risk indicator	2021/22	2022/23	2023/24	2024/25
Limit on principal invested beyond year end	£5m	£4m	£3m	£2m

### **Related Matters**

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

1.66 **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).

1.67 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.

1.68 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.

1.69 **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 current and new long-term loans (e.g. Premiums and discounts on early redemption) will be charged / credited to the respective revenue account based on the average CFR and consolidated interest rate calculated at the 31 March.

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

1.71 **Financial Implications:** The budget for investment income in 2021/22 is £40,706, based on an average investment portfolio of £40 million at an interest rate of 0.10%. The budget for debt interest paid in 2021/22 is £3.4 million, based on an average debt portfolio of £116.1 million at an average interest rate of 2.88%. If actual levels of investments and borrowing, or actual interest rates, differ from those forecast, performance against budget will be correspondingly different.

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

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater

Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller
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 – Arlingclose Economic & Interest Rate Forecast November 2020

#### Underlying assumptions:

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

#### Forecast:

- Arlingclose expects Bank Rate to remain at the current 0.10% level.
- Additional monetary loosening through increased financial asset purchases was delivered as we expected. Our central case for Bank Rate is no change, but further cuts to zero, or perhaps even into negative territory, cannot be completely ruled out.
- Gilt yields will remain low in the medium term. Shorter term gilt yields are currently negative and will remain around zero or below until either the Bank expressly rules out negative Bank Rate or growth/inflation prospects improve.
- Downside risks remain in the near term, as the government continues to react to the escalation in infection rates and the Brexit transition period comes to an end.

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

- PWLB Certainty Rate (Maturity Loans) = Gilt yield + 1.80%
- PWLB Local Infrastructure Rate (Maturity Loans) = Gilt yield + 0.60%



## Existing Investment &amp; Debt Portfolio Position

	31.12.20 Actual Portfolio £m	31.12.20 Average Rate %
<b>External borrowing:</b>		
Public Works Loan Board	97.1	3.67%
<b>Total external borrowing</b>	<b>97.1</b>	<b>3.67%</b>
<b>Other long-term liabilities:</b>		
Finance Leases	0	0
<b>Total other long-term liabilities</b>	<b>0</b>	<b>0</b>
<b>Total gross external debt</b>	<b>97.1</b>	<b>3.67%</b>
<b>Treasury investments:</b>		
Banks & building societies (unsecured)	5.0	0.12%
Government (incl. local authorities)	28.5	0.65%
Money Market Funds	10.4	0.03%
<b>Total treasury investments</b>	<b>43.9</b>	<b>0.26%</b>
<b>Net debt</b>	<b>53.2</b>	

## **Bolsover District Council**

<b>Capital Strategy 2021/22 - 2024/25</b>
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### **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 2021/22 to 2024/25 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. The Authority has some limited discretion on what counts as capital expenditure, for example assets costing below £10,000 are not capitalised and are charged to revenue in year.

In 2021/22, the Authority is planning capital expenditure of £20.680m as summarised below:

**Table 1: Prudential Indicator: Estimates of Capital Expenditure**

	2019/20 actual £m	2020/21 forecast £m	2021/22 budget £m	2022/23 budget £m	2023/24 budget £m	2024/25 budget £m
General Fund services	1.636	5.338	2.845	2.230	3.036	1.556
Council housing (HRA)	8.452	10.359	17.835	14.738	14.898	10.038
Capital investments	0.059	2.122	0	0	0	0
<b>TOTAL</b>	<b>10.147</b>	<b>17.819</b>	<b>20.680</b>	<b>16.968</b>	<b>17.934</b>	<b>11.594</b>

- 1.8 The main General Fund capital projects for 2021/22 include Grants for Disabled Facilities £0.999m and the purchase of Vehicles and Plant £0.999m.
- 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 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**

	2019/20 actual £m	2020/21 forecast £m	2021/22 budget £m	2022/23 budget £m	2023/24 budget £m	2024/25 budget £m
External sources	0.933	1.889	0.999	0.999	0.999	0.999
Own resources	8.507	13.426	9.621	6.969	7.935	6.095
Debt	0.707	2.504	10.060	9.000	9.000	4.500
<b>TOTAL</b>	<b>10.147</b>	<b>17.819</b>	<b>20.680</b>	<b>16.968</b>	<b>17.934</b>	<b>11.594</b>

- 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 debt finance**

	2019/20 actual £m	2020/21 forecast £m	2021/22 budget £m	2022/23 budget £m	2023/24 budget £m	2024/25 budget £m
MRP	0.757	0.703	0.707	0.445	0.367	0.220
Capital receipts	0.450	0	0	0	0	0
<b>TOTAL</b>	<b>1.207</b>	<b>0.703</b>	<b>0.707</b>	<b>0.445</b>	<b>0.367</b>	<b>0.220</b>

- 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 decrease by £0.707m during 2021/22. 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**

	31.3.2020 actual £m	31.3.2021 forecast £m	31.3.2022 budget £m	31.3.2023 budget £m	31.3.2024 budget £m	31.3.2025 budget £m
General Fund services	7.335	7.502	6.795	6.350	5.983	5.763
Council housing (HRA)	107.159	109.663	110.723	110.723	110.723	110.723
Capital investments	0.871	0	0	0	0	0
<b>TOTAL CFR</b>	<b>115.365</b>	<b>117.165</b>	<b>117.518</b>	<b>117.073</b>	<b>116.706</b>	<b>116.486</b>

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

- The Authority's asset management strategy can be found on the data transparency area of our website, [www.bolsover.gov.uk](http://www.bolsover.gov.uk)

- 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, but a target to receive £150,000 of capital receipts in the coming financial year has been set as follows:

**Table 5: Capital receipts**

	<b>2019/20 actual £m</b>	<b>2020/21 forecast £m</b>	<b>2021/22 budget £m</b>	<b>2022/23 budget £m</b>	<b>2023/24 budget £m</b>	<b>2024/25 budget £m</b>
Asset sales	0.811	0.055	0.150	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, the Authority currently has £97.1m borrowing at an average interest rate of 3.67% and £43.9m treasury investments at an average rate of 0.26%.
- 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 (currently available at around 0.10%) and long-term fixed rate loans where the future cost is known but higher (currently 1.5 to 2.5%).
- 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**

	<b>31.3.2020 actual £m</b>	<b>31.3.2021 forecast £m</b>	<b>31.3.2022 budget £m</b>	<b>31.3.2023 budget £m</b>	<b>31.3.2024 budget £m</b>	<b>31.3.2025 budget £m</b>
Debt	99.818	97.818	94.118	90.118	86.718	79.518
Capital Financing Requirement	115.365	117.165	117.518	117.073	116.706	116.486

- 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 is currently £73.3m and is forecast to drop to £72.6m over the next four years. The table below shows that the Authority expects to remain borrowed above its liability benchmark.

**Table 7: Borrowing and the Liability Benchmark**

	31.3.2020 actual £m	31.3.2021 forecast £m	31.3.2022 budget £m	31.3.2023 budget £m	31.3.2024 budget £m	31.3.2025 budget £m
Outstanding PWLB borrowing	99.1	97.1	93.4	89.4	86.0	78.8
Liability benchmark	71.4	73.3	73.6	73.1	72.8	72.6

- 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**

	2020/21 limit £m	2021/22 limit £m	2022/23 limit £m	2023/24 limit £m	2024/25 limit £m
Authorised limit	131.665	136.518	136.073	135.706	130.986
Operational boundary	126.665	131.518	131.073	130.706	125.986

- Further details on borrowing are in paragraphs 1.23 to 1.35 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**

	<b>31.3.2020 actual £m</b>	<b>31.3.2021 forecast £m</b>	<b>31.3.2022 budget £m</b>	<b>31.3.2023 budget £m</b>	<b>31.3.2024 budget £m</b>	<b>31.3.2025 budget £m</b>
Near-term investments	37.7	38.3	38.8	35.3	32.2	20.7
Longer-term investments	0	0	0	0	0	0
<b>TOTAL</b>	<b>37.7</b>	<b>38.3</b>	<b>38.8</b>	<b>35.3</b>	<b>32.2</b>	<b>20.7</b>

Further details on treasury investments are in paragraphs 1.36 to 1.58 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.
- 1.27 **Governance:** Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Chief Financial Officer and staff, who must act in line with the Treasury Management Strategy approved by Council. Quarterly reports on treasury management activity are presented to Executive. The Audit committee is responsible for scrutinising treasury management decisions.

### **Investments for Service Purposes**

- 1.28 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 Chief Financial 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 has developed a Commercial Property Investment Strategy based around expanding its existing non-housing property portfolio. This is in order to develop

revenue streams that provide a required level of return to offset the forecast budget deficits for forthcoming years. This approach can also support economic development and regeneration in the District through targeted investment.

- 1.31 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.
- 1.32 **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

### **Liabilities**

- 1.33 In addition to debt of £97.818m detailed above, the Authority is committed to making future payments to cover its net pension fund deficit (valued at £35.4m). It has also set aside £1.5m to cover risks of future legal costs and Business Rates Appeals. (All figures are as at 31/3/20).
- 1.34 **Governance:** Decisions on incurring new discretionary liabilities are taken to Council for approval. The risk of liabilities crystallising and requiring payment is monitored as part of the year-end process.
- Further details on liabilities are in note 21 and 38 of the 2019/20 Statement of Accounts document, which is available on our website.

### **Revenue Budget Implications**

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



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

	<b>2019/20 actual</b>	<b>2020/21 forecast</b>	<b>2021/22 budget</b>	<b>2022/23 budget</b>	<b>2023/24 budget</b>	<b>2024/25 budget</b>
Financing costs (£m)	0.491	0.708	0.911	0.578	0.451	0.406
Proportion of net revenue stream	4.71%	5.17%	7.75%	6.97%	5.59%	4.18%

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

### **Knowledge and Skills**

- 1.37 The Authority employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the Chief Financial Officer is a qualified accountant, the Director of Development is a member of the Chartered Institute of Building (MCIOB)
- 1.38 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**

- 1.39 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;
- 1.40 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, for a period of 3 years commencing October 2019.
- 1.41 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

- 1.42 The contract with the Authority's banking provider Lloyds Bank, commenced on the 10<sup>th</sup> February 2015 for a period of 7 years.

## APPENDIX 2A

### CAPITAL PROGRAMME SUMMARY

	Revised Budget 2020/21 £	Original Programme 2021/22 £	Forecast Programme 2022/23 £	Forecast Programme 2023/24 £	Forecast Programme 2024/25 £
<b>General Fund</b>					
<b>Asset Management Plan</b>					
Investment Properties	23,289	0	0	0	0
Leisure Buildings	61,314	0	0	0	0
Pleasley Vale Business Park	141,010	0	0	0	0
Riverside Depot	76,419	0	0	0	0
The Arc	92,315	0	0	0	0
The Tangent	10,000	0	0	0	0
Refurbishment Work	97,097	260,000	260,000	260,000	260,000
	<b>501,444</b>	<b>260,000</b>	<b>260,000</b>	<b>260,000</b>	<b>260,000</b>
<b>Engineering Asset Management Plan</b>					
Car Parks	0	25,000	25,000	25,000	25,000
Shelters	0	10,000	10,000	10,000	10,000
Lighting	0	15,000	15,000	15,000	15,000
	<b>0</b>	<b>50,000</b>	<b>50,000</b>	<b>50,000</b>	<b>50,000</b>
<b>Assets</b>					
Car Parking at Clowne - Additional	47,581	0	0	0	0
Land at Portland Drive Shirebrook	165,000	0	0	0	0
LED Lighting Upgrade	68,875	0	0	0	0
Pleasley Vale Mill 1 - Dam Wall	106,682	0	0	0	0
Shirebrook Contact Centre	15,000	0	0	0	0
Polling Booths	25,000	0	0	0	0
Clowne Campus - Refurb Retention	23,077	0	0	0	0
	<b>451,215</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>ICT Schemes</b>					
E-Store Lite & PCI Pal Midcall Solution	28,000	137,000	117,000	167,000	147,000
ICT infrastructure	109,718	0	0	0	0
Modern.Gov Software	2,100	0	0	0	0
	<b>139,818</b>	<b>137,000</b>	<b>117,000</b>	<b>167,000</b>	<b>147,000</b>
<b>Leisure Schemes</b>					
Playing Pitch Improvements (Clowne)	762,500	0	0	0	0
Go Active Equipment	9,614	15,000	15,000	15,000	15,000
Clowne Leisure Facility	65,422	0	0	0	0
Gym Equipment & Spin Bikes	0	365,000	0	0	0
Kitchen & Associated Equipment	0	20,000	0	0	0
	<b>837,536</b>	<b>400,000</b>	<b>15,000</b>	<b>15,000</b>	<b>15,000</b>
<b>Private Sector Schemes</b>					
Disabled Facility Grants	999,472	999,472	999,472	999,472	999,472
	<b>999,472</b>	<b>999,472</b>	<b>999,472</b>	<b>999,472</b>	<b>999,472</b>
<b>Joint Venture</b>					
Dragonfly Joint Venture Shares	369,150	0	0	0	0
Dragonfly Joint Venture Loan	1,753,202	0	0	0	0
	<b>2,122,352</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Vehicles and Plant</b>					
Fleet Management System	3,260	0	0	0	0
Vehicle MOT testing Equipment	17,850	0	0	0	0
Vehicle Replacements	242,771	999,000	789,000	1,545,000	85,000
Vehicle Wash Area	8,098	0	0	0	0
Can Rangers Equipment	14,231	0	0	0	0
	<b>286,210</b>	<b>999,000</b>	<b>789,000</b>	<b>1,545,000</b>	<b>85,000</b>

# APPENDIX 2A

CAPITAL PROGRAMME SUMMARY	Revised Budget 2020/21 £	Original Programme 2021/22 £	Forecast Programme 2022/23 £	Forecast Programme 2023/24 £	Forecast Programme 2024/25 £
Total General Fund	5,338,047	2,845,472	2,230,472	3,036,472	1,556,472

# APPENDIX 2A

## CAPITAL PROGRAMME SUMMARY

	Revised Budget 2020/21 £	Original Programme 2021/22 £	Forecast Programme 2022/23 £	Forecast Programme 2023/24 £	Forecast Programme 2024/25 £
<b>Housing Revenue Account</b>					
<b>New Build Properties</b>					
Bolsover Homes		9,000,000	9,000,000	9,000,000	4,500,000
Avant Creswell	500,000	490,000	0	0	0
Keepmoat Properties at Bolsover	564,500	57,500	0	0	0
Recreation Close Clowne	5,240	0	0	0	0
Rippon Homes South Normanton	302,500	0	0	0	0
The Paddock Bolsover	1,442,122	0	0	0	0
The Whitwell Cluster	1,456,977	1,456,998	0	0	0
Hilltop	22,930	0	0	0	0
Ash Close Pinxton	33,988	0	0	0	0
Beech Grove South Normanton	13,794	0	0	0	0
	<b>4,342,051</b>	<b>11,004,498</b>	<b>9,000,000</b>	<b>9,000,000</b>	<b>4,500,000</b>
<b>Vehicle Replacements</b>	80,464	204,000	351,000	511,000	151,000
	<b>80,464</b>	<b>204,000</b>	<b>351,000</b>	<b>511,000</b>	<b>151,000</b>
<b>Public Sector Housing</b>					
Bramley Vale	124,313	750,000	750,000	0	0
Electrical Upgrades	132,992	125,000	125,000	125,000	0
Environmental Works	61,184	50,000	50,000	50,000	0
External Door Replacements	159,760	20,000	20,000	20,000	0
Flat Roofing	25,000	40,000	40,000	40,000	0
House Fire Damage (Insurance)	41,409	0	0	0	0
Kitchen Replacements - Decent Homes	239,087	200,000	200,000	200,000	0
Re Roofing	965,529	750,000	750,000	750,000	0
Regeneration Mgmt & Admin	92,980	94,888	97,636	98,820	100,846
Safe and Warm	4,471,266	2,361,000	2,300,000	1,200,000	0
Soffit and Fascia	31,755	30,000	30,000	30,000	0
Reactive Capital Works	100,230	165,812	224,064	222,880	0
Welfare Adaptations	350,000	400,000	400,000	400,000	0
Heating Upgrades	2,692	0	0	0	0
Public Sector Housing	0	0	0	2,250,000	5,285,854
External Wall Insulation	0	400,000	400,000	0	0
	<b>6,798,197</b>	<b>5,386,700</b>	<b>5,386,700</b>	<b>5,386,700</b>	<b>5,386,700</b>
<b>ICT Schemes</b>					
Open Housing	69,494	40,000	0	0	0
	<b>69,494</b>	<b>40,000</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>New Bolsover Scheme (inc HLF)</b>					
New Bolsover-Regeneration Scheme	1,190,863	1,200,000	0	0	0
	<b>1,190,863</b>	<b>1,200,000</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total HRA</b>	<b>12,481,069</b>	<b>17,835,198</b>	<b>14,737,700</b>	<b>14,897,700</b>	<b>10,037,700</b>
<b>TOTAL CAPITAL EXPENDITURE</b>	<b>17,819,116</b>	<b>20,680,670</b>	<b>16,968,172</b>	<b>17,934,172</b>	<b>11,594,172</b>

## APPENDIX 2A

CAPITAL PROGRAMME SUMMARY	Revised Budget 2020/21 £	Original Programme 2021/22 £	Forecast Programme 2022/23 £	Forecast Programme 2023/24 £	Forecast Programme 2024/25 £
<b>Capital Financing</b>					
<b>General Fund</b>					
Better Care Fund	(999,472)	(999,472)	(999,472)	(999,472)	(999,472)
Reserves	(3,324,027)	(1,396,000)	(881,000)	(767,500)	(232,000)
Capital Receipts	(165,875)	(450,000)	(350,000)	(1,269,500)	(325,000)
External Funding	(848,673)	0	0	0	0
	<b>(5,338,047)</b>	<b>(2,845,472)</b>	<b>(2,230,472)</b>	<b>(3,036,472)</b>	<b>(1,556,472)</b>
<b>HRA</b>					
Major Repairs Reserve	(8,017,145)	(5,386,700)	(5,386,700)	(5,386,700)	(5,386,700)
Prudential Borrowing	(2,503,639)	(10,060,148)	(9,000,000)	(9,000,000)	(4,500,000)
Development Reserve	(561,750)	(1,543,000)	0	0	0
Vehicle Reserve	(80,464)	(244,000)	(351,000)	(511,000)	(151,000)
1-4-1 Capital Receipts	(1,276,662)	(601,350)	0	0	0
External Funding	(41,409)	0	0	0	0
	<b>(12,481,069)</b>	<b>(17,835,198)</b>	<b>(14,737,700)</b>	<b>(14,897,700)</b>	<b>(10,037,700)</b>
<b>TOTAL CAPITAL FINANCING</b>	<b>(17,819,116)</b>	<b>(20,680,670)</b>	<b>(16,968,172)</b>	<b>(17,934,172)</b>	<b>(11,594,172)</b>
<b>Capital Reserves</b>					
<b>Major Repairs Reserve</b>					
Opening Balance	(2,784,693)	0	0	0	0
Amount due in Year	(5,232,452)	(5,386,700)	(5,386,700)	(5,386,700)	(5,386,700)
Amount used in Year	8,017,145	5,386,700	5,386,700	5,386,700	5,386,700
<b>Closing Balance</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>HRA Development Reserve</b>					
Opening Balance	(2,660,064)	(2,498,314)	(1,355,314)	(1,805,314)	(2,355,314)
Amount due in Year	(400,000)	(400,000)	(450,000)	(550,000)	(900,000)
Amount used in Year	561,750	1,543,000	0	0	0
<b>Closing Balance</b>	<b>(2,498,314)</b>	<b>(1,355,314)</b>	<b>(1,805,314)</b>	<b>(2,355,314)</b>	<b>(3,255,314)</b>
<b>HRA Vehicle Reserve</b>					
Opening Balance	(455,529)	(575,065)	(511,065)	(456,065)	(297,065)
Amount due in Year	(200,000)	(180,000)	(296,000)	(352,000)	(276,000)
Amount used in Year	80,464	244,000	351,000	511,000	151,000
<b>Closing Balance</b>	<b>(575,065)</b>	<b>(511,065)</b>	<b>(456,065)</b>	<b>(297,065)</b>	<b>(422,065)</b>
<b>1-4-1 Capital Receipts Reserve</b>					
Opening Balance	(1,236,503)	(159,841)	(8,491)	(308,491)	(608,491)
Amount due in Year	(200,000)	(450,000)	(300,000)	(300,000)	(300,000)
Amount used in Year	1,276,662	601,350	0	0	0
<b>Closing Balance</b>	<b>(159,841)</b>	<b>(8,491)</b>	<b>(308,491)</b>	<b>(608,491)</b>	<b>(908,491)</b>

### Annual Minimum Revenue Provision Statement 2021/22

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

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

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

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 that are repaid in annual or more frequent instalments of principal, the Council will make nil MRP, but will instead apply the capital receipts arising from principal repayments to reduce the capital financing requirement instead. In years where there is no principal repayment, MRP will be charged in accordance with the MRP policy for the assets funded by the loan, including where appropriate, delaying MRP until the year after the assets become operational. While this is not one of the options in the MHCLG Guidance, it is thought to be a prudent approach since it ensures that the capital expenditure incurred in the loan is fully funded over the life of the assets.

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

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

During 2019/20 the Authority took steps to reduce the amount of MRP charged in 2020/21 and future years. By swapping the financing of the capital programme from borrowing to the use of reserves, no new general fund borrowing costs are planned to be incurred.

Based on the Authority's latest estimate of its Capital Financing Requirement on 31<sup>st</sup> March 2021, the budget for MRP for borrowing incurred in previous years' has been set as follows:

	<b>31.03.2021 Estimated CFR £m</b>	<b>2021/22 Estimated MRP £</b>
Capital expenditure before 01.04.2008	0.162	0.156
Unsupported capital expenditure incurred 31.03.2008 – 31.03.2019	0.541	0.551
Finance leases	0	0
<b>Total General Fund</b>	<b>0.703</b>	<b>0.707</b>
Assets in the Housing Revenue Account	0	0
HRA subsidy reform payment	0	0
<b>Total Housing Revenue Account</b>	<b>0</b>	<b>0</b>
<b>Total</b>	<b>0.703</b>	<b>0.707</b>



## **Bolsover District Council**

<b>Corporate Investment Strategy 2021/22 - 2024/25</b>
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### **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 2021/22 to 2024/25 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 £30m and £45m during the 2021/22 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 2021/22 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 joint ventures, business partners, parish/town councils, local charities, housing associations, and community groups to support local public services and stimulate local economic growth. For example we may give a loan to a parish council who are undertaking a large building project to help with cash flow until external monies are received.
- 1.11 **Security:** The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due. In order to limit this risk, and ensure that total exposure to service loans remains proportionate to the size of the Authority, upper limits on the outstanding loans to each category of borrower have been set as follows:

**Table 1: Loans for service purposes**

Category of borrower	31.3.2020 actual			2021/22
	Balance owing	Loss allowance	Net figure in accounts	Approved Limit
Joint Ventures - Dragonfly	£0.987m	0	£0.987m	£6m
Business Partners	0	0	0	£5m
Parish / Town Councils	0	0	0	£5m
Local charities	0	0	0	£5m
Housing associations	0	0	0	£5m
Community Groups	0	0	0	£5m
<b>TOTAL</b>	<b>£0.987m</b>	<b>0</b>	<b>£0.987m</b>	

- 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 Joint Venture, Dragonfly Development Limited to support local public services and stimulate local economic growth by delivering housing and commercial developments whilst generating income for the Authority.
- 1.15 **Security:** One of the risks of investing in shares is that they fall in value meaning that the initial outlay may not be recovered. In order to limit this risk, upper limits on the sum invested in each category of shares have been set as follows:

**Table 2: Shares held for service purposes**

Category of company	31.3.2020 actual			2021/22
	Amounts invested	Gains or losses	Value in accounts	Approved Limit
Joint Venture - Dragonfly	£0.122m	0	£0.122m	£1.000m
<b>TOTAL</b>	<b>£0.122m</b>	<b>0</b>	<b>£0.122m</b>	<b>£1.000m</b>

- 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 2020/21 year end accounts preparation and audit process value these properties below their purchase cost, then an updated Corporate Investment Strategy will be presented to full council detailing the impact of the loss on the security of investments and any revenue consequences arising therefrom.
- 1.22 **Risk assessment:** The Authority assesses the risk of loss before entering into and whilst holding property investments by undertaking a comprehensive business case for each individual potential investment opportunity. This will include a market analysis focusing on competition, demand and current market trends. External advisors will be used where appropriate to ensure that the Authority has access to quality advice and expertise in specialist areas. Each potential investment will undergo qualitative and quantitative appraisal to establish its suitability to the Authorities core values and the legal and financial implications of the purchase
- 1.23 **Liquidity:** Compared with other investment types, property is relatively difficult to sell and convert to cash at short notice, and can take a considerable period to sell in certain market conditions. To ensure that the invested funds can be accessed when they are needed, for example to repay capital borrowed, the Authority will only invest cash that is not needed in the short term based on current cash flow predictions. In addition to this a well-diversified property portfolio will be held, spread across different property sectors.

#### **Loan Commitments and Financial Guarantees**

- 1.24 Although not strictly counted as investments, since no money has exchanged hands yet, loan commitments and financial guarantees carry similar risks to the Authority and are included here for completeness.
- 1.25 The Authority has contractually committed to make up to £3.020m of loans to Dragonfly Development Limited should it request it.

#### **Borrowing in Advance of Need**

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

#### **Capacity, Skills and Culture**

- 1.27 **Elected members and statutory officers:** This Authority recognises the importance of ensuring that all Elected Members and Officers involved in investment decisions are fully equipped to undertake the duties and responsibilities allocated to them. It will therefore seek to appoint individuals who are both capable and experienced and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills. Elected Members' individual training and

development needs are addressed by a Member Development Programme. The Authority's Treasury Management Advisors Arlingclose, provide both Elected Members and Officers with training in relation to all areas of Treasury Management.

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

<b>Total investment exposure</b>	<b>31.03.2020 Actual</b>	<b>31.03.2021 Forecast</b>	<b>31.03.2022 Forecast</b>
Treasury management investments	£37.678	£38.300	£38.800
Service investments: Loans	£0.860	£0.860	£2.127
Service investments: Shares	£0.245	£0.245	£0.562
<b>TOTAL INVESTMENTS</b>	<b>£38.783</b>	<b>£39.405</b>	<b>£41.489</b>
Commitments to lend	£1.267	£1.267	£0
<b>TOTAL EXPOSURE</b>	<b>£40.050</b>	<b>£40.672</b>	<b>£41.489</b>

- 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

<b>Investments funded by borrowing</b>	<b>31.03.2020 Actual</b>	<b>31.03.2021 Forecast</b>	<b>31.03.2022 Forecast</b>
Joint Venture - Dragonfly	0	0	0
<b>TOTAL FUNDED BY BORROWING</b>	<b>0</b>	<b>0</b>	<b>0</b>

- 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)

<b>Investments net rate of return</b>	<b>2019/20 Actual</b>	<b>2020/21 Forecast</b>	<b>2021/22 Forecast</b>
Treasury management investments	0.79%	0.10%	0.10%
<b>ALL INVESTMENTS</b>	<b>0.79%</b>	<b>0.10%</b>	<b>0.10%</b>

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

## **Bolsover District Council**

### **Budget Scrutiny Committee**

**27<sup>th</sup> January 2021**

<b>Budget Scrutiny Committee Work Programme 2020/21</b>
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### **Report of the Scrutiny & Elections Officer**

This report is public

#### **Purpose of the Report**

- To provide members of the Scrutiny Committee with an overview of the meeting programme of the Committee for 2020/21.

#### **1 Report Details**

- 1.1 The main purpose of the report is to inform members of the meeting programme for the year 2020/21 and planned agenda items (Appendix 1).
- 1.2 This programme may be subject to change should additional reports/presentations be required, or if items need to be re-arranged for alternative dates.
- 1.3 Members may raise queries about the programme at the meeting or at any time with the Head of Finance & Resources or the Scrutiny & Elections Officer should they have any queries regarding future meetings.

#### **2 Conclusions and Reasons for Recommendation**

- 2.1 This report sets the formal Committee Work Programme for 2020/21 and the items identified for review.
- 2.2 The Scrutiny Programme enables challenge to service delivery both internally and externally across all the Corporate Plan Ambitions.
- 2.3 The Scrutiny functions outlined in Part 3.6(8) of the Council's Constitution requires each Scrutiny Committee to set an annual work plan.

#### **3 Consultation and Equality Impact**

- 3.1 All Scrutiny Committees are committed to equality and diversity in undertaking their statutory responsibilities and ensure equalities are considered as part of all Reviews. The selection criteria when submitting a topic, specifically asks members to identify where the topic suggested affects particular population groups or geographies.

- 3.2 The Council has a statutory duty under s.149 Equality Act 2010 to have due regard to the need to advance equality of opportunity and to eliminate discrimination.
- 3.3 As part of the scoping of Reviews, consideration is given to any consultation that could support the evidence gathering process.

#### **4 Alternative Options and Reasons for Rejection**

- 4.1 There is no option to reject the report as the Scrutiny functions outlined in Part 3.6(8) of the Council's Constitution requires each Scrutiny Committee to set an annual work plan.

#### **5 Implications**

##### **5.1 Finance and Risk Implications**

- 5.1.1 None from this report.

##### **5.2 Legal Implications including Data Protection**

- 5.2.1 In carrying out scrutiny reviews the Council is exercising its scrutiny powers as laid out in s.21 of the Local Government Act 2000 and subsequent legislation which added to/amended these powers e.g. the Local Government and Public Involvement in Health Act 2007.

##### **5.3 Human Resources Implications**

- 5.3.1 None from this report.

#### **6 Recommendations**

- 6.1 That Members note this report and the Programme attached at Appendix 1. All Members are advised to contact the Scrutiny & Elections Officer should they have any queries regarding future meetings.

#### **7 Decision Information**

<b>Is the decision a Key Decision?</b> A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds:  <i>BDC:      Revenue - £75,000    <input type="checkbox"/></i> <i>Capital - £150,000    <input type="checkbox"/></i>  <i>NEDDC:   Revenue - £100,000 <input type="checkbox"/></i> <i>Capital - £250,000    <input type="checkbox"/></i>  <input checked="" type="checkbox"/> <i>Please indicate which threshold applies</i>	No
<b>Is the decision subject to Call-In?</b> (Only Key Decisions are subject to Call-In)	No
<b>Has the relevant Portfolio Holder been informed</b>	N/A



<b>District Wards Affected</b>	All
<b>Links to Corporate Plan priorities or Policy Framework</b>	All

## 8 Document Information

<b>Appendix No</b>	<b>Title</b>
1.	Work Programme 2020/21
<b>Background Papers</b> (These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Cabinet (NEDDC) or Executive (BDC) you must provide copies of the background papers)	
Previous versions of the Committee Work Programme.	
<b>Report Author</b>	<b>Contact Number</b>
Joanne Wilson, Scrutiny & Elections Officer	2385

Report Reference –

**Budget Scrutiny Committee****Work Programme 2020/21****Formal Items – Report Key**

Treasury Management	Capital	Borrowing & Investment	Budget Monitoring	Update from Scrutiny Chairs

Date of Meeting	Items for Agenda	Lead Officer
<b>Circulation via email – 11<sup>th</sup> June 2020</b>	<ul style="list-style-type: none"> <li>Budget Monitoring Report – Financial Outturn 2019/20</li> </ul>	Head of Finance & Resources/ S151 Officer
<b>30<sup>th</sup> July 2020</b>	<ul style="list-style-type: none"> <li>Annual Corporate Debt Monitoring Performance Report 2019/20</li> </ul>	Head of Finance & Resources/ S151 Officer
	<ul style="list-style-type: none"> <li>Budget Monitoring Report – Quarter 1 – April to June 2020</li> </ul>	Head of Finance & Resources/ S151 Officer
	<ul style="list-style-type: none"> <li>Budget Scrutiny Committee Work Programme 2020/21</li> </ul>	Scrutiny & Elections Officer
	<ul style="list-style-type: none"> <li>Update from Scrutiny Chairs (Verbal report)</li> </ul>	Scrutiny & Elections Officer
<b>26<sup>th</sup> November 2020</b>	<ul style="list-style-type: none"> <li>Budget Monitoring Report – Quarter 2 – July to September 2020</li> </ul>	Head of Finance & Resources/ S151 Officer
	<ul style="list-style-type: none"> <li>Revised Budgets 2020/21</li> </ul>	Head of Finance & Resources/ S151 Officer
	<ul style="list-style-type: none"> <li>Setting of Council Tax 2021/22</li> </ul>	Head of Finance & Resources/ S151 Officer
	<ul style="list-style-type: none"> <li>Budget Scrutiny Committee Work Programme 2020/21</li> </ul>	Scrutiny & Elections Officer
	<ul style="list-style-type: none"> <li>Update from Scrutiny Chairs (Verbal report)</li> </ul>	Scrutiny & Elections Officer
<b>27<sup>th</sup> January 2021</b>	<ul style="list-style-type: none"> <li>Treasury Management Briefing</li> </ul>	Head of Finance & Resources/ S151 Officer and Arlingclose

Date of Meeting	Items for Agenda	Lead Officer
	• Proposed Budget – Medium Term Financial Plan 2021/22 to 2024/25	Head of Finance & Resources/ S151 Officer
	• Treasury Management Strategy	Head of Finance & Resources/ S151 Officer
	• Capital Strategy	Head of Finance & Resources/ S151 Officer
	• Corporate Investment Strategy	Head of Finance & Resources/ S151 Officer
	• Budget Scrutiny Committee Work Programme 2020/21	Scrutiny & Elections Officer
	• Update from Scrutiny Chairs (Verbal report)	Scrutiny & Elections Officer