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ASHFIELD DISTRICT COUNCIL

Council Offices,
Urban Road,
Kirkby in Ashfield
Nottingham
NG17 8DA

Agenda

Extraordinary Council (Tax Setting)

Date:	**Monday, 4th March, 2019**
Time:	**7.00 pm**
Venue:	**Council Chamber, Council Offices, Urban Road, Kirkby-in-Ashfield**

For any further information please contact:

Lynn Cain

l.cain@ashfield.gov.uk

01623 457317

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COUNCIL

Membership

Chairman: Councillor Glenys Maxwell

Vice-Chairman: Councillor Tony Brewer

Councillors:

Lee Anderson	Jim Aspinall
Chris Baron	Rachel Bissett
Amanda Brown	Tim Brown
Cheryl Butler	Christian Chapman
Don Davis	Joanne Donnelly
David Griffiths	Helen Hollis
Tom Hollis	Jackie James
John Knight	Rachel Madden
Cathy Mason	Lauren Mitchell
Keir Morrison	Lachlan Morrison
Mick Murphy	Nicolle Ndiweni
Christine Quinn-Wilcox	Matthew Relf
Paul Roberts	Kevin Rostance
Phil Rostance	Robert Sears-Piccavey
Helen-Ann Smith	Mike Smith
John Wilmott	Sam Wilson
Jason Zadrozny	

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SUMMONS

You are hereby requested to attend a meeting of the Council to be held at the time/place and on the date mentioned above for the purpose of transacting the business set out below.

R. Mitchell
Chief Executive

AGENDA

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Report To:	**CABINET**	**Date:**	**18 FEBRUARY 2019**
Heading:	**CAPITAL STRATEGY**		
Portfolio Holder:	**CABINET MEMBER (INWARD), COUNCILLOR ROBERT SEARS-PICCAVEY**		
Ward/s:	**ALL**		
Key Decision:	**YES**		
Subject to Call-In:	**YES**		

Purpose of Report

1. The Chartered Institute of Public Finance and Accountancy (CIPFA) updated the Prudential Code for Capital Finance in Local Authorities in December 2017. The framework established by the Prudential Code supports local strategic planning, local asset management planning and proper option appraisal.

2. The objectives of the Prudential Code are to ensure that the capital expenditure plans of local authorities are affordable, prudent and sustainable and that treasury management decisions are taken in accordance with good professional practice and in full understanding of the risks involved.

3. The Prudential Code requires authorities to look at capital expenditure and investment plans in the light of overall organisational strategy and resources and ensure that decisions are made with sufficient regard to the long term financing implications and potential risks to the authority.

4. The Prudential Code sets out that in order to demonstrate that the authority takes capital expenditure and investment decisions in line with service objectives and properly takes account of stewardship, value for money, prudence, sustainability and affordability, authorities should have in place a Capital Strategy.

5. The Capital Strategy should set out the long term context in which capital expenditure and investment decisions are made and gives due consideration to both risk and reward and impact on the achievement of priority outcomes.

Recommendation(s)

Cabinet recommends to Council:

1) **Approval of this proposed Capital Strategy;**
2) **Approval of the proposed non treasury Investment Strategy contained within Appendix 1 to this report, and the annex which documents the process and responsibilities in respect of Commercial Property Investment; and**
3) **That it notes that subject to the receipt and evaluation of expected CIPFA guidance in respect of Commercial Investment Property acquisitions it may be necessary to submit a revised Capital Strategy for Council approval (see Capital Strategy paragraph 6.2).**

Reasons for Recommendation(s)

The Capital Strategy provides an overarching framework on how capital investment decisions should be undertaken by the Authority. It is a statutory requirement to produce a Capital Strategy from 2019/20.

Alternative Options Considered

To not have a Capital Strategy is not an option as this is a requirement of the CIPFA Prudential Code which all Local Authorities need to observe.

Detailed Information

The proposed Capital Strategy is contained in Appendix 1 and the Investment Property Acquisition Process 2019-2023 is included as Annex 1 to Appendix 1.

It should be noted that currently Local Authorities are awaiting further Guidance from CIPFA in respect of the acquisition of Commercial Investment Properties. Subject to the receipt and evaluation of this guidance it may be necessary to subsequently revise this proposed Strategy and resubmit for Council approval.

A key concern around Local Authorities acquiring Commercial Investment Properties is 'proportionality' – the degree of reliance on rental income to support the provision of local service delivery. Taking into account the net income from these types of investment (after allowing for Minimum Revenue Provision (MRP) and Interest costs), it is considered that the Council's current and proposed investment into Commercial Properties is 'proportionate'. The guidance, once received may provide further clarification around this.

There is always a degree of risk associated with investments, however the Council is risk aware and has robust procedures in place to manage these risks (See Appendix 1 and Annex 1).

Implications

Corporate Plan:
This Capital Strategy will allow delivery of the priorities in the Capital Plan.

Legal:
It is a statutory requirement to produce a Capital Strategy from 2019/20. Relevant statutory powers and requirements are described in the Appendix to this report.

Finance:

Budget Area	Implication
General Fund – Revenue Budget	No direct Financial Implications as result of adopting this Capital Strategy.
General Fund – Capital Programme	
Housing Revenue Account – Revenue Budget	
Housing Revenue Account – Capital Programme	

Risk:

Risk	Mitigation
The detailed Capital Strategy is not fit for purpose.	May need refinement over time to reflect potential changes in direction not currently captured by the existing proposed Capital Strategy.

Human Resources:
Not Applicable

Equalities:
Not Applicable

Other Implications:
Not Applicable

Reason(s) for Urgency
Not Applicable

Reason(s) for Exemption
Not Applicable

Background Papers

- CIPFA Prudential Code 2017 Edition
- CIPFA Treasury Management Code 2017 Edition
- Statutory Guidance on Local Government Investments (3rd Edition) Issued under Section 15(1)(a) of the Local Government Act 2003.

Report Author and Contact Officer

Pete Hudson
Corporate Finance Manager (and S151 Officer)
p.hudson@ashfield.gov.uk
01623 457362

Appendix 1

ASHFIELD DISTRICT COUNCIL
CAPITAL STRATEGY 2019/20 – 2022/23

1 Introduction

1.1 Ashfield District Council's Corporate Capital Strategy is the policy framework document that sets out the principles to be used to guide the allocation of capital investment across all the Council's services and informs decisions on capital spending priorities contained within the Council's 5-year Capital Programme.

1.2 Capital investment is technically described as "Expenditure on the acquisition, creation, or enhancement of 'long term assets'". Capital investment seeks to provide long-term solutions to the Council's priorities and operational requirements. Expenditure for capital purposes therefore gives rise to new assets, increases the value and/or useful life of existing assets or, generates an income stream to the Council via non-treasury investments. Expenditure outside this definition will be, by definition, 'revenue' expenditure.

1.3 Most of the Council's long term assets are properties that are used in service delivery. The Council's land, buildings and infrastructure asset base of some 7,600 properties (of which currently 6,698 are Council Dwellings) has a current use Balance Sheet value of approx. £300m (2017/18 published accounts).

1.4 The Capital Strategy is presented to Council as a Policy Framework document, and links with the Treasury Management Strategy, Medium Term Financial Strategy (MTFS) and the Corporate Asset Management Plan. Although this Strategy focuses on the Council's management of its own investment in assets, a wider view of capital investment throughout the area by both the public and private sectors will have a major influence on meeting Council aims and objectives.

1.5 The Capital Strategy (and specifically the Commercial Investment Strategy element of the Capital Strategy) are key drivers to secure the future financial sustainability of the Council.

1.6 The legal background to Capital Expenditure is contained in the Local Government Act 2003, particularly the following sections:

- S1 – power to borrow
- S3 – affordable borrowing limit
- S12 – power to invest
- S15 – regard to Guidance issued

1.7 Guidance is also issued by Government, the latest guidance issued by the Ministry of Housing Communities and Local Government - MHCLG (formerly the Department of Local Government (DCLG)) being Investment Guidance (2018) and Minimum Revenue Provision (MRP) Guidance (2018). At the time of writing this Strategy, Guidance is awaited from CIPFA in respect of Investment Properties and subject to the receipt and evaluation of this Guidance, an updated Capital Strategy may need to be brought for Cabinet/Council consideration and approval.

1.8 Council's should also comply with professional codes that are issued, the key ones being:

- CIPFA Prudential Code (2017)
- CIPFA Treasury Management Code of Practice (2017).

1.9 The Capital Strategy sets out a number of guiding principles. In considering the principles, the Council needs a balance between guidance and prescription to allow a flexible approach to be taken but reflective of times of uncertainty. This Strategy focuses on the key policies for the allocation of capital resources to schemes in line with Council priorities and statutory responsibilities. The management of the Council's operational Capital Programme which 'sits' under this Capital Strategy is also supported by the Council's approved Financial Regulations.

1.10 CIPFA Treasury Management Code 2017 states:

- 'Where a capital strategy is produced by a local authority this may include the setting of detailed treasury management policies, while being clear that overall responsibility remains with full Council.'
- 'This organisation will ensure that all the organisation's investments are covered in the capital strategy, investment strategy or equivalent, *(that is this strategy for Ashfield District Council and contains both)* and will set out, where relevant, the organisation's risk appetite and specific policies and arrangements for non-treasury investments. It will be recognised that the risk appetite for these activities may differ from that for treasury management.'

2 Identifying Need

2.1 There are a number of internal and external influences that will affect the Council's Capital Strategy in the short, medium and long term.

2.2 External influences will include, but are not limited to potential partners such as central government, priorities of the Local Enterprise Partnership (LEP), County Council and the private sector.

2.3 Internal influences will be driven by the Council's Strategic Direction which sets out the Council's values and can be found on the Council's website **https://www.ashfield.gov.uk/media/3900/strategic-direction-2017-2022-updated.pdf** and the Corporate Plan which sets out the Council's vision and priorities for the District and is also available on the Council's website **https://www.ashfield.gov.uk/your-council/about-the-council/corporate-**

plan/. It should be noted the current Corporate Plan priorities may change following the District elections which are to be held in May 2019.

2.4 The Council's Corporate Plan 2016-2020 sets out the following five strategic priorities;

2.5 Aligned to the Corporate Plan are a number of subsidiary and complementary plans and strategies. Examples include;

- Medium Term Financial Strategy
- 30 Year HRA Business Plan
- Housing Strategy
- Digital & Services Transformation Strategy
- Commercial Investment Strategy
- Asset Management Plan
- People Strategy
- Service Plans

Capital investment will therefore be made in a range of areas to support the Council's core activities and priorities including asset investment to support its Asset Management Plan and service plans, ICT and business improvement investment to support its Transformation Programme. Investment in other delivery vehicles such as a Housing Company are being considered to deliver priorities regarding housing units.

3 Capital Scheme Prioritisation

3.1 Due to competing demands for limited resources, the Council prioritises capital investment based on a number of different factors such as:

- Its contribution to corporate priorities
- Whether it facilitates delivery of statutory or non-statutory and essential/non-essential services.
- The ability of the project to leverage additional funding, or secure a future income stream – therefore preference will be given to those projects with:
    - A payback of 10 years or less

    - A positive net present value over the life of the asset based on a discount rate reflecting use of capital resources (Treasury Green book figure 3.5 %)
- The affordability of the revenue implications of the project
- The risk of not undertaking the capital expenditure, e.g. Health and Safety implications or legislative requirements.

3.2 Non financial indicators can also be used, for example, there are many benefits to including sustainability or environmental criteria in the decision-making process when it comes to allocating capital resources. Outcomes (for example jobs created or safeguarded) and outputs (for example, number of new homes built) should also be considered.

4 Prudential Approach

4.1 The Prudential Code requires Councils to consider six things when it agrees its Capital Programme:

- Service objectives – are spending plans consistent with our aims and plans?
- Stewardship of assets – is capital investment being made on new assets at the cost of maintaining existing assets?
- Value for money – do benefits outweigh the cost?
- Prudence and sustainability – can the Council afford the borrowing now and in the future?
- Affordability – what are the implications for council tax? (revenue implications)
- Practicality – can the Council deliver the programme?

4.2 Prudence is a difficult concept to define. In deciding whether an investment decision is prudent there should as a minimum be an initial consideration of the relationship between:

- the capital cost and
- the business cost (being the revenue costs associated with the use of the asset).

4.3 The authority needs to consider whether this choice represents the best use of resources having looked at all available options. Above all, the authority should be confident that the preferred option is the best value for money, and the quality is sufficient to meet the Council's needs.

4.4 Investments in property are seen as medium to long term investments therefore the value for money is assessed on this basis to ensure that over a longer period of time the investment is value for money and provides a return to the Council which, as a minimum exceeds what could be earned through investing in Money Markets.

4.5 The question of affordability in relation to capital projects is easier to address as the list of cost components is easier to define. Whilst the list is not exhaustive, it will typically include:

- Capital Costs
    - Feasibility costs
    - Initial build/purchase
    - Disposal/demolitions/decommissioning costs
    - Project management costs - internal and external
    - Fees: Surveyors, Clerk of works

- Revenue costs
    - Ongoing rental charges
    - Ongoing facilities management charges
    - Utilities costs
    - Maintenance (planned and reactive)
    - Financing costs (where appropriate, Minimum Revenue Provision (MRP) and Interest costs)
    - staffing implications
    - Business Rates

4.6 Feasibility costs may be capitalised provided the scheme leads to the eventual construction of an asset, if not, any such costs incurred must be charged to revenue.

4.7 In assessing whether an investment is sustainable, the authority should consider:

- how it fits into any future policy or environmental framework
- the future availability of resources to implement and continue to maintain any capital asset arising
- the potential for changes in the need for the asset, e.g. demographic developments
- the potential for changes in the nature of the driver, problem, or policy the capital expenditure is seeking to address.
- The security on loans made
- The liquidity of investments

4.8 In terms of Practicality, the Council must ensure it has the right skills and resources available at the right time to be able to fully resource and deliver its Capital Programme ambitions. Some of the projects may be specialist in nature and, as such, will require external expertise and support in order to deliver the schemes, including good project management skills.

5 Capital Funding

5.1 Capital Funding Sources:

5.1.1 The Council's Capital Programme is currently funded from the following sources;

- Capital Receipts
- Prudential Borrowing
- Developers Contributions e.g. s106 receipts
- Partner contributions
- Revenue Contributions/Reserves
- Capital Grants e.g. Disabled Facilities Grant
- Proportion of Housing Right to Buy receipts
- Major Repairs Reserve (for Council Housing investments)

5.1.2 The Council can recycle capital receipts generated from the disposal of assets back to fund both General Fund and HRA capital projects. The Council also has in place a Flexible Use of Capital Receipts Strategy (Approved October 2018) which may be used to support delivery of the Council's Transformation Programme.

5.1.3 However with limited property available for sale capital receipts are gradually being eroded. And with continuing budgetary pressures being placed on the Council's General Fund the ability to use Direct Revenue Financing (use of reserves) is reducing and consequently the Council may need to either find alternative sources or curtail its ambitions for capital spend in future years.

5.1.4 The Council owns a number of assets including investment properties and through the Asset Management Plan the continuation of holding such assets is reviewed in the light of suitability and sufficiency and decisions are taken on whether to:

- Hold and continue to maintain and refurbish them, or
- Dispose of and generate a capital receipt for funding the Capital Programme.

5.1.5 The Council has entered into an agreement with the MHCLG in which the authority will recycle within a rolling 3 year period Right to Buy (RTB) receipts arising from retaining "additional" receipts from RTB disposals into new social housing dwellings within the District. There are some rules relating to the total sum allowed per new social housing build project from this new funding source. However, the Council currently anticipates all receipts will be utilised on eligible schemes as and when they arise.

5.2 Prudential Borrowing

5.2.1 Under the Prudential Framework local authorities are free to make their own judgements as to whether new borrowing is affordable and prudent, subject to a duty to follow agreed professional principles, which are contained within the Prudential Code

5.2.2 Prudential borrowing to fund capital projects may, depending on the nature of the capital investment bring with it the need to make a charge to revenue to reflect the cost of borrowing. The basis for this charge, known as Minimum

Revenue Provision (MRP) is set out within the Council's Treasury Management Strategy.

5.3 S106 Developer Contributions

5.3.1 Developer contributions are sought to mitigate the impact of development and overcome what would otherwise be a potential reason to potentially refuse a planning application. These S106 Developer Contributions are a means of supporting infrastructure costs such as play areas, transport networks, schools, etc.

5.4 Housing Revenue Account

5.4.1 Capital commitments are funded via surpluses from within the Council's Housing Revenue Account (HRA). The production of a 30 year HRA Business Plan, which is regularly reviewed, enables the funding needs of the Council's housing stock to be planned for and accommodated.

5.4.2 The HRA originally had a debt cap which was set at £80.081m in 2012. However, the Government recently announced the removal of this cap allowing Councils to once again borrow against the value of its housing stock for improving the existing stock as well as delivering new stock.

5.4.3 The HRA Capital Programme is to a large extent driven by the amount of surplus generated which in turn is influenced by:

- The amount of income raised from rents which for four years from 1/4/2016 has been limited by Government to a year on year decrease of 1%. Increases of CPI plus 1% will again be permissible from 2020/21.
- The number of Right to Buy sales that take place and the impact on the HRA stock and therefore future rent income receivable.

5.4.4 The resulting HRA Capital Programme provides for renovation and improvement of existing housing stock, refurbishment and limited estate regeneration.

6 New Delivery Models

6.1 In response to reducing capital resources the Council has looked to new delivery models to continue its capital investment in the District which levers in other partners and innovative financing. These include a Housing Company which the Council may establish to deliver new affordable rented properties in the District.

6.2 At the time of writing the Council also currently has a portfolio of 'investment properties' of around £24m generating investment income of @£1.75m per annum. The purchase of the investment properties were funded by prudential borrowing and will attract both the cost of capital and also MRP in future years following new guidance issued by MCHLG in 2018. The Council is currently awaiting new guidance to be issued by CIPFA in relation to investment properties to determine whether this may impact on the Council's aspiration to acquire further investment properties to sustain delivery of much needed services to the residents of Ashfield.

7 The Current Capital Programme 2018/19 – 2022/23

7.1 A copy of the current 5-year Capital Programme can be found on the Council's website and the latest update to the Capital Programme is being reported to Cabinet at this meeting in a separate report. The programme covers the following key areas:

- Investment Properties
- Area schemes & General Fund Schemes
- Housing Revenue Schemes

7.2 In assessing what schemes are included in the Capital Programme, the Council will ensure all schemes are properly appraised and prioritised through a scoring matrix as agreed by Council. This appraisal process will take account of the key criteria set out in this Strategy.

8 Commercial Property Investment Strategy

8.1 In the context of the Capital Strategy, the Council is using capital to invest in property to produce a revenue return to sustain the delivery of key services to the District's residents. This capital will, where available, be in the form of capital receipts and/or prudential borrowing.

8.2 Outlined below is the Commercial Property Investment Strategy which proposes a formal approach to invest in property that provides a positive surplus/financial return.

8.3 This is achieved by buying property that has a tenant who pays rent to the owner of the property – the landlord. The tenant needs to be of good financial standing and the property and lease must meet certain standards such as being in a commercially popular location and have a number of years left on the lease providing a certain and contractually secure rental income into the future.

8.4 The Council funds the purchase of the property by borrowing money – potentially from the Public Works Loans Board (funded by the Central Government). The rental income paid by the tenant must exceed the cost of repaying the borrowed money each year. The annual surplus then supports the Council's budget position, and enables the Council to continue to provide services for local people.

8.5 Historically, property has proved to be one of, if not the best, investment in terms of capital growth over the last 50 years. If the Council owns the property for 20 years plus, and the property is managed and maintained appropriately, the Council can expect to see an increase in the value of the property as well as a net annual surplus of revenue.

8.6 The Property Investment Strategy:

- Clarifies the legal powers used to operate the Strategy and ensure continued compliance.
- Sets out what the Council wants to achieve when acquiring property assets for investment purposes – primarily financial gain.
- Identifies criteria for acquiring and owning property assets for investment purposes to ensure risks are minimised.
- Includes an outline of the process involved in acquiring property assets for investment purposes.
- Is part of a wider policy framework supporting what the Council does and why.

9 Legal Powers

9.1 Local authorities have very wide powers to acquire, sell, appropriate and develop land, such that it is rare to need to use the powers in the Localism Act 2011. Specific property related powers are very wide and include the following:

- Sections 120 to 123 of the Local Government Act 1972
- Section 227, Town and Country Planning Act 1990
- Section 233, Town and Country Planning Act 1990
- Local Authorities (Land) Act 1963 (development)
- Housing Act 1985
- Sections 24-26 Local Government Act 1988

9.1.1 Under the prudential financial regime, a local authority also has the power to invest monies under section 12 Local Government Act 2003, for either:

(a) “any purpose relevant to its functions under any enactment”, or

(b) “for the purposes of the prudent management of its financial affairs".

9.1.2 This investment must have regard to proper accounting practices and the relevant CIPFA guidance. As the Council has a number of different powers that enable it to acquire, develop and sell land, should it so wish, they form part of the Council's "functions" for the purposes of section 12 above.

9.1.3 There are various powers that would usually be sufficient for the Council to undertake any property acquisition, sale or related project in its area where at least part of the motivation is connected with the broad benefit or improvement of its area, as it is in the case of this strategy.

9.1.4 Each acquisition will be evaluated on its merits to consider the relevant purpose(s), legal powers, financial powers and any other implications. The evaluation will address the potential within the market place for future uplift or loss in value of the asset being considered for acquisition, as well as the security of income from the tenant in occupation.

9.2 Objectives of the investment activity

9.2.1 Acquisition for investment and treasury management purposes, to generate an income stream is a natural progression from acquisition for regeneration purposes. The two can also be combined – an example of this is if an acquisition is made which offers a secure income stream and the option for future regeneration of a site. Therefore, the reasons for buying and owning property investments are primarily in this order:

1. Financial gain to fund our services to local people
2. Market and economic opportunity – the time is right
3. Economic development and regeneration activity in Ashfield

9.3 Operating in the Property Investment Market

9.3.1 The UK commercial property investment market is very well established, attracts global investors and is defined as a 'mature asset class'. It has a wide range of new and established investors including institutions, pension funds, specialist property companies, charities, family trusts and individuals.

9.3.2 The Chartered Institute of Public Finance and Accountancy (CIPFA) defines investment property as "…used solely to earn rentals or for capital appreciation or both…".

9.3.3 Returns from property ownership can be both income driven (through the receipt of rent) and by way of appreciation of the underlying asset value (capital growth). The combination of these is a consideration in assessing the attractiveness of a property for acquisition.

9.3.4 Property prices and returns are a function of the property type, condition, use and location, together with the lease structure and covenant strength of the tenant (in the case of a let property). Lease contracts will reflect all liability and outgoings being the responsibility of the tenant.

9.3.5 What should be sought by the Council are property investments which produce the best returns possible, whilst carrying an acceptable level of risk. The main mitigation measure in managing risk is to target investments which are let to 'blue chip' tenants, on relatively long leases with little or no landlord management involvement – typically the tenant is responsible for all property costs such as repair, maintenance and outgoings. In this way, the Council will be primarily buying a secure income stream and the buildings themselves become almost secondary considerations.

9.3.6 Any property asset coming onto the market could be for a number of reasons. Investors seek to buy and sell in many different circumstances - rebalancing their portfolio, seeking cash to influence balance sheet or share price, requirement for a more “liquid” asset, short-term investment taking advantage of small capital growth, moving into different property classes, etc.

9.4 Priorities & Risk in Property Investment

9.4.1 The Priorities for the Council when acquiring property interests for investment purposes are (in order of importance):

- **Covenant Strength** - in the case of a let property, the quality of the tenant and, more importantly, their ability to pay the rent on time and in full. The Council’s primary reason and objective for this strategy is financial gain. The underlying principles of a Property Investment Strategy imply, assume and default to nothing taking higher priority than financial gain. It is however worth noting that the Council, as a public body, may not wish to invest in properties where the occupiers are generally seen to be undertaking a business which is contrary to its corporate values.
- **Lease length** - in the case of a let property, the unexpired length of the term of the lease or a tenant’s break clause is of key importance in ensuring that the landlord’s revenue stream is uninterrupted. The Council will take into consideration the risks associated with a tenant vacating and the potential to attract good quality replacements tenants at acceptable rental levels. Generally, occupiers are moving away from 25 year leases which were more common back in the late twentieth century with 10 to 15 years now becoming more acceptable unless some form of lease break provisions are included in favour of the tenant.
- **Rate of return** - the rate of return from the property (for example through annual rental incomes) will need to be equivalent or better to the returns that could be earned from alternate investments, such as placing monies on deposit, following adjustment for risks and potential growth. The property will also need to produce an annual return in excess of the cost of PWLB borrowing (interest only).
- **Risk** – rate of return is one side of the coin; risk is the other. In general, the higher the sought level of return from an investment, the higher level of risk that it carries. For example, if a property is let at an attractive rent which would create a good return, it could still be risky if the tenant does not possess good covenant strength and could default at any time.
- **Lease Terms** – The terms of leases vary and even those held on an “Institutionally acceptable basis” can be very different in nature particularly as such leases have developed over time. The Council is seeking to invest in modern leases with full repairing and insuring obligations on the Tenant and a full Service Charge recovery to include any management fees where applicable. This will ensure a certain income/return to the Council.
- **Growth** - property has the potential for both revenue and capital growth. The Council will take into account that potential when assessing the strength of the investment opportunity. Property values can fall as well as rise and mechanisms to minimise revenue reductions should be identified. Generally,

the nature of standard, institutional leases is that rent review clauses are upward only which protects landlords from any downward pressure on rental income giving some security as to the level of income.

- **Location -** should a tenant default or vacate, the location of the property is the key factor in influencing the ability to re-let and find another tenant. Location is also important when considering future redevelopment or regeneration opportunities. Ideally the Council will be able to undertake inspections and to deal with any management issues without the need to employ specialists or agents. When appropriate opportunities surface in Ashfield, they will be evaluated against the same criteria as those opportunities located outside of the District. In this way, this investment activity does not discriminate against location. Any investment decision is subject to the appropriate justification, business case and governance.

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

- **Building Age and Specification** - in the case of a let property, whilst the Council, as an investor, may be principally concerned with the characteristics of the tenant and lease, the age and specification of the property will also affect the ability of the Council to let or sell the property in the future. It must also be taken into consideration in respect of the cost of protecting the investment. An example of this would be the undertaking of repairs and refurbishment if the cost cannot be fully recovered from the tenant.

9.4.2 In summary, the strategy for acquiring investment property assets is therefore to:

- Seek property let to tenants who are of strong covenant strength and sound financial standing with at least more than five years remaining on an FRI lease.

- Minimise risk.

- Maximise rental income and minimise management costs to ensure the best return is generated.

- Identify opportunities for future growth, redevelopment or regeneration via property in commercially popular or development areas.

- Prioritise the Ashfield area.

  Pursue opportunities to increase returns and improve the investment value of commercial assets

9.5 External Advice

9.5.1 The Council’s Commercial Property team has the relevant investment and management knowledge/experience to manage the investment property portfolios. Nevertheless, officers take external advice on a number of occasions such as:

- Appointing a representing agent in line with Contract Procedure Rules to represent and advise Ashfield in acquisitions
- Seeking external legal advice, via the Legal Shared Service, on various matters during conveyancing and indeed, to represent Ashfield directly, in complex transactions or in jurisdictions where English Law does not apply.
- Commissioning external Chartered Surveyors to carry out surveys on properties prior to purchase, with their reports forming a key part of the decision-making process and to carry out valuations of investment properties.

9.6 Governance

9.6.1 Where time constraints allow, a collective Cabinet decision will be sought; however a faster, robust decision-making process must be available to ensure Ashfield's competitiveness is maintained. In most, if not all, circumstances where the Council is negotiating an acquisition by Private Treaty, the Vendor is likely to want to proceed swiftly with the transaction for financial reasons. Furthermore, where the Council may purchase at auction, the contract is signed at the end of the auction; therefore, authorisations/delegations must be in place in advance. As such, the Officers will to use existing provisions within the Scheme of Delegation and Access to Information Procedure Rules to ensure a decision can be taken expediently. In all cases, a full written report and decision record will be prepared and required notices will be published in accordance with Governance requirements. Specifically:

1. Where timeframes do not allow a collective Cabinet decision, the Leader of the Council will take a delegated Executive Decision.
2. Where a potential purchase is a key decision and/or will contain exempt information but the full 28 days' notice cannot be given due to the urgency of the matter it is anticipated that a General Exception will be applied (Rule 15). This will give five clear days' notice of the decision which is about to be made. The Monitoring Officer will inform the Chairman of the Overview and Scrutiny Committee and publish the required notices.
3. Where there is a greater urgency and 5 clear days' notice cannot be given, the Special Urgency provisions will be used (Rule 16). In this case, the permission of the Chairman of the Overview and Scrutiny Committee (or if they are unable to act, the Chairman of the Council or, in their absence, the Vice Chairman of the Council) will be obtained before making the decision. The Rule 16 notice will be published.
4. In such cases it is expected that the decision will need to be implemented without delay and therefore it is anticipated that the decision will not be subject to call in.
5. The report will explain the reasons in each case as to why a decision is not to be called in.
6. The Leader must report to the next available Council meeting any decisions, which are made pursuant to Rule 16.

9.7 Risk Mitigation in acquisition

9.7.1 In order to mitigate the risks of investing in commercial property, a process has been defined and implemented to ensure roles and responsibilities are clearly defined, outcomes are understood, and unnecessary risk has been avoided. This process is included in Annex 1 of this Strategy.

9.7.2 The Council has invested in a number of investment property assets already and is seeking to make further property investments over the life of this Strategy. A fair value assessment was conducted on purchase and provides sufficient security for the underlying capital invested. These assets will be revalued per the Council's revaluation programme and appropriate provision will be made if there is a fall in the value of the assets.

10 Service Enhancements & Building Asset Maintenance

10.1 The Council has a property land and buildings portfolio utilised for service delivery (e.g. leisure centres) and for operational delivery (offices and depots). It is important that these are maintained on a regular basis and receive upgrades and replacement if required when resources allow. This programme will be informed by the Asset Management Plan alongside any service developments that may be proposed. It may also be required that some surplus assets are either disposed of (including demolition) if no longer fit for purpose or required.

10.2 As part of the agile working initiative opportunities for rationalisation of operational land and buildings may be identified. Equally, the retained operational land and buildings may require enhancement.

11 Grants & Contributions

11.1 The Council will make contributions to 3rd party schemes (including Disabled Facility Grants) as partner funding contributions to schemes not being directly delivered by the Council, to meet statutory grant requirements or to support particular initiatives.

11.2 The Council will also, where appropriate, seek grant funding and contributions to support the delivery of capital schemes.

12 Vehicles and Fleet

12.1 The Council has a significant fleet in order to deliver its operational services. The Council has traditionally purchased outright all of its fleet including refuse collection vehicles, which require a significant up-front investment. Whilst this Strategy continues with this approach, other funding methods may also be utilised (e.g. lease, Contract Hire with Maintenance, etc.) in order to achieve the most cost effective approach to vehicle provision.

13 Service Transformation & Invest to Save

13.1 The Council still faces significant shortfalls in its revenue budget in the Medium term. Therefore, it will continue to invest in technologies and programmes which deliver ongoing savings to the Councils finances. These schemes will require initial Capital investment but must demonstrate a payback and ongoing savings as part of the evaluation process. These schemes can range from enhancements to buildings to make them more energy efficient to ICT investment to service transformation programmes. Where available, capital receipts will be used to fund one-off revenue costs associated with the Transformation Programme, in accordance with the Flexible Use of Capital Receipts Strategy.

14 Capital Project Delivery and Investment Risk Management

14.1 The Council, like all Council's is exposed to a broad range of risks:

- **Financial risks** related to the investment of the Council's assets and cash flow, market volatility, currency etc.
- **Macroeconomic risks** related to the growth or decline of the local economy, interest rates, inflation and to a lesser degree, the wider national and global economy amongst others.
- **Credit and counterparty risks** related to investments, loans to institutions and individuals and counterparties in business transactions.
- **Operational risks** related to operational exposures within its organisation, its counterparties, partners and commercial interests
- **Strategic risks** related to key initiatives undertaken by the Council such as significant purchases, new ventures, commercial interests and other areas of organisational change deemed necessary to help the Council meet its goals.
- **Reputational risks** related to the Council's dealings and interests, and the impact of adverse outcomes on the Council's reputation and public perception.
- **Environmental and social risks** related to the environmental and social impact of the Council's strategy and interests.
- **Governance risks** related to ensuring that prudence and careful consideration sit at the heart of the Council's decision-making, augmented by quality independent advice and appropriate checks and balances that balance oversight and efficiency.

14.2 The Council must manage and mitigate these risks where possible but there is inherent risk in undertaking major Capital Projects (particularly acquisition of Investment Properties) and this needs to be recognised. Therefore, for each scheme, risk assessments and risk registers need to be prepared and monitored to ensure, as far as possible, risks are managed.

15 Governance & Monitoring

15.1 The Prudential Code sets out a clear governance procedure for the setting and revising of a Capital Strategy and Prudential Indicators i.e. this should be done by the same body that takes the decisions for the local authority's budget – i.e. Full Council.

15.2 The Prudential Code also states that decisions around capital expenditure, investment and borrowing should align with the processes established for the setting and revising of the budget. The Financial Procedure Rules (FPR) set out clear procedures for the approval of capital expenditure, including:

- approval of the capital programme – Full Council (FPRs para B.1)
- additions/changes to the capital programme – Cabinet/Council (FPRs para B.8)

15.3 The Audit Committee has delegated powers responsible for Governance and Treasury Management within the Council. They scrutinise and recommend an annual Treasury Management Strategy (incorporating an Investment Strategy and Borrowing Strategy) to Council for approval as part of the annual approval of budget. They also receive monitoring reports on Treasury activity and a year-end Annual Report.

15.4 The S151 Officer is responsible for ensuring that all matters required to be taken into account are reported to the decision-making body for consideration. They also have to declare that they consider the strategy to be prudent and affordable, are integrated into the Treasury Management Strategy and other Strategic Plans, and that the all the revenue implications are included in the MTFS.

16 Knowledge and Skills

16.1 In order to deliver this Capital Strategy it is important that the Council employs and /or has access to competently skilled people in order to manage the delivery of the Capital Programme. The Council's S151 Officer has the overall responsibility for the Capital and Treasury Management activities so needs to be professionally qualified and undertake ongoing CPD in these areas. This should be underpinned by experienced staff who can support the S151 Officer in meeting these requirements. Additionally, professional advice can be bought in from external providers. The Council currently retains Link Asset Services as its Treasury Management Advisors.

16.2 Training should also be provided to those Members and Officers that are involved in the monitoring and delivery of the Capital Strategy and Programme and this should be regularly updated. Appropriate project management training should also be provided to project leads, Officers and Members responsible for each of the Capital schemes.

Annex 1

Investment Property Acquisition Process

2019-2023

Reviewed: January 2019

Process and Responsibilities for Commercial Property Investment

As a process, the investment portfolio will require work from various services within Ashfield District Council due to the complex nature of property selection, evaluation and acquisition. Adhering to this process will minimise risk and ensure adherence to Statute and the Prudential Code.

This document should be read alongside the Investment Property Acquisition process map found at the end of this document.

Stage 1 – Identification Stage

Stage 1 may be repeated several times in identifying suitable properties for purchase. The steps required help to ensure that only suitable properties are brought forward as potential investments. The due diligence undertaken here includes, and is not limited to, the tenant covenant, location, the overall market, assessment of risks and the details within the lease.

Step	Element	Document(s) Involved	Responsibility
1	**Opportunity identified** - This can be either by way of direct research by ADC employees or by outside approach from agents. Once a property is identified, an initial financial investment model is produced to determine if the minimum income target can be met.	• Property Brochure	Service Manager – Commercial Development
2	**Min NIY possible?** - The initial financial appraisal outlines the yield that would be obtained with the target of achieving at least 3.5% net initial yield (NIY). All evaluation is done on the basis of external borrowing from the PWLB at the rates current on the given day.	• Financial appraisal	Service Manager – Commercial Development
3	**Collate available documents and send to finance and legal –** Title(s) and Lease(s) may not be available in the first instance for every opportunity.	• Brochure • Financial appraisal • Dunn and Bradstreet reports • Titles and Leases	Service Manager – Commercial Development
4a	**Preliminary Finance due diligence –** Finance will examine the appraisal and credit reports to determine if there is any reason not to proceed; these reasons will be documented and circulated.	• Record of issues (email or otherwise)	Corporate Finance Manager
4b	**Preliminary Legal due diligence –** Legal will examine the available documents (and undertake their own research) to determine if there is any reason not to proceed; these reasons will be documented and circulated.	• Record of issues (email or otherwise)	Director of Legal and Governance
5	**Inspect Property** – Officers will undertake a visual inspection of the property and surrounding area. This inspection informs the	N/A	Service Manager –

	creation of the Briefing note and the Evaluation Matrix.		Commercial Development
6	**Appraise property against matrix and write briefing note –** Taking feedback received from Legal and Finance in conjunction with other sources, the Briefing note and risk assessment are completed and the Evaluation matrix is completed. These documents encapsulate the meaningful aspects of the work thus far and are prepared in order to submit the property for consideration by the Leader / Deputy Leader.	• Briefing note • Evaluation Matrix	Service Manager – Commercial Development
7	**Meet with leadership to present and obtain authority to make an offer –** a meeting will held to table the property as an option and discuss the findings of work to date. Normal attendees (at a minimum) are The Chief Executive Officer, the Service Manager – Commercial Development, the Corporate Finance Manager, and Director of Legal and Governance. After the meeting, and if agreed, the Leader will formally cascade approval to offer on the property. A maximum offer is approved after discussion; although opening offers are always placed below.	• Authority to bid	Service Manager – Commercial Development
8	**Place offer** – After receiving approval, offer letters are drafted, approved and submitted to the vendor's agent. The offer letter contains ADC's offer and terms , such as: • The proposed time for signed Executive Decision Records, surveys, completion • Conditions to be included in the Heads of Terms (HoT), such as receipt of a full legal pack before the process starts. • Exclusivity from agreed HoT. An accepted offer is notified normally by telephone and is followed by receipt of an email with Draft HoT attached.	• Offer letter	Service Manager – Commercial Development

Stage 2- Conveyancing Stage

This stage begins once a bid has been accepted for an investment property. The ongoing due diligence in the first stage would also be brought forward to mitigate risks. Further analysis of the tenant, the building, the lease etc, are evaluated to ensure risk is mitigated.

Step	Action	Document(s) Involved	Responsibility
9	**Agree the Heads of Terms** – After reviewing the received Draft Heads of Terms and making any required amendments, the revised Heads of Terms are returned to the vendor's agent. This process will repeat until both parties are satisfied that the Heads of Terms reflect the agreed position, at which point they are formally approved by both sides. These will then be sent to the Service Manager – Commercial Development and the Director of Legal and Governance.		Service Manager – Commercial Development
10	**Make contact with Vendor's solicitors; receive and verify Legal pack** – Once received by Legal, the appointed solicitor will make contact with the Vendor's solicitor via email or phone to indicate that they are representing ADC in the transaction. ADC Legal will provide the necessary details for receipt of the legal pack; upon receiving the Legal pack, the ADC's solicitor will verify its contents and raise any queries with the other side's solicitor whilst awaiting instructions from the Commercial Property team following a signed Executive Decision Record from the Leader.		Director of Legal and Governance
11a	**Instruct surveys (external) –** After agreeing Heads of Terms, quotes will be sought for conducting building surveys of the property in question. Generally, the property brochure provided at the beginning of the process is provided to at least three Survey firms, with the deadline by which inspections and reports must be completed and received by ADC (this element of the process has a 10 working day time limit from the date of Agreed Heads of Terms being received). Quotes are generally received within 24 hrs and the quote that represents best value for money (taking price, quality and time into account) is selected.		Service Manager – Commercial Development
11b	**Write Urgency Notice/ Report for the Executive Decision Record–** An urgency notice is required for these transactions which must be signed by the Chair of the Scrutiny Committee. The Leader, or delegated person, is obligated to contact the Chair to explain the details of the transaction prior to gaining a		Service Manager – Commercial Development

	signature. An urgency notice is required due to the Decision being Key and the constrained timeframe for the process to be completed. The Report for the Executive Decision Record is the briefing note written earlier with the addition of Recommendations, Implications, Reasons for Urgency, and Exemptions, as per the standard ADC report format. Once a draft is produced by the Service Manager, it is circulated to Legal and Finance for review/amends until it is finally complete and approved by all parties. Then the Leader, Chief Exec and the Service Manager will meet to review the report and answer any remaining questions. Once the Leader is satisfied, the EDR is signed by the Leader and forwarded to Democratic Services, along with the report. A copy of both should also be supplied to Legal for the case file.		
12a	**Notify other side of the EDR** – Once the EDR is signed, an email should be sent to the other side's solicitor noting that the EDR has been signed, meaning that the purchase is officially approved.		Director of Legal and Governance
12b	**Instruct legal –** The Estates Manager will complete the official instructions for Legal to undertake the conveyancing process.		Service Manager – Commercial Development
13	**Conveyancing process** – The conveyancing process is distinctly different for every property purchase, given the unique circumstances that each purchase presents, though each has common activities, i.e. examining titles, searches and queries, contract/Lease examination and amendment, etc.		Director of Legal and Governance
14	**Determine level of borrowing and source / Option to tax (if applicable) –** Finance will determine the level of borrowing need for the purchase as well as whether this should be internal or external borrowing. Finance work closely with their Treasury Management Advisers. They will seek advice to determine whether it is preferable to externally borrow now and risk the cost of carry i.e. interest payable being greater than the interest payable or whether it is best to borrow internally of temporarily if affordable. If the property is being sold as a Transfer of a Going Concern (TOGC), finance will complete a		Corporate Finance Manager

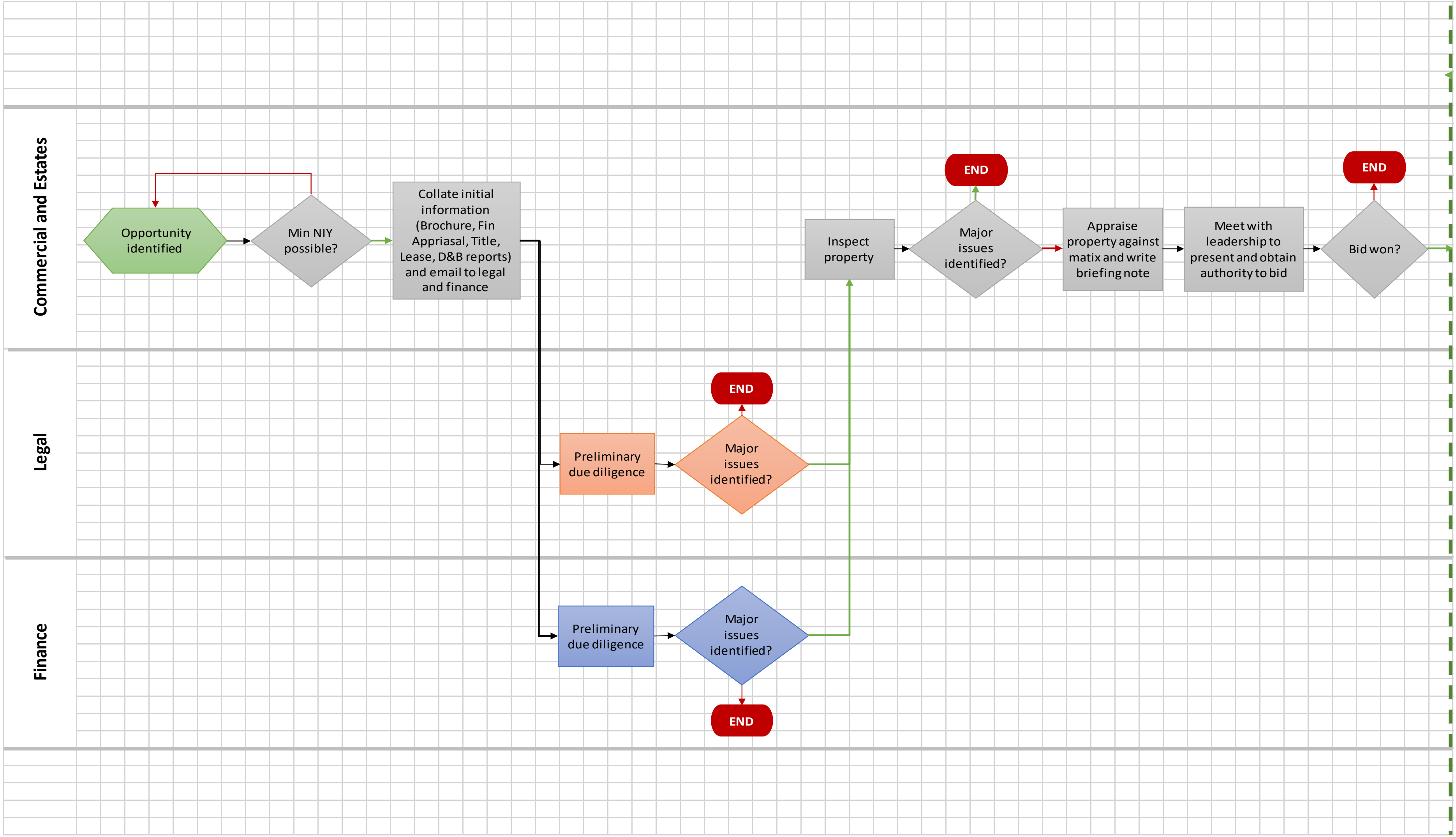
	form to Opt to Tax the property (VAT 1614A). When granted by HMRC, VAT must be paid and passed to HMRC on rents, but VAT will not apply on the purchase of the property. If for whatever reason the purchase does not complete then this can be rescinded by simply informing the HMRC.		
15	**Arrange Insurance –** Once the Surveys have been returned, the values provided therein by the Surveyor will be passed to Finance to arrange appropriate insurance cover for the property, with the date of commencement to be the completion date.		Corporate Finance Manager
16	**Secure funds –** Having previously determined the source of funding, Finance will take steps to secure the funds in anticipation of making payment.		Corporate Finance Manager
17	**Transfer payment** – Once Legal is satisfied that completion can occur, the solicitor will notify Finance that the money can be transferred. Funds will be transferred <u>no later than 1700hrs on the day prior to completion.</u> Failure to meet this deadline risks incurring additional costs in penalties as noted in the sale contract.		Corporate Finance Manager
18	**Complete –** At the agreed date/time, ADC's solicitor and the Vendor's Solicitor will carry out the completion process.		Director of Legal and Governance

Stage 3- Post-Completion Stage

After completion, work remains to complete the entire process before day-to-day management and monitoring begins.

Stage	Action	Document(s) Involved	Responsibility
19	**Post completion**		Director of Legal and Governance
20	**Authorise Stamp Duty payment to HMRC**		Service Manager – Commercial Development
21	**Update Budget –** The budget will be updated at the next available opportunity to include the expected Rental Income, Minimum Revenue Provision and Interest Payable, if applicable.		Corporate Finance Manager

Investment Property Acquisition Process Map - Stage 1: Identification & Bid



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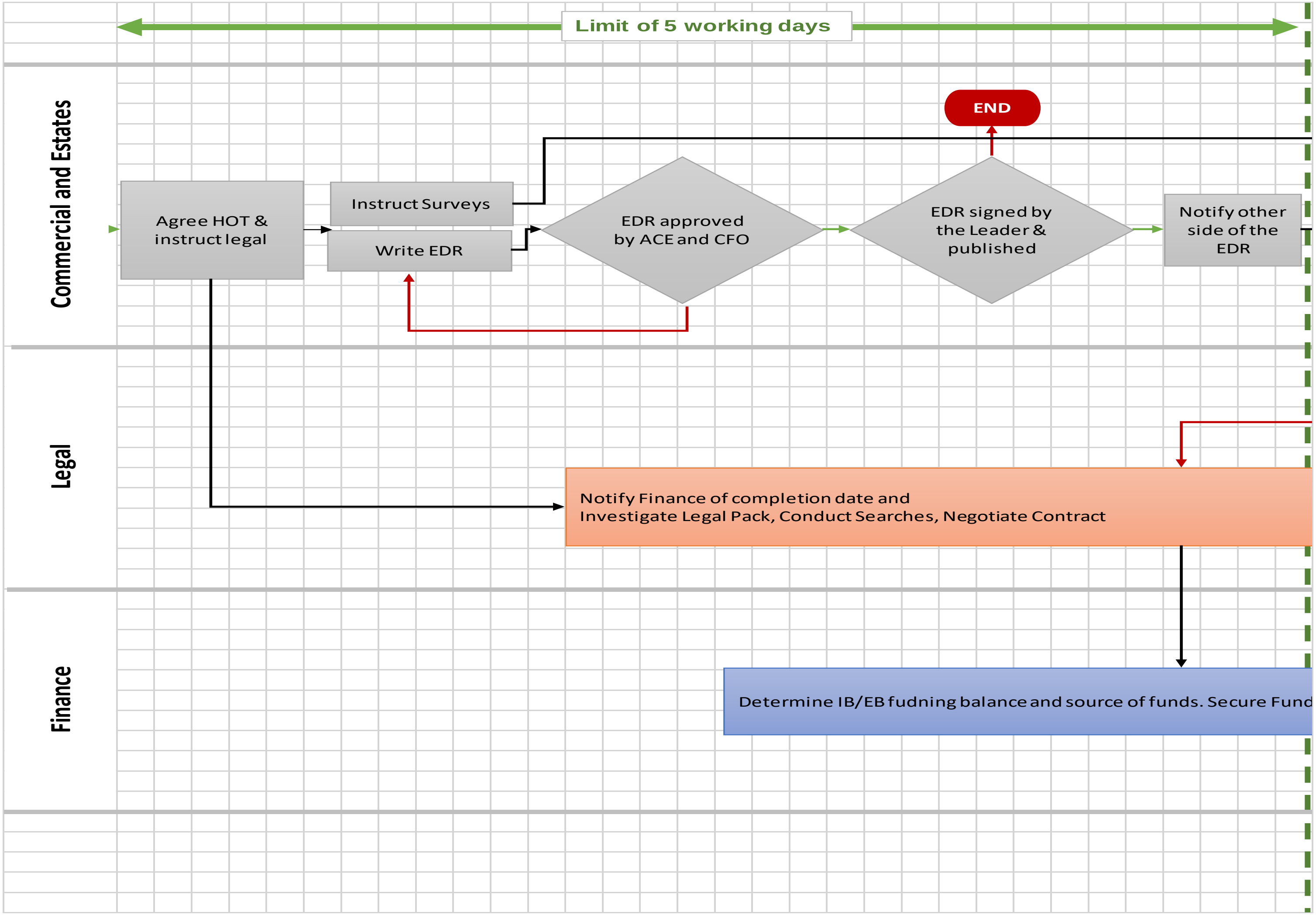
Investment Property Acquisition Process Map - Stage 2:EDR and Instructions



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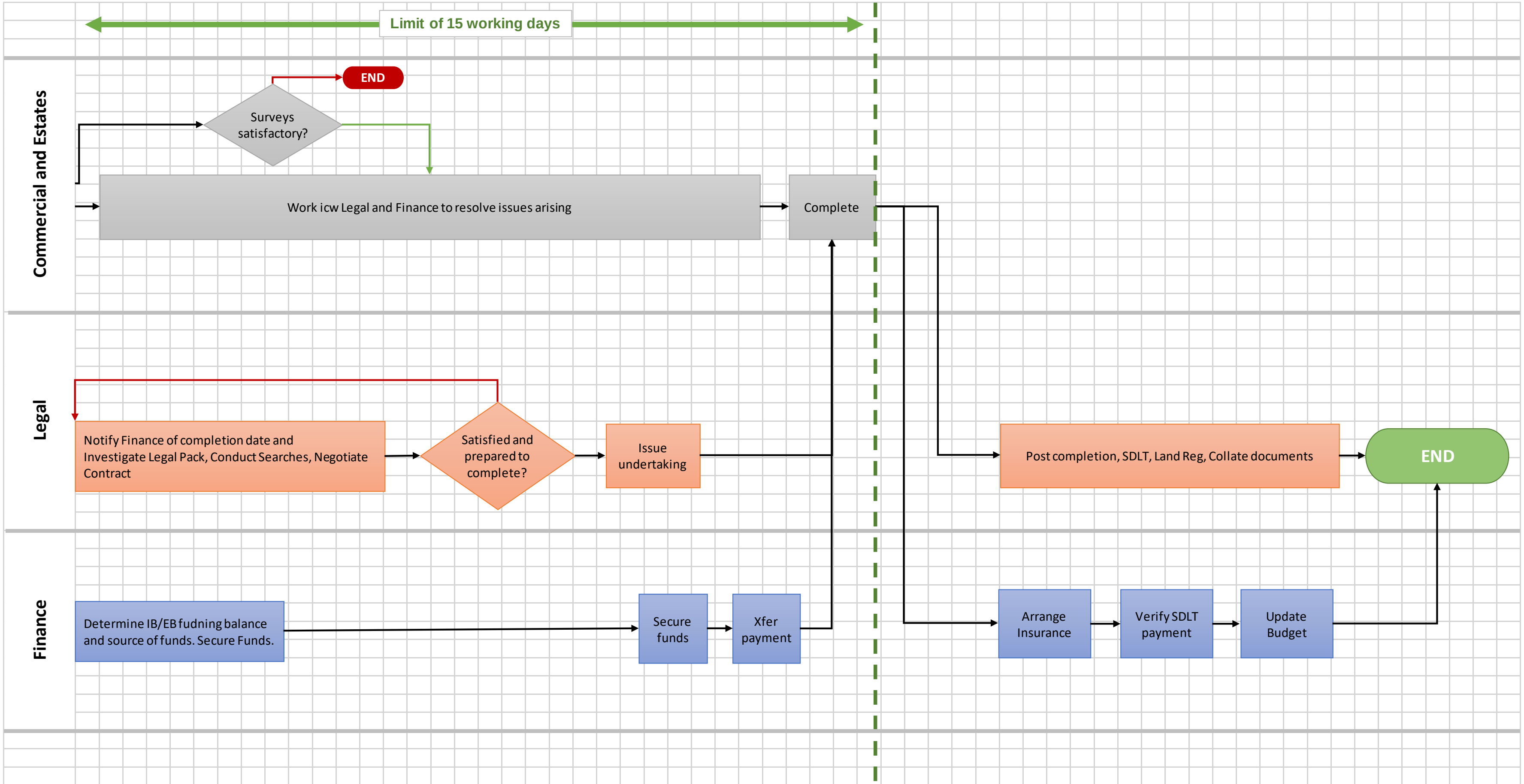
<u>Investment Property Acquisition Process Map</u> - Stage 3: Due Diligence, Completion and Post-completion



Agenda Item 4

Ashfield DISTRICT COUNCIL

Report To:	**CABINET**	**Date:**	**18 FEBRUARY 2019**
Heading:	**TREASURY MANAGEMENT STRATEGY STATEMENT, MINIMUM REVENUE POLICY AND PRUDENTIAL INDICATORS**		
Portfolio Holder:	**CABINET MEMBER (INWARD), COUNCILLOR ROBERT SEARS-PICCAVEY**		
Ward/s:			
Key Decision:	**YES**		
Subject to Call-In:	**YES**		

Purpose of Report

This report sets out the Council's proposed Treasury Management Strategy (TMSS) for 2019/20 (including the Treasury Management Policy; Minimum Revenue Provision Policy; Investment Strategy; Prudential Indicators and Treasury Management Practices: Main Principles). It has been prepared in accordance with the Treasury Management in the Public Services Code of Practice (the Code), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), and relevant legislation.

Recommendation(s)

Cabinet recommends to Council:

1) **Approval of the Annual Investment Strategy;**
2) **Approval of the revised Minimum Revenue Provision (MRP) Policy;**
3) **Adoption of the proposed Prudential Indicators; and**
4) **That it notes the remaining contents of the report.**

Reasons for Recommendation(s)

The Treasury Management Strategy Statement recommendations will allow for effective Treasury Management operations within the Authority, the revised Minimum Revenue Provision Policy will ensure that Minimum Revenue Provision (MRP) charges will be applied more effectively and the Prudential Indicator ratios offer a benchmark by which any future capital expenditure decisions should be made. The Treasury Management Code of Practice requires Council approval of these Policies.

Alternative Options Considered

None. It is a requirement of the CIPFA Treasury Management Code for all Local Authorities to have a Treasury Management Strategy Statement (TMSS).

Detailed Information

The TMSS contains the Annual Investment Strategy which sets limits for the maximum amounts to be invested and the types of investments the Council may consider, and the MRP Policy which states how the Council will apply MRP charges. Annex A of Appendix 1 contains the proposed Prudential Indicators for the Authority, Annex B shows the borrowing and investment position of the Council as at 31st December 2018 as well as projections for future interest rates and Annex C shows the Treasury Management Practices (TMPs) of the Authority.

1. Operational Boundary and Authorised Limits

   The Authority is looking to increase its borrowing requirement primarily to fund the proposed acquisition of new Investment Properties and the borrowing requirements associated with the new Kirkby Leisure Centre and pool. The additional borrowing is added to the Capital Financing Requirement (CFR). The CFR represents Capital Expenditure which is still to be financed. The Council should under normal circumstances not borrow any more than its CFR. The Operational Boundary sets a warning level for which total external debt should not exceed. The proposed Operational Boundary has been set at a level which is slightly above the CFR. The Authorised Limit is the absolute maximum level for external debt. The proposed Authorised Limit has been set at a level which is £10m greater than the proposed Operational Boundary; this is consistent with previous years.

2. Minimum Revenue Provision (MRP) Policy

   The Minimum Revenue Provision charge is the means by which capital expenditure which is financed by borrowing or credit arrangements, is paid for by council tax payers. Local Authorities are required each year to set aside some of their revenues as provision for this debt.

   The Council is proposing to change its MRP policy to allow an annuity calculation to be used when the asset life is expected to exceed 10 years. The Annuity calculation charges a lower rate of MRP in the early years of the asset life and a higher charge in the later years of the asset life. It is proposed to continue to use the straight line method for those assets with an estimated life of 10 years or below. The straight line method for MRP charges a fixed amount of MRP per annum over the asset life. Note the total MRP charge over the life of the assets will still be the same amount using either methodology.

   Assuming the proposed Capital Programme (elsewhere on this agenda) is approved and the actual capital expenditure in 2018/19 is the same as the proposed 2018/19 Capital Programme, using the existing straight line MRP calculation the MRP charge in 2019/20 would be £2.018m. If the proposed change to the MRP policy is approved then the MRP charge would be £1.703m for 2019/20. This amounts to a revenue saving of £315k for 2019/20.

   The example below based on an asset costing £10m with a 40 year life illustrates the differences between the two MRP calculation approaches.

	Asset Life	Capital Expenditure	Straight Line (S) / Annuity (A)	1	2	3	38	39	40	Total
2019/20				-	-	-	-	-	-	-
Capital Expenditure (Straight Line)	40	10,000,000	S	250,000	250,000	250,000	250,000	250,000	250,000	**10,000,000**
Capital Expenditure (Annuity)	40	10,000,000	A	146,724	150,465	154,302	372,495	381,994	391,735	**10,000,000**
Difference				103,276	99,535	95,698	-122,495	-131,994	-141,735	**- 0**
Discount Factor 3.5%				1	0.966	0.934	0.280	0.271	0.261	
Net Present Value										
Capital Expenditure (Straight Line)				250,000	241,546	233,378	70,008	67,640	65,353	**5,525,625**
Capital Expenditure (Annuity)				146,724	145,377	144,043	104,310	103,353	102,404	**4,930,913**
Difference				103,276	96,169	89,335	- 34,303	- 35,713	- 37,051	**594,712**

In absolute terms there is no difference over 40 years between the two methods of MRP calculation. However, when you factor in the fact that the value of money diminishes each year (assumed by 3.5% in the above example – this being the amount recommend in the HM Treasury Green Book for appraisal of projects), the Annuity version in today's money terms is actually £595k less expensive over the life of the asset.

3. Prudential Indicators

The Prudential Indicators are designed to show the estimated effect that future Capital Expenditure will have on Individual Council Tax payers and on each Council Dwelling. The Prudential Indicators also set appropriate levels for the total debt of the Authority.

The estimate of the ratio of financing costs to net revenue stream for the Housing Revenue Account (HRA) remains relatively static over the three years. (See paragraph a) Annex A). The reason for this is that there is not expected to be any new borrowing costs; the ratios will fall slightly as HRA historic debt costs are expected to remain static in future years and HRA revenues are expected to increase slightly.

The estimate of the ratio of financing costs to net revenue stream for the General Fund is expected to increase significantly as a result of additional borrowing for the proposed acquisition of Investment Properties and for new Kirkby Leisure Centre.

Estimates of the incremental impact of capital investment decisions on Council Tax Band D equivalents is £27.42 in 2019/20, £25.29 in 2020/21 and £20.66 in 2021/22. This represents the estimated amount of Council Tax within the District's annual Council Tax charge from each Band D equivalent that will be used to fund future capital investment. These levels also reflect the use of borrowing to purchase the Investment Properties and to build the new Kirkby Leisure Centre and pool. There is no incremental impact to Council Dwelling Rent payers as there is no borrowing proposed for the HRA.

4. Treasury Management Practices (TMPs)

The Treasury Management Practices were last revised in 2012. The main proposed changes to the TMPs are as follows**:**

TMP5 Organisation, Clarity and Segregation of Responsibilities and Dealing Arrangements – this has been revised to reflect current establishment

TMP8 Cash and Cash Flow Management – this has been updated to reflect how the Council forecasts its future cashflow requirement.

Details of the proposed TMP's are attached in Annex C.

<u>Implications</u>

Corporate Plan:

The Treasury Management Strategy Statement will support delivery of the priorities in the Corporate Plan.

Legal:
It is a requirement of the CIPFA Treasury Management Code for all Local Authorities to have a Treasury Management Strategy Statement.

Finance:

Budget Area	Implication
General Fund – Revenue Budget	The change to the MRP policy will not affect the total amount of MRP charged over the life of an asset. The revised MRP policy, depending on the life of the asset, may mean that a lesser amount of MRP is charged in the early years but an increased amount is charged in future years.
General Fund – Capital Programme	No Implications
Housing Revenue Account – Revenue Budget	
Housing Revenue Account – Capital Programme	

Risk:

Risk	Mitigation
The Minimum Revenue Provision (MRP) policy is no longer suitable.	Careful monthly monitoring of Capital Expenditure should ensure an appropriate and prudent MRP provision is made annually. Revisions to the Policy in line with Code of Practice updates.
The Annual Investment Strategy is no longer suitable for the Authority.	Information received from our Treasury Management Advisors should allow the Council to take necessary action to mitigate against any risks.

Human Resources:
Not Applicable

Equalities:
Not Applicable

Other Implications:
Not Applicable

Reason(s) for Urgency
Not Applicable

Reason(s) for Exemption
Not Applicable

Background Papers

- CIPFA Prudential Code 2017 Edition
- CIPFA Treasury Management Code 2017 Edition
- Statutory Guidance on Local Government Investments (3rd Edition) Issued under Section 15(1)(a) of the Local Government Act 2003.

Report Author and Contact Officer
Pete Hudson
Corporate Finance Manager (and S151 Officer)
p.hudson@ashfield.gov.uk
01623 457362

APPENDIX 1

Ashfield District Council

Treasury Management Strategy Statement

Minimum Revenue Provision Policy Statement and Annual Investment Strategy

2019/20

1 INTRODUCTION

1.1 Background

1.1.1 The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

1.1.2 The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning, to ensure that the Council can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans, or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet Council risk or cost objectives.

1.1.3 CIPFA defines treasury management as:

"The management of the organisation's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

1.2 Key Principles

1.2.1 The Council will follow three key principles with regards to its treasury activity:

Public service organisations should put in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective management and control of their treasury management activities.

Their policies and practices should make clear that the effective management and control of risk are prime objectives of their treasury management activities and that responsibility for these lies clearly within their organisations. Their appetite for risk should form part of their annual strategy, including any use of financial instruments for the prudent management of those risks, and should ensure that priority is given to security and portfolio liquidity when investing treasury management funds.

They should acknowledge that the pursuit of value for money in treasury management, and the use of suitable performance measures, are valid and important tools for responsible organisations to employ in support of their business and service objectives; and that within the context of effective risk management, their treasury management policies and practices should reflect this.

1.3 Reporting requirements

1.3.1 The Council is currently required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of policies, estimates and actuals.

1.3.2 **Treasury Management Strategy Statement, Minimum Revenue Policy and Prudential Indicators (this report)** - The first, and most important report covers:

- the capital plans (including prudential indicators);
- a minimum revenue provision (MRP) policy (how residual capital expenditure is charged to revenue over time);
- the treasury management strategy (how the investments and borrowings are to be organised) including treasury indicators; and
- an investment strategy (the parameters on how investments are to be managed).

1.3.3 **A Mid-Year Treasury Management Report –** This will update members with the progress of the capital position, amending prudential indicators as necessary, and whether any policies require revision. This report is presented to the Audit Committee.

1.3.4 **An Annual Treasury Report –** This provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the annual estimates within the strategy.

1.4 **Scrutiny**

The above reports are required to be adequately scrutinised before being recommended to the Council. This role is undertaken by the Audit Committee.

Report to Council	Frequency
Treasury Management Strategy / Annual Investment Strategy and MRP Policy	Annually before the start of the year (1st April)
Capital Strategy	Annually before the start of the year (1st April)
Treasury Management Strategy / Annual Investment Strategy and MRP Policy	Annually mid-year (September/October)
Treasury Outturn Report	Annually after the year end and by the 30 September
Audit Committee	
Receives each of the above reports in advance of Council (where applicable) and makes recommendations as appropriate	In advance of year/mid-year/after year end and by 30 September

1.5 **Capital Strategy**

1.5.1 In December 2017, CIPFA issued revised Prudential and Treasury Management Codes. As from 2019/20, all local authorities are required to prepare an additional report, a Capital Strategy report, which is intended to provide the following: -

- a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services.
- an overview of how the associated risk is managed; and
- the implications for future financial sustainability

1.5.2 The aim of this report is to ensure that all elected Members of the Council fully understand the overall strategy, governance procedures and risk appetite entailed in this Strategy.

1.5.3 The Capital Strategy will include capital expenditure, investments and liabilities and treasury management in sufficient detail to allow all members to understand how stewardship, value for money, prudence, sustainability and affordability will be secured.

1.6 **Treasury Management Strategy**

1.6.1 The Treasury Management Strategy covers two main areas:

Capital issues

- the capital plans and the prudential indicators;
- the minimum revenue provision (MRP) policy.

Treasury management issues

- the current treasury position;
- treasury indicators which limit the treasury risk and activities of the Council;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy;
- creditworthiness policy;
- Apportioning interest to the Housing Revenue Account and
- the policy on use of external service providers.

1.6.2 These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, MHCLG MRP Guidance, the CIPFA Treasury Management Code and MHCLG Investment Guidance.

1.7 **Investments that are not part of treasury management activity.**

1.7.1 The Council recognises that investment in other financial assets and property primarily for financial return, taken for non-treasury management purposes, requires careful investment management. Such activity includes loans supporting service outcomes, investment in subsidiaries, and investment property portfolios.

1.7.2 This Council will ensure that all of its non-treasury investments are covered in the capital strategy which includes the non-treasury investment strategy and will set out, where relevant, the organisations risk appetite and specific policies and arrangements for non-treasury investments. It will be recognised that the risk appetite for these activities may differ from that for treasury management.

1.7.3 The Council will maintain a schedule setting out a summary of existing material investments, subsidiaries, joint ventures and liabilities including financial guarantees and the organisations risk exposure.

1.8 **Cash and Cash Flow Management**

1.8.1 It is important that the Council maintains regular cash flow projections to ensure that the Council has enough cash to meet its liabilities in a timely manner, minimises borrowing costs and, where practical to do so, invest surplus cash balances.

1.9 **Money Laundering**

1.9.1 Money Laundering has the objective of concealing the origin of money generated through criminal activity. Legislation has given a higher profile to the need to report suspicions of money laundering. The Proceeds of Crime Act (POCA) 2002 established the main offences relating to money laundering. In summary, these are:

- Concealing, disguising, converting transferring or removing criminal property.
- Being concerned in an arrangement which a person knows or suspects facilitates the acquisition, retention, use or control of criminal property.
- Acquiring, using or possessing criminal property.

1.9.2 These apply to all persons in the UK in a personal and professional capacity. Any person involved in any known or suspected money laundering activity in the UK risks a criminal conviction.

1.9.3 The Terrorism Act 2000 made it an offence of money laundering to become concerned in an arrangement relating to the retention or control of property likely to be used for the purposes of terrorism.

1.9.4 The Money Laundering Regulations 2007, whilst not legally obliged to apply by public sector bodies, responsible public bodies should employ policies and procedures which reflect the essence of the UK's anti-terrorism and ant-money laundering regimes.

1.10 **Training**

1.10.1 The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny.

1.10.2 Those charged with governance have a personal responsibility to ensure they have the appropriate skills and training for their role. The training needs of Members and treasury management officers will be reviewed in year.

1.11 **Treasury management consultants**

1.11.1 The Council currently uses Link Asset Services, Treasury solutions as its external treasury management advisors.

1.11.2 The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers.

1.11.3 It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

1.11.4 The scope of investments within the Council's operations now includes both conventional treasury investments, (the placing of residual cash from the Council's functions), and more commercial type investments, such as investment properties. The commercial type investments require specialist advisers, and the Council has a

Commercial Manager to undertake this activity seeking external advise as appropriate.

2 THE CAPITAL PRUDENTIAL AND TREASURY INDICATORS

2.1 The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

2.2 The Council will ensure that all of its capital and investment plans and borrowing are prudent and sustainable. In doing so it will take into account its arrangements for the repayment of debt (including through MRP/repayment of loans fund) and consideration of risk and the impact, and potential impact, on the authority's overall fiscal sustainability. While indicators for sustainability are required to be set over a minimum 3 year rolling period, indicators should be set in line with a capital strategy and asset management plan that is sustainable over the longer term. There should also be separate indicators for the Housing Revenue Account (HRA).

2.3 **Capital expenditure**

This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. The Capital Programme has been agreed by Cabinet and final approval being sought by Council in March 2019. Members will be asked to approve the capital expenditure forecasts at least annually.

2.4 **The Council's borrowing need (the Capital Financing Requirement)**

The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's indebtedness and so its underlying borrowing need. Any capital expenditure above, which has not immediately been paid for will increase the CFR. The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each assets life, and so charges the economic consumption of capital assets as they are used. The CFR includes any other long-term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility by the PFI, PPP lease provider and so the Council is not required to separately borrow for these schemes. The Council currently has no PFI/PPP schemes or other long-term liabilities.

This indicator shows the actual external debt (the treasury management operations), against the underlying capital borrowing need (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

2.5 **Core funds and expected investment balances**

The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.). It includes estimates of the year-end balances for each resource and anticipated day-to-day cash flow balances.

2.6 **Affordability prudential indicators**

The strategy details the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances.

2.7 **Ratio of financing costs to net revenue stream**
This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream. The estimates of financing costs include current commitments and the proposals in the budget report.

2.8 **Treasury indicators for debt**
There are three debt related treasury activity limits. The purpose of these are to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if these are set to be too restrictive they will impair the opportunities to reduce costs / improve performance. The indicators are:

- Upper limits on variable interest rate exposure. This identifies a maximum limit for variable interest rates based upon the debt position net of investments
- Upper limits on fixed interest rate exposure. This is similar to the previous indicator and covers a maximum limit on fixed interest rates;
- Maturity structure of borrowing. These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

2.9 **Treasury Indicators: limits to borrowing activity**

2.9.1 **The operational boundary**. This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

2.9.2 **The authorised limit for external debt**. A further key prudential indicator represents a control on the maximum level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.

The latest Prudential and Treasury Indicators are attached at Annex 'A'.

3 TREASURY MANAGEMENT STRATEGY STATEMENT

3.1 The capital expenditure plans set out details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity and the Council's capital strategy. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

3.2 This Council defines its treasury management activities as:

The management of the authority's borrowing, investments and cash flow, its banking, money market and capital market transactions; the effective control of the risks associated with those risks; and the pursuit of optimum performance consistent with those risks.

This Organisation (Council) regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.

This Organisation (Council) acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

3.3 The investment policy objective of this Council is the prudent investment of its treasury balances. The Council's investment priorities are the security of capital and liquidity of its investments so that funds are available for expenditure when needed. Both the CIPFA code and MHCLG guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return or yield. The generation of investment income to support the provision of local authority services is important, but secondary, objective.

3.4 The Council's borrowing objectives are to minimise the revenue costs of debt whilst maintaining a balanced loan portfolio. The Council will set an affordable borrowing limit each year in compliance with the Local Government Act 2003 and will have regard to the CIPFA Prudential Code for Capital Finance in Local Authorities when setting that limit.

3.5 **Current portfolio position**
The Council's current treasury portfolio position is set out in **Annex 'B'**.

3.6 **Prospects for interest rates**
The Council has appointed Link Asset Services as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The details of their latest view is shown in **Annex 'B'** to this report.

3.7 **Borrowing strategy**

3.7.1 The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is still an issue that needs to be considered.

3.7.2 Against this background and the risks within the economic forecast, caution will be adopted within the treasury operations. The S151 Officer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances. Any decisions will be reported to the appropriate decision making body at the next available opportunity.

3.7.3 The approved sources of long term and short term borrowing are:

- Public Works Loans Board (PWLB) and any successor body.
- Any institution approved for investments (see Annual Investment Strategy below)
- Any bank or building society authorised to operate in the UK.
- UK public bodies including pension funds (excluding Nottinghamshire County Council Pension Fund)
- Capital Market bond investors.

3.7.4 In addition, capital finance may be raised by the following methods that are not classed as borrowing, but may be classed as other debt liabilities:

- Operating and Finance leases
- Hire Purchase
- Sale and leaseback

3.7.5 **LOBOs:** The Council holds £25.5m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option either to accept the new rate or to repay the loan at no additional cost. No LOBOs have options during 2019/20, However, one LOBO loan of £6m is due to mature and be repaid in 2019/20. The Council understands that lenders are unlikely to exercise their options in the current low interest rate environment, there remains an element of refinancing risk. The Council will take the option to repay LOBO loans at no cost if it has the opportunity to do so. It is unlikely that the Council will take out any new LOBO loans in the future.

3.8 **Policy on borrowing in advance of need**

The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds. Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

3.9 **Debt rescheduling**

3.9.1 As short-term borrowing rates will be considerably cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long term debt to short-term debt. However, these savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred).

3.9.2 The reasons for any debt rescheduling to take place will include:

- the generation of cash savings and / or discounted cash flow savings;
- helping to fulfil the treasury strategy;
- Enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

3.9.3 Consideration will also be given to identify if there is any residual potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt.

3.10 **Apportioning interest to the Housing Revenue Account**

3.10.1 The Council currently operates a one pool approach. The interest charges are initially charged to the General Fund and recharged to the Housing Revenue Account (HRA) through the Item 8 (item 8 of Part I and item 8 of Part II of Schedule 4 to, the Local Government and Housing Act 1989) adjustment. The Council has fixed an interest rate of 4.43% by which it will charge the Capital Financing Requirement (CFR) of the HRA. The HRA CFR currently is £80.081m. If this does not change the annual amount charged to the HRA will be £3.548m.

3.10.2 The Council will credit the HRA each year with its share of interest receivable. This will be calculated by multiplying the average HRA reserve balance by the average interest receivable percentage.

4 ANNUAL INVESTMENT STRATEGY

4.1 Investment policy

4.1.1 The Council's investment policy has regard to the MHCLG's Guidance on Local Government Investments ("the Guidance") and the CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 ("the CIPFA TM Code"). The Council's investment priorities will be security first, portfolio liquidity second, and then return.

4.1.2 In accordance with the above guidance from the MHCLG and CIPFA, and in order to minimise the risk to investments, the Council applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties which also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the Short Term and Long Term ratings.

4.1.3 Ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration, the Council will engage with its advisors to maintain a monitor on market pricing such as "credit default swaps" and overlay that information on top of the credit ratings.

4.1.4 Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

4.2 Creditworthiness policy

4.2.1 The primary principle governing the Council's investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration. After this main principle, the Council will ensure that:

- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security. This is set out in the specified and non-specified investment sections below; and
- It has sufficient liquidity in its investments. For this purpose, it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.

4.2.2 The S151 Officer will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to Council for approval as necessary. These criteria are separate to that which determines which types of investment instrument are either specified or non-specified as it provides an overall pool of counterparties considered high quality which the Council may use, rather than defining what types of investment instruments are to be used.

4.2.3 Credit rating information is supplied by Link Asset Services, our treasury advisors, on all active counterparties that comply with the criteria below. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list.

4.2.4 The intention of the strategy is to provide security of investment and the minimisation of risk. The aim is to generate a list of highly creditworthy counterparties which will also enable diversification and thus avoidance of concentration risk.

The Council's general policy objective is to invest its surplus funds prudently. The Council's investment priorities are:

highest priority - security of the invested capital;
followed by - liquidity of the invested capital (this enables the Council to react to changing circumstances);
finally - an optimum yield which is proportionate with security and liquidity.

Investments made by the Council's Officers are restricted to the following organisations:-

(a) Banks or Building Societies who currently meet the Link Asset Services suggested investment duration
(b) Nationalised Industries and Statutory Corporations
(c) Other Government Institutions
(d) Other Local Authorities
(e) Money Market Funds
(f) Bills of Exchange which have been accepted by authorised institutions
(g) United Kingdom Gilt-edged Securities
(h) Negotiable instruments such as Certificates of Deposit, Treasury Bills and Corporate Bonds
(i) Approved counterparties from countries with a minimum sovereign credit rating of AAA from all three rating agencies, with the exception of UK.

Total investments with any one institution shall not exceed £5m.

Total investments of over 365 days shall not exceed £5m in total.

The Council's operational bank account is currently provided by Barclays Bank.

4.2.5 **Use of additional information other than credit ratings.**
Additional requirements under the Code require the Council to supplement credit rating information. Whilst the above criteria relies primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market information will be applied before making any specific investment decision from the agreed pool of counterparties. This additional market information (for example Credit Default Swaps, negative rating Watches/Outlooks) will be applied to compare the relative security of differing investment counterparties.

4.3 **Country and sector limits**
Due care will be taken to consider the country, group and sector exposure of the Council's investments. The Council has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AAA from all three rating agencies.

4.4 **Investment strategy**

4.4.1 **In-house funds**. Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).

Investment returns expectations. Bank Rate is forecast to increase steadily but slowly over the next few years to reach 2.00% by quarter 1 2022. Bank Rate forecasts for financial year ends (March) are:

Year	Base Rate
2019/20	1.25%
2020/21	1.50%
2021/22	2.00%

4.4.2 The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year are as follows:

Year	Average Return
2019/20	1.00%
2020/21	1.50%
2021/22	1.75%
2022/23	1.75%
2023/24	2.00%
Later years	2.50%

4.4.3 The overall balance of risks to these forecasts is currently skewed to the downside and are dependent on how strong GDP growth turns out, how quickly inflation pressures rise and how quickly the Brexit negotiations move forward positively.

4.4.4 **Investment treasury indicator and limit** - total principal funds invested for greater than 365 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end. The Council's current treasury indicator and limit to £5m.

4.5 **Investment Liquidity**

In consultation with the external treasury advisors, the Council will review its balance sheet position, level of reserves and cash requirements in order to determine the length of time for which investments can be prudently committed. Investments will be placed at a range of maturities, including having money on-call in order to maintain adequate liquidity.

The following are included as possible options for investment, but due to the level of investments are not likely to be used.

4.6 **External Fund Manager**

External fund managers can be appointed to manage a portfolio of investments. The Council currently has no funds externally managed and is unlikely to do so in the short to medium term.

4.7 **End of year investment report**

At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

5 MINIMUM REVENUE POSITION (MRP) POLICY STATEMENT

5.1 Under Regulation 27 of the 2003 Regulations, local authorities are required to charge MRP to their revenue account in each financial year. It should cover the gap between the Capital Financing Requirement (CFR) and grant income/capital receipts.

5.2 The Council is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (MRP), although it is also allowed to undertake additional voluntary payments if required (voluntary revenue provision - VRP). Any planned overpayments must be recorded clearly in the MRP statement.

5.3 MHCLG regulations have been issued which require the full Council to approve an MRP Statement in advance of each year.

5.4 Regulation 28 of the 2003 Regulations requires the Council to calculate in each financial year a prudent provision to ensure that debt is repaid over a period that is reasonably commensurate with that over the capital expenditure provides benefits (asset life). MRP cannot be negative, and can only be zero if the CFR is nil or negative, or if the charge is fully reduced by reversing previous overpayments. A maximum asset life of 40 years can be used, except freehold land which can be 50 years.

5.5 For pre 2008 (i.e. supported borrowing), the regulatory method has been used; the outstanding supported CFR, multiplied by 4%. For post 2008 (i.e. unsupported borrowing), the policy is currently the asset life method on a straight line basis.

5.6 In accordance with the latest MHCLG Guidance, for capital expenditure financed by borrowing, the Council has four broad options:

- The 4% reducing balance method.
- The straight line asset life method
- The annuity asset life method
- The Depreciation method.

MRP POLICY 2019/20 ONWARDS

5.7 For pre 2008 supported borrowing, the Council will move to a 50-year Annuity method, charging MRP based on a corresponding 50 year PWLB borrowing rate. This is more prudent than the current 4% reducing balance as this calculation extends to over 300 years.

5.8 For post 2008 it is proposed that unsupported borrowing, and any new borrowing, MRP will be calculated as follows:

- For assets with a life of 10 years or less, the straight line asset life method (as is currently the case).
- For assets with a life in excess of 10 years, the annuity asset life method will be used.

Members are asked to approve this change in Policy from 2019/20.

5.9 The asset life method calculation requires estimated useful lives of assets to be input in to the calculations. These life periods will be determined by the Chief Financial

Officer (S151), with regard to the statutory guidance and advice from professional valuers if required.

5.10 The Chief Financial Officer (S151) may also determine that if, in their opinion, the straight line method is more prudent for an asset with a life in excess of 10 years then this option may be used.

5.11 MRP will be not be charged until the later of the year after capital expenditure is incurred or the year after the asset becomes operational.

Annex A: Prudential Indicators

Prudential Indicators of Affordability

The Council is required to consider all of its available resources in the medium term (usually defined as three years) together with total plans for expenditure. Any known significant variations beyond this timeframe also need to be taken into account.

The Prudential indicators for affordability are as follows:

a) Estimate of ratio of financing costs to net revenue stream for the next three years split between the Housing Revenue Account and the General Fund

For the next three years the Council is required to calculate an estimated ratio of its financing costs to net revenue stream for both the General Fund and the Housing Revenue Account. This takes into account predicted future levels of Government funding.

It is suggested that the following indicator be set for the next three years:

	2019/2020 %	**2020/2021 %**	**2021/2022 %**
Housing Revenue Account	13.99	13.97	13.69
Non HRA (General Fund)	12.33	19.45	24.92

b) Estimate of the incremental impact of capital investment decisions on the Council Tax and Rent Levels

Authorities are required to estimate for the next three years the impact on the Council Tax (General Fund) and Rent levels (HRA) of the capital programme including running costs and financing costs. These indicators have been prepared using the revised Capital Programme which went to Cabinet 23rd February 2016.

It is estimated that the incremental impact for the next three years will be as follows:

	2019/2020 £	2020/2021 £	2021/2022 £
General Fund (Band D)	27.42	25.29	20.66
HRA (52 weeks)	0	0	0

There is not expected be any new borrowing for the HRA between 2019/20 – 2021/22 as the Authority has reached the borrowing cap. The ratio for the General Fund is calculated by estimating the interest payable on the average capital borrowing requirement and dividing this by the estimated number of Band D equivalents.

c) Net borrowing and the Capital Financing Requirement split between the General Fund and the Housing Revenue Account

In order to ensure that in the medium term borrowing is only undertaken for capital purposes, local authorities are required to ensure that external borrowing does not exceed, except in the short term, the total of their capital financing requirement over the planning period. In broad terms the capital financing requirement reflects an authority's need to borrow for capital purposes and is a measure of the assets contained on the balance sheet which have as yet not been fully financed, i.e. there is still some indebtedness outstanding.

It is necessary to estimate the capital financing requirement at the end of the forthcoming year and the subsequent two years for both the Housing Revenue Account and General Fund activities:

	31st March 2020	31st March 2021	31st March 2022
	£m	£m	£m
Housing Revenue Account	80.081	80.081	80.081
General Fund	58.215	83.043	106.099
Total	138.296	163.124	186.180

d) Capital Expenditure

Estimates of capital expenditure for the next three years split between the General Fund and the Housing Revenue Account

The estimated net capital expenditure requiring funding, as detailed in the Capital Programme Report is:

	2019/2020	2020/2021	2021/2022
	£m	£m	£m
Housing Revenue Account	10.652	11.339	11.613
General Fund	26.880	26.054	22.253
Total	37.532	37.393	33.866

External Debt

e) Authorised Limit

For the next three years the authority is required to set an authorised limit for its total external debt, gross of investments. This is calculated by taking into account current external debt, new borrowing for loans which mature or for capital purposes and the need to borrow on a short term basis to cover for temporary shortfalls in revenue income and expenditure.

It is estimated that the following will be a suitable authorised limit for the next three years:

	2019/2020	2020/2021	2021/2022
	£m	**£m**	**£m**
Borrowing	150	175	200
Other Financial Instruments	0	0	0

f) Operational Boundary

As well as an authorised limit the local authority must also set an operational boundary for its external debt for the next three years. The operational boundary is based on the most likely or prudent but not worst case scenario in relation to cash flow.

It is estimated that the following will be a suitable operational boundary for the next three years:

	2019/2020	2020/2021	2021/2022
	£m	**£m**	**£m**
Borrowing	140	165	190
Other Financial Instruments	0	0	0

Prudential Indicators for Prudence including Capital Expenditure, External Debt and Treasury Management

The prudential indicators for prudence have to be set taking into account those relating to affordability as outlined above and are as follows:

Treasury Management

a) Interest rate exposure

Local authorities are required to set limits for the next three years for the upper limits on exposure to the effects of changes in interest rates. The indicators relate to both fixed and variable rate interest, and are net of any investments.

Depending on the level of interest rates and their expected movement in the year, the Council may take up all of its new borrowings in the form of either fixed or variable rate debt. The figures below give the following maximum levels, when compared to the operational boundary, of exposure to fixed and variable interest rates, which are prudent limits for the forthcoming years:

Principal Outstanding	**2016/2017**	**2017/2018**	**2018/2019**
	£m	**£m**	**£m**
Fixed Rates	140	165	190
Variable Rates (No more than 40% of the operational boundary).	56	66	76

b) Maturity Structure of borrowing

For the next three years the authority is required to set both upper and lower limits for the maturity structure of its borrowing. This indicator relates only to fixed rate debt and is therefore a measure of the longer term exposure to interest rate risk.

Given the current structure of the Council's debt portfolio it is proposed the following limits for all three years be made for the maturity of the debt:

	Lower £m	**Upper £m**
Less than 12 months	0	20
12 months to 24 months	0	20
24 months to 5 years	0	25
5 years to 10 years	0	50
10 year and over	10	100

c) Principal sums invested for more than 364 days

Where a local authority invests, or plans to invest for periods of more than 364 days it must set an upper limit for each year for the maturity of such investments. The purpose of setting this limit is to contain any exposure to losses which might arise in the event of having to seek early repayment of the investment and / or adverse movements in shorter term interest rates.

It is suggested that the use of longer term investments be limited to a maximum of £5m maturity in each of the next three years to tie in with the Council's already approved policy of not investing more than £5m with any one bank or building society at the same time.

Annex B: Council's current treasury portfolio position

Current Debt and Investment Portfolio Position 31 December 2018

External Borrowing:	**£m**
Fixed Rate PWLB	29.248
Fixed Rate Other Loans (Banks)	15.000
LOBO Loans	25.500
Total Gross External Debt	**69.748**
Treasury Investments:	
Money Market Funds	(6.580)
Total Treasury Investments	**(6.580)**
Total Net External Debt	**63.168**

At the 31st December 2018 the Council had the following Loans:

Market Loans	**£m**
Commerzbank AG Frankfurt am Main	1.000
Barclays Bank	5.000
Barclays Bank	5.000
FMS Wertmanagement AöR	1.500
Dexia Credit Local	5.000
Lancashire County Council	2.000
Danske Bank	5.000
Dexia Municipal Agency	5.000
Hampshire County Council	5.000
Hypothekenbank Frankfurt	6.000
Sub Total	**40.500**
Public Works Loans Board (PWLB)	29.248
Grand Total	**69.748**

At the 31st December 2018 the Council had the following investments:

Money Market Fund	**£m**
Aberdeen GBP Liquidity Fund	5.000
Insight Sterling Liquidity Fund	1.580

N.B. for both of these investments the Authority is classed as professional investor under MIFID II regulation.

Call Accounts	**£m**
Barclays Bank	0.018

Prospects for interest rates

The Council has appointed Link Asset Services as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The following table gives our central view.

Link Asset Services Interest Rate View	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Bank Rate View	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%	1.50%	1.50%	1.75%	1.75%	1.75%	2.00%
3 Month LIBID	0.90%	1.00%	1.10%	1.20%	1.30%	1.40%	1.50%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%
6 Month LIBID	1.00%	1.20%	1.30%	1.40%	1.50%	1.60%	1.70%	1.70%	1.80%	1.90%	2.00%	2.10%	2.20%
12 Month LIBID	1.20%	1.30%	1.40%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%	2.10%	2.20%	2.30%	2.40%
5yr PWLB Rate	2.10%	2.20%	2.20%	2.30%	2.30%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%	2.80%	2.80%
10yr PWLB Rate	2.50%	2.60%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%
25yr PWLB Rate	2.90%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%	3.50%	3.50%	3.60%	3.60%
50yr PWLB Rate	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%	3.40%

The flow of generally positive economic statistics after the quarter ended 30 June 2018 meant that it came as no surprise that the MPC came to a decision on 2 August to make the first increase in Bank Rate above 0.5% since the financial crash, from 0.5% to 0.75%. Growth became increasingly strong during 2018 until slowing significantly during the last quarter. At their November quarterly Inflation Report meeting, the MPC left Bank Rate unchanged, but expressed some concern at the Chancellor's fiscal stimulus in his Budget, which could increase inflationary pressures. However, it is unlikely that the MPC would increase Bank Rate in February 2019, ahead of the deadline in March for Brexit. On a major assumption that Parliament and the EU agree a Brexit deal in the first quarter of 2019, then the next increase in Bank Rate is forecast to be in May 2019, followed by increases in February and November 2020, before ending up at 2.0% in February 2022.

Economic and interest rate forecasting remains difficult with so many external influences weighing on the UK. The above forecasts, (and MPC decisions), will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Geopolitical developments, especially in the EU, could also have a major impact. Forecasts for average investment earnings beyond the three-year time horizon will be heavily dependent on economic and political developments.

Investment and borrowing rates

- Investment returns are likely to remain low during 2019/20 but to be on a gently rising trend over the next few years.
- Borrowing interest rates have been volatile so far in 2018-19 and while they were on a rising trend during the first half of the year, they have backtracked since then until early January. The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring higher borrowing costs in the future when authorities may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt;
- There will remain a cost of carry, (the difference between higher borrowing costs and lower investment returns), to any new long-term borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost.

Annex C: Treasury Management Practices

TMP1 RISK MANAGEMENT
General Statement

The Council regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that robust due diligence procedures cover all external investment.

The Chief Financial Officer will design, implement and monitor all arrangements for the identification, management and control of treasury management risk, will report at least annually on the adequacy/suitability thereof, and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the organisation's objectives in this respect, all in accordance with the procedures set out in TMP6 *Reporting Requirements and Management Information Arrangements*.

In respect of the following risk, the arrangements which seek to ensure compliance with these objectives are set out in the schedule to this document,

(1) Credit and Counterparty Risk Management
This organisation will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with whom funds may be deposited, and will limit its treasury management investment activities to the instruments, methods and techniques referred to in TMP4 *Approve instruments, methods and techniques* and listed in the schedule to this document. It also recognises the need to have , and will therefore maintain, a formal counterparty policy in respect of those organisations from which it may borrow, or with whom it may enter into other financing or derivative arrangements,

(2) Liquidity Risk Management
The Council will ensure it has adequate, though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business/service objectives.

The Council will only borrow in advance of need where there is a clear business case for doing so and will only do so for the current capital programme or to finance future debt maturities.

(3) Interest Rate Risk Management
The Council will manage its exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues, in accordance with the amounts provided in its budgetary arrangements, as amended in accordance with TMP6 *Reporting Requirements and Management Information Arrangements*.

It will achieve this by the prudent use of its approved instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates. This should be subject to the consideration and, if required, approval of any policy or budgetary implications.

(4) Exchange Rate Risk Management
(Not relevant for this Authority).

(5) Inflation Risk Management
The Organisation will keep under review the sensitivity of its treasury assets and liabilities to inflation, and will seek to manage the risk accordingly in the context of the whole Council's inflation exposures.

(6) Refinancing Risk Management
The Council will ensure that its borrowing, private financing and partnerships are negotiated, structured and documented, and the maturity profile of the monies so raised are managed, with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favourable to the organisation as can reasonably be achieved in the light of market conditions prevailing at the time.

It will actively manage its relationships with its counterparties in these transactions in such a manner as to secure this objective, and will avoid over-reliance on any one source of funding if this might jeopardise achievement of the above.

(7) Legal and Regulatory Risk Management
The Council will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. In framing its credit and counterparty policy under TMP (1) *credit and counterparty risk management,* it will ensure that there is evidence of counterparties' powers, authority and compliance in respect of the transactions they may effect with the Council, particularly with regard to duty of care and fees charged.

The Council recognises that future legislative or regulatory changes may impact on its treasury management activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely on the Council.

(8) Fraud, Error and Corruption and Contingency Management
The Council will ensure that it has identified the circumstances which may expose it to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings. Accordingly, it will employ suitable systems and procedures, and will maintain effective contingency management arrangements, to these ends.

(9) Price Risk Management
The Council will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests and will accordingly seek to protect itself from the effects of such fluctuations.

TMP2 PERFORMANCE MANAGEMENT
The Council is committed to the pursuit of value for money in its treasury management activities and to the use of performance methodology in support of that aim, within the framework set out in its Treasury Management Policy Statement.

Accordingly, the treasury management function will be subject of ingoing analysis of the value it adds in support of the Council's stated business or service objective. It will be the subject of regular examination of alternative methods of service delivery, of the availability if fiscal or other grant or subsidy incentives, and of the scope for other potential improvements. The performance of the treasury management function will be measured using criteria set out in the schedule to this document.

TMP3 DECISION-MAKING AND ANALYSIS
The Council will maintain full records of its treasury management decisions and of the processes and practices applied in reaching those decisions, both for the purposes of learning from the past, and for demonstrating that reasonable steps were taken to ensure that all issues relevant to those decisions were taken into account at the time. The issues to be addressed and processes and practices to be pursued in reaching decisions are detailed in the schedule to this document.

TMP4 APPROVED INSTRUMENTS, METHODS AND TECHNIQUES
The Council will undertake its treasury management activities by employing only those instruments, methods and techniques detailed in the TMPS and within the limits and parameters defined in TMP1 *Risk Management*.

Where this Council intends to use derivative instruments for the management of risks, these will be limited to those set out in its annual treasury strategy. The organisation will seek proper advice and will consider that advice when entering into arrangements to use such products to ensure that it fully understands those products.

This Council has reviewed its classification with financial institutions under MIFID II and has set out in this schedule to this document with which it is registered as a professional client and those which it has an application outstanding to register as a professional client.

TMP5 ORGANISATION, CLARITY AND SEGREGATION OF RESPONSIBILITIES AND DEALING ARRANGEMENTS
The Council considers it essential, for the purposes of the effective control and monitoring of its treasury management activities, for the reduction of the risk of fraud or error, and for the pursuit of optimum performance, that these activities are structured and managed in a fully integrated manner, and that there is at all times a clarity of treasury management responsibilities.

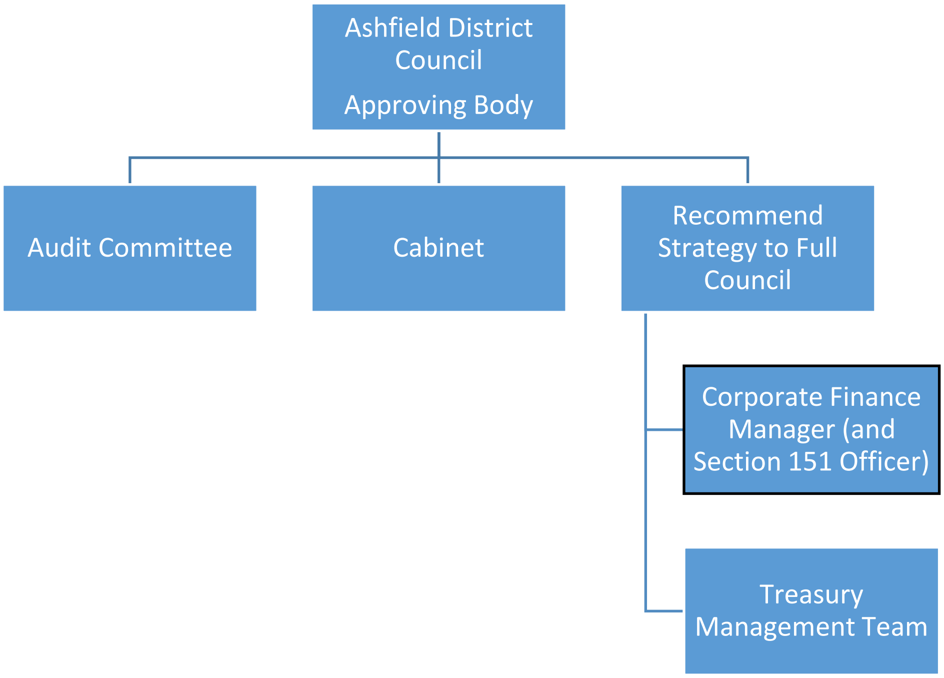
The principle on which this will be based is a clear distinction, as far as is feasible, between those charged with setting treasury management policies and those charged with implementing and controlling these policies, particularly with regard to the execution and transmission of funds, the recording and administering of treasury management decisions and the audit and review of the treasury management function.

If and when the Council intends, as a result of lack of resources or other circumstances, to depart from these principles, the responsible officer will ensure that the reasons are properly reported in accordance with TMP6 *Reporting Requirements and Management Information Arrangements,* and the implications properly considered and evaluated.

The Chief Financial Officer will ensure that there are clear written statements of the responsibilities for each post engaged in treasury management, and the arrangements for absence cover those engaged in treasury management will, at all times, follow the policies and procedures set out. The present arrangements are detailed below.

The Chief Financial Officer will ensure there is proper documentation for all deals and transactions and that procedures exist for the effective transmission of funds. The delegations to the responsible officer in respect of treasury management are set out below.

Organisational chart of the Treasury Management / Finance Division, including governance and scrutiny arrangements



Limits to responsibilities at Executive levels	Full Council • receiving and reviewing Prudential Indicators as part of the budget setting process (following receipt by Cabinet/Executive) • receiving and reviewing reports on treasury management policies, practices and activities (following receipt by Cabinet/Executive) • approval of amendments to adopted clauses, treasury management policy statement and treasury management practices The Executive/Cabinet • budget consideration and approval • receiving and reviewing external audit reports and acting on recommendations • approving the selection of external service providers and agreeing terms of appointment
Principles and practices concerning segregation of duties	The segregation of duties will be determined by the Corporate Finance Manager (and Section 151 Officer). Segregation of duties exists in that: • the officer(s) responsible for negotiating and closing treasury management deals are completely separate from the officer(s) with responsibility for recording the transactions in the cash book and completing cheque and bank reconciliations. • the officer(s) responsible for negotiating and closing treasury management deals is separate from officer(s) authorising payments

	• all borrowing/investments decisions must be authorised by the either - • Corporate Finance Manager (and S151 Officer) • Chief Accountant • Director of Resources and Business Transformation • Service Manager – Revenues and Customer Services
Statement of duties/ responsibilities of each treasury post	The Corporate Finance Manager (and S151 Officer) / Principal Accountant Capital and Treasury: • submitting budgets and budget variations • recommending clauses, treasury management policy, practices for approval, reviewing the same regularly and monitoring compliance • determining Prudential Indicators and Treasury Management Strategy including the Annual Investment Strategy • submitting regular treasury management policy reports • receiving and reviewing management information reports • reviewing the performance of the treasury management function and promoting best value reviews • ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function • ensuring the adequacy of internal audit and liaising with external audit • recommending the appointment of external service providers • determining long-term capital financing and investment decisions. • The Corporate Finance Manager (and S151 Officer) has delegated powers to determine and undertake the most appropriate form of borrowing from the approved sources, and to make the most appropriate form of investments in approved instruments. • The Corporate Finance Manager (and S151 Officer) may delegate his power to borrow and invest
	Accountancy Officer – Treasury/Principal Accountant – Treasury/Accountancy Assistant - Treasury: • execution of transactions • adherence to agreed policies and practices on a day to day basis • maintaining relationships with third parties and external service providers • monitoring performance on a day to day basis • submitting management information reports to the responsible officer • identifying and recommending opportunities for improved practices. • recording treasury management transactions, • reconciling treasury management transactions with the financial ledger • recording/reconciling counterparty documentation.
Dealing	The Corporate Finance Manager (and S151 Officer) is responsible for all borrowing and investment decisions made by the Authority. The Principal Accountant / Accountant may initiate any borrowing or investment transaction but this transaction

	needs to be authorised by the Corporate Finance Manager (and S151 Officer) or: • Chief Accountant • Director of Resources and Business Transformation • Service Manager – Revenues and Customer Services

The delegations to the Chief Financial Officer in respect of treasury management are set out in the schedule of this document. The Chief Financial Officer will fulfil such responsibilities in accordance with the Council's policy statement and TMPs and, if a CIPFA member, the *Standard of Professional Practice on Treasury Management.*

TMP6 REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS

The Council will ensure that regular reports are prepared and considered on the implementation of its treasury management policies; on the effects of decisions taken and transactions executed in pursuit of those policies; on the implications of changes, particularly budgetary, resulting from regulatory, economic, market or other factors affecting its treasury management activities; and on the performance of the treasury management function.

As a minimum, the Council will receive:
• an annual report on the strategy and plan to be pursued in the coming year
• a mid-year review
• an annual report on the performance of the treasury management function, on the effects of the decisions taken and the transactions executed in the past year, and on any circumstances of non-compliance with the organisation's Treasury Management Policy Statement and TMPs.

The committee to which some treasury management responsibilities are delegated, will receive regular monitoring reports on treasury management and risks.

The body responsible for scrutiny, such as the an audit or scrutiny committee, will have responsibility of treasury management practices and policies.

Local Authorities should report the treasury management indicators as detailed in their sector-specific guidance notes.

The present arrangements and the form of these reports are detailed in the schedule to this document.

TMP7 BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS

The Chief Financial Officer will prepare, and the Council will approve and, if necessary, from time to time will amend, an annual budget for treasury management, which will bring together all of the costs involved in running the treasury management function, together with associated income. The matters to be included in the budget will at minimum be those required by statute or regulation, together with such information as will demonstrate compliance with TMP1 Risk management, TMP2 Performance measurement, and TMP4 Approved instruments, methods and techniques. The Chief Financial Officer will exercise effective controls over this budget, and will report upon and recommend any changes required in accordance with TMP6 Reporting requirements and management information arrangements.

The Council will account for its treasury management activities, for decisions made and transactions executed, in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force for the time being.

TMP8 CASH AND CASH FLOW MANAGEMENT

Unless statutory or regulatory requirements demand otherwise, all monies in the hands of the Council will be under the control of the responsible officer and will be aggregated for cash flow and investment management purposes. Cash flow projections will be prepared on a regular and timely basis and the Chief Financial Officer will ensure that these are adequate for the purposes of monitoring compliance with TMP1[1] *Liquidity Risk Management*. The present arrangements for preparing cash flow projections, and their form, are set out below.

Arrangements for preparing /submitting Cash flow statements	Cash flow forecasts will be viewed over two time horizons and will be used to formulate the Councils borrowing and investment strategy by identifying periods of surplus or shortfall of cash balances. The cash flow forecasts and statements are held at operational level. The accuracy and effectiveness of the Council's cash flows are dependent on the accuracy of estimating expenditure, income and their corresponding time periods. A **detailed annual cash flow** is prepared for the financial year once the budget for the ensuing year has been agreed, which is monitored and updated on a weekly basis. It identifies the major inflows and outflows on a month by month basis. It is prepared using the agreed revenue budget and capital programme for the financial year and based on the knowledge obtained from the Councils various service sections incurring the expenditure /receiving the income and can be supplemented by the experience from previous years. **Daily cash flows** show forecast and planned movements of cash on a daily basis, including the matching of known inflows and payments. This is recorded in the Cash Flow spreadsheet in the of the Councils network it is restricted by a password.
Content and frequency of cash flow projections	The detailed annual cash flow model includes the following: • revenue income and expenditure based on the budget. • profiled capital income and expenditure as per the capital programme. **Revenue activities**: Inflows: ▪ Revenue Support Grant ▪ Precepts received ▪ Non domestic rates receipts

	▪ NNDR receipts from national pool ▪ Council tax receipts ▪ DSS / other government grants ▪ Cash for goods and services ▪ Other operating cash receipts / Outflows: ▪ Salaries and payments on behalf of employees ▪ Operating cash payments ▪ Housing Benefit paid ▪ Precepts paid ▪ NNDR payments to national pool ▪ Payments to the capital receipts pool **Capital activities including financing** Inflows: ▪ Capital grants received ▪ Sale of fixed assets ▪ Other capital cash receipts Outflows: ▪ Purchase of fixed assets ▪ Purchase of long-term investments ▪ Other capital cash payments **Financing, Servicing of Finance/Returns on Investments** Inflows: ▪ New long-term loans raised ▪ New short-term loans raised ▪ Interest received ▪ Discount on premature repayment of loan Outflows: ▪ Loan repayments ▪ Premia on premature repayment of loan ▪ Short-term investments ▪ Capital element of finance lease rental payments ▪ Interest paid ▪ Interest element of finance lease rental payments
Monitoring, frequency of cash flow updates	The annual cash flow statement is updated *daily* with the actual cash inflows and outflows after taking account of any revisions including those relating to grant income and capital expenditure and will be reconciled with: • net RSG and NNDR payments as notified; • (as applicable) county council and police authority precepts as notified; • actual salaries and other employee costs paid from account bank statements; • actual payments to Inland Revenue from general account bank statements; • actual council tax received; • actual rent allowances paid from the general account bank statements; • actual council house rent cash received from *the rent account bank statement;* • actual capital programme expenditure and receipts.

TMP9 MONEY LAUNDERING

The Council is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly, it will maintain procedures for verifying and recording the identity of counterparties and reporting suspicions. These are detailed in the Council's Anti Money Laundering Policy and Procedures.

TMP10 TRAINING AND QUALIFICATIONS

The Council recognises the importance of ensuring that all staff involved in the treasury management function 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. The Chief Financial Officer will recommend and implement the necessary arrangements.

The responsible officer will ensure that council members tasked with treasury management responsibilities, including those responsible for scrutiny, have access to training relevant to their needs and those responsibilities.

Those charged with governance recognise their individual responsibilities to ensure that they have the necessary skills to complete their role effectively.

The present arrangements are detailed in the schedule to this document.

TMP11 Use of External Service Providers

The Council recognises that responsibility for treasury management decisions remains with the Council at all times. It recognises that there may be potential value in employing external providers of treasury management services, in order to acquire access to specialist skills and resources. When it employs such service providers, it will ensure it does so for reasons which will have been submitted to a full evaluation of the costs and benefits. It will also ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented and subjected to regular review. And it will ensure, where feasible and necessary, that a spread of service providers is used, to avoid overreliance on one or a small number of companies. Where services are subject to formal tender or re-tender arrangements, legislative requirements will always be observed. The monitoring of such arrangements rests with the Responsible Officer, and details of the arrangements are set out in the schedule to this document.

TMP12 Corporate Governance

The Council is committed to the pursuit of proper corporate governance throughout its businesses and services, and to establishing the principles and practices by which this can be achieved. Accordingly, the treasury management function and its activities will be undertaken with openness and transparency, honesty, integrity and accountability.

The Council has adopted and has implemented the key recommendations of the Code. This, together with the other arrangements detailed in the schedule to this document, is considered vital to the achievement of proper corporate governance in treasury management and the Chief Financial Officer will monitor and, if and when necessary report upon the effectiveness of these arrangements.

Report To:	**CABINET**	**Date:**	**18 FEBRUARY 2019**
Heading:	**ANNUAL BUDGET & COUNCIL TAX 2019/20 AND MEDIUM TERM FINANCIAL STRATEGY (MTFS) UPDATE**		
Portfolio Holder:	**CABINET MEMBER (INWARD), COUNCILLOR ROBERT SEARS-PICCAVEY**		
Ward/s:	**ALL**		
Key Decision:	**Yes**		
Subject to Call-In:	**Yes**		

Purpose of Report

This report sets out the proposed:

- 2019/20 Annual Revenue (General Fund) and HRA Budgets and the Capital Programme for 2018/19 to 2022/23
- 2018/19 In-Year Revised Budgets (HRA and Capital)
- 2019/20 District Council Tax
- Fees and Charges for those services where this information was unavailable for publication when the Fees and Charges report was considered by Cabinet on 26th November 2018.

The report also sets out the estimated financial challenge in the Medium Term Financial Strategy (MTFS) for 2020/21 and 2021/22 and the Chief Finance Officer's advice regarding the robustness of the estimates included in the proposed 2019/20 Budget and the adequacy of reserves for which the proposed budget provides.

Recommendation(s)

That Cabinet recommends to Council:

1. **Approval of a freeze in the level of the District's own Council Tax for 2019/20, setting the Band D equivalent at £185.46; the same as in 2018/19.**

2. **Approval of the proposed Revenue (General Fund) and HRA 2019/20 Budgets as set out in this report. (Sections 3 and 4).**

3. **Approval of the proposed Capital Programme and associated borrowing 2018/19 to 2022/23 as set out in this report. (Section 5).**

4. **Approval of the 2018/19 Revised HRA and Capital Budgets as set out in this report. (Sections 4 and 5).**

5. **Approval that the precept figures from Nottinghamshire County Council, Nottinghamshire Fire and Rescue Authority, Police and Crime Commissioner and the two Parish Council's within the District, be incorporated, when known, into the Council Tax recommendation to Council on 4th March 2019.**

6. **That it notes the estimated financial challenge in the Medium Term Financial Strategy (MTFS) for 2020/2021 and 2021/22, and the planned approach to address the challenge. (Section 6).**

7. **That an updated MTFS is brought back to Cabinet after the 2018/19 Accounts have been closed and audited.**

8. **Approval of the proposed use of reserves as set out in this report. (Table 6 (Revenue) and Table 11 (HRA)).**

9. **That it notes and accepts the comments and advice of the Corporate Finance Manager (Section 151 Officer), provided in compliance with Section 25 of the Local Government Act 2003, as to the robustness of the estimates included in the 2019/20 Budget and the adequacy of the reserves for which this budget provides. (Section 7).**

10. **Approval of the Fees and Charges set out in this report which were not available for inclusion in the Fees and Charges report to Cabinet on 26th November 2018. (Section 3.10 to 3.13).**

11. **Approval of the use of in-year Capital Receipts up to 2020/21 to maximise capitalisation opportunities arising from service transformation to deliver efficiencies and improved services to residents and clients, and thereby minimise the impact of costs on the revenue budget as included in the Flexible Use of Capital Receipts Strategy 2018/19 approved by Council on 11th October 2018.**

Reasons for Recommendation(s)

To approve a nil increase (a freeze) in the District Council's Council Tax, approve the HRA and Capital Budget Revisions for 2018/19 and approve the proposed 2019/20 Revenue and HRA Budgets and the Capital Programme 2018/19 to 2022/23. In accordance with the Local Government Finance Act 1992 the Council must set its annual budget by 10th March in the preceding financial year.

Alternative Options Considered

The District Council is able to set a Council Tax increase of up to the greater of 2.99% or £5 per annum without triggering a referendum. The proposal is to freeze the level of District Council Tax for 2019/20 as the Council is able to set a balanced budget for 2019/20 without increasing the District's Council Tax level.

Careful consideration has been given to each of the proposed investments included in this report. The investments proposed will support the Council in delivering its Corporate Plan priorities and will further facilitate the progression of the Council's Digital Transformation Programme for the benefit of residents and customers.

Detailed Information

1. Background

1.1 Since 2010 Local Government has seen an unprecedented reduction in the level of funding from Central Government. **Indeed 2019/20 will be the final year the Council will receive Revenue Support Grant (RSG) as part of accepting the Government's 2015 'Four Year Offer'.**

1.2 Despite this significant reduction in funding the Council has a proven track record of setting its annual budget and delivering an Outturn within the budget set. However, despite this good financial performance the Council does face further financial challenges which it will need to address into the medium and longer term.

1.3 Although this report contains proposals to balance the 2019/20 revenue budget it is essential that following the May 2019 District elections, the elected Administration works with the Council's management to identify and agree options to address the estimated financial challenge in the Medium Term Financial Strategy for 2020/21, 2021/22 and beyond; ensuring the Council has a sustainable future.

1.4 The 2019/20 Provisional and Final Settlements included notification of the level of New Homes Bonus (NHB); this was £223k less than the value that had been assumed in the Medium Term Financial Strategy. The proposed 2019/20 Revenue Budget and the estimated financial challenge in the MTFS for the following two years (Section 6) reflects the impact of this lower level of NHB funding.

1.5 The proposed budgets included in this report will facilitate the delivery of the Council's Priorities set out in the Corporate Plan.

2. District Council Tax 2019/20

2.1 **Ashfield District Council is proposing a zero increase (a freeze) to its own Council Tax.** This would set the District's Council Tax level (Band D equivalent property) at £185.46 for 2019/20; the same as in 2018/19.

2.2 This proposed District Council Tax freeze is reflected in the proposed Annual Revenue Budget for 2019/20 shown in Section 3, Tables 3 and 4.

2.3 Based on the number of Band D equivalent properties in the 2019/20 Council Tax Base (33,542.5) and a District Council Tax of £185.46, this will generate Council Tax income of £6.221m for 2019/20.

3. Annual Revenue Budget 2019/20

3.1 The proposed 2019/20 Annual Revenue Budget includes a number of Investments and Savings/Efficiencies. These are set out in tables 1 and 2 below.

3.2 The proposed Revenue Budget includes provision for pay award (2%), provision for the expected costs arising from changes to the national pay spines from April 2019 and contractual inflation. The proposed 2019/20 Budget also includes any revenue implications from the proposed Capital Programme and assumes that the proposed revision to the Council's Minimum Repayment Provision (MRP) Policy (elsewhere on this agenda) will be approved by Council.

Table 1 – Proposed Investments 2019/20

Investment	**Detail**	**£'000**
Ashfield Spring Clean	To continue the programme implemented by the current Administration in 2018.	23
Commercial Programme Support officer	This post recognises the need to invest in and adequately resource the service managing existing and sourcing new Investment opportunities in line with the proposals in the Capital Strategy.	65
Customer Services Manager	This post will enable progression of that part of the Digital Transformation Programme which will maximise the benefits to the Council's residents and customers.	65
Hope Lea Charity – Provision of Grant	Under latest legislation the Council is required to charge the Hope Lea charity market rent for the HRA property it occupies. Provision of this grant will enable the organisation to meet their annual rental charge and continue to provide its valued residential, supported living and day care services to clients with learning disabilities.	7
Investment Property – Annual Revaluations	The Council is required to have its Investment Properties purchased in prior years valued on an annual basis.	10
TOTAL		**170**

Table 2 – Proposed Savings/Efficiencies 2019/20

Saving / Efficiency	Detail	£'000
Training Budget Reduction	£10k reduction in Divisional Training and £7k reduction in Corporate Training.	17
Insurance Contract retender savings	Savings from retendering the Insurance contract which were not factored into the original 2018/19 budget. (Timing)	75
Reduce spend on newspapers and periodicals	Reduced purchase and more sharing of local newspapers, withdrawal from MJ subscription and move to cheaper on-line access.	1
Police accommodation rental income	Increase in annual rental charge for the Police now occupying a larger proportion of Urban Road accommodation.	12
Localities Review	Annual savings from the Locality Review concluded in Spring 2018 but prior to the 2018/19 budget being set. (Timing)	91
Hub Review	Annual savings from the Hub Review concluded in Spring 2018 but prior to the 2018/19 budget being set. (Timing)	40
Cease Industrial Alliance Subscription	Considered that value for money is not being delivered from the subscription paid.	3
Citizens Advice Bureau (CAB) Grant	In line with national best practice a mutual agreement has been implemented with CAB which provides guaranteed funding at £49k per annum for 3 years, and which delivers a small annual saving to the Council.	3
Lifeline Service saving	Reduced cost of service provision for 2019/20 through working with a neighbouring Council to provide this service.	6
TOTAL		**248**

3.3 Factoring in the above proposed Investments and Savings/Efficiencies, the proposed Annual Revenue Budget for 2019/20 is shown in Table 3 below:

Table 3 – Annual Revenue Budget by Directorate

Directorate	£'000
Place & Communities	10,672
Resources & Business Transformation	1,613
Legal & Governance	1,844
Housing & Assets	2,345
Chief Executive	527
Sub Total - Directorates	**17,001**

Net Recharges In/Out	-4,708
Borrowing & Capital Financing Costs	1,781
Net Interest Payable	198
Transfers to Earmarked Reserves	129
TOTAL	**14,401**

3.4 Table 4 below shows how the proposed 2019/20 Annual Revenue Budget is funded:

Table 4 – Funding the 2019/20 Annual Revenue Budget

Funding Source	**£'000**
New Homes Bonus	-1,607
Revenue Support Grant	-194
Net Business Rates / Section 31b Grants	-5,368
Council Tax Collection Fund Surplus	-7
District Council Tax (Frozen)	-6,221
Earmarked Reserves	-699
MRP Overprovision (See paragraph 3.5 below)	-305
General Fund Reserve contribution	0
TOTAL	**-14,401**

3.5 Minimum Revenue Provision (MRP) – Historic Overprovision

Following a Local Government Association (LGA) Finance Review in April 2018 a recommendation was made that the Council should seek external advice on options in respect of the Council's current MRP policy. This work was commissioned through Arlingclose Ltd. The work identified potential benefits of changing the current MRP policy (see report elsewhere on this agenda) and it also identified that the Council had 'overprovided' for MRP in its accounts since 2009. Correcting this overprovision provides a one-off benefit to the Council of £1.221m. This overprovision will be largely used to enhance the Council's reserves (£916k) to help mitigate against known future funding pressures and the balance (£305k) will be used to support the proposed 2019/20 budget. This is set out in Table 5 below:

Table 5 – Use of MRP Overprovision

	£'000
Allocation to the District Planning Inquiry Reserve to fund costs associated with the new Local Plan	400
Allocation to the Corporate Change Reserve to help fund one-off service transformation costs	200
Used to partially fund the proposed 2019/20 Revenue Budget	305
Balance to be used to fund interest costs on borrowing which will be incurred for the new Kirkby Leisure Centre and pool prior to the Leisure Centre opening (Timing difference).	316
TOTAL	**1,221**

3.6 General Fund Earmarked Reserves

Table 6 below shows the planned movement in General Fund Earmarked Reserves:

Table 6 – Planned Movement in General Fund Earmarked Reserves

Movement on Earmarked Reserves	Balance as at 1st April 2018	Transfer to Reserve 2018/19	Transfer from reserve 2018/19	Expected Balance as at 31st March 2019	Transfer to Reserve 2019/20	Transfer from Reserve 2019/20	Expected Balance as at 31st March 2020
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
District Planning Inquiry / Local Plan	56	400	54	402	0	335	67
Elections	82	44	8	118	54	164	8
Harold Farr Bequest	8	0	2	6	0	2	4
Joint Use Maintenance Fund	208	10	15	203	0	0	203
Asset Repair & Renewal Reserve	461	50	72	439	0	0	439
LAMS Reserve	61	15	0	76	0	0	76
Joint Crematorium Reserve	499	0	0	499	0	0	499
Insurance Related Funds	320	75	0	395	75	0	470
Revenue Grant Reserve	908	159	351	716	0	0	716
NNDR Equalisation Reserve	962	0	0	962	0	636	326
Supported Housing Reserve	11	0	0	11	0	0	11
Corporate Change Reserve	1,057	200	360	897	0	200	697
Commercial Property Investment Reserve	400	0	0	400	0	0	400
Economic Development & Place Reserve	227	0	85	142	0	74	68
Technology Investment Reserve	562	0	433	129	0	0	129
Total	**5,822**	**953**	**1,380**	**5,395**	**129**	**1,411**	**4,113**

3.7 Proposed transfers to Reserves

The proposed transfers to Earmarked Reserves for 2019/20 are:

- £54k to Elections reserve which includes £44k annual contribution and £10k towards costs of potential future By-elections.

- £75k annual contribution to the General Fund Insurance Reserve to meet costs of self-insurance

3.8 Proposed transfers from Reserves

The proposed transfers from Earmarked Reserves for 2019/20 are:

- £335k from the District Planning Inquiry / Local Plan Reserve to fund the evidence base required for the development of the Local Plan.

- £164k from the Elections Reserve to meet the cost of the 2019 District Elections.

- £1.5k from the Harold Farr bequest reserve to contribute funding towards projects involving young people.

- £636k from the NNDR Equalisation Reserve to recognise the timing difference associated with Business Rates receipt/assumptions (the reason the reserve was established).

- £200k from the Corporate Change Reserve to meet costs which may arise in-year associated with service transformation.

- £74k from the Economic Place and Development Reserve – Up to £50k for tendering of the Leisure Centre contract and £24k proposed changes to car parks (Parking Order, ticket machine alterations and marking of bays).

3.9 General Reserve

As at 31st March 2018 the balance on the General Reserve was £4.577m. The Outturn Report (to Cabinet on 14th June and Council on 26th July) agreed utilisation of £222k, leaving a balance of £4.355. **In setting the proposed budget for 2019/20 there is no proposed withdrawal of funding from the balance of this Reserve**.

3.10 Fees and Charges

The proposed changes to some fees and charges for 2019/20 were not known when the Fees and Charges Report was considered by Cabinet on 26th November 2018. Details of these are shown below:

3.11 Car Parking Charges

A report elsewhere on this Cabinet agenda, subject to consultation, recommends a change to some of the existing car park charges be implemented. A further report will be brought back to Cabinet following the consultation period. In the meantime it is proposed that the existing 2018/19 car park fees remain in place.

3.12 Mobile homes Site License Fee Structure

Following consultation with Site Owners a licence fee structure will be introduced from 1st April 2019 for all mobile home sites within the District. During the consultation Site Owners did not raise any issues or concern.

The proposed fee structure is consistent with other Districts within the County and will cover the management costs incurred by the Council, such as health and safety inspection visits.

Table 7 – Mobile Homes Site Licence Fees 2019/20

Application for a NEW licence	£407 plus £8 per pitch
Existing licence holders	£12 per pitch annual fee
Transfer/Variation of Site License	£152 to £274 dependent upon complexity
Deposit of site rules – one off fee for new and existing licence holders	£126

A licence lasts for a 12 month period. Existing licence holders will not be charged an initial one-off application fee, they will however be charged an annual pitch fee and for the Deposit of Site Rules.

3.13 Legal Services

A separate report in respect of Legal Services Fees and Charges will be brought to March 2019 Cabinet for consideration.

4. Housing Revenue Account (HRA)

4.1 Local housing authorities are required by Section 74 of the Local Government and Housing Act 1989 (the 1989 Act) to keep a Housing Revenue Account (HRA). The HRA reflects a statutory obligation to account separately for local authority housing provision. It identifies the major elements of housing revenue expenditure such as maintenance, administration, and contributions to capital costs and how these are funded, mainly being from housing rent.

4.2 The proposed 2019/20 Annual HRA Budget includes a number of Investments and Savings/Efficiencies. These are set out in tables 5 and 6 below.

4.3 The proposed budget includes provision for pay award (2%), funding for increments and contractual inflation. The 2019/20 Budget also includes any revenue implications from the proposed Capital Programme and assumes that the proposed revision to the Council's Minimum Repayment Provision (MRP) Policy will be approved by Council.

Table 8 – Proposed HRA Investments 2019/20

Investment	Detail	£'000
Housing Management Advisors	Fixed Term contracts to assist with the full rollout of Universal Credit funded from reserves set aside for this purpose.	63
Housing Repairs System	Repairs Dynamic Resource Scheduler, repairs module and mobile working (£250k one-off) and £30k (recurrent) for licence and maintenance costs – approved by Cabinet 18/01/19.	280
Housing Management system	Housing Management modules and mobile working (£56k one-off) and £10k (recurrent) for licence and maintenance costs – approved by Cabinet 14/06/18.	66
TOTAL		**409**

Table 9 – Proposed HRA Savings/Efficiencies 2019/20

Saving/Efficiency	Detail	£'000
Redecoration Allowance	Freeze Redecoration Allowance at 2018/19 rates.	4
Training	Reduction to Training Budget	8
Council Tax Charges	Reduction in Council Tax charges for void properties	15
Insurance Contract retender savings	Savings from retendering the Insurance contract which were not factored into the original 2018/19 budget.	37
Hub Review	Annual savings from the Hub Review concluded in Spring 2018 but prior to the 2018/19 budget being set.	18
Additional Rent Income	Hope Lea – annual market rent (See Table 1)	7
TOTAL		**89**

4.4 2018/19 Revised HRA Budget and Proposed 2019/20 HRA Budget

Table 10 below shows the proposed Revised HRA budget for 2018/19 and the proposed HRA Budget for 2019/20:

Table 10 - Housing Revenue Account 2018/19 (Revised) and Proposed 2019/20 Budget

	2018/19 Revised Budget £	2019/20 Original Budget £
Summary Budget for Housing Revenue Account		
Service		
Housing Revenue Account	(8,233,000)	(9,288,550)
Housing Courts Schemes	978,010	1,041,850
Tenancy Services and Housing Management	1,191,540	1,323,790
Lettings	653,510	690,190
Technical Services Management	(750,400)	(468,220)
Technical Services Responsive and Void Management	3,797,560	4,011,290
Technical Services Support Services	993,460	996,050
Technical Services Planned and Cyclical	3,095,610	2,999,280
Procurement	64,120	68,140
DLO	155,360	152,770
Rent Accounting	90	0
TOTAL	1,945,860	1,526,590
Subjective Analysis		
Employee Expenses	5,338,250	5,510,540
Premises Expenses	7,144,290	7,326,750
Transport Related Expenses	407,310	385,810
Supplies & Services	4,212,620	4,638,210
Transfer Payments	0	19,800
Income	(30,350,080)	(30,867,200)
Sub Total Excl. Capital Financing Costs & Central Recharges	(13,247,610)	(12,986,090)
Capital Financing Costs	13,746,380	13,033,100
Central & Dept Recharges In	4,110,340	4,101,930
Central & Dept Recharges Out	(2,663,250)	(2,622,350)
TOTAL	1,945,860	1,526,590
Net Operating Expenditure	1,945,860	1,526,590
Less Adjusting Capital Entries	13,746,380	13,033,100
Total Net Operating Expenditure after Adjusting Capital Entries	(11,800,520)	(11,506,510)
Borrowing and Capital Financing Costs		
Interest Payable and Other Charges	0	0
Item 8 Contribution	3,545,640	3,547,590
Depreciation	3,466,330	3,560,300
Direct Revenue Financing of Capital	6,734,410	5,925,210
Total Borrowing and Capital Financing Costs	13,746,380	13,033,100
Net Expenditure to be Financed from Housing Revenue Account	1,945,860	1,526,590
Net Deficit/ (Surplus) before movement from/(to) Reserves	1,945,860	1,526,590

Housing Revenue Account

Balance Brought Forward	(28,286,057)	(26,330,197)
In year (Surplus)/Deficit	1,945,860	1,526,590
Transfer to/(from) Earmarked Reserves	10,000	(265,475)
Balance Carried Forward	(26,330,197)	(25,069,082)

The 2018/19 Revised Budget above is the current HRA revised budget. Subject to the proposed HRA Capital Scheme budget changes for 2018/19 proposed in Section 5 of this report, the above 2018/19 Revised Budget will be amended accordingly.

The HRA has within the last year adopted a sophisticated 30 year business planning model. This enables the impact of various changes in income and expenditure to be monitored across a 30 year timespan.

Historically despite having a large reserve the HRA has been withdrawing from reserves on an annual basis. The impact has been made significantly worse due to the Government imposed 4 year 1% rent reduction which has taken £8m out of the HRA over the 4 year terms amounting to some multiple 10's of millions over the life of the 30 year plan.

Whilst there is no immediate risk to the HRA within the short term the Council must be mindful savings are required within the service itself and from those services and funds which receive contributions from the HRA as well as a potential need to scale back capital investment within existing properties. Housing services have continued to make year on year savings within its operating and capital budgets and is seeking to undertake an external review of the business plan to look at areas where expenditure could be reviewed or rationalised.

A further consequence of the net annual contribution from reserves is the inability to take advantage of the lifting of the HRA borrowing cap since the HRA cannot sustain further additional debt repayments.

4.5 Housing and Planning Act 2016

There was originally 2 elements of the Housing and Planning Act that would impact on the HRA.

- End of Lifetime Secure tenancies to new tenants.
- The sale of high value Council homes.

A briefing paper on the Implementation of the Housing and Planning Act 2016 dated 27 September 2018 Number 8229 has given updates on these two elements.

Firstly, the End of Lifetime Secure tenancies to new tenants. In the briefing paper it states the Government has listened carefully to the views and concerns of residents and have decided not to implement the provisions in the Housing and Planning Act 2016 at this time.

Secondly, the sale of high value Council homes. This proposed the Council to consider the sale of high value council properties when they become vacant to fund the discounts given to the housing association tenants as part of the extension of Right to Buy scheme to Housing Associations. The Government has said that these provisions will be repealed.

4.6 Social Housing Green Paper – A New Deal for Social Housing (Possible Future Financial Impacts).

The Government is considering if new safety measures in the private rented sector apply to social housing, such as installing smoke alarms on every storey, carbon monoxide alarms in every room containing solid fuel burning appliances, a mandatory requirement to ensure electrical installations are inspected every 5 years, upgrade the energy performance of homes to Band C by 2030.

If all Council stock was required to achieve a Band C energy rating this would cost ADC £10m due to the sheer amount of non-traditional/prefabricated properties in its stock.

4.7 HRA Earmarked Reserves

Table 11 below shows the already approved movements in the HRA earmarked reserves in 2018/19 and 2019/20:

Table 11 – HRA Earmarked Reserves

Movement on Earmarked Reserves	Balance as at 1st April 2018/19	Transfer to Reserve 2018/19	Transfer from reserve 2018/19	Balance as at 31st March 2019	Transfer to Reserve 2019/20	Transfer from Reserve 2019/20	Estimated Balance as at 31st March 2020
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Revenue Grants Reserve	25	0	0	25	0	0	25
Eco Funding Reserve	263	0		263	0	0	263
Insurance Reserve	135	50	-40	145	50	0	195
Corporate Change Reserve	192	0	0	192	0	0	192
Technology Investment	253	0	0	253	0	-253	0
Welfare Reform Reserve	200	0	0	200	0	-63	137
Total	**1,068**	**50**	**-40**	**1,078**	**50**	**-316**	**812**

4.8 Planned Movement in HRA Earmarked Reserves 2019/20

The HRA insurance reserve was established in 2016/17 to fund any damage to the Council's housing stock. All claims for housing stock damages will be made against the HRA insurance reserve which will continue to be topped up by £50k per annum for the financial years 2016/17 through to 2020/21. In 2018/19 it is forecast to use £40k of the reserve through various property damage claims.

The Technology Investment reserve was set up to support the upgrading of out of date technology, to support the introduction of new technology, to support the move to digital delivery of services and improve customer experience and to support the move to more agile working. £252k will be required for the initial outlay for a Dynamic Resource Scheduler, Repairs Module and Mobile licencing in housing repairs approved at Cabinet dated 21/01/2019. This investment should produce efficiency savings from 2020 onwards that will return the initial investment over three years.

The Welfare Reform Reserve was created to support and react to the high volume of issues raised with the roll out of Full Service Universal Credit that commenced in November 2018. This will result in a significant increase in customer contact as the vast majority of tenants will now have to liaise with us directly to make their rent payments. To help mitigate the potential adverse impact of the changes on the Council, two fixed term housing management advisors are to be recruited for the duration of 2019/20 using funding from this reserve.

5. Capital Programme 2018/19 to 2022/23

5.1 The proposed Capital Programme and funding is summarised in Table 12 below. Appendix 1 shows a detailed breakdown of all the schemes below.

The three areas of the Capital Programme (Area Schemes, General Fund and HRA) are discussed in more detail below.

Table 12 – Capital Programme (2018/19 to 2022/23)

	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	Total £'000
Capital Expenditure						
Area Schemes	1,163	486	120	120	0	1,889
General Fund	12,841	26,394	25,934	22,133	23,269	110,571
Housing Revenue Account	7,353	10,652	11,339	11,613	10,282	51,239
Grand Total	**21,357**	**37,532**	**37,393**	**33,866**	**33,551**	**163,699**
Capital Financing						
Developers Contributions - Area Schemes	751	265	0	0	0	1,016
Borrowing	118	120	120	120	0	478
Direct Revenue Financing	50	5	0	0	0	55
Other Capital Grants and Contributions - Area Schemes	244	96	0	0	0	340
Sub Total - Area Schemes	**1,163**	**486**	**120**	**120**	**0**	**1,889**
Prudential Borrowing - General Fund	11,169	24,162	25,115	21,315	22,475	104,236
Direct Revenue Financing - General Fund	115	120	0	0	0	235
Developers Contributions - General Fund	200	244	20	0	0	464
Other Capital Grants and Contributions - General Fund	1,357	1,868	799	818	794	5,636
Sub Total - General Fund	**12,841**	**26,394**	**25,934**	**22,133**	**23,269**	**110,571**
Funded from HRA Reserves	6,027	9,472	10,159	10,433	9,102	45,193
Future 1-4-1 Capital Receipts						
Funding Recently Built and New Schemes	446	300	300	300	300	1,646
Non 1-4-1 Capital Receipts	880	880	880	880	880	4,400
Sub Total - HRA	**7,353**	**10,652**	**11,339**	**11,613**	**10,282**	**51,239**
Grand Total	**21,357**	**37,532**	**37,393**	**33,866**	**33,551**	**163,699**

Area Capital Programme

5.2 These consist of mainly self-financed schemes that enhance the local environment. These are mainly financed by developers' contributions (known as Section 106 funding) but additional grant funding is sought wherever possible to maximise the benefit to local communities. Area schemes are included in Table 13.

Table 13 – Area Schemes (2018/19 to 2022/23)

	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	Total £'000
Area						
Hucknall Area	302	152	0	0	0	454
Kirkby Area	299	264	0	120	0	683
Sutton Area	386	70	120	0	0	576
Rural Area	176	0	0	0	0	176
Total	**1,163**	**486**	**120**	**120**	**0**	**1,889**
Funded by						
Ashland Rovers	0	1	0	0	0	1
BFP Trust	24	0	0	0	0	24
Borrowing	118	120	120	120	0	478
Cllr Zadrozny's and Cllr Hollis' County Councillor	3	0	0	0	0	3
Donation	1	0	0	0	0	1
Football Foundation Stadium Improvement Fund	0	20	0	0	0	20
Hucknall and Linby Committee	1	0	0	0	0	1
Network Rail	0	7	0	0	0	7
Nottinghamshire County Council (NCC)	162	50	0	0	0	212
Reserves	50	5	0	0	0	55
Rural Payments Agency	5	0	0	0	0	5
Section 106	747	250	0	0	0	997
Selston Parish Council	3	0	0	0	0	3
Skanska	0	13	0	0	0	13
Sustainable Transport S106	4	15	0	0	0	19
WREN	45	5	0	0	0	50
Total	**1,163**	**486**	**120**	**120**	**0**	**1,889**

Table 14 below shows where changes to capital schemes by Area are proposed due to project delays or additional project project spend (slippage).

Table 14 – Area Schemes (changes in proposed expenditure)

	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	Total £'000
Expenditure Approved	**1,336**	**178**	**120**	**120**	**0**	**1,754**
Changes to Hucknall Schemes	15	32	0	0	0	**47**
Changes to Sutton Area Schemes	-11	70	0	0	0	**59**
Changes to Kirkby Area Schemes	-172	206	0	0	0	**34**
Changes to Rural Area Schemes	-5	0	0	0	0	**-5**
Total Proposed Expenditure to be Approved	**1,163**	**486**	**120**	**120**	**0**	**1,889**

Table 15 – Area Schemes (changes to budget – by scheme)

	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	Total £'000
Hucknall Area						
Butlers Hill Allotment Access	-7	7	0	0	0	0
Common Farm	-10	10	0	0	0	0
Lime Tree Recreation Ground	42	5	0	0	0	47
Titchfield Park and Hucknall Cemetery: implementation of park masterplan	-10	10	0	0	0	0
Sub Total	**15**	**32**	**0**	**0**	**0**	**47**
Sutton Area						
Brierley Forest Park Management Plan	36	0	0	0	0	36
Football Changing Rooms	-15	15	0	0	0	0
Kingsmill Reservoir footpath links	-31	0	0	0	0	-31
Kingsmill Reservoir management plan: Implementation Works	-15	15	0	0	0	0
Oval Play Area	-4	0	0	0	0	-4
Roundhill Recreation Ground	0	30	0	0	0	30
Sutton Lawn Play Area	28	0	0	0	0	28
Taylor Crescent Recreation Ground	-10	10	0	0	0	0
Sub Total	**-11**	**70**	**0**	**0**	**0**	**59**
Kirkby Area						
Annesley Art Project	24	-24	0	0	0	0
Forest Road Nature Area	-29	28	0	0	0	-1
Kingsway Park: implementation of management plan	0	46	0	0	0	46
Kirkby footpaths/cycle ways	-15	15	0	0	0	0
Kirkby Regeneration and Civic Centre	-12	0	0	0	0	-12
Lindleys Lane Play/Youth Area	-101	102	0	0	0	1
Morven Park / West Park Play Area	18	0	0	0	0	18
Sports pavilion, Titchfield Park	-39	39	0	0	0	0
West Park Play Area	-18	0	0	0	0	-18
Sub Total	**-172**	**206**	**0**	**0**	**0**	**34**
Rural Area						
Nottingham Road Recreation Ground	-5	0	0	0	0	-5
Sub Total	**-5**	**0**	**0**	**0**	**0**	**-5**
Grand Total	**-173**	**308**	**0**	**0**	**0**	**135**

5.3 Changes to Existing Area Projects

Table 15 above shows the proposed changes to budget on a scheme by scheme basis. Many of the schemes planned for 2018/19 are not now expected to be completed until 2019/20. The actual allocation to each project is shown at Appendix 1. The main reasons for change are:

- **Lime Tree Recreation Ground –** Additional WREN funding has meant more can be spent on this project.
- **Brierley Forest Park Management Plan –** Additional grant funding has meant more can be spent on this project.
- **Kingsmill Reservoir Footpath Links –** The £31k has been used to fund the Ashfield Estate Footpaths Project.
- **Roundhill Recreation Ground –** Additional Income secured from the Nottinghamshire Local Improvement Scheme.
- **Sutton Lawn Play Area –** Additional Income secured from the Nottinghamshire Local Improvement Scheme.
- **Kingsway Park: Implementation of Management Plan –** Project delayed due to other priorities.
- **Kirkby Regeneration and Civic Centre –** Scheme is now complete, no further expenditure.
- **West Park Play Area –** This scheme has now been included with the Morven Park Play Area.

5.4 General Fund Capital Programme

Changes to the General Fund Capital Programme are explained below and summarised in the Table 16 and 17 below. Details of the full General Fund Capital Programme are shown in Appendix 1.

Table 16 - General Fund Schemes Summary Reconciliation of Current Capital Programme to Proposed February 2019 Capital Programme

	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	Total £'000
Current Capital Programme	**20,508**	**2,707**	**1,793**	**1,704**	**75**	**26,787**
Changes to Current Projects	-7,667	23,687	24,141	20,429	23,194	**83,784**
Proposed November 2018	**12,841**	**26,394**	**25,934**	**22,133**	**23,269**	**110,571**

Table 17 – General Fund Projects (changes in budget – by scheme)

	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	Total £'000
Changes to Current Projects						
Affordable Warmth Initiatives	-72	0	0	0	0	-72
Butlers Hill Changing Rooms	-10	0	0	0	0	-10
Cemeteries	-42	42	0	0	0	0
Clegg Hill Drive	-52	0	0	0	0	-52
Flood Support Schemes	-49	49	0	0	0	0
Hucknall Car Park - Titchfield Street	-115	115	0	0	0	0
Improvement Grants 1996 Act Disabled Facility Grant	326	-75	-75	-75	794	895
Investment Properties	0	20,000	20,000	20,000	20,000	80,000
Kings Mill Reservoir (The King and Miller to Kingfisher)	-1,025	1,100	25	24	0	124
Kirkby Leisure Centre	-6,000	2,000	4,000	0	0	0
Kirkby Town Centre Shops	-6	0	0	0	0	-6
Leisure Transformation Programme	-140	140	0	0	0	0
Office Accommodation Works to Accommodate police at Central Offices	75	0	0	0	0	75
Purchase of Vehicles	-316	316	191	127	2,400	2,718
Purchase of Vehicles for Garden Waste Collection	-2	0	0	0	0	-2
Solar PV Installations Leisure Centres	-236	0	0	0	0	-236
Vehicle Tracking Scheme	-3	0	0	353	0	350
Grand Total	**-7,667**	**23,687**	**24,141**	**20,429**	**23,194**	**83,784**

5.5 Key changes to Existing General Fund Projects.

The Council profiles its capital programme but inevitably there will be some slippage to project timetables. The Council will endeavour to ensure that costs are projected accurately however some projects costs will vary from the budget due to market forces or unexpected circumstances. The main reasons for the proposed movements in budget are outlined below:-

Affordable Warmth Initiatives – Amounts previously included on this scheme have been moved to the Disabled Facility Grant.

Butlers Hill Changing Rooms – The cost of this scheme is now expected to be less than what was originally proposed.

Clegg Hill Drive – The purchase of this land is now complete as a result no further charges are expected.

Improvement Grants 1996 Act Disabled Facility Grant – This scheme has increased due to the expected funding for Disabled Facilities Grants being greater than previously estimated and the inclusion of an extra £72k funding transferred from the Affordable Warmth Initiatives (see above).

Kings Mill Reservoir (The King and Miller to Kingfisher) – Additional funding has become available which will allow more works to be completed.

New Kirkby Leisure Centre – The value currently showing in the Capital Programme relates to that already approved by Council (£6m). Post tendering, a detailed Business Case will be brought to Cabinet and subsequently Council for funding approval.

Office Accommodation Works to Accommodate DWP at Central Offices – Scheme costs less than originally anticipated.

Office Accommodation Works to Accommodate Police at Central Offices – Works to Car Park at rear of Central Office funded by Police.

Purchase of Vehicles – The majority of the increase in vehicle expenditure is for new vehicles that are expected to be purchased in 2022/23 financial year. Vehicle purchases had previously been put on hold whilst a fleet review was undertaken. One of the outcomes of this fleet review is that it works out less expensive for the Council to purchase vehicles outright rather than to lease them.

Vehicle Tracking Scheme – The vehicle-tracking scheme purchased in 2017/18 is expected to require replacing after four years use.

Table 18 – General Fund – Financing of the Capital Programme

The tables below show the changes in financing required to move from the existing Capital Programme to the proposed 2018/19 – 2022/23 Capital Programme.

	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	Total £'000
Current Capital Programme	**20,508**	**2,707**	**1,793**	**1,704**	**75**	**26,787**
Capital Grants	-745	999	-70	-51	794	**927**
Capital Receipts - General Fund	-20	0	0	0	0	**-20**
Prudential Borrowing	-6,663	22,380	24,191	20,480	22,400	**82,788**
Developers Contributions - General Fund	-239	244	20	0	0	**25**
Direct Revenue Financing	0	64	0	0	0	**64**
Proposed February 2019 Capital Programme	**12,841**	**26,394**	**25,934**	**22,133**	**23,269**	**110,571**

5.6 Investment Properties

At the time of writing the Capital Strategy (elsewhere on this agenda), Guidance is awaited from CIPFA in respect of Investment Properties and subject to the receipt and evaluation of this Guidance, an amended Capital Strategy and Programme may need to be brought for Cabinet/Council consideration and approval.

The Proposed Capital Strategy and Programme assumes that the Authority will be able to purchase future Investment Properties. The Council's funding sources are diminishing. Therefore, the net rental figure obtainable from Investment Properties will help support continued delivery of existing Council services on which our residents rely.

5.7 Capital Strategy

The last Capital Strategy was approved by Council in March 2018. This set the total borrowing limit for the Capital Programme at £40.754m for the years 2017/18 – 2021/22. Last year the Council borrowed £19.135m which if left unchanged would make the remaining borrowing available to the Council for years 2018/19 – 2021/22 only £21.968m. The Council would like to increase the amount of borrowing to acquire further Investment Properties; an additional £20m for each of the four years from 2019/20 and add £2.4m to the Capital Strategy for borrowing to fund Vehicle purchases in 2022/23 (rolling programme of authorisation). The total borrowing requirement will increase to £104.368m (remaining balance £21.968m plus £80m Investment Properties plus £2.4m for Vehicle Purchases in 2022/23).

Table 19 – Comparison to the Proposed February 2019 Capital Strategy

	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	Total £'000
Borrowing	11,169	24,162	25,115	21,315	22,475	**104,236**
Capital Strategy	20,874	20,874	20,874	20,874	20,874	**104,368**
Diff	**9,705**	**-3,288**	**-4,241**	**-441**	**-1,601**	**132**
Cumulative Diff	**9,705**	**6,416**	**2,175**	**1,733**	**132**	

5.8 Housing Revenue Account (HRA) Capital Programme

There have been changes to the profiling and mix of Decent Homes Schemes. This has resulted in a proposed overall capital expenditure reduction of £61k for these schemes for the years 2018/19 – 2021/22. The capital programme now includes an additional £8.841m for Decent Homes Schemes for the 2022/23 Financial Year (rolling programme).

The HRA Vehicles purchases is proposed to increase overall by £409k due to the addition of the next year to the programme for 2022/23. The capital programme has been increased by £1m per year for years 2019/20 – 2022/23 to fund additional investment via the acquisition of dwellings to supplement the current Housing stock. There has been a small increase of £8k in the cost of the new Persimmon Homes in Hucknall.

The expected 1-4-1 and Non 1-4-1 Housing Capital Receipts is based on receipts received in the 2017/18 financial year. These have been extrapolated to provide full year estimates for 2018/19 and future years. If future Right to Buy receipts are more or less than the estimate then this will affect HRA balances.

Full details of the HRA Capital Programme are shown in Appendix 1.

Table 20 – Housing Revenue Account (changes to budget)

	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	Total £'000
Expenditure Approved	**11,447**	**8,519**	**8,505**	**9,531**	**40**	**38,042**
Changes to Current Projects						
Management Fee	0	0	0	0	591	**591**
Catch up and Major Repairs	-3,003	469	1,667	869	6,985	**6,987**
Service Improvements	-374	135	67	173	610	**611**
Contingent Major Repairs	-154	28	28	33	145	**80**
Exceptional Extensive Works	-169	99	72	-1	10	**11**
Disabled Adaptations	-38	38	0	0	500	**500**
Investment in Additional Council Dwellings in Hucknall	8	0	0	0	0	**8**
Investment in New or Existing Dwellings	0	1,000	1,000	1,000	1,000	**4,000**
Housing Vehicles	-364	364	0	8	401	**409**
Grand Total	**7,353**	**10,652**	**11,339**	**11,613**	**10,282**	**51,239**
Capital Funding						
Funded from HRA Reserves	6,027	9,472	10,159	10,433	9,102	**45,193**
Future 1-4-1 Capital Receipts Funding Recently Built and New Schemes	446	300	300	300	300	**1,646**
Non 1-4-1 Capital Receipts	880	880	880	880	880	**4,400**
Total Capital Funding	**7,353**	**10,652**	**11,339**	**11,613**	**10,282**	**51,239**

6. MTFS Update

6.1 There is significant uncertainty around the level of resources which will be available to the Council beyond 2019/20. This uncertainty is in relation to the outcome of the Fair Funding Review and the impact it will have on ‘assessed need’ and subsequent resource allocation levels through a Business Rates re-set and the proposal to move to 75% retention from 2020/21, and potential changes to the distribution methodology for New Homes Bonus.

6.2 The Fair Funding Review is currently being consulted on and although the outcome will not be known until later in the year it is probable that there will be a redistribution of resources to address the national key pressures in social care (Adults and Children’s).

6.3 Although the New Homes Bonus ‘Deadweight’ (a minimum of 0.4% annual growth in dwellings before eligibility for NHB funding) did not change for the 2019/20 Local Government Finance Settlement, there is a possibility that this may change into the future.

6.4 Because of the above significant uncertainty indications of the future financial challenge for the Council (like all other Councils) will potentially be subject to considerable variation. However, based on use of the LG Futures financial model and our current estimate of expenditure required for the next three years the current estimated funding gaps are shown in Table 21 below:

Table 21 – MTFS Estimated Funding Gap 2019/20 to 2021/22

	2019/20	2020/21	2021/22
	£'000	£'000	£'000
Estimated Cumulative Funding Gap	0	2,138	4,604
Estimated Annual Funding Gap	0	2,138	2,466

6.5 The above estimated funding gaps currently include the following assumptions:

- Pay inflation (2%)
- Contract Inflation (2.4%)
- Utilities Inflation (5%)
- A District Council Tax increase from 2020/21 of £5 per annum (March 2018 MTFS update to Council)
- Growth in the Council Tax Base of 380 properties (325 Band D equivalent properties) per year

The above assumptions will all be revisited over the Summer as part of the MTFS review (See 6.8 below).

6.6 Following the May 2019 District elections, the elected Administration will work with the Council's management to identify and agree options to address this estimated significant financial challenge in the Medium Term Financial Strategy for 2020/21, 2021/22 and beyond; ensuring the Council has a sustainable future.

6.7 Consideration will be given to options for additional income generation, including the potential acquisition of further Investment properties, the identification of efficiencies (service reviews, procurement savings, asset rationalisation, alternate service delivery models, etc) and potential savings through Invest to Save – in particular via the Council's Digital Transformation Programme.

6.8 An updated MTFS will be brought back to Cabinet after the 2018/19 accounts have been closed and audited and further updates will be provided as greater certainty around future funding becomes available.

7. Section 151 Officer Comments

7.1 Section 25 of The Local Government Act 2003 requires that the 'Chief Financial Officer (The Corporate Finance Manager at Ashfield District Council) reports to Council on the following matters in making decisions on the budget and financial strategy:

The robustness of the estimates made for the purposes of the calculations; and
The adequacy of the proposed financial reserves.

It is also recognised good financial management for the Council to identify target levels for reserves and balances that are based on a thorough understanding of its risks and needs.

7.2 The content of this report is the mechanism by which positive assurances are made by the Corporate Finance Manager about the adequacy of the proposed financial reserves.

7.3 The Corporate Finance Manager gives his assurance that the budget estimates for 2019/20 are robust. There is a forecast significant ongoing deficit in future years as public sector funding gets tighter and there is recognition that this will have to be addressed for the Council to remain sustainable in the longer term but that there are options available for development, consideration and subsequent implementation to do this. Early progress of any of the supported options during 2019/20 may also deliver in year savings.

7.4 The key fundamental principles which underpin the Corporate Finance Managers' assurances are:

- Directorates manage their finances within the clearly defined cash limited budgets within this report
- The Council recognises the need to explore income and savings options to ensure the future financial sustainability of the organisation
- The General Reserves (General Fund) Minimum Balance is maintained at its current level and is not called upon for other purposes save in exceptional circumstances with the agreement of the Leader of the Council, Chief Executive and the Corporate Finance Manager and approved by the appropriate body of the Council in accordance with the Constitution.
- In considering the robustness of the Budget for 2019/20 account has been taken of the potential need to call on up to £200k funding from the Corporate Change Earmarked Reserve.

Implications

Corporate Plan:

The proposed 2019/20 General Fund budget, HRA Budget and the 2018/19 to 2022/23 Capital Programme reflects the priorities in the Corporate Plan.

The financial position of the HRA has a direct impact on the Corporate Plan. Sustainability of the HRA will assist in maintaining existing homes and increase the supply of affordable homes in the district in the future.

Legal:

When setting the Revenue Budget and Council Tax the Council has various legal and fiduciary duties. The Council is required by the Local Government Act 1992 to make specific estimates of gross revenue expenditure and anticipated income leading to the calculation of the Council Tax Requirement and the setting of the overall Budget and Council Tax for the year. The amount of the council tax requirement must be sufficient to meet the Council's legal and financial commitments, ensure proper discharge of its statutory duties and lead to a balanced budget.

In exercising its fiduciary duty the Council should be satisfied that the proposals put forward are a prudent use of the Authority's resources in both the short and long term; that the proposals strike the right balance between the interests of Council Tax payers and ratepayers on the one hand and the community's interests in adequate and efficient resources on the other; and that they are acting in good faith for the benefit of the community whilst complying with all statutory duties. It is believed that the proposal in this Budget Report do strike that right balance.

All capital projects require input from Legal Services in relation to contracts. The Council must ensure that robust contractual arrangements are in place, specifications are clearly defined, and it is clear which project risks are the responsibility of the Contractor and which remain with the Council. This is to avoid potential contractual disputes and to limit the potential financial impact on the Council should they arise.

The Council is required by the LGHA 1989 to have a separate Housing Revenue Account.

If approved by Cabinet, this report will require approval by Council as this forms part of the Council's Budgetary Framework (Financial Regulation B.1 and Article 4 of the Constitution).

Finance:

Budget Area	Implication
General Fund – Revenue Budget	The financial implications are set out in the body of this report.
General Fund – Capital Programme	
Housing Revenue Account – Revenue Budget	
Housing Revenue Account – Capital Programme	

Risk:

Risk	Mitigation
That the budget set may be insufficient to provide the required services and subsequently services overspend.	Monthly budget monitoring arrangements are in place with reports being produced monthly from June onwards for CLT and periodically for Cabinet. Any pressures and potential mitigation is included in these reports.

Human Resources:

There are no adverse implications on the number of posts for which this proposed budget provides. The Investments proposed in this report will increase the Full Time Equivalent complement by 2 (if approved).

Equalities:

Projects within the Capital Programme will ensure that as far as possible Council buildings are accessible, to enable all users to access Council services. In addition, the various [projects within the Council's Digital Transformation Strategy will ensure that individual customer needs are optimised.

Other Implications:
None

Reason(s) for Urgency
Not Applicable

Reason(s) for Exemption
Not Applicable

Background Papers

2019/20 Council Tax Base report
Housing Rents report 2019/20 – Cabinet 21st January 2019
Provisional Local Government Settlement – 13th December 2018
Budget and Council Tax 2018/19 Report – Council 5th March 2018
CIPFA – The Prudential Code for |Capital Finance in Local Authorities 2011 (as amended 2012) and related Guidance Notes 2013.

Report Author and Contact Officer

Pete Hudson

Corporate Finance Manager (and Section 151 Officer)

p.hudson@ashfield.gov.uk
01623 457362

								Funding						
	Lead Officer	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	Total £'000	Loan £'000	Section 106 £'000	Grant £'000	Grant Funder e.g. Lottery	Capital Receipts £'000	Reserves £'000	Total £'000
General Fund														
Affordable Warmth Initiatives	Craig Bonar	0	0	0	0	0	**0**	**0**	**0**	**0**		**0**	**0**	**0**
Butlers Hill Changing Rooms	Paul Parkinson	10	0	0	0	0	**10**	**10**	**0**	**0**		**0**	**0**	**10**
Cemeteries	Carol Cooper-Smith	18	42	0	0	0	**60**	**60**	**0**	**0**		**0**	**0**	**60**
Clegg Hill Drive	Craig Bonar	0	0	0	0	0	**0**	**0**	**0**	**0**		**0**	**0**	**0**
Demolition of Hucknall Toilets	Paul Parkinson	1	0	0	0	0	**1**	**1**	**0**	**0**		**0**	**0**	**1**
Flood Support Schemes	Craig Bonar	0	49	0	0	0	**49**	**0**	**0**	**49**	**CLG**	**0**	**0**	**49**
Hucknall Car Park - Titchfield Street	Carol Cooper-Smith	0	115	0	0	0	**115**	**22**	**93**	**0**		**0**	**0**	**115**
Hucknall Leisure Centre	Carol Cooper-Smith	140	0	0	0	0	**140**	**140**	**0**	**0**		**0**	**0**	**140**
Improvement Grants 1996 Act Disabled Facility Grant	Paul Parkinson	1,233	794	794	794	794	**4,409**	**0**	**0**	**4,409**	**BCF £4,337k & RHB £72k**	**0**	**0**	**4,409**
Investment Properties	Craig Bonar	10,019	20,000	20,000	20,000	20,000	**90,019**	**90,019**	**0**	**0**		**0**	**0**	**90,019**
Kings Mill Reservoir (The King and Miller to Kingfisher)	Carol Cooper-Smith	321	1,100	25	24	0	**1,470**	**216**	**31**	**1,102**	**HLF £871K, Network Rail £15K, NCC £ 136K, MDC £48K, Skanska £11k & Development (HLF) £21k**		**121**	**1,470**
Kirkby Leisure Centre	Carol Cooper-Smith	0	2,000	4,000	0	0	**6,000**	**6,000**	**0**	**0**		**0**	**0**	**6,000**
Kirkby Town Centre Shops	Carol Cooper-Smith	0	0	0	0	0	**0**	**0**	**0**	**0**		**0**	**0**	**0**
Leisure Transformation Programme	Carol Cooper-Smith	200	140	0	0	0	**340**	**0**	**340**	**0**		**0**	**0**	**340**
Market Stalls	Carol Cooper-Smith	1	0	0	0	0	**1**	**1**	**0**	**0**		**0**	**0**	**1**
Members' IT	Craig Bonar	35	0	0	0	35	**70**	**70**	**0**	**0**		**0**	**0**	**70**
New Cross Support Scheme	Carol Cooper-Smith	1	0	0	0	0	**1**	**0**	**0**	**1**	**RHB**	**0**	**0**	**1**
Northern Depot Office Rationalisation and Wireless CCTV Infrastructure	Carol Cooper-Smith	4	0	0	0	0	**4**	**4**	**0**	**0**		**0**	**0**	**4**
Office Accommodation Works to Accommodate DWP at Central Offices	Paul Parkinson	2	0	0	0	0	**2**	**2**	**0**	**0**		**0**	**0**	**2**
Office Accommodation Works to Accommodate Police at Central Offices	Paul Parkinson	75	0	0	0	0	**75**	**0**	**0**	**75**	**Police**	**0**	**0**	**75**
Officers' IT for Agile Working (General Fund)	Craig Bonar	40	40	40	40	40	**200**	**200**	**0**	**0**		**0**	**0**	**200**
Piggins Croft Car Park	Paul Parkinson	0	154	0	0	0	**154**	**154**	**0**	**0**		**0**	**0**	**154**
Purchase of Vehicles	Carol Cooper-Smith	680	1,904	1,075	922	2,400	**6,981**	**6,981**	**0**	**0**		**0**	**0**	**6,981**
Purchase of Vehicles for Garden Waste Collection	Carol Cooper-Smith	0	0	0	0	0	**0**	**0**	**0**	**0**		**0**	**0**	**0**
Retail Improvement Scheme	Carol Cooper-Smith	58	56	0	0	0	**114**	**0**	**0**	**0**	**S106 Revenue**	**0**	**114**	**114**
Solar Panels - Northern Depot	Paul Parkinson	3	0	0	0	0	**3**	**3**	**0**	**0**		**0**	**0**	**3**
Solar PV Installations Leisure Centres	Carol Cooper-Smith	0	0	0	0	0	**0**	**0**	**0**	**0**		**0**	**0**	**0**
Vehicle Tracking Scheme	Carol Cooper-Smith	0	0	0	353	0	**353**	**353**	**0**	**0**		**0**	**0**	**353**
Total General Fund		**12,841**	**26,394**	**25,934**	**22,133**	**23,269**	**110,571**	**104,236**	**464**	**5,636**		**0**	**235**	**110,571**

Housing Revenue Account

	Lead Officer	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	Total £'000
HOUSING REVENUE ACCOUNT							
Decent Homes Schemes							
Management Fee	Paul Parkinson	545	557	568	579	591	**2,840**
Catch up and Major Repairs	Paul Parkinson	3,290	5,624	7,643	6,832	6,985	**30,374**
Service Improvements	Paul Parkinson	129	1,295	1,197	1,203	610	**4,434**
Contingent Major Repairs	Paul Parkinson	95	234	234	239	145	**947**
Exceptional Extensive Works	Paul Parkinson	1,031	992	172	881	10	**3,086**
Disabled Adaptations	Paul Parkinson	507	493	455	455	500	**2,410**
Grand Total		**5,597**	**9,195**	**10,269**	**10,189**	**8,841**	**44,091**
Other Housing Revenue Account Schemes							
Bin Stores (Brand and Mill Close)	Paul Parkinson	25	0	0	0	0	**25**
Electronic Document and Records (EDRM) System	Paul Parkinson	24	0	0	0	0	**24**
Investment in Additional Council Dwellings in Hucknall	Paul Parkinson	488	0	0	0	0	**488**
Investment in New or Existing Dwellings	Paul Parkinson	1,000	1,000	1,000	1,000	1,000	**5,000**
Major Repairs Temporary Accomodation	Paul Parkinson	153	0	0	0	0	**153**
Officers' IT for Agile Working (HRA)		40	40	40	40	40	**200**
Darlison Court (New Builds)	Paul Parkinson	2	0	0	0	0	**2**
Housing Vehicles	Carol Cooper-Smith	24	417	30	384	401	**1,256**
Grand Total		**1,756**	**1,457**	**1,070**	**1,424**	**1,441**	**7,148**
Total Housing Revenue Account		**7,353**	**10,652**	**11,339**	**11,613**	**10,282**	**51,239**

	Lead Officer	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	Total £'000	Funding Loan £'000	Section 106 £'000	Grant £'000	Grant Funder e.g. Lottery	Reserves £'000	Total Funding £'000
Hucknall Area													
Butlers Hill Allotment Access	Carol Cooper-Smith	0	7	0	0	0	**7**	**0**	**0**	**7**	**Network Rail**	**0**	**7**
Common Farm	Carol Cooper-Smith	0	10	0	0	0	**10**	**0**	**10**	**0**	**POS S106**	**0**	**10**
Hucknall Mining Memorial	Carol Cooper-Smith	1	0	0	0	0	**1**	**0**	**0**	**1**	**Hucknall and Linby Committee**	**0**	**1**
Lime Tree Recreation Ground	Carol Cooper-Smith	95	5	0	0	0	**100**	**0**	**50**	**50**	**WREN (Oct 18)**	**0**	**100**
Papplewick Green Public Art Work	Carol Cooper-Smith	150	0	0	0	0	**150**	**0**	**150**	**0**		**0**	**150**
Play Areas	Carol Cooper-Smith	0	120	0	0	0	**120**	**120**	**0**	**0**		**0**	**120**
Titchfield Park Brook	Carol Cooper-Smith	40	0	0	0	0	**40**	**0**	**0**	**40**	**NCC**	**0**	**40**
Titchfield Park and Hucknall Cemetery: implementation of park masterplan	Carol Cooper-Smith	16	10	0	0	0	**26**	**0**	**26**	**0**		**0**	**26**
Washdyke Lane Rec Grd; General Improvements	Carol Cooper-Smith	0	0	0	0	0	**0**	**0**	**0**	**0**		**0**	**0**
Total Hucknall Area		**302**	**152**	**0**	**0**	**0**	**454**	**120**	**236**	**98**		**0**	**454**

	Lead Officer	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	Total £'000	Loan £'000	Section 106 £'000	Grant £'000	Grant Funder e.g. Lottery	Reserves £'000	Total Funding £'000
Sutton Area													
Ashfield Estate Play Area	Carol Cooper-Smith	29	0	0	0	0	**29**	**0**	**0**	**29**	**NCC SLC**	**0**	**29**
Ashfield Estate Footpaths	Carol Cooper-Smith	41	0	0	0	0	**41**	**0**	**38**	**3**	**County Cllr Contribution**	**0**	**41**
Brand Lane / Wharf Road Open Space Improvements	Carol Cooper-Smith	50	0	0	0	0	**50**	**0**	**0**	**0**		**50**	**50**
Brierley Forest Park Management Plan	Carol Cooper-Smith	102	0	0	0	0	**102**	**0**	**74**	**28**	**BFP Trust £24k, NE RPA £3k and Donations £1k**	**0**	**102**
Football Changing Rooms	Carol Cooper-Smith	0	15	0	0	0	**15**	**0**	**15**	**0**		**0**	**15**
Kingsmill Reservoir footpath links	Carol Cooper-Smith	3	0	0	0	0	**3**	**0**	**3**	**0**		**0**	**3**
Kingsmill Reservoir management plan: Implementation Works	Carol Cooper-Smith	0	15	0	0	0	**15**	**0**	**2**	**13**	**Skanska**	**0**	**15**
Oval Play Area	Carol Cooper-Smith	40	0	0	0	0	**40**	**0**	**2**	**38**	**NCC SLC**	**0**	**40**
Play Areas	Carol Cooper-Smith	0	0	120	0	0	**120**	**120**	**0**	**0**		**0**	**120**
Roundhill Recreation Ground	Carol Cooper-Smith	50	30	0	0	0	**80**	**0**	**50**	**30**	**LIS**	**0**	**80**
Sutton Lawn management Plan	Carol Cooper-Smith	9	0	0	0	0	**9**	**0**	**1**	**8**	**NCC SLC**	**0**	**9**
Sutton Lawn Play Area	Carol Cooper-Smith	62	0	0	0	0	**62**	**0**	**34**	**28**	**LIS**	**0**	**62**
Taylor Crescent Recreation Ground	Carol Cooper-Smith	0	10	0	0	0	**10**	**0**	**10**	**0**		**0**	**10**
Total Sutton Area		**386**	**70**	**120**	**0**	**0**	**576**	**120**	**229**	**177**		**50**	**576**

	Lead Officer	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	Total £'000	Loan £'000	Section 106 £'000	Grant £'000	Grant Funder e.g. Lottery	Reserves £'000	Total Funding £'000
Kirkby Area													
Acacia Avenue Rec - General Improvements	Carol Cooper-Smith	17	0	0	0	0	**17**	**0**	**17**	**0**		**0**	**17**
Annesley Art Project	Carol Cooper-Smith	124	34	0	0	0	**158**	**0**	**158**	**0**		**0**	**158**
Forest Road Nature Area	Carol Cooper-Smith	3	28	0	0	0	**31**	**0**	**31**	**0**		**0**	**31**
Kingsway Park: implementation of management plan	Carol Cooper-Smith	68	46	0	0	0	**114**	**0**	**68**	**41**	**LIS £20k, FFSIS £20k**	**5**	**114**
Kirkby footpaths/cycle ways	Carol Cooper-Smith	0	15	0	0	0	**15**	**0**	**15**	**0**		**0**	**15**
Kirkby Regeneration and Civic Centre	Carol Cooper-Smith	0	0	0	0	0	**0**	**0**	**0**	**0**		**0**	**0**
Lindleys Lane Play/Youth Area	Carol Cooper-Smith	0	102	0	0	0	**102**	**0**	**102**	**0**		**0**	**102**
Morven Park / West Park Play Area	Carol Cooper-Smith	43	0	0	0	0	**43**	**0**	**43**	**0**		**0**	**43**
Play Areas	Carol Cooper-Smith	0	0	0	120	0	**120**	**120**	**0**	**0**		**0**	**120**
Portland Park Management Plan: General Improvements	Carol Cooper-Smith	9	0	0	0	0	**9**	**0**	**3**	**6**	**RPA £2k + NCC £4k**	**0**	**9**
Sports pavilion, Titchfield Park	Carol Cooper-Smith	0	39	0	0	0	**39**	**0**	**39**	**0**		**0**	**39**
Warwick Close	Carol Cooper-Smith	35	0	0	0	0	**35**	**0**	**20**	**15**	**NCC - SLC**	**0**	**35**
West Park Play Area	Carol Cooper-Smith	0	0	0	0	0	**0**	**0**	**0**	**0**		**0**	**0**
Total Kirkby Area		**299**	**264**	**0**	**120**	**0**	**683**	**120**	**496**	**62**		**5**	**683**
	Lead Officer	**2018/19 £'000**	**2019/20 £'000**	**2020/21 £'000**	**2021/22 £'000**	**2022/23 £'000**	**Total £'000**	**Loan £'000**	**Section 106 £'000**	**Grant £'000**	**Grant Funder e.g. Lottery**	**Reserves £'000**	**Total Funding £'000**
Rural Area													
Friezeland Recreation Ground - Gym Equipment	Carol Cooper-Smith	14	0	0	0	0	**14**	**0**	**14**	**0**		**0**	**14**
Friezeland Recreation Ground - Scooter Park	Carol Cooper-Smith	118	0	0	0	0	**118**	**92**	**23**	**3**	**Selston Parish Council**	**0**	**118**
Holly Hill	Carol Cooper-Smith	8	0	0	0	0	**8**	**0**	**8**	**0**		**0**	**8**
Jacksdale Bridge Links	Carol Cooper-Smith	10	0	0	0	0	**10**	**0**	**10**	**0**		**0**	**10**
Jacksdale Car Park Extension	Carol Cooper-Smith	26	0	0	0	0	**26**	**26**	**0**	**0**		**0**	**26**
Nottingham Road Recreation Ground	Carol Cooper-Smith	0	0	0	0	0	**0**	**0**	**0**	**0**		**0**	**0**
Total Rural Area		**176**	**0**	**0**	**0**	**0**	**176**	**118**	**55**	**3**	**0**	**0**	**176**
Total Area		**1,163**	**486**	**120**	**120**	**0**	**1,889**	**478**	**1,016**	**340**		**55**	**1,889**

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ASHFIELD DISTRICT COUNCIL – Council Meeting held on 4th March 2019

DRAFT COUNCIL TAX RESOLUTION 2019/20
(subject to precepting authority approvals still pending)

The Council is recommended to resolve as follows:

1 That it be noted that on 17th December 2018 the Council calculated the Council Tax Base for 2019/20:

(a) for the whole Council area: **33,542.5**

(b) for dwellings in those parts of its area to which a Parish precept relates –

The Parish of Annesley and Felley: **548.0**
The Parish of Selston: **3,710.9**

2 That the calculation of the Council Tax requirement for the Council's own purposes for 2018/19 (excluding Parish precepts) is **£6,220,792.**

3 That the following amounts be calculated for the year 2019/20 in accordance with Sections 31 to 36 of the Act:

(a)	**£64,029,483**	being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act taking into account all precepts issued to it by Parish Councils.
(b)	**£57,519,340**	being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act.
(c)	**£6,510,143**	being the amount by which the aggregate at 3(a) above exceeds the aggregate at 3(b) above, calculated by the Council in accordance with Section 31A(4) of the Act as its Council Tax requirement for the year.
(d)	**£194.09**	being the amount at 3(c) above, divided by 1(a) above, calculated by the Council, in accordance with Section 31B of the Act, as the basic amount of its Council Tax for the year (including Parish precepts).
(e)	**£289,351**	being the aggregate amount of all special items (Parish precepts) referred to in Section 34(1) of the Act (as per the tables below).
(f)	**£185.46**	being the amount at 3(d) above less the result given by dividing the amount at 3(e) above 1(a) above), calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its Council Tax for the year for dwellings in those parts of its area to which no Parish precept relates.

4 To note that Nottinghamshire County Council, the Nottinghamshire Police and Crime Commissioner and the Nottinghamshire Fire and Rescue Authority have issued precepts to the Council in accordance with Section 40 of the Local Government Finance Act 1992 for each category of dwellings in the Council's area as indicated in the table below.

5 That the Council, in accordance with Sections 30 and 36 of the Local Government Finance Act 1992, hereby sets the aggregate amounts shown in the tables below as the amounts of Council Tax for 2019/20 for each part of its area and for each of the categories of dwellings.

DETAILS OF INDIVIDUAL COUNCIL TAX AMOUNTS BY PRECEPTOR AND VALUATION BAND

Ashfield District Council

Council Tax Base	33,542.5	2018/19 Band D Council Tax	£185.46
Council Tax Amount	£6,220,792	Percentage Increase	0.00%

2019/20 Council Tax amounts by band:

A	B	C	**D**	E	F	G	H
£123.64	£144.25	£164.85	**£185.46**	£226.67	£267.89	£309.10	£370.92

Nottinghamshire County Council

Council Tax Base	33,542.5	2018/19 Band D Council Tax	£1,419.43
Council Tax Amount	£49,510,743	Percentage increase	3.99%

2019/20 Council Tax amounts by band:

A	B	C	**D**	E	F	G	H
£984.04	£1,148.05	£1,312.05	**£1,476.06**	£1,804.07	£2,132.09	£2,460.10	£2,952.12

Nottinghamshire Police and Crime Commissioner

Council Tax Base	33,542.5	2018/19 Band D Council Tax	£195.39
Council Tax Amount	£7,356,877	Percentage increase	12.25%

2019/20 Council Tax amounts by band:

A	B	C	**D**	E	F	G	H
£146.22	£170.59	£194.96	**£219.33**	£268.07	£316.81	£365.55	£438.66

Nottinghamshire Fire and Rescue Authority

Council Tax Base	33,542.5	2018/19 Band D Council Tax	£77.51
Council Tax Amount	£2,676,692	Percentage increase	2.95%

2019/20 Council Tax amounts by band:

A	B	C	D	E	F	G	H
£53.20	£62.07	£70.93	**£79.80**	£97.53	£115.27	£133.00	£159.60

Annesley and Felley Parish Council

Council Tax Base	548.0	2018/19 Band D Council Tax	£101.26
Council Tax Amount	£55,490	Percentage increase	0.00%

2019/20 Council Tax amounts by band:

A	B	C	D	E	F	G	H
£67.51	£78.76	£90.01	**£101.26**	£123.76	£146.26	£168.77	£202.52

Selston Parish Council

Council Tax Base	3,710.9	2018/19 Band D Council Tax	£63.02
Council Tax Amount	£233,861	Percentage increase	0.00%

2019/20 Council Tax amounts by band:

A	B	C	D	E	F	G	H
£42.01	£49.02	£56.02	**£63.02**	£77.02	£91.03	£105.03	£126.04

Aggregate of Council Tax Requirements for residents of Annesley and Felley

Equivalent Council Tax in 2018/19	£1,979.05
Percentage increase	4.19%

2019/20 Council Tax amounts by band:

A	B	C	D	E	F	G	H
£1,374.61	£1,603.72	£1,832.80	**£2,061.91**	£2,520.10	£2,978.32	£3,436.52	£4,123.82

Aggregate of Council Tax Requirements for residents of Selston

Equivalent Council Tax in 2018/19	£1,940.81
Percentage increase	4.27%

2019/20 Council Tax amounts by band:

A	B	C	D	E	F	G	H
£1,349.11	£1,573.98	£1,798.81	**£2,023.67**	£2,473.36	£2,923.09	£3,372.78	£4,047.34

Aggregate of Council Tax Requirements for residents of all other parts of the Council's area

Equivalent Council Tax in 2018/19	£1,877.79
Percentage increase	4.41%

2019/20 Council Tax amounts by band:

A	B	C	**D**	E	F	G	H
£1,307.10	£1,524.96	£1,742.79	**£1,960.65**	£2,396.34	£2,832.06	£3,267.75	£3,921.30

6 That the Council determine whether the Council's basic amount of Council Tax for 2019/20 is excessive in accordance with principles approved under Section 52ZB Local Government Finance Act 1992.

In the Ministry for Housing, Communities and Local Government's report "The Referendums Relating To Council Tax Increases (Principles) (England) Report 2019/20" (published on 29 January 2019), it sets out the circumstances under which a council's Council Tax increase might be regarded as excessive, which would trigger a referendum. These principles have been approved under section 52ZB of the amended Local Government Finance Act 1992.

The principles relating to 2019/20 (Annexe A, Paragraph 5) state that:

Principles for 2019-20 for authorities belonging to the category mentioned in paragraph 2(c) [Shire district councils]

5. For 2019-20, the relevant basic amount of council tax of an authority which belongs to the category mentioned in paragraph 2(c) is excessive if the authority's relevant basic amount of council tax for 2019-20 is

(a) 3%, or more than 3%, greater than its relevant basic amount of council tax for 2018-19; and

(b) more than £5 greater than its relevant basic amount of council tax for 2018-19.

This means the authority would need to exceed **both** referendum principles in order to be subject to a referendum; exceeding one principle but not the other would not require a referendum.

Ashfield District Council's basic (Band D) level of Council Tax was £185.46 in 2018/19, and is proposed to be £185.46 in 2019/20, a 0% increase (freeze) at Band D. Therefore it can be determined that the Council would **not** be increasing the Council Tax by an excessive amount.

REPORT AUTHOR AND CONTACT OFFICER

Pete Hudson, Corporate Finance Manager 01623 457362
p.hudson@ashfield.gov.uk