

Date: 9 January 2018

Dear Councillor,

Overview and Scrutiny Committee

A Meeting of the **Overview and Scrutiny Committee** will be held in the **Council Chamber**, on **Wednesday, 17 January 2018 at 18:00**. You are requested to attend.

Yours faithfully,



Chief Executive

To:- **Conservative Group**
Councillor Swann (Chairman), Councillor Billings (Vice-Chairman) and Councillors
Atkin, Mrs Coe and Mrs Patten

Labour Group
Councillors Bambrick, Dr Pearson and Mrs Stuart

AGENDA

Open to Public and Press

- | | | |
|----------|---|----------------|
| 1 | Apologies. | |
| 2 | To note any declarations of interest arising from any items on the Agenda | |
| 3 | To receive any questions by members of the public pursuant to Council Procedure Rule No.10. | |
| 4 | To receive any questions by Members of the Council pursuant to Council procedure Rule No. 11. | |
| 5 | REGULATION OF INVESTGATORY POWERS ACT 2000 (RIPA) –
QUARTERLY REPORT ON USAGE | 4 - 5 |
| 6 | BUDGET SCRUTINY 2018 | 6 - 51 |
| 7 | UPDATE ON SECTION 106 HEALTH ALLOCATIONS (Verbal update) | |
| 8 | PRIMARY MEDICAL PROVISION IN AND AROUND STENSON WARD | 52 - 54 |
| 9 | COMMITTEE WORK PROGRAMME | 55 - 56 |

Exclusion of the Public and Press:

- 10** The Chairman may therefore move:-
That in accordance with Section 100 (A)(4) of the Local Government Act 1972 (as amended) the press and public be excluded from the remainder of the Meeting as it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that there would be disclosed exempt information as defined in the paragraph of Part I of the Schedule 12A of the Act indicated in the header to each report on the Agenda.
- 11** To receive any Exempt questions by Members of the Council pursuant to Council procedure Rule No. 11.

REPORT TO:	OVERVIEW AND SCRUTINY COMMITTEE	AGENDA ITEM: 5
DATE OF MEETING:	17th JANUARY 2018	CATEGORY: DELEGATED
REPORT FROM	CHIEF EXECUTIVE	OPEN
MEMBERS' CONTACT POINT:	ARDIP KAUR – 595715 ardip.kaur@south-derbys.gov.uk	DOC:
SUBJECT:	REGULATION OF INVESTGATORY POWERS ACT 2000 (RIPA) – QUARTERLY REPORT ON USAGE	REF:
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE:

1.0 Recommendations

- 1.1 To note the internal report on the Council's use of the Regulation of Investigatory Powers Act 2000.

2.0 Purpose of Report

- 2.1 To note the report on the Council's use of the Regulation of Investigatory Powers Act 2000 since 1st September 2017.

3.0 Detail

- 3.1 The Committee, on 22nd June 2016 approved the Council's amended RIPA Policy and Guidance document. The Overview and Scrutiny Committee is authorised to review the Council's use of RIPA, set the Council's general surveillance policy, and consider quarterly reports on the use of RIPA to ensure that it is being used as per the Council's policy.
- 3.2 RIPA is intended to regulate the use of investigatory powers and ensure they are used in accordance with human rights. This is achieved by requiring certain investigations involving covert surveillance to be authorised by an appropriate Authorising Officer and then a JP before they are carried out.
- 3.3 Directed surveillance is often conducted by local authorities to investigate benefit fraud or to collect evidence of anti-social behaviour. It may involve covertly following people, covertly taking photographs of them or using hidden cameras to record their movements.
- 3.4 RIPA stipulates that the person (Authorising Officer) granting an authorisation for directed surveillance must believe that the activities to be authorised are necessary on one or more statutory grounds. The members of the Corporate Management Team, identified in the Council's Policy and Procedure, consider all applications for

authorisation. The Authorising Officer must ensure that there is satisfactory reason for carrying out the surveillance, the covert nature of the investigation is necessary, proper consideration has been given to collateral intrusion, and the proposed length and extent of the surveillance is proportionate to the information being sought. This involves balancing the seriousness of the intrusion into the privacy of the subject of the operation against the need for the activity in investigative and operational terms. Following legislative changes, in addition to the aforementioned, the Council is required to obtain judicial approval prior to using covert techniques and the Councils use of directed surveillance under RIPA will be limited to the investigation of crimes which attract a six month or more custodial sentence.

- 3.5 The usage of RIPA during the period September 2017 to November 2017 has been nil. No authorisations have been requested or granted.

4.0 Financial Implications

- 4.1 None arising directly from this report.

5.0 Corporate Implications

- 5.1 The Council must act in accordance with recent legislative changes regarding the authorisation process and the surveillance crime threshold.

6.0 Community Implications

- 6.1 Covert surveillance is carried out in a manner calculated to ensure that the person subject to the surveillance is unaware of it taking place. The Council carries out directed surveillance which is covert, not intrusive, is not carried out in an immediate response to events, and is undertaken for the purpose of a specific investigation or operation in a manner likely to obtain private information about an individual.
- 6.2 Section 8 of the application form asks the applicant to supply details of any potential collateral intrusion and to detail why the intrusion is unavoidable. The idea behind collateral intrusion is to identify who else, apart from the subject of the surveillance, can be affected by the nature of the surveillance. Any application for authorisation should include an assessment of the risk of the collateral intrusion and this should be taken into account by the Authorising Officer when considering proportionality. The Authorising Officer needs to know by those carrying out the surveillance if the investigation or operation would unexpectedly interfere with the privacy of individuals not covered by the authorisation. An Authorising Officer must be made aware of any particular sensitivities in the local community.

REPORT TO:	OVERVIEW and SCRUTINY COMMITTEE	AGENDA ITEM: 6
DATE OF MEETING:	17th JANUARY 2018	CATEGORY: RECOMMENDED
REPORT FROM:	STRATEGIC DIRECTOR CORPORATE RESOURCES	OPEN
MEMBERS' CONTACT POINT:	KEVIN STACKHOUSE (01283 595811) kevin.stackhouse@south-derbys.gov.uk	DOC: u/ks/budgets/201819/presentations/scrutiny report 17 th Jan 18
SUBJECT:	BUDGET SCRUTINY 2018	TERMS OF REFERENCE: 6.03 (a) (i)
WARD(S) AFFECTED:	ALL	

1.0 Recommendations

- 1.1 That the Committee consider the proposed budgets of the Council for 2018/19 and make any recommendations to Finance and Management Committee as part of the consultation process.
- 1.2 That the Committee consider the medium-term financial plans of the General Fund and Housing Revenue Accounts and make any recommendations to Finance and Management Committee to support budget and policy development.

2.0 Purpose of Report

- 2.1 To scrutinise the Council's budget proposals for 2018/19, together with the updated Medium-Term Financial Plan.

3.0 Detail

- 3.1 The detailed budget proposals have been reported and considered by each of the Council's Policy Committees earlier in January. In addition, the Finance and Management Committee considered consolidated proposals and the updated Medium-Term Financial Plan (MTFP) of the General Fund on 11th January.
- 3.2 Furthermore, the Housing and Community Services Committee considered the proposed Housing Revenue Account (HRA) and its longer-term (10-year) Business Plan on 9th January.
- 3.3 Both of these reports are appended. It is intended that these reports provide the background and detailed basis for scrutiny. A presentation of the proposals will be available at the meeting, together with confirmation of the decisions arising from the Policy Committees.

4.0 Financial Implications

4.1 As detailed in the report.

5.0 Corporate Implications

5.1 All relevant legal, personnel or other corporate implications are included as part of the budget proposals. For example, any general staffing matters are detailed within the budget proposals.

6.0 Community Implications

6.1 The proposed budgets provide the financial resources to enable services and the priorities in the Corporate Plan to be delivered to the local community.

6.2 The MTFP and associated projections provide an indication of the Council's longer-term financial position and the potential effects upon the Council's services.

REPORT TO:	FINANCE AND MANAGEMENT COMMITTEE: SPECIAL - BUDGET	AGENDA ITEM: 8
DATE OF MEETING:	11th JANUARY 2018	CATEGORY: RECOMMENDED
REPORT FROM:	STRATEGIC DIRECTOR (CORPORATE RESOURCES)	OPEN
MEMBERS' CONTACT POINT:	KEVIN STACKHOUSE (01283 595811) Kevin.stackhouse@south-derbys.gov.uk	DOC: s/finance/committee/2017-18/budget
SUBJECT:	BUDGET REPORT 2018/19 Incorporating the Consolidated Budget Proposals and Medium Term Financial Plan to 2023	REF:
WARD (S) AFFECTED:	ALL	TERMS OF REFERENCE: FM 08

1.0 Recommendations

- 1.1 That the estimates of revenue income and expenditure for 2018/19 for the General Fund are considered and a level of income and expenditure is approved.
- 1.2 That consideration is given to the level of an increase in grants to voluntary bodies and payments to Parish Councils under concurrent functions.
- 1.3 That the Council Tax Base for 2018/19 of 32,467 (equivalent Band D) properties as detailed in **Appendix 3** is approved.
- 1.4 That a Council Tax Surplus of £500,000 is declared on the Collection Fund for 2017/18 and the Council's proportion of £55,000 is transferred to the General Fund in 2018/19.
- 1.5 That consideration is given to the rate of Council Tax for 2018/19.
- 1.6 That the updated 5-year financial projection on the General Fund to 2023 as detailed in **Appendix 1**, including associated assumptions and risks as detailed in the report, is approved.
- 1.7 That the General Fund Statutory Balance is increased from £1m to £1.5m.
- 1.8 That a strategy and action plan is drawn up to generate budget savings on the General Fund ahead of 2019/20.
- 1.9 That the decisions made in recommendations 1.1 to 1.8 are used as the basis for consultation with local residents, businesses, voluntary and community groups, etc. and are subject to review by the Overview and Scrutiny Committee.

2.0 Purpose of the Report

2.1 To detail the Council's overall financial position following a detailed review of current income and expenditure on the General Fund. This builds on the financial plan and strategy approved in October 2017. The report covers the following:

- Confirmation of the Council's financial settlement from Central Government for 2018/19.
- The Council's current spending and proposed base budget position for 2018/19 including proposed spending by Policy Committees.
- The proposed Council Tax Base for 2018/19 and projected Collection Fund position, 2017/18.
- Planned Council Tax levels in 2018/19 and future years.
- The overall impact on the General Fund's 5-year financial projection.

2.2 The report is divided into several sections as follows:

- Section 3 – Summary and Overall Commentary
- Section 4 – The Council's Financial Settlement for 2018/19
- Section 5 – Proposed Base Budget and Consolidated Spending 2018/19
- Section 6 – Revised General Fund Financial Projection to 2023
- Section 7 – Council Tax, Tax Base and Collection Fund Position
- Section 8 – Overall Risk Analysis

Appendices:

- Appendix 1 – General Fund Summary Budget and 5-year projection
- Appendix 2 – Proposed Base Budgets of Policy Committees
- Appendix 3 – Calculation of Council Tax Base 2018/19
- Appendix 4 – Estimated Collection Fund Position 2017/18

3.0 Summary and Overall Commentary

The Position entering the 2018/19 Budget Round

3.1 The updated medium-term financial projection was considered and approved by the Committee on 12th October 2017. This set out the projected level of net revenue expenditure on the General Fund, together with the level of the General Fund Reserve to 2023.

3.2 The overall projected position at that time is summarised in the following table.

	Budget Deficit / Surplus (-) £	Earmarked against Reserve £	Balance of General Reserve £
Base Budget 2017/18	-864,352	236,029	-9,061,743
Projection 2018/19	512,558	102,294	-8,446,891
Projection 2019/20	1,247,664	249,559	-6,949,668
Projection 2020/21	1,278,588	248,421	-5,422,659
Projection 2021/22	1,690,767	247,261	-3,484,631
Projection 2022/23	1,622,504	246,077	-1,616,050

- 3.3 At this stage, it was reported that the overall position on the General Fund had not changed fundamentally over the last year. The current level of the General Fund Reserve remained healthy and was projected to remain so over the next 3 to 4 years based on current forecasts.
- 3.4 However, the main issue identified was the projected budget deficit over the medium-term from 2018/19 when the impact of the next reduction in core funding takes effect.
- 3.5 Although the current level of reserves could be used to meet the projected deficit, this was not considered a sustainable solution in the longer-term. The MTFP continued to assume that base budget expenditure would increase year-on-year but overall core funding would reduce in accordance with the Government's Spending Review (2015).

The Updated General Fund Position

- 3.6 As part of the annual budget round, the Council's base budget has been reviewed in detail. This has identified some additional cost pressures, although there have also been some budget savings arising out of the review.
- 3.7 Following the Government's provisional Financial Settlement which was published on 19th December 2017, together with proposals contained in the Base Budget for 2018/19, the medium-term position has been updated. This is summarised in the following table.

	Budget Deficit / Surplus (-)	Earmarked against Reserve	Balance of General Reserve
	£	£	£
Base Budget 2017/18	-876,205	236,029	-9,073,596
Projection 2018/19	83,460	482,294	-8,507,842
Projection 2019/20	977,975	381,830	-7,148,037
Projection 2020/21	877,290	380,394	-5,890,353
Projection 2021/22	1,050,306	378,922	-4,461,125
Projection 2022/23	1,392,486	377,413	-2,691,226

3.8 Initial forecasts suggest that the overall financial profile of the General Fund has improved from that previously reported. Base Budget expenditure has slightly increased (as detailed in Section 5) but the detail regarding NNDR and RSG are still under review and therefore have not yet been updated in the MTFP. This is detailed more in Section 4. The increase in Base Budget has been offset by additional receipts from the growth in Council Tax and New Homes Bonus. A summary of the overall change is shown in the following table:

	£'000
Projected 5-year General Fund Balance (pre-Budget)	-1,616
Net Increase in Projected Spending (Section 5)	543
Asset Replacement Fund increased contribution	900
Increase in Council Tax (Section 7)	-491
Increase in New Homes Bonus (Section 4)	-2,027
NNDR	0
RSG	0
Projected Reserve Balance as at 2022/23	<u>-2,691</u>

3.9 The increase in projected income has improved the overall position. However, the underlying issue of a significant deficit in future years still remains.

3.10 The General Fund is forecast to achieve a budget surplus for 2017/18 based on current projections. A deficit is then forecast from 2018/19, as Revenue Support Grant falls out and the full impact of the revised allocations for the New Homes Bonus take effect.

3.11 The current General Fund Balance is healthy and is forecast to remain above the minimum level of £1m in 2022/23. Therefore, the annual deficits could be financed by drawing down the current level of the General Reserve.

3.12 Effectively, the financial projection shows the implications of taking that action. However, it is considered that this is a high risk strategy. The annual budget deficits are still projected to be significant even after increasing income as detailed above. A proposal to increase the minimum level is detailed in **Section 8**.

3.13 If no action is taken to reduce future deficits, it could quickly de-stabilise the financial position given that any action to achieve budget savings may take

time to fully implement. Effectively, the current base budget remains unsustainable in the medium-term.

- 3.14 However, provision for certain cost pressures and potential risks have been included in the MTFP
- 3.15 It is considered that a balanced approach needs to be undertaken by utilising reserves, identifying some budget savings and at the same time providing for additional costs associated with Growth.
- 3.16 Therefore, it is recommended that the Council takes action during 2018/19 on plans to generate savings to alleviate the projected budget deficit of £978k in 2019/20. This would ease the pressure in future years and help to maintain a sustainable financial position.

DETAIL, BACKGROUND and BASE BUDGET ANALYSIS

4.0 The Council's Financial Settlement 2018/19

- 4.1 The provisional financial settlement (subject to consultation) was announced on 19th December 2017. This provided actual figures for 2018/19, together with a provisional allocation for 2019/20.

New Homes Bonus (NHB)

- 4.2 The allocation of NHB was also published within the main financial settlement. The Government has not amended the funding formula for 2018/19 allocations.
- 4.3 Further to the Government's Consultation in 2016, nothing has progressed with plans to penalise a planning authority by removing NHB on new homes built which were initially rejected by the planning authority but then overturned on appeal. This was due to be in place for 2018/19 and will be kept under review.
- 4.4 The growth baseline set at 0.4% by the Government for 2017/18 has remained the same for 2018/19 allocations. This is subject to annual review depending on any significant changes to annual growth.

NHB - Implications for the MTFP

- 4.5 The Council's allocation for 2018/19 is £2.7m, compared to an estimate in the MTFP of £2.3m. This is based on growth of 974 properties, of which 138 were deemed as "affordable units". Within the growth numbers, empty properties increased by 27 compared to the previous year which reduces the NHB allocation.
- 4.6 The specific allocation for 2018/19 was £0.89m, the highest annual allocation since the Bonus was introduced in 2011/12. The remaining allocation of £1.81m relates to fixed amounts for the previous 3 years.

4.7 Future allocations have been based on the Government's final proposals arising from the Consultation. Annual growth of 651 properties has been assumed in future years. The effect in the MTFP is summarised in the following table.

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	Total
New Homes Bonus - MTFP	Actual	Budget	Forecast	Forecast	Forecast	Forecast	
	£	£	£	£	£	£	£
Forecast October 2017	2,601,787	2,343,398	2,300,884	2,270,758	2,046,056	1,983,822	13,546,705
Actual/Provisional Allocations	2,613,640	2,701,973	2,704,378	2,749,171	2,578,703	2,238,936	15,586,801
Projected Increase	11,853	358,575	403,494	478,413	532,647	255,114	2,040,096

4.8 As the table shows, the overall increase in resources over the MTFP based on current forecasts is £2m. This is mainly due to the on-going effect of the 2018/19 allocation and the increase in future growth from 508 to 651 properties per year. The increase in forecasted average properties is still well below Planning predicted growth data. The allocation reduces in 2021/22 and 2022/23 due to the higher bonus allocations in 2017/18 and 2018/19 falling out.

Business Rates

4.9 As previously reported, an application from the Derbyshire Business Rate Pool was submitted to Central Government to be included in 100% Business Rates Retention pilot for 2018/19.

4.10 The Derbyshire application has been accepted along with 9 other applications across the Country and was announced alongside the Local Government Settlement on 19th December.

4.11 Financial implications of the change in Business Rates funding is still to be reviewed and has therefore not been updated in the MTFP at this stage. Revenue Support Grant will be lost as part of the pilot but this has also not been factored into the MTFP until after the review of the impact across all Derbyshire authorities has been performed.

4.12 There is a 28 day cooling off period set by the Government for all authorities in the Pool to confirm that they still wish to proceed with the Pilot scheme. If any authority in Derbyshire decides they wish to pull out of the Pilot scheme then it will not go ahead in 2018/19. Derbyshire authorities would revert back to the current pooling arrangements in this instance.

4.13 The Pilot is for one year only and it is assumed that in 2019/20 all Derbyshire authorities will revert back to the previous pooling arrangements. From 2020/21 proposals for 75% retention of Business Rates has been announced but the detail regarding the change is still to be released. This has not been included within the MTFP at this stage.

4.14 A separate review by Central Government of spending needs is planned to take place ahead of 2019/20. This will be kept under review.

5.0 Proposed Base Budget and Consolidated Spending 2018/19

5.1 All Policy Committees (including an earlier report on this Agenda) have considered their detailed budget proposals for 2018/19. All services were asked to carefully consider their base income and expenditure.

Basis of the Budget

5.2 Budgets have generally been calculated on a “no increase basis,” i.e. they are maintained at the same level of service as the previous year adjusted only for known changes, price increases and variations due to contractual obligations, etc.

5.3 In addition, budgets are also subject to a base line review which is used to justify proposed spending. This process places greater responsibility on budget holders to justify their spending budgets by specifying their needs in a more constructed manner. This is supported by the Financial Services Unit who analyse recent trends in expenditure across services compared to current budgets.

On-going Service Provision

5.4 The budgets are based substantively on a continuation of existing service provision, in respect of staffing levels, frequency and quality of service, etc.

5.5 The full year effects of previous year’s restructures and budget savings have been included, with any non-recurring items being removed.

Inflation

5.6 The base budget for 2018/19 has been uplifted by inflation/indexation where this applies, for example contract obligations.

5.7 Clearly, some base costs will be subject to inflation during future years and in some cases it will be “unavoidable,” for example, employee costs when national pay increases are approved.

Base Budgets 2018/19

5.8 An analysis of each Committee’s proposed budget has been detailed in separate reports to the respective Policy Committee ahead of this Committee. The main spending areas are summarised in **Appendix 2**, with a summary of each Committee’s proposed spending shown in the following table.

Summary of Net Service Expenditure	Approved Budget 2017/18 £	Proposed Budget 2018/19 £	Change £
Environmental and Development Services	3,978,193	4,103,020	124,827

Housing and Community Services	2,185,406	2,372,074	186,668
Finance and Management	5,173,525	4,870,659	-302,866
Total Net Service Expenditure	11,337,124	11,345,754	8,630

5.9 The above table shows that overall base budget Committee expenditure is estimated to increase between 2017/18 and 2018/19 by £8,630. An analysis of the variances across each Committee is detailed in the following table.

	EDS £'000	HCS £'000	FM £'000	Total £'000
Termination of Shared Services Contract	0	0	-421	-421
Pension Deficit Increase	0	0	15	15
Etwall Leisure Centre - County Council Funding Withdrawal	0	23	0	23
Reduced Admin Subsidy Grant Funding	0	0	25	25
Changes in Pay	28	8	30	66
Inflation	27	0	0	27
HRA Recharges - due to Termination of Shared Services Contract	0	0	67	67
Depreciation	-79	108	60	89
Bad Debt Provision	0	0	100	100
Included in MTFP October 2017	-24	139	-124	-9
Additional Grant Funding	0	-118	0	-118
Senior Management Restructure	0	0	-92	-92
Additional Budgeted Income	-48	0	0	-48
Reduced Industrial Unit Voids	0	0	-46	-46
Additional Investment Income	0	0	-25	-25
Etwall Leisure Centre - Repairs and Maintenance	0	5	0	5
HRA Recharges - due to Senior Management Restructure	0	0	20	20
Derbyshire Fraud Partnership cost (offset by salary reduction)	0	0	25	25
Procurement Shared Service cost	0	0	30	30
Software costs	27	28	0	55
Increase in Recycling costs	66	0	0	66
Establishment Changes	59	139	-96	102
Additional Approved Changes	104	54	-184	-26
Planning Software Upgrade	25	0	0	25
Other Changes	20	-6	5	19
Other Changes	45	-6	5	44
TOTAL CHANGES	125	187	-303	9

5.10 The table shows that of the total change, a £9k reduction in cost was expected and has been included within the MTFP. This mainly relates to inflation, changes in pay, HRA recharges, Bad Debts Provision (this is now directly included in the Base Budget of Finance and Management Committee) together with savings from the termination of the Shared Services Contract.

5.11 The change in Depreciation is an accounting adjustment and not a final cost to the Council; this amount is reversed out of the Budget on consolidation and is shown separately in Appendix 1.

- 5.12 The preceding table does highlight that there is an overall increase in the proposed base budget of £9k. The most significant changes are the Establishment changes, additional income and an increase in Recycling costs.
- 5.13 The budget for Recycling has been aligned with actual costs incurred over the last year. The increase mainly relates to additional collection costs for “bring sites” and calendar distribution.
- 5.14 Additional income for Land Charges, Trade Waste and Street Naming of £48k in total has been included in the Base Budget due to an overall increase annually of income generated which is expected to continue.
- 5.15 Industrial Unit income has been increased by £46k due to a lower percentage of expected void properties. This is in line with current income projections and previous year favourable variances.
- 5.16 A Planning Software upgrade is due to take place during 2018/19 which has not previously been reported. This increases the Base Budget costs by £25k as a one-off with an expected increase of £5k per year thereafter for maintenance.
- 5.17 Other Planning Software for GIS and S106 has been purchased during 2017/18 and was reported in year. This adds on-going costs of £27k to the Base Budget.
- 5.18 As reported to this Committee, the main variances for Finance and Management are the Senior Management Restructure saving (£92k), reduced HRA Recharges as a result of the restructure (£20k) and additional Investment income (£25k).
- 5.19 The current savings from the Senior Management Restructure (£92k) have been set-aside separately in the MTFP for reinvestment pending the next stage of the structure review. This is shown in Appendix 1.
- 5.20 It is proposed to make 2 temporary apprentice posts permanent on the Council’s Establishment and they have been included in the Base Budget for 2018/19. These posts have previously been approved on 2 year fixed-term contracts and were due to expire in September 2018.
- 5.21 The increase of 6 months will cost £18k per year. This is designed to help the Council achieve its target of employing 8 Modern Apprentices per year and to maximise the Apprenticeship Levy.

Other Changes

- 5.22 The Establishment has been updated to reflect additional approved resources for refuse collection, the expiry of short-term posts and the reduction in posts due to implementation of shared service arrangements.

5.23 Additional changes due to the requirements for implementation of the Homeless Reduction Act 2017 have also been made and funding has been received for. A summary of the additional cost of the Establishment changes, software requirements and funding is provided in the following table.

	EDS £'000	HCS £'000	FM £'000	Total £'000
Waste Collection Establishment Increase due to Growth	127	0	0	127
Transfer of Staff between Environmental and Development and Housing and Community	-38	38	0	0
Short-term Posts Expiry and Reduced Hours	-30	-11	0	-41
Disabled Adaptations Additional Short-term Post	0	27	0	27
Homeless Prevention Additional Short-term Posts	0	48	0	48
Deleted Fraud Officer and Head of Procurement Posts	0	0	-96	-96
Transfer of Strategic Housing Staff Responsibilities from HRA to General Fund	0	37	0	37
Derbyshire Fraud Partnership	0	0	25	25
Procurement Shared Service Cost	0	0	30	30
Software for Implementation of Homeless Reduction Act 2017	0	28	0	28
Additional Cost	59	167	-41	185
County Council Grant	0	-27	0	-27
Flexible Support Grant	0	-91	0	-91
Funding	0	-118	0	-118
NET COST	59	49	-41	67

5.24 Additional costs associated with Waste Collection are to be funded from the growth provision set-aside each year.

5.25 Savings made on deleted posts by moving to shared service arrangements are offset in part by costs of the service providers. There is a net saving of £41k budgeted in 2018/19 due to these arrangements.

Individual Committee Risks

5.26 In addition to the cost pressures highlighted above, as part of the base budget review, each Committee identified several risk areas. The main issues are detailed in the following table.

Risk	Issue / Potential Effect	Mitigating Action
Reduction in Service income	Budgeted income from Planning, Licensing, etc. totals £1.6.m and is not sustainable. Page 17 of 56	Base Budgets reflect actual income but remain prudent. Building Control income has been reducing in recent years due to commercial competition. The budget for 2018/19 has remained at £200k after a

		reduction in 2017/18 and current income is in line with the budget. The report to EDS has highlighted potential changes in charges for Planning Fees. Current income, although lower than 2015/16 and 2016/17, is in line with the Budget for 2017/18; a budget of £750k has been proposed for 2018/19 with regular review in the MTFP. With the adoption of the Local Plan, this should bring forward some major planning applications but will result in less speculative applications going forward.
Recycling	The Council has been made aware that the cost of the Kerbside Recycling Scheme may need to increase.	This is still under review. A provision of £100,000 has been set-aside in the MTFP to offset any additional costs.
Growth	The Council's MTFP identifies "underlying cost pressures yet to surface" as a risk, due to pressure from residential development. In addition, there is additional demand on current resources in Planning and Land Charges to meet the volume of planning applications and land searches associated with development. It is also considered that this is likely to impact on services such as parks and open space provision / maintenance.	A provision for growth has been set-aside in the MTFP and this is forecast to increase every year over the length of the Plan. Additional resources have been invested in Waste Collection and these costs, together with their financing, have been included in the proposed budgets for 2018/19.
External Funding	Several Community based services are reliant on external contributions and reserve funding.	Earmarked reserves maintained to spread expenditure over a number of years. These are currently estimated to remain at approximately £2.0m by 2019 as detailed in the report. It is considered that this will maintain existing services over the MTFP period to 2023, but clearly this will need to be kept under review. Get Active in the Forest and the School Sports Partnership reserves are forecasted to be fully drawn down by 2019/20 as reported to HCS.

Grants to Voluntary Bodies and Payments under Concurrent Functions

5.27 As part of the annual Budget Round, the Committee gives consideration to increasing the base contribution in grants to recognise inflationary pressures. Increases in recent years have been as follows:

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- 2017/18 – 1.0%

- 2016/17 – 2.0%
- 2015/16 – 2.3%
- 2014/15 – 2.0%
- 2013/14 – 2.6%
- 2012/13 – No increase

5.28 Latest inflation rates show CPI running at 3%. The Government’s Autumn Statement forecasts CPI inflation falling to 2% by the end of 2018/19. The Council’s MTFP currently provides for a 2% increase.

5.29 Every 1% increase in the base level across all grants and payments equates to approximately £6,000 per year.

5.30 Housing and Community Services Committee considered an increase for grants to voluntary bodies and this Committee considered an increase for Concurrent Functions in the detailed budget report earlier on the Agenda.

6.0 General Fund 5-Year Financial Projection to 2023

6.1 The projection has been updated following the financial settlement (as detailed in Section 4) the proposed base budget (as detailed in Section 5) together with the proposed Tax Base and Collection Fund Surplus for 2018/19 (as detailed in Section 7).

6.2 The projection is calculated from a financial model, the summary of which is shown in **Appendix 1**. This also shows how certain items, such as future income levels and known changes to the base budget, are expected to change over the planning period. The key matters are detailed in the following sections.

Projected Budget Surplus/Deficit and Reserve Balances

6.3 This is summarised in the following table.

General Fund: Medium-Term Projection as at Jan 2018

	Budget Deficit / Surplus (-) £	Earmarked against Reserve £	Balance of General Reserve £
Base Budget 2017/18	-876,205	236,029	-9,073,596
Projection 2018/19	83,460	482,294	-8,507,842

Projection 2019/20	977,975	381,830	-7,148,037
Projection 2020/21	877,290	380,394	-5,890,353
Projection 2021/22	1,050,306	378,922	-4,461,125
Projection 2022/23	1,392,486	377,413	-2,691,226

6.4 Initial forecasts suggest that the overall financial profile of the General Fund has improved from that previously reported. Base Budget expenditure has slightly increased (as detailed in Section 5) but the detail regarding NNDR and RSG are still under review and therefore have not yet been updated in the MTFP. This is detailed more in Section 4. The increase in Base Budget has been offset by additional receipts from the growth in Council Tax and New Homes Bonus.

6.5 A summary of the overall change is shown in the following table:

	£'000
Projected 5-year General Fund Balance (pre-Budget)	-1,616
Net Increase in Projected Spending (Section 5)	543
Asset Replacement Fund increased contribution (see below)	900
Increase in Council Tax (Section 7)	-491
Increase in New Homes Bonus (Section 4)	-2,027
NNDR	0
RSG	0
Projected Reserve Balance as at 2022/23	-2,691

6.6 A proposal to increase the contribution to the Asset Replacement Fund has been included within the MTFP. This increased contribution will supplement the Growth provision and provide resources for future capital work on Council assets.

6.7 The increase in projected income has improved the overall position. However, the underlying issue of a significant deficit in future years still remains.

6.8 The General Fund is forecast to achieve a budget surplus for 2017/18 based on current projections. A deficit is then forecast from 2018/19, as Revenue Support Grant falls out and the full impact of the revised allocations for the New Homes Bonus take effect.

6.9 The current General Fund Balance is healthy and is forecast to remain above the minimum level of £1m in 2022/23. Therefore, the annual deficits could be financed by drawing down the current level of the General Reserve. Effectively, the financial projection shows the implications of taking that action. A proposal to increase the minimum level is detailed in **Section 8**.

6.10 However, this is considered to be a high risk strategy. The annual budget deficits are still projected to be significant even after increasing income as detailed above. If no action is taken to reduce future deficits, it could quickly de-stabilise the financial position given that any action to achieve budget savings may take time to fully implement.

- 6.11 Effectively, the current base budget remains unsustainable in the medium-term. Provision for certain cost pressures and potential risks have been included in the MTFP.
- 6.12 It is considered that a balanced approach needs to be undertaken by utilising reserves, identifying some budget savings and at the same time providing for additional costs associated with Growth.
- 6.13 Therefore, it is recommended that the Council takes action during 2018/19 on plans to generate savings to alleviate the projected budget deficit of £978k in 2019/20. This would ease the pressure in future years and help to maintain a sustainable financial position.

Provisions and Contingencies

6.14 In addition to base budget expenditure, the MTFP continues to set-aside other sums. These are detailed and shown separately in the MTFP in Appendix 1 and provide resources to cover:

- Pay and Grading – the cost of the external facilitator to undertake future job evaluations.
- Pay and Grading – the cost of support to employees currently protected under job evaluation.
- Incremental salary increases
- “Off payroll” payments - implemented in April 2017
- Future increases in the National Living Wage
- Provision for Growth
- Potential Loss of Industrial Unit Income
- Potential Pay Award from 2018/19 onwards
- Senior Management Restructure – reinvestment of the saving made
- Cost of a District Election in May 2019
- Apprenticeship Levy – implemented in April 2017
- Waste and Recycling – additional contract costs (to be determined)
- Increase in the Pension Deficit

6.15 The Growth Provision has been revised and phased over the term of the financial plan to £500k per annum. In October the forecast for growth was set

to increase in line with New Homes Bonus. It is proposed to change this to a set amount per annum to prevent large fluctuations year-on-year.

Summary Position

- 6.16 It is considered that the Council's overall Base Budget is prudent whilst also being realistic based on the most up-to-date information. The MTFP reflects current spending priorities and also allows for potential cost pressures.
- 6.17 The financial risks that the Council faces, together with mitigating actions, are detailed in **Section 8**.
- 6.18 It has been anticipated for some time that the General Fund would face reductions in core funding. Consequently, the Council has taken a cautious approach and built up a good level of General Reserves.
- 6.19 However, there are still considerable challenges. Firstly, to meet future budget deficits in the medium-term and in particular to achieve a level of budget savings before 2019/20 and secondly, to address potential service pressures arising from growth.

7.0 Council Tax, Tax Base and Collection Fund

The Council Tax Base

- 7.1 This relates to the number of chargeable properties for Council Tax after taking account of exemptions and discounts, including the Local Council Tax Support Scheme.
- 7.2 The calculation of the estimated Tax Base for 2018/19 is detailed in **Appendix 3** and is based on the number of properties on the Council Tax register as at 31st October 2017.
- 7.3 This produces a "Band D equivalent" which will be used to calculate the amount to be collected from Council Tax in 2018/19, of 32,467. This is an increase of 820 (2.6%) compared to 2017/18.
- 7.4 The approved MTFP estimated an increase of 539 Band D properties in 2018/19 with a 4 year average of 470 additional Band D properties in future years. The proposed Tax Base of 32,467 will generate additional revenue of approximately £44,000 per year compared to the MTFP, assuming the rate of Council Tax is increased by 1.95% per year.

The Future Tax Base

- 7.5 The MTFP has previously assumed that the overall Tax Base will continue to increase by 470 properties per year. Over the last 3 years, average 4 year growth on a rolling basis in Band D properties has been 446 and 426 and 540 respectively; the forecast for future growth in the tax base is positive.

7.6 Based on sites under construction, together with sites which have obtained outline and full planning permission, the latest planning estimates forecast the following completions in each year:

- 2017/18 – 835 properties
- 2018/19 – 1,316 properties
- 2019/20 – 1,555 properties
- 2020/21 – 1,473 properties
- 2021/22 – 1,392 properties

7.7 Even allowing for some slippage, it is considered likely that the Tax Base will increase to a greater extent than the average in recent years. Locally, the housing market remains buoyant, although clearly a change in economic circumstances could have an impact on the above figures. In addition, it is difficult to estimate the Band D equivalents from the overall number of properties.

7.8 However, it is considered both realistic and prudent to increase the figure used in the MTFP for planning purposes from 470 to 540 per year respectively. Although this will only generate additional revenue of approximately £8,000 per year, the biggest impact is on the revenue generated from the New Homes Bonus as detailed in **Section 4** earlier in the report.

Collection Fund Surplus / Deficit

7.9 In setting the level of Council Tax for 2018/19, the Council is also required to calculate the estimated balance on its Collection Fund for the current financial year, 2017/18.

7.10 The Collection Fund is a separate ring-fenced account. It records all income collected from Council Tax and Business Rates and the money paid out to other authorities who precept on the Fund. The accounting treatment of Business Rates is now subject to the Pilot.

7.11 The account in principle should balance each year. However, not all Council Tax is collected as circumstances, such as the number of houses subject to tax and households receiving exemptions and discounts, changes during the year. In addition, final collection rates from previous years may be higher than estimated.

7.12 These factors inevitably provide a balance at the end of each year. The Council has traditionally carried a surplus on its Collection Fund. Any surplus or deficit relating to Council Tax is transferred to the General Fund of the major preceptors, the biggest preceptor being Derbyshire County Council.

Estimated Position 2017/18

7.13 The estimated position on the Collection Fund for 2017/18 is summarised in **Appendix 4**. The Fund is split between Council Tax and Business Rates.

7.14 The overall balance on the Council Tax element is distributed to the major precepting authorities on the Fund, i.e. the District Council, Derbyshire County Council, together with the Police and Fire Authorities, in proportion to their precepts on the Fund. The surplus or deficit on the Business Rates element is adjusted and allocated in year.

7.15 It should be noted that Parish Councils do not gain a share of any balance on the Fund as they are categorised as local (and not major) preceptors under the Local Government Finance Act 1992.

Council Tax

7.16 The balance on the Council Tax element is estimated at £974,000 based on transactions up to November 2017. This is in line with that reported to the Committee in November following the half-yearly review. The main reason for the estimated surplus is the increase in the Tax Base above that budgeted, as detailed earlier in this section (above).

7.17 At this stage, it is considered prudent to declare a surplus of £500,000 for 2017/18, to leave a balance and ensure that the Fund does not fall into deficit.

7.18 If the surplus again continues to increase in 2018/19 above that budgeted, then it will be declared in next year's budget – any surplus remains in the Fund until it is declared by the Council.

7.19 Consequently, it is recommended that the surplus (in proportion to individual Precepts) is declared and shared as shown in the following table.

Share of Council Tax Surplus 2016/17		£'000
Derbyshire County Council	73.35%	367
Police and Crime Commissioner	11.15%	56
Fire and Rescue Authority	4.48%	22
South Derbyshire District Council	11.02%	55
	100.00%	500

7.20 The amount attributable to the Council of £55,000 has been included in the updated MTFP for 2017/18. An amount of £55,000 per year remains in the MTFP in future years.

Business Rates

7.21 As previously reported to the Committee, Business Rates incurred a deficit in 2015/16 and again in 2016/17 due to significant provisions for appeals (subject to determination) which were lodged by businesses with the District Valuer regarding Rateable Values. Consequently, there was a deficit balance carried forward on Business Rates of £1.3m as at 31st March 2017.

- 7.22 During the budget round of 2017/18, the Council reported an estimated deficit on Business Rates for 2016/17 in its statutory return (known as NNDR 1) to the Government in January 2017.
- 7.23 Therefore, a deficit of £712,280 is being deducted from Preceptors (including the Council) from their share of expected Business Rates in 2017/18.
- 7.24 As shown in Appendix 4, the actual in-year (2017/18) position is currently on target, with the deficit to be marginally lower than originally forecast at £639k.
- 7.25 2018/19 is now subject to the Pilot and further detail on this will be confirmed before the next Committee in February.

The Rate of Council Tax

- 7.26 Following changes to national and local policy regarding Council Tax increases from 2016/17, an increase of 1.95% per year is included in the MTFP, subject to annual review. This was just below the Government's limit of 2%, above which a local referendum would be required to set a higher increase.
- 7.27 As part of the settlement the referendum limit has been increased to 3% or £5 at Band D.
- 7.28 The Band D Tax for 2017/18 is £156.17. The 1.95% increase in the MTFP will raise Band D to £159.21, an increase of £3.04 in 2018/19.
- 7.29 An increase of 3% would raise Band D in 2018/19 to £160.86. A £5 increase would raise Band D in 2018/19 to £161.17 – 3.2%.
- 7.30 The updated MTFP continues to assume an increase of 1.95%. If an increase of £5 was applied in 2018/19, this would generate additional revenue of approximately £63k per year – cumulatively £341k over 5-years.

8.0 Overall Risk Analysis

- 8.1 The summary in **Section 6** highlights that the Council's current financial position is likely to come under a considerable challenge over the forthcoming spending period.
- 8.2 Each Policy Committee has identified specific financial risks and these have been detailed in **Section 5** with mitigating actions being put in place.
- 8.3 There are many variables that are included in the projection that carry a risk in that should they impact, they could have also effect the overall financial position. Specifically, the MTFP sets-aside in year contingencies and provisions to guard against pay/pension increases, growth and unforeseen expenditure, etc.
- 8.4 More generally, the main risks in the financial register (as previously reported) are:

Higher Risks

- Further changes to the national funding system
- A reduction in Business Rates income due to appeals
- Additional pressure on service costs due to growth

Lower Risks

- A budget overspend
- A downturn in the national economy
- Impact of Welfare Reform

8.5 The risk register details the arrangements in place to mitigate the impact of these risks. Currently, any issues arising from the lower risks (above) are not significantly impacting upon the Council's financial position. The impact of the higher risks is or has the potential to be more significant.

8.6 The MTFP has already factored in overall reductions in core funding from the national system; a large provision was made in the Council's Accounts in 2015/16 due to Business Rate appeals and population growth could eventually put pressure on the cost of services.

Financial Strengths

8.7 The financial position is currently healthy. However, it still faces a challenge to maintain a resilient and sustainable financial base. Currently, the Council's financial position is underpinned by several strengths that will help to mitigate its financial risks; these are as follows :

- A positive cash flow
- No debt outstanding (on the General Fund)
- Not reliant on interest rates rising to generate additional income
- Current General Reserves healthy
- Contingent sums in the Base Budget to guard against inflation and growth
- Budget for a full employee establishment – no vacancy rate is assumed
- Earmarked reserves for capital replacements for IT, vehicles and plant
- Separate provision made for bad debts, appeals and pensions
- Earmarked reserves to sustain project and capital works
- Steady growth in the Tax Base.
- Capital expenditure not heavily reliant on revenue funding or borrowing

8.8 The Council also has a history of spending within its overall Net Budget and has generated additional income through growth. However, this cannot be guaranteed in future years and is never assumed for future budgeting purposes in the MTFP.

Financial Risks and the Minimum Level of General Reserves

- 8.9 Although the Council has several areas of financial strengths to mitigate risks, the Council still needs to be prudent in ensuring that it maintains an adequate level of unallocated General Reserves on its General Fund to act as a contingency.
- 8.10 The Local Government Act 2003, places the emphasis on each local authority to determine its minimum level of reserves, based on advice from the authority's Section 151 (Chief Finance) Officer. This will depend on local circumstances and the minimum level should be reviewed on a regular basis.
- 8.11 Based on this, the Council's minimum level, as set out in the Financial Strategy, is currently **£1m** on the General Fund at the end of every 5-year planning period. This level has existed for many years. It is calculated based on an assessment of the major financial risks and reflects the relatively healthy level that currently exists.
- 8.12 To ensure that resources are sufficient to maintain service delivery and capital investment it would be prudent to increase the minimum level to £1.5m. Based on the estimated net revenue expenditure on the General Fund for 2018/19 of approximately £12m, £1.5m is **12%**. By 2022/23, £1.5m will be around **11%**. As a general guide, a balance of between 5% and 10% should be maintained.

9.0 Financial Implications

- 9.1 As detailed in the report.

10.0 Corporate Implications

- 10.1 There are no other direct legal, personnel or other corporate implications apart from any highlighted in the report.

11.0 Community Implications

- 11.1 The proposed budgets and spending, provide the financial resources to enable services and Council priorities in the Corporate Plan to be delivered to the local community.
- 11.2 The MTFP and associated projections provide an indication of the Council's longer term financial position and the potential effects upon the Council's services.

12.0 Background Papers

- 12.1 The Government's Financial Settlement for 2018/19 and background papers are available at:

12.2 The review of the Medium-Term Financial Plan as reported to the Committee in October 2017.

<http://south-derbys.cmis.uk.com/south-derbys/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/2076/Committee/442/Default.aspx>

12.3 The detailed budget reports of each Policy Committee.

Environmental and Development Services

<http://south-derbys.cmis.uk.com/south-derbys/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/2067/Committee/440/Default.aspx>

Housing and Community Services

<http://south-derbys.cmis.uk.com/south-derbys/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/2084/Committee/445/Default.aspx>

Finance and Management

<http://south-derbys.cmis.uk.com/south-derbys/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/2078/Committee/442/Default.aspx>

GENERAL FUND MEDIUM TERM FINANCIAL PLAN
BUDGET & PROJECTION as at JANUARY 2018

	Approved Budget £ 2017.18	Proposed Budget £ 2018.19	Projection £ 2019.20	Projection £ 2020.21	Projection £ 2021.22	Projection £ 2022.23
BASE BUDGET						
Environmental & Development	4,005,133	4,103,021	4,333,952	4,431,893	4,532,294	4,635,219
Housing & Community	2,199,646	2,372,074	2,405,972	2,446,461	2,487,937	2,530,424
Finance & Management	5,186,851	4,870,659	4,973,646	5,096,634	5,222,748	5,352,069
Net Service Expenditure	11,391,630	11,345,754	11,713,569	11,974,987	12,242,979	12,517,712
Accounting Adjustments						
Reverse out Depreciation	-783,025	-871,666	-871,666	-871,666	-871,666	-871,666
Minimum Revenue Provision (MRP)	214,202	205,634	197,409	189,512	181,932	174,654
Voluntary Revenue Provision (VRP - Recycling Bins & Grove Active Zone)	131,226	131,226	131,226	131,226	75,891	20,556
	10,954,034	10,810,948	11,170,538	11,424,059	11,629,135	11,841,256
Add: Known Variations						
External Facilitator - Pay and Grading Review	10,000	10,000	0	0	0	0
Pay and Grading - On-going Costs of Supporting Downgraded Posts	0	0	8,750	8,750	8,750	8,750
Restructure of Land Charges	3,694	0	0	0	0	0
Restructure of Housing	-5,388	0	0	0	0	0
Grants to Voluntary Bodies	-3,207	0	0	0	0	0
Concurrent Functions	3,329	0	0	0	0	0
Savings from Shared Services Contract	-400,000	0	0	0	0	0
Reduction to HRA recharges	54,161	0	0	0	0	0
Boardman Industrial Estate Repairs (subject to approval)	0	75,000	0	0	0	0
Senior Management Restructure - Reinvestment of Saving	0	92,000	94,300	96,658	99,074	101,551
Pension Deficit	0	0	18,170	19,606	21,078	22,587

**GENERAL FUND MEDIUM TERM FINANCIAL PLAN
BUDGET & PROJECTION as at JANUARY 2018**

	Approved Budget £ 2017.18	Proposed Budget £ 2018.19	Projection £ 2019.20	Projection £ 2020.21	Projection £ 2021.22	Projection £ 2022.23
Incremental Salary Increases	0	0	11,065	11,065	11,065	11,065
Apprenticeship Levy (April 2017)	23,695	28,985	29,565	30,304	31,061	31,838
Phased Implementation of National Living Wage	5,990	10,604	14,099	14,099	14,099	14,099
Potential Pay Award 2018/19	0	234,050	239,901	245,899	252,046	258,347
Potential Loss of Industrial Unit Income	0	0	190,000	190,000	190,000	190,000
District Election May 2019	0	0	125,000	0	0	0
TOTAL ESTIMATED SPENDING	10,646,308	11,261,587	11,901,387	12,040,439	12,256,308	12,479,492
Provisions						
Provision for Employer's NIC on "off-payroll" payments	10,000	10,000	10,000	10,000	10,000	10,000
Contingent Sum - Growth	200,000	500,000	500,000	500,000	500,000	500,000
Contribution to Bad Debt Provision (now in Finance Committee)	100,000	0	0	0	0	0
Waste and Recycling	100,000	100,000	100,000	100,000	100,000	100,000
TOTAL PROJECTED SPENDING	11,056,308	11,871,587	12,511,387	12,650,439	12,866,308	13,089,492

GENERAL FUND MEDIUM TERM FINANCIAL PLAN
BUDGET & PROJECTION as at JANUARY 2018

	Approved Budget £ 2017.18	Proposed Budget £ 2018.19	Projection £ 2019.20	Projection £ 2020.21	Projection £ 2021.22	Projection £ 2022.23
FINANCING						
Revenue Support Grant	-668,239	-338,367	0	0	0	0
Transitional Grant	-3,230	0	0	0	0	0
Business Rates Retention	-3,093,222	-3,103,510	-3,095,347	-3,113,500	-3,130,509	-3,146,306
Discretionary Business Rate Relief Scheme	-100,832	-49,000	-20,000	-3,000	0	0
Section 31 Grants	-456,133	-371,133	-301,133	-301,133	-301,133	-301,133
New Homes Bonus	-2,613,640	-2,701,973	-2,704,378	-2,749,171	-2,578,703	-2,238,936
Council Tax Income	-4,942,217	-5,169,145	-5,357,554	-5,551,345	-5,750,657	-5,955,631
Core Spending Power	-11,877,513	-11,733,128	-11,478,412	-11,718,149	-11,761,002	-11,642,006
Add Estimated Collection Fund Surplus - Council Tax	-55,000	-55,000	-55,000	-55,000	-55,000	-55,000
TOTAL FINANCING	-11,932,513	-11,788,128	-11,533,412	-11,773,149	-11,816,002	-11,697,006
General Fund yearly Surplus (-) / Deficit	-876,205	83,460	977,975	877,290	1,050,306	1,392,486
GENERAL FUND RESERVE BALANCE						
Balance b/fwd	-8,433,420	-9,073,596	-8,507,842	-7,148,037	-5,890,353	-4,461,125
General Fund Yearly Surplus (-) / Deficit (as above)	-876,205	83,460	977,975	877,290	1,050,306	1,392,486
Purchase of Town Centre Land	44,335	0	0	0	0	0
General Fund Capital Bids Remaining	214,925	112,000	0	0	0	0
Pension Earmarked Reserve Drawdown	-43,231	-29,706	-18,170	-19,606	-21,078	-22,587
Contribution to Asset Replacement Fund (previously planned)	20,000	400,000	400,000	400,000	400,000	400,000
Balance c/fwd	-9,073,596	-8,507,842	-7,148,037	-5,890,353	-4,461,125	-2,691,225

APPENDIX 2

Environmental and Development Services Committee

Net Revenue Expenditure	Approved Budget 2017/18 £	Proposed Budget 2018/19 £	Change £
Transport Services	700,824	597,562	(103,262)
Economic Development	246,592	244,622	(1,970)
Environmental Education	73,789	75,674	1,885
Environmental Services	504,854	507,079	2,225
Highways	24,468	44,548	20,080
Licencing and Land Charges	(15,732)	(23,788)	(8,056)
Off-Street Parking	89,585	95,137	5,551
Planning	492,175	475,179	(16,996)
Waste Collection & Street Cleansing	1,861,637	2,087,008	225,371
Total - Net Expenditure	3,978,193	4,103,021	124,828

Housing and Community Services Committee

Net Revenue Expenditure	Approved Budget 2017/18 £	Proposed Budget 2018/19 £	Change £
Community Development and Support	547,471	561,821	14,351
Recreational Activities	144,901	153,753	8,852
Leisure Centres and Community Facilities	455,738	573,484	117,747
Parks and Open Spaces	650,272	669,939	19,667
Private Sector Housing	387,025	413,077	26,052
Total - Net Expenditure	2,185,406	2,372,074	186,668

Finance and Management Committee

Net Revenue Expenditure	Approved Budget 2017/18 £	Proposed Budget 2018/19 £	Change £
Central and Departmental Accounts	3,500,889	3,153,984	(346,905)
Corporate and Democratic Costs	609,093	655,193	46,100
Electoral Registration	177,032	180,841	3,809
Payments to Parish Councils	348,058	353,571	5,513
Pensions, Grants, Interest Payments and Receipts	273,156	263,625	(9,531)
Property and Estates	(207,054)	(243,698)	(36,644)
Revenues and Benefits	472,350	507,142	34,792
Total - Net Expenditure	5,173,525	4,870,658	(302,867)

TOTAL - ALL COMMITTEES

11,337,124 11,345,753 8,630

APPENDIX 3

COUNCIL TAX BASE (as at October)

PARISH	2017/18	2018/19	Change
ASH	24	22	-2
ASTON ON TRENT	677	717	40
BARROW ON TRENT	243	239	-3
BARTON BLOUNT	33	33	1
BEARWARDCOTE	12	13	1
BRETRY	411	408	-3
BURNASTON	719	693	-26
CALKE	8	9	1
CASTLE GRESLEY	528	558	30
CATTON	22	22	0
CAULDWELL	38	46	8
CHURCH BROUGHTON	235	234	-1
COTON IN THE ELMS	272	271	-0
DALBURY LEES	125	128	3
DRAKELOW	109	158	49
EGGINTON	253	259	6
ELVASTON	814	895	81
ETWALL	988	1,017	29
FINDERN	633	802	169
FOREMARK	33	33	0
FOSTON & SCROPTON	241	241	0
HARTSHORNE	1,062	1,086	23
HATTON	868	878	10
HILTON	2,601	2,640	40
HOON	20	22	2
INGLEBY	49	49	-0
LINTON	661	663	2
LULLINGTON	60	61	1
MARSTON ON DOVE	16	16	-0
MELBOURNE	1,912	1,944	32
NETHERSEAL	321	327	6
NEWTON SOLNEY	282	284	2
OSLESTON & THURVASTON	120	123	3
OVERSEAL	796	813	17
RADBOURNE	49	51	2
REPTON	1,082	1,114	32
ROSLISTON	265	268	4
SHARDLOW & GREAT WILNE	415	413	-2
SMISBY	125	126	1
STANTON BY BRIDGE	115	119	5
STENSON*	1,101	1,479	378
SUTTON ON THE HILL	64	65	0
SWADLINCOTE	9,042	9,203	161

SWARKESTONE	89	122	33
TICKNALL	300	299	-1
TRUSLEY	41	41	-0
TWYFORD & STENSON*	408	67	-341
WALTON ON TRENT	308	305	-3
WESTON ON TRENT	480	483	4
WILLINGTON	946	975	29
WOODVILLE	1,632	1,633	1
TOTAL	31,647	32,467	820

* The Stenson boundary change is the reason for the large movement of the Tax Base between years.

APPENDIX 4

COLLECTION FUND MONITORING 2017/18 (as at 30th November 2017)

	Actual 2016/17	Estimated 2017/18	Projection 2017/18	Notes
COUNCIL TAX - INCOME & EXPENDITURE	£'000	£'000	£'000	
INCOME				
Council Tax Collectable	50,265	52,778	53,316	
EXPENDITURE				
County Council Precept	36,109	38,345	38,345	As approved by Full Council 1st March 2017
Police and Crime Commissioner Precept	5,487	5,715	5,715	As above
Fire and Rescue Authority Precept	2,206	2,297	2,297	As above
SDDC Precept	4,747	4,942	4,942	As above
SDDC Parish Precepts	679	756	756	As above
Increase in Bad Debts Provision	655	396	400	Estimated at 0.75% of income
Total Expenditure	49,883	52,451	52,455	
Surplus for the Year	382	327	861	
COUNCIL TAX BALANCE				
Opening Balance 1st April	407	613	613	Per Final Accounts 2016/17
Share of Previous Surplus to County Council	-128	-367	-367	As approved by Full Council 1st March 2017
Share of Previous Surplus to Police	-20	-56	-56	As above
Share of Previous Surplus to Fire Authority	-8	-22	-22	As above
Share of Previous Surplus to SDDC	-20	-55	-55	As above
Surplus for Year (as above)	382	327	861	
Closing Balance as at 31st March	613	440	974	

BUSINESS RATES - INCOME & EXPENDITURE
INCOME

Business Rates Collectable	23,787	24,805	24,831
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EXPENDITURE

Central Government Precept	11,767	12,402	12,402	Per NNDR1 Submission
SDDC Precept	9,414	9,922	9,922	As above
Derbyshire County Council Precept	2,118	2,232	2,232	As above
Fire and Rescue Service Precept	235	248	248	As above
Cost of Collection	91	91	92	As above
Transitional Protection Payments	15	15	15	Nominal
Increase in Bad Debts Provision	226	236	236	Estimated at 0.95% of income
Provision for Appeals	312	322	323	Estimated at 1.3% of income
Total Expenditure	24,178	25,468	25,470	

Surplus / Deficit (-)	-391	-663	-639
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BUSINESS RATES BALANCE

Opening Balance 1st April	-400	-1,339	-1,339	Per Final Accounts 2016/17
Transfer of Previous Year's Surplus (-) / Deficit	-274	356	356	Per NNDR1 Submission
Transfer of Previous Year's Surplus (-) / Deficit	-49	285	285	As above
Transfer of Previous Year's Surplus (-) / Deficit	-5	64	64	As above
Transfer of Previous Year's Surplus (-) / Deficit	-220	7	7	As above
Surplus / Deficit (-) for the Year as above	-391	-663	-639	
Closing Balance as at 31st March	-1,339	-1,290	-1,266	

REPORT TO:	HOUSING AND COMMUNITY SERVICES COMMITTEE	AGENDA ITEM: 7
DATE OF MEETING:	9th JANUARY 2018	CATEGORY: RECOMMENDED
REPORT FROM:	STRATEGIC DIRECTOR (CORPORATE RESOURCES)	OPEN
MEMBERS' CONTACT POINT:	KEVIN STACKHOUSE (01283 595811) Kevin.stackhouse@south-derbys.gov.uk	DOC: s/finance/committee/2017-18/budget
SUBJECT:	HOUSING REVENUE ACCOUNT BUDGET, FINANCIAL PLAN and PROPOSED RENT 2018/19	REF:
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: HC 01

1.0 Recommendations

- 1.1 That Council House Rents are reduced by 1% for Tenants with effect from 1st April 2018 in accordance with provisions contained in the Welfare Reform and Work Act 2016.
- 1.2 That the proposed revenue income and expenditure for 2018/19, together with the 10-year Financial Plan for the Housing Revenue Account as detailed in **Appendix 1**, are considered and referred to the Finance and Management Committee for approval.
- 1.3 That the HRA is kept under review and measures identified to mitigate the financial risks detailed in the report and to maintain a sustainable financial position.

2.0 Purpose of the Report

- 2.1 As part of the annual financial cycle, the report details the Housing Revenue Account's (HRA) base budget for 2018/19, with a comparison to the current year, 2017/18. In addition, the report details the updated 10-year financial projection for the HRA following a review during the annual budget round.
- 2.2 The report also sets out details of the proposed rent level for 2018/19 in accordance with the Welfare Reform and Work Act 2016.

3.0 Detail

The Position Entering the 2018/19 Budget Round

- 3.1 During 2017/18, the financial position of the HRA has been reviewed and updated to reflect changes to the on-going capital investment, together with the 2016/17 budget out-turn position.
- 3.2 The latest position reported in October 2017, estimated a surplus on the HRA in 2018/19 of £1,201k, increasing the HRA's General reserve to approximately £5.49m.
- 3.3 As previously reported, the longer-term financial position for the HRA was significantly changed in 2015 due to the Government legislating to reduce Council House rents by 1% per year to 2020. Consequently, planned capital expenditure was reduced in the 10-year financial plan to reflect this reduction in resources.

Formulating the 2018/19 Base Budget

- 3.4 Budgets are generally calculated on a "no increase basis," i.e. they are maintained at the same level as the previous year adjusted only for known changes, price increases and variations due to contractual conditions, etc.
- 3.5 In addition, budgets are also subject to a base line review which is used to justify proposed spending. This process places responsibility on budget holders to justify their spending budgets by specifying their needs in a more constructed manner. This is supported by the Financial Services Unit, who analyse recent trends across services compared to current budgets.

On-going Service Provision

- 3.6 The budgets are based substantively on a continuation of existing service provision (in respect of staffing levels, frequency, quality of service, etc.).
- 3.7 The full year effects of previous year's restructures and budget savings have been included, with any non-recurring items removed.

Base Budget 2018/19

- 3.8 The HRA's Base Budget and longer-term financial projection up to 2027/28 is detailed in **Appendix 1**. A projection of this length is required for the HRA to ensure that future debt repayments and capital expenditure are affordable for the longer-term sustainability of the Council's housing stock.
- 3.9 The following table provides an overall summary the HRA's Net Operating Income position with a comparison to the approved 2017/18 budget.

Summary of HRA	Approved Budget 2017/18 £	Proposed Budget 2018/19 £	Change £
Rental income	-12,320,843	-12,165,641	155,202
Careline Provision	-150,610	-175,110	-24,500
Supporting People Grant	-240,000	-164,262	75,738
Non-Dwelling Income	-110,700	-120,700	-10,000
Bad Debt Provision	44,000	100,000	56,000
Supporting People	833,447	783,000	-50,447
Responsive	1,281,106	1,267,000	-14,106
Planned Maintenance	1,935,610	1,831,170	-104,440
Interest	1,771,688	1,797,575	25,887
General Management	1,789,756	1,891,000	101,244
Depreciation	3,417,058	3,754,263	337,206
Net Operating Income	-1,749,488	-1,201,705	547,783
Reversal of Depreciation Charge	-3,417,058	-3,754,263	-337,206
Capital Expenditure - Major Repairs	2,100,000	2,143,000	43,000
Disabled Adaptations	300,000	300,000	0
Asbestos and Health & Safety Surveys	100,000	100,000	0
Apprenticeship Levy	5,000	5,560	560
Potential Pay Award	0	34,771	34,771
Debt Repayment Provision	1,517,000	1,211,000	-306,000
Total Net Expenditure	-1,144,545	-1,161,637	-17,092

3.10 The above table shows that the HRA's Surplus is budgeted to increase by £17,092 between 2017/18 and 2018/19. This is broadly in line with the forecasted surplus reported in October of £1.2m. The main variances are detailed in the following sections.

Council House Rents

3.11 The overall change between 2017/18 and 2018/19 is an estimated reduction of £155k. This is due mainly to the application of the 1% statutory deduction to rents, which is detailed later in the report. After allowing for Council House Sales, the number of properties is expected to decrease from 3,006 in 2017/18 to 2,988 by the end of 2018/19. The MTFP assumes a loss of 18 properties per annum through right to buy and as at November 2017, 15 have been sold.

3.12 The following table shows the movement in the HRA housing stock over the past 3 years. During 2016/17 23 properties were sold under the Right to Buy Scheme, 20 properties were acquired and completion of phase 1 of new build increased the stock by an additional 45 properties.

Housing Stock Movements	Mar-16	Mar-17	To-date Nov-17	MTFP Estimate Mar-18
Houses	1,552	1,584	1,569	1,566
Flats	785	793	793	793
Bungalows	636	638	638	638
	2,973	3,015	3,000	2,997

Income from Careline Provision (Supporting People)

- 3.13 This has been increased by £25k to take account of the fact that uptake for the Service from Private Sector Housing customers is anticipated to increase.

Supporting People Grant

- 3.14 This is the contribution from the County Council. It has been confirmed that part of this funding will continue in 2018/19, detail of which is listed at 3.46. The reduction of £75k applied is due to a lower anticipated take up of the Service by Council House tenants as detailed later in the report.

Housing Restructure and General Fund Recharges

- 3.15 The Housing Restructure has been included within the Base Budget for 2018/19. This has generated savings of £97k for the year which is £5k lower than originally forecast in the Medium-Term Financial Plan (MTFP).
- 3.16 Due to the termination of the Shared Services Contract, the HRA has received a lower charge from the General Fund of £67k. The MTFP included a provision of £54k and so the savings here offset the reduced saving of the restructure.
- 3.17 The Senior Management Restructure has generated savings to the HRA of £20k. This has not been included within the MTFP at this stage pending the next review of the Council's structure by the Local Government Association. This was approved by the Finance and Management Committee on 30th November 2017.

Universal Credit

- 3.18 Due to the implementation of Universal Credit in November 2018, Rent Rebates payable to the HRA will reduce by an estimated £1.3m in 2018/19. Based on evidence elsewhere in the Country a negative impact to the HRA's cash flow could be significant and therefore an increase to the Bad Debt Provision of £56k is proposed.

Mobile Working and Software Upgrades

- 3.19 General upgrades to the Orchard Housing system are proposed at a cost of £90k for 2018/19. These upgrades will be carried out during the year to

coincide with the implementation of mobile working. An amount of £84k has previously been included within the MTFP for these works.

3.20 Delivering a first class repairs service was reported in April 2017 and highlighted the need to invest in the Direct Labour Organisation (DLO) to ensure we offer a better service to tenants. Within this report an amount of £75k was earmarked as required for the first stage of the review with the implementation of mobile working. This has been included in the Base Budget for 2018/19.

3.21 The implementation of mobile working is assumed to generate savings by reducing contractor spend and providing efficiencies with the work force. This has not been built into the Base Budget as the impact is still unknown at this stage.

Transfer of Staff from the HRA to the General Fund

3.21 Strategic Housing recruitment and changes to role responsibilities has resulted in a saving to the HRA.

3.22 The duties of the role cannot be fully funded by the HRA due to the ring-fence and therefore 75% of this role is now a General Fund responsibility. This was reported to Finance and Management Committee as part of the Quarterly Monitoring in November and has resulted in a reduced Establishment cost of £37k.

Debt Interest

3.23 Part of the existing debt portfolio includes £10m at a variable rate of interest. The budgets for 2017/18 and 2018/19 estimate an interest on this debt of 2.5% and 3% respectively.

3.24 There is currently some uncertainty in the economy on whether interest rates will increase over the next year. However, it is considered unlikely that rates will increase up to 3% by March 2019. Therefore, the cost of servicing debt is likely to be lower than budgeted, although this will be kept under review. A 1% variance in the rate equates to approximately £100,000 per year.

Depreciation

3.25 The increase is due to the revaluation of Council Dwellings in March 2018 which will be depreciated in accordance with accounting practice.

3.26 Depreciation is calculated on the existing use value and age of each property in the HRA. This is designed to ensure that the Council sets-aside sufficient resources to maintain and replace properties in future years.

3.27 The Council has an on-going capital programme and properties generally have a substantial useful life if maintained properly. Although the depreciation

charge is included as a cost charged in the net operating income of the HRA, it is reversed out when calculating the overall surplus or deficit on the HRA.

3.28 However, under accounting regulations, the annual amount of capital expenditure, plus sums set-aside to repay debt, need to be greater than the depreciation charge for the year. This is effectively testing that the Council is properly maintaining and financing the liabilities associated with its housing stock.

3.29 Where the depreciation charge is lower than actual capital expenditure/debt repayment, the HRA would be charged with the difference in that particular year. For 2018/19, expenditure is well in excess of depreciation.

The Longer-term Financial Projection

3.30 Following the introduction of the self-financing framework for the HRA in 2012, this generated a surplus for the HRA as the Council was no longer required to pay a proportion (approximately 40%) of its rental income to the Government in accordance with a national redistribution framework.

3.31 This released resources, which in the early years of the Housing Business Plan, were available for capital investment in the existing stock, together with resources for New Build. Surpluses in later years are to be used to repay the debt that the Council inherited in return for becoming “self-financing” and to continue a programme of capital maintenance in future years.

3.32 The HRA budget and projection is based on the principles that the HRA will carry a minimum unallocated contingency of at least £1m as a working balance and that sufficient resources are set-aside in an earmarked reserve to repay debt as instalments become due.

HRA Reserves

3.33 The HRA has 4 separate reserves as detailed in the following table.

General Reserve	Held as a contingency with a minimum balance of at least £1m.
New Build Reserve	Accumulated Capital Receipts pending expenditure on building new properties. The financial model assumes that these are drawn down each year to finance New Build ahead of any further borrowing. Therefore, the carrying balance from year to year remains low.
Debt Repayment Reserve	Sums set-aside to repay debt; contributions to the Reserve started from 2016/17 in accordance with the debt repayment profile.
Major Repairs Reserve	A Capital Reserve with sums set-aside each year for future programmed major repairs on the housing stock.

The Updated Financial Position

- 3.34 Following the base budget review, the 10-year Financial Plan for the HRA has been reviewed and updated. This is detailed in **Appendix 1**. The overall position has worsened slightly compared to the previous forecast due to the slight increase of 0.5% on the potential pay award which has reduced the estimated surplus for 2018/19 by £39k.
- 3.35 The General Reserve remains above the statutory £1m for the duration of the 10-year projection. This is due to planned repairs being scaled down and the debt repayment provision being re-profiled to ensure sustainability of the HRA after the statutory 1% rent reduction.
- 3.36 After review of the capital programme, sums are being set-aside in the Major Repairs Reserve to ensure that future capital improvements can be funded. An update regarding profiling of the works over the next 30 years is to be reported during 2018/19.
- 3.37 Due to the completion of phase 1 of New Build, the Capital Receipts Reserve is set to increase each year due to capital receipts from the sale of houses under the Right to Buy Scheme. A review of New Build is currently underway with proposals regarding future development and acquisition to be reported during 2018.

Debt Repayments and Borrowing

- 3.38 The Council took on the management of debt valued at £58m in 2012. No additional borrowing has been required.
- 3.36 The following debt repayments are due over the life of the current financial plan:
- 2021/22 - £10m
 - 2023/24 - £10m
 - 2026/27 - £10m
- 3.37 The financial projection to 2026/27 shows that these repayments can be met. The next repayments are not then due until beyond 2030.

Key Variables and Assumptions

- 3.38 The Financial Plan is based on certain assumptions in future years regarding what are considered to be the key variables. These are summarised in the following table.

Cost inflation	2.5% per year. This is lower than the current level of inflation although some economic forecasts predict that a level of 2% could be seen in the medium-term. A provision of 2.5% in the short-term is considered prudent to reflect that prices for materials in the building industry tend to rise quicker than
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	average inflation.
Annual rent increases	A 1% reduction per year for 4 years (2016/17 to 2019/20) in accordance with the Welfare Reform and Work Act 2016. Thereafter, CPI + 1% giving 2.5% increases in 2020/21 and 2021/22 and 3% per year thereafter.
Council house sales – “Right to Buys”	18 in 2017/18 and 18 in 2018/19. Future years are based on targets set by the Government in calculating the self-financing settlement. These reduce incrementally per year eventually reaching 10 per year by 2026.
Interest Rates	Predominantly fixed; £10m variable debt at 2.5% in 2017/18 rising to 3% in 2018/19 until maturity in 2021/22.

Financial Risks

3.39 The main risks to the HRA are considered to be those as detailed in the following sections.

Future Rent Levels

3.40 The biggest risk in the Financial Plan is considered to be future rent levels. The rent level from 2016/17 to 2019/20 has been set in accordance with statutory requirements i.e. a 1% reduction for each of those years.

3.41 Beyond this, it has been confirmed that rents will return to the former calculation using CPI + 1%.

3.42 Clearly, the HRA is dependent on rental income (currently £12.1m per year) for its resources. Even small variations in rent changes (e.g. 0.5%) can have significant implications in monetary terms for the Financial Plan over the longer-term.

Right to Buys

3.43 A moderate decrease in current properties from sales continues to be built into the Budget and Financial Plan and this reflects the current level of sales. Therefore, the HRA will continue to generate resources for further New Build and capital works in the future, although on-going rental income is lost.

3.44 The main risk relates to a sudden surge in sales which has been apparent in recent years; although this generates capital, the loss in on-going rental income could have a much more adverse impact on the HRA.

Supporting People Grant

3.45 It has been assumed that this continues (cash limited) over the Financial Plan; However, this will be subject to policy decisions and directions from the County Council. There have been indications in recent years that this could be reduced from its current level and is currently subject to annual review.

- 3.46 The Council has received confirmation of funding from County Council to deliver the Older Persons Floating Support Service to 31st March 2019 at the current rate of £5.92 per week up to a maximum of 1,307 customers. We are currently well below the maximum number of customers with an uptake of 350 customers.
- 3.47 Funding from County Council for the Alarm and Telecare Monitoring Service is only confirmed until 31st March 2018 at the current rate of £2.60 per week for a maximum of 900 customers. We are however expecting this to be extended in March 2018 to 31st March 2019 in line with previous correspondence received from Derbyshire County Council. Our current take up of this service is 606 customers.
- 3.48 The Careline service proactively markets the alarms monitoring and floating support services that it offers. This is promoted in a variety of ways through leaflets, targeting tenants who would benefit from the service and looking at private customers who need this level of support. Over the next 12 months we will look to widen the marketing to support an increased number of vulnerable tenants and residents.
- 3.49 A wider review of Supported Housing funding has been launched recently by the Government which will hopefully provide more certainty for on-going service provision.

Impairment

- 3.50 Impairment is an accounting adjustment that reflects a sudden reduction in the value of an asset. An asset becomes impaired where a one-off event (e.g. fire, vandalism, etc.) causes significant damage or there is a significant change in market conditions, which reduces the value of the asset.
- 3.51 In accordance with accounting regulations, provision has to be made in an organisation's accounts for the loss in an asset's value through impairment. However, as with depreciation, this is purely an accounting exercise for local authorities. Impairment charges are reversed out of revenue accounts to ensure that it does not affect the "bottom line" and Rent (in the HRA's case) payable by Council Tenants.
- 3.52 The Government have been reviewing this accounting treatment to bring local authorities into line with other organisations in accordance with International Reporting Standards. This has been challenged by the relevant professional bodies.
- 3.53 Large impairment adjustments are rare. In addition, impairment needs to affect the wider asset base. For example, damage to one property would not affect the overall value of the Council's stock, which is currently valued at £122m in total.
- 3.54 Clearly however, if there was a wider event affecting many properties, this would lead to an impairment charge. It is considered that the most likely

scenario is a sudden fall in property values as this would affect the overall valuation of the stock. The potential for impairment charges could have serious implications for all housing authorities and this is why it has been challenged.

Changes in Central Government Policy

3.55 Although the HRA continues to operate under a self-financing framework, Central Government retain the power to change policy in many areas which can impact upon the Financial Projection.

Changes to Welfare Reform and Universal Credit (UC)

3.56 Universal Credit is due to be fully implemented in South Derbyshire in November 2018 but will not affect all Council Tenants. There is concern amongst housing professionals that changes could see a reduction in payment of rent and an increase in arrears.

3.57 Currently, Housing Benefit is paid directly to a tenant's Rent Account where this is due. In a system of Universal Credit, the benefit element is effectively paid direct to the Tenant. The Pilot Schemes and evidence locally suggests that this gives the potential for Tenants to default on their rent payments.

3.58 In order to mitigate against this risk, intervention may be necessary between the Landlord and the Tenant. This can place additional pressure on resources and increase the management costs in the HRA. As highlighted earlier in the report, an increase in the provision for bad debts has been proposed to mitigate the impact of this risk.

Rent Levels

3.58 As previously highlighted, the Council is now required to follow provisions contained in the Welfare Reform and Work Act 2016. This requires the Council to reduce current rents for tenants by 1% per year, between 2016/17 and 2020/21. The effect has been built into the HRA's Financial Plan.

3.59 The starting point for the 1% reduction is the rent level that existed on 8th July 2015, i.e. the date of Central Government's Budget which proposed the statutory provisions. However, this is different when voids are relet to new tenants.

3.60 There is now a mixture of rent levels that exist in the "self-financing" system which apply to existing and new tenants, together with those that apply to properties built or acquired as part of the New Build programme. These are detailed below:

- **The Base (Current) Rent:** This is the actual rent that applied in July 2015. For many tenants, this rent is lower than the "Formula Rent" that existed in the previous Rent Restructuring System. This rent will remain unless a property becomes void.

- **Formula Rent:** This was a rent level (target) set nationally as part of Central Government's Rent Restructuring Policy. Approximately 2/3rds of the Council's properties were below this Target and were being phased-in towards the Target over a 10-year period.

This phasing ended in 2014/15, although a Formula Rent for each property remains. Councils have the option to relet void properties to new tenants at the Formula Rent and this is part of the Council's Rent Policy. The Formula Rent is generally lower than Social Rents.

- **Social Rent:** This is determined by the Department for Communities and Local Government (DCLG). Generally, it reflects rents charged by Registered Social Landlords in the area. New Build properties have to be let at Social Rent levels, unless they have been partly funded by grant from the Homes and Communities Agency (HCA). In that case, properties need to be let at an "Affordable Rent." Void properties, when relet to new tenants, can also be let at Social Rent levels.
- **Affordable Rent:** This is 80% of the Market Rent and tends to be higher than Social Rents
- **Market Rent:** This is determined by the District Valuer and reflects rent levels in the private rented sector in the area.

Proposed Rent Levels 2018/19

3.61 In accordance with the statutory provisions, current rents (from whatever basis) will be reduced by 1%.

Effect on Individual Tenants

3.62 Having calculated rents for individual tenants, the average rent level for existing council tenants will reduce from £79.60 per week in 2017/18 to £78.81 in 2018/19, a reduction on average of 79p per week (1%).

Limit Rent

3.63 This is effectively a cap (set by the DWP each year) that the Council's average rent needs to stay below, to avoid a financial penalty through loss of benefit subsidy for rent rebates. However, New Build properties let at Affordable Rent levels are excluded from this Limit.

3.64 For 2017/18, the Council Limit Rent was set at £80.64 per week, which is above the Council's average rent of £79.60. The Limit Rent is still to be notified to the Council for 2018/19.

4.0 Financial Implications

4.1 As detailed in the report.

5.0 Corporate Implications

5.1 There are no other legal, HR or other corporate implications apart from that considered in the report.

6.0 Community Implications

6.1 The proposed budgets within the HRA provide the financial resources to enable many of the on-going services and Council priorities associated with Council Housing to be delivered to its tenants.

7.0 Background Papers

7.1 None

HOUSING REVENUE ACCOUNT FINANCIAL PROJECTION - JANUARY 2018

	2017.18	2018.19	2019.20	2020.21	2021.22	2022.23	2023.24	2024.25	2025.26	2026.27	2027.28
	Approved MTFP £'000	Proposed Budget £'000	Forecast £'000								
INCOME											
Rental Income	-12,381	-12,166	-12,315	-12,328	-12,581	-12,902	-13,233	-13,575	-14,195	-14,298	-14,677
Non-Dwelling Income	-111	-121	-120	-122	-125	-129	-132	-136	-140	-143	-147
Supporting People Grant	-200	-164	-164	-164	-164	-164	-164	-164	-164	-164	-164
Other Income	-176	-175	-175	-175	-175	-175	-175	-175	-175	-175	-175
Total Income	-12,868	-12,626	-12,774	-12,789	-13,045	-13,370	-13,704	-14,050	-14,674	-14,780	-15,163
EXPENDITURE											
General Management	1,790	1,891	1,935	1,981	2,028	2,075	2,124	2,174	2,225	2,278	2,331
Supporting People	833	783	804	825	848	871	895	920	947	974	1,003
Responsive	1,281	1,267	1,299	1,331	1,364	1,397	1,432	1,467	1,504	1,541	1,579
Planned Maintenance	1,971	1,831	1,876	1,921	1,968	2,016	2,065	2,115	2,167	2,219	2,273
Bad Debt Provision	44	100	123	123	126	129	132	136	142	143	147
Interest Payable & Receivable	1,762	1,798	1,798	1,798	1,798	1,498	1,498	1,228	1,228	1,228	927
Depreciation	3,417	3,754	3,730	3,716	3,703	3,689	3,676	3,664	3,654	3,644	3,634
Net Operating Income	-1,770	-1,202	-1,209	-1,094	-1,210	-1,695	-1,882	-2,346	-2,807	-2,753	-3,269
Reversal of Depreciation	-3,417	-3,754	-3,730	-3,716	-3,703	-3,689	-3,676	-3,664	-3,654	-3,644	-3,634
Capital Expenditure	1,500	1,543	1,588	1,635	1,683	1,392	1,433	1,477	1,516	1,547	1,182
Disabled Adaptations	300	300	300	300	300	300	300	300	300	300	300
Asbestos and Health & Safety Surveys	100	100	100	100	100	100	100	100	100	100	100
Debt Repayment	1,517	1,211	1,142	1,081	1,020	1,297	1,543	1,187	1,138	1,097	1,452

HOUSING REVENUE ACCOUNT FINANCIAL PROJECTION - JANUARY 2018

	2017.18	2018.19	2019.20	2020.21	2021.22	2022.23	2023.24	2024.25	2025.26	2026.27	2027.28
	Approved MTFP £'000	Proposed Budget £'000	Forecast £'000								
Major Repairs Reserve	600	600	600	600	600	600	300	600	600	600	600
Apprenticeship Levy	5	6	6	6	6	6	6	6	6	6	6
Potential Pay Award	0	35	36	37	37	38	39	40	41	42	43
Reduction in GF recharges	-54	0	0	0	0	0	0	0	0	0	0
Restructure Costs/(Savings)	47	0	0	0	0	0	0	0	0	0	0
Pension Deficit	11	0	0	0	0	0	0	0	0	0	0
Orchard upgrade	0	0	0	0	0	0	0	0	0	0	0
Job Evaluation On-going Support Costs	5	0	0	0	0	0	0	0	0	0	0
Incremental Salary Increases	6	0	6	6	6	6	6	6	6	6	6
HRA (Surplus) / Deficit	-1,150	-1,162	-1,162	-1,046	-1,161	-1,645	-1,830	-2,293	-2,753	-2,698	-3,213
HRA Reserve B/fwd	-3,703	-4,603	-4,465	-4,177	-3,873	-3,683	-3,228	-2,258	-2,052	-1,505	-3,203
(Surplus) / Deficit for year	-1,150	-1,162	-1,162	-1,046	-1,161	-1,645	-1,830	-2,293	-2,753	-2,698	-3,213
Earmarked non-traditional properties	0	100	200	100	100	100	0	0	0	0	0
Transfer to Debt Repayment Reserve	250	1,200	1,250	1,250	1,250	2,000	2,800	2,500	3,300	1,000	1,000
HRA Reserve C/fwd	-4,603	-4,465	-4,177	-3,873	-3,683	-3,228	-2,258	-2,052	-1,505	-3,203	-5,415
Debt Repayment Reserve											
Balance B/fwd	-1,287	-3,054	-5,465	-7,857	-10,188	-2,458	-5,755	-98	-3,785	-8,223	-320
Depreciation balance	-1,517	-1,211	-1,142	-1,081	-1,020	-1,297	-1,543	-1,187	-1,138	-1,097	-1,452
Transfers to reserve	-250	-1,200	-1,250	-1,250	-1,250	-2,000	-2,800	-2,500	-3,300	-1,000	-1,000
Repayment of loan	0	0	0	0	10,000	0	10,000	0	0	10,000	0
Reserve C/fwd	-3,054	-5,465	-7,857	-10,188	-2,458	-5,755	-98	-3,785	-8,223	-320	-2,772

HOUSING REVENUE ACCOUNT FINANCIAL PROJECTION - JANUARY 2018

	2017.18	2018.19	2019.20	2020.21	2021.22	2022.23	2023.24	2024.25	2025.26	2026.27	2027.28
	Approved MTFP £'000	Proposed Budget £'000	Forecast £'000								
Major Repairs Reserve											
Balance B/fwd	-1,267	-1,867	-2,567	-3,367	-4,067	-4,767	-5,467	-5,767	-6,367	-6,967	-7,567
Transfers to reserve	-600	-600	-600	-600	-600	-600	-300	-600	-600	-600	-600
Earmarked non-traditional properties	0	-100	-200	-100	-100	-100	0	0	0	0	0
Reserve Drawdown	0	0	0	0	0	0	0	0	0	0	0
Reserve C/fwd	-1,867	-2,567	-3,367	-4,067	-4,767	-5,467	-5,767	-6,367	-6,967	-7,567	-8,167
New Build Reserve											
Capital Receipts B/fwd	-393	-352	-827	-1,196	-1,563	-1,874	-2,183	-2,385	-2,584	-2,784	-2,983
Proposed Lullington Rd	699	0	0	0	0	0	0	0	0	0	0
HCA grant	-180	0	0	0	0	0	0	0	0	0	0
RTB Receipts in year	-478	-475	-369	-366	-312	-309	-202	-199	-199	-199	-199
Borrowing in year	0	0	0	0	0	0	0	0	0	0	0
Balance c/fwd	-352	-827	-1,196	-1,563	-1,874	-2,183	-2,385	-2,584	-2,784	-2,983	-3,182

REPORT TO:	OVERVIEW AND SCRUTINY COMMITTEE	AGENDA ITEM: 8
DATE OF MEETING:	17th JANUARY 2018	CATEGORY: DELEGATED
REPORT FROM:	STRATEGIC DIRECTOR (SERVICE DELIVERY)	OPEN
MEMBERS' CONTACT POINT:	TONY SYLVESTER Ext 5743 tony.sylvester@south-derbys.gov.uk	DOC:
SUBJECT:	PRIMARY MEDICAL PROVISION IN AND AROUND STENSON WARD	REF:
WARD(S) AFFECTED:	STENSON	TERMS OF REFERENCE:

1.0 Recommendations

- 1.1 To note the information regarding healthcare facilities as a result of Local Plan commitments for around 1950 dwellings at Wragley Way (plus additional areas within Derby City); any future potential additional dwellings (up to 1200) within the Infinity Garden Village.
- 1.2 To note the information on the provision and application of the Section 106 healthcare contribution for the development at Stenson Road Stenson.

2.0 Purpose of Report

- 2.1 To report to the Committee the process around the provision of any appropriate contribution to the provision of healthcare facilities to accommodate increases in population at developments at Wragley Way, future potential site at Infinity Garden Village; and the outcome of the Section 106 healthcare contribution at Stenson Road as requested by the Ward Members Councillors Shepherd and Chahal (see attached request).

3.0 Detail

- 3.1 During the course of the drafting of the Local plan and the growth to the population envisaged, many bodies were consulted and this process continued at every stage of the plan so that all stakeholder were aware, could make comments and could then also make the necessary provision to prepare for the inevitable increase in demand for their services. One such stakeholder is the NHS. Records show that they were engaged in the consultation for the plan and therefore have been aware of the forecast increase in demands for primary care services. As such strategic housing allocations are proposed and put forward for adoption taking into account any feedback from infrastructure providers among others. A similar process would have been followed on the Derby City side regarding the allocations in its plan.
- 3.2 Notwithstanding the forward planning strategy, the planning system makes provision for developments to mitigate for the impact on infrastructure through the use of

Planning Obligations under Section 106 of the 1990 Act, although these provisions are subject to certain statutory rules.

- 3.3 It is worth setting out at this stage the requirements for the use of sums levied under the 1990 act as set out in the Community Infrastructure Levy Regulations 2010 and advice set out in the NPPF at paragraph 205:

CIL Regs 2010 (paragraph 122):

A planning obligation may only constitute a reason for granting planning permission for the development if the obligation is—

(a) necessary to make the development acceptable in planning terms;

(b) directly related to the development; and

(c) fairly and reasonably related in scale and kind to the development.

Any contributions are also subject to sufficient funds from the development being available for infrastructure use tested by way of viability assessments. Government guidance advises that development only pays for what it can afford to enable the development to go ahead.

- 3.4 In the case of the Wragley Way allocation (Policy H15), evidence shows that the NHS was consulted at every stage of the process where the increase in size of the population of the district and the main areas for strategic growth were being planned. The Duty to Cooperate Statement (March 2014) clearly reports this at paragraphs 1.8, 1.9 and 3.48. Notwithstanding this, the NHS (as the CCG) has the opportunity to 'claim' funds for primary care whenever it is consulted on a planning application. History shows (and has been reported many times as such to the Planning Committee) that such opportunities are not always taken up or requests are received without the requisite evidence which then cannot result in a contribution. The first outline application for the Wragley Way site on South Derbyshire was received in November 2017 and the CCG invited to comment. To date no response has been received. The contributions sought from developers on the two applications on the City Council side is unclear but being researched at the time of writing.

- 3.5 The 'additional site' at the Infinity Garden Village at Lowes farm, has been identified as a site of future potential only and as such does not appear as an allocation in the Local Plan.

- 3.6 Outline planning permission for the residential development of the site at Stenson Road for up to 500 dwellings was granted at appeal subject to an agreement under Section 106 of the Town and Country Planning Act 1990, by the Secretary of State in January 2009 (9/2007/0020) following the conjoined Public Inquiry which considered a number of housing sites within the District. The outline permission was subsequently renewed on 4 January 2012 under application 9/2011/0484 and subject to a deed of variation that maintained the Section 106 obligations of the original outline consent. Following a planning application (9/2012/0555) in 2012 planning permission was renewed on the site in February 2013 subject to a continuation of the S106 agreement which continued to include (inter alia) a sum toward the provision of healthcare facilities as required, generated by the incoming population to the site.

- 3.7 In terms of Healthcare Contribution the agreement states:

- 1. The Healthcare Contribution shall be calculated by multiplying £512.56 by the number of dwellings*
- 2. The Owner covenants to pay the Healthcare Contribution to the District Council prior to the occupation of the 250th dwelling*

3. *The District Council covenants to apply the Healthcare Contribution for the purposes of improving primary healthcare provision within the vicinity of the site*
4. *The District Council also covenants with the owners to repay any unexpended monies paid pursuant to paragraph 2 of this schedule at the expiration of 5 years of the date of final payment (or such longer period as expressly agreed in writing with the owners) within 2 months of a written demand from the owner.*

3.8 Records show that the contribution was paid to the Council on 18th August 2015. Following receipt the usual procedure was followed which involves informing the NHS (by way of the Local Clinical Commissioning Group (CCG)) of the receipt of the contribution to confirm from which development the sum was raised, the extent of the sum (in this case £261,646.44) and which project it was intended for.

3.9 In this case the Commissioning Manager & CCG Estate Lead advised that the facility they had planned for extra primary care capacity would be for an ongoing project to create extra capacity at Hollybrook Surgery. The CCG now tells us that the funds are committed as planned. As such the CCG was paid the funds in July last year. Recent enquiries have revealed that the works to the centre are ongoing and expect to be completed by the end of March 2018. This expansion would not only add capacity to the Hollybrook facility but adds capacity for the practice which also operates a surgery at Sinfin. In other words the expansion of Hollybrook adds capacity across the area for which the practice is providing a service.

4.0 Financial Implications

4.1 None arising directly from this report other than the passing on of funds as described in accordance with the Section 106 agreement.

5.0 Corporate Implications

5.1 The Council must act in accordance with the provisions of the relevant legal agreement.

6.0 Community Implications

6.1 The funds levied are designed to ensure that the impact on primary care provision in the area as a result of the development is mitigated subject to the enabling provisions of the Community Infrastructure Levy regulations 2010. This is designed to ensure that sufficient capacity is available to deal with the needs of the incoming population generated by the development.

7.0 Background Papers

7.1 Request from Councillors Chahal and Shepherd.

REPORT TO:	OVERVIEW AND SCRUTINY COMMITTEE	AGENDA ITEM: 9
DATE OF MEETING:	17th JANUARY 2018	CATEGORY: DELEGATED
REPORT FROM:	CHIEF EXECUTIVE	OPEN
MEMBERS' CONTACT POINT:	ROOPY PABLA (EXT.5848) CHRIS TYLER (EXT.5722)	DOC:
SUBJECT:	COMMITTEE WORK PROGRAMME	REF:
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: G

1.0 Recommendations

1.1 That the Committee considers and approves the updated work programme.

2.0 Purpose of Report

2.1 The Committee is asked to consider the updated work programme.

3.0 Detail

3.1 Attached at Annexe 'A' is an updated work programme document. The Committee is asked to consider and review the content of this document.

4.0 Financial Implications

4.1 None arising directly from this report.

5.0 Background Papers

5.1 Work Programme.

Overview & Scrutiny Committee Work Programme 2017/18

Annexe A

Project	Committee Date																				Responsible Head of Service																									
	Jun-17					Sep-17					Oct-17					Nov-17						Jan-18					Feb-18					Mar-18					Apr-18					May-18				
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20		21	22	23	24	25	26	27	28	29	30	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Annual Report																																														Legal and Democratic Services Manager.
RIPA																																														Legal & Democratic Services Manager
Setting the Work Programme																																														Director of Finance and Corporate Services
Budget																																														Director of Finance and Corporate Services
Review of Funding to Voluntary & Community Sector Organisations																																														Director of Community and Planning Services
Review of Area Forums / Safer Neighbourhood meetings																																														Director of Community and Planning Services
Review of Etwell Leisure Centre Contract / Community Access																																														Director of Community and Planning Services
Review of Grounds Maintenance Services																																														Director of Housing and Environmental Services
Review of Street Scene Services																																														Director of Housing and Environmental Services
Review of Waste Services																																														Director of Housing and Environmental Services
Review of Approach to Customer Services / Engagement																																														Director of Finance and Corporate Services
Recreation Facilities in Rural Villages (Section 106 Contributions)																																														Director of Community and Planning Services
Update on Section 106 Health Allocations																																														Director of Finance and Corporate Services
Review of Member Training																																														Director of Community and Planning Services / Legal and Democratic Services Manager
Primary Medical Provision in and around Stenson Ward																																														Director of Finance and Corporate Services

Key

Report to Committee



Verbal Update / Presentation



Report to Task Group



Public Meeting

