F B McArdle
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Our Ref
Your Ref

Date: 14 February 2023

Dear Councillor
,
Council

YOU ARE HEREBY SUMMONED to attend the Meeting of the **Council** to be held at **Council Chamber**, Civic Offices, Civic Way, Swadlincote on **Wednesday, 22 February 2023** at **18:00** to transact the business set out on the attached agenda.

Yours faithfully,

Frank McArdle

Chief Executive

To:-

Labour Group
Councillor Dunn (Chair), Councillor Bambrick (Vice-Chair) and Councillors Gee, Heath, L. Mulgrew, M. Mulgrew, Pearson, Pegg, Rhind, Richards, Shepherd, Singh, Southerd, Stuart, Taylor and Tilley.

Conservative Group
Councillors Ackroyd, Atkin, Bridgen, Brown, Corbin, Dawson, Fitzpatrick, Ford, Haines, Hewlett, Lemmon, Muller, Patten, Redfern, Smith and Watson.

Independent Group
Councillors MacPherson and Roberts.

Non-Grouped
Councillors Churchill and Wheelton.

AGENDA

Open to Public and Press

1	Apologies	
2	To confirm the Open Minutes of the following Council Meetings held on 19 January 2023	**4 - 11**
3	To receive any declarations of interest arising from any items on the Agenda	
4	To receive any announcements from the Chair, Leader and Head of Paid Service.	
5	To receive any questions by members of the public pursuant to Council Procedure Rule No.10.	
6	To receive any questions by Members of the Council pursuant to Council procedure Rule No. 11.	
7	To consider any notices of motion in order of which they have been received.	
8	PROPOSED CONTINUATION OF BANDED COUNCIL TAX REDUCTION SCHEME FOR 2023-2024	**12 - 17**
9	CAPITAL STRATEGY 2023-24 TO 2027-28	**18 - 29**
10	TREASURY MANAGEMENT STRATEGY AND PRUDENTIAL INDICATORS 2023-24	**30 - 58**
11	ANNUAL REPORT OF THE SECTION 151 OFFICER	**59 - 68**
12	APPOINTMENT OF RETURNING OFFICER AND ELECTORAL REGISTRATION OFFICER	**69 - 70**
13	BUDGET AND COUNCIL TAX SETTING 2023-24	**71 - 93**

14 To review the compositions of Committees, Sub-Committees and Working Panels.

15 To review the compositions of Substitute Panels.

16 To review representation on Outside Bodies.

17 To review Member Champions.

18 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.

19 To confirm the Exempt Minutes of the following Council Meetings held on

19 January 2023

20 To receive any Exempt questions by Members of the Council pursuant to Council procedure Rule No. 11.

21 APPOINTMENT OF AN INTERIM CHIEF EXECUTIVE

MINUTES of the COUNCIL MEETING of the
SOUTH DERBYSHIRE DISTRICT COUNCIL
held at the Civic Offices, Civic Way
on Thursday, 19 January 2023
at 6.00pm

PRESENT:

Labour Group
Councillor Dunn (Chair) and Councillor Bambrick (Vice-Chair)
and Councillors Gee, Heath, L. Mulgrew, M Mulgrew, Pearson, Pegg, Rhind, Richards, Shepherd, Singh, Southerd, Stuart, Taylor and Tilley.

Conservative Group
Councillors Atkin, Bridgen, Brown, Corbin, Dawson, Fitzpatrick, Ford, Haines, Hewlett, Lemmon, Muller, Patten, Redfern, Smith and Watson.

Non-Grouped
Councillor Wheelton and Councillor Churchill.

CL/95 **APOLOGIES**

Council was informed that apologies had been received from Councillor Pegg (Labour Group), Councillors Ackroyd and Bridgen (Conservative Group) and Councillors MacPherson and Roberts (Independent Group).

CL/96 **THE OPEN MINUTES OF COUNCIL MEETINGS**

The Open Minutes of Council Meeting held on and 3 November 2022 (CL/ 65 to CL/81 and 5 January 2022 (CL/85 to CL/94) were approved as a true record and signed by the Chair of the Council.

CL/97 **DECLARATIONS OF INTEREST**

Council was informed that Councillor Wheelton declared a Personal interest in relation to item CL/113 by virtue of being a Rural Action Derbyshire Trustee and a member of the National Farmers Union.

CL/98 **ANNOUNCEMENTS FROM THE CHAIR**

The Chair of the District Council addressed Members and informed them of the events he had attended that included, the Small Business Awards Gala, the Armitage Day event at the Delph and the Holocaust Tree Dedication Service at Rosliston Forestry Centre.

CL/99 **ANNOUNCEMENTS FROM THE LEADER**

The Leader of the Council addressed Council and informed Members of a letter received from the Minister for Levelling Up advising that the Council had not been successful in the second bid for funding. Council was also informed that

Derbyshire County Council would be hosting the Mayor of Toyota City between the 03 and 06 February 2023.

CL/100 **ANNOUNCEMENTS FROM THE HEAD OF PAID SERVICE**

The Head of Paid Service addressed Council informing Members that refurbishment works on the Delph were underway and updated Members regarding the recruitment for the Strategic Director (Corporate Resources) and the Chief Executive.

CL/101 **QUESTIONS BY MEMBERS OF THE PUBLIC PURSUANT TO COUNCIL PROCEDURE RULE NO. 10**

Council was informed that no questions had been received.

CL/102 **QUESTIONS BY MEMBERS OF THE COUNCIL PURSUANT TO COUNCIL PROCEDURE RULE NO. 11**

In accordance with Council Procedure Rule No.11 the Chair of the Council invited Councillor Ford to ask the Leader of the Council the following question:

"At the Nov F&M Committee meeting the Councils MTFP projected a deficit of 2,317601 in 22/23 and 2,815,800 in 23/24. Unless this situation is reversed quickly the deficits on the near horizon are a huge risk to this council and could mean that services to residents will be hugely affected in the future.

After the January budget round of committee meetings can the Leader, please tell us what measures the leading group have introduced to remove the risk of these future deficits and their potential huge effect on residents in South Derbyshire?"

The Leader of the Council advised Members that the Council's deficit projection was always projected and that due to good management the deficits have never been realised, it was further advised that the deficit projections were under constant review and that government funding could not be controlled and if needed budget cuts would be if necessary.

In accordance with Council Procedure Rule No.11 the Chair of the Council invited Councillor Fitzpatrick to ask the Leader of the Council the following question:

"In the past two weeks myself and my fellow ward Councilor, Jim Hewlett have been helping two residents with significant repair issues at their properties.

The first case was reported back in October 2022 informing Cllr Hewlett and I that the bathroom was in a dangerous state. There was a crack in the bath after a fall, the whole floor area is severely weakened due to damp and the walls are moldy. Also, due to health conditions the resident had requested a showering facility and for the other repairs to be carried out as soon as possible.

Pending an Occupational Health officer visit and assessment SDDC have repaired the crack in the bath temporarily and after some investigation visits to the property, a repair to the weakened floor was started week commencing 2-1-23. The resident was informed the repair should take 2 days but after those 2 days the contractor left the property in a dangerous state with the bathroom floor having several nails and screws protruding from it. The resident was advised to wear slippers in the bathroom to which he replied, “he would need a good pair of safety boots”.

After highlighted this issue to our Housing team, a further visit was organised to repair the floor, albeit further leaks in the bathroom still exist and the repair remains incomplete at the time of writing.

In the second case, a water leak was reported by a resident to Cllr Hewlett and myself on 17th November 2022 and despite several phone calls and emails the resident tells us they have had no other action than a contractor visit and suggest that they place a bucket under the water leak. As with any untreated water leak the ceiling damage has grown worse and mold has started growing in an adjoining room.

Once again at the time of writing this repair is incomplete.

My question was does the Leader of the Council believe that the above examples are isolated cases of a poor repair service for two of our Tenants or is it part of a repeating and highly concerning pattern across the district?”

The Leader of the Council informed Members he hoped the examples given were isolated examples. He advised that Contract Performance was now reported to Overview and Scrutiny Committee and that and the end of Quarter 3, performance was rated with 968 emergency repairs being completed within the Council repair times. The Leader assured Members that the Council’s Contractors explained any delays to customers along with the reasons why.

The Leader of the Council further advised Members regarding the major problem that the Council had in employing qualified tradesman, but assured Members that if they were aware of any continual delays then he was to be informed and would escalate this with the Head of Service.

In accordance with Council Procedure Rule No.11 the Chair of the Council invited Councillor Fitzpatrick to ask the Leader of the Council the following supplementary question:

Other than the official route could other complaints be dealt with in another way?

The Leader of the Council explained that the Housing Team monitored the Contractors’ performance and meet with them regularly therefore it was envisaged that the situation regarding complaints would improve.

In accordance with Council Procedure Rule No.11 the Chair of the Council invited Councillor Lemmon to ask the Leader of the Council the following question:

“From a Freedom of Information request we understand that NW Leicestershire Council have a 38-day void measurement on their council properties. The SDDC figure currently stands at 183 days. This excessive void period places huge financial strains on our organisation and leaves residents waiting far too long for a property to become available.

Can we ask by what date the Chair of Housing & Community Services will commit to matching Northwest Leicestershire performance on voids at 38 days?"

The Leader of the Council advised that this question should be raised under the relevant Housing and Community Services Committee Minutes of 17 November 2022, that were to be considered later on the agenda.

CL/103 **LOCAL GOVERNMENT AND SOCIAL CARE OMBUDSMAN – ANNUAL REVIEW LETTER 2022 AND LGSCO UPDATE**

The Chief Executive presented the report to Council and sought approval of the recommendation

RESOLVED:

1.1 Council accepted the Local Government and Social Care Ombudsman's Annual Review Letter 2022.

CL/104 **APPOINTMENT OF A RECRUITMENT AND SELECTION PANEL**

The Chief Executive addressed Council outlining they key points within the report and noting that the proposed interview panel was politically balanced.

RESOLVED:

1.1 Council approved that the appointment and recruitment into the post of Chief Executive and Head of Paid Service (SM01) be delegated to a panel of five (5) Members from the Finance and Management Committee along with the Chair or Vice Chairs of the employing Committees namely Finance and Management, Environmental and Development Services and Housing and Community Services in accordance with the Appointment Procedure for the Chief Executive and Directors.

1.2 It was noted that the nominations for the Panel that reflected the current political balance of the Council would be confirmed in writing.

1.3 Council approved that final arrangements regarding the recruitment and selection procedure to be followed including timescales, along with determining the selection process for the final appointment, would be agreed between the Chief Executive and Elected Members of the Panel.

1.4 Council approved that the Chief Executive appointed an external recruitment partner to support the recruitment process in line with the Council's Financial Procedures rules.

CL/105 **HOMES FOR UKRAINE**

The Head of Environmental Services presented the report to Council and sought approval of recommendations within the report that would enable the Council to continue to support Ukrainian refugees in South Derbyshire.

Members supported the report and sought clarity about support available if relations break down between the guests and sponsors.

The Head of Environmental Services advised that this work would be covered by the Team.

RESOLVED:

1.1 That Council approved the creation of a new temporary (18 month) Tenancy Sustainment Officer post dedicated to supporting the delivery of Homes for Ukraine and Asylum Dispersal demands upon the local authority.

1.2 That Council approved the continuation of the temporary restructure of Environmental Services described in the report to Finance and Management Committee on 10 February 2022 until such time as the temporary Tenancy Sustainment Officer position be occupied.

1.3 That Council approved that all existing revenue costs incurred to date and which are associated with the delivery of the Homes for Ukraine scheme be met from the Homes for Ukraine funding provided by Derbyshire County Council.

1.4 That Council approved the remaining funding described in the report be apportioned into existing capital funds and made available to officers in Housing Services and Environmental Services to draw down in order to provide the appropriate support for clients described in government guidance on the Homes for Ukraine scheme and Asylum Dispersal.

CL/106 **OPEN MINUTES:**

Council received and considered the open minutes of its Committees and Area Forums.

RESOLVED:

That the Open Minutes of the following Committees and Area Forums were approved as a true record.

Committee	***Date***	***Minutes No's***
Finance and Management Committee	***17.03.2022***	***FM/147 to FM/162***
Planning Committee	***05.04.2022***	***PL/133 to PL/142***
Finance and Management Committee	***28.04.2022***	***FM/169 to FM/178***
Planning Committee	***03.05.2022***	***PL/133 to PL/142***

Finance and Management Committee	***09.06.2022***	***FM/01 to FM/12***
Finance and Management Committee	***21.07.2022***	***FM/16 to FM/28***
Housing and Community Services Committee	***18.08.2022***	***HCS/15 to HCS/23***
Housing and Community Services Committee	***29.09.2022***	***HCS/26 to HCS/34***
Housing and Community Services Committee	***17.11.2022***	***HCS/38 to HCS/49***
Area Forum	***Date***	***Minutes No's***
Linton	***05.10.22***	***L/A 8 to LA14***
Repton	***11.10.22***	***R/A 9 to R/A12***
Etwall	***14.10.22***	***E/A 8 to E/A 14***
Swadlincote	***02.11.22***	***S/A 8 to S/A 14***
Newhall	***08.11.22***	***N/A 8 to N/A 14***
Melbourne	***09.11.22***	***M/A 8 to M/A 14***

In relation to the Housing and Community Services Committee Minutes 17 November 2022 Councillor Lemmon asked the Chair of Housing and Community Services if the Council would commit to matching North West Leicestershire's performance on voids at 38 days?"

The Chair of Housing and Community Services Committee advised Council that Northwest Leicestershire Council's figure of 38 days was an average figure and that the Council had an in-house team and not contractors in place. It was further advised that a report to Overview and Scrutiny Committee on 4 January 2023 there was a detailed action plan to reduce relet days to 30 days and that a further 40 voids had been completed by the end of the year. Members were also assured that the action plan would be overseen and managed by Overview and Scrutiny Committee.

CL/107 **TO REVIEW THE COMPOSITIONS OF COMMITTEE, SUB-COMMITTEES AND WORKING PANELS**

The Members reviewed the composition of Committees, Sub-Committees and Working Panels 2022-23.

RESOLVED:

Council was informed no amendments were to be made

CL/108 **TO REVIEW THE COMPOSITIONS OF THE SUBSTITUTE PANELS**

The Members reviewed the composition of the composition of Committees, Sub-Committees and Working Panels.

RESOLVED:

Council was informed no amendments were to be made

CL/109 **TO REVIEW THE REPRESENTATION ON OUTSIDE BODIES**

Members reviewed the Outside Bodies representation list.

***RESOLVED*:**

Council was informed no amendments were to be made.

CL/110 **TO REVIEW MEMBER CHAMPIONS**

Members reviewed the Representation of Member Champions.

***RESOLVED*:**

Council was informed no amendments were to be made.

CL/111 **LOCAL GOVERNMENT ACT 1972 (AS AMENDED BY THE LOCAL GOVERNMENT [ACCESS TO INFORMATION] ACT 1985)**

***RESOLVED*:**

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 for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined under the paragraphs of Part 1 of Schedule 12A of the Act as indicated in the reports of Committees.

THE EXEMPT MINUTES OF COUNCIL MEETINGS

EXEMPT QUESTIONS BY MEMBERS OF THE COUNCIL PURSUANT TO COUNCIL PROCEDURE RULE NUMBER 11

Council was informed that no questions had been received.

EXEMPT MINUTES:

Council received and considered the Exempt Minutes of its Committees.

Committee	*Date*	*Minutes No's*
Finance and Management Committee	***17.03.2022***	***FM/ 163 to FM/168***
Finance and Management Committee	***28.04.2022***	***FM/179 to FM/187***
Finance and Management Committee	***09.06.2022***	***FM/13 to FM/15***
Finance and Management Committee	***21.07.2022***	***FM/29 to FM/31***
Housing and Community Services Committee	***18.07.2022***	***HCS/24 to HCS/25***

Housing and Community Services Committee	***29.09.2022***	***HCS/35 to HCS/37***
Housing and Community Services Committee	***17.11.2022***	***HCS/50 to HCS/54***

SHARED PROSPERITY FUND

The Committee approved the recommendations within the report.

The meeting terminated at hours.18:55 hours

COUNCILLOR P DUNN

CHAIR OF THE DISTRICT COUNCIL

REPORT TO:	**FULL COUNCIL**	**AGENDA ITEM: 8**
DATE OF MEETING:	**22 FEBRUARY 2022**	**CATEGORY: RECOMMENDED**
REPORT FROM:	**STRATEGIC DIRECTOR (CORPORATE RESOURCES)**	
MEMBERS' CONTACT POINT:	**CATHERINE GRIMLEY** Catherine.grimley@southderbyshiregov.uk	**DOC:**
SUBJECT:	**PROPOSED CONTINUATION OF BANDED COUNCIL TAX REDUCTION SCHEME FOR 2023-2024**	**REF:**
WARD (S) AFFECTED:	**ALL**	**TERMS OF REFERENCE: FM12**

1.0 Recommendations

1.1 That the Council maintains a banded Council Tax Reduction Scheme for 2023/2024, to include the following changes as recommended by the Finance and Management Committee on 12 January 2023.

- Uprating to the applicable amounts in line with the prescribed scheme but with the exception of non-dependent deduction for working age which will remain at £5.00 for 23/24 for all cases.
- Align with Housing Benefit regulations for Ukrainian Refugees regarding habitual residence to allow the payment of council tax support.
- Adopt the prescribed scheme for Mixed Aged Couples.
- Adopt any other changes within the prescribed scheme in accordance with the statutory instrument published in January 2023.
- Current funding of £20,000 from the Welfare Reform Fund is continued to be set aside in 2023/2024 for hardship cases.

2.0 Purpose of Report

2.1 The Finance and Management Committee at its meeting on 12 January 2023, have recommended that a banded scheme for Council Tax Reduction is continued for 2023/2024 following its successful implementation in 2022/2023.

2.2 In addition, the Committee have recommended the following amendments to the scheme;

- Uprating to the applicable amounts in line with the prescribed scheme but with the exception of non-dependent deduction for working age which will remain at £5.00 for 23/24 for all cases.

- Align with Housing Benefit regulations for Ukrainian Refugees regarding habitual residence to allow the payment of council tax support.

- Adopt the prescribed scheme for Mixed Aged Couples.

- Adopt any other changes within the prescribed scheme in accordance with the statutory instrument published in January 2023.

3.0 Executive Summary

3.1 South Derbyshire District Council consulted widely on proposed changes to its Local Council Tax Reduction Scheme in 2021 for working-age claimants. A banded scheme was the preferred option and as a result it was adopted for 2022/2023. The scheme reflects our corporate priorities below.

Better for residents Greater Council Tax reductions for residents on the lowest incomes, fairer distribution of support to the most financially vulnerable residents, less paperwork and confusion, more financial stability, and greater customer satisfaction.

Better for the Council More streamlined administration, less debt recovery carried out with vulnerable residents, update of the scheme in line with changes introduced by welfare reform and Universal Credit (UC).

3.2 There were initial set up costs of £15,000 for implementing a banded scheme in 2022/23 with ongoing software costs of £10,000 per annum.

3.3 When the scheme was introduced it was expected that further automation of council tax reduction claims would be enabled. However, this has been delayed due to the software provider having to concentrate its resourcing on the Energy Rebate Scheme. It is anticipated that this work will take place in 2023/24.

3.4 The Recovery team have noticed a reduction in workload relating to smaller balances as contact has reduced for customers on lower income benefits, with fewer cases being processed through to summons. This has also meant a reduction in further recovery action costs being incurred as a result of full Council Tax Reduction now being awarded.

3.5 The current scheme has allowed the Recovery team to concentrate on a greater proportion of non-council tax payers as time is not being taken up trying to recover small balances. This has also helped to free up valuable resources that previously would have been absorbed in time consuming calls and emails for very little financial return.

3.6 No complaints have been received about the Council's banded scheme.

4.0 Detail

4.1 Under the banded scheme, the council tax reduction scheme regulations are simplified so they are easier to understand and remove outdated legislation. The scheme also aligns with other welfare benefits.

4.2 The banded scheme works out how much council tax discount claimants will get (as a percentage of the total charge) by putting a claimant's excess income into one of ten bands as shown in table 4.3

4.3

Amount of excess income you have per week			
Band	Lower Limit	Upper Limit	How much discount you get on your council tax bill
1	£0	£5.00	100%
2	£5.01	£20.00	90%
3	£20.01	£35.00	78%
4	£35.01	£50.00	66%
5	£50.01	£65.00	54%
6	£65.01	£80.00	42%
7	£80.01	£95.00	30%
8	£95.01	£110.00	18%
9	£110.01	£140.00	10%
10	£140.01	Or higher	No discounts

4.4 If a claimant's excess income goes up or down beyond the band limits – for example they normally have £53 excess income a week but running up to Christmas for example they work a few more hours and earn £105 excess income a week, the amount of council tax discount they will get will reduce from 54% to 18%. We will reassess their claim at this point and write to them to explain the changes.

However, if one week they just did a few extra hours and their excess income only went up slightly – for example from £53 to £62 the amount of council tax discount they will get will not change, as their income will have stayed within the same band. Historically, evidence suggests that most changes in income are within the £15 band limits, so most claimants whose income fluctuates a little will know week-to-week how much discount they are going to get.

4.5 **Uprating of applicable amounts in line with the prescribed scheme**

The prescribed regulations are those which govern the assessment of support for pension age claimants. The Government has announced that the needs allowances (also known as applicable amounts) for Pension age support will increase in line with inflation (10.1%) and that Welfare Benefits in general, not just those related to pension age customers, will also rise by 10.1%. These increases to incomes and needs allowances will broadly offset each other as they are both increasing in line with each other.

Keeping our working age (local scheme) needs allowances aligned with those prescribed by the government makes the application of the scheme easier. The only exception to this is the non-dependent deduction for working age cases which will remain at £5.00 for 23/24 for all claimants within the scheme. An increase in the non-dependent deduction has not been considered at this time due to the current cost of living crisis the consequences this may have on our most vulnerable benefit claimants.

In previous years we would also have expected earnings to roughly increase in line with inflation but we are not generally seeing this, with changes to earnings being much lower than 10.1% in many cases. Therefore where a claim is based on earnings, their needs allowance will rise by proportionality more than their income and they will be entitled to more Council Tax Support (proportionality) than in 22/23. An estimated earnings increase of 2% has been included in the financial section to account for this.

4.6 **Ukrainian Refugees**

During 2022/23 our Council Tax Support regulations did not allow Ukrainian Refugees arriving through the Homes for Ukraine scheme to claim Council Tax Support when living in their own accommodation. This was due to the Government making amendments to their immigration status allowing refugees three years leave to remain. This gave them the entitlement to work, access to public services and access to benefits. As our legislation had been published prior to this we have been unable to align our regulations until 2023/24.

4.7 **Prescribed scheme for Mixed Aged Couples**

we propose to clarify within the scheme that the rules regarding mixed aged couples takes precedence from the prescribed scheme for pension aged claimants.

4.8 Adopt any other changes within the prescribed scheme in accordance with the statutory instrument due to be published in January 2023.

5.0 Financial Implications

5.1

Change	Total cost of scheme	Notes
Council Tax Support Spend 2021/2022	£4 877 999	
Council Tax Support Spend 2022/2023 spend to date	£5 074 483	As at 14/12/22
Projected Council Tax Support Spend 2022/2023	£5 088 480	Based on projected in-year caseload
Projected Council Tax Support Spend 2023/2024	£5 345 956	This figure has been calculated using estimates for a 3% Council Tax increase and 2% earnings increase.
Total projected Council Tax Support Spend 2023/2024	**£5 345 956**	

5.2 Table 5.1 shows that the estimated cost of the scheme has increased for 2023/24 however this increase is contained within the collection fund surplus at the moment, this will need to be kept under review.

5.3 It is proposed that £20,000 is continued to be set aside within the hardship fund under section 13A for any unforeseen/major impacts on benefit claimants as a result of the scheme.

5.4 The banded scheme will continue to deliver significant service efficiencies and help to generate time and resource savings in the long-term. These savings will continue to be mapped and recorded over time.

6.0 <u>Corporate Implications</u>

Employment implications

6.1 There are no employment implications arising from the changes detailed in this report.

Legal implications

6.2 There are no legal implications arising from the changes detailed in this report.

Corporate Plan Implications

6.3 Continuation of a banded scheme will support the Council's Corporate Plan in the following ways:

- Encourage independent living and keep residents healthy and happy in their homes.
- Ensure consistency in the way the Council deals with its service users.
- Support unemployed residents back into work.
- Provide modern ways of working that support the Council to deliver services to meet changing needs.

Risk Impact

6.4 Appropriate risk assessments will be completed as part of the roll-out of the proposed changes.

7.0. Equality & Diversity and Social Value Impact

7.1 The scheme has been assessed against protected characteristic groups, as set out the Equalities Act, detailed below:

Protected characteristic	Comment
Age	The schemes only apply to working age claimants and not to pensioners or children. The scheme does not affect or alter the applicable ages.
Sex	The scheme does not discriminate against people of any particular sex.
Sexual orientation	The scheme does not discriminate against people of any particular sexual orientation.
Gender reassignment	The scheme does not discriminate against people who have undergone gender reassignment.

Race	The scheme does not discriminate against people based on their race.
Gypsy and travellers	The scheme does not discriminate against gypsies or travellers, however the scheme provides a reduction on Council Tax payable, so anyone who does not pay Council Tax does not benefit.
Religion or belief	The scheme does not discriminate against people based on their religion or belief.
Marriage and civil partnership	The scheme does not discriminate against people based on their marital or civil partnership status. Civil partners are recognised as dependents.
Disability	The banded scheme disregards incomes awarded for disabilities and vulnerabilities and consider a household's circumstances before determining the excess income amount (for example disabled claimants).

8.0 <u>Conclusions</u>

8.1 That Finance & Management Committee recommends the continuation of a banded council tax reduction scheme for 2023/2024 and associated amendments listed at 2.2 to Full Council for approval. This is based on the fact that the banded scheme was the favoured scheme for 2021/22 and that there has been a positive outcome from the first year of it being implemented. The report also concludes that Finance and Management Committee should recommend that the current funding of £20,000 from the Welfare Reform Fund is continued to be set aside in 2023/2024 for hardship cases.

9.0 <u>Background Papers</u>

None.

REPORT TO:	**FINANCE AND MANAGEMENT COMMITTEE**	**AGENDA ITEM: 9**
DATE OF MEETING:	**22 FEBRUARY 2023**	**CATEGORY: RECOMMENDED**
REPORT FROM:	**STRATEGIC DIRECTOR (CORPORATE RESOURCES)**	**OPEN**
MEMBERS' CONTACT POINT:	**CHARLOTTE JACKSON** charlotte.jackson@southderbyshire.gov.uk	**DOC:** s/Finance/Committee/2022-23/Feb
SUBJECT:	**CAPITAL STRATEGY 2023-24 to 2027-28**	
WARD(S) AFFECTED:	**ALL**	**TERMS OF REFERENCE: FM08**

1.0 Recommendations

1.1 That the proposed Capital Strategy 2023/24 to 2027/28 as detailed in **Appendix 1** is approved.

2.0 Purpose of the Report

2.1 To provide an update to the Council's Capital Strategy as required under the CIPFA 2021 Prudential Code.

3.0 Detail

3.1 In December 2021, CIPFA issued an update to the Prudential Code requiring authorities to look at capital expenditure in light of overall organisational strategy and resources to ensure that decisions are being made with sufficient regard to the long-term financing implications and potential risks to the Council.

3.2 The updated Prudential Code remained largely unchanged. However, there is now a requirement to produce a Capital Strategy in order to demonstrate that capital expenditure decisions are taken in line with service objectives and properly take account of stewardship, value for money, prudence, sustainability and affordability.

3.3 The Council have historically had a Capital Strategy in place in line with best practice, but this has now been updated to include the requirements set out in the Code.

3.4 An update to the Strategy is presented to Council annually.

4.0 Financial Implications

4.1 None

5.0 Corporate Implications

Employment Implications

5.1 None

Legal Implications

5.2 None

Corporate Plan Implications

5.3 None

Risk Impact

5.4 Meeting additional demand for Council Services due to the growth of the District is a key risk in the Council's Medium-Term Financial Plan. A fully costed capital expenditure programme provides on-going investment in services and the Council's asset base to support the growth of the District. This in turn helps to ensure that the Council's financial position remains sustainable.

6.0 Community Impact

Consultation

6.1 None

Equality and Diversity Impact

6.2 None

Social Value Impact

6.3 None

Environmental Sustainability

6.4 None

7.0 Background Papers

7.1 None

Capital Strategy

2022/23 – 2027/28

Introduction

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

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

Capital Expenditure and Financing

Capital expenditure is where the Council spends money on assets, such as property or vehicles that will be used for more than one year. In local government this includes spending on assets owned by other bodies and loans and grants to other bodies enabling them to buy assets. The Authority has some limited discretion on what counts as capital expenditure, for example Property assets costing below £10,000 and vehicles below £5,000 are not capitalised and are charged to revenue in year.

In 2023/24, the Council is planning capital expenditure of £7.2m as summarised below:

Table 1: Prudential Indicator: Estimates of Capital Expenditure (£)

	2021/22 Actual	2022/23 Forecast	2023/24 Budget	2024/25 Budget	2025/26 Budget	2026/27 Budget	2027/28 Budget
General Fund services	2,163,181	4,955,861	4,402,138	1,775,218	905,000	485,000	485,000
Council housing (HRA)	3,038,874	2,900,000	2,432,186	2,877,000	3,143,503	2,497,000	3,232,000
Capital investments	225,862	532,845	340,420	999,814	1,431,760	364,211	166,500
TOTAL	**5,427,917**	**8,388,706**	**7,174,744**	**5,652,032**	**5,480,263**	**3,346,211**	**3,883,500**

The main General Fund capital projects include revitalising Rosliston Forestry Centre (£832K total project funding), Oversetts Road Football Facility (£1.188m total project funding). There are also several small projects that were approved during the 2020 capital bidding round. There have been further delays since last year on 6 of the 14 approved projects with the work now scheduled to start in the new financial year.

General Fund Services include the funding received from Derbyshire County Council for the delivery of projects through the Better Care Fund and the BCF Assurance Plan.

The Housing Revenue Account (HRA) is a ring-fenced account which ensures that council housing does not subsidise, or is itself subsidised, by other local services. HRA capital expenditure is therefore recorded separately. The Council has a programme of funding major improvements under self-financing to its current housing stock.

Governance: Heads of Service submit bid's when capital funds are identified as available, to include projects in the Council's capital programme. Bids are collated and scored the financing cost is calculated (which can be nil if the project is fully externally financed). The bids are appraised in accordance with the approved Capital Evaluation Framework. All bids are based on a comparison of service priorities against financing costs and makes recommendations to Finance and Management Committee. The final capital forecast is then presented to Finance and Management Committee in February each year. The capital programme is monitored quarterly and reported to members at the Finance and Management Committee.

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

Table 2: Capital financing (£)

	2021/22 **Actual**	**2022/23** **Forecast**	**2023/24** **Budget**	**2024/25** **Budget**	**2025/26** **Budget**	**2026/27** **Budget**	**2027/28** **Budget**
External sources	1,455,419	3,043,172	2,924,000	1,240,000	820,000	400,000	400,000
Capital resources	626,459	1,206,525	1,244,362	274,928	600,000	0	0
Revenue resources	3,346,039	4,139,009	3,006,382	4,137,104	4,060,263	2,946,211	3,483,500
Debt	0	0	0	0	0	0	0
TOTAL	**5,427,917**	**8,388,706**	**7,174,744**	**5,652,032**	**5,480,263**	**3,346,211**	**3,883,500**

Debt is only a temporary source of finance, since loans and leases must be repaid and this is therefore replaced over time by other financing, usually from revenue which is known as the **Minimum Revenue Provision (MRP**) / loans fund repayments. Alternatively, proceeds from selling capital assets (known as capital receipts) may be used to replace debt finance.

MRP represents the minimum amount that must be charged to a Council's revenue account each year for financing of capital expenditure, which will have initially been funded by borrowing.
MRP is important for prudent accounting because it allows an authority to put aside an amount of revenue that can be used towards the capital expenditure that was previously financed through either borrowing or credit.

The Council uses the Regulatory method to calculate MRP and the Regulatory method is charged at 4% of the Council's underlying need to borrow for capital purposes, i.e. the Capital Financing Requirement (CFR).

Table 3: Replacement of prior years debt finance (£)

	2021/22 Actual	2022/23 Forecast	2023/24 Budget	2024/25 Budget	2025/26 Budget	2026/27 Budget	2027/28 Budget
Capital resources	626,459	1,206,525	1,244,362	274,928	600,000	0	0
Revenue resources	3,346,039	4,139,009	3,006,382	4,137,104	4,060,263	2,946,211	3,483,500
Total	**3,972,498**	**5,345,534**	**4,250,744**	**4,412,032**	**4,660,263**	**2,946,211**	**3,483,500**

The General Fund does not currently have any actual debt outstanding, and its underlying borrowing requirement is financed from reserves and balances.

The Council's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP / loans fund repayments and capital receipts used to replace debt. The net borrowing of the Council reduced during 2021/22 due to a repayment of debt of £10m. Government Grant income, lower expenditure and budget savings in year resulted in larger cash balances to invest. On 31st March 2022, the Authority had net borrowing (after allowing for investments) of (£20,498m) a reduction of £17.466m.

The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR). Actual CFR versus budgeted CFR is summarised below.

Table 4: Prudential Indicator: Estimates of Capital Financing Requirement (£'000)

	2021/22 Actual	2022/23 Forecast	2023/24 Budget	2024/25 Budget	2025/26 Budget	2026/27 Budget	2027/28 Budget
General Fund services	4,409	4,214	4,026	3,863	3,709	3,560	3,418
Council housing (HRA)	51,584	51,584	41,584	41,584	41,584	31,584	31,584
Capital Financing Requirement	55,993	55,798	45,610	45,447	45,293	35,144	35,002

The relevant Prudential Indicators for the capital programme are detailed in the Treasury Management Strategy

Asset management: To ensure that capital assets continue to be of long-term use, the Council has a Corporate Asset Management Plan in place. The Corporate Asset Management Plan seeks to align the Council's non-housing property assets to the corporate objectives. The Plan covers the assets under the Corporate Property Section's management and control, and sits alongside the Housing Asset Management Strategy 2016-46, with the latter addressing the management, regeneration and identification of surplus assets held under the Housing Revenue.

Asset disposals: When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or to repay debt. The Council is currently also permitted to spend capital receipts on service transformation projects until 2022/23.

Capital grants, loans and investments also generate capital receipts. The Council's known capital receipts in the coming financial years are as follows:

Table 5: General Capital receipts (£'000)

	2021/22 Actual	2022/23 Forecast	2023/24 Budget	2024/25 Budget	2025/26 Budget	2026/27 Budget	2027/28 Budget
Asset sales	1797	589	612	612	612	612	612
Land Sales	529	196	0	0	0	0	0
TOTAL	**2,326**	**785**	**612**	**612**	**612**	**612**	**612**

Land sales have been achieved through collaboration with adjacent landowners. The deal secured ransom values from third parties and achieved optimum value through the joint master planning of large sites which are attractive to major housebuilders. The last of the planned receipts is due in 22/23. Asset sales will be achieved through the predicted right to buy receipts.

Treasury Management

Treasury management is concerned with keeping sufficient but not excessive cash available to meet the Council's spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the Current Account.

The Council is currently cash rich in the short-term as revenue income is received before it is spent, but potentially cash poor in the long-term as capital expenditure is incurred before being financed. The revenue cash surpluses are offset against capital cash shortfalls to reduce overall borrowing.

Due to decisions taken in the past, the Council currently has £47.512m borrowing at an average interest rate of 3.19% on fixed term borrowing. Treasury investments total £77m at an average rate of 3.81% (long term investment) and 2.13% in short term investments.

Borrowing strategy: The Council's main objectives of borrowing, are to achieve a low but certain cost of finance while retaining flexibility should plans change in the future. These objectives are often conflicting, and the Council therefore seeks to strike a balance between cheap short-term loans and long-term fixed rate loans where the future cost is known but higher.

The Council does not borrow to invest for the primary purpose of financial return and therefore retains full access to the Public Works Loans Board.

Projected levels of the Council's total outstanding debt are shown below, compared with the capital financing requirement.

Table 6: Prudential Indicator: Gross Debt and the Capital Financing Requirement (£'000)

	2021/22 Actual	2022/23 Forecast	2023/24 Budget	2024/25 Budget	2025/26 Budget	2026/27 Budget	2027/28 Budget

Council housing (HRA)	47,423	47,423	37,423	37,423	37,423	27,423	27,423
Capital Financing Requirement	51,584	51,584	41,584	41,584	41,584	31,584	31,584

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

Liability benchmark: To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes that cash and investment balances are kept to a minimum level of £10m at each year-end. This benchmark is currently £13.4m and is forecast to drop to £6m over the next three years.

Table 7: Borrowing and the Liability Benchmark in (£'000)

	2021/22 Actual	2022/23 Forecast	2023/24 Budget	2024/25 Budget	2025/26 Budget	2026/27 Budget	2027/28 Budget
Outstanding borrowing	47,423	47,423	37,423	37,423	37,423	27,423	27,423
Asset/(Liability) Benchmark	13,422	6,026	10,649	6,081	1,171	7,197	5,107

The table shows that the Council expects to remain borrowed below its liability benchmark. This is because cash inflows to date have been above the assumptions made when the loans were borrowed and there has been no requirement for additional sums. The Council has adopted a prudent approach to its finances and its borrowing requirements.

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

Table 8: Prudential Indicators: Authorised limit and operational boundary for external debt (£'000)

	2021/22 limit	2022/23 limit	2023/24 limit	2024/25 limit	2025/26 limit	2026/27 limit	2027/28 limit
Authorised limit – borrowing GF	4,409	4,214	4,026	3,863	3,709	3,560	3,418
Authorised limit – borrowing HRA	51,584	51,584	41,584	41,584	41,584	31,584	31,584
Authorised limit – total external debt	55,993	55,798	45,610	45,447	45,293	35,144	35,002
Operational boundary – borrowing	52,423	52,423	42,423	42,423	42,423	32,423	32,423
Operational boundary – total external debt	52,423	52,423	42,423	42,423	42,423	32,423	32,423

Further details on borrowing are detailed in the Treasury Management Strategy

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

The Council's policy on treasury investments is to prioritise security and liquidity over yield, i.e., to focus on minimising risk rather than maximising returns. Cash that is likely to be spent in the near term is invested securely, for example with the government, other local authorities or selected high-quality banks, to minimise the risk of loss. Money that will be held for longer terms is invested with the CCLA Property Fund to balance the risk of loss against the risk of receiving returns below inflation.

Both near-term and longer-term investments may be held in pooled funds, where an external fund manager makes decisions on which particular investments to buy, and the Council may request its money back at short notice.

Table 9: Treasury management investments (£'000)

	2021/22 Actual	2022/23 Forecast	2023/24 Budget	2024/25 Budget	2025/26 Budget	2026/27 Budget	2027/28 Budget
Near-term investments	64,010	46,825	32,391	37,121	42,185	26,807	29,549
Longer-term investments	4,000	4,000	4,000	4,000	4,000	4,000	4,000
TOTAL	**68,010**	**50,825**	**36,391**	**41,121**	**46,185**	**30,807**	**33,549**

Forecast totals represents the difference between the liability benchmark and borrowing in table 7 plus the minimum investment balance built into the liability benchmark.

<u>Risk Management</u>

The effective management and control of risk are prime objectives of the Council's treasury management activities. The treasury management strategy therefore sets out various indicators and limits to constrain the risk of unexpected losses and details the extent to which financial derivatives may be used to manage treasury risks.

Governance: Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Strategic Director (Corporate Resources), Head of Finance and staff, who must act in line with the Treasury Management Strategy approved by the Finance and Management Committee. Quarterly reports on treasury management activity are presented to the Finance and Management Committee. The Council's Audit Sub-Committee is responsible for scrutinising the Treasury Management Framework in response to Auditor's reports.

The Councils borrowing and investment strategies are detailed in the Treasury Management Strategy

Investments for Service Purposes

The Council makes investments to assist local public services including making grants and loans to local service providers, local small businesses to promote economic growth and the Council's partnerships that provide services. In light of the public service objective, the Council is willing to take more risk than with treasury investments, however it still plans for such investments to break-even/generate a profit after all costs.

Governance: Decisions on service investments are made by the relevant service manager in consultation with the Strategic Director (Corporate Resources) and must meet the criteria and limits laid down in the Investment Strategy which is to be updated. Any loans and shares entered into are capital expenditure and purchases will therefore also be approved as part of the capital programme.

The Authority has no plans to make any material investment in services in the medium term.

Commercial Activities

Central Government financial support for local public services has been declining. In response to this, many authorities are increasing their investment in commercial property purely or mainly for financial gain with financial return being the main objective. In these cases, higher risks are accepted on commercial investment than with treasury investments.

The Council currently has no plans over the medium term to invest in any new commercial activities and follows its investment strategy for lower risk returns on surplus funds.

Governance: Decisions on commercial investments are made by the Strategic Director (Corporate Resources) in line with the criteria and limits approved by Finance and Management Committee in the Treasury Management Strategy. Property and most other commercial investments are also capital expenditure and purchases will therefore also be approved as part of the capital programme.

The Council has a small portfolio of commercial properties which are held to earn rentals and/or for capital appreciation. The following table shows the proportion of income from commercial properties to the net revenue of the Council. The estimated decline in income is due to the uncertainty around the letting of bespoke factory premises.

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

	2020/21 Actual	2021/22 Forecast	2022/23 Budget	2023/24 Budget	2024/25 Budget	2025/26 Budget	2026/27 Budget
Net Income from Commercial and Service Investments to net revenue stream	737,000	709,534	699,533	699,533	489,533	489,533	489,533
Proportion of net revenue stream	1.87%	2.39%	2.31%	2.31%	1.61%	1.61%	1.61%

Liabilities

In addition to debt of £47.423m detailed previously, the Council is committed to making future payments to cover its pension fund deficit (valued at £30.7m as at 31st March 2022). It has also set aside £0.7m to cover risks of appeals against planning and NNDR decisions. No contingent liabilities are currently in place at the Council.

Governance: Decisions on incurring new discretional liabilities are taken by Service Mangers in consultation with the Strategic Director (Corporate Resources) and Head of Finance. The risk of liabilities crystallising and requiring payment is monitored by the Head of Finance and reported quarterly to Finance and Management Committee. New liabilities exceeding the materiality threshold are reported to Full Council for approval/notification as appropriate.

Further details on liabilities and guarantees are on pages 59 and 71 to 76 of the draft 2021/22 Statement of Accounts

Revenue Budget Implications

Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP/ loan fund repayments are charged to revenue, offset by any investment income receivable. The net annual charge is known as financing costs; this is compared to the net revenue stream, i.e., the amount funded from Council Tax, Business Rates and General Government grants. The table below illustrates the cost of the HRA debt to rental income.

Table 11: Prudential Indicator: Proportion of financing costs to net revenue stream.

	2021/22 Actual	2022/23 Forecast	2023/24 Budget	2024/25 Budget	2025/26 Budget	2026/27 Budget	2027/28 Budget
Financing costs £m	1,527	1,456	1,362	1,186	1,186	1,186	885
Proportion of net revenue stream	12.55%	11.29%	10.39%	8.83%	8.63%	8.43%	6.15%

Sustainability: Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend far into the future. The Strategic Director (Corporate Resources) is satisfied that the proposed capital programme is prudent, affordable, and sustainable due to the fact that all business cases and plans for expenditure have been submitted and formally approved following strict governance arrangements before funding is made available.

Investments will be measured using appropriate project appraisals such as NPV (net present value) and direct annual revenue effects will also be considered when assessing affordability. A robust system is in place to ensure that due regard is paid to the Code of Practice on a Prudential Approach to Local Authority Commitments in preparing the Capital Programme.

Knowledge and Skills

The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions.

For example, the Head of Finance is a qualified accountant, the Head of Corporate Property is a qualified Chartered Surveyor, and the Committee are advised by the Section 151 Officer (Chief Finance) Officer who is the Strategic Director (Corporate Resources).

The day-to-day operational responsibility of the Capital Programme is undertaken by the Chief Accountant in the Financial Services Unit at the Council. The Council pays for junior staff to study towards relevant professional qualifications including AAT, CIPFA, ACCA and CIMA for continued professional development and business continuity.

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

REPORT TO:	**COUNCIL**	**AGENDA ITEM: 10**
DATE OF MEETING:	**22 FEBRUARY 2023**	**CATEGORY: RECOMMENDED**
REPORT FROM:	**STRATEGIC DIRECTOR (CORPORATE RESOURCES)**	**OPEN**
MEMBERS' CONTACT POINT:	**CHARLOTTE JACKSON** charlotte'jackson@southderbyshire.gov.uk	**DOC:** s/finance/committee/23-24/Council/Feb
SUBJECT:	**TREASURY MANAGEMENT STRATEGY AND PRUDENTIAL INDICATORS 2023-24**	**REF:**
WARD(S) AFFECTED:	**ALL**	**TERMS OF REFERENCE: FM 08**

1.0 Recommendations

1.1 The Treasury Management Strategy for 2023/24**(Appendix 1)** is approved.

1.2 The Prudential Indicators and Limits for 2023/24 – 2027/28 **(Appendix 2)** are approved.

1.3 The Investment Policy for 2023/24 including the associated counterparty (lending) list **(Appendix 3)** is approved.

2.0 Purpose of the Report

2.1 To detail the Council's Prudential Indicators for its expected treasury operations for the medium-term financial planning period, 2023/24 to 2027/28. This is in accordance with the requirements of the Local Government Act 2003, updated for provisions contained in the Localism Act 2011. Three main areas covered are:

- The CIPFA Prudential Code (2021) which requires the reporting of the Indicators for Capital Finance in Local Authorities.
- The Treasury Strategy in accordance with the CIPFA Code of Practice on Treasury Management.
- The Investment Strategy in accordance with Central Government guidance.

3.0 Summary

The Prudential System for Capital Finance

3.1 The Council is required to manage its treasury and capital expenditure activities under a National Code. The main aims of the National Prudential System are to ensure that:

- Capital investment plans of local authorities are affordable and sustainable.

- Treasury management decisions are taken in accordance with best professional practice.

- Financial planning and asset management are integrated into the Council's overall corporate planning arrangements.

3.2 Treasury operations are measured within a set of prudential indicators. The main purpose of these indicators is to provide the limits and benchmarks to control the level of capital expenditure, borrowing and investment. The Council is expected to operate comfortably within these limits.

3.3 The Prudential System allows councils the freedom to borrow on a prudential basis. Any new borrowing has to be accommodated within any maximum debt limits or caps set by Central Government and the Council has to demonstrate that it can afford to service and repay the debt within its financial plans.

The Treasury Management Strategy

3.4 The Strategy aims to provide transparency for treasury decisions including the use of counterparties, together with assessing how risk is managed on a day- to-day basis.

Prudential Indicators

3.5 The relevant indicators required under the regulations are detailed in the statement.

4.0 Financial Implications

4.1 As detailed in the report.

5.0 Corporate Implications

5.1 None directly

6.0 Community Impact

6.1 None directly

7.0 Background Papers

7.1 Treasury Management in Public Services and the Code of Practice (CIPFA Publication – November 2011)

7.2 Local Government Act 2003 (Part 1)

7.3 Localism Act 2011 – Part 7 Chapter 3

South Derbyshire District Council

Treasury Management Strategy Statement 2023/24

February 2023

Introduction

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

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

Updates on treasury activity are reported to the Finance and Management Committee on a quarterly basis. A further annual report is produced alongside the final accounts each July to detail all activity for the year.

Responsibility for Treasury Management

The Finance and Management Committee is responsible for setting and monitoring treasury activity at the Council. Under its terms of reference, this includes ensuring that the Council does not breach its borrowing limit.

The Committee is advised by its Section 151 (Chief Finance) Officer who is the Strategic Director (Corporate Resources). This Officer is responsible for the oversight of activity and to ensure that treasury strategy and associated policies are met.

The day-to-day operational activity is undertaken within the Financial Services Unit at the Council. The main officers who have responsibility for daily transactions are the Chief Accountant and the Service Accountants.

The Authorising Officers for transactions are the Strategic Director (Corporate Resources), and the Head of Finance. Any new borrowing or investment must have the prior approval of the Strategic Director (Corporate Resources).

External Support for Treasury Activity

All designated officers involved in treasury activity are covered under the Council's Crime insurance. Officers are also supported by external treasury advisors who provide research material, news bulletins, together with general advice and guidance.

Audit Arrangements

The Council's Internal Audit function audits treasury policies and procedures, together with treasury activity and transactions at least once every two years. This is a requirement of External Audit. Any matters raised concerning any governance or control matters, are considered and monitored by the Council's Audit Sub-Committee.

Scrutiny and Training

Scrutiny is undertaken by the Finance and Management Committee as part of their role of agreeing policy and monitoring performance. The Audit Sub-Committee review internal audit reports regarding any procedural or wider control matters.

The Elected Members involved in reviewing Treasury Management have previously received training outside of formal reports and briefing papers. To strengthen the role of Members and to supplement their understanding, it is planned to deliver a further briefing/training session during the year for Members.

The Strategy

This strategy covers:

- The management of debt
- The Council's debt and investment projections
- The expected movement in interest rates
- The Council's borrowing and investment strategies
- Treasury performance indicators
- Specific limits on treasury activities
- Any local treasury issues

External Context

Economic background: The ongoing impact on the UK from the war in Ukraine, together with higher inflation, higher interest rates, uncertain government policy, and a deteriorating economic outlook, will be major influences on the Authority's treasury management strategy for 2023/24.

The Bank of England (BoE) increased Bank Rate by 0.5% to 3.5% in December 2022. This followed a 0.75% rise in November which was the largest single rate hike since 1989 and the ninth successive rise since December 2021. The December decision was voted for by a 6-3 majority of the Monetary Policy Committee (MPC), with two dissenters voting for a no-change at 3% and one for a larger rise of 0.75%.

The November quarterly Monetary Policy Report (MPR) forecast a prolonged but shallow recession in the UK with CPI inflation remaining elevated at over 10% in the near-term.

While the projected peak of inflation is lower than in the August report, due in part to the government's support package for household energy costs, inflation is expected remain higher for longer over the forecast horizon and the economic outlook remains weak, with unemployment projected to start rising.

The UK economy contracted by 0.3% between July and September 2022 according to the Office for National Statistics, and the BoE forecasts Gross Domestic Product (GDP) will decline 0.75% in the second half of the calendar year due to the squeeze on household income from higher energy costs and goods prices. Growth is then expected to continue to fall throughout 2023 and the first half of 2024.

CPI inflation is expected to have peaked at around 11% in the last calendar quarter of 2022 and then fall sharply to 1.4%, below the 2% target, in two years' time and to 0% in three years' time if Bank Rate follows the path implied by financial markets at the time of the November MPR (a peak of 5.25%). However, the BoE stated it considered this path to be too high, suggesting that the peak in interest rates will be lower, reducing the risk of inflation falling too far below target. Market rates have fallen since the time of the November MPR.

The labour market remains tight for now, with the most recent statistics showing the unemployment rate was 3.7%. Earnings were up strongly in nominal terms by 6.1% for both total pay and for regular pay but factoring in inflation means real pay for both measures was -2.7%. Looking forward, the November MPR shows the labour market weakening in response to the deteriorating outlook for growth, leading to the unemployment rate rising to around 6.5% in 2025.

Interest rates have also been rising sharply in the US, with the Federal Reserve increasing the range on its key interest rate by 0.5% in December 2022 to 4.25%-4.5%. This rise follows four successive 0.75% rises in a pace of tightening that has seen rates increase from 0.25%-0.50% in March 2022. Annual inflation has been slowing in the US but remains above 7%. GDP grew at an annualised rate of 3.2% (revised up from 2.9%) between July and September 2022, but with official interest rates expected to rise even further in the coming months, a recession in the region is widely expected at some point during 2023.

Inflation rose consistently in the Euro Zone since the start of the year, hitting a peak annual rate of 10.6% in October 2022, before declining to 10.1% in November. Economic growth has been weakening with an upwardly revised expansion of 0.3% (from 0.2%) in the three months to September 2022. As with the UK and US, the European Central Bank has been on an interest rate tightening cycle, pushing up its three key interest rates by 0.50% in December, following two consecutive 0.75% rises, taking its main refinancing rate to 2.5% and deposit facility rate to 2.0%.

Credit outlook: Credit default swap (CDS) prices have generally followed an upward trend throughout 2022, indicating higher credit risk. They have been boosted by the war in Ukraine, increasing economic and political uncertainty and a weaker global and UK outlook, but remain well below the levels seen at the beginning of the Covid-19 pandemic.

CDS price volatility was higher in 2022 compared to 2021 and the divergence in prices between ringfenced (retail) and non-ringfenced (investment) banking entities has emerged once again.

The weakening economic picture during 2022 led the credit rating agencies to reflect this in their assessment of the outlook for the UK sovereign as well as several local authorities and financial institutions, revising them from to negative from stable.

There are competing tensions in the banking sector which could impact bank balance sheet strength going forward. The weakening economic outlook and likely recessions in many regions increase the possibility of a deterioration in the quality of banks' assets, while higher interest rates provide a boost to net income and profitability.

However, the institutions on our adviser Arlingclose's counterparty list remain well-capitalised and their counterparty advice on both recommended institutions and maximum duration remain under constant review and will continue to reflect economic conditions and the credit outlook.

Interest rate forecast: The Authority's treasury management adviser Arlingclose forecasts that Bank Rate will continue to rise in 2022 and 2023 as the Bank of England attempts to subdue inflation which is significantly above its 2% target.

While interest rate expectations reduced during October and November 2022, multiple interest rate rises are still expected over the forecast horizon despite looming recession. Arlingclose expects Bank Rate to rise to 4.25% by June 2023 under its central case, with the risks in the near- and medium-term to the upside should inflation not evolve as the Bank forecasts and remains persistently higher.

Yields are expected to remain broadly at current levels over the medium-term, with 5-, 10- and 20-year gilt yields expected to average around 3.5%, 3.5%, and 3.85% respectively over the 3-year period to December 2025. The risks for short, medium and longer-term yields are judged to be broadly balanced over the forecast horizon. As ever, there will undoubtedly be short-term volatility due to economic and political uncertainty and events.

A more detailed economic and interest rate forecast provided by Arlingclose is in Appendix A.

Local Context

On 31st December 2022, the Authority held £47.423m of borrowing and £77m of treasury investments. Forecast changes in these sums are shown in the balance sheet analysis below.

Balance sheet summary and forecast (£'m)

	2021/22 Actual	2022/23 Estimate	2023/24 Forecast	2024/25 Forecast	2025/26 Forecast	2026/27 Forecast	2027/28 Forecast
General Fund CFR	4,409	4,214	4,026	3,863	3,709	3,560	3,418
HRA CFR	51,584	51,584	41,584	41,584	41,584	31,584	31,584
Total CFR	55,993	55,798	45,610	45,447	45,293	35,144	35,002
Less: External Borrowing	(47,423)	(47,423)	(37,423)	(37,423)	(37,423)	(27,423)	(27,423)
Internal (over) Borrowing	8,570	8,375	8,187	8,024	7,870	7,721	7,579
Less: balance sheet resources	(79,415)	(71,824)	(66,258)	(61,528)	(56,464)	(52,341)	(50,109)
Treasury Investments	**70,845**	**63,449**	**58,071**	**53,504**	**48,594**	**44,620**	**42,530**

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

The Authority's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing, in order to reduce risk and keep interest costs low.

The Authority has a decreasing CFR due to the repayment of PWLB debt and it's capital programme plans do not currently imply the need to borrow over the forecast period.

CIPFA's Prudential Code for Capital Finance in Local Authorities recommends that the Authority's total debt should be lower than its highest forecast CFR over the next three years. The above table shows that the Authority expects to comply with this recommendation during 2023/24.

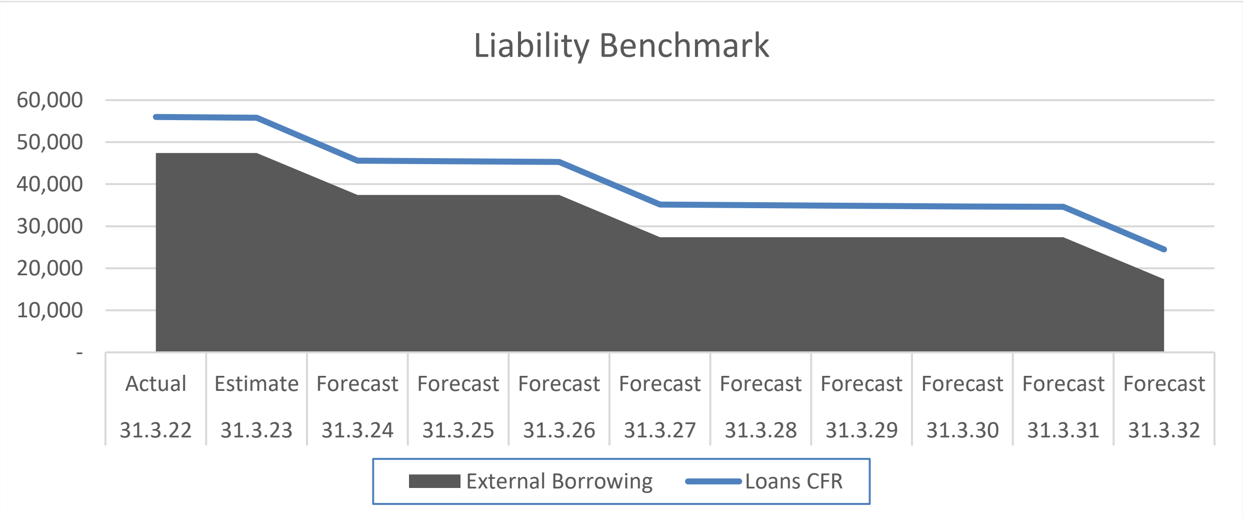
Asset benchmark: To compare the Council's actual borrowing against an alternative strategy, an asset benchmark has been calculated showing the lowest risk level of borrowing. This assumes the same forecasts as the balance sheet summary and forecast above, but that cash and investment balances are kept to a minimum level of £10m at each year-end to maintain sufficient liquidity but minimise credit risk.

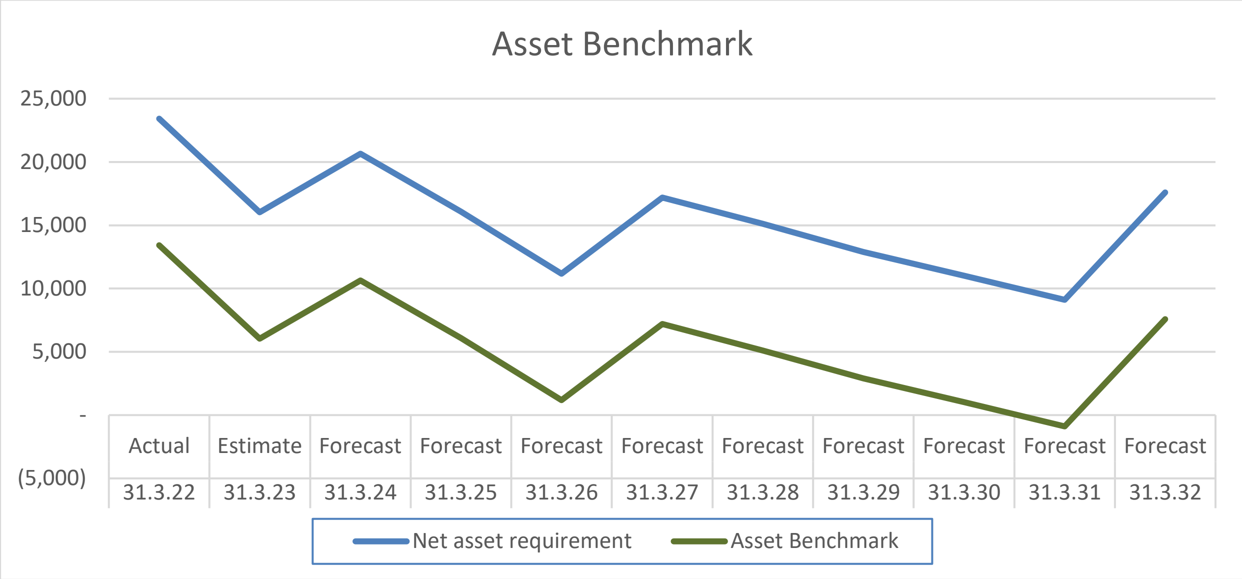
The asset benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. The asset benchmark itself represents an estimate of the cumulative amount of external borrowing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

Asset Benchmark (£'m)

	31.3.22 Actual	31.3.23 Estimate	31.3.24 Forecast	31.3.25 Forecast	31.3.26 Forecast	31.3.27 Forecast	31.3.28 Forecast
Capital Financing requirement	55,993	55,798	45,610	45,447	45,293	35,144	35,002
Balance sheet resources	(79,415)	(71,824)	(66,258)	(61,528)	(56,464)	(52,341)	(50,109)
Net asset requirement	23,422	16,026	20,649	16,081	11,171	17,197	15,107
Liquidity allowance	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Asset Benchmark	13,422	6,026	10,649	6,081	1,171	7,197	5,107

Following on from the medium-term forecasts above, the long-term asset benchmark assumes borrowing is repaid when due and no additional borrowing is required. Capital expenditure is funded from reserves.





As shown from the above graphs the asset benchmark increases over the medium term as debt is repaid and then decreases as reserves are utilised.

Borrowing Strategy

The Authority currently holds £47.423 million of loans. These loans were taken out by the Authority in 2011/12 for the purpose of HRA self-financing. The principal element of these loans is repayable in full on maturity, with interest being paid each March and September.

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

Strategy: Given the significant cuts to public expenditure and in particular to local government funding, the Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead.

By doing so, the Authority is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal / short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose will assist the Council with this 'cost of carry' and breakeven analysis. Its output may determine whether the Council borrows additional sums at long-term fixed rates in 2023/24 with a view to keeping future interest costs low, even if this causes additional cost in the short-term. The benefits of internal borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly.

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

Alternatively, the Council may arrange forward starting loans, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.

In addition, the Council may borrow short-term loans to cover unplanned cash flow shortages.

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

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

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

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

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

LOBOs: LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost.

Short-term and variable rate loans: These loans leave the Council exposed to the risk of short-term interest rate rises and are therefore subject to the interest rate exposure limits in the treasury management indicators below. Financial derivatives may be used to manage this interest rate risk.

Debt rescheduling: The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Council may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk.

Treasury Investment Strategy

The Authority holds £77m invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Council's treasury investment balance has ranged between £61m and £77m, and similar levels are expected to be maintained in the forthcoming year.

Objectives: The CIPFA Code requires the Authority to invest its treasury funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. The Authority aims to be a responsible investor and will consider environmental, social and governance (ESG) issues when investing.

Strategy: As demonstrated by the liability benchmark above, the Authority expects to be a long-term investor and treasury investments will therefore include both short-term low risk instruments to manage day-to-day cash flows and longer-term instruments where limited additional risk is accepted in return for higher investment income to support local public services.

ESG policy: Environmental, social and governance (ESG) considerations are increasingly a factor in global investors' decision making, but the framework for evaluating investment opportunities is still developing and therefore the Council's ESG policy does not currently include ESG scoring or other real-time ESG criteria at an individual investment level. When investing in banks and funds, the Authority will prioritise banks that are signatories to the UN Principles for Responsible Banking and funds operated by managers that are signatories to the UN Principles for Responsible Investment, the Net Zero Asset Managers Alliance and/or the UK Stewardship Code. As surplus funds become available options for re-investing in ESG (Environmental Social & Governance) equity funds shall be contemplated. Any new fund manager appointments would be subject to due diligence by the Strategic Director (Corporate Resources) and approved at the Finance and Management Committee.

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

Approved counterparties: The Authority may invest its surplus funds with any of the counterparty types below, subject to the limits shown.

Treasury investment counterparties and limits

Sector	Counterparty Limit	Time Limit	Sector Limit
The UK Government	£25m	364 days	n/a
Local authorities & other government entities	£5m	364 days	Unlimited
Banks (unsecured)*	£3m	35 days	Unlimited
Building societies (unsecured)*	£2m	35 days	£5m
Money Market Funds*	£2m	60 days	£16m
Strategic Pooled Funds	£4m	n/a	£4m
Other Investments*	£1m	35 days	Unlimited

This table must be read in conjunction with the notes below.

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

For entities without published credit ratings, investments may be made either (a) where external advice indicates the entity to be of similar credit quality; or (b) to a maximum of £5m per counterparty as part of a diversified pool e.g. via a peer-to-peer platform.

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

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

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

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

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

Operational bank accounts: The Authority may incur operational exposures, for example though current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments but are still subject to the risk of a bank bail-in, and balances will therefore be kept below £3m. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Authority maintaining operational continuity.

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

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and

- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

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

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

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

Investment limits: The Council’s revenue reserves available to cover investment losses are forecast to be £40.7 million on 31st March 2023. In order that no more than 11% of available reserves will be put at risk in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government) will be £5m million. A group of entities under the same ownership will be treated as a single organisation for limit purposes.

Credit risk exposures arising from non-treasury investments, financial derivatives, and balances greater than £3,000,000 in operational bank accounts count against the relevant investment limits.

Liquidity management: The Authority uses a cash flow forecast to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Authority being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Authority’s medium-term financial plan and cash flow forecast.

The Authority spreads its liquid cash over at least 10 providers (e.g. bank accounts and money market funds) to ensure that access to cash is maintained in the event of operational difficulties at any one provider.

Treasury Management Prudential Indicators

The main indicator the Council uses to measure its return on short-term investments to average over the year, is the Average 7-Day Money Market Rate. This is a standard measure of performance. Performance in recent years is shown in the following table.

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
7-Day Rate (target)	0.35%	0.65%	0.65%	0.11%	0.09%	1.72%
Actual Rate	0.39%	0.66%	0.66%	0.13%	0.09%	2.28%

As at 31st December 2022 the Council's investment portfolio is as follows:

	Current Rate(s)	Balance at 31.12.2022 £000
Local Authorities	0.23% - 3.50%	38,000
DMO	0.01% - 0.08%	15,000
Money Market Funds	2.69% - 3.29%	15,000
CCLA Property Funds	4.27%	4,000
Banks	0.01 – 2.3%	4,583
TOTAL		**76,583**

Related Matters

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

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

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

Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria, assessed using the appropriate credit rating for derivative exposures. An allowance for credit risk calculated using the methodology in the Treasury Management Practices document will count against the counterparty credit limit and the relevant foreign country limit.

In line with the CIPFA Code, the Authority will seek external advice and will consider that advice before entering financial derivatives to ensure that it fully understands the implications.

Housing Revenue Account: On 1st April 2012, the Authority notionally split each of its existing long-term loans into General Fund and HRA pools. In the future, new long-term loans borrowed will be assigned in their entirety to one pool or the other. Interest payable and other costs/income arising from long-term loans (e.g. premiums and discounts on early redemption) will be charged/ credited to the respective revenue account. Differences between the value of the HRA loans pool and the HRA's underlying need to borrow (adjusted for HRA balance sheet resources available for investment) will result in a notional cash balance which may be positive or negative. This balance will be measured each month and interest transferred between the General Fund and HRA at the Authority's average interest rate on investments, adjusted for credit risk

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

Financial Implications

The budget for investment income in 2023/24 is £428K, based on an average investment portfolio of £32m million at an average interest rate of 1.67%. The budget for debt interest paid in 2023/24 is £1.5 million, based on a debt portfolio of £47.423 million at an average interest rate of 3.16%. If actual levels of investments and borrowing, or actual interest rates, differ from those forecast, performance against budget will be correspondingly different. Split into General Fund and HRA budgets.

Other Options Considered

The CIPFA Code do not prescribe any particular treasury management strategy for local authorities to adopt. The Strategic Director (Corporate Resources), having consulted the Finance and Management Committee, believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

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

Appendix A – Arlingclose Economic & Interest Rate Forecast – December 2022

Underlying assumptions:

- The influence of the mini-budget on rates and yields continues to wane following the more responsible approach shown by the new incumbents of Downing Street.
- Volatility in global markets continues, however, as investors seek the extent to which central banks are willing to tighten policy, as evidence of recessionary conditions builds. Investors have been more willing to price in the downturn in growth, easing financial conditions, to the displeasure of policymakers. This raises the risk that central banks will incur a policy error by tightening too much.
- The UK economy is already experiencing recessionary conditions and recent GDP and PMI data suggests the economy entered a technical recession in Q3 2022. The resilience shown by the economy has been surprising, despite the downturn in business activity and household spending. Lower demand should bear down on business pricing power – recent data suggests the UK has passed peak inflation.
- The lagged effect of the sharp tightening of monetary policy, and the lingering effects of the mini-budget on the housing market, widespread strike action, alongside high inflation, will continue to put pressure on household disposable income and wealth. The short- to medium-term outlook for the UK economy remains bleak.
- Demand for labour appears to be ebbing, but not quickly enough in the official data for most MPC policymakers. The labour market remains the bright spot in the economy and persisting employment strength may support activity, although there is a feeling of borrowed time. The MPC focus is on nominal wage growth, despite the huge real term pay cuts being experienced by the vast majority. Bank Rate will remain relatively high(er) until both inflation and wage growth declines.
- Global bond yields remain volatile as investors price in recessions even as central bankers push back on expectations for rate cuts in 2023. The US labour market remains tight and the Fed wants to see persistently higher policy rates, but the lagged effects of past hikes will depress activity more significantly to test the Fed's resolve.
- While the BoE appears to be somewhat more dovish given the weak outlook for the UK economy, the ECB seems to harbour (worryingly) few doubts about the short term direction of policy. Gilt yields will be broadly supported by both significant new bond supply and global rates expectations due to hawkish central bankers, offsetting the effects of declining inflation and growth.

Forecast:

- The MPC raised Bank Rate by 50bps to 3.5% in December as expected, with signs that some members believe that 3% is restrictive enough. However, a majority of members think further increases in Bank Rate might be required. Arlingclose continues to expect Bank Rate to peak at 4.25%, with further 25bps rises February, March and May 2023.

- The MPC will cut rates in the medium term to stimulate a stuttering UK economy, but will be reluctant to do so until wage growth eases. We see rate cuts in the first half of 2024.
- Arlingclose expects gilt yields to remain broadly steady over the medium term, although with continued volatility across shorter time periods.
- Gilt yields face pressures to both sides from hawkish US/EZ central bank policy on one hand to the weak global economic outlook on the other. BoE bond sales and high government borrowing will provide further underlying support for yields.

	Current	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
Official Bank Rate													
Upside risk	0.00	0.50	0.75	1.00	1.00	1.00	1.25	1.50	1.75	1.50	1.25	1.25	1.25
Arlingclose Central Case	3.50	4.00	4.25	4.25	4.25	4.25	4.00	3.75	3.50	3.25	3.25	3.25	3.25
Downside risk	0.00	0.50	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.00
3-month money market rate													
Upside risk	0.00	0.50	0.75	1.00	1.00	1.00	1.25	1.50	1.75	1.50	1.25	1.25	1.25
Arlingclose Central Case	3.00	4.40	4.40	4.40	4.35	4.30	4.25	4.00	3.75	3.50	3.40	3.40	3.40
Downside risk	0.00	0.50	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.00
5yr gilt yield													
Upside risk	0.00	0.70	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	3.43	3.60	3.80	3.80	3.80	3.70	3.60	3.50	3.40	3.30	3.30	3.30	3.30
Downside risk	0.00	0.80	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
10yr gilt yield													
Upside risk	0.00	0.70	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	3.47	3.50	3.60	3.60	3.60	3.60	3.50	3.50	3.50	3.50	3.50	3.50	3.50
Downside risk	0.00	0.80	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
20yr gilt yield													
Upside risk	0.00	0.70	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	3.86	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85
Downside risk	0.00	0.80	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
50yr gilt yield													
Upside risk	0.00	0.70	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	3.46	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60
Downside risk	0.00	0.80	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00

PWLB Standard Rate (Maturity Loans) = Gilt yield + 1.00%
PWLB Certainty Rate (Maturity Loans) = Gilt yield + 0.80%
UKIB Rate (Maturity Loans) = Gilt yield + 0.60%

South
Derbyshire
District Council

Prudential Indicators 2023/24

February 2023

Introduction

The Local Government Act 2003 requires the Authority to have regard to the Chartered Institute of Public Finance and Accountancy's Prudential Code for Capital Finance in Local Authorities (the Prudential Code) when determining how much money it can afford to borrow. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that the Authority has fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year.

Estimated Capital Expenditure and Financing

This is the approved capital investment programme for the General Fund, together with stock investment proposals included in the HRA Business Plan. The programme is summarised in the following table.

Estimated Capital Expenditure £	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
General Fund	2,389,043	5,488,706	4,742,558	2,775,032	2,336,760	849,211	651,500
HRA	3,038,874	2,900,000	2,432,186	2,877,000	3,143,503	2,497,000	3,232,000
Total	**5,427,917**	**8,388,706**	**7,174,744**	**5,652,032**	**5,480,263**	**3,346,211**	**3,883,500**
Financed by £	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**	**2027/28**
Grants and Contribution	1,455,419	3,043,172	2,924,000	1,240,000	820,000	400,000	400,000
Council Resources	3,972,498	5,345,534	4,250,744	4,412,032	4,660,263	2,946,211	3,483,500
Total	**5,427,917**	**8,388,706**	**7,174,744**	**5,652,032**	**5,480,263**	**3,346,211**	**3,883,500**

Approval for a capital bidding round and scoring of bids following recommendations from the Service and Financial Planning Working Group was granted at Finance and Management Committee on the 9th July 2020.

Of the 14 bids receiving approval 6 are ongoing with capital expenditure expected to commence in the new financial year. Along with the capital projects approved on 8th October 2020, the Council continues to invest in its ICT Strategy and vehicle replacement programme. The Council is also delivering projects across the District funded through the Better Care Fund.

Subsequent years' expenditure relates to the phasing of the larger Capital projects, continuing asset replacement program and investment onto the Council's ICT Strategy.

The general downward trend of HRA expenditure relates to the reduction in New Build Properties and a reduction in major works due to the need to set-aside funds for the repayment of debt. The major repairs have a five-year plan for improving Council properties to decent homes standard.

Overall, the capital expenditure programme is financed from Government grants, external contributions, Council reserves and capital receipts.

The table highlights that the five-year investment programme is fully funded. If all financing is not secured, expenditure will need to be curtailed or other resources and reserves identified.

Due to the current level of reserves and cash on deposit, current policy is that any longer term borrowing is undertaken only as a last resort to meet any shortfall; any new borrowing will only be undertaken prudentially within the Council's debt limits.

The Council's Borrowing Need or Capital Financing Requirement (CFR)

The CFR is a measure of the Council's underlying need to borrow for capital investment and is based on the net value of fixed assets contained in the Council's Balance Sheet.

The CFR does not necessarily represent the amount of actual external debt outstanding. This is due to the fact that not all borrowing previously allowed has in effect taken place against this requirement but is being financed internally through cash deposits and reserves.

Capital expenditure that has not been immediately paid for increases the CFR through additional borrowing, including internally. The CFR is reduced following debt repayment or through setting-aside revenue sums to repay internal borrowing.

The Council is required to pay off an element of the accumulated General Fund CFR each year through a revenue charge called the Minimum Revenue Provision (MRP). In addition, a Voluntary Revenue Provision (VRP) is made where borrowing has taken place on a prudential basis.

There is no requirement to make a MRP for the HRA. However, money is being set-aside to repay HRA debt in accordance with the maturity profile. This strategy is reflected in the HRA's Financial Plan.

A summary of the CFR estimates is shown in the following table.

Expected CFR	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
CFR b/fwd	66,251	55,993	55,798	45,610	45,447	45,293	35,144
Add New Financing	0	0	0	0	0	0	0
Less MRP	-182	-175	-168	-161	-155	-148	-142
Less VRP	-76	-21	-21	-2	0	0	0
Less Debt Repayment	-10,000	0	-10,000	0	0	-10000	0
CFR c/fwd	**55,993**	**55,797**	**45,609**	**45,447**	**45,292**	**35,145**	**35,002**
General Fund Proportion	4,409	4,214	4,026	3,863	3,709	3,560	3,418
HRA Proportion	51,584	51,584	41,584	41,584	41,584	31,584	31,584
Total	**55,993**	**55,798**	**45,610**	**45,447**	**45,293**	**35,144**	**35,002**

The VRP has reduced to zero due to the repayment of previous internal borrowing schemes relating to the purchase of receptacles to extend the kerbside recycling scheme in 2013, together with the repayment of the internal borrowing for the Grove Hall Extreme Sports projects.

Debt Pools

The Council operates two separate Debt Pools, one for the General Fund and one for the Housing Revenue Account (HRA). There is no external debt currently outstanding on the General Fund, although it has a positive CFR representing an underlying borrowing need.

The General Fund CFR is reduced each year by a statutory revenue charge known as the Minimum Revenue Provision (MRP). In addition a Voluntary Revenue Provision (VRP) is made where borrowing has been undertaken on a prudential basis.

There is no requirement to make a MRP or VRP in the Housing Revenue Account. The HRA has debt outstanding of just over £47m. This represents the debt inherited under the self-financing framework for Council Housing.

Although no MRP is required for the HRA, money is being set-aside to repay the HRA debt in accordance with the maturity profile. This strategy is reflected in the HRA's Financial Plan. The expected CFRs over the current financial planning period to 2027/28 are detailed in the following table.

Expected CFR	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
General Fund Proportion	4,409	4,214	4,026	3,863	3,709	3,560	3,418
HRA Proportion	51,584	51,584	41,584	41,584	41,584	31,584	31,584
Total	**55,993**	**55,798**	**45,610**	**45,447**	**45,293**	**35,144**	**35,002**

The CFR on the General Fund will continue to reduce over the medium-term due to MRP/VRP being applied. These charges for all years are included in the Council's base budget.

Effectively, the MRP/VRP creates a cash amount in the Council's budget in order to write down the underlying borrowing requirement.

The larger CFR on the HRA has remained static in previous years, the first repayment of £10m self-financing loans was paid in March 2022, with another repayment in March 24 and March 27, after these payments the CFR is forecast to remain static for a period, unless any new borrowing is required.

Limits to Borrowing Activity

The Council is required to set limits on overall borrowing (net of investments). This controls borrowing and ensures that the Council does not, except in the short term, exceed the total of the CFR in the preceding year, plus the estimates of any additional CFR for the current and the next two financial years.

A short term deviation is allowed for flexibility if a limited amount of borrowing was required to meet temporary shortfalls in cash flow. The estimated position is detailed in the following table.

Estimated Borrowing Compared to the CFR	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
Gross Borrowing - HRA	47,423	47,423	37,423	37,423	37,423	27,423	27,423
Gross Borrowing - General Fund	0	0	0	0	0	0	0
Total Gross Borrowing	**47,423**	**47,423**	**37,423**	**37,423**	**37,423**	**27,423**	**27,423**
Total CFR	**55,993**	**55,798**	**45,610**	**45,447**	**45,293**	**35,144**	**35,002**

The above table shows that as gross borrowing is likely to remain below the CFR, the Council will comply with this Prudential Indicator.

The Authorised Limit for External Debt

This is the limit beyond which external debt is prohibited. It is the statutory limit determined under section 3(1) of the Local Government Act 2003. The debt cap for HRA self-financing was removed by the Government in 2018/19.

The Operational Boundary for External Debt

This represents the expected external debt during the course of the year, but it is not a limit. It is designed to aid the Chief Finance Officer to manage treasury activity on a daily basis and acts as an early warning sign of any potential issues. It includes a provision for temporary borrowing of £5m. As in recent years, it is not expected that any temporary borrowing will be required but is included as a contingency should cash flow become negative in the short-term.

The Limit and Boundary are summarised in the following table.

Debt Limits	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
Authorised Limit - General Fund	4,409	4,214	4,026	3,863	3,709	3,560	3,418
Authorised Limit - HRA	51,584	51,584	41,584	41,584	41,584	31,584	31,584
Operational Boundary	52,423	52,423	42,423	42,423	42,423	32,423	32,423

As noted above, there is no longer a debt cap on the HRA and therefore borrowing is no longer restricted but it must remain affordable over the plan.

To ensure affordability, the Chief Finance Officer has retained the former limit.

Cost of Debt to Finance Capital Expenditure

This indicator shows how much per year the costs of borrowing impact upon each household (at Band D Council Tax rate) in the District and for each council tenant (HRA).

As there is no actual debt on the General Fund, the impact on Council Tax is positive as this represents interest on cash deposits.

Cost of Servicing Debt	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
Estimated Net Interest Received - General Fund	-134,189	-139,000	-282,638	-282,638	-282,638	-282,638	-282,638
Estimated Band D Properties (per MTFP)	35,218	36,702	37,663	38,616	39,707	40,797	41,887
Cost per Band D Property	**-£3.81**	**-£3.79**	**-£7.50**	**-£7.32**	**-£7.12**	**-£6.93**	**-£6.75**
Estimated Net Interest Payable - HRA	1,734,805	1,452,805	1,359,201	1,089,201	1,089,201	1,089,201	788,201
Estimated Dwellings (per MTFP)	2,949	2,937	2,919	2,901	2,883	2,865	2,847
Annual Cost per Dwelling	**£525.56**	**£589.30**	**£495.75**	**£498.83**	**£408.88**	**£411.46**	**£276.85**

The Use of the Council's Resources and the Investment Position

The Council has available at any one time, reserves and balances which are held to finance future expenditure commitments or to act as a contingency sum as recommended by the Council's Chief Finance Officer.

These balances are available for investment on a short-term basis in accordance with the Investment Strategy. The expected level of reserves and balances is shown in the following table.

Estimated Usable Reserves	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
General Fund	14,473	12,219	9,823	6,616	2,863	-1,005	-5,170
Earmarked	26,590	23,553	22,974	21,714	20,615	20,166	19,914
Capital Receipts and Grants	7,293	6,366	5,122	4,847	4,247	4,247	4,247
Debt Repayment	1,600	5,693	354	3,218	6,160	48	2,079
HRA General Reserve	6,494	4,984	3,085	2,498	2,286	1,732	2,756
Total Reserves	**56,450**	**52,814**	**41,359**	**38,893**	**36,171**	**25,187**	**23,826**

The above table shows that overall the level of resources is expected to decrease over the financial period and it assumes in particular, that forecasted deficits on the General Fund will be financed from general reserves until budget savings or additional income are identified. When identified, the level of resources will remain higher.

Based on this level of reserves, it is estimated that the Council will continue to have funds available for investment each year. In accordance with the Investment Strategy, these investments will continue to be held in short-term (less than 364 days) deposit accounts.

Ratio of Financing Costs to Net Revenue Stream

This indicator shows the trend in the net cost of borrowing (allowing for investment income) against the net revenue stream, i.e. Council Tax for the General Fund and Rent Income for the HRA. Estimates are included in the Council's Medium Term Financial Plan (MTFP) and are shown in the following table.

Financing Ratios	Actual 2021/22 £	2022/23 £	2023/24 £	2024/25 £	2025/26 £	2026/27 £	2027/28 £
General Fund							
Estimated Council Tax Income	6,844,742	6,346,143	6,639,373	6,940,167	7,275,262	7,620,787	7,977,021
Net Interest Receivable	-134,189	-139,000	-282,638	-282,638	-282,638	-282,638	-282,638
Proportion	**-1.96%**	**-2.19%**	**-4.26%**	**-4.07%**	**-3.88%**	**-3.71%**	**-3.54%**
HRA							
Estimated Rental Income	12,166	12,893	12,872	13,449	13,766	14,089	14,420
Estimated Interest Payable	1,527	1,456	1,362	1,093	1,093	1,093	792
Proportion	**12.55%**	**11.29%**	**10.58%**	**8.12%**	**7.94%**	**7.76%**	**5.49%**

With no debt on the General Fund, the indicator is negative. The ratio reflects the level of "gearing" - how much of the Council's revenue is tied up in borrowing costs. Although the proportion for the HRA is greater in percentage terms, this is a relatively fixed cost but affordable within the HRA's Financial Plan.

COUNTERPARTY LIST 2022/23
(as at February 2023)

Treasury investment counterparties and limits

Sector	Counterparty Limit	Time Limit	Sector Limit
The UK Government	£25m	364 days	n/a
Local authorities & other government entities	£5m	364 days	Unlimited
Banks (unsecured)*	£3m	35 days	Unlimited
Building societies (unsecured)*	£2m	35 days	£5m
Money Market Funds*	£2m	60 days	£16m
Strategic Pooled Funds	£4m	n/a	£4m
Other Investments*	£1m	35 days	Unlimited

This table must be read in conjunction with the notes below

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

For entities without published credit ratings, investments may be made either (a) where external advice indicates the entity to be of similar credit quality; or (b) to a maximum of £5m per counterparty as part of a diversified pool e.g. via a peer-to-peer platform.

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

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

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

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

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

Operational bank accounts: The Authority may incur operational exposures, for example though current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments but are still subject to the risk of a bank bail-in, and balances will therefore be kept below £3m. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Authority maintaining operational continuity.

REPORT TO:	**COUNCIL**	**AGENDA ITEM: 11**
DATE OF MEETING:	**22 FEBRUARY 2023**	**CATEGORY: RECOMMENDED**
REPORT FROM:	**STRATEGIC DIRECTOR (CORPORATE RESOURCES)**	**OPEN**
MEMBERS' CONTACT POINT:	**KEVIN STACKHOUSE** Kevin.stackhouse@southderbyshire.gov.uk	**DOC:** u/ks/budgets/budget 2023 24/Section 25 Report 2023 Council
SUBJECT:	**ANNUAL REPORT OF THE SECTION 151 OFFICER**	
WARD(S) AFFECTED:	**ALL**	**TERMS OF REFERENCE: FM 08**

1.0 Recommendations

1.1 That the Annual Report of the Section 151 Officer is considered and noted.

1.2 That the Council has due regard to the Annual Report when approving the Budget for 2023/24 and when considering future proposals for new spending and the utilisation of resources.

1.3 That no new unfinanced spending commitments are added to the Base Budget and Medium-Term Financial Plan approved by the Finance and Management Committee on 9 February 2023.

1.4 That the Medium-Term Financial Plan continues to be reviewed and updated on a quarterly basis.

2.0 Purpose of the Report

2.1 In their role as the Council's Section 151 (Chief Finance) Officer, the Strategic Director (Corporate Resources) is required, under Section 25 of the Local Government Act 2003, to provide an overall opinion on the robustness of the estimates included in budgets and the adequacy of Council reserves.

2.2 In doing so, the Report includes an assessment of the Council's financial sustainability based on its spending plans and projected resources available, as set out in its Medium-Term Financial Plan (MTFP).

2.3 It is recommended that Elected Members of the Council pay due regard to the Annual Report when approving the Budget for 2023/24 and when considering proposals for new spending and the utilisation of resources.

3.0 Executive Summary

Overall Opinion of the Section 151 Officer

3.1 The overall financial position of the Council has not changed significantly over the last year with the same prognosis underlying current forecasts. Based on the Budgets submitted for approval and the latest MTFP, the Council's current financial position continues to look healthy ahead of 2023/24.

3.2 However, over the planning period to 2027/28, the position is forecast to deteriorate based on current spending and projections regarding funding. Although the latest MTFP highlights the General Fund still operating above its minimum level of reserves of £1.5 million for the next three years until 2025/26, significant budget deficits continue to be forecast in the intervening period.

3.3 These deficits, which will be financed from current reserves, effectively show that the on-going position is not sustainable and will reduce the current General Fund Reserve from approximately £12.2 million in 2023 to £2.6 million by 2026 and into a negative position by 2027, as highlighted in Section 4 (below).

Proposals for Council Tax

3.4 It is noted that the Finance and Management Committee have recommended a 1% increase in Council Tax at Band D for 2023/24. This is lower than the planned increase of 1.95%. In the medium-term, this will have the effect of increasing future budget deficits and negate the cumulative effect of an increasing tax base.

3.5 ***Given the Council's forecasted medium-term financial position, which highlights increasing budget deficits in future years, any decision to increase the rate of Council Tax below 1.95% needs to be considered with caution***.

3.6 The financial forecast supports a higher increase to enable current service provision to be maintained and it should be noted that the Government's Financial Settlement is based on the Council increasing Council Tax at the maximum level allowed (without triggering a referendum) of £5 per year at Band D.

Projected Spending

3.7 Projected spending continues to allow for the anticipated growth associated with residential development and other expenditure such as additional waste collection costs, vehicle, and IT replacements, etc. The MTFP also continues to assume that current service provision is maintained over the planning period, with allowances for inflation on pay, utilities and contracts, etc.

3.8 Although the Council can control its expenditure base and has time to take corrective action in a timely and planned manner, if necessary, it cannot as easily control its external funding and in particular that provided by central government (including through the Business Rates Retention system) which in total accounts for over 50% of the Council's funding.

Government Funding

3.9 The biggest uncertainty and key risk to the Financial Plan, continues to be Government funding. The Government's settlement for 2023/24 was again for one year only. Following on from an overall reduction in funding of £418,000 (10.7%) in 2022/23, there will be a further cash reduction in 2023/24 of approximately £100,000.

3.10 This was significantly better than projected in the MTFP. However, the Settlement for 2023/24 includes a Funding Guarantee payment of £1.8 million. This is effectively a protection payment to offset the reduction in New Homes Bonus payments and means that the Council should be no worse off in 2023/24, assuming it increases Council Tax by the maximum rate possible.

3.11 The concern with the settlement for 2023/24 is that the Guarantee Payment of £1.8 million, is for one year only. There is also no certainty that another New Homes Bonus allocation will be paid in 2024/25.

3.12 It is now fairly certain that there will be no review of the current funding system before the next Parliamentary Election, the earliest date considered to be in 2025/26. This may include a review of the current Business Rates Distribution system, although this does currently benefit the Council as growth (which is retained) is above the Baseline.

3.13 In the meantime, the MTFP continues to be based on the presumption that the Council will continue to lose funding and will ultimately be scaled back to a base funding allowance, the basis of which remains out-of-date.

3.14 Consequently, over the medium-term, this leaves the Council in a position where it may need to raise additional income locally or review its expenditure base to maintain a sustainable position. This would need to be undertaken ahead of 2025/26 in order that any changes can be properly considered and implemented.

External Comparisons

3.15 During 2022, the Council's Financial Resilience Index (*compiled by the Chartered Institute of Public Finance and Accountancy and published in December 2022)* was updated based on actual data as at 31 March 2022.

3.16 This Index confirms the Council's position. The Index continues to highlight that the Council's current level of Reserves places the Council at lower risk of financial difficulties with its sustainability measure being high in comparison to many other authorities. Further details are provided in Section 4, below.

Future Plans

3.17 Although the Council remains in a positive position at this point, it should not be complacent and continue to operate with a certain degree of caution. Where-ever possible, opportunities to generate efficiency and budget savings should be pursued with the concept of providing Value for Money being at the core of all Council spending.

3.18 It is acknowledged that there may be proposals to meet certain spending pressures, which are not included in the MTFP. Re-directing current resources and/or using earmarked reserves should be considered where there may be greater pressure to spend.

3.19 In the meantime, it is recommended that no further unfunded financial commitments, beyond the proposed Budget and MTFP recommended by the Finance and Management Committee on 9 February 2023, should be made, with the position continuing to be reviewed and updated on a quarterly basis.

4.0 Detail

Basis of the Opinion

4.1 The Opinion is given within the general context detailed below, followed by a summary of each of the Council's main accounts and their financing. Reference is made to the separate budget reports considered by the various Policy Committees during January and February 2023.

4.2 The opinion also considers an overview of the Council's financial resilience.

General Context

4.3 It is considered that estimates of income and expenditure included in the Base Budget and longer-term financial forecasts are prudent. They provide for inflation and other known variations (pensions, pay awards, etc.) together with provisions that recognise current cost pressures, and potential costs associated with Growth of the District.

4.4 The Budget for 2023/24 and forward projections are based on the most up-to-date economic forecasts for inflation and interest rates, etc. However, as the Budget is being presented for consideration and approval, it should be noted that the Council is operating in uncertain times economically.

Economic Uncertainty

4.5 With current inflation rates at high levels not seen for 30 to 40 years, this may put further pressure on spending. Budget reports to the various Policy Committees have highlighted the rising cost of pay, fuel and utilities, etc. and the Budget has made provision for this. This will need to be kept under review as the MTFP beyond 2023/24 assumes a reduction in inflation rates.

4.6 With a high level of funds on deposit, rising interest rates are proving a significant benefit for the Council's financial position in the form of interest, helping to offset increased costs. Although remaining prudent, the MTFP assumes that interest rates will remain higher than the current Base Budget beyond 2023/24, but eventually reducing in line with a reduction in inflation.

Pay, Recruitment and Retention

4.7 The Budget does not assume a vacancy rate for staffing and assumes that all posts on the Council's Establishment are filled throughout the year. Where posts are vacant and problems may be experienced with recruitment, this allows a contingency to maintain services through temporary arrangements.

4.8 However, it is noted that there are current problems with recruitment and retention, particularly in certain services, where short-term measures such as market supplements have been implemented to help retention of staff in key services. This will need to be kept under review.

4.9 Ways of working and changes in the job market are putting pressure on the Public Sector generally; proposals to implement longer-term solutions will be presented to the Council during 2023.

4.10 In addition, a realistic but prudent view has been taken regarding projected income levels from fees, charges, and short-term investments. This also includes a prudent reduction in overall Government funding as highlighted in Section 3 (above).

4.11 Forward projections for Council Tax receipts are based on an increase in property numbers, within those contained in the current Local Plan.

Budget Strategy and Process

4.12 The compilation of detailed budgets has been undertaken in conjunction with service/budget managers and reviewed by the Council's senior management.

4.13 It is recognised that the Council has well established performance and budget monitoring arrangements in place to help ensure the Council finances are monitored effectively. This includes quarterly reports to the Finance and Management Committee, in addition to statutory reports regarding the Annual Accounts and the Annual Budget.

4.14 The Council has traditionally spent within budget and generated additional income over that estimated. Although this is no guarantee of future performance, it does provide some comfort that budget preparation and budget management is sound.

4.15 The Council's Financial Strategy directs the Council to plan its spending over a 5-year rolling period for the General Fund and 10 years for the Housing Revenue Account (HRA). This provides an indication of the sustainability of spending plans and the projected level of Reserves. Consequently, this allows sufficient time in which remedial action can be implemented to address any issues in a planned and timely manner.

4.16 A full risk assessment, with mitigating actions, is considered alongside the MTFP for both the General Fund and the HRA and risks for each Policy Committee are reported alongside budget proposals.

Financial Resilience

4.17 The Chartered Institute of Public Finance and Accountancy (CIPFA) first published a Financial Resilience Index (cipfa.org) in December 2019. This is updated annually with the latest release being in December 2022, based on prevailing data as at 31 March 2022.

4.18 This Index calculates the Council's position on a range of measures associated with financial risk, with a comparison to similar authorities. It is based on figures for the financial year 2021/22.

4.19 The Index is based on 8 measures, although they can be distilled down to 3 categories to illustrate the Council's position as shown below.

Financial Stress Indicator	Comparison Rating
Level and Sustainability of Reserves	Lower Risk
Debt level and interest payable	Higher Risk
Financing	Higher Risk

Reserves

4.20 The Council's level of Reserves highlights that the Council continues to be in a strong position compared to many other shire districts.

Debt Level and Interest

4.21 The Council does have a high level of debt associated with Council Housing which it inherited from the Government under the "self-financing system" in 2012/13. It is considered that the comparison with other authorities is influenced by the fact that many shire districts do not have their own housing stock, Consequently, there is a risk that this could skew the comparison.

4.22 The current level of debt is £48 million. However, the cost of the debt and its repayment remains affordable within the Housing Revenue Account's Financial Plan and the financial model for the HRA is designed to ensure sums are set-aside on an annual basis to repay the debt.

4.23 £30 million is due to be repaid over the life of the current Financial Plan to 2032/33. The level of interest payable is fixed and is not affected by changes in interest rates, which provides certainty for financial planning.

Financing

4.24 The Council is placed at a higher risk due to its reliance on the Government's funding system. Although the Council does not receive any Revenue Support Grant, its level of income from Business Rates, due to Growth, is above its Baseline Level set by the Government in the current funding system.

4.25 Therefore, the Council is at risk to changes in the funding system and in particular if/when the Baseline Level is reset. If the Council's need is assessed as far less than that currently due to its Growth, then the Council could be penalised through an increase in its Levy.

4.26 This would be exacerbated if the Council were not part of the Derbyshire Business Rates Pool as no Levy (50%) is paid on Growth above the Baseline.

*(**Note**: The Levy is effectively the amount that the Council pays to the Government from its 40% share of local Business Rates as part of the redistribution system of local authority resources)*

4.27 The Index also highlighted that the Council does not generate as much income from fees and charges compared to other authorities. Again, this comparison may be influenced by the fact that the Council does not charge for car parking and will be in a minority of authorities who don't charge.

General Fund Revenue Account

4.28 The Base Budget for 2032/24 highlights a budget deficit as previously forecast, which will be financed from the General Fund Reserve, as planned.

4.29 Increasing budget deficits continue to be forecast in all years of the updated MTFP to 2027/28. This is based on current expenditure increasing and current central government funding decreasing.

4.30 As the Resilience Index highlights, the Council is at risk fr0m changes in the current funding system and the current uncertainty makes future planning more difficult. The MTFP prudently assumes that overall funding will fall towards its baseline funding assessment and if this is the outcome for the Council, projected deficits will need to be addressed earlier than previously planned ahead of 2025/26.

4.31 Growth also brings additional demand on the Council's services, and it is noted that the MTFP continues to set-aside sums in the Base Budget to meet future costs.

General Fund Reserve

4.32 The current level of the Reserve continues to remain healthy. The projected level of the Reserve over the medium-term planning period is summarised below.

2022/23	£12.2 million
2023/24	£9.7 million
2024/25	£6.5 million
2025/26	£2.6 million
2026/27	Minus £1.2 million
2027/28	Minus £5.5 million

4.33 The above table shows that the General Fund Reserve is projected to reduce quite significantly over the current planning period. This allows the financing of committed capital projects and asset replacements, together with budget deficits, which include provisions to increase spending arising from Growth.

4.34 Under statute, the Council has to maintain an unallocated contingency in its General Reserve. The Council has discretion on how this is calculated, considering the recommendation of the Section 151 Officer. Good practice suggests that the minimum level should be between 5% and 10% of net revenue expenditure.

4.35 The current approved minimum level is £1.5 million, to be maintained by the end of the five-year planning period, i.e., 2027/28. This equates to 9.4% of net revenue expenditure in 2023/24, falling to 8.3% by 2027/28.

4.36 Based on these latest projections, this target will not be met after 2025/26 without corrective action or additional funding being generated.

Housing Revenue Account (HRA)

4.37 The HRA also remains in a healthy position and the current 10-year Financial Plan shows a sustainable position. It is noted that the Plan is based on a rent increase of 3% for 2023/24 within a rent cap of 7% set by the Rent Regulator. The HRA General Reserve is currently forecast to remain above the minimum contingency level of £1 million over the life of the planning period to 2032/33.

4.38 Resources have been set-aside to deliver a capital programme of works and to maintain services at their current levels.

4.39 Resources have also been set-aside to repay debt. It is noted that the financial model for the HRA is designed to generate sufficient surpluses to maintain the original debt repayment schedule approved in 2012/13. Total debt outstanding is £48 million, of which £30 million is due to be repaid over the next ten years.

4.40 The HRA's financial risk register shows that the main issues potentially are the continuing level of Right to Buys, the current level of void properties and the time taken to relet, together with external financing of the Careline Service.

4.41 On this point, Derbyshire County Council will no longer be supporting this service past March 2024 and the HRA's MTFP has built in this reduction.

4.42 The Careline Service is currently under review and a new working model will be reported to the Council during 2023. In addition to the loss of income, there are likely to be costs incurred for the transfer of the service from analogue to digital. The costs are still unknown but further detail will be reported to the Council during 2023.

4.43 However, given the current position of the HRA, any remedial action required can be achieved in a planned and timely manner, although a more detailed review of resources may be required depending on the magnitude of costs.

Capital Expenditure and Financing

4.44 All capital projects both in the General Fund and the HRA, have sufficient resources set-aside to finance the associated expenditure.

4.45 It is expected that potential asset sales over the MTFP period will generate resources, although these are not guaranteed. Additional receipts will need to be generated at some point to help finance future vehicle and other asset replacements.

4.46 Potentially, there is a shortfall of General Fund receipts in 2025/26 and the Council's vehicle replacement programme is being reviewed.

4.47 Besides this issue, there are no major concerns currently associated with capital expenditure and it's financing.

Treasury Management

4.48 The General Fund is currently debt free. Council expenditure is not reliant on any borrowing and given the current level of reserves and cash on deposit, it is unlikely that the Council will need to enter into any form of borrowing over the financial planning period.

4.49 The HRA debt is at fixed interest rates and provision is being made in the HRA's financial plan to repay loans in accordance with a repayment schedule.

4.50 The Council is not reliant on interest rates increasing to generate a return on investments. A prudent assessment has been made in the MTFP for interest and dividends on investments and this is below the amount actually being generated. As previously highlighted, the current increase in rates is beneficial for the MTFP.

4.51 The Treasury Management Strategy includes a Lending Policy and Counterparty List. This is designed to ensure the liquidity and security of investments, in priority to yield.

4.52 Overall, there are currently no major concerns associated with the Council's current treasury management position.

Other Usable and Earmarked Reserves

4.53 The Council maintains various reserves that are used to meet one-off/known commitments or to defray expenditure over a number of years, for example, ICT upgrades, vehicle replacements and community development projects.

4.54 Reserves held to finance on-going community and sports development spending, will need to be kept under review if external and partnership contributions significantly reduce. On-going contributions to asset replacement reserves are provided for in the MTFP.

4.55 Overall, it is considered that current reserves will remain sufficient to meet commitments over the life of the current MTFP. In addition, they should continue to be reviewed on an on-going basis to determine whether they are still required or can be reassigned to meet other emerging cost pressures, as reported to the Finance and Management Committee in November 2022.

5.0 Financial Implications

5.1 None as a direct result of this report.

6.0 Corporate Implications

Employment Implications

6.1 None.

Legal Implications

6.2 None.

Corporate Plan Implications

6.3 None. The production of the Section 25 Report is a statutory requirement.

Risk Impact

6.4 None.

7.0 Community Impact

Consultation

7.1 The Council is statutorily required to consult on its budget proposals, prior to setting the annual Council Tax rate, with the local business and community sector. The Council has an established process in place to meet this requirement and this was undertaken in January 2023.

7.2 Consultation takes place for approximately four weeks following approval of the draft budget proposals by Finance and Management Committee in January each year. There was no specific feedback or comments raised from the consultation this year.

7.3 There is no statutory requirement to consult generally with residents or other stakeholders, although it is considered good practice to do so.

7.4 Traditionally, the Council has disseminated proposals through Area/Community Forums and via a presentation at the South Derbyshire Partnership Board. Many authorities do consult formally regarding their budget proposals and medium-term financial plans prior to setting budgets, using panels, representative groups, etc. as a way of fully engaging local people.

Equality and Diversity Impact

7.5 None.

Social Value Impact

7.6 Not applicable.

Environmental Sustainability

7.7 Not applicable.

8.0 Background Papers

8.1 None

REPORT TO:	**COUNCIL**	**AGENDA ITEM: 12**
DATE OF MEETING:	**22 FEBRUARY 2023**	**CATEGORY: DELEGATED**
REPORT FROM:	**CHIEF EXECUTIVE**	**OPEN**
MEMBERS' CONTACT POINT:	**FRANK MCARDLE CHIEF EXECUTIVE**	**DOC:**
SUBJECT:	**APPOINTMENT OF RETURNING OFFICER AND ELECTORAL REGISTRATION OFFICER**	**REF:**
WARD(S) AFFECTED:	**ALL**	

1.0 Recommendation

1.1 To appoint Ardip Sandhu, with effect from 23 February 2023, as the Returning Officer and Electoral Registration Officer for South Derbyshire District Council, to ensure legislative requirements are met.

2.0 Purpose of Report

2.1 Sections 8 and 35 of the Representation of the People Act 1983 require the Council to appoint an Electoral Registration Officer and Returning Officer respectively.

2.2 Under Section 52(2) of the Representation of the People Act 1983, the Council may appoint a Deputy Electoral Registration Officer.

2.3 The purpose of this report is to make appointments to these roles.

3.0 Detail

3.1 The Returning Officer is the person who has the overall responsibility for the conduct of elections in South Derbyshire. Section 35 of The Representation of the People Act 1983 requires the Council to appoint an officer of the Council to be the Returning Officer in local elections. It is the Returning Officer's duty to organise and conduct elections.

3.2 The Returning Officer is an officer of the Council but the role of the Returning Officer is a personal responsibility independent and separate from their duties as an employee of the Council. The Returning Officer may appoint one or more persons to discharge all or any of his/her functions relating to an individual election. Such a designation does not remove personal liability from the Returning Officer appointed by Council. Ardip Sandhu is the currently appointed Returning Officer.

3.3 The Electoral Registration Officer is the person with the statutory responsibility for the creation and maintenance of the register of electors and the absence voters lists. This person takes responsibility for publishing a revised electoral register and issuing monthly alteration notices

3.4 The Electoral Registration Officer is an officer of the Council but the role of Electoral Registration is a personal responsibility, independent and separate from their duties as an employee of the Council. The roles of Returning Officer and Electoral Registration Officer are typically combined and performed by a single person. These Officers are appointed by Full Council.

3.5 The existing Electoral Registration Officer (Frank McArdle, Chief Executive) retires on 31 March 2023. Therefore, it is proposed to make the appointment as set out in the recommendation.

4.0 Financial Implications

4.1 None directly arising from this report.

5.0 Corporate Implications

5.1 The efficient conduct of the electoral registration process and elections is one of the highest-profile functions that the Council undertakes. Any challenge to these processes could result in adverse publicity and legal sanction against the Returning Officer personally and the Council.

5.2 It is therefore essential that Council designates an officer to cover the roles of Electoral Registration Officer and Returning Officer.

6.0 Equity and Equalities

6.1 There are no immediate equity or equalities implications arising from this report. However, amongst the roles undertaken by the Electoral Registration Officer and Returning Officer are those of ensuring that equalities issues are addressed in the running of electoral registration and elections (e.g. access to Polling Stations).

7.0 Background Papers

7.1 No background papers were used in the preparation of this report.

REPORT TO:	**COUNCIL**	**AGENDA ITEM: 13**
DATE OF MEETING:	**22 FEBRUARY 2022**	**CATEGORY:**
REPORT FROM:	**STRATEGIC DIRECTOR (CORPORATE RESOURCES)**	**OPEN**
MEMBERS CONTACT POINT:	**KEVIN STACKHOUSE** **kevin.stackhouse@southderbyshire.gov.uk**	**DOC:** s/finance/committee/2022-23/Feb/Council Tax
SUBJECT:	**BUDGET AND COUNCIL TAX SETTING 2023-24**	**REF:**
WARD(S) AFFECTED:	**ALL**	**TERMS OF REFERENCE:**

1.0 Recommendations

1.1 That the Council's Budget for 2023/24, as detailed in *Appendices 1 to 3,* is approved.

1.2 That the Council's Medium-Term Financial Plan for the period 2023/24 to 2027/28, as detailed in **Appendix 4**, is approved.

1.3 That the Council Tax resolutions for 2023/24 as detailed in **Appendix 5**, including the accompanying **Schedules A to C**, are approved.

2.0 Purpose of the Report

2.1 To set out the statutory resolutions to enable the Council to calculate and set its Budget and level of Council Tax for 2023/24. This is in accordance with regulations under the Local Government Finance Act 1992, as amended by the Localism Act 2011.

2.2 The report is set out in the following sections / appendices:

- **Section 3: Executive Summary** – summarising the proposed Council Tax level for South Derbyshire residents including charges set by other precepting authorities, together with an explanation of the technical resolutions.

- **Appendix 1**: The detailed budget for 2023/24 for Environmental and Development Services, as recommended by the Finance and Management Committee on 9 February 2023.

- **Appendix 2**: The detailed budget for 2023/24 for Housing and Community Services, as recommended by the Finance and Management Committee on 9 February 2023.

- **Appendix 3**: The detailed budget for 2023/24 for Financial and Corporate Services, as recommended by the Finance and Management Committee on 9 February 2023.

- **Appendix 4**: The Medium-Term Financial Plan 2023/24 to 2027/28 as recommended by the Finance and Management Committee on 9 February 2023. This is based on a Council Tax increase in 2023/24 of £1.73 (1%).

- **Appendix 5:** The formal Council Tax resolutions to meet statutory requirements.

- **Appendix 6**: The detailed Tax Base, Precept and Band D rates for Parish Councils, together with the level of Council Tax Reduction Scheme (CTRS) Grant allocated to Parish Councils.

- **Schedules A to C**: These detail the level of Council Tax by Preceptor and by band, aggregated for each part of the District.

3.0 Executive Summary

3.1 The Council is required to calculate a Council Tax Requirement (CTR) for the forthcoming financial year, 2023/24. Not only is this the basis for the local Council Tax rate, the CTR is used to test whether an increase in Council Tax from year to year is excessive in accordance with criteria laid down by the Secretary of State.

Precepts

3.2 The precept levels of other precepting bodies have been received and these are detailed below.

Parish Councils

3.3 Parish Council precepts for 2023/24 as notified to the Council under Section 41 of the Local Government Finance Act 1992 are detailed in **Appendix 2** and total £1,037,217.

Derbyshire County Council

3.4 Derbyshire County Council met on 15 February 2023 and set their precept at £55,665,161. This results in a Band D Council Tax of £1,477.98 for 2023/24 (£1,424.56 in 2022/23). *This includes a specific Precept to fund Adult Social Care.*

Police and Crime Commissioner for Derbyshire

3.5 The Derbyshire Police and Crime Commissioner confirmed their precept on 9 February 2023 at £10,404,956. This results in a Band D Council Tax of £266.60 (£251.60 in 2022/23).

Derbyshire Fire and Rescue Service

3.6 The Derbyshire Fire and Rescue Authority met on 9 February 2023 and set their precept at £3,232,992 This results in a Band D Council Tax of £85.84 (£80.84 in 2022/23).

Overall Council Tax Level 2022/23

3.7 The Council Tax for District (South Derbyshire) Services is based on budgeted spending levels for 2023/24, as recommended by the Finance and Management Committee on 9 February 2023 and detailed in **Appendices 1 to 3**. The Finance and Management Committee recommended an increase of £1.73 (1%) on a Band D property for 2023/24. This has been reflected in the schedules and resolutions. Consequently, the total Band D Council Tax for 2023/24 will be as follows:

Overall Band D Council Tax (per year)	**2022/23 £:p**	**2023/24 £:p**	**Increase £:p**	**Increase %**
South Derbyshire District Council	172.91	174.64	1.73	1.00%
Derbyshire County Council	1,424.56	1,477.98	53.42	3.75%
Police and Crime Commissioner for Derbyshire	251.60	266.60	15.00	5.96%
Derbyshire Fire and Rescue Service	80.84	85.84	5.00	6.19%
TOTAL	**1,929.91**	**2,005.06**	**75.15**	**3.89%**

3.8 An explanation of the resolutions in **Appendix 1** is provided below.

Resolution 1 - Council Tax Base

3.9 This is the District Council's Tax Base, which was approved by the Finance and Management Committee at its meeting held on the 12 January 2023. The Tax Base was set at **37,663** and is known as **Item T.**

Resolution 2 – The Council Tax Requirement (CTR)

3.10 This is the amount of revenue expenditure to be met from Council Tax. It is the Council's Band D rate (excluding Parishes) multiplied by its Council Tax Base, as follows:

£174.64 * 37,663 = **£6,577,466**

Resolution 3 (a)

3.11 This is the Council’s estimated gross expenditure for 2023/24 including the Housing Revenue Account and Parish Precepts and totals £48,064,829.

Resolution 3 (b)

3.12 This is the Council’s estimated income for 2023/24. It includes all fees and charges, together with housing rents, specific government grants, contributions from reserves and declared surpluses on the Collection Fund. The total is £40,450,146.

Resolution 3 (c)

3.13 This is the difference between 3 (a) and 3 (b), i.e. £7,614,683 and is known as **Item R**. It represents the CTR for the year of £6,577,466 (Resolution 2) together with Parish Precepts of £1,037,217.

Resolution 3 (d)

3.14 This is the basic amount of Council Tax for 2023/24, including Parish Precepts and is item R divided by item T. i.e.

£7,617,683 / 37,663 = **£202.18**

Resolution 3 (e)

3.15 This is the total amount of Parish Precepts as detailed in **Appendix 2,** i.e. £1,037,217.

Resolution 3 (f)

3.16 This is the basic amount of Council Tax for areas where no Parish Precept applies, i.e.

£202.18 – (£1,037,217 / 37,663) = **£174.64**

Resolutions 4 and 5

3.17 These confirm the precepts levied by Parish Councils together with those notified to the Council by the County, Police/Crime Commissioner and Fire authorities. The equivalent tax rates by property band are shown in *Schedules A and B*.

Resolution 6

3.18 This is the *aggregate* amount of Council Tax for South Derbyshire as detailed in **Schedule C**.

Resolution 7

3.19 Schedule 5 of the Localism Act 2011 makes provision for a referendum to be held if an authority increases its Council Tax by an amount exceeding principles determined by the Secretary of State.

3.20 The Secretary has determined that for 2023/24, a Council Tax will be *deemed excessive* (and subject to a local Referendum) for shire district councils if the authority's relevant basic amount of Council Tax (i.e. Band D) for 2023/24 is:

(a) *3% greater than its relevant basic amount of Council Tax for 2022/23*; ***and***

(b) *£5 greater than its relevant basic amount of Council Tax for 2022/23*.

3.21 As shown in the table in **paragraph 3.7,** the District's Band D rate will increase following the recommendation to Full Council on 22 February 2023, by £1.73 (1%). Therefore, under the principles set out by the Secretary of State, the Council's increase *is not* deemed excessive.

APPENDIX 1

ENVIRONMENTAL & DEVELOPMENT SERVICES - BUDGET SETTING 2023/24

	Proposed Budget 2023/24 £	Approved Budget 22/23 £	Change £	Comments
Tourism Policy, Marketing & Development	79,874	78,263	1,611	Increase utilities £1.5k, Rent and stock
Promotion and Marketing of the Area	279,844	279,292	552	
Community Development	10,000	10,000	0	
ECONOMIC DEVELOPMENT	**369,718**	**367,555**	**2,163**	
Food Safety	78,300	72,945	5,356	Increased staff cots £5K
Pollution Reduction	409,544	411,242	-1,698	Reduced staff costs £1.5k
Pest Control	17,636	18,520	-884	Fee reduction £500
Public Health	0	0	0	
Public Conveniences	23,919	25,113	-1,194	Decrease dep'n £1k, Insurance £100
Community Safety (Safety Services)	202,554	202,866	-312	
Environmental Education	110,352	110,352	0	
Welfare Services	1,800	1,800	0	
ENVIRONMENTAL SERVICES	**844,106**	**842,837**	**1,269**	
Environmental Maintenance (Other Roads)	-70,557	-70,557	0	
Public Transport	29,719	29,302	417	Decrease contract cleaning £11k; Increase R&M £4.3k
Off-Street Parking	92,815	97,251	-4,436	Decrease Dep'n £8.3k, Increase utilities £1.4k, Professional Fees £2.5k
HIGHWAYS & PARKING	**51,977**	**55,996**	**-4,019**	
Local Land Charges	6,702	6,055	647	
Licensing	30,757	21,794	8,963	Decrease Computing £1.2k, Fee income £10,500;
LICENSING & LAND CHARGES	**37,459**	**27,849**	**9,610**	

Emergency Planning and Works	16,500	16,000	500	Increase TTP £500
Building Regulations	35,200	35,200	0	
Dealing with Development Control Applications	351,204	328,955	22,249	Increased staff costs £16.7k, Periodicals £2.5k, Computing £5.3k
Structure and Local Planning	320,722	321,713	-991	
Street Name & Numbering	-12,391	-3,959	-8,431	Increase fees income £8.5k
PLANNING	**711,235**	**697,908**	**13,327**	
Grounds Maintenance	751,254	769,776	-18,522	Decreased fee income £3.7k, dep'n £2k; increased recharge £22k
Street Cleansing (not chargeable to highways)	574,883	575,579	-695	
STREET SCENE	**1,326,137**	**1,345,354**	**-19,217**	
Household Waste Collection	1,714,115	1,698,814	15,301	Increased dep'n £57k, Recycling disbursements £35K Agency £6.2k, Subscriptions £9k; Cont. County Council (income) £83K, extra collections £10k
Trade Waste Collection	-107,076	-98,559	-8,517	Increase Waste Collection £24.7k, Fees (income) £33k
Recycling	478,929	482,761	-3,832	Increase waste management £8.5k, salary oncosts £31k, Contributions (income) 45.6k
Direct Services Central Admin	382,600	374,735	7,865	Increase salaries £8k
Transport Services	980,705	854,781	125,924	Increase Petrol/Diesel £116k, Oil £14k, MOT £3.2, RFL £3.2k, Subs £2.8k; decreased insurance £10.8 dep'n £5.8k
WASTE & TRANSPORT	**3,449,273**	**3,312,533**	**136,741**	
	6,789,905	**6,650,033**	**139,873**	

APPENDIX 2

HOUSING & COMMUNITY SERVICES - BUDGET SETTING 2023/24

	Proposed Budget 2023/24	Approved Budget 22/23	Movement	Comments
General Grants, Bequests & Donations	314,260	314,123	138	
Community Centres	202,793	214,446	-11,652	Decreased depreciation £11.5k
Community Safety (Crime Reduction)	140,909	140,909	-0	
Defences Against Flooding	59,337	59,303	34	
Market Undertakings	1,389	2,138	-749	
Village Halls	0	0	0	
COMMUNITY DEVELOPMENT & SUPPORT	**718,689**	**730,919**	**-12,229**	
Arts Development & Support	15,040	15,040	0	
Events Management	125,736	124,297	1,439	Decrease Staff Costs £3.7k, insurance £1k; Increased events costs £6.2k
Midway Community Centre	42,228	34,256	7,972	Decreased tools £1k, Increased deprecation £3.5k, utilities £4.5k, R&M £1.2k
Stenson Fields Community Centre	8,203	6,988	1,215	
RECREATIONAL ACTIVITIES	**191,207**	**180,581**	**10,626**	
Melbourne Assembly Rooms	20,932	32,460	-11,528	Decrease depreciation
Get Active in the Forest	34,452	34,452	-0	
Sports Development & Community Recreation	185,936	185,935	0	
Indoor Sports & Recreation Facilities	578,478	497,336	81,142	Increase fees £9.9k (income), Deprecation £71k, TPP £5.2k, Insurance £4.8k, Utilities £9.9k
Outdoor Sports & Recreation Facilities (SSP)	-0	0	-0	
Play schemes	21,269	21,269	0	
LEISURE CENTRES & COMMUNITY FACILITIES	**841,067**	**771,453**	**69,614**	
Allotments	206	-799	1,005	Increase grounds £1k

Rosliston Forestry Centre	293,467	310,654	-17,187	Decrease R&M £3k, Tools & Equipment £4k, Insurance £3.5k, Depreciation £11.5k Increase fees (income) £19.9k, Utilities £2.9k, Oil £9.2k, Contract Cleaning £6.9k, Laundry £4.3k, Bank Charges £3.2k
Cemeteries	21,355	20,247	1,108	Increase fees £2.5k, grounds £3.5k
Closed Churchyards	7,548	7,608	-60	
Parks and Open Spaces	329,822	330,723	-901	
PARKS & OPEN SPACES	**652,398**	**668,432**	**-16,035**	
Housing Standards	101,088	99,790	1,298	Increase Subscriptions
Housing Strategy	103,305	102,327	977	
Administration of Renovation & Improvement Grants	61,991	61,466	525	
Bed / Breakfast Accomodation	6,500	6,500	0	
Pre-tenancy Services	241,761	239,321	2,440	Increase Staff Costs
Other Housing Support Costs (GF)	37,281	35,569	1,712	Increase Computing £2k
PRIVATE SECTOR HOUSING	**551,926**	**544,974**	**6,952**	
	2,955,287	**2,896,359**	**58,928**	

APPENDIX 3

FINANCE & MANAGEMENT - BUDGET SETTING 2023/24

	Proposed Budget 2023/24 £	Approved Budget 22/23 £	Movement £	Comments
Business Change	125,681	111,582	14,099	Increase salaries £22k, HRA recharge £7.8k
Digital Services	186,693	180,623	6,070	Decrease printing £4.2k, Computing £1.5k, HRA Recharge £1.4k
Caretaking	156,319	156,303	16	Decrease salaries £1.5k, HRA recharges £1.4k; Increase mileage £3k
Senior Management	467,067	471,253	-4,186	Decrease Training £1.4k, Mileage £1.1k, TPP £1.4k; Increase HRA recharges £3k salaries £3.2k
Financial Services	392,922	422,423	-29,501	Decrease professional fees £70k, Reserve Funding £15k; Increase salaries £37k, Training £3.8k, HRA recharges £1.2k
Internal Audit	126,633	113,373	13,260	Increase Professional Fees £19.5k, HRA Recharges £6.2k
Merchant Banking Services	69,283	68,075	1,208	
ICT Support	775,687	778,097	-2,410	Decrease salaries £6.4k, Telephones £13.8k, Mobiles £8.7k, Insurance £6.4k; Increase training £4k, Internet Circuits £24.5k, Dep'n £9.6k, HRA recharges £5.7k
Legal Services	280,115	283,535	-3,420	Decrease salaries £1k, Books £2.3k; Increase professional fees £2.3k, HRA recharges £2.6k
Performance & Policy	39,554	39,817	-264	
Personnel/HR	414,639	396,375	18,264	Decrease salaries £10k, Insurance 2.2k; Increase medical £6.6k, Computing £36.6k, Licences £1k, HRA recharges £14.5k
Communications	82,206	84,496	-2,290	Increase HRA recharges £2.3k
Customer Services	587,517	536,993	50,525	Reduce Stationery £2.9k; Increase salaries £37.4k, Postages £29k, HRA recharges £13.6k
Health & Safety	59,769	60,252	-483	

Admin Offices & Depot	695,910	673,282	22,629	Decrease insurance £6.1k; Increase salaries £3.3k, Utilities £14.8k, Rates £1.8k, Refuse £1k, Dep'n £8.3k, HRA recharges £9.6k, Van Hire £817, Licences £255
Protective Clothing	30,809	29,809	1,000	Increase protective clothing
Procurement	12,349	12,349	0	
CENTRAL SUPPORT SERVICES	**4,503,154**	**4,418,635**	**84,519**	
Democratic Representation & Management	92,058	91,850	207	
Corporate Management	69,435	65,951	3,484	Increase subs £3.5k
Corporate Finance Management	40,261	37,969	2,293	Decrease insurance £1.5k; Increase professional fees £30k, HRA recharges £25.6k
Elected Members	354,920	361,625	-6,705	
CORPORATE & DEMOCRATIC COSTS	**556,674**	**557,395**	**-721**	
Registration of Electors	43,481	44,271	-790	
Conducting Elections	306,786	187,742	119,045	Decrease Tools R&M £3.4k; Increase district election costs £125k
ELECTIONS & REGISTRATION	**350,267**	**232,013**	**118,255**	
Funded Pension Schemes	148,017	280,298	-132,281	
Increase/Decrease in Provision for Bad or Doubtful Debts	175,000	175,000	0	
Planning Agreements	0	0	0	
Parish Councils	435,009	434,765	243	
Interest & Investment Income (GF)	-281,578	-136,229	-145,349	Decrease insurance 1.7k; Increase Interest £144k
External Interest Payable (GF)	2,700	500	2,200	Increase - Parish Council Loans Interest
PARISHES, INTEREST, S106 RECEIPTS & PROVISIONS	**479,148**	**754,334**	**-275,186**	
Estate Management	-240,342	-238,225	-2,117	Decrease training £1.5k, Insurance £6.9k; Increase salaries £1k, Utilities £7.6k, Business Rates £11.5k, Prof fees £3k, Fees £12.1k
ESTATE MANAGEMENT	**-240,342**	**-238,225**	**-2,117**	
Council Tax Collection	135,133	144,212	-9,080	Decrease salaries £9.7k, Insurance £215; Increase training £864
Non Domestic Rates Collection	-87,500	-87,500	0	
Revenues & Benefits Support & Management	381,042	357,680	23,362	Decrease salaries £4.7k; Increase computing £28.1k
Rent Allowances Paid	30,340	37,005	-6,665	
Net cost of Rent Rebates Paid	83,400	80,882	2,519	

Corporate Fraud	51,066	48,150	2,916	Increase prof fees £2.9k
Housing Benefits Administration	143,321	173,803	-30,482	Decrease salaries £15.3k, Benefits processing £40k, Grants (income) £18k; Increase Professional fees £6k
Concessionary Fares	0	-9,600	9,600	No confirmation of DCC contribution
REVENUES & BENEFITS	**736,801**	**744,631**	**-7,830**	
	6,385,702	**6,468,784**	**-83,081**	

APPENDIX 4

GENERAL FUND MEDIUM TERM FINANCIAL PLAN
BUDGET & PROJECTION FEBRUARY 2023

	Proposed Budget £ 2022.23	Projection £ 2023.24	Projection £ 2024.25	Projection £ 2025.26	Projection £ 2026.27	Projection £ 2027.28
BASE BUDGET						
Environmental & Development	6,225,153	6,789,905	7,008,047	7,218,291	7,432,356	7,666,486
Housing & Community	2,801,603	2,955,287	2,986,459	3,039,009	3,095,825	3,157,535
Finance & Management	6,264,523	6,429,329	6,641,575	6,824,067	7,008,887	7,216,881
Net Service Expenditure	**15,291,279**	**16,174,521**	**16,636,081**	**17,081,367**	**17,537,068**	**18,040,902**
Accounting Adjustments						
Reverse out Depreciation	-1,268,382	-1,364,523	-1,364,523	-1,364,523	-1,364,523	-1,364,523
Minimum Revenue Provision (MRP)	174,654	167,668	160,962	154,523	148,342	142,408
Voluntary Revenue Provision (VRP - Recycling Bins & Grove Active Zone)	20,556	20,556	1,639	0	0	0
	14,218,106	**14,998,222**	**15,434,159**	**15,871,367**	**16,320,887**	**16,818,788**
Add: Known Variations						
Vehicle Maintenance Plan (Tyres and Spare Parts)	0	25,000	30,000	40,000	55,000	75,000
Operational Services - Allocated Growth Excluded From Base Budget	146,652	382,329	160,367	164,376	168,486	172,698
Growth Provision Drawdown	0	-172,294	0	0	0	0
Land Charges Service Review Provision	116,000	0	0	0	0	0
Public Sector Audit Appointments - Additional External Audit Fees	20,000	20,000	20,000	20,000	20,000	20,000
Drakelow Concurrent Functions	2,185	0				
Operating Licence Inspection Pit	60,000	0	0	0	0	0
Parish Concurrent Functions and Grants to Voluntary Bodies	0	10,885	11,103	11,325	11,551	11,782
Driver and Mechanic Incentive Payment	47,722	34,722	0	0	0	0
Route Optimisation Potential Project Delay	59,634	0	0	0	0	0
Local Plan Review	15,000	15,000	0	0	0	0
EDI Temporary Officer post	14,973	0	0	0	0	0

Potential pay award	774,143	457,181	468,610	480,326	492,334	504,642
Incremental Salary Increases	0	18,425	6,671	2,253	0	0
Investment Income	-275,000	-150,000	-125,000	-100,000	-100,000	-100,000
Potential Loss of Industrial Unit Income	0	0	0	210,000	210,000	210,000
Increase in Electricity Tariff September 2023 to September 2024	0	74,000	74,000	0	0	0
Pension Valuation 2023/24	0	109,430	109,430	109,430	109,430	109,430
Pension Earmarked Reserve Drawdown	-43,589	-6,783	0	0	0	0
Insurance Tender	-146,500	0	0	0	0	0
District Election May 2023	0	0	0	0	0	125,000
TOTAL ESTIMATED SPENDING	**15,009,326**	**15,816,117**	**16,189,340**	**16,809,077**	**17,287,688**	**17,947,340**

GENERAL FUND MEDIUM TERM FINANCIAL PLAN
BUDGET & PROJECTION FEBRUARY 2023

	Proposed Budget £ 2022.23	Projection £ 2023.24	Projection £ 2024.25	Projection £ 2025.26	Projection £ 2026.27	Projection £ 2027.28
Provisions						
Contingent Sum - Growth	160,000	105,000	143,254	143,144	113,144	113,144
New Parishes - Concurrent Functions	0	2,500	5,000	10,000	15,000	15,001
Waste and Recycling	50,000	50,000	50,000	50,000	50,000	50,000
TOTAL PROJECTED SPENDING	**15,219,326**	**15,973,617**	**16,387,594**	**17,012,221**	**17,465,832**	**18,125,485**
FINANCING						
Business Rates Retention	-3,795,025	-4,000,000	-4,000,000	-3,750,000	-3,750,000	-3,750,000
Services Grant Allocation	-173,984	-100,000	0	0	0	0
Lower Tier Services Grant Allocation	-291,393	0	-2,700,000	-2,700,000	-2,700,000	-2,700,000
New Homes Bonus	-3,018,486	-1,500,000	0	0	0	0
Funding Guarantee	0	-1,800,000	0	0	0	0
Council Tax Income	-6,346,143	-6,577,466	-6,875,455	-7,207,426	-7,549,729	-7,902,641
Core Spending Power	**-13,625,031**	**-13,977,466**	**-13,575,455**	**-13,657,426**	**-13,999,729**	**-14,352,641**

Add Estimated Collection Fund Surplus - Council Tax	-166,393	-55,000	-55,000	-55,000	-55,000	-55,000
TOTAL FINANCING	**-13,791,424**	**-14,032,466**	**-13,630,455**	**-13,712,426**	**-14,054,729**	**-14,407,641**
Revenue Surplus (-) / Deficit	**1,427,903**	**1,941,150**	**2,757,139**	**3,299,795**	**3,411,103**	**3,717,844**
Capital Contributions						
IT and Digital Strategy	160,000	160,000	160,000	166,500	173,000	166,500
Purchase of Town Centre Land	44,335	0	0	0	0	0
Community Partnership Scheme	219,053	0	0	0	0	0
Rosliston Forestry Centre - Play Project	50,000	0	0	0	0	0
Asset Replacement and Renewal Fund	357,000	356,000	355,000	355,000	355,000	355,000
TOTAL CAPITAL CONTRIBUTION	**830,388**	**516,000**	**515,000**	**521,500**	**528,000**	**521,500**
TOTAL GENERAL FUND DEFICIT	**2,258,291**	**2,457,150**	**3,272,139**	**3,821,295**	**3,939,103**	**4,239,344**
GENERAL FUND RESERVE BALANCE						
Balance b/fwd	-14,477,000	-12,218,709	-9,761,559	-6,489,420	-2,668,125	1,270,978
Revenue Surplus (-) / Deficit	1,427,903	1,941,150	2,757,139	3,299,795	3,411,103	3,717,844
Capital Contributions	830,388	516,000	515,000	521,500	528,000	521,500
Balance c/fwd	**-12,218,709**	**-9,761,559**	**-6,489,420**	**-2,668,125**	**1,270,978**	**5,510,321**

Appendix 5

<u>The Council is recommended to resolve as follows</u>:

1. It be noted that on 12 January 2023, the Full Council calculated the Council Tax Base 2023/24:

   (a) For the whole area as 37,663 (Item T in the formula in Section 31B of the Local Government Finance Act 1992, as amended by the Localism Act 2011).

   (b) For dwellings in those parts of its area to which a Parish Precept relates as 25,767.

2. Calculate that the Council Tax £6,577,466.

3. That the following amounts be calculated for the year 2023/24 in accordance with Sections 31 and 36 of the Localism Act 2011:

   (a) £48,064,829

   Being the aggregate of the amounts which the Council estimates for the items set out in Section 31A (2) of the Act taking into account all precepts issued to it by Parish Councils.

   (b) £40,450,146

   Being the aggregate of the amounts which the Council estimates for the items set out in Section 31A (3) of the Act.

   (c) £7,614,684

   Being the amount by which the aggregate of 3(a) above exceeds the aggregate of 3(b) above, calculated by the Council in accordance with Section 31A (4) of the Act as its Council Tax requirement for the year. (Item R in the formula in Section 31B of the Act).

   (d) £202.18

   Being the amount at 3(c) above (Item R) all divided by Item T (1a above) calculated by the Council in accordance with Section 31B of the Act, as the basic amount of its Council Tax for the year (including Parish Precepts).

   (e) £1,037,217

   Being the aggregate amount of all Parish Precepts referred to in Section 34 (1) of the Act.

   (f) £174.64

Being the amount at 3 (d) above less the result given by dividing the amount at 3 (e) above by Item T (1a above) calculated by the Council in accordance with Section 34 (2) of the Act, as the basic amount of its Council Tax for the year for dwellings in those parts of its area to which no Parish Precept relates.

4. To note that Parish Councils have issued precepts to the Council in accordance with Section 41 of Local Government Finance Act 1992 for each category of dwellings in the Council's area as indicated in **Schedule A.**

5. To note that the County Council, the Police and Crime Commissioner and the Fire and Rescue Service for Derbyshire, have issued Precepts to the Council in accordance with Section 40 of the Local Government Finance Act 1992 for each category of dwellings in the Council's area as indicated in **Schedule B**.

6. That the Council, in accordance with Sections 30 and 36 of the Local Government Finance Act 1992, hereby sets the aggregate amounts shown in **Schedule C**, as the amounts of Council Tax for 2023/24 for each part of its area and for each of the categories of dwellings, this being the *aggregate* of Schedules A and B.

7. That in accordance with Section 52 (ZB) of the Local Government Finance Act 1992, the Council determines that the amount of council tax shown at 3 (f) of £174.64 **is not** excessive compared to 2022/23 and therefore there is no requirement for a local referendum.

ANALYSIS OF PARISH PRECEPTS, TAX BASE AND BAND D RATES

Parish	Precept 20222/23 £	Precept 2023/24 £	Tax Base 2022/23	Tax Base 2023/24	Band D 2022/23 £	Band D 2023/24 £	LCTR Grant 2022/23 £	LCTR Grant 2023/24 £
Aston-on-Trent	35,090	36,845	732	734	47.94	50.20	1,317	1,317
Barrow-on-Trent	11,907	12,853	243	241	49.00	53.33	452	452
Bretby	4,024	4,185	414	414	9.72	10.11	73	73
Burnaston	9,124	9,124	688	690	13.26	13.22	148	148
Castle Gresley	25,309	25,309	632	632	40.05	40.05	2,876	2,876
Church Broughton	13,000	13,250	255	250	50.98	53.00	151	151
Coton-in-the-Elms	7,427	7,453	287	288	25.88	25.88	989	989
Dalbury Lees	1,600	1,600	136	139	11.76	11.51	102	102
Drakelow	4,700	4,250	318	342	14.78	12.43	0	0
Egginton	12,019	12,259	255	255	47.13	48.07	199	199
Elvaston	42,588	45,995	1,197	1,264	35.58	36.39	210	210
Etwall	58,298	60,347	1,190	1,193	48.99	50.58	2,751	2,751
Findern	45,947	46,864	1,504	1,534	30.55	30.55	1,135	1,135
Foston & Scropton	8,568	18,100	252	248	34.00	72.98	433	433
Hartshorne	8,517	9,624	1,162	1,218	7.33	7.90	1,783	1,783
Hatton	59,917	61,715	917	1,001	65.34	61.65	2,100	2,100
Hilton	172,900	172,900	2,891	3,073	59.81	56.26	5,484	5,484
Linton	46,250	46,250	779	776	59.37	59.60	3,325	3,325
Melbourne	95,000	107,733	2,020	2,033	47.03	52.99	2,568	2,568
Netherseal	10,900	11,009	336	339	32.44	32.47	1,141	1,141
Newton Solney	12,000	12,000	386	390	31.09	30.77	171	171
Overseal	36,142	36,865	940	957	38.45	38.52	2,801	2,801
Repton	48,000	50,300	1,222	1,231	39.28	40.86	693	693
Rosliston	11,500	12,500	306	317	37.58	39.43	378	378
Shardlow & Great Wilne	21,336	21,335	427	427	49.97	49.96	1,399	1,399
Smisby	5,802	6,802	123	123	47.17	55.30	164	164
Stenson	28,000	32,000	1,499	1,502	18.68	21.30	736	736
Ticknall	13,500	13,500	302	303	44.70	44.55	822	822
Walton-on-Trent	7,985	7,378	307	315	26.01	23.42	607	607
Weston-on-Trent	16,000	16,800	658	686	24.32	24.49	535	535
Willington	50,865	53,365	1,031	1,050	49.34	50.82	4,392	4,392
Woodville	62,349	66,707	1,735	1,802	35.94	37.02	3,692	3,692
TOTAL PRECEPTS / AVERAGE BAND D	**986,564**	**1,037,217**	**25,144**	**25,767**	**35.70**	**38.61**	**43,627**	**43,627**

SCHEDULE A - DISTRICT COUNCIL TAX 2023/24

Part of Council's area: Parish of	Valuation Band and Proportion to Band D							
	A	B	C	D	E	F	G	H
	6/9	7/9	8/9	1.00	11/9	13/9	15/9	18/9
	£:p	£:p	£:p	£:p	£:p	£:p	£:p	£:p
Aston-on-Trent	149.89	174.88	199.86	224.84	274.80	324.77	374.73	449.68
Barrow-on-Trent	151.98	177.31	202.64	227.97	278.63	329.29	379.95	455.94
Bretby	123.17	143.69	164.22	184.75	225.81	266.86	307.92	369.50
Burnaston	125.24	146.11	166.99	187.86	229.61	271.35	313.10	375.72
Castle Gresley	143.13	166.98	190.84	214.69	262.40	310.11	357.82	429.38
Church Broughton	151.76	177.05	202.35	227.64	278.23	328.81	379.40	455.28
Coton-in-the-Elms	133.68	155.96	178.24	200.52	245.08	289.64	334.20	401.04
Dalbury Lees	124.10	144.78	165.47	186.15	227.52	268.88	310.25	372.30
Drakelow	124.71	145.50	166.28	187.07	228.64	270.21	311.78	374.14
Egginton	148.47	173.22	197.96	222.71	272.20	321.69	371.18	445.42
Elvaston	140.69	164.13	187.58	211.03	257.93	304.82	351.72	422.06
Etwall	150.15	175.17	200.20	225.22	275.27	325.32	375.37	450.44
Findern	136.79	159.59	182.39	205.19	250.79	296.39	341.98	410.38
Foston & Scropton	165.08	192.59	220.11	247.62	302.65	357.67	412.70	495.24
Hartshorne	121.69	141.98	162.26	182.54	223.10	263.67	304.23	365.08
Hatton	157.53	183.78	210.04	236.29	288.80	341.31	393.82	472.58
Hilton	153.93	179.59	205.24	230.90	282.21	333.52	384.83	461.80
Linton	156.16	182.19	208.21	234.24	286.29	338.35	390.40	468.48
Melbourne	151.75	177.05	202.34	227.63	278.21	328.80	379.38	455.26
Netherseal	138.07	161.09	184.10	207.11	253.13	299.16	345.18	414.22
Newton Solney	136.94	159.76	182.59	205.41	251.06	296.70	342.35	410.82
Overseal	142.11	165.79	189.48	213.16	260.53	307.90	355.27	426.32
Repton	143.67	167.61	191.56	215.50	263.39	311.28	359.17	431.00
Rosliston	142.71	166.50	190.28	214.07	261.64	309.21	356.78	428.14
Shardlow & Great Wilne	149.73	174.69	199.64	224.60	274.51	324.42	374.33	449.20

Smisby	153.29	178.84	204.39	229.94	281.04	332.14	383.23	459.88
Stenson	130.63	152.40	174.17	195.94	239.48	283.02	326.57	391.88
Ticknall	146.13	170.48	194.84	219.19	267.90	316.61	365.32	438.38
Walton-on-Trent	132.04	154.05	176.05	198.06	242.07	286.09	330.10	396.12
Weston-on-Trent	132.75	154.88	177.00	199.13	243.38	287.63	331.88	398.26
Willington	150.31	175.36	200.41	225.46	275.56	325.66	375.77	450.92
Woodville	141.11	164.62	188.14	211.66	258.70	305.73	352.77	423.32
All other parts of the Council's area	116.43	135.83	155.24	174.64	213.45	252.26	291.07	349.28

SCHEDULE B - MAJOR PRECEPTING AUTHORITIES COUNCIL TAX 2023/24

	Valuation Band and Proportion to Band D							
	A	B	C	D	E	F	G	H
	6/9	7/9	8/9	1.00	11/9	13/9	15/9	18/9
Precepting Authority	£:p	£:p	£:p	£:p	£:p	£:p	£:p	£:p
Derbyshire County Council	985.32	1,149.54	1,313.76	1,477.98	1,806.42	2,134.86	2,463.30	2,955.96
Police and Crime Commissioner for Derbyshire	177.73	207.36	236.98	266.60	325.84	385.09	444.33	533.20
Derbyshire Fire and Rescue Service	57.23	66.76	76.30	85.84	104.92	123.99	143.07	171.68

SCHEDULE C - AGGREGATED COUNCIL TAX FOR SOUTH DERYSHIRE 2023/24

Part of Council's area: Parish of	**Valuation Band and Proportion to Band D**							
	A	B	C	D	E	F	G	H
	£:p	£:p	£:p	£:p	£:p	£:p	£:p	£:p
Aston - on - Trent	1,370.17	1,598.54	1,826.90	2,055.26	2,511.98	2,968.71	3,425.43	4,110.52
Barrow - on - Trent	1,372.26	1,600.97	1,829.68	2,058.39	2,515.81	2,973.23	3,430.65	4,116.78
Bretby	1,343.45	1,567.35	1,791.26	2,015.17	2,462.99	2,910.80	3,358.62	4,030.34
Burnaston	1,345.52	1,569.77	1,794.03	2,018.28	2,466.79	2,915.29	3,363.80	4,036.56
Castle Gresley	1,363.41	1,590.64	1,817.88	2,045.11	2,499.58	2,954.05	3,408.52	4,090.22
Church Broughton	1,372.04	1,600.71	1,829.39	2,058.06	2,515.41	2,972.75	3,430.10	4,116.12
Coton - in - the - Elms	1,353.96	1,579.62	1,805.28	2,030.94	2,482.26	2,933.58	3,384.90	4,061.88
Dalbury Lees	1,344.38	1,568.44	1,792.51	2,016.57	2,464.70	2,912.82	3,360.95	4,033.14
Drakelow	1,344.99	1,569.16	1,793.32	2,017.49	2,465.82	2,914.15	3,362.48	4,034.98
Egginton	1,368.75	1,596.88	1,825.00	2,053.13	2,509.38	2,965.63	3,421.88	4,106.26
Elvaston	1,360.97	1,587.79	1,814.62	2,041.45	2,495.11	2,948.76	3,402.42	4,082.90
Etwall	1,370.43	1,598.83	1,827.24	2,055.64	2,512.45	2,969.26	3,426.07	4,111.28
Findern	1,357.07	1,583.25	1,809.43	2,035.61	2,487.97	2,940.33	3,392.68	4,071.22
Foston and Scropton	1,385.36	1,616.25	1,847.15	2,078.04	2,539.83	3,001.61	3,463.40	4,156.08
Hartshorne	1,341.97	1,565.64	1,789.30	2,012.96	2,460.28	2,907.61	3,354.93	4,025.92
Hatton	1,377.81	1,607.44	1,837.08	2,066.71	2,525.98	2,985.25	3,444.52	4,133.42
Hilton	1,374.21	1,603.25	1,832.28	2,061.32	2,519.39	2,977.46	3,435.53	4,122.64
Linton	1,376.44	1,605.85	1,835.25	2,064.66	2,523.47	2,982.29	3,441.10	4,129.32
Melbourne	1,372.03	1,600.71	1,829.38	2,058.05	2,515.39	2,972.74	3,430.08	4,116.10
Netherseal	1,358.35	1,584.75	1,811.14	2,037.53	2,490.31	2,943.10	3,395.88	4,075.06
Newton Solney	1,357.22	1,583.42	1,809.63	2,035.83	2,488.24	2,940.64	3,393.05	4,071.66
Overseal	1,362.39	1,589.45	1,816.52	2,043.58	2,497.71	2,951.84	3,405.97	4,087.16

Repton	1,363.95	1,591.27	1,818.60	2,045.92	2,500.57	2,955.22	3,409.87	4,091.84
Rosliston	1,362.99	1,590.16	1,817.32	2,044.49	2,498.82	2,953.15	3,407.48	4,088.98
Shardlow and Great Wilne	1,370.01	1,598.35	1,826.68	2,055.02	2,511.69	2,968.36	3,425.03	4,110.04
Smisby	1,373.57	1,602.50	1,831.43	2,060.36	2,518.22	2,976.08	3,433.93	4,120.72
Stenson Fields	1,350.91	1,576.06	1,801.21	2,026.36	2,476.66	2,926.96	3,377.27	4,052.72
Ticknall	1,366.41	1,594.14	1,821.88	2,049.61	2,505.08	2,960.55	3,416.02	4,099.22
Walton - on - Trent	1,352.32	1,577.71	1,803.09	2,028.48	2,479.25	2,930.03	3,380.80	4,056.96
Weston - on - Trent	1,353.03	1,578.54	1,804.04	2,029.55	2,480.56	2,931.57	3,382.58	4,059.10
Willington	1,370.59	1,599.02	1,827.45	2,055.88	2,512.74	2,969.60	3,426.47	4,111.76
Woodville	1,361.39	1,588.28	1,815.18	2,042.08	2,495.88	2,949.67	3,403.47	4,084.16
All other parts of the Council's area	1,336.71	1,559.49	1,782.28	2,005.06	2,450.63	2,896.20	3,341.77	4,010.12