

CONTENTS

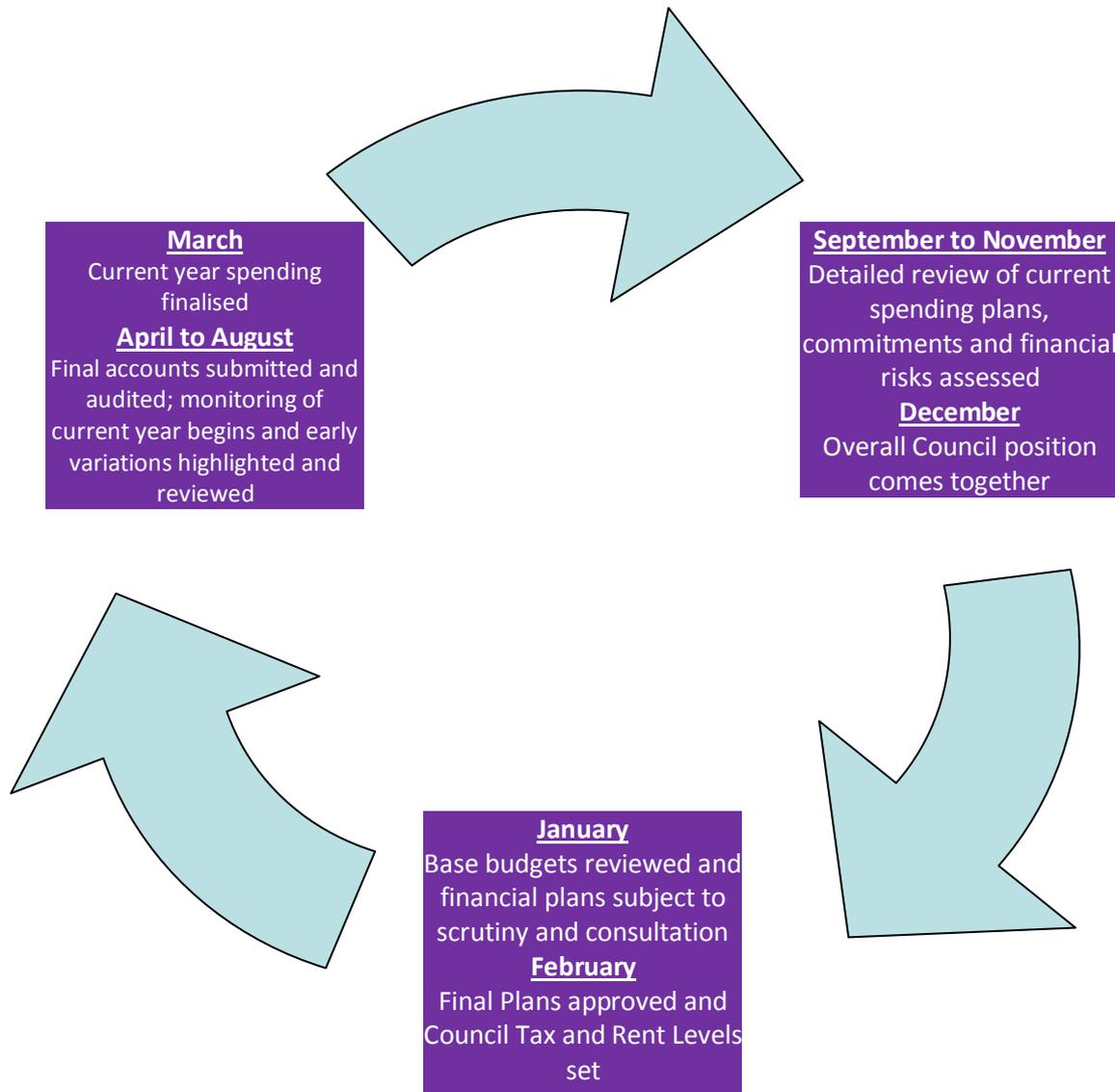
Page 2	Sections 1: Introduction, Financial and Corporate Planning
Page 7	Section 2: The Council's Overall Financial Position
Page 12	Section 3: The Council's Accounts
Page 14	Section 4: The Council's Financial Strategy
Page 16	Section 5: Government Funding
Page 21	Section 6: General Fund Revenue Account - Income and Expenditure
Page 26	Section 7: General Fund Revenue Account – The Longer-term Position
Page 28	Section 8: Housing Revenue Account
Page 30	Section 9: Capital Investment and Financing
Page 31	Section 10: Council Tax Levels in the District
Page 32	Section 11: Facts and Figures at a Glance
Appendix 1	Environmental and Development Services – Income and Expenditure
Appendix 2	Housing and Community Services – Income and Expenditure
Appendix 3	Finance and Management Services – Income and Expenditure
Appendix 4	Consolidated General Fund Revenue Account
Appendix 5	Housing Revenue Account
Appendix 6	Capital Investment programme

MEDIUM TERM FINANCIAL PLAN 2014 to 2019

1. INTRODUCTION

- 1.1 This document provides details of the Council's medium term financial plans and projected financial position to 2019.
- 1.2 It sets out how the Council spends the money it receives from the residents and businesses of South Derbyshire and Central Government, to provide services and to meet the priorities identified in the Council's Corporate Plan.
- 1.3 The formulation of this medium term plan is part of the wider financial strategy and framework at the Council. Financial planning is an on-going process and this plan is reviewed and updated on a regular basis.

The Annual Financial Cycle



A Longer-Term View

- 1.4 The Council plans its revenue and capital finances over a 5-year rolling programme - and 10-years for Council Housing. This longer-term view is designed to highlight at an early stage where the Council may have financial challenges and the level of resources it is likely to have available beyond the current financial year.
- 1.5 This helps to identify future issues in order that a timely and planned approach can be taken to address a shortfall in resources, a reprioritisation of spending or indeed where additional resources are available, where they should be invested.

The Annual Budget Round

- 1.6 A fundamental part of the financial cycle is the annual budget round. This commences in the autumn of each year. After a review of detailed spending and a period of consultation, the Council approves its overall revenue and capital budgets, an updated Financial Plan, together with the level of Council Tax, early in March each year. This is in accordance with a statutory timescale.

2014/15 Budget Round

- 1.7 A summary of the reports considered during the 2014/15 Budget Round are included in this document. The Council's detailed budget reports, future spending plans, incorporating a full analysis as reported to the Council, can be accessed at:

<http://south-derbys.cmis.uk.com/south-derbys/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/1645/Committee/322/Default.aspx>

<http://south-derbys.cmis.uk.com/south-derbys/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/1647/Committee/322/Default.aspx>

The Council's Corporate Plan

- 1.8 The Corporate Plan is the core of the Council's Performance Management Framework. The Plan is updated annually to ensure that the Council's corporate objectives and priorities for action are helping to achieve the Council's Vision and reflect community priorities in the services that it provides.

A Growing Area

- 1.9 The Council has been the 6th fastest growth area in the whole of the UK in recent years. In addition, approximately 1/3 of the Council's area lies within the National Forest. This has resulted in substantial growth in residential and business development, together with an increase in tourism.
- 1.10 Although the town of Swadlincote remains the administrative centre with an expanding urban core, 2/3 of the District is rural; there are several areas of conservational interest including the historic settlements of Repton and Melbourne, together with the Swarkestone Causeway and Calke Abbey.
- 1.11 Although this growth does produce benefits for the Council from additional income (council tax, planning fees, etc) together with inward investment and government funding, it also places pressure on services and a greater demand for local amenities and infrastructure.

The Council's Role

- 1.12 The Council aspires to be at the heart of this growth, through incurring direct expenditure, together with being an enabler for investment and developing services. Consequently, the Council's Vision is:

“To make South Derbyshire a Better Place to Live, Work and Visit”

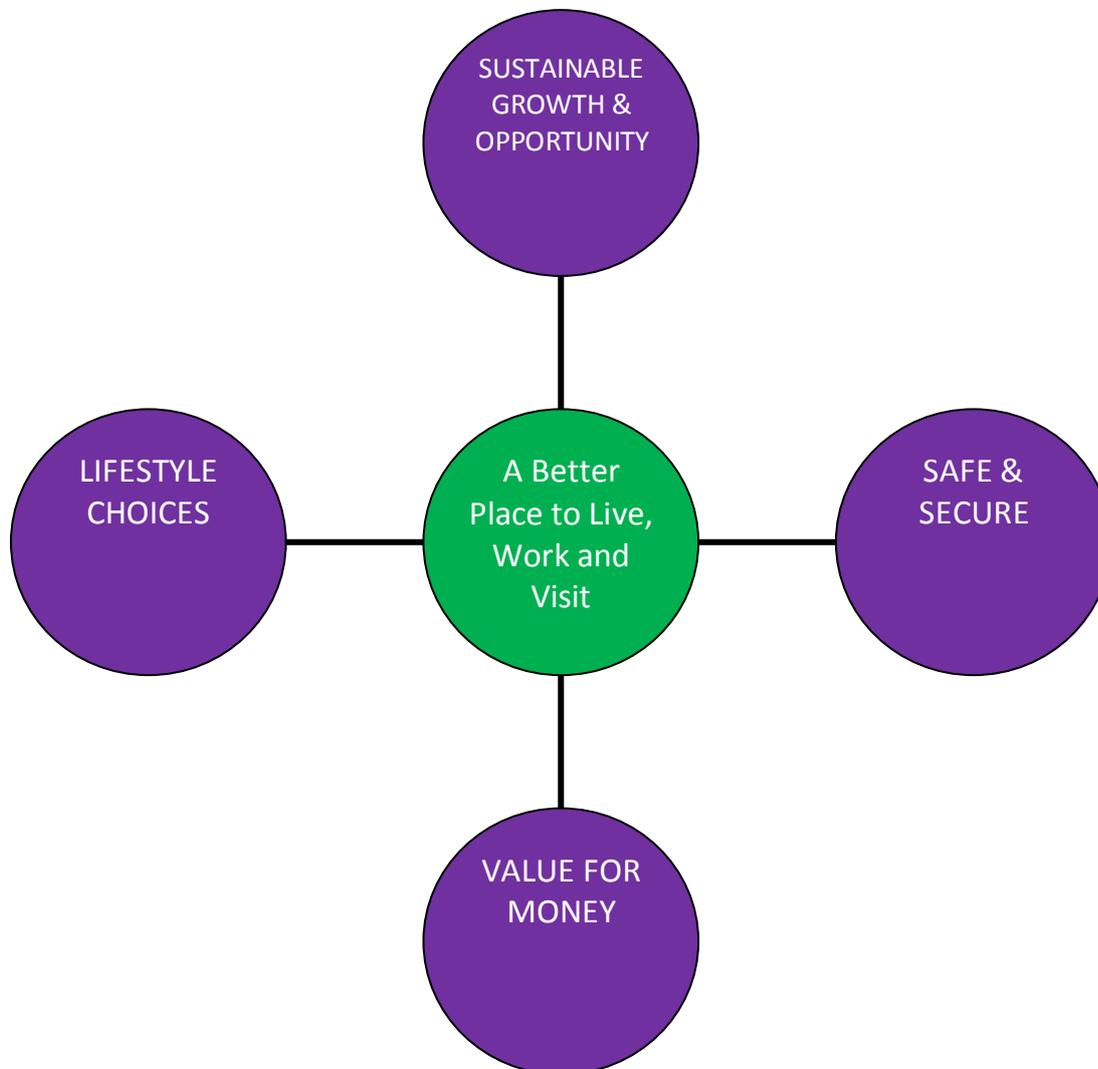
Themes and Priorities

- 1.13 In order to deliver this vision, the Council has developed 4 “themes” under which there are a series of priorities and actions. These priorities and actions are reviewed and monitored on an annual basis. Progress against targets is reported to Council Committees on a quarterly basis.
- 1.14 The full Plan with targets for 2014/15 can be accessed on the Council's web site at:

http://www.south-derbys.gov.uk/council_and_democracy/council_policies_plans/default.asp

Themes

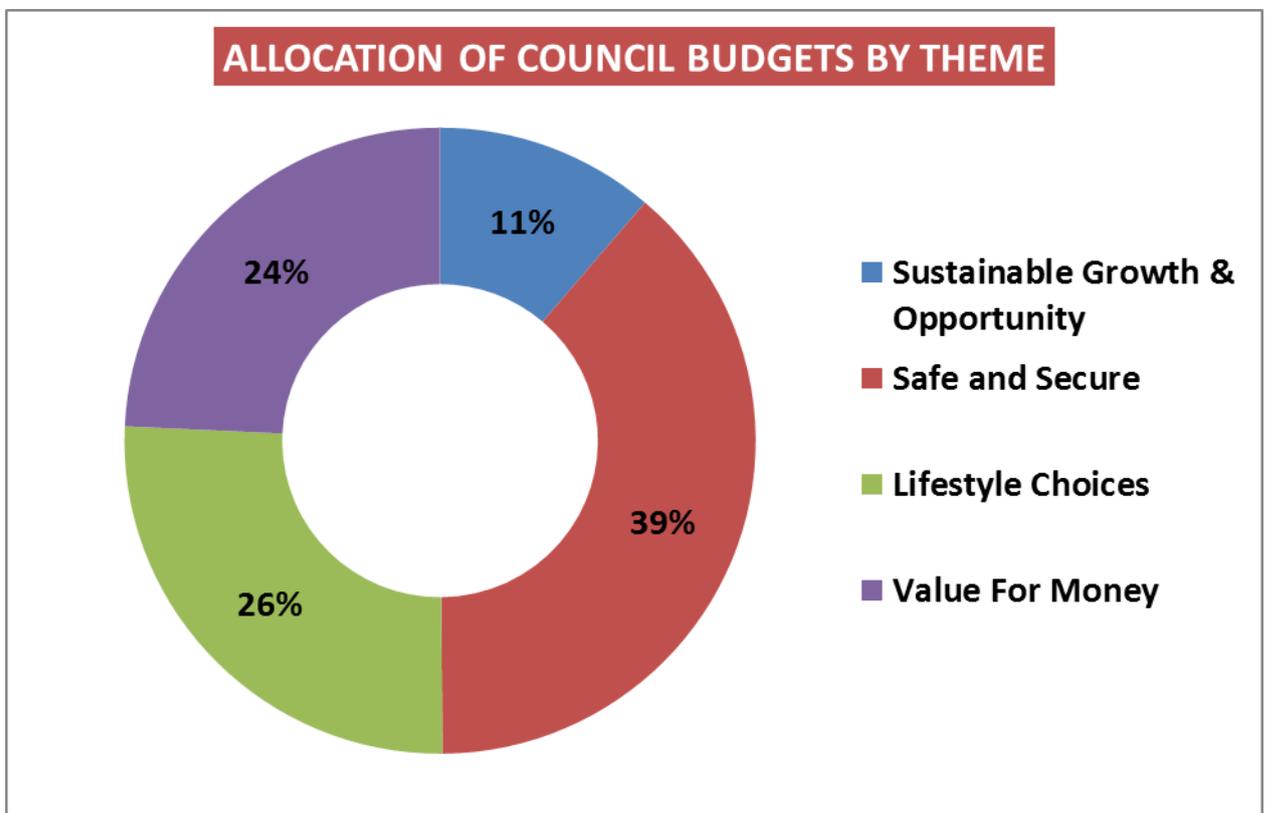
1.15 Effectively, the Plan covers all aspects of life in all areas of the District. Three of the themes (below) are linked directly to service provision, whilst the **Value for Money** theme is designed to underpin everything that the Council delivers.



- **Sustainable Growth and Opportunity** – Strengthen South Derbyshire’s economic position within a clean and sustainable environment.
- **Safe and Secure** – Deliver a range of affordable and decent housing options within safe and clean neighbourhoods.
- **Lifestyle Choices** – Improving the health and well-being of local communities and residents.
- **Value for Money** – Ensuring that proper arrangements are in place to enable resources to be used efficiently and effectively.

Links with the Medium Term Financial Plan

- 1.16 The financial planning framework is integrated with the corporate planning process. The Corporate Plan sets out the specific services and issues to where the Council will prioritise its resources and the Council's budgetary plans reflect this.
- 1.17 The net revenue budget for 2014/15 has been allocated across the 4 themes as shown in the chart below.



- [Sustainable Growth and Opportunity](#) – includes Planning, Development and Economic Regeneration.
- [Safe and Secure](#) – includes Environmental Health, Housing and Waste Collection.
- [Lifestyle Choices](#) – includes Leisure Centres and Crime Prevention Services.
- [Value for Money](#) – includes Financial, Legal and Democratic Services.

2. THE COUNCIL'S OVERALL FINANCIAL POSITION

- 2.1 The Council's overall financial position has been relatively sound in recent years and it has been able to maintain a fairly high level of general reserves.
- 2.2 This has arisen from prudent financial management, together with a programme of efficiency savings from transformation in procurement and service delivery. These savings have helped to sustain the Council's financial position against a background of reducing resources.

The National Context

- 2.3 Similar to other areas of the Public Sector, local councils have had to reduce costs as their main source of funding, i.e. Central Government Grant has continued to decline since 2010. This is a result of the Government's Policy to address the national budget deficit and this is expected to be on-going over the life of this MTFP.

Local Context

- 2.4 For South Derbyshire, its core Revenue Support Grant was reduced by almost 30% in the 3-year period 2011/12 to 2013/14. This equated to approximately £2.25m or 20% of its net revenue expenditure.
- 2.5 This was offset by approximately £900,000, generated through the Government's New Homes Bonus. However, the net reduction was still a substantial sum for the Council.
- 2.6 For the period 2014/15 to 2018/19, mainstream resources are projected to reduce by approximately £0.8m (15%). However, under the current system for financing local authorities that was introduced in April 2013, the Council is in a position to benefit.
- 2.7 This is due to the fact that the new system is designed to reward/compensate councils for growth, by allowing a greater share of business rates to be retained locally and through the continuation of the New Homes Bonus. As a growth area, this should benefit South Derbyshire.
- 2.8 However, in the current economic climate, this cannot be guaranteed. In the meantime, the Council faces a financial challenge to find savings in order to keep the financial position sustainable over the medium term.

Reviewing Service Costs

- 2.9 Some fundamental changes have taken place in recent years to sustain the Council's financial position and to place it in a position to withstand grant reductions.
- 2.10 The strategy to deliver savings is broken down to focus on detailed base budgets, wider transformational reviews leading to restructures and rationalisation of management, together with savings made in procurement and by streamlining accommodation costs.
- 2.11 In the period from April 2010 to March 2013, going savings of approximately £1.1m per year were made in the following areas:

Changes in Procurement and Service Delivery	£0.3m
Restructures and Rationalisation of Management	£0.5m
Base Budget Spending Reviews	£0.2m
Rationalisation of Accommodation	£0.1m

- 2.12 Following the need to make further savings ahead of 2014/15, during 2013/14, additional savings of £320,000 per year were taken out of the Base Budget as summarised in the following table.

Senior Management Restructure	£146,000
Planning and Community Services Restructure	£80,000
E-Committees – savings on printing and stationery	£21,000
Retender of Microsoft Licenses	£25,000
Professional Fees	£24,000
Cash Collection Charges	£8,000
External Audit Fees	£6,000
Other Savings	£10,000

Other Savings for Re-investment

- 2.13 In addition, savings of £110,000 were identified in the Waste and Cleansing Service. These were directly re- invested back into extending the kerbside collection service across the District.

Summary Financial Position

2.14 As the budget round for 2014/15 was finalised, the Council's Chief Finance Officer provided a statement to the Council in February 2014. This summed up the current financial situation as tax and rent levels were set, together with an assessment of risk over the forthcoming planning period. The main points from that statement are set out below.

Projected Level of Revenue Reserves

Revenue Reserves	<i>March 2014 £'000</i>	<i>March 2015 £'000</i>	<i>March 2016 £'000</i>	<i>March 2017 £'000</i>	<i>March 2018 £'000</i>	<i>March 2019 £'000</i>
<i>General Fund</i>	4,492	4,160	3,693	3,163	2,452	1,542
<i>Housing Revenue Account</i>	2,114	1,917	1,910	2,027	2,027	2,027
<i>Other Earmarked Reserves</i>	3,526	3,049	2,634	2,320	1,920	1,895
Total - Projected Reserves	10,132	9,126	8,237	7,510	6,399	5,464

General Fund

"The previous table shows that the level of reserves on the General Fund is currently healthy compared to the minimum target of £1m and are sustainable over the life of the MTFP. However, without corrective action to finance the projected budget deficit, they will be drawn down to support the base budget.

This is not considered to be a sustainable solution especially given the longer-term deficit, the continuing uncertainty of future funding, together with other potential risks and pressures. The MTFP shows that the Council still needs to generate further budget savings on the General Fund in order to maintain a sustainable financial position.

Although the level of balances allows on-going spending to be financed in the short-term, the latest projection shows an increasing budget deficit over the planning period with reserves falling quite rapidly in the medium term.

As a growth area, income from planning fees, etc. could increase. However, this cannot be guaranteed and this income can fluctuate significantly from year to year. Therefore, the base budget should be reviewed when the impact of growth that arises from the development of the Local Plan in particular, is known.

Future projections for core funding in the Business Rates Retention System, have taken into account the latest forecasts for national control totals. Even with anticipated increases in New Homes Bonus and Business Rates income, overall

MEDIUM TERM FINANCIAL PLAN 2014 to 2019

funding is expected to reduce until 2018/19 in accordance with the latest forecasts from the Office of Budget Responsibility.

In order for a sustainable position to be achieved in the medium term, it is important that the estimated deficit in 2015/16 is corrected and the base budget reduced by a further **£175,000 per year before next year's budget round.**

This level of budget savings may not completely meet the longer term budget deficit and additional savings may need to be made over the life of the MTFP; this will be kept under review. Based on this updated projection, General Fund expenditure is still greater than income in the medium term.

The Council does have a history of under spending on its General Fund. This is reviewed each year and budgets adjusted accordingly. However, future under spends are not guaranteed and therefore, should not be relied upon.

Housing Revenue Account (HRA)

The overall financial position on the HRA continues to remain positive. If the financial plan regarding debt management and repayment, together with projected rent increases in particular is followed, then the HRA should remain sustainable.

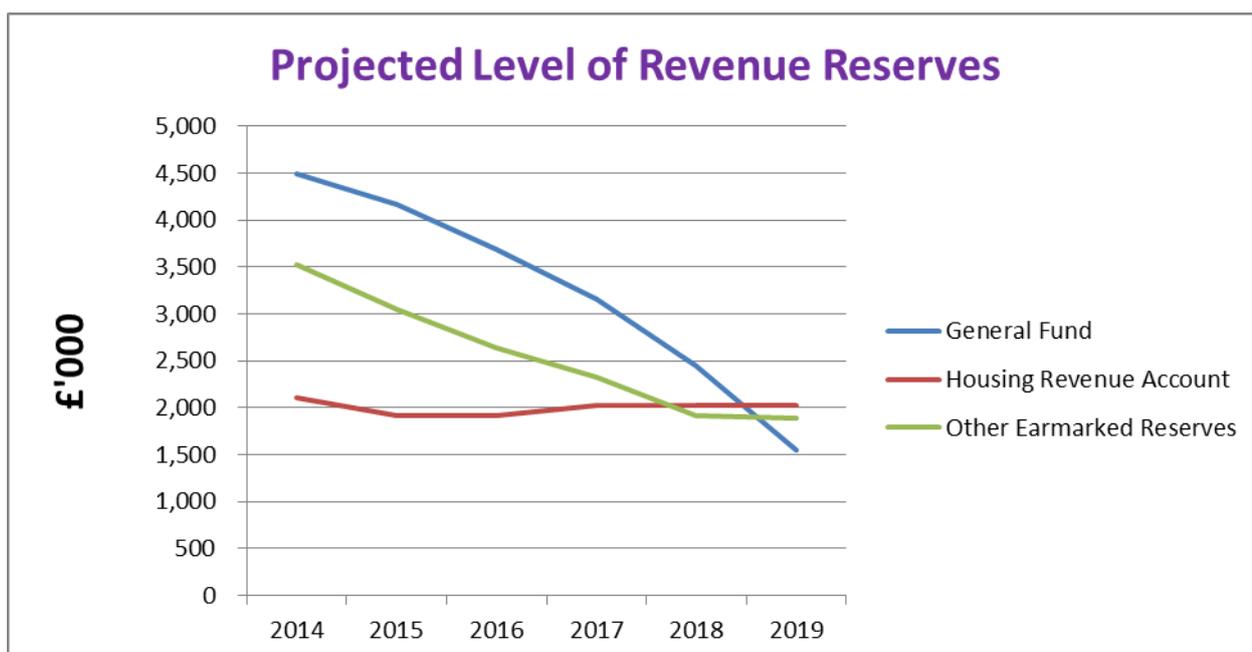
Under self-financing, the HRA is less influenced by external factors unless there was to be a significant change to this framework. Financial risks are lower if fixed budgets for repairs and capital investment are met.

It is noted that funding provided to the HRA for Supported Housing may come under pressure and this will need to be kept under review. The 10-year plan allows for issues and remedial action to be addressed if there is any significant change.

Earmarked Reserves

The Council also maintains several 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 grounds maintenance from Section 106 contributions.

It is considered that current reserves will remain sufficient overall to meet commitments over the life of the current MTFP. Reserves held to finance on-going community and sports development spending, will need to be kept under careful review if external and partnership contributions reduce.”



Risk Analysis

2.15 Several key risks have been identified which could have a potential impact on the Council's projected financial position. These are summarised below.

Key Financial Risks

Council Tax and Collection Fund Balance – deficit accumulates which falls as a cost on the General Fund	<ul style="list-style-type: none"> Collection rates reduce due to the economic climate. Demand for Council Tax support increases when resources are fixed. Empty properties increase, reducing New Homes Bonus.
Growth – now a key factor influencing levels of grant funding and income	<ul style="list-style-type: none"> Growth is curtailed reducing business rates income and other income streams from planning/development and Council Tax.
Budget Savings – need to find £175,000 on-going before 2015/16	<ul style="list-style-type: none"> They are not identified and implemented within the next year.
Budget Overspend	<ul style="list-style-type: none"> Unexpected costs On-going cost pressures and reducing income
General Economic Conditions	<ul style="list-style-type: none"> Higher price increases on fuel and utilities Interest rates affect investment returns and debt portfolio
External Funding	<ul style="list-style-type: none"> Contributions from other agencies and partners continue to fall to unsustainable levels.

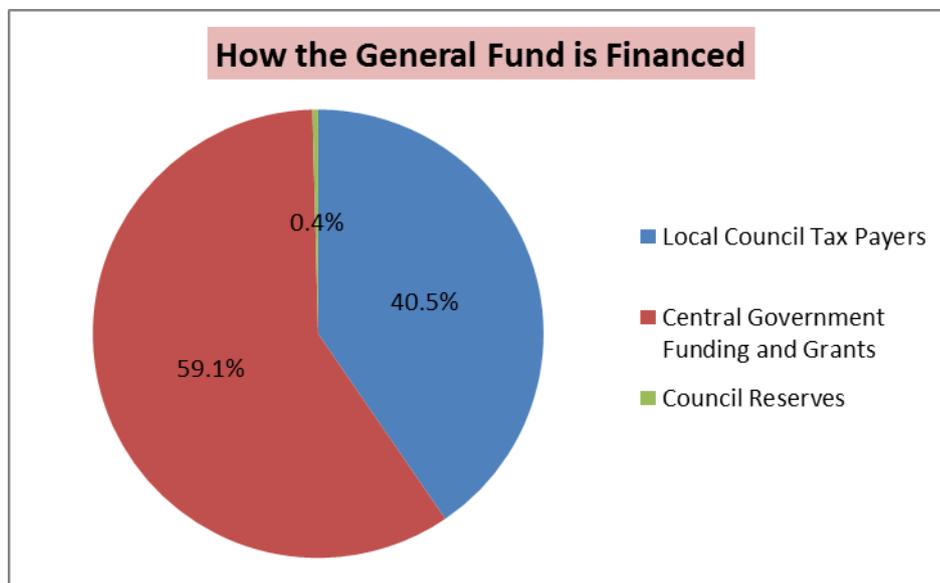
2.16 These risks are managed through a series of mitigation measures included in the financial planning framework and are monitored on an on-going basis.

3. THE COUNCIL'S ACCOUNTS

3.1 The Council is required to account for its income and expenditure through separate accounts as detailed below.

General Fund Revenue Account

3.2 This is the Council's main revenue fund, which meets day to day spending on all Services provided by the Authority (except Council Housing). The net expenditure (after income from fees, charges, contributions and specific grants) is financed as shown below.



Housing Revenue Account (HRA)

3.3 This is a subsidiary account of the General Fund and is “ring-fenced.” Under statutory requirements, this is to ensure that day-to-day spending on providing council housing is financed from rents charged to its tenants.

3.4 Since April 2012, the HRA has operated under a “self-financing” framework which affords a large degree of financial autonomy. However, in exchange for keeping rental income locally, the Council took on a proportion of national housing debt which is due to be repaid over the next 20 to 25 years.

Capital Account

3.5 This meets the expenditure associated with investment in major projects, for example, on refurbishing and improving the condition of the Council's assets, together with the provision on new leisure and community facilities. It also includes grants and contributions to other bodies in delivering capital projects. The investment is financed from:

- Selling assets (mainly land and other assets such as council houses)
- Grants and contributions from external agencies and partners

Debt Pool

3.6 The Council operates two separate debt pools - for the General Fund and HRA respectively. This is to ensure that the debt take-on under self financing for the HRA is managed and accounted for apart from all other Council debt.

3.7 The Council's borrowing and investment activity is governed by a national Prudential Code; the Council is required to operate within pre-determined limits which place a cap on overall borrowing.

Collection Fund

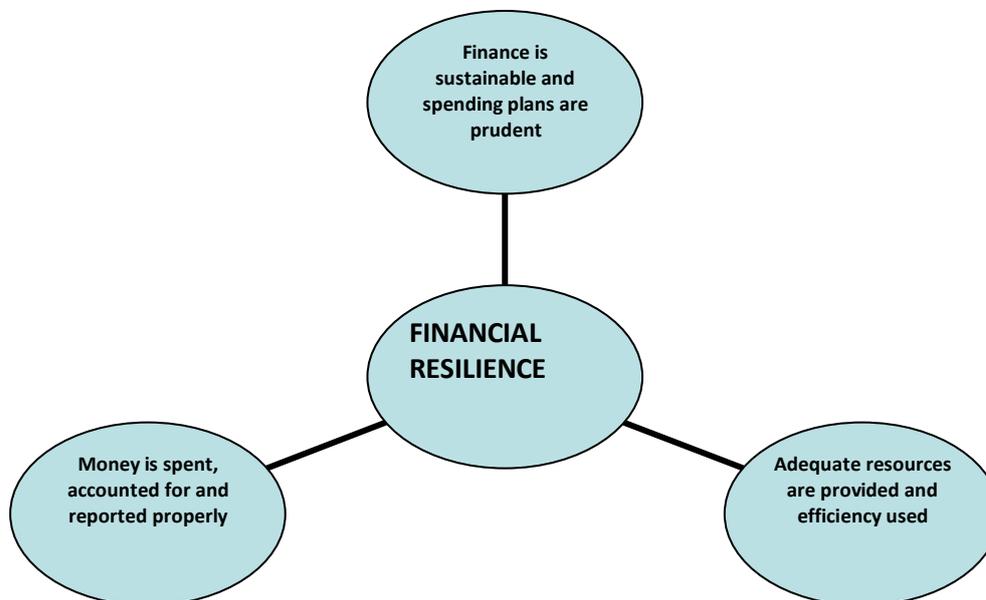
3.8 This is the local tax account and remains separate from the main income and expenditure of the Council. It accounts for the income collected through Council Tax and local Business Rates.

3.9 South Derbyshire, as a District Council, is the statutory billing and collecting authority for all Council Tax levied in its area. It also collects Business Rates which are set nationally by the Government. The distribution of local Council Tax and Business Rate levies for 2013/14 is shown in the following table.

	£'000
Council Tax and Business Rates Due	65,118
Less: Distributed Amounts	
Central Government	17,034
Derbyshire County Council	33,554
Derbyshire Police Authority	4,901
Derbyshire Fire and Rescue Service	2,186
Parish Councils	603
Total - Distributed Amounts	58,278
Amount Retained by South Derbyshire	6,840

4. THE COUNCIL'S FINANCIAL STRATEGY

- 4.1 This sets out the overall framework on which the Council plans and manages its financial resources and to ensure that they fit with and support the direction of the Council's key aims. The overall strategy is appropriate to all services and activities of the Council. It sets the financial target for the Council's main spending accounts, i.e. the General Fund and Housing Revenue Accounts.
- 4.2 The Strategy's objective is to ensure "**Financial Resilience**" as defined by the Audit Commission – a balance between ensuring that finance contributes to the vision and key aims of the Council, whilst maintaining a sustainable financial position and that probity/stewardship exist in the use of financial resources as shown below.



Financial Target

- 4.3 The target sets a minimum level of general reserves (unallocated funds) to act as a contingency. The principle of a minimum level is a statutory requirement. However, its level is decided by each Council on the advice of its Chief Finance Officer. **For South Derbyshire, the minimum level is £1m.**
- 4.4 The strategy is reviewed in the autumn of each year at the commencement of the annual budget round. The Strategy is available alongside this Plan at: <http://south-derbys.cmis.uk.com/south-derbys/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/1614/Committee/322/Default.aspx>

The Financial Framework

4.5 Within the overall strategy, a framework is cascaded down and detailed in other plans and policy documents, as set out in the following table.

<p>The Annual Budget Round and Medium Term Financial Plan</p>	<p>This document, setting out the medium term spending and financing plans of the Council.</p>
<p>Treasury Management Strategy</p> <p>http://south-derbys.cmis.uk.com/south-derbys/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/1647/Committee/322/Default.aspx</p>	<p>Setting out how cash, borrowing and investment are managed. The Council's Lending Policy is designed to ensure the security and liquidity of any council money invested.</p>
<p>Financial Management and Procedural Rules (including tendering and letting of contracts)</p>	<p>Setting out the procedures to ensure that the use of finance is legal, properly authorised, reported and provides value for money. These are the detailed rules which are used by Council officers on a daily basis to govern their operations.</p>
<p>Internal Audit Plan</p>	<p>Setting out when financial and other systems will be reviewed over time to test the effectiveness of internal control. This Plan is approved and monitored by the Council's Audit Committee.</p>
<p>Capital Investment Strategy</p> <p>http://www.south-derbys.gov.uk/Images/Capital%20Strategy%202011_tcm21-148844.pdf</p>	<p>Setting out how major investment is planned and managed and helps to deliver the Council's priorities.</p>
<p>Asset Management Plan</p> <p>http://www.south-derbys.gov.uk/environment/land_and_premises/property/default.asp</p>	<p>Setting out the management of land and property, together with identifying assets surplus to requirements for disposal.</p>

5. GOVERNMENT FUNDING FOR REVENUE PURPOSES

- 5.1 In various forms, the Council receives a substantial part of its funding from central government.
- 5.2 Besides receiving a general revenue support grant, it also receives funding through a New Homes Bonus and specific grants earmarked for certain services. The overall level of funding is reducing nationally, although allocations to the Council from the New Homes Bonus have increased over the last 4 years.

The Council's Financial Settlement 2014/15

Background and the National Picture

- 5.3 From April 2013, the national distribution of local authority funding changed significantly. The system moved away from a predominantly based central funding allocation, to a model based on retaining a proportion of local business rates. However nationally, the Government still control the overall level of resources for local authorities.
- 5.4 These resources are set to reduce until 2018/19 based on estimates provided by the Office of Budget Responsibility.
- 5.5 However, it is considered that councils and especially growth areas, such as South Derbyshire, will be in a position to offset some of these decreases through the Business Rates Retention Scheme and the New Homes Bonus.
- 5.6 Overall however, it is still considered likely that the Council will see continuing reductions until 2018/19 and will need to plan accordingly.

How the Retained System Works

- 5.7 Under the new system, each council is given a **Settlement Funding Assessment** (SFA). This assessment is then split between Revenue Support Grant (RSG) and Business Rates Retention (BRR – a **Baseline Need**). Once set each year, the RSG element is guaranteed, whilst the BRR element depends on actual Business Rates collected and will differ from the initial assessment.

The Baseline

- 5.8 To fund the Baseline, councils will each have an expected level of Business Rates income to collect. This is based on the projected level of Business Rates to be collected nationally as determined by the Government.
- 5.9 50% of this amount will be retained by the Government, with 10% paid over to the County Council and the Fire Authority (combined) in two tier areas. The remaining 40% is effectively the target Business Rates to be collected by the District Council.
- 5.10 For councils with a Need higher than their Baseline, a **Top Up grant** is paid and this is guaranteed. Conversely, for councils with a Need lower than their Baseline, a **Tariff** is paid to the Government, in addition to the 50% element. This funds the national redistribution mechanism.
- 5.11 Councils that see a higher level of NDR income compared to their Baseline will be rewarded through the scheme as they will be able to retain an element of the associated increase in revenues. However, councils that have a lower level of income will see a decline in their resources and, subject to a safety net, will not be compensated.

A Damping Mechanism

- 5.12 The Scheme contains a mechanism to limit individual gains and losses. A **Safety Net** limits losses and this is funded through a **Levy** (or charge) on disproportionate gains.
- 5.13 The Safety Net applies when a council's income falls by more than 7.5% from its original baseline funding level. The Levy limits what councils can gain in cash terms for any given level of Business Rates growth (set at 1:1) meaning that a 1% increase in growth cannot increase overall resources by more than 1%, but subject to a limit of 50p in the pound.
- 5.14 The calculation is complicated, but does allow councils to gain from incremental growth even after paying a levy. Where councils actually collect Business Rates at their target, the level of resources that they would receive (through retained Business Rates and RSG) will be their SFA, i.e. they would neither gain nor lose.

New Homes Bonus (NHB)

- 5.15 For every new home built in an area, the equivalent level of Council Tax payable on that property is paid as a grant to councils and is fixed for six years. The grant is increased for every empty property brought back into use and for each affordable home built.
- 5.16 NHB is designed to benefit those authorities who achieve residential growth (including new affordable housing) together with good management of empty properties.
- 5.17 Similar to RSG and retained Business Rates, the NHB is a flexible, unringfenced fund and is part of the support package that central government will continue to pay to local councils. In principle, it should be used to pay for services and infrastructure associated with development and to pay for new build properties.

The Overall Grant Settlement for South Derbyshire

- 5.18 During the 2014/15 Budget Round, the Council received allocations for all elements of grant funding for 2014/15 and 2015/16.

The Council's Settlement Funding Assessment (SFA)

- 5.19 The figures for 2014/15 and 2015/16 with a comparison to 2013/14 are shown in the following table.

	£'000
2013/14 Actual	5,569
2014/15 Actual	4,811
2015/16 Provisional	4,059

- 5.20 The reductions in SFA were as expected following the Government's Spending review which reported in 2013. Based on these reductions, the Council's allocation of Revenue Support Grant (RSG) and Retained Business Rates (RBR) are shown in the following table.

	RSG £'000	RBR £'000	Total £'000
2013/14 Actual	3,364	2,205	5,569
2014/15 Settlement	2,563	2,248	4,811
2015/16 Provisional	1,749	2,310	4,059

Retained Business Rates and Baseline Need

5.21 These are shown in the following table.

<i>All figures in £'000</i>	2013/14	2014/15	2015/16
	Actual	Estimate	Estimate
Share of Business Rates (40%)	8,173	8,332	8,562
Baseline Funding Level (SFA)	2,205	2,248	2,310
Difference - Tariff	5,968	6,084	6,252

New Homes Bonus (NHB) Allocations

5.22 The Council received an allocation of £1,779,758 for 2014/15, an increase of approximately £430,000 compared to 2013/14.

Medium Term Projections

5.23 Using the 2014/15 and 2015/16 as the base position, projections have been calculated for the MTFP based on predicted growth and national resources currently earmarked for local authorities. Based on these assumptions, projected resources are shown in the following table.

	RSG	RBR	NHB	Total
	£'000	£'000	£'000	£'000
2013/14 Actual	3,364	2,205	1,365	6,934
2014/15 Provisional	2,563	2,248	1,780	6,591
2015/16 Provisional	1,749	2,310	2,150	6,209
2016/17 Projection	1,378	2,374	2,525	6,277
2017/18 Projection	823	2,439	2,568	5,830
2018/19 Projection	811	2,506	2,412	5,729

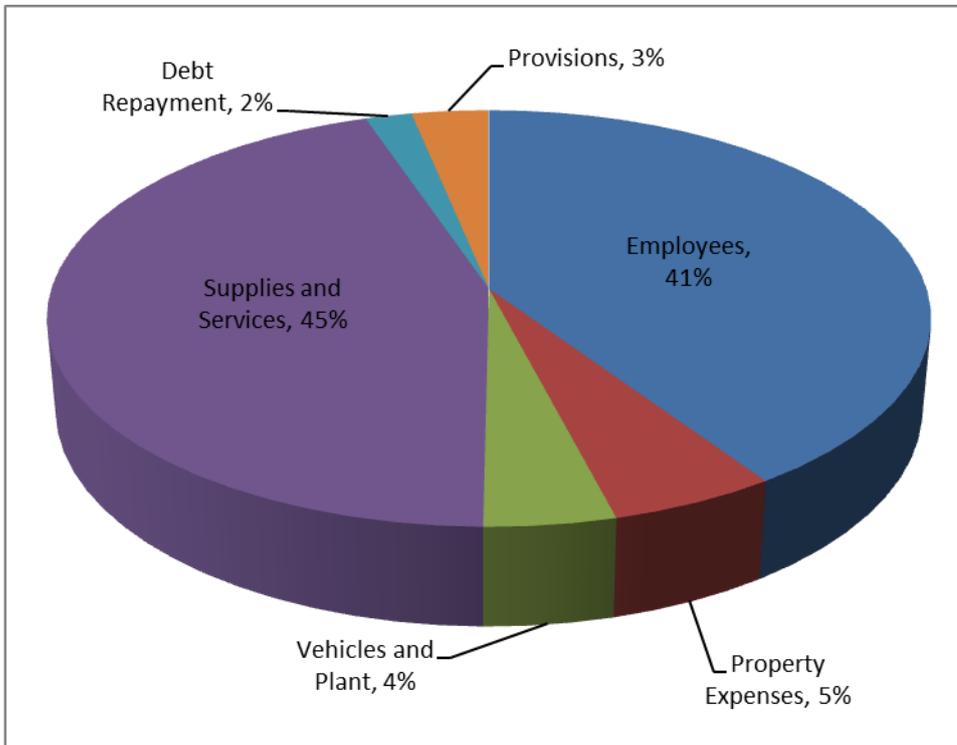
5.24 The table shows that although core funding in the form of RSG is projected to reduce quite significantly over the next 5 years, it will be partly compensated by increases in retained Business Rates and the NHB. However, the projections assume growth, albeit fairly moderately, but this is not guaranteed and is a risk in the current economic climate.

5.25 However, if growth was to increase more significantly, then this could provide resources over and above those projected in the above table.

6 GENERAL FUND REVENUE INCOME & EXPENDITURE

6.1 The tables and graphs below summarise the Council’s revenue (day-to-day) budgeted income and expenditure for 2014/15 on the General Fund.

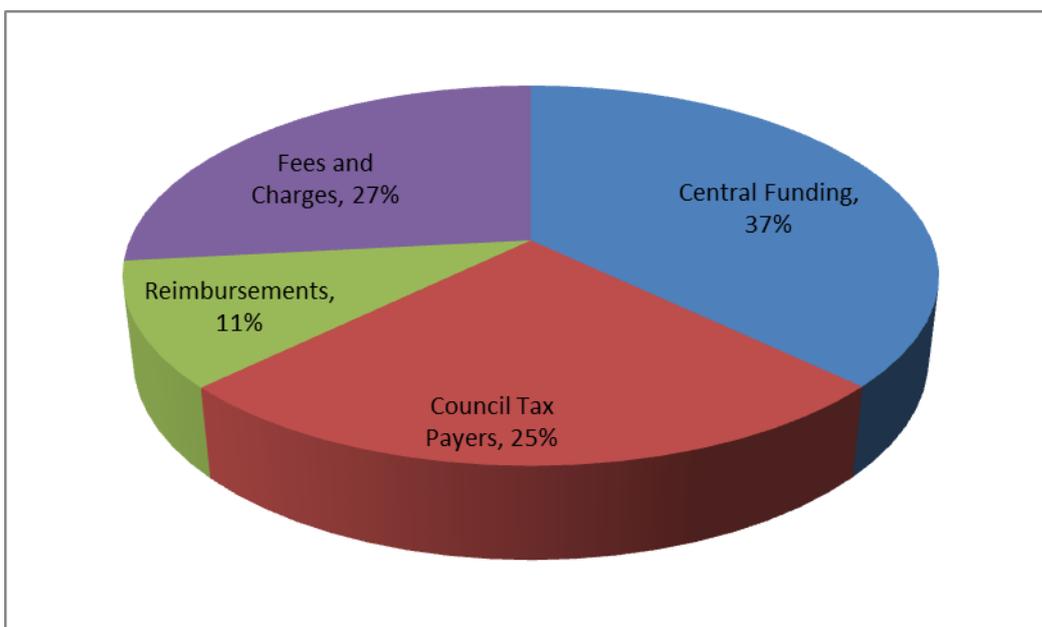
EXPENDITURE	2012/13	2013/14	2014/15
Employees	£7,407,843	£7,321,568	£7,230,611
Property Expenses	£1,439,426	£947,923	£955,150
Vehicles and Plant	£734,717	£774,087	£751,298
Supplies and Services	£7,406,225	£7,633,238	£7,799,146
Debt Repayment	£262,000	£250,000	£347,663
Provisions	£482,423	£395,365	£577,210
TOTAL	£17,732,634	£17,322,181	£17,661,077



- **Employee costs** include pension payments and statutory national insurance contributions
- **Supplies and services** include contracted services, materials, consumables, equipment and office expenses
- **Provisions** are for inflation, growth and expenditure likely to be incurred but is yet to be committed or fully approved

HOW THE COUNCIL PAYS FOR THIS SPENDING

INCOME	2012/13	2013/14	2014/15
Central Funding	£6,414,067	£6,827,420	£6,556,699
Council Tax Payers	£4,837,149	£4,411,190	£4,485,881
Reimbursements	£2,029,717	£1,784,566	£1,864,702
Fees and Charges	£4,258,584	£4,145,431	£4,708,693
Reserves	£193,117	£153,574	£45,101
TOTAL	£17,732,634	£17,322,181	£17,661,076



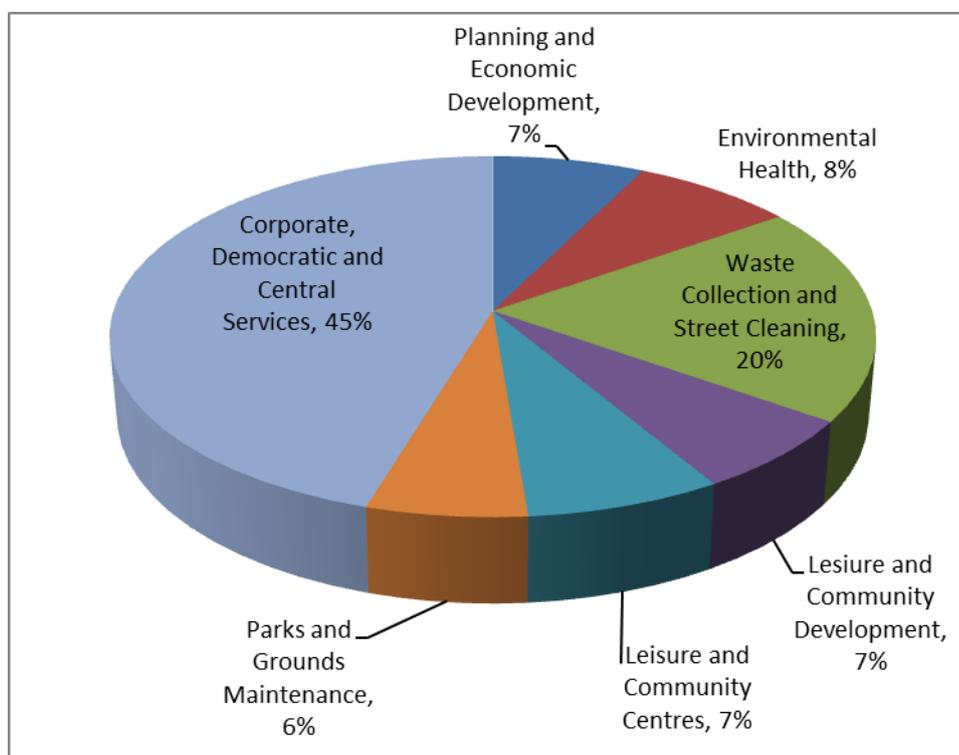
- **Central Funding** includes Revenue Support Grant, New Homes Bonus and retained Business Rates as detailed in **Section 5**.
- **Reimbursements** include work undertaken on an Agency basis for the County Council where the costs are fully reimbursed. It also includes contributions from partner organisations, especially in relation to leisure and community development.
- **Fees and charges** mainly relate to planning fees, building regulations, land charges, licensing and property rents.

MEDIUM TERM FINANCIAL PLAN 2014 to 2019

6.2 The table and chart below, provide an analysis of the budgeted net revenue expenditure of the authority for 2014/15 on the General Fund, summarised across the main spending areas. This is the amount (known as the Budget Requirement) that is financed from Government Grant, Council Tax Payers and Council Reserves.

Net Budgeted Spending by Main Cost Area 2014/15 (compared to previous years)

Main Service Area	2011/12	2012/13	2013/14	2014/15
Planning and Economic Development	£791,614	£811,419	£972,130	£785,780
Environmental Health	£998,693	£994,296	£993,930	£837,521
Waste Collection and Street Cleaning	£2,416,617	£2,488,600	£2,351,066	£2,089,357
Leisure and Community Development	£810,826	£747,761	£730,808	£712,548
Leisure and Community Centres	£848,604	£801,909	£950,895	£776,838
Parks and Grounds Maintenance	£655,290	£675,287	£708,314	£634,594
Corporate, Democratic and Central Services	£4,993,374	£4,821,817	£4,728,699	£4,841,540
Total - Net Service Expenditure	£11,515,018	£11,341,088	£11,435,842	£10,678,177
Capital Charges Adjustment	-£319,425	-£336,430	-£419,023	-£147,706
Contingencies	683,551	439,675	375,365	386,901
Total Estimated Net Spending	11,879,144	11,444,333	11,392,184	10,917,372



6.3 A full breakdown of the budgeted figures at individual cost centre level together with a comparison to the 2013/14 is detailed in **Appendices 1 to 3**.

MEDIUM TERM FINANCIAL PLAN 2014 to 2019

Financing Net Expenditure

6.4 This is shown in the table below with a comparison to previous years.

	2011/12	2012/13	2013/14	2014/15
Net Expenditure	£11,515,018	£11,341,088	£11,435,842	£10,678,177
Contingencies	£683,551	£439,675	£375,365	£386,901
Capital Accounting Adjustments	-£319,425	-£336,430	-£419,023	-£147,706
Parish Precepts	£568,211	£573,929	£603,222	£606,474
Budget Requirement	£12,447,355	£12,018,262	£11,995,406	£11,523,846
Government Funding	-£6,462,971	-£6,414,067	-£6,827,420	-£6,556,699
Surplus on Collection Fund	-£102,000	-£20,000	£0	-£20,000
Specific Reserves	-£93,300	-£43,350	-£44,217	-£45,101
General Reserves	-£434,771	-£129,767	-£109,357	£170,309
Council Tax Requirement	£5,354,313	£5,411,078	£5,014,412	£5,072,355

Council Tax Requirement

6.5 This is the total amount of income received from Council Tax payers to meet the Council's expenditure.

How Income and Expenditure is Changing

6.6 The above table shows that the Council's overall spending (Budget Requirement) will continue to reduce in real terms over the next year. The reduction in the base budget between 2013/14 and 2014/15 is approximately **£475,000**. An analysis of the change is summarised in the following table.

Summary of Base Budget Changes	£'000
Budget Savings	-430
Apportionment of Costs to the HRA (<i>See below</i>)	-274
Leisure Management Costs	-48
Increase in Service Income	-45
Increase in Interest on Cash Deposits	-17
Other Changes	-13
Reduction in Specific Grants	50
National Pay Award	54
Cost Increases	66
Contract Costs - Price Inflation	72
Expanding Kerbside Recycling	110
Total Reduction in Base Budget 2014/15	-475

Apportionment of Costs to the HRA

- 6.7 This followed a detailed review undertaken during the Budget Round of the apportionment of central services, senior management and other corporate costs between the General Fund and the HRA.
- 6.8 This included a review of 20 cost categories covering services such as HR, ICT, Finance and Customer Services, etc., together with the core management and democratic costs of the Council. The review aimed to ensure that there is a fair and reasonable charge for these services in the HRA in accordance with accounting regulations.
- 6.9 The last review of the basis for these charges was in 2004/05; since that time the structure of the Council has changed several times and the social housing function has also undergone significant change culminating in the implementation of self-financing in 2012/13.
- 6.10 The review itself, together with the outcome has been assessed and validated by the Council's External Auditor. The assessment clarified the basis of charges and this has changed the apportionment between the HRA and General Fund.

Immediate Cost Pressures

- 6.11 The main cost increases are associated with repairs to public buildings, vehicles and plant, together with utility costs.

Future Pressures

- 6.12 Although not yet budgeted specifically, the budget round for 2014/15 identified potential future costs in the following areas.
- **The Local Plan** – costs of preparation and public examination of where future development is planned. These costs will be financed from reserves.
 - **Growth** – as the District grows from residential development, this could bring additional service costs such as waste collection, grounds maintenance and provision of community facilities. Some of this may be funded by additional income and the MTFP does allow for an increase in the form of an unallocated contingent sum.
 - **Pensions** – possible increases in employer contributions from 2016/17; this will depend on the impact on pension reform being introduced in 2014/15, together with the economic situation.

7 GENERAL FUND REVENUE ACCOUNT – The Longer Term Position

- 7.1 This is detailed in **Appendix 4**. The Medium-Term Financial Projection forecasts current spending and reflects known and estimated changes until 2018/19.
- 7.2 The projection also models assumptions on the future level of government grant, interest rates and inflation, etc. These assumptions are informed from government and economic statistics.
- 7.3 The updated medium term projection is summarised in the following table.

Year	Budget Deficit / Surplus (-)	Sums Earmarked against Reserves	Balance of Reserves
Revised Budget 2013/14	-£260,372	£141,000	-£4,491,728
Proposed Budget 14/15	-£170,310	£502,000	-£4,160,038
Projection 2015/16	£172,321	£295,000	-£3,692,717
Projection 2016/17	£190,127	£340,000	-£3,162,590
Projection 2017/18	£690,732	£20,000	-£2,451,857
Projection 2018/19	£889,393	£20,000	-£1,542,465

- 7.4 Given the increase in resources to the MTFP, the projected level of reserves shows a sustainable position over the life of the MTFP, compared to the minimum target of £1m.

Projected Budget Deficit

- 7.5 However, there is still an estimated budget deficit in the future, rising from £172,000 in 2015/16 to nearly £900,000 in 2018/19; therefore corrective action is still required in the short to medium term.
- 7.6 The current level of general reserves remain healthy and well above the minimum contingency level of £1m approved in the Financial Strategy. These reserves could continue to finance an on-going deficit in the short-term and to finance one-off costs associated with achieving budget savings.
- 7.7 However, this is not considered to be a long term solution especially given the longer-term deficit, the continuing uncertainty of future funding, together with other potential risks and pressures.

- 7.8 Consequently, in order for a sustainable position to be achieved in the medium term, the Council has set a target to meet the estimated deficit in 2015/16 by taking action in 2014/15. **This will require savings of £175,000.**
- 7.9 It is recognised that this level of budget savings may not completely meet the longer term budget deficit and additional savings may need to be made over the life of the MTFP; this will be kept under review.
- 7.10 Based on this updated projection, General Fund expenditure is still greater than income in the medium term.

Contingent Sums

- 7.11 Prudently, the Budget continues to make provision for some growth and inflation. In accordance with the Financial Strategy, these contingent sums are held centrally and only allocated once any additional costs are known.
- 7.12 In addition, certain sums are allocated against the General Reserve. These mainly relate to amounts earmarked to meet one-off costs associated with a local pay and grading review, together with the future replacement of vehicles and plant.

8 THE HOUSING REVENUE ACCOUNT (HRA)

8.1 Details of the budget report for the HRA are available at

<http://south-derbys.cmis.uk.com/south-derbys/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/1641/Committee/325/Default.aspx>

8.2 This includes details of the rent increase for 2014/15 under the Government's current national rent setting policy for rent convergence.

8.3 2014/15 will be the third year under the self-financing framework. The HRA's base budget and 10-year financial projection is detailed in **Appendix 5**. This shows a summary of each main income and expenditure head within the HRA for 2013/14 to 2023/24, together with the yearly surplus/deficit and balance on the HRA's general reserve.

8.4 This also shows how future surpluses will be built up to repay debt in accordance with the Council's Treasury Management Strategy.

Summary

8.5 The longer-term projection shows that the HRA continues to be sustainable and can deliver the required capital investment in the stock (as planned) and make the necessary surpluses in future years to repay debt – also as originally planned.

8.6 The financial position continues to improve due to lower estimated costs and increase in projected rental income; the latter is subject to consultation and further detail being published on the Government's proposal to change national policy for setting rents from 2015/16. It is now likely that 2014/15 will be the final year of the current rent convergence framework that has existed for the last 13 years.

8.7 In addition, there is also a higher increase in rents in 2014/15 in accordance with the national rent convergence criteria. The average increase approved for 2014/15 was 5.5% (£4.16 per week).

8.8 This increases the base rental amount, and therefore, has an on-going and cumulative effect over the financial planning period.

HRA General Reserve

- 8.9 Based on the rent increase of 5.5% and following changes to the Base Budget, the balance on the HRA Reserve is forecast to remain at approximately £2m over the MTFP.
- 8.10 This balance of £2m is in excess of the minimum level of £1m approved in the Council's Financial Strategy for the HRA
- 8.11 As the HRA moves into surplus from 2017/18 following the current capital investment programme, these surpluses will be set-aside to repay debt for when it matures.

HRA Cost Pressures and Risks

- 8.11 Some additional pressure (through loss of service contributions) could impact on the HRA and this is not currently reflected in the base budget. This is due to contributions from the County Council towards Supported Housing being reduced further, as they consider their level of overall funding for Derbyshire from next year; the current contribution is £300,000 per year, although this has previously been reduced from £400,000.
- 8.12 Overall however, it is considered that proposed spending budgets are realistic and prudent, allowing for inflation and other items. The debt costs are sustainable and allow the planned repayment of debt.
- 8.13 The most significant variable is rental income, with total income around £12m per year. A relatively low change in percentage terms can have a significant impact in cash terms, particularly when projected over 10-years.
- 8.14 Depending on the detailed outcomes of the consultation on proposed changes to national rent policy from 2015/16, the projected rent levels could change again.

Overall Reserves

- 8.15 In addition to the HRA Reserve of £2m, based on the current projections, there would also be £6.4m in the Debt Repayment reserve by 2024, making total projected reserves of £8.4m. This compares to a total of £8.2m in 2012, the first financial plan under self-financing.

9.0 CAPITAL INVESTMENT and FINANCING

9.1 The current programme is detailed in **Appendix 6**. The main areas of spend continue to be on council housing investment and the improvement of leisure and community facilities. A substantial part of the investment programme is being financed from external sources, together with the Council's remaining capital reserves and borrowing for housing under the self-financing framework.

Housing Capital Receipts

9.2 Following the implementation of the self-financing framework, Council policy is to reinvest all housing receipts (after any payment due to the Government) from the sale of council houses and land, into the housing stock and in particular, for New Build.

9.3 As regards New Build, the Council has entered into an agreement with the Government to enable it to retain additional receipts generated above a target level of council house sales each year to be used on New Build. Consequently, a New Build Reserve is accumulating and currently stands at just under £1m. The Council are overseeing a New Build programme with Phase 1 schemes currently being developed.

General Fund Receipts

9.4 Future receipts are expected from the development of two regeneration sites. As part of its Asset Management Strategy, the Council has approved to reinvest the proceeds from one site into relocating the main works depot to a more modern day facility on land earmarked for that purpose; proceeds from the second site will be reinvested into the improvement of leisure and community facilities in that particular ward.

9.5 The General Fund investment programme highlights receipts of £50,000 per year, raising to £125,000 per year from 2017/18, to finance on-going capital asset expenditure, mainly the replacement of vehicles and plant for service provision. It is anticipated that this will be achieved from smaller disposals of land and granting of easements, etc.

9.6 If these amounts are not generated, then any larger receipt generated would first need to be earmarked for these commitments. As a contingency, an amount has been earmarked against General Fund Reserves (as shown in **Appendix 4**) should no receipts be generated.

10.0 COUNCIL TAX LEVELS

10.1 Council Tax collected from local taxpayers is used to fund General Fund services. It is a charge levied on properties, with properties being placed into one of eight bands, A to H based upon their valuation as at 1991.

10.2 For statistical and comparative purposes, Band D level is often quoted as this represents the average across the country and is the starting point for calculating other bands. The other bands vary in proportions to Band D, from 6/9 in Band A to 18/9 (double) for Band H.

10.3 Only a certain proportion of the overall Council Tax bill is attributable to the Council's services. The Council also collects the proportions due to other public bodies that provide services within South Derbyshire. These are

- **Derbyshire County Council** (Education, Social Services, Highways, Libraries, Waste Disposal and Trading Services)
- **Police and Crime Commissioner for Derbyshire** (Day to Day Policing and Crime Prevention)
- **Derbyshire Fire and Rescue Service** (Fire Fighting and Accident Prevention)
- **Local Parishes** (Community Facilities)

10.4 The split of the overall bill for 2014/15 (£1,487.63 at Band D) with a comparison to 2013/14 is shown below.

Overall Band D Council Tax	2013 /14	2014 /15	Increase	Increase
	£:p	£:p	£:p	%
South Derbyshire District Council	150.25	150.25	0.00	0.00%
Derbyshire County Council	1,077.22	1,098.71	21.49	1.99%
Police and Crime Commissioner for Derbyshire	166.95	170.22	3.27	1.96%
Derbyshire Fire and Rescue Service	67.17	68.45	1.28	1.91%
Sub-total	1,461.59	1,487.63	26.04	1.78%
All Parish Councils (Average)	28.77	28.45	-0.32	-1.11%
TOTAL	1,490.36	1,516.08	25.72	1.73%

10.5 Local Parish Councils set various rates that are additional to the Band D levels above for residents in those areas. There are 31 parished areas in the District and the Parish levy for 2014/15 at Band D ranges from £3.09 to £50.97

MEDIUM TERM FINANCIAL PLAN 2014 to 2019

11 FACTS AND FIGURES AT A GLANCE

STATISTIC	2010/11	2011/12	2012/13	2013/14	2014/15
Population of the District (ONS mid-year estimate)	91,700	92,400	93,900	94,600	94,900
Number of Council Employees (directly employed)	412	325	291	287	268
Number of Houses liable for Council Tax	31,144	31,855	32,194	32,572	33,228
Band D Council Tax	£150.25	£150.25	£150.25	£150.25	£150.25
Average Council House Rent	£61 per wk	£65 per wk	£70 per wk	£74 per wk	£79 per wk.
Debt Outstanding	£4.8m	£6.5m	£59.3m	£58.7m	£58.5m
Average Cash Deposits	£1m	£3.3m	£5m	£9m	£9m
Net Revenue Expenditure	£12.5m	£11.9m	£11.4m	£11.4m	£10.7m
Capital Expenditure	£5.6m	£4.6m	£7.6m	£11.6m	£7.6m
Earmarked Reserves	£2.9m	£2.4m	£3.3m	£3.4m	£3.5m
General Reserves (Revenue and Capital)	£5.5m	£5.1m	£6.0m	£7.5m	£8.7m