

<b>REPORT TO:</b>	<b>FINANCE AND MANAGEMENT COMMITTEE</b>	<b>AGENDA ITEM: 8</b>
<b>DATE OF MEETING:</b>	<b>30<sup>th</sup> NOVEMBER 2017</b>	<b>CATEGORY: DELEGATED</b>
<b>REPORT FROM:</b>	<b>DIRECTOR OF FINANCE AND CORPORATE SERVICES</b>	<b>OPEN</b>
<b>MEMBERS' CONTACT POINT:</b>	<b>KEVIN STACKHOUSE (01283 595811)</b> <a href="mailto:kevin.stackhouse@south-derbys.gov.uk">kevin.stackhouse@south-derbys.gov.uk</a>	<b>DOC:</b> s/finance/committee/2017-18/Nov 17
<b>SUBJECT:</b>	<b>BUDGET and FINANCIAL MONITORING 2017/18</b>	<b>REF</b>
<b>WARD (S) AFFECTED:</b>	<b>ALL</b>	<b>TERMS OF REFERENCE: FM 08</b>

## **1.0 Recommendation**

- 1.1 That the latest budget and financial position for 2017/18 as detailed in the report is considered and approved.

## **2.0 Purpose of the Report**

- 2.1 To provide progress on performance against budgets for the financial year 2017/18, together with an update on the Council's treasury management activities for the year.
- 2.2 Where applicable, the effects upon the Medium-Term Financial Plan (MTFP) are also noted.
- 2.3 The report details performance up to 30th September 2017 (unless stated otherwise) and is effectively a half-year review of income and expenditure for 2017/18.
- 2.4 The report covers:
- General Fund Income and Expenditure
  - Collection Fund
  - Housing Revenue Account
  - Capital Expenditure and Financing
  - Treasury Management
  - Financial Performance Indicators

## **3.0 Detail**

### **GENERAL FUND REVENUE ACCOUNT**

- 3.1 Apart from Council Housing, day-to-day revenue income and expenditure on Council services is accounted for through the General Fund. The Net Expenditure is financed from the Council's Core Spending Power which contains:
- General Government Grant
  - Retained Business Rates

- New Homes Bonus
- Council Tax

3.2 The Base Budget for 2017/18, which was approved by the Council in February 2017, estimated a budget surplus of £482,058 for 2017/18. The estimated surplus was due to an increase in core funding offset in part by additional cost pressures.

3.3 Following an update to the MTFP, which was reported to this Committee in October, the estimated surplus was increased to £864,352. The main reasons for the increased surplus are as follows and are listed in more detail in the table at 3.15:

- Savings from termination of the Shared Services Contract
- Reduction in the provision for “off-payroll” payments
- Transfer of Pay and Grading ongoing costs into future years
- The Housing Restructure

3.4 The updated budget is summarised below.

£	
Base Budget	11,391,631
Reverse out Depreciation	-783,025
Minimum / Voluntary Revenue Provisions	345,428
Contingent Sums	102,274
<b>Total Estimated Spend</b>	<b>11,056,308</b>
Financing	-11,920,660
<b>Estimated Surplus</b>	<b>-864,352</b>

3.5 A summary of the position to date and the projected position for the year compared to the Base Budget for each Policy Committee is shown in the following table.

Budget Monitoring - September					
Summary by Policy Committee					
COMMITTEE	ANNUAL			RESERVES	
	BUDGET	PROJECTED ACTUAL	PROJECTED VARIANCE	EARMARKED	NET EFFECT ON GF
	£	£	£	£	£
Environmental and Development	3,965,425	3,966,255	829	(13,580)	14,409
Housing & Community	2,213,761	1,873,026	(340,735)	(340,934)	199
Finance & Management	5,212,444	4,468,012	(744,431)	(733,014)	(11,417)
<b>TOTAL</b>	<b>11,391,630</b>	<b>10,307,293</b>	<b>(1,084,337)</b>	<b>(1,087,529)</b>	<b>3,191</b>

3.6 Although the above table shows that projected net expenditure is £1,084,337 lower than the base budget, £1,087,529 is due to grant income, external contributions and receipts received from developers under Section 106 agreements, for ongoing projects and capital schemes which stretch beyond 2017/18. This funding is transferred to specific reserves and drawn down to finance expenditure when it is incurred.

3.7 Excluding transfers to earmarked reserves, the above table shows that based on current spending, there is a projected increase in overall net expenditure across General Fund Services of approximately £3k compared to the base budget for the year.

3.8 An analysis by main service area is shown in the following table.

<b>Budget Monitoring - September</b>					
<b>Summary by Main Service Area</b>					
<b>MAIN SERVICE AREA</b>	<b>BUDGET</b>			<b>RESERVES</b>	
	<b>BUDGET</b>	<b>PROJECTED ACTUAL</b>	<b>PROJECTED VARIANCE</b>	<b>EARMARKED</b>	<b>NET EFFECT ON GF</b>
	£	£	£	£	£
Economic Development	248,807	242,143	(6,663)	0	(6,663)
Environmental Services	509,228	479,612	(29,617)	0	(29,617)
Highways	24,468	21,586	(2,882)	0	(2,882)
Licensing and Land Charges	(13,190)	(38,084)	(24,894)	0	(24,894)
Planning	471,763	402,589	(69,174)	25,758	(94,932)
Town Centre	89,585	91,066	1,481	0	1,481
Waste Collection & Street Cleansing	1,859,273	2,022,980	163,706	0	163,706
Environmental Education	73,759	34,421	(39,338)	(39,338)	0
Central & Departmental Accounts	701,732	709,943	8,211	0	8,211
Community Development and Support	558,743	534,860	(23,883)	(23,886)	3
Leisure and Recreational Activities	178,952	182,898	3,946	(1,234)	5,180
Leisure Centres and Community Facilities	449,828	269,739	(180,089)	(176,079)	(4,010)
Parks and Open Spaces	644,956	599,006	(45,950)	(13,705)	(32,245)
Private Sector Housing	381,283	286,523	(94,760)	(126,031)	31,271
Central and Departmental Accounts	3,567,566	3,492,197	(75,369)	(97,500)	22,131
Revenues and Benefits	480,925	486,627	5,701	2,468	3,233
Electoral Registration	177,550	177,550	0	0	0
Corporate and Democratic Costs	610,906	604,424	(6,482)	0	(6,482)
Payments to Parish Councils	351,158	351,159	0	0	0
Concessionary Travel	0	(400)	(400)	0	(400)
Property and Estates	(205,191)	(242,655)	(37,464)	0	(37,464)
Pensions, Grants, Interest and Receipts	229,530	(400,889)	(630,418)	(637,982)	7,564
<b>TOTAL</b>	<b>11,391,630</b>	<b>10,307,293</b>	<b>(1,084,337)</b>	<b>(1,087,529)</b>	<b>3,191</b>

### Overview of Spending to date

3.9 The main reasons for the projected variance at this stage, is shown in the following table.

#### Main variances

	<b>£'000</b>
Salary savings (vacancies, maternity etc.) - F&M	-83
Salary savings (vacancies, maternity etc.) - E&D	-83
Increased Planning Fee Income	-40
Lettings from Industrial and Commercial Units	-37
Increased income from Log Cabin Hire and Retail Sales	-21
Salary savings (vacancies, maternity etc.) - H&C	-15
Street Naming Increased Income	-15
Unbudgeted Grant Income	-12
Increased Personal Searches Fee Income	-11

Employee Training	-8
Increased Environmental Services Fee Income	-6
Housing Restructure savings	-5
Cemetery Fees	-2
Increased Interest on Cash Deposits	-2
Unbudgeted Sacks for Street Cleansing	7
Interim Strategic Director	10
Materials Overspend	10
Vehicle Spare Parts	10
Salary Cost Unbudgeted on Strategic Housing	21
Postage	27
Waste & Cleansing Agency Support	75
Other Agency and Consultancy Staff	91
Vehicle Hire	96
Other Variances (net)	-4
<b>TOTAL - OVERALL PROJECTED VARIANCE</b>	<b>3</b>

3.10 The main variances relate firstly to the cost of vehicle hire which is due to growth of the District plus an aging vehicle fleet. Growth expenditure can be absorbed within contingent sums and the replacement of 8 refuse freighters has been procured for delivery in March/April 2018.

3.11 Strategic Housing recruitment and changes to role responsibilities has resulted in an additional cost pressure to the General Fund which was previously picked up by the HRA. The duties of the role cannot be fully funded by the HRA due to the ring-fence and therefore 75% of this role is now a General Fund responsibility.

3.12 Budget savings are currently being made from vacant posts although these savings are generally offset by agency and consultancy costs to support service areas.

3.13 A new contract for postage was negotiated during February 2017 after termination of the Shared Services Contract. The additional cost was not included within the budget for 2017/18 but can be absorbed within contingent sums. The current contract is subject to a tendering exercise to procure a supplier longer-term from April 2018.

3.14 Increases on Industrial Unit income is due to a reduction in void properties and will give a favourable variance by year-end.

### **Contingent Sums**

3.15 The following sums have been provided in the base budget but not allocated to specific budgets.

	<b>£</b>
Pay and Grading review	10,000
Waste Collection and Recycling	100,000
Growth	200,000
Shared Services Contract savings	-400,000
Other Contingent Sums	92,274
Bad Debt Provision Contribution	100,000
<b>Total</b>	<b><u>102,274</u></b>

3.16 The other contingent sums relate to:

- Restructure costs approved after the initial draft of the base budget
- Pension deficit which will be funded from earmarked reserves
- Reduction to the HRA recharges
- Provisions for the Apprenticeship Levy, implementation of the National Living Wage and potential “off-payroll” payments.

### Provisions

3.17 The following provisions were made in the Council’s accounts in 2016/17 for liabilities due in 2017/18.

<b>Provision For</b>	<b>£</b>
Refund of Personal Land Searches	13,000
Planning Appeals	102,000
<b>TOTAL PROVISIONS</b>	<b><u>115,000</u></b>

3.18 The provision for the refund of personal land searches is that remaining from the original provision of approximately £100,000 made several years ago. It is anticipated that this matter will be concluded in 2017/18 with the remaining provision being utilised to meet outstanding claims.

### Core Grants and Funding

3.19 The Council’s central funding, besides Retained Business Rates, is fixed for the year as shown in the following table.

<b>Core Grants and Funding 2017/18</b>	<b>£</b>
Council Tax	4,942,217
Retained Business Rates (est)	3,549,355
Discretionary Business Rates Relief Scheme	100,832
New Homes Bonus	2,601,787
Revenue Support Grant	668,239
Collection Fund Surplus	55,000
Transitional Grant	3,230
<b>Total Core Funding 2017/18</b>	<b><u>11,920,660</u></b>

3.20 The New Homes Bonus final settlement confirmation was received in February and is slightly higher than forecast by £11,853 taking the total receipt due to £2,613,640.

3.21 The final amount for Business Rates will depend upon income and expenditure during the year, including any return from the Derbyshire Pool. The latest projection regarding Business Rates is detailed below. This has been included in the MTFP.

	Estimate £'000	Projection £'000
Approved Precept	9,508	9,922
Tariff paid to the Derbyshire Pool	-6,194	-6,194
S31 Grants - Business Rates Relief	354	456
Payment of Levy to Derbyshire Pool	-200	-774
Share of growth returned from the Pool	200	424
Business Rates Deficit 2017/18	0	-203
Transitional Relief adjustment	0	0
<b>Net amount received in retention system</b>	<b>3,668</b>	<b>3,631</b>
Declared deficit 2016/17	0	-285
Reversal of deficit 2017/18	0	203
<b>Total Business Rates Retained</b>	<b>3,668</b>	<b>3,549</b>

## THE COLLECTION FUND

3.22 The Collection Fund is the statutory account that records the collection of Council Tax and Business Rates and shows how that income has been distributed to the Government and Preceptors on the Fund, including this Council.

3.23 Any surplus or deficit on the Fund is transferred to the General Funds of the Preceptors, in proportion to precepts levied each year. The projected position on the Fund for 2017/18, based on transactions up to 30th September 2017, is detailed in **Appendix 1**.

3.24 This shows that the projected surplus balance on Council Tax is approximately £902k, with a projected deficit balance of approximately £1,135k on Business Rates. In both instances, this is currently more favourable than estimated.

## Council Tax

3.25 The projected balance at the year-end is approximately £902k compared to the budget estimate of £440k. This is due to the continuing increase in the tax base (number of properties).

3.26 The budget was based on a Tax Base of 31,647 Band D equivalent properties (after exemptions and discounts) with the total number of dwellings on the valuation list numbering 42,131. At the end of September 2017, the actual Tax Base amounted to 32,487 (+ 840) with the overall number of properties at 42,994 (+ 863).

3.27 During the Budget Round for 2017/18, the Council declared a surplus on the Collection Fund of £500,000 and this is being paid to Preceptors in the current financial year as shown in Appendix 1. It is anticipated that income will continue to increase with further residential development but will be offset by associated costs.

3.28 The Precepts are fixed payments for the year. The only other variable is the provision for bad debts which is calculated at the year-end. Even allowing for any further increase in the estimated amount, there will be a continuing surplus on

Council Tax. The Council's share is approximately 11% and the amount available will be considered during the 2018/19 Budget Round.

### **Business Rates**

- 3.29 As previously reported, due to a high level of appeals lodged by local businesses with the Valuation Office, large provisions were made in the accounts for 2015/16 and 2016/17. This has placed Business Rates into a deficit position of £1.3m which is detailed in Appendix 1. This deficit is being charged back to the General Funds of the Preceptors in 2017/18, although 50% is met by the Government.
- 3.30 As Appendix 1 shows, receipts are expected to rise in 2017/18 due to a growth in the Tax Base, together with increases arising from the 2017 Rating Valuation. Therefore, the deficit is now projected to reduce in 2017/18, although this will depend on the outcome of appeals and whether any further appeals will be lodged, arising from the latest Valuation.
- 3.31 The Government has provided funding to support local businesses most affected by the Valuation. The Council's proposed scheme for allocating this funding was approved by the Committee in October.
- 3.32 The Council's share of the projected Fund deficit in 2017/18 (at 40%) is approximately £454k ( $£1,135k * 40\%$ ). An updated amount will be considered during the 2018/19 Budget Round.

### **Business Rates Retention**

- 3.33 At its meeting in October, the Committee approved to support an application to the Government alongside other Derbyshire councils, to become a pilot to trial 100% Business Rates Retention in 2018/19. Subsequently, further work was completed on a business case and an application was submitted by the deadline of 27<sup>th</sup> October.
- 3.34 The Government is due to announce successful applications alongside the Financial Settlement for 2018/19 in mid-December. Councils will then have 28 days to confirm whether they wish to proceed. The Government confirmed during the last few days of the application process, that all pilots would not be any worse off compared to the current system through a "no detriment" clause.
- 3.35 If the application is unsuccessful, the current pooling arrangement will continue. However, it is not clear whether, if a pilot is selected and then the councils withdraw within the 28 day period, the pooling arrangement would be allowed to continue.
- 3.36 The pilots would effectively receive no Revenue Support Grant, but would retain the 50% of Business Rates income that currently flows to the Government, plus all future growth. Initially, the pilot will only be for one year and no additional responsibilities are being passed down from central to local government at this stage.
- 3.37 The Business Case for Derbyshire shows that approximately £21m (net) of extra resources per year would be retained within the County. This could be affected by appeals and the risk of business failures, etc. although there would need to be a significant event to reduce income substantially across the County as a whole.

## Allocating the Additional Resources

- 3.38 The Government have stressed that they expect to see sufficient resources being used across the wider pilot area. This is a subjective judgement and the Derbyshire application proposes 70% shared between authorities, with 30% being maintained centrally.
- 3.39 It is proposed that the decision-making body for the central share (30%) is the Derby and Derbyshire Authorities Joint Committee for Economic Prosperity. The proposal to allocate the individual authority share (70%) is on a 50/50 basis between the top tier and lower tier authorities. This ensures that the County is not adversely affected as they effectively lose their “top-up” payment from the Government in a retention system.
- 3.40 After these splits, it is estimated that the Council’s share would be a net gain of just over £1/2m in 2018/19, compared to its provisional funding allocation for that year. These figures will be confirmed during the consultation period for the Financial Settlement following the announcement of successful pilots.

*(It should be noted that the allocation of the New Homes Bonus will remain a separate allocation).*

## HOUSING REVENUE ACCOUNT (HRA)

- 3.41 The Council is required to account separately for income and expenditure in providing Council Housing.
- 3.42 The approved HRA Budget for 2017/18 was set with an estimated deficit of £214,878, financed from the HRA General Reserve.
- 3.43 An update to the MTFP in October 2017 has altered this estimated deficit to a surplus of £1,150k due to a review of the Capital Programme and a change in the profile of revenue reserve contributions to the Debt Repayment Reserve.
- 3.44 The position on the HRA as at September 2017 is summarised in the following table.

Summary HRA 2017/18	BUDGET	PROJECTED	PROJECTED
	ACTUAL	VARIANCE	
	£000	£000	£000
Total Income	-12,868	-12,907	-39
Contribution to Capital & New Build	2,500	2,500	0
Responsive & Planned Maintenance	3,252	3,196	-56
Interest on Debt	1,762	1,652	-110
Supervision & Management	1,790	1,726	-64
Supported Housing & Careline Services	833	879	46
Provision for Bad Debts	44	44	0
Provision for Debt Repayment	1,517	1,517	0
Contingent Sums	20	20	0
<b>Deficit</b>	<b>-1,150</b>	<b>-1,373</b>	<b>-223</b>

- 3.45 The above table shows that overall the HRA is now projected to achieve a surplus of approximately £1,373k which is £223k more than reported. The main variances are shown in the following table.

	£'000
Interest Payable Savings	-110
Salary savings (vacancies, maternity etc.)	-107
Repairs & Maintenance c/fwd Underspend	-100
Favourable Rental Income	-39
Materials Savings	-30
Professional Fees for New Build	-16
Vehicle Hire	12
Housing Restructure Costs (one-off in 2017/18)	47
Supporting People Subsidy 2013 to 2018	53
Agency and Consultancy Staff	70
Other Variances (net)	-3
<b>TOTAL - OVERALL PROJECTED VARIANCE</b>	<b>-223</b>

- 3.46 The main variances are due to vacant posts partially offset by agency and consultants to support services. The savings on vacancies have also helped to support the costs of the Housing restructure.
- 3.47 Rental income is forecast to be slightly higher than budget due to full occupation of new build and acquired properties which were originally budgeted to include some voids.
- 3.48 Interest payable on HRA loans is lower than forecast on the variable rate loan due to lower than budgeted interest rates.
- 3.49 A small proportion of council house tenants are currently not charged for Careline services. This decision was made prior to 2013 when changes to the subsidy received from Derbyshire County Council were determined. Revenue reported previously has been overstated and an adjustment is required to account for this correctly. The cost is estimated to be approximately £10k per annum but this is now under review. The overstatement of income in previous years is £53k as noted in the table above at 3.45.
- 3.50 Renewal of Planned Maintenance contracts has resulted in a delay to the original planned works. Any saving in year will be carried forward into 2018/19.

## **CAPITAL EXPENDITURE and FINANCING 2017/18**

- 3.51 The Capital Programme for 2017/18 was approved by the Committee in February 2017. This has been updated following the budget out-turn in 2016/17 to reflect expenditure and funding carried forward from that year.
- 3.52 Progress in 2017/18 across the main projects and schemes in the updated programme is shown in the following table.

<b>Capital Spending 2017/18 (as at September 2017)</b>	<b>Approved Budget £</b>	<b>B/fwd 2016/17 £</b>	<b>Updated Budget 2017/18 £</b>	<b>Expenditure to-date £</b>
Council House Capital Works	1,800,000	0	1,800,000	634,579
Private Sector Housing Works	448,000	592,957	1,040,957	124,557
Environmental and Heritage Schemes	155,165	113,783	268,948	74,548
S106 Project	20,000	0	20,000	13,500
Swadlincote Woodlands Nature Reserve	37,000	0	37,000	0
Rosliston Forestry Centre - Play Project	130,000	0	130,000	0
Community Partnership Scheme	100,000	-24,075	75,925	24,969
Table Tennis Tables	0	1,730	1,730	1,900
Eureka Park	0	0	0	8,568
Town Hall Windows	0	13,600	13,600	14,820
Melbourne Assembly Rooms	65,000	-28,000	37,000	26,290
Melbourne Sports Park	0	0	0	6,534
Vehicle Replacements	1,521,203	0	1,521,203	35,994
Depot Relocation	1,061,000	0	1,061,000	662,312
Property Maintenance, Development and Refurbishment	204,198	39,230	243,428	576
<b>Total</b>	<b>5,541,566</b>	<b>709,225</b>	<b>6,250,791</b>	<b>1,629,147</b>

### **Council House Capital Works and New Build Schemes**

3.53 Major improvements works are set to be on budget by year-end.

3.54 The final New Build project at Lullington Road is still in the early stages and has a funding agreement in place with the Housing and Communities Agency. This project is being progressed by the Strategic Housing Manager with starts on site due early 2018/19.

### **Private Sector Housing Works**

3.55 The funding in place for Disabled Facilities has increased and there are works in the pipeline that can be completed within the allocated funds. The Strategic Housing Manager reported to committee in October proposals to increase the establishment on a temporary basis to help reduce the waiting time for adaptations and ensure all allocated funding is utilised.

### **Environmental and Heritage Schemes**

3.56 This relates to the Swadlincote Town Centre Scheme following the award of funding in 2016/17.

3.57 The scheme is progressing well with a number of the grant projects being undertaken over the summer months. It is anticipated that the full budget of £269k will be utilised during the year.

### **Leisure and Community Schemes**

3.58 Matched funding is still required for the Swadlincote Woodlands Nature Reserve project so this is not yet underway.

- 3.59 The Rosliston Play Project is to be conjoined with the new contract at Rosliston Forestry Centre which is currently out to tender. There will not be any spend during this financial year and so this budget will need to be carried forward into 2018/19.
- 3.60 Eureka Park capital project is now complete with final funding to be claimed from the HLF.
- 3.61 New windows for the Town Hall have been funded through revenue contributions and earmarked reserves alongside funding from the Swadlincote Heritage Town Centre Scheme.

### Vehicle Replacements

- 3.62 New mowers have been purchased in year but no major vehicle replacements have been made to-date. A procurement exercise has been undertaken and 8 new refuse freighters have been ordered for delivery in March and April 2018. In addition, a further procurement exercise is underway to replace other vehicles and plant.

### Relocation of the Council Depot

- 3.63 The project is progressing as planned and the refurbishment works at the new site have been completed. Some additional items have been identified although the cost to-date has been contained comfortably within the contingency for provisional items.

### Housing Capital Receipts

- 3.64 There have been 8 council house sales up to 30th September 2017 as shown in the following table. The net amount retained of £226,133 has been transferred to the New Build Reserve.

	Sales	Gross Receipts £	Less Pooled £	Retained £	% Retained
Quarter 1	4	117,800	-24,253	93,547	79%
Quarter 2	4	262,680	-130,094	132,586	50%
<b>Total</b>	<b>8</b>	<b>380,480</b>	<b>-154,347</b>	<b>226,133</b>	<b>59%</b>

- 3.65 There have been a further 3 sales since September making a total of 11 to-date in 2017/18.

### General Capital Receipts

- 3.66 A receipt of £1m was received, as expected, in April 2017 from the final tranche of land sold as part of the development of William Nadin Way. This had previously been earmarked to partly finance the relocation of the Depot.
- 3.67 In addition, a sum of £738,599 has been received regarding an overage payment from the redevelopment of Chestnut Avenue, Midway. As previously reported, this amount has not yet been committed.

## TREASURY MANAGEMENT

- 3.68 An analysis of the Council's borrowing and bank deposits is summarised in the tables which follow below. These show the position at 30th September 2017.
- 3.69 Debt outstanding is split between the HRA and the General Fund and this represents the "two pool" approach adopted for debt management.

	As at 1/4/17 £'000	As at 30/9/17 £'000
<b>Housing Revenue Account</b>		
Debt Outstanding (Average Rate 2.7%)	57,423	57,423
Capital Financing Requirement (CFR)	61,584	61,584
Statutory Debt Cap	66,853	66,853
Borrowing Capacity (Cap Less Debt o/s)	9,430	9,430

<b>General Fund</b>		
Debt Outstanding	0	0
Capital Financing Requirement (CFR)	5,999	5,999
Borrowing Capacity (CFR Less Debt o/s)	5,999	5,999

<b>Temporary Deposits and Short Term Borrowing</b>		
Temporary Bank and other Deposits	10,000	23,500
Less Parish Council Deposits	-28	-28
<b>Total - Short-term Cash Position</b>	<b>9,972</b>	<b>23,472</b>

Average Interest Rate on Deposits	0.25%	0.19%
Average 7-Day Money Market Rate	0.36%	0.25%

### Short-term Deposits

- 3.70 The money on deposit of £23.5m was spread over 8 deposits, 7 with other local authorities and 1 with the Government's Debt Management Office. The totals together with the average interest rate are shown in the following table.

	As at 1/4/17		As at 30/9/17	
	£'000	%	£'000	%
Debt Management Office (DMO)	0	0.00%	7,500	0.10%
Other Local Authorities	10,000	0.38%	16,000	0.41%

- 3.71 Money on deposit with other local authorities tends to be for longer periods of up to 364 days. Deposits with the DMO are for shorter periods to manage cash flow.
- 3.72 The Council also has a long-term indefinite deposit of £1m with the CCLA Lamit fund after approval from this Committee in August. This was invested on 28<sup>th</sup> September and an update on the dividend and performance will be reported in the quarter 3 Monitoring report.

## **Lending Policy and Counterparty List**

- 3.73 The Committee agreed an updated list and associated lending policy as part of the Treasury Management Strategy for 2017/18 in February. Due to the planned restructuring of the UK banking sector the Council's Treasury Advisors have recommended that the length of unsecured deposits with some named banks are reduced from 1 year to 6 months, detail of which was reported to Committee in August 2017.
- 3.74 The counterparty list has been updated to include the CCLA Lamit fund referred to in 3.71 plus the Money Market funds also approved in August. A full counterparty list is provided in Appendix 2.

## **Financial Markets - Update**

- 3.75 The last update to the Committee in August focused on the potential impact of the Brexit negotiations. Clearly, these are still on-going and the main focus of the markets in more recent weeks has been whether the Bank of England will increase interest rates.
- 3.76 To-date, the Bank's Monetary Policy Committee (MPC) has resisted any increase in the Bank Base Rate from 0.25% as a means of curbing inflation. Inflation had increased more rapidly in the 12 months to July 2017, but has since eased in August and September 2017.
- 3.77 The MPC have been mindful of the slow growth in the economy as measured by the Gross Domestic Product (GDP). However, this has increased during the third quarter of 2017 at a faster rate than expected (0.4% compared to 0.3%).
- 3.78 With unemployment at historically low levels and growth having increased, the MPC increased the Bank Base Rate on 2<sup>nd</sup> November from 0.25% back to 0.5%, the level prior to the Referendum in June 2016.

## **FINANCIAL and OTHER PERFORMANCE**

- 3.79 In addition to the Corporate Plan, the Finance and Corporate Services Directorate also maintain a set of key performance indicators to monitor the progress of its services. These indicators, although more operational, also relate back to the main aims in the Corporate Plan and are contained in the Directorate's Service Plan.
- 3.80 The indicators are maintained to ensure that each service area meets its intended outcomes and is a measure of its success. Several of the indicators are governed by statute. The targets are based on current benchmarks and are designed to improve on previous year's performance.
- 3.81 The indicators for 2017/18, together with progress to September 2017, are detailed in **Appendix 3**.

## **Payments to Suppliers**

- 3.82 Under the Public Contracts Regulations 2015, the Council is required to publish its speed in processing payments to suppliers. Under the Regulations, the Council should pay all undisputed invoices within 30-days of receipt.
- 3.83 Although there is no specific penalty if this regulation is not complied with, individual suppliers have the right, under Late Payments Legislation, to claim interest on late

payments. The rate of interest is 8% above the prevailing Bank of England Base Rate (currently 0.5%).

3.84 Overall performance against this indicator is shown in Appendix 3. The Council's detailed performance in 2016/17, together with that to-date in 2017/18, is shown in the following tables.

	<u>No of Invoices</u>	<u>No. Paid in 30 Days</u>	<u>% Paid with 30 days</u>	<u>No. Paid in 10 Days</u>	<u>% Paid with 10 days</u>
Apr-16	435	429	<b>98.62%</b>	373	<b>85.75%</b>
May-16	379	370	<b>97.63%</b>	299	<b>78.89%</b>
Jun-16	582	544	<b>93.47%</b>	428	<b>73.54%</b>
Jul-16	457	446	<b>97.59%</b>	365	<b>79.87%</b>
Aug-16	566	553	<b>97.70%</b>	408	<b>72.08%</b>
Sep-16	482	476	<b>98.76%</b>	402	<b>83.40%</b>
Oct-16	411	405	<b>98.54%</b>	333	<b>81.02%</b>
Nov-16	597	588	<b>98.49%</b>	494	<b>82.75%</b>
Dec-16	336	332	<b>98.81%</b>	295	<b>87.80%</b>
Jan-17	446	432	<b>96.86%</b>	304	<b>68.16%</b>
Feb-17	424	406	<b>95.75%</b>	310	<b>73.11%</b>
Mar-17	556	535	<b>96.22%</b>	385	<b>69.24%</b>
<b>Total</b>	<b>5671</b>	<b>5516</b>	<b>97.27%</b>	<b>4396</b>	<b>77.52%</b>

	<u>No of Invoices</u>	<u>No. Paid in 30 Days</u>	<u>% Paid with 30 days</u>	<u>No. Paid in 10 Days</u>	<u>% Paid with 10 days</u>
Apr-17	326	317	<b>97.24%</b>	223	<b>68.40%</b>
May-17	448	429	<b>95.76%</b>	313	<b>69.87%</b>
Jun-17	409	380	<b>92.91%</b>	289	<b>70.66%</b>
Jul-17	524	504	<b>96.18%</b>	320	<b>61.07%</b>
Aug-17	549	535	<b>97.45%</b>	381	<b>69.40%</b>
Sep-17	525	457	<b>87.05%</b>	351	<b>66.86%</b>
	<b>2781</b>	<b>2622</b>	<b>94.28%</b>	<b>1877</b>	<b>67.49%</b>

3.85 Standard benchmarks are 97.5% for all invoices to be paid within 30 days and 65% for 10-day payments. The Council did not receive any claims or make any payments for late interest in 2016/17 or to-date in 2017/18.

3.86 The percentage of invoices paid within 30 days has fallen significantly in September due to a new contract negotiated for the supply of electricity. The charges are now verified by a broker before distribution to the Council which is causing a delay on payment of at least 30 days. Finance and Property Services are working with the supplier to ensure invoices are received on a timelier basis.

#### **4.0 Financial Implications**

4.1 As detailed in the report

#### **5.0 Corporate Implications**

5.1 None directly

#### **6.0 Community Implications**

6.1 None directly

#### **7.0 Background Papers**

7.1 None

## APPENDIX 1

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

	Actual 2016/17	Estimated 2017/18	2nd Qtr Projection 2017/18	Notes
<b>COUNCIL TAX - INCOME &amp; EXPENDITURE</b>	£'000	£'000	£'000	
<b>INCOME</b>				
Council Tax Collectable	50,265	52,778	53,243	Estimated Increase is largely due to the Tax Base; projection per system report Ct6140c
<b>EXPENDITURE</b>				
County Council Precept	36,109	38,345	38,345	As approved by Full Council 1st March 2017
Police and Crime Commissioner Precept	5,487	5,715	5,715	As above
Fire and Rescue Authority Precept	2,206	2,297	2,297	As above
SDDC Precept	4,747	4,942	4,942	As above
SDDC Parish Precepts	679	756	756	As above
Increase in Bad Debts Provision	655	396	399	Estimated at 0.75% of income
<b>Total Expenditure</b>	49,883	52,451	52,454	
<b>Surplus for the Year</b>	<b>382</b>	<b>327</b>	<b>789</b>	
<b>COUNCIL TAX BALANCE</b>				
Opening Balance 1st April	407	613	613	Per Final Accounts 2016/17
Share of Previous Surplus to County Council	-128	-367	-367	As approved by Full Council 1st March 2017
Share of Previous Surplus to Police	-20	-56	-56	As above
Share of Previous Surplus to Fire Authority	-8	-22	-22	As above
Share of Previous Surplus to SDDC	-20	-55	-55	As above
Surplus for Year (as above)	382	327	789	
<b>Closing Balance as at 31st March</b>	<b>613</b>	<b>440</b>	<b>902</b>	

**BUSINESS RATES - INCOME & EXPENDITURE****INCOME**

Business Rates Collectable	23,787	24,805	24,965
----------------------------	--------	--------	--------

Estimate as per NNDR1 Submission; projection per report NR7050 (as at 30th Sept)

**EXPENDITURE**

Central Government Precept	11,767	12,402	12,402
SDDC Precept	9,414	9,922	9,922
Derbyshire County Council Precept	2,118	2,232	2,232
Fire and Rescue Service Precept	235	248	248
Cost of Collection	91	91	92
Transitional Protection Payments	15	15	15
Increase in Bad Debts Provision	226	236	237
Provision for Appeals	312	322	325
<b>Total Expenditure</b>	<b>24,178</b>	<b>25,468</b>	<b>25,473</b>

Per NNDR1 Submission

As above

As above

As above

As above

Nominal

Estimated at 0.95% of income

Estimated at 1.3% of income

**Surplus / Deficit (-)**

**-391      -663      -508**

**BUSINESS RATES BALANCE**

Opening Balance 1st April	-400	-1,339	-1,339
Transfer of Previous Year's Surplus (-) / Deficit	-274	356	356
Transfer of Previous Year's Surplus (-) / Deficit	-49	285	285
Transfer of Previous Year's Surplus (-) / Deficit	-5	64	64
Transfer of Previous Year's Surplus (-) / Deficit	-220	7	7
Surplus / Deficit (-) for the Year as above	-391	-663	-508
<b>Closing Balance as at 31st March</b>	<b>-1,339</b>	<b>-1,290</b>	<b>-1,135</b>

Per Final Accounts 2016/17

Per NNDR1 Submission

As above

As above

As above

**COUNTERPARTY LIST 2017/18**  
(As at October 2017)

Institution	Limit	Maximum Term
<b><u>Specified Investments</u></b>		
<ul style="list-style-type: none"> <li>• UK Debt Management Office (DMO)</li> </ul>	<b>£15m</b>	364 Days
<ul style="list-style-type: none"> <li>• Local, Police, Fire and Parish Authorities</li> </ul>	<b>£5m</b> with any one Authority	364 Days
<b><u>Non Specified Investments</u></b>		
<b><i>Named Counterparties</i></b>		
<ul style="list-style-type: none"> <li>• CCLA Lamit Property Fund</li> </ul>	<b>£1m</b>	Indefinite period, subject to quarterly review
<ul style="list-style-type: none"> <li>• Money Market Funds</li> </ul>	<b>£10m in total and £2m with any one Fund</b>	60 days
<ul style="list-style-type: none"> <li>• HSBC</li> <li>• Lloyds Bank</li> <li>• Bank of Scotland</li> </ul>	<b>£2m</b> with any one Bank	6 months
<ul style="list-style-type: none"> <li>• Close Brothers</li> <li>• Santander UK / Abbey National Treasury Services</li> </ul>	<b>£2m</b> with any one Bank	6 months
<ul style="list-style-type: none"> <li>• Barclays Bank</li> <li>• Goldman Sachs International</li> </ul>	<b>£2m</b> with any one Bank	100 days
<ul style="list-style-type: none"> <li>• Royal Bank of Scotland /National Westminster Bank</li> </ul>	<b>£1m</b> with any one Bank	35 days
<ul style="list-style-type: none"> <li>• Nationwide Building Society</li> <li>• Coventry Building Society</li> </ul>	<b>5% of total deposits</b>	6 months
<ul style="list-style-type: none"> <li>• Leeds Building Society</li> </ul>	<b>5% of total deposits</b>	100 days
<b><i>Foreign Counterparties</i></b>		
<ul style="list-style-type: none"> <li>• AAA rated institutions (<i>subject to separate approval by the Section 151 Officer</i>)</li> </ul>	<b>£1m</b> with any one Bank	1 month
<b><i>Independent Building Societies</i></b>		
<ul style="list-style-type: none"> <li>• <i>subject to separate approval by the Section 151 Officer</i></li> </ul>	<b>£1m</b> with any one society	100 days

Corporate Plan Aim	Measure	Annual target 2017/18	Progress as at Sept 2017
Maintain financial health	Deliver a balanced budget in accordance with the statutory timetable	Balanced budget agreed by the Council on 26 <sup>th</sup> February 2018	Not due until 2018
Maintain financial health	Produce regular budget monitoring information	Performance against budget reported to the Council on a quarterly basis	Completed
Maintain financial health	Through better procurement, generate budget savings directly or through supporting other services	Total cashable savings meet salary costs of £80,000	£36,000 to-date Heating Replacement and Servicing Contract for Council Housing (£32,000 net of price and volume differentials); Asbestos Surveys (£4,000)
Maintain financial health	Collection of Council Tax	In-year Collection Rate of at least 98%	57.8% in line with the profiled target
Maintain financial health	Collection of Business Rates	In-year Collection Rate of at least 98%	56.8% in line with the profiled target
Maintain financial health	Arrears for Council Tax, Business Rates and Housing Benefit Overpayments	Reduction in the annual Provision for Bad Debts	Not due until 2018
Maintain financial health	Identification of Fraud	Value of fraud identified meets service costs of £35,000	£2,300 single person discount £6,000 Council Tax support £62,640 Housing and Corporate fraud
Maintain financial health	Lettings of Industrial and Commercial Properties	Achieve 90% occupancy of all units and less than 10% of properties with rent arrears greater than 3 months	67 out of 67 units occupied (100%) with 2 tenants having rent arrears greater than 3 months (3%)

Maintain financial health	Income from Land Searches	Service breaks-even	Due to additional income, the service is currently running at a surplus of £8,000.
Good Governance	Produce a draft set of Accounts and Financial Statements for Annual Audit and Inspection	30 <sup>th</sup> June 2017	Completed
Good Governance	Completion of Approved Internal Audit Plan and outcomes reported to the Audit Sub-Committee	At least 90% completed ( <i>this is monitored by the Audit Sub-Committee</i> )	As at August 2017, 30% of the plan had been completed against a profiled target of 31%. Some one-off investigation work temporarily diverted resources during the first quarter. Some changes are being made to the current Plan and the shortfall should be made-up during the remainder of the year. This is being monitored by the Audit Sub-Committee.
Customer Focus	Minimise downtime of IT	Downtime is less than 1% over the year	<i>As at September, the average downtime is 2% for the year to-date. However, there was a 5% downtime in May 2017 due to a software problem affecting the Payment Machines. Other months have been zero or 1%.</i>
Customer Focus	Prompt payment of invoices for goods and services	97% of undisputed invoices paid within 30-days	Cumulatively, 94% paid to-date (2,622 invoices out of 2,781)
Customer Focus	Prompt payment of invoices for goods and services	65% paid within 10-days for local suppliers	67% - 1,877 invoices
Customer Focus	Freedom of Information	98% of requests satisfactorily	In the period April to

requests answered within the  
statutory time limit

answered with 20-days

September 2017, 293 from 313  
requests received were  
answered within 20-days. This  
equates to 94%.