

Date: 27 August 2014

Dear Councillor,

Finance and Management Committee

A Meeting of the **Finance and Management Committee** will be held in the **Council Chamber**, on **Thursday, 04 September 2014 at 18:00**. You are requested to attend.

Yours faithfully,



Chief Executive

To:- **Conservative Group**

Councillor Mrs. Watson (Chairman), Councillor Jones (Vice-Chairman) and Councillors Hewlett, Murray, Smith, Watson and Wheeler.

Labour Group

Councillors Bell, Rhind, Richards, Southerd, Taylor and Wilkins.

AGENDA

Open to Public and Press

- 1** Apologies and to note any substitutes for the Meeting.
- 2** To note any declarations of interest arising from any items on the Agenda
- 3** To receive the Open Minutes of the Meetings held 20.05.2014 and 19.06.2014.
Open Minutes - 20th May 2014 **5 - 7**

Open Minutes - 19th June 2014 **8 - 14**
- 4** To receive any questions by members of the public pursuant to Council Procedure Rule No.10.
- 5** To receive any questions by Members of the Council pursuant to Council procedure Rule No. 11.
- 6** Reports of Overview and Scrutiny Committee
- 7** Final Budget Out-Turn 2013/14. **15 - 20**
- 8** Corporate Plan Monitoring 2014/15. **21 - 32**
- 9** Budget and Financial Monitoring 2014/15. **33 - 56**
- 10** Treasury Management Lending Policy & Counterparty List. **57 - 66**
- 11** Toyota City. **67 - 68**
- 12** Work Programme. **69 - 70**

Exclusion of the Public and Press:

The Chairman may therefore move:-

That in accordance with Section 100 (A) of the Local Government Act 1972 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.

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

- 14 To receive the Exempt Minutes of the Meetings held on 20.05.2014 and 19.06.2014.

Exempt Minutes - 20th May 2014

Exempt Minutes - 19th June 2014

- 15 Review of the Economic Development Unit (Paragraph 2).
16 Housing & Environmental Services Restructure (Paragraphs 1, 2 & 4).
17 Melbourne Sporting Partnership (Paragraph 3).

For further information about the grounds for excluding reports from the public and press please see the Council's constitution, Section 23: 'Access to Information Procedure Rules' www.south-derbys.gov.uk

FINANCE AND MANAGEMENT COMMITTEE (SPECIAL)

20th May 2014

PRESENT:-

Conservative Group

Councillor Mrs. Watson (Chairman) and Councillors Jones (Vice-Chairman), Hewlett, Murray, Smith, Watson and Wheeler

Labour Group

Councillors Bell, Rhind, Richards, Southerd, Taylor and Wilkins

In Attendance

Councillor Harrison and Atkin (Conservative Group)

FM/01 **MINUTES**

The Open Minutes of the Meetings held on 20th March and 24th April 2014, were taken as read, approved as true records and signed by the Chairman.

MATTERS DELEGATED TO COMMITTEE

FM/02 **FINANCIAL MONITORING and PROVISIONAL OUT-TURN 2013-14**

It was reported that, as part of proper financial management, the Council monitored income and expenditure against its budgets on a regular basis throughout the year. Financial information was available on-line to enable day-to-day monitoring within services. Overall financial performance and the major budget variances were reported to the Committee throughout the year. In accordance with its Treasury Management Strategy, the Council monitored its lending and borrowing on a regular basis. The fourth and final monitoring report for the financial year detailed performance up to 31st March 2014 and was effectively the provisional out-turn position. The final figures would be reported to a Special Meeting on the final accounts on 26th June 2014.

The figures contained within the report are provisional and no significant changes are expected. Final figures are still awaited in respect of Housing Benefit subsidy and Business Rate subsidy.

The report's detail contained the following sections:-

- Section 3 – General Fund Revenue Account
- Section 4 – Housing Revenue Account
- Section 5 – Capital Expenditure and Financing
- Section 6 – Reserves, Balances and Provisions
- Section 7 – Treasury Management
- Section 8 – The Collection Fund
- Section 9 – Collection Rates and Financial Indicators

A presentation was provided to accompany the report. With detailed explanations being given around saving to the General Fund and any variances to budget with explanations where there have been areas of additional costs. Comments and questions were submitted regarding transferring monies between reserves; were there any trends where Council Tax arrears are occurring would be sought and has court action increased in respect of unpaid Council Tax.

Members welcomed the underspend and offered thanks to Officers for their prudent financial management. This was endorsed by the Chairman.

RESOLVED:-

- (1) That the provisional out-turn figures for 2013/14 are approved.***
- (2) That a net appropriation of £280,140 in 2013/14 is made from the General Fund Reserve to other Earmarked Reserves.***
- (3) That the following contributions are made to Bad Debt Provisions in 2013/14:***

<i>Sundry Debtors and Housing Benefit Overpayment</i>	<i>£124,146</i>
<i>Council Tax Arrears</i>	<i>£346,909</i>
<i>Business Rates Arrears</i>	<i>£1,360,817</i>
<i>Business Rates Appeals</i>	<i>£314,598</i>
<i>Housing Rent Arrears</i>	<i>£67,216</i>

- (4) That the following Provisions in accordance with Accounting Standards are made in 2013/14;***

<i>Land Charge (Personal) Searches</i>	<i>£100,000</i>
<i>Planning Appeal</i>	<i>£70,000</i>

FM/03 **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 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 paragraphs of Part 1 of the Schedule 12A of the Act indicated in brackets after each item.

MINUTES

The Exempt Minutes of the Meetings held on 20th March and 24th April 2014, were taken as received

MRS ANN WATSON

CHAIRMAN

The meeting terminated at 18.32

FINANCE AND MANAGEMENT COMMITTEE

19th June 2014

PRESENT:-

Conservative Group

Councillor Mrs. Watson (Chairman), Councillor Jones (Vice-Chairman) and Councillors Hewlett, Murray, Mrs Hall (substitute for Councillor Smith), Watson and Wheeler.

Labour Group

Councillors Bell, Rhind ,Richards ,Southerd ,Taylor and Wilkins

In Attendance

Councillor Harrison (Conservative Group)

FM/05 **APOLOGIES**

Apologies for absence from the Meeting were received from Councillor Smith (Conservative Group).

FM/06 **PRESENTATION FROM EQUITA (COUNCIL'S ENFORCEMENT AGENTS)**

Paul Sharpe of Equita gave a presentation in respect of the national changes to debt recovery processes, which have been introduced recently. The rationale behind these changes are intended to place stronger controls on the operation of the bailiff and debt collection industry; and in particular, to prevent rogue operators from using unfair methods when collecting debts. The most important change has been the introduction of a so-called 'compliance stage' which allows non-enforcement activity, such as telephone calls and emails etc. before visits have to take place.

Members asked questions relating to the presentation

Cllr Mrs Watson thanked Paul for the presentation and for clarifying concerns and the points raised

MATTERS DELEGATED TO COMMITTEE

FM/07 **CORPORATE PLAN - PERFORMANCE MANAGEMENT 2013/14**

A report was presented detailing progress and achievements during the year 2013/14, in relation to the Council's Corporate Plan 2009-14. Appendices to the report gave detail on the progress against Corporate Plan key projects, performance measures, The Corporate Plan consisted of 4 main themes or priorities.

The Officer referred Members to the statistics in respect of sickness absence, and the actions that had been taken to reduce these figures. It was reported that post implementing new processes the first months monitoring figures showed an improvement, and close monitoring would continue.

Members commented on the report and asked questions of the Officer.

RESOLVED:-

- (1) That progress against targets and projects for the period 1st January to 31st March 2014 is approved.***
- (2) That performance for the year 2013/14 is approved.***

FM/08 **CONSULTATION ANNUAL REPORT 2013/14 AND ACTION PLAN 2014/15**

A report was submitted on the Annual Consultation Strategy that detailed how consultation activities would support the delivery of key priorities set down in the Corporate Plan 2009/14. It detailed the achievements made during 2013/4.

The key consultation exercises for 2013/14 were summarised in the report covering the following areas:

- Allocations/Tenancy Policy
- Citizen Panel survey
- Safer Neighbourhood meetings/Community Safety road shows
- Local Plan
-

The report then looked ahead, providing information on the range of planned consultation activities for 2014/15

It was explained that additional thought needs to be given not only what we consult on; but how we do it e.g. SMS, social media etc.

- (1) That the key consultation achievements for the year ending 31st March 2014 be noted.***
- (2) That the refreshed Action Plan, as shown in an Appendix 2 be approved.***
- (3) That the planned consultation activity to be undertaken by the Council in 2014/15 be noted.***

FM/09. **COMMUNICATIONS ANNUAL REPORT 2013/14 AND ACTION PLAN 2014/15**

A report was submitted on the outcomes achieved in external and internal communications during 2013/14. It presented an action plan for 2014/15 that detailed how communication activities would support the delivery of key priorities set down in the Corporate Plan 2009/14.

The report gave examples of the external communication undertaken with reference being made to the successful communications that were undertaken during the recycling campaign. A section was also provided on internal communications, before looking ahead to 2014/15.

Again, the Officer advised moving forwards to support the action plan it is necessary to look at how we communicate and how effective the communications are, in addition to what we communicate.

RESOLVED:-

- (1) That the Committee consider the Corporate Communications Annual Report and key achievements for 2013/14 , as shown in the Appendix***
- (2) That performance against the Communications Action Plan 2013/14 be noted.***
- (3) That the Council's revised Communications Action Plan for 2014/15 be approved.***
- (4) That the updated Corporate Communications Campaigns, be approved.***

FM/10 **DATA QUALITY STRATEGY 2013/14 ANNUAL REPORT AND ACTION PLAN 2014/15**

A report was submitted on the revised Data Quality Strategy 2012/15 which was adopted by the Committee in June 2012.

The Officer explained the importance of Data Quality in the Council and the need to have 100% confidence that when data is reported it is reliable.

During this year a significant amount of work has been undertaken to ensure compliance with the Government's new stringent approach to connectivity and data security (Public Service Network (PSN) Code of Compliance).

The report concluded by looking at the Action Plan for 2014/15.

RESOLVED:-

- (1) That progress made against the Data Quality Strategy Action Plan 2013/14, be noted.***
- (2) That the Action Plan 2014/15, be approved.***

FM/11 **CORPORATE EQUALITIES AND SAFEGUARDING ANNUAL REPORT 2013/14 AND ACTION PLAN 2014/15**

A report was submitted on the achievements in 2013/14 and the importance of ensuring that Equalities and Safe Guarding are embedded in services and that

the Council is compliant. The report detailed the duty on public authorities and others carrying out public functions. Case studies were included to highlight the work that had been undertaken during 2013/14, and concluded by looking at the planned activities for 2014/15.

Members asked questions with regard to what processes are in place for staff dealing with safeguarding matters.

Cllr Mrs Watson passed on her thanks to Chris Smith for the work that had been undertaken on Hate Crime.

RESOLVED:-

- (1) That the Corporate Equalities and Safeguarding Annual Report for 2013/14 shown in an Appendix to the report be approved for publication.***
- (2) That progress against the 2013/14 Action Plan be noted.***
- (3) That the Corporate Equalities and Safeguarding Action Plan for 2014/15 shown in an Appendix to the report be approved.***

FM/12 ANNUAL TRAINING REPORT 2013/14 AND PRIORITIES FOR 2014/15

A report was submitted to propose the priority actions for corporate training activities during 2014/15 to support the achievement of the Council's Corporate Plan 2009/14. It also provided an overview of corporate training, learning and development activities completed during 2013/14 and the outcomes. The detail of the report provided a review of 2013/14, including a graph showing training days for the year. Sections were then included on the following areas:-

- Review of training activity 2013/14
- Training for front line staff
- Modern Apprenticeships
- Work Experience

The report then looked at the key outcomes from this training activity. The report also looked at priorities for 2014/15 and detailed proposals for training under the following headings:-

- Leadership and Management Development
- Health and Safety
- Employment Policy
- E-learning resources
- IT Training
- Soft skills

There was discussion on the content of the report with particular reference to "growing our own" and also absence management training for managers. Members were advised that it is mandatory for all managers to attend absence management training.

RESOLVED:-

- (1) That the priority areas for training and development during 2014/15, which are linked to the delivery of the key priorities of the Council's Corporate Plan, be approved.***
- (2) That the range of training activities and actions provided during 2013/14, be noted.***

FM/13 ANNUAL HEALTH AND SAFETY REPORT 2013/14 AND ACTION PLAN 2014/15

A report was submitted to give an overview of the Council's health and safety performance, including an analysis of accident data for 2013/14. It reflected the Council's approach in enabling managers and employees to understand and fulfil their health and safety responsibilities.

It was explained that whilst statistically there appeared to be an increase in accidents, this was because of the increase in activities to the Summer Playcheme which had nearly a third more children attend the activities than in previous years.

The report detailed the main achievements over the year with particular reference to accidents, ROSPA Gold Award and training. Other sections covered training, achievements in Health and Safety training, the implementation of IT, risk assessments, professional support and an accident analysis. The report concluded by setting out the targets for 2014/15.

RESOLVED:-

That the key health and safety achievements and performance for the year ending March 2014 be noted and the Health and Safety Action Plan that sets down the priority actions for 2014/15, be approved.

FM/14 COMPLAINTS AND FREEDOM OF INFORMATION REQUESTS – 1ST OCTOBER 2013 – 31ST MARCH 2014

An informative report was submitted on the comments, compliments and complaints received during this period. These comprised 0 comments, 18 compliments and 35 complaints. Tables were included within the detail of the report showing the division to which each related. Statistics were then provided on the Freedom of Information requests received.

Members suggested that the level of detail contained in the report should be looked at moving forwards.

RESOLVED:-

That the complaints and Freedom of Information requests, as detailed in the report, are noted.

FM/1 FINANCE AND CORPORATE SERVICES SERVICE PLANS 2014/15

It was reported that Service Plans were a key part of the Council's performance management framework, acting as an important link between high level plans and strategies, such as the Corporate Plan and Sustainable Community Strategy, and personal performance objectives established through the Employee Review and Development Scheme. The form and content of service plans had been reviewed and minor changes had been made. The amendments captured a number of cross-cutting themes for the Council such as the Transformation Programme, Partnerships, outcomes and linking priorities to budgets. Detail was provided on the content of the Service Plan, a copy which was appended to the report. The Plan would cover a one year period and be reviewed at the end of March 2015. Progress reports to Members would be made on a quarterly basis.

RESOLVED:-

That the Service Plan for Finance & Corporate Services be approved as basis for service delivery for the period 1st April 2014 to 31st March 2015.

FM/16 WORK PROGRAMME

The Committee was asked to review its work programme.

RESOLVED:-

That the updated work programme be noted.

RESOLVED:-**FM/17 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 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 paragraphs of Part 1 of the Schedule 12A of the Act indicated in brackets after each item.

FM/18 HOUSING AND ENVIRONMENTAL SERVICES STAFFING RESTRUCURE

Approval was granted for the recommendations detailed within the report

MRS ANN WATSON

CHAIRMAN

The meeting terminated at 7.05 p.m.

REPORT TO:	FINANCE AND MANAGEMENT COMMITTEE	AGENDA ITEM: 7
DATE OF MEETING:	4th SEPTEMBER 2014	CATEGORY: RECOMMENDED
REPORT FROM:	DIRECTOR OF FINANCE and CORPORATE SERVICES	OPEN
MEMBERS' CONTACT POINT:	KEVIN STACKHOUSE 01283 595811 Kevin.stackhouse@south-derbys.gov.uk	DOC: u/ks/accounts/final accounts1314/outturn reports/4 final sept14/final accounts out-turn sept 2014
SUBJECT:	BUDGET OUT-TURN 2013/14	REF:
WARD (S) AFFECTED:	ALL	TERMS OF REFERENCE: FM 08

1.0 Recommendations

1.1 To approve the final out-turn position for 2013/14 (as shown in Section 3.1) for:

- The General Fund Revenue Account
- The Housing Revenue Account
- Capital Expenditure and Financing
- The Collection Fund
- The Balance of Reserves and Provisions at 31st March 2014.

2.0 Purpose of the Report

2.1 To detail the final out-turn position for 2013/14 on the Council's main revenue and capital accounts.

2.2 This follows the provisional reports considered by the Committee on 20th May and 26th June 2014, which detailed the accounts position including detailed figures and financial commentary. This report confirms final figures and provides an update where applicable.

2.3 In accordance with the Account and Audit Regulations 2011, the Council's Annual Statement of Accounts will be reported to the Committee on 25th September.

2.4 As reported to the Committee in May and June, the Council's out-turn position was favourable compared to that budgeted.

2.5 The main figures still to be confirmed at the meeting in June, related to Business Rates income and the balance on the Collection Fund. An update was reported verbally at the meeting.

3.0 Detail

- 3.1 A list of the final adjustments across the Council's main accounts, balances and reserves is detailed in **Appendix 1**, with a summary of the changes shown in the following table.

FINAL ADJUSTMENTS PRIOR TO AUDIT	Reported in June 2014 £'000	Final Position £'000	Change £'000
General Fund Surplus	-1,727	-1,507	220
Council Tax Account Balance	-374	-374	0
Business Rates Account Balance	470	886	416
HRA Surplus	-136	-125	11
Capital Expenditure	7,567	7,567	0
Capital Financing	-7,567	-7,567	0
Provisions	-359	-363	-4
General Fund Reserve	-5,776	-5,910	-134
HRA Reserve	-2,821	-2,810	11
HRA Major Repairs Reserve	-1,648	-1,648	0
General Capital Receipts Reserve	-2,152	-2,152	0
HRA Capital Receipts Reserve	-1,381	-1,330	51
Supported Housing Reserve	-18	-18	0
Earmarked Reserves	-4,879	-4,935	-56

- 3.2 The biggest change was in respect of the final Business Rates position and in particular the transfer of the Deficit from the General fund to the Collection Fund. This increased the General Fund Reserve Balance as noted in June.

Business Rates

- 3.3 The final figures for Business Rates are detailed in **Appendix 2**. Although the final deficit was greater than originally reported, this is maintained in the Collection Fund. This balance is carried over into 2014/15.
- 3.4 The effect on the Council's financial position and in particular the Council's 40% proportion is detailed in the quarterly monitoring figures, which is subject to a separate report on the Agenda. Effectively, the overall balance on the Collection Fund, including the performance in 2014/15, will be considered when setting the Budget for 2015/16.

Accounting for Capital Costs

- 3.5 The other main adjustment related to sale and set-up costs associated with capital schemes at William Nadin Way and the Council House New Build Programme. These are accounted for in the year schemes are approved and not held pending the offset of any capital receipts and/or the commencement of the actual scheme itself. [Page 16 of 72](#)

4.0 Financial Implications

4.1 As set out and detailed in the report.

5.0 Corporate Implications

5.1 As detailed in the report.

6.0 Community Implications

6.1 The production of financial information is an important part of stewardship and accountability for public resources. It aims to give electors, those subject to locally levied taxes and charges, members of the Council, employees and other interested parties clearer information about the Council's finances and its financial standing.

7.0 Background Papers

7.1 None

APPENDIX 1

FINAL ADJUSTMENTS PRIOR TO AUDIT	General Fund Surplus £'000	Council Tax Account Balance £'000	Business Rates Account Balance £'000	HRA Surplus £'000	Capital Expend £'000	Capital Financing £'000	Provisions £'000	General Fund Reserve £'000	HRA Reserve £'000	HRA Major Repairs Reserve £'000	General Capital Receipts Reserve £'000	HRA Capital Receipts Reserve £'000	Supported Housing Reserve £'000	Earmarked Reserves £'000	Gross Debt £'000
Balance as Reported in June 2014	-1,727	-374	470	-136	7,567	-7,567	-359	-5,776	-2,821	-1,648	-2,152	-1,381	-18	-4,879	58,465
Revised Business Rates Income	83							83							
Business Rates Account Deficit			416					-354							
Sale Costs - William Nadin Way Development	90							90							
Hosing Benefits Subsidy	34							34							
Other Revenue Adjustments	13			11			-4	13	11						
Loans Repaid															-7
Vehicle Renewals Fund - Income														-56	
Set-up Costs - HRA New Build												51			
Final Balance	-1,507	-374	886	-125	7,567	-7,567	-363	-5,910	-2,810	-1,648	-2,152	-1,330	-18	-4,935	58,458
Change	220	0	416	11	0	0	-4	-134	11	0	0	51	0	-56	-7

Summary

FINAL ADJUSTMENTS PRIOR TO AUDIT	Reported in June 2014 £'000	Final Position £'000	Change £'000
General Fund Surplus	-1,727	-1,507	220
Council Tax Account Balance	-374	-374	0
Business Rates Account Balance	470	886	416
HRA Surplus	-136	-125	11
Capital Expenditure	7,567	7,567	0
Capital Financing	-7,567	-7,567	0
Provisions	-359	-363	-4
General Fund Reserve	-5,776	-5,910	-134
HRA Reserve	-2,821	-2,810	11
HRA Major Repairs Reserve	-1,648	-1,648	0
General Capital Receipts Reserve	-2,152	-2,152	0
HRA Capital Receipts Reserve	-1,381	-1,330	51
Supported Housing Reserve	-18	-18	0
Earmarked Reserves	-4,879	-4,935	-56
Gross Debt Outstanding	58,465	58,458	-7

	Final £'000	June £'000	Change £'000
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BUSINESS RATES - INCOME & EXPENDITURE**INCOME**

Business Rates Collectable (after reliefs & exemptions)	22,015	22,247	-232
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EXPENDITURE

Central Government Precept	10,365	10,365	0
SDDC Precept	8,292	8,292	0
Derbyshire County Council Precept	1,866	1,866	0
Fire and Rescue Service Precept	207	207	0
Cost of Collection	91	0	91
Increase in Bad Debts Provision	1,453	1,361	92
Provision for Appeals	627	626	1
Total Expenditure	22,901	22,717	184

Surplus / Deficit (-)

-886	-470	-416
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BUSINESS RATES BALANCE

Opening Balance 1st April 2013	0	0	0
Share of Previous Deficit to Government	0	0	0
Share of Previous Deficit to SDDC	0	0	0
Share of Previous Deficit to County Council	0	0	0
Share of Previous Deficit to Fire Authority	0	0	0
Surplus / Deficit (-) for the Year as above	-886	-470	-416
Closing Balance as at 31st March 2014	-886	-470	-416

LEVY/SAFETY NET CALCULATION

SDDC Precept	8,292	8,292	0
Less Tariff Payment	-5,968	-5,968	0
Add Section 31 Relief Grants	261	261	0
Share of Business Rate Account Balance (40%)	-354	-188	-166
Retained Rates before Levy	2,231	2,397	-166
<i>Less Assumed Rates in the Funding Formula</i>	<i>-2,205</i>	<i>-2,205</i>	<i>0</i>
Additional Net Rates Generated	26	192	-166
Less Government Levy (50%)	-13	-96	83
Additional Amount Retained by SDDC	13	96	-83

GENERAL FUND POSITION

SDDC Precept	8,292	8,292	0
Less Tariff Payment	-5,968	-5,968	0
Add Section 31 Relief Grants	261	261	0
Share of Additional Rates	13	96	-83
Actual Financing Transferred to General Fund	2,598	2,681	-83
<i>Less Estimate in General Fund Budget (Funding Formula)</i>	<i>-2,205</i>	<i>-2,205</i>	<i>0</i>
Additional Income in Year	393	476	-83

REPORT TO:	FINANCE and MANAGEMENT COMMITTEE	AGENDA ITEM: 8
DATE OF MEETING:	4th SEPTEMBER 2014	CATEGORY: DELEGATED
REPORT FROM:	DIRECTOR OF FINANCE & CORPORATE SERVICES	OPEN
MEMBERS' CONTACT POINT:	KEVIN STACKHOUSE (01283 595811) Kevin.stackhouse@south-derbys.gov.uk	DOC: u/ks/corporate planning/monitoring/cover report qtr 1 June 2014
SUBJECT:	CORPORATE PLAN 2014/15: PERFORMANCE MANAGEMENT REPORT APRIL to JUNE 2014	
WARD (S) AFFECTED:	ALL	TERMS OF REFERENCE: FM 08

1.0 Recommendations

1.1 That progress against performance targets is considered and approved.

2.0 Purpose of Report

2.1 To report details of progress during the period 1 April to 30 June 2014, in relation to the Council's Corporate Plan 2009 –2015, which are relevant to this Committee under the Value for Money Theme.

3.0 Detail

3.1 This Committee is responsible for overseeing the delivery of the following outcomes:

- Financial resilience – maintaining a sustainable financial base.
- “Cutting costs not services.”
- Strong leadership and robust Governance
- An improved customer experience

3.2 Details are provided in the following appendices:

- ☑ Appendix A - progress against key projects.
- ☑ Appendix B - progress against performance targets.
- ☑ Appendix C - overview of health and safety, together with accident statistics.
- ☑ Appendix D – overview of sickness absence data
- ☑ Appendix E – corporate services risk register
- ☑ Appendix F – strategic risk register

3.3 At the end of June 2014 (the first quarter) all targets for relevant projects and performance measures were achieved.

Sickness Absence

- 3.4 Following deteriorating performance on sickness absence during 2013/14 as previously reported, the overall rate for the first quarter has improved. Although it is early in the financial year, compared to the corresponding period last year, the situation is much improved.
- 3.5 The current days lost per employee are 2.25 days and a cautious projection would take this to around 10 days for the year. Although this would still be higher than the sector average, it would be over 2 days less compared to 2013/14.
- 3.6 The main concern continues to be the incidence of long term absence with 7 cases currently. Although the number of cases is relatively small, the amount of days in each case, can distort the overall figure when apportioned across a fairly small employee base.

4.0 Financial Implications

- 4.1 None directly

5.0 Corporate Implications

- 5.1 None directly

6.0 Community Implications

- 6.1 The Council aspires to be an “excellent” Council in order to deliver the service expectations to local communities. This report demonstrates how priorities under the Value for Money Theme contribute to that aspiration.

VALUE FOR MONEY PROJECTS 2014/15

VP 01 - Continue the programme of procurement and service improvement reviews			
Quarter	Task	Progress	Status
1	VP 01.1 - Proposals for Services previously identified considered by the Committee	Restructures in Legal and Democratic Services, together with the Land Charges Unit, implemented in April 2014	Achieved
2	VP 01.2 - Identify opportunities following budget out-turn for 2013/14		
3	VP 01.3 - Build in further proposals to the Base Budget for 2015/16		
4	VP 01.4 - Proposals approved by the Council		

VP 02 - Implement next stages of the Paper Lite Strategy			
Quarter	Task	Progress	Status
1	VP 02 .1 - Planning and Finance Services moved to new external mail solution	Completed. Housing also implemented and other services being migrated ahead of plan.	Achieved
2	VP 02 .2 - Housing, Leisure and Environmental Health Services migrated		
3	VP 02 .3 - Corporate, legal and any other services implement new solution		
4	VP 02 .4 - Specialised printing such as leaflets and posters considered		

VP 03 - Continue to communicate and engage with our communities to ensure that the Council is delivering services in ways appropriate to them			
Quarter	Task	Progress	Status
1	VP 03.1 - Annual Report and Work Plan considered by Committee	Reported and approved by Committee in June 2014	Achieved
2	VP 03.2 - Produce monthly media reports		
3	VP 03.3 - Produce monthly media reports		
4	VP 03.4 - Produce monthly media reports		

VP 04- Implement the next stages of the Customer Access Strategy			
Quarter	Task	Progress	Status
1	VP 04.1 - Assess case and options for greater customer contact in Planning Services to be moved across to Central Contact Centre	Completed. Project plan being drawn up and use of web site to access Planning services being reviewed and updated.	Achieved
2	VP 04.1 - Finalise proposals		
3	VP 04 .3 - Transfer Planning Services		
4	VP 04 .4 - Assess template for Planning Services for suitability in other services		

VALUE FOR MONEY PERFORMANCE MEASURES 2014/15

Outcome	Measure	Actual / Out turn 2013/14	Target Quarter 1 2014/15	Actual Quarter 1 2014/15	Quarter Status	Annual Target 2014/15	Predicted Out turn 2014/15	Status	Comments/ Remedial Action
VO 1 - Financial resilience - a sustainable financial base maintained	VM 01- Publish a 'fit for purpose' Medium Term Financial Plan	Feb-14	n/a		N/a	Feb-15	Feb-15	Green	No work required this quarter
	VM 02 - Disposal of assets deemed 'surplus to requirements' to generate income. (£)	£70,000	£0		N/a	£50,000	£50,000	Green	Proceeds anticipated later in the year
	VM 03- Increase in New Homes Bonus and Retained Business Rates (£)	£433,000	£0		N/a	£370,000	£370,000	Green	Will be confirmed in December 2014 as part of the Local Government Financial Settlement
VO 2 - 'Cutting costs not services'	VM 04 - On-going General Fund budget savings (£)	£430,000	£75,000	£77,616	Green	£175,000	£175,000	Green	Savings from restructures in Legal, Democratic and Land Charge Services
VO 3 - Strong leadership & robust governance	VM 05 - Achieve an external 'fit for purpose' Code of Corporate Governance assessment. (As assessed by External Audit)	Sep-13	AGS approved by Audit Committee	Approved by the Audit Sub Committee on 18 June 2014	Green	Sep-14	Sep-14	Green	Subject to Audit
VO 4 - An improved customer experience	VM 06 - Percentage of satisfied customers contacting or dealing with the Council.	95.00%	90.00%	93.00%	Green	90.00%	95.00%	Green	

Health and Safety - Accident Statistics 2014/15

Purpose of the Report

This report provides an overview of the number of accidents that have occurred during the period 1 April to 30 June 2014 within the Council.

Background

The Health & Safety Officer provides advice and training on health and safety matters across the Council. This Officer is also responsible for producing management information on the number of accidents. These are collated on a regular basis and are reported to the joint Health & Safety Committee. This Committee reviews the accidents and makes recommendations or learning that needs to be implemented.

Accident Statistics

The Council's accident statistics are broken down into reportable and non-reportable accidents.

Reportable accidents are those covered by RIDDOR (Reporting of Injuries, Diseases & Dangerous Occurrences Regulations, 1995). These accidents have to be reported to the Health and Safety Executive and include:

- Where a member of staff has been required to stay in hospital for 24 hours after an accident;
- Where a member of the public was taken to hospital for treatment after the accident;
- If the accident results in the member of staff being off work for 3 days after the date of the accident,

The table overleaf shows the number of accidents that have occurred during the current quarter (1 April to 30 June 2014) by reportable accident type and category and the year to date.

During the first quarter of 2014/15 there were 13 accidents in which 9 accidents involved employees. This includes 3 accidents which were of a reportable nature – one member of the public fainting and two employees – one was involved in a slip/trip or fall and the other being struck by a moving vehicle. As a result, existing risk assessments have been reviewed and control measures reinforced.

The table also provides comparative details of the number of accidents for the previous year (2013/14)

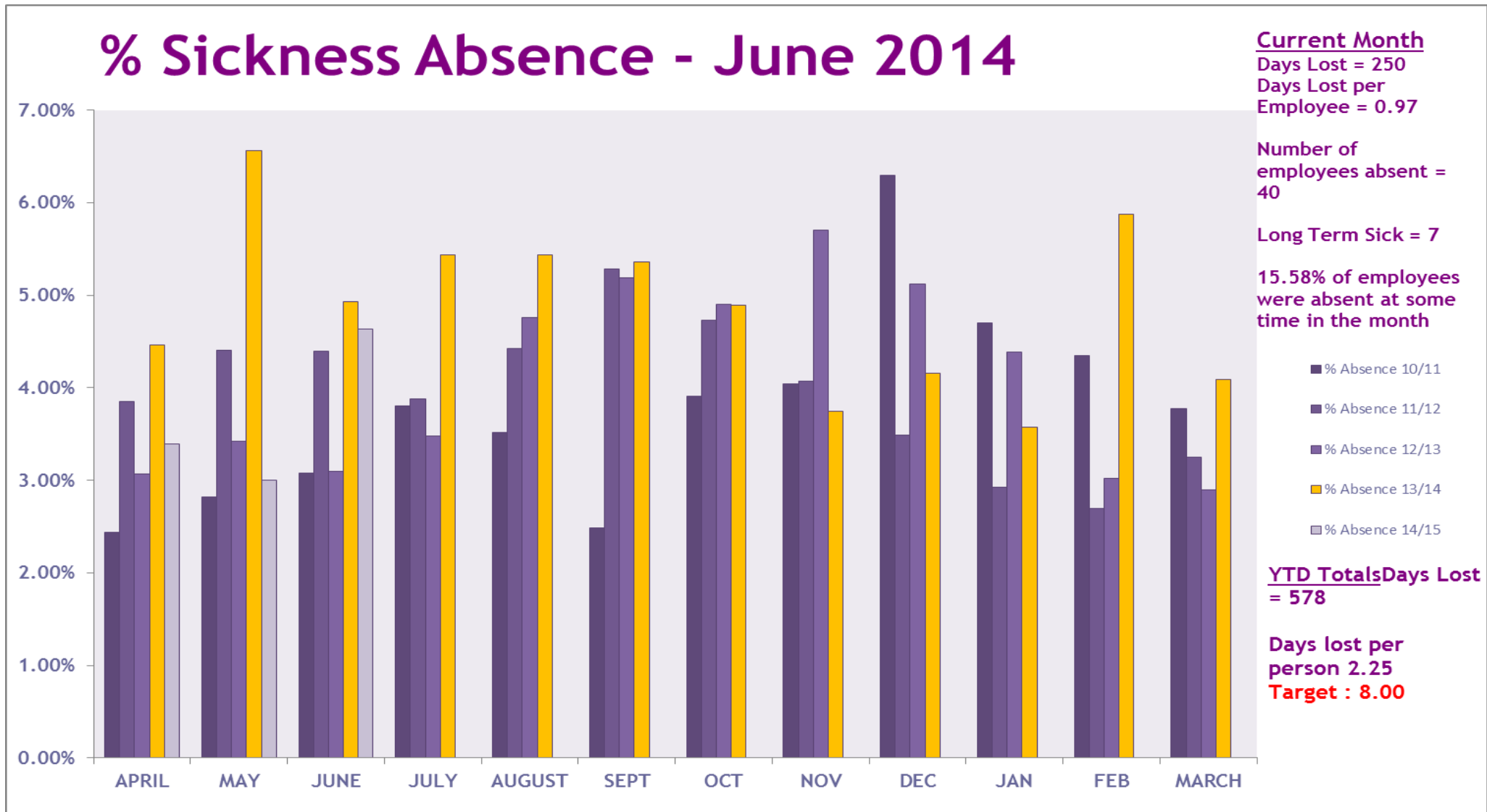
Table: Accident Cause Statistics – (for the 1st Quarter - 1 April to 30 June 2014) and Year to Date: Comparative Accident Cause Statistics for the previous year (2012/13)

Accident Cause	Quarter 1 (1April - 30 June 2014)				
	Non Reportable		Reportable		Total
	Employees	Public	Employees	Public	
Manual handling	1	2			3
Contact Fixed Objects (e.g. sharps)	1	1			2
Struck by Moving Vehicles RTA's					
Struck by Moving Objects - others	2		1		3
Slips / Trips / Falls	2		1		3
Violence - Physical such as dog bites					
Violence - Verbal					
Near Miss					
Other, such as cuts.	1(burn)			1 (faint)	2
Total	7	3	2	1	13

Current Year To Date (2014/15) Actual			
Non Reportable		Reportable	
Employees	Public	Employees	Public
1	2		
1	1		
2		1	
2		1	
1			1
7	3	2	1

Previous Year (2013/14) Actual			
Non Reportable		Reportable	
Employees	Public	Employees	Public
4		1	
4	2		
2		2	
9		1	
2	3	1	
1	4		1
1			
2	3		
25	12	5	1

Source: SDDC Accident Statistics



APPENDIX E

FINANCE and CORPORATE SERVICES UPDATED RISK REGISTER as at JUNE 2014

Risk Reference	Risk Description	Risk Action	Risk Rating Likelihood /Impact	Mitigating Action
FCS 1	The Department consists of small, discrete and specialist teams where detailed knowledge and experience rests with individuals. Consequently, resilience is a risk.	Treat the Risk	Continues Low	<p>Transfer and disseminate information across Services. Cover between units established.</p> <p>Accountancy staff undertaking professional training.</p> <p>Keep under review arrangements through the Corporate and Audit Partnerships who may be able to provide cover and provide temporary resources where necessary.</p>
FCS 2	Reliance on Partnerships to deliver services. Includes partners ceasing to exist or going out of business.	Treat the Risk	Continues Low	<p>Continue to monitor closely the performance frameworks which include early warning signs of deteriorating service delivery.</p> <p>Support Northgate and the Central Midlands Audit Partnership to increase number of clients and protect their service base.</p>

Item 8 APPENDIX F: Corporate Risk Register 2013/14 - Updated as at June 2014

	Risk Action	Risk Rating Likelihood/ Impact	Mitigating Action
<p>Further reductions in Government Grant</p> <ul style="list-style-type: none"> The Council is aware of possible reductions beyond 2015/16 to 2018/19, following the Financial Settlement 2013 and based on OBR analysis. <p>(Main Chief Officer Responsible – Director of Finance and Corporate Services)</p>	Treat the Risk	Remains High	<ul style="list-style-type: none"> Updated Medium-term Financial Plan in place covering 5-years. This allows for a reduction in overall resources. Budgets considered prudent with provisions for inflation and growth. Current reserves are healthy and will help to sustain further reductions in the short-term allowing time for more sustainable action. On-going programme in place to generate efficiencies and budget savings. £430k achieved in 2013/14. As a growth area, overall reduction in core funding could be mitigated through the New Homes Bonus and Retained Business Rates. However, the risk remains high until the approved budget savings of £175k identified ahead of 2015/16 have been made.
<p>Economic Situation</p> <ul style="list-style-type: none"> Although nationally there are indications that the economic situation is starting to improve, many analysts are still unsure how sustainable and consistent this is. As a Growth area, the economic cycle has a relatively greater impact on the Council. This could limit the Council's income. Locally, the amount of people claiming benefit has levelled off but is not reducing. Council Tax and Housing Rent arrears have increased. New development and regeneration locally has continued although it is slower and less frequent compared to pre 2010 as businesses take a cautionary approach. <p>(Main Chief Officers Responsible – Director of Finance and Corporate Services and Director of</p>	Tolerate the Risk	Remains Medium	<ul style="list-style-type: none"> Budgets for income streams and specific grant allocations are assumed at current minimum levels; service provision is based on this. Supporting voluntary and community groups to help people in need, including through the Derbyshire Financial Inclusion Partnership. Measures in place to maximise benefit subsidy and fraud is proactively being pursued with successful prosecutions. The Asset Management Plan has focused on ensuring the Council's assets are being positioned to react to an economic upturn. On-going dialogue with developers and housing providers to look at alternative options for regeneration. The risk remains Medium, but it is considered that the Council is undertaking as much action as reasonably possible to mitigate influencing factors.

Item 8 APPENDIX F: Corporate Risk Register 2013/14 - Updated as at June 2014

	Risk Action	Risk Rating Likelihood/ Impact	Mitigating Action
Community and Planning Services)			
Keeping pace with Technology <ul style="list-style-type: none"> The Council's IT infrastructure needs to keep pace with existing and emerging technologies. Stricter regulations for managing and exchanging information in electronic form through the Public Services Network <p><i>(Main Chief Officer Responsible – Director of Finance and Corporate Services)</i></p>	Treat the Risk	Remains Medium	<ul style="list-style-type: none"> The IT strategy has identified some key projects that are currently being actioned, with the server infrastructure upgraded during 2013. E-mail archiving/storage system, desktop virtualisation and Microsoft upgrade now complete. Connectivity improvements in the current infrastructure next to be actioned – network and wireless points to be upgraded. Disaster Recovery solution being strengthened at an independent location and business continuity for IT to be reviewed as a consequence. The Council undertakes an annual independent health check to ensure that the Council is compliant with the Government's Security Standard (Public Services Network – PSN). The Council achieved compliance with new regulations in April 2014. Annual internal audit review tests robustness of systems and infrastructure – recommendations for improvement are monitored by the Audit Sub-Committee. Although the risk remains Medium, current investment and positive actions over the coming year should lower this risk in the longer-term term.
Business Continuity and in particular the loss of the main Civic Offices. <ul style="list-style-type: none"> Council services are predominantly managed from one Administrative Building. There is no alternative building to accommodate an IT facility which is crucial to enable many services to operate. 	Treat the Risk	Remains High	<ul style="list-style-type: none"> Disaster Recovery solution now being implemented off-site (as above). Maintain relationships with other agencies and partners to secure alternative accommodation on a reciprocal basis if required. Could take advantage of spare capacity in private sector market although this would depend on timing. Although the likelihood of occurrence is low, the potential impact of this risk

	Risk Action	Risk Rating Likelihood/ Impact	Mitigating Action
(Main Chief Officer Responsible – Director of Finance and Corporate Services)			is high. However, current investment into the off- site facility to provide a disaster recovery solution should lower this risk in the longer-term.
Capacity and Resilience in Service Provision <ul style="list-style-type: none"> Reducing staff and budget resources could lower capacity and resilience within council services. (Main Chief Officer Responsible – Chief Executive Officer)	Treat the Risk	Remains Medium	<ul style="list-style-type: none"> Training and development programme being reviewed to include change management and “doing more with less.” External service provider has been procured. Recent restructures becoming mature and bedding in.
Partners and Voluntary Sector <ul style="list-style-type: none"> Financial pressures on partners who deliver services with or on behalf of the Council, including voluntary organisations. (Main Chief Officer Responsible – Director of Community and Planning Services)	Tolerate the Risk	Remains Medium	<ul style="list-style-type: none"> Current grant funding is being maintained for all supported organisations. Spending can be refocused to meet external funding requirements and is project based rather than on-going. Dedicated officer time to support the voluntary sector and local organisations. <p>The risk remains Medium, but it is considered that the Council is undertaking as much action as reasonably possible to mitigate risk.</p>

REPORT TO:	FINANCE AND MANAGEMENT COMMITTEE	AGENDA ITEM: 9
DATE OF MEETING:	4th SEPTEMBER 2014	CATEGORY: DELEGATED
REPORT FROM:	DIRECTOR OF FINANCE AND CORPORATE SERVICES	OPEN
MEMBERS' CONTACT POINT:	KEVIN STACKHOUSE (01283 595811) Kevin.stackhouse@south-derbys.gov.uk	DOC: u/ks/financial monitoring reports/2014/2 September
SUBJECT:	BUDGET and FINANCIAL MONITORING 2014/15	REF
WARD (S) AFFECTED:	ALL	TERMS OF REFERENCE: FM 08

1.0 Recommendation

- 1.1 That the first quarter's budget and financial monitoring figures for 2014/15 are considered and approved.

2.0 Purpose of Report

- 2.1 In accordance with its financial management framework, the Council monitors income and expenditure against its budgets on a regular basis throughout the year. This is undertaken on at least a monthly basis.
- 2.2 Financial information is available directly on the Council's Financial Management System to enable day-to-day monitoring within services. Formal monitoring involves budget managers together with their service accountant, meeting and reviewing performance against their particular budgets. This is intended to identify any variances as early as possible to enable remedial and timely action to be taken.
- 2.3 Overall financial performance and the major budget variances are reported to this Committee throughout the year. In accordance with its Treasury Management Strategy, the Council monitors its lending and borrowing on a regular basis.
- 2.4 The Council's cash flow is monitored and actioned on a daily basis, with monthly reports summarising activity provided to the Chief Finance Officer. Again, overall performance is reported to this Committee throughout the year.
- 2.5 This is the first monitoring report for the financial year 2014/15. It details performance up to 30th June 2014, unless otherwise stated.

3.0 Detail

GENERAL FUND REVENUE ACCOUNT

- 3.1 Apart from Council Housing, day to day income and expenditure is accounted for through the General Fund. The net expenditure is financed from Government Grant and Council Tax, with any shortfall/deficit being financed from the Council's Reserves.
- 3.2 The original budget, which was approved in February 2014, estimated a budget surplus of £170,310 in 2014/15. As in previous years, the Budget includes contingent sums set-aside for inflation, growth and the implementation of the local pay and grading review.
- 3.3 Since the Budget was set in February, £22,866 has been transferred from the HRA into the General Fund. This is in respect of a post identified as non-HRA following last year's restructuring in Housing Services. The updated Budget is summarised in the following table.

Net Expenditure on Services	£10,701,042
Depreciation and Capital Charges (in above)	-£515,369
Minimum Revenue Provision	£347,663
Contribution to Bad Debts Provision	£20,000
Contingent Sums	£386,901
Total Estimated Spending	£10,940,237
Financing	-£11,087,681
Estimated Surplus	-£147,444

- 3.4 In accordance with budget monitoring arrangements, the position on Net Expenditure on Services is the main area that is subject to on-going review. This is the amount (£10,701,042) that is directly managed and controlled by the various budget holders across the Council.

Latest Monitoring Figures

- 3.5 The Budget, together with major variances identified as at June 2014 is summarised in the tables which follow. A full analysis of each service area at Cost Centre level with variances across each policy committee is detailed in **Appendices 1 to 3**.
- 3.6 These appendices also show actual spend to-date, budget remaining, together with notes on assumptions, risks and reasons for major variances.

Performance against Budget 2014/15 as at June 2014 (by Committee)

Summary by Policy Committee	Budget £	Projected Actual £	Projected Variance £	Earmarked Reserves £	General Reserve £
Environmental and Development Services	3,591,463	3,522,466	-68,997	-24,304	-44,693
Housing and Community Services	2,229,667	2,229,177	-490	-28,509	28,021
Finance and Management	4,879,913	4,809,873	-70,040	0	-70,040
TOTAL	10,701,043	10,561,516	-139,527	-52,813	-86,713

Performance against Budget 2014/15 as at June 2014 (by Service)

Summary by Main Service Area	Budget £	Projected Actual £	Projected Variance £	Transfer to (-) /from Earmarked Reserves £	Transfer to (-) /from General Reserves £
Transport Account	702,298	792,297	90,000	0	90,000
Economic Development	233,829	212,014	-21,815	0	-21,815
Environmental Education	69,104	44,800	-24,304	-24,304	0
Environmental Health Services	533,252	504,633	-28,619	0	-28,619
Highways	18,651	15,876	-2,776	0	-2,776
Licensing and Land Charges	-46,162	-118,765	-72,602	0	-72,602
Planning	542,352	477,647	-64,705	0	-64,705
Town Centre	69,463	69,222	-241	0	-241
Waste Collection & Street Cleansing	1,468,677	1,524,742	56,065	0	56,065
Community Development and Support	536,930	490,267	-46,663	-43,460	-3,202
Leisure and Recreational Activities	128,326	126,300	-2,027	-1,929	-97
Leisure Centres and Community Facilities	470,479	558,891	88,413	23,384	65,029
Parks and Open Spaces	693,733	675,415	-18,318	-6,504	-11,813
Private Sector Housing	400,200	378,304	-21,896	0	-21,896
Central and Departmental Accounts	3,297,130	3,329,381	32,251	0	32,251
Concessionary Travel	0	-160	-160	0	-160
Corporate and Democratic Costs	734,864	681,712	-53,152	0	-53,152
Electoral Registration	143,336	142,956	-380	0	-380
Payments to Parish Councils	318,108	318,109	0	0	0
Pensions, Interest Payments and Receipts	204,620	156,021	-48,599	0	-48,599
Property and Estates	-167,696	-167,696	-0	0	-0
Revenues and Benefits	349,550	349,549	-0	0	-0
TOTAL	10,701,043	10,561,516	-139,527	-52,813	-86,713

3.7 The variances reflect the latest situation and although projected to out-turn at this level, could change during the remainder of the year. Areas of projected overspend are kept under review in order to mitigate the effects on the overall budget.

- 3.8 The previous tables show that based on current spending, there will be a decrease in net expenditure (after allowing for adjustments between earmarked reserves) of £86,713 compared to the Budget for the year.

Transfers to/from Earmarked Reserves

- 3.9 These relate to services in Leisure and Community Development where funding is transferred in and out of earmarked reserves depending on the timing of projects and schemes. This can vary from year to year.

Main Variances

- 3.10 The main reasons that account for the projected variance of approximately £87,000 are summarised in the following table. They show services where current spending is expected to vary compared to the Budget as at June 2014. This could change over the remainder of the year and all areas are kept under review.

	£'000
Budget Savings - Restructure in Legal, Democratic and Land Charges	-88
Additional Planning Income	-75
Pensions - Lower Past Service Deficit Costs	-49
Waste & Cleansing - Savings on Agency costs to fund permanent posts	-49
Vacant Posts	-51
Additional Environmental Health Income	-24
Additional Land Charges Income	-10
Waste & Cleansing - Purchase of new bins	20
Waste & Cleaning Overtime	25
Waste & Cleansing - 3 x Permanent Operative Staff	60
Repairs at Green Bank Leisure Centre	65
Maintenance of Vehicles	99
Other Variances (net)	-10
TOTAL PROJECTED VARIANCE @ JUNE 2014	-87

- 3.11 The budget savings following the restructures were as planned. The additional income in Planning, Environmental Health and Land Charges, continues to follow the pattern that emerged during 2013/14.
- 3.12 The Agency costs in Waste and Cleansing is now expected to fall as permanent operatives are employed. There are also several vacant posts across the Council.
- 3.13 The table however shows some fairly significant cost pressures. In particular the maintenance of vehicles and repairs at Green Bank Leisure Centre. Following the commencement of capital works at the Leisure Centre, there is an urgent need to replace part of the roof; this was unforeseen.
- 3.14 A procurement exercise has been undertaken in accordance with the Contract Procedure Rules. The additional expenditure will need to be financed from the General Reserve as the contingent sum in the Capital Budget is insufficient.

Contingent Sums

3.15 The Budget includes the following contingent sums totaling approximately £387,000

Contingent Sums	£
Pay and Grading Review	164,000
Pay Inflation	68,620
Inflation on other Costs	54,281
Growth	100,000
Total	<u>386,901</u>

3.16 As at 30th June, no call had been made against these amounts.

Provisions

3.17 The following provisions were made in the Council's accounts in 2013/14 for liabilities due in 2014/15.

Provision For	Provision Made	Actual Liability
Voluntary Redundancies – restructures in Legal, Democratic and Land Charges Units	£104,000	£104,000
Refund of Personal Searches	£100,000	£97,000
Clawback of Housing Benefit Subsidy	£85,000	£64,000
Planning Appeal	£70,000	£70,000
TOTAL PROVISIONS	£359,000	£335,000

The Collection Fund

3.18 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.

3.19 Any surplus or deficit on the Fund is transferred to the General Funds of the Preceptors, in proportion to precepts levied each year. The current estimated position on the Fund for 2014/15, based on transactions up to 31st July 2014 is detailed in **Appendix 4**.

3.20 The projected surplus on the Fund as at 31st March 2015 is currently £838k for Council Tax and £337k for Business Rates.

3.21 Based on these amounts, the Council's share would be £95k Council Tax (11.3%) and £135k Business Rates (14.0%)

- 3.22 The situation can change over the remainder of the year depending on collection rates and changes to the tax base, etc.
- 3.23 The estimated balance on the Collection Fund as at March 2015 will need to be officially declared to preceptors in January 2015 as part of the budget setting process for 2015/16. Any surplus or deficit declared at that stage will be transferred to the General Fund of each of the preceptors in 2015/16.

Council Tax

- 3.24 The amount of Council Tax collectable has already exceeded the estimated amount for the year; the estimate allowed for a 3% increase on that collectable in 2013/14. This was on the basis of 40,500 properties (estimated in December 2013) compared to the actual number of 40,700 as at July 2014.
- 3.25 The Tax Base continues to grow steadily and it is likely that this will continue for the remainder of the year. In addition, the cost of the Local Council Tax Support Scheme continues to reduce. In 2013/14, it reduced from £4.95m to £4.65m and is currently estimated to be £4.45m by March 2015.

Business Rates

- 3.26 There has also been an increase in the Business Tax Base, mainly due to the development of two larger businesses in the District. In addition, a much lower provision for bad debts will be made in 2014/15 compared to that estimated.
- 3.27 A substantial provision for arrears was set up in 2013/14 following the introduction of the Business Rates Retention System. This led to a deficit on the Collection Fund in 2013/14. It is not expected that any material change will be required to this provision, with the Fund returning to a surplus position in 2014/15.
- 3.28 The Tax Base for Business Rates can be more volatile from reassessments of rateable value and the granting of reliefs, etc. which can change the collectable rates for distribution.
- 3.29 The General Fund shows an estimate of retained business rates (after the payment of the Tariff) of £2.3m in 2014/15. This is the Baseline which is included in the Council's financial settlement from the Government.
- 3.30 Based on current transactions, this is projected to out-turn at approximately £2.8m as detailed in Appendix 4. This means that the Council's Tax Base and collection of Business Rates is much better than the baseline position which was set ahead of 2013/14. The impact of this on future budgets will be reviewed as part of 2015/16 Budget Round.

General and Specific Grants Receivable 2014/15

3.31 The following grants have been confirmed for the year.

	Estimate £	Actual £	Diff £
Grants within General Fund			
New Homes Bonus (NHB)	1,779,758	1,779,757	-1
NHB - Returned Funding	0	7,572	7,572
Revenue Support Grant	2,563,000	2,563,846	846
Council Tax Freeze Grant	49,648	49,969	321
Section 31 Grant	24,000	0	-24,000
Council Tax Support Admin Subsidy	88,000	88,392	392
Housing Benefit Admin Subsidy	281,226	279,051	-2,175
Business Rate Reliefs	361,790	361,790	0
	5,147,422	5,130,377	-17,045
Specific Grants			
Welfare Reform	0	83,146	83,146
Community Right to Challenge	0	8,547	8,547
Assets of Community Value	0	7,855	7,855
Data Transparency Code	0	2,588	2,588
Individual Electoral Registration	0	34,237	34,237
	0	136,373	136,373

3.32 General Fund grants are mainly as estimated following the confirmation of the Council's Budget to the DCLG. Some additional NHB funding has been received following the re-allocation of unused grants nationally. The Section 31 grant has been superseded by the grants received for applying various reliefs for Business Rates.

3.33 Specific grants are not budgeted for as they vary from year to year and are used to fund one-off expenditure. They are set-aside to deal with additional costs of implementing Government proposals under the "New Burdens Doctrine."

3.34 Anything not spent in the year is transferred to an earmarked reserve to meet future costs associated with each area. Funding for Welfare Reform and Individual Electoral Registration is likely to be used during the year. No costs have yet been incurred for other areas and these amounts will be transferred to the relevant reserves at the year end.

3.35 Ultimately, if no additional costs are incurred, the Council can transfer these amounts to use on other services.

Overall General Fund Position and Effect on Reserves

3.36 After allowing for all variances and adjustments, the projected overall position on the General Fund for 2014/15, compared to the Budget, is shown in the following table.

	£'000
Lower Net Expenditure	-87
Use of Contingent Sums Lower	-387
Reduction in Provisions	-24
Additional Business Rates Income	-572
Lower General Fund Grants	17
Projected Reduction in Net Expenditure	-840

HOUSING REVENUE ACCOUNT (HRA)

3.37 The Council is required to account separately for income and expenditure in providing Council Housing.

3.38 The approved HRA Budget was set with a deficit to finance from reserves of £193,598. Since the Budget was set in February, £20,146 has been transferred from the HRA into the General Fund. This is in respect of a post identified as non-HRA following last year's restructuring in Housing Services.

3.39 Performance on the HRA as at June 2014 is summarised in the following table.

Summary HRA 2014/15	Budget £	Projected Out-turn £	Projected Variance £
Supervision and Management Costs	1,548,584	1,567,734	19,150
Housing Repairs	3,287,489	3,170,092	-117,397
Interest on Debt	1,614,555	1,613,021	-1,534
Supported Housing	250,326	250,326	0
Rent and other Income	-12,382,321	-12,383,431	-1,110
Contribution to Capital Works	5,500,000	5,500,000	0
Contribution to New Build	286,800	286,800	0
Contingent Sums	68,380	0	-68,380
TOTAL	173,812	4,542	-169,270

3.40 The table shows that the deficit is now projected to be much lower. Firstly, similar to the General Fund, no call as yet been made on the Contingent Sums.

3.41 Secondly, spend on Housing Repairs is currently projected to be less than the Budget due to the cost of contracted work being lower than estimated. However, there are some additional staffing costs being incurred to cover vacant posts.

CAPITAL EXPENDITURE and FINANCING 2014/15

- 3.42 Following the out-turn for 2013/14, the remaining budgets for work-in-progress on major capital schemes, have been carried forward. The updated programme for 2014/15 is detailed in **Appendix 5**. Progress in 2014/15 to-date is summarised in the following table.

Capital Spending 2014/15 (as at June 2014)	Approved Budget £	Actual £
Council House Improvements	5,938,932	1,759,852
Private Sector Housing and DFGs	448,693	116,868
Leisure and Community Development	3,606,856	420,518
Environmental Schemes	20,000	0
Vehicles, Property and Plant	803,749	19,005
Total	10,818,230	2,316,243

Leisure Schemes

- 3.43 The schemes at Green Bank Leisure Centre and Eureka Park are now well advanced and further contract payments will be due in the next quarter. The final funding package for improving the fitness facility at Etwall Leisure Centre is due to be finalised and works should then commence later in the year.
- 3.44 External funding arrangements and land leases are still to be fully completed for the recreational facilities in Melbourne through the Sporting Partnership. Some preliminary works have been completed and an initial procurement exercise to appoint contractors has commenced.

Replacement Vehicles

- 3.45 The procurement of new refuse freighters is due to be undertaken later in the year.

Capital Receipts

- 3.46 The only capital receipts in the first quarter were from 7 Council House Sales which generated £397k gross and £310k after pooling. This amount has been transferred to the New Build Reserve.

Council House New Build

- 3.47 The accumulated balance on this Reserve is now £1.6m, with a further £1.4m earmarked in the HRA Reserve – approximately £3m in total. In addition, there is borrowing capacity against the HRA's debt cap of £8m.
- 3.48 Furthermore, the Council has been awarded a grant of £190k from the Housing and Communities Agency. This is to progress a specific scheme in Swadlincote.

Financial Target

- 3.49 Under an agreement with the Government, which allows a greater share of HRA asset sales to be retained locally, the following New Build targets (in financial terms) need to be achieved otherwise retained sums will be reclaimed by the Treasury.

Current New Build Targets

£	
Sep-15	191,058
Dec-15	324,056
Mar-16	628,347
Jun-16	628,347
Sep-16	686,430
Dec-16	1,112,561
Mar-17	1,112,561
Jun-17	1,296,447

- 3.50 The targets represent the value or cost of New Build required on a cumulative basis by the above dates. This can include direct building costs, purchase of land or contributions to other housing providers/developers to deliver new council owned properties.
- 3.51 The Committee has previously approved the transfer of land in Coton Park from the General Fund to the HRA at a value of £200,000. This is for a site that has been set-aside for new Council Housing.
- 3.52 Currently, there are potential commitments (including fees) of approximately £4m, including schemes following a procurement exercise to develop 3 council owned sites.

TREASURY MANAGEMENT

- 3.53 An analysis of the Council's borrowing and bank deposits is summarised in the tables, below. These show the position at 30th June 2014.
- 3.54 Debt outstanding is split between the HRA and the General Fund and this represents the "two pool" approach adopted for debt management.

	01/04/14 £'000	30/06/14 £'000	Change £'000
Debt Outstanding - HRA			
Self-financing Debt (Average rate 2.7%)	57,423	57,423	0
Market Loan (4.875% fixed)	1,000	1,000	0
Total Debt Outstanding - HRA	58,423	58,423	0
Capital Financing Requirement - HRA			
Capital Financing Requirement - HRA	62,583	62,583	0
Debt Cap (Fixed on Self-Financing	66,853	66,853	0
Borrowing Capacity (Cap Less Debt o/s)	8,430	8,430	0

Debt Outstanding - General Fund

Actual Loans o/s	0	0	0
Capital Financing Requirement (CFR)	6,892	6,892	0
Borrowing Capacity (CFR Less Debt o/s)	6,892	6,892	0

Temporary Deposits and Borrowings

Temporary Bank and other Deposits	7,029	13,108	6,079
Less Parish Council Deposits	-28	-28	0
Less Fixed Interest Free Debt	-7	-7	0
Total - Short-term Cash Position	6,994	13,073	6,079

Average Interest Rate Earned (Cumulative)	0.33%	0.45%	0.12%
Target - Average 7-Day Local Authority Rate	0.51%	0.47%	-0.04%

Short-term Deposits

3.55 The funds of £13.1m are currently on deposit as follows:

Debt Management Office	£2m
Other Local Authorities	£8m
UK Banks	£3.1m

3.56 Total interest receivable to-date totals approximately £14,000. The total budget for the year is £48,750, based on an average balance of £7.5m at an average rate of 0.65%.

3.57 Actual interest, due to a greater average balance, is on target to exceed the budget; the projected actual is £56,000 for the year.

3.58 The average interest rate earned, at 0.45%, has increased nearer to the average market rate due to short-term deposits being made for longer periods. This reflects the positive cash flow and reserves position.

OTHER FINANCIAL INDICATORS

3.59 These are reported to monitor the efficiency of financial services. In addition, the collection rates are targets that form part of the Income Guarantee arrangement under the Corporate Services Contract. The processing of benefit claims are also key performance indicators which are subject to potential default conditions if they are not achieved.

3.60 The indicators are detailed in the following table.

	Annual Volumes	Actual 2013/14	Target 2014/15	Projection 2014/15	
Collection Rates					
Council Tax in-year Collection	£45.6m	97.80%	97.40%	97.80%	GREEN
Council Tax Arrears Collection	£4.1m	22.10%	26.70%	21.00%	RED
Business Rates Collection	£23.4m	98.10%	96.10%	98.00%	GREEN
Recovery of Housing Benefit Overpayments	£0.6m	37.50%	34.20%	36.00%	GREEN
Sundry Debtor Collection (incl. Arrears)	£4.9m	84.20%	82.60%	85.00%	GREEN
Benefits Processing (Average Time)					
New Claims	1,000	17 Days	18 Days	20 Days	RED
Change of Circumstances	14,000	14 Days	8 Days	15 Days	RED
Financial Efficiency					
Percentage of Invoices paid within 30-days	5,300	96.40%	97.50%	97.50%	GREEN
Percentage of Invoices paid within 10-days	5,300	69.10%	65.00%	75.50%	GREEN
Number of Payments made Electronically	49,000	98.30%	90.00%	99.00%	GREEN

3.61 The above table shows three indicators currently at risk of falling below target.

Council Tax Collection

3.62 Firstly, the collection of Council Tax Arrears continues to fall and is currently projected to be below target. In-year collection continues to be above target and could improve further which compensates for the other indicator.

3.63 Although there is still sufficient time for the arrears situation to be improved and this is certainly the intention, the redeployment of resources may need to be considered.

Benefits Processing

3.64 This also continues to slip after increases in performance over the last 2 years. In fact, current performance is worse than projected compared to that projected for the remainder of the year. There is also a knock on effect in Customer Services and the Contact Centre with a greater number of queries.

3.65 The welfare reform changes are still impacting and although the overall number of claimants has plateaued in recent months, claims are taking longer to process. However, there are around 1,000 more claimants now compared to 3 to 4 years ago.

3.66 Last year, the Council provided additional resources to speed up processing and to provide temporary staffing. This was financed from Government Grant provided to all councils to deal with the impact of the Welfare Reform programme.

- 3.67 Further work is still required and additional resources have been provided (from Government Grant) to increase automation and to prevent a significant backlog building up. Although claims may be taking longer, as greater automation is introduced, this reduces the risk of incorrect benefit being paid and the Council consequently being penalised by a reduction in subsidy.
- 3.68 Positively, 60% of all information and referrals from the DWP is now fully automated, with steps in place to increase this to 80%. Therefore, this should improve the situation over the remainder of the year.

Automated Transfers to Local Authority systems (ATLAS)

- 3.69 The Council's External Auditors were requested to undertake work to determine the extent of difficulties in implementing ATLAS in other councils.
- 3.70 As previously reported, the DWP is now providing data to councils electronically to drive changes on benefit claims using ATLAS. In the long term, this is designed to speed up the process and ensure claims are accurate by notifying councils of a change in circumstances.
- 3.71 However, this new approach has required a number of additional checks to be undertaken by claims assessors which has had an impact on service delivery.
- 3.72 The Council's position has been compared with 12 other district councils in the Midlands. The key points found were:
- The increase in changes of circumstances the Council has received is higher than most other councils. The Council was one of only two reporting an increase of over 50%.
 - The response time of the Council is longer than most other councils, being one of only two with a response time of over a week.
 - The Council's turnover rate and response time to deal with changes has increased by over 5 days, more than any of the other councils surveyed.
 - The Council's ratio of caseload to assessors is 1400:1; this is higher than most other councils, with an average of approximately 1000:1.
 - About half of the councils have recruited temporary staff to deal with the increased workload; the Council had recruited the most with an additional 3 staff being employed.
 - Most of the councils have invested in upgrading systems and have changed processes. The Council has only recently started to do this.

Comparison with other Local Authorities

- 3.73 A comparison of collection rates for Council Tax and Business Rates with other Derbyshire Councils, together with those Councils classed as similar to South Derbyshire for comparison purposes, is shown in **Appendices 6 and 7**.

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

Budget Monitoring - June 14										
Environmental and Development										
Item 9 APPENDIX 1										
£'s	BUDGET			FORECAST		ANNUAL		RESERVES		COMMENTARY
	YTD ACTUAL	BUDGET	BUDGET OUTTURN	ADJUSTMENTS	PROJECTED OUTTURN	BUDGET	PROJECTED VARIANCE	EARMARKED	GF	
PSX90	Transport Services	176,735	555,210	731,945	60,352	792,297	702,298	(90,000)	(90,000)	£99k Adv spare parts, £6k Fav Insurance claims, Taxi Testing £3k fav
Central & Departmental Accounts		176,735	555,210	731,945	60,352	792,297	702,298	(90,000)	0	(90,000)
CCF00	Tourism Policy, Marketing & Development	25,236	28,625	53,861		53,861	55,100	1,239		1,239
CPH70	Promotion and Marketing of the Area	33,994	134,159	168,153	(10,000)	158,153	178,729	20,576		20,576
Economic Development		59,230	162,784	222,014	(10,000)	212,014	233,829	21,815	0	21,815
CPE10	Environmental Education	(1,275)	46,075	44,800		44,800	69,104	24,304	24,304	
Environmental Education		(1,275)	46,075	44,800	0	44,800	69,104	24,304	24,304	0
CEE00	Food Safety	16,942	80,983	97,925	(10,400)	87,525	107,557	20,033		20,033
CEE10	Pollution Reduction	45,006	190,384	235,390	13,600	248,990	252,688	3,698		3,698
CEE30	Health and Safety at Work	(15)	0	(15)		(15)	0	15		15
CEE50	Pest Control	719	5,710	6,429	4,156	10,585	10,585	0		0
CEE80	Public Conveniences	1,858	39,175	41,033	2,000	43,033	43,675	642		642
CEH00	Community Safety (Safety Services)	17,339	88,051	105,390	8,000	113,390	117,245	3,855		3,855
KGW00	Welfare Services	0	1,125	1,125		1,125	1,500	375		375
Environmental Services		81,848	405,429	487,277	17,356	504,633	533,252	28,619	0	28,619
HTK10	Environmental Maintenance (Other Roads)	(6,647)	(7,085)	(13,732)	4,285	(9,447)	(9,446)	0		0
NAC60	Public Transport	3,175	22,148	25,322		25,322	28,098	2,775		2,775
Highways		(3,472)	15,063	11,591	4,285	15,876	18,651	2,776	0	2,776
ACL00	Local Land Charges	(15,135)	7,021	(8,113)	(33,000)	(41,113)	7,634	48,747		48,747
CEE70	Licensing	(10,372)	(40,279)	(50,652)	(27,000)	(77,652)	(53,796)	23,855		23,855
Licensing and Land Charges		(25,507)	(33,258)	(58,765)	(60,000)	(118,765)	(46,162)	72,602	0	72,602
ACG00	Emergency Planning and Works	0	0	0		0	0	0		0
CCA20	Heritage	0	8,400	8,400	300	8,700	8,700	0		0
CPB00	Building Regulations	(25,259)	47,456	22,197	35,000	57,197	63,275	6,077		6,077
CPB10	Building Control Enforcement	0	0	0		0	0	0		0
CPB20	Other Building Control Work	(1,907)	(4,500)	(6,407)		(6,407)	(6,000)	407		407
CPC00	Development Control Advice	0	0	0		0	0	0		0

Budget Monitoring - June 14

Environmental and Development

Item 9 APPENDIX 1

£'s		BUDGET			FORECAST		ANNUAL		RESERVES		COMMENTARY
		YTD ACTUAL	BUDGET	BUDGET OUTTURN	ADJUSTMENTS	PROJECTED OUTTURN	BUDGET	PROJECTED VARIANCE	EARMARKED	GF	
CPC10	Dealing with Development Control Applications	(269,270)	13,444	(255,826)	215,000	(40,826)	17,820	58,646		58,646	Conservative Planning apps YE figure £75k surplus, £8k adverse non-staff advertising, £15k adverse Professional Fees due to possible Linton Planning enquiry, £3k Fav car allowances, £3k fav Salaries Over/Underspend will be determined on the timescale of the local plan. Review in future months.
CPC20	Development Control Enforcement	19,146	56,441	75,587		75,587	75,161	(426)		(426)	
CPD10	Structure and Local Planning	98,763	247,514	346,276	37,120	383,396	383,396	0		0	
Planning		(178,527)	368,755	190,227	287,420	477,647	542,352	64,705	0	64,705	
HTP10	Off-Street Parking	5,831	63,390	69,222		69,222	69,463	241		241	
Town Centre		5,831	63,390	69,222	0	69,222	69,463	241	0	241	
CEE60	Public Health	(280)	0	(280)		(280)	0	280		280	
CES00	Street Cleansing (not chargeable to highways)	39,033	148,911	187,945	9,989	197,934	197,934	(0)		(0)	
CEW00	Household Waste Collection	391,555	905,942	1,297,497	(47,000)	1,250,497	1,194,152	(56,346)		(56,346)	
CEW10	Trade Waste Collection	(33,818)	(89,055)	(122,873)	4,133	(118,740)	(118,740)	0		0	
CEW20	Recycling	40,892	147,533	188,425	6,907	195,332	195,332	0		0	Increased tonnage during summer months but there isn't a clear indication that this is likely to continue
Waste Collection & Street Cleansing		437,382	1,113,331	1,550,713	(25,971)	1,524,742	1,468,677	(56,065)	0	(56,065)	
		552,245	2,696,779	3,249,024	273,442	3,522,466	3,591,463	68,997	24,304	44,693	

Budget Monitoring - June 14										
Housing & Community										
Item 9 APPENDIX 2										
£'s	BUDGET			FORECAST		ANNUAL		RESERVES		COMMENTARY
	YTD ACTUAL	BUDGET	BUDGET OUTTURN	ADJUSTMENTS	PROJECTED OUTTURN	BUDGET	PROJECTED VARIANCE	EARMARKED	GF	
ACT00 General Grants, Bequests & Donations	74,348	186,588	260,935	(12,192)	248,743	248,743	(0)		(0)	(profiling)
CCD00 Community Centres	14,361	71,688	86,049	3,836	89,885	89,885	0		0	
CEG00 Community Safety (Crime Reduction)	1,282	65,248	66,530		66,530	109,990	43,460	43,460		
CEK00 Defences Against Flooding	11,487	43,806	55,293		55,293	58,495	3,203		3,203	£3.5 Fav Salary Saving post filled from the beginning of Q2
CPH20 Market Undertakings	158	(4,100)	(3,943)	(1,845)	(5,788)	(5,788)	(0)		(0)	(Profiling)
CPL00 Community Development	13,918	23,413	37,331	(8,727)	28,604	28,604	0		0	(Profiling)
CCF10 Village Halls	3,730	5,250	8,980	(1,980)	7,000	7,000	(0)		(0)	(Profiling)
Community Development and Support	119,284	391,891	511,175	(20,908)	490,267	536,930	46,663	43,460	3,202	
CCA10 Arts Development & Support	7,681	16,010	23,691	(4,300)	19,391	21,320	1,929	1,929	0	£1.5k Fav Income - Other Small Variances
CCA40 Festival of Leisure	5,060	56,627	61,688	5,500	67,188	67,616	428		428	
CCA30 Christmas Lights	331	39,390	39,721		39,721	39,390	(331)		(331)	
Leisure and Recreational Activities	13,072	112,028	125,100	1,200	126,300	128,326	2,027	1,929	97	
CCD20 Sports Development & Community Recreation	40,328	73,189	113,517		113,517	115,038	1,521	1,521		Proj £65k Adv on Repairs and Maintenance to GBLC -
CCD30 Indoor Sports & Recreation Facilities	55,914	275,014	330,928	35,000	365,928	300,305	(65,623)		(65,623)	Roof, asbestos and general repairs.
CCD40 Outdoor Sports & Recreation Facilities (SSP)	33,487	(18,949)	14,538		14,538	(334)	(14,872)	(14,872)		
CCA00 Melbourne Leisure Centre	(294)	900	606		606	1,200	594		594	
CCD10 Get Active in the Forest	22,137	30,355	52,492		52,492	40,105	(12,388)	(12,338)		
CCD50 Playschemes	7,032	4,777	11,810		11,810	14,165	2,355	2,335		
Leisure Centres and Community Facilities	158,604	365,287	523,891	35,000	558,891	470,479	(88,413)	(23,354)	(65,029)	
CCE00 Ground Maintenance	79,077	295,086	374,164	1,000	375,164	387,439	12,275		12,275	£12k Fav salary costs, Two vacant posts for part of Q1, another Post Vacant until the end of Q2
CCE10 Countryside Recreation & Management	1,414	9,525	10,939	1,744	12,683	12,683	0		0	
CCE20 Allotments	(2,220)	(394)	(2,614)	2,089	(525)	(525)	(0)		(0)	(Profiling)
CCF20 Rosliston Forestry Centre	1,068	86,033	87,101	9,088	96,189	96,189	(0)		(0)	(Profiling)
CEA00 Cemeteries	(376)	3,646	3,269		3,269	3,136	(134)		(134)	
CEA30 Closed Churchyards	3,936	0	3,936		3,936	3,608	(328)		(328)	
KJE70 Community Parks & Open Spaces	43,582	141,118	184,699		184,699	191,204	6,504	6,504		
Parks and Open Spaces	126,480	535,014	661,494	13,921	675,415	693,733	18,318	6,504	11,813	
CEE20 Housing Standards	17,621	58,748	76,369		76,369	78,331	1,962		1,962	
KGA00 Housing Strategy	21,995	85,410	107,405	1,475	108,880	113,815	4,935	0	4,935	Subscriptions profiling
KGD00 Housing Advice	18,344	27,609	45,953	(8,161)	37,792	37,791	(0)	0	(0)	Adverse salary costs to be covered by grant income from county.
KGE10 Administration of Renovation & Improvement Grants	12,284	63,880	76,164	8,920	85,084	85,083	(0)	0	(0)	(profiling)
KGH10 Bed / Breakfast Accommodation	4,653	3,000	7,653	(3,653)	4,000	4,000	(0)		(0)	(profiling)
KGH40 Homelessness Administration	28,709	68,465	97,174	(15,499)	81,675	96,675	15,000		15,000	Salaries Fav £15k, Two vacant post for the first Quarter (Homelessness & Allocations Officer) Adjustment for Agency staff that is currently in KGX00
KGT00 Travellers’ Sites	6,595	(23,325)	(16,730)	1,234	(15,496)	(15,496)	0		0	
Private Sector Housing	110,201	283,787	393,988	(15,684)	378,304	400,200	21,896	0	21,896	
	527,641	1,688,007	2,215,648	13,529	2,229,177	2,229,667	490	28,539	(28,021)	

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		BUDGET			FORECAST		ANNUAL		RESERVES		COMMENTARY
		YTD ACTUAL	BUDGET	BUDGET OUTTURN	ADJUSTMENTS	PROJECTED OUTTURN	BUDGET	PROJECTED VARIANCE	EARMARKED	GF	
£'s											
PSX40	Senior Management	106,162	345,014	451,177	7,000	458,177	458,855	678		678	Agency staff costs to offset salary underspend
PSX50	Reprographic/Print Room	18,894	58,241	77,135		77,135	77,406	271		271	
PSX55	Financial Services	57,050	217,945	274,995	10,000	284,995	286,308	1,313		1,313	
PSX56	Internal Audit	25,279	77,336	102,615		102,615	103,115	500		500	
PSX57	Merchant Banking Services	13,602	34,451	48,053	(2,118)	45,935	45,935	(0)		(0)	Any overspend covered by lct reserve £30k additional pay after restructure and £5k additional other pay unbudgeted (profiling) training to be spent by year end
PSX60	ICT Support	173,315	493,294	666,609	(10,294)	656,315	656,315	(0)		(0)	
PSX65	Legal Services	22,693	69,019	91,712	36,263	127,975	91,950	(36,025)		(36,025)	
PSX75	Personnel/HR	50,477	180,861	231,338	8,442	239,780	239,781	0		0	
PSX76	Policy & Communications	59,551	181,464	241,016		241,016	241,952	937		937	Budget Profiling
PSX77	Customer Services	131,099	400,268	531,367		531,367	533,644	2,278		2,278	
PSX78	Health & Safety	8,860	25,783	34,643		34,643	34,377	(266)		(266)	
PSX81	Admin Offices & Depot	30,612	298,055	328,667	4,460	333,127	333,127	0		0	
PSX95	Procurement Unit	29,832	78,690	108,522		108,522	104,920	(3,602)		(3,602)	Budget profiling
PSX99	Corporate Services Partnership	9,741	0	9,741	(9,741)	0	0	(0)		(0)	
SSX70	Other Management Costs	(2,050)	0	(2,050)	2,050	0	0	0		0	
KJE40	Caretaking	20,633	67,146	87,779		87,779	89,444	1,665		1,665	
Central and Departmental Accounts		755,751	2,527,569	3,283,319	46,062	3,329,381	3,297,130	(32,251)	0	(32,251)	
HTT00	Concessionary Fares	(160)	0	(160)		(160)	0	160		160	
Concessionary Travel		(160)	0	(160)	0	(160)	0	160	0	160	
AAD00	Democratic Representation & Management	(2,759)	37,451	34,691	(23,000)	11,691	49,202	37,511		37,511	£37k restructure savings (£10k budget to be trf'd to CEE70)
ACD00	Elected Members	88,035	309,973	398,008		398,008	412,904	14,896		14,896	Spending cut by Ardip plus removal of Civic car saving
AAM00	Corporate Management	32,037	56,613	88,649	(13,249)	75,400	75,400	(0)		(0)	
AAM01	Corporate Finance Management	21,224	55,883	77,107	(4,649)	72,458	72,459	0		0	
KJW00	Debt Management Costs	30,480	93,675	124,155		124,155	124,900	745		745	
Corporate and Democratic Costs		169,016	553,594	722,610	(40,898)	681,712	734,864	53,152	0	53,152	
ACE00	Registration of Electors	(27,255)	15,497	(11,758)	32,000	20,242	20,622	380		380	Income received to fund IER
ACE10	Conducting Elections	(25)	92,143	92,118	30,596	122,714	122,714	0		0	income received to fund Euro Election
Electoral Registration		(27,280)	107,640	80,360	62,596	142,956	143,336	380	0	380	
ACT01	Parish Councils	81,472	240,206	321,678	(3,569)	318,109	318,108	(0)		(0)	
Payments to Parish Councils		81,472	240,206	321,678	(3,569)	318,109	318,108	(0)	0	(0)	
ABP00	Funded Pension Schemes	(162,411)	181,318	18,907	174,000	192,907	241,505	48,598		48,598	Over accrual at year end
ABU00	Increase/Decrease in Provision for Bad or Doubtful	0	0	0		0	0	0		0	
ABQ00	Planning Agreements	(579,433)	0	(579,433)	579,433	(0)	0	0		0	
W4A00	Interest & Investment Income (GF)	(2,901)	(34,747)	(37,648)	(9,287)	(46,935)	(46,935)	0		0	
W7A00	External Interest Payable (GF)	96	7,538	7,634	2,416	10,050	10,050	0		0	
Pensions, Grants Interest Payments and Receipts		(744,649)	154,108	(590,541)	746,562	156,021	204,620	48,599	0	48,599	
PSX85	Estate Management	(70,427)	(117,207)	(187,634)	19,938	(167,696)	(167,696)	0		0	Ajd for VO fees
Property and Estates		(70,427)	(117,207)	(187,634)	19,938	(167,696)	(167,696)	0	0	0	
ACA00	Council Tax Collection	30,188	(70,550)	(40,362)	2,962	(67,400)	(37,400)	0		0	
ACA10	Council Tax Benefits Administration	0	0	0		0	0	0		0	

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£'s

		BUDGET			FORECAST		ANNUAL		RESERVES		COMMENTARY
		YTD ACTUAL	BUDGET	BUDGET OUTTURN	ADJUSTMENTS	PROJECTED OUTTURN	BUDGET	PROJECTED VARIANCE	EARMARKED	GF	
ACA30	Council Tax Benefits	0	0	0		0	0	0		0	
ACA40	Non Domestic Rates Collection	29,512	(1,300)	28,212	388	28,600	28,600	0		0	
KGL00	Rent Allowances Paid	141,989	191,309	333,298	(141,989)	191,309	191,309	0		0	
KGL10	Net cost of Non-HRA Rent Rebates	0	0	0		0	0	0		0	
KGN00	Net cost of Rent Rebates Paid	0	84,700	84,700		84,700	84,700	0		0	
KGP00	Housing Benefits Administration	108,746	(30,429)	78,317	4,024	82,341	82,341	0		0	
Revenues and Benefits		310,435	173,729	484,164	(134,615)	349,549	349,550	0	0	0	
		474,157	3,639,640	4,113,797	696,076	4,809,873	4,879,913	70,040	0	70,040	
W2A00	Taxation & non specific grant income (GF)	(761,377)	0	(761,377)	761,377	0	0	0		0	
W6A00	IAS19 Pensions Adjustment (GF)	0	0	0		0	0	0		0	
W8A00	Other Operating Income & Expenditure (GF)	(1,346,545)	0	(1,346,545)	1,346,545	0	0	0		0	
DBX00	Management and Administration - Chairmans Account	(1,126)	0	(1,126)	1,126	0	0	(0)		(0)	
Other Operating Income & Expenditure		(2,109,048)	0	(2,109,048)	2,109,048	0	0	(0)	0	(0)	
		(1,634,891)	3,639,640	2,004,749	2,805,124	4,809,873	4,879,913	70,040	0	70,040	

COLLECTION FUND MONITORING 2014/15

	Actual 2013/14 £'000	Estimate 2014/15 £'000	Actual as at July 2014 £'000	Variance £'000	
COUNCIL TAX - INCOME & EXPENDITURE					
INCOME					
Council Tax Collectable	44,151	45,480	45,820	340	Estimate - Increase in Precepts of 3.01%
EXPENDITURE					
County Council Precept	31,627	32,657	32,657	0	
Police and Crime Commissioner Precept	4,901	5,059	5,059	0	
Fire Authority Precept	1,972	2,034	2,034	0	
SDDC Precept	4,411	4,466	4,466	0	
SDDC Parish Precepts	603	606	606	0	
Increase in Bad Debts Provision	347	359	362	3	0.79% of Ctax Collectable
Total Expenditure	43,861	45,181	45,184	3	
Surplus for the Year	290	299	636	337	
COUNCIL TAX BALANCE					
Opening Balance 1st April 2014	84	375	375	0	
Share of Previous Surplus to County Council	0	-126	-126	0	
Share of Previous Surplus to Police	0	-19	-19	0	
Share of Previous Surplus to Fire Authority	0	-8	-8	0	
Share of Previous Surplus to SDDC	0	-20	-20	0	
Surplus for Year (as above)	290	299	636	337	
Closing Balance as at 31st March 2015	374	501	838	337	

BUSINESS RATES - INCOME & EXPENDITURE					
INCOME					
Business Rates Collectable	22,015	22,930	23,059	129	Estimate per NNDR1 14/15
EXPENDITURE					
Central Government Precept	10,365	10,540	10,540	0	Estimate per NNDR1 14/15
SDDC Precept	8,292	8,432	8,432	0	As above
Derbyshire County Council Precept	1,866	1,897	1,897	0	As above
Fire and Rescue Service Precept	207	211	211	0	As above
Cost of Collection	91	91	91	0	As above
Increase in Bad Debts Provision	1,453	1,187	31	-1,156	Provide 3% for increase in rates
Provision for Appeals	627	584	634	50	Provide for 2.75% of Rates
Total Expenditure	22,901	22,942	21,836	-1,106	
Surplus / Deficit (-)	-886	-12	1,223	1,235	
BUSINESS RATES BALANCE					
Opening Balance 1st April 2014	0	-886	-886	0	
Share of Previous Deficit to Government	0	0	0	0	
Share of Previous Deficit to SDDC	0	0	0	0	
Share of Previous Deficit to County Council	0	0	0	0	
Share of Previous Deficit to Fire Authority	0	0	0	0	
Surplus / Deficit (-) for the Year as above	-886	-12	1,223	1,235	
Closing Balance as at 31st March 2015	-886	-898	337	1,235	
LEVY/SAFETY NET CALCULATION					
SDDC Precept	8,292	8,432	8,432	0	
Less Tariff Payment	-5,968	-6,084	-6,084	0	
Add Section 31 Relief Grants	261	362	362	0	
Share of Business Rate Account Balance (40%)	-354	-359	135	494	
Retained Rates before Levy	2,231	2,351	2,845	494	
Less Assumed Rates in the Funding Formula	-2,205	-2,248	-2,248	0	
Additional Net Rates Generated	26	103	597	494	
Less Government Levy (50%)	-13	-51	-298	-247	
Additional Amount Retained by SDDC	13	51	298	247	
GENERAL FUND POSITION					
SDDC Precept	8,292	8,432	8,432	0	
Less Tariff Payment	-5,968	-6,084	-6,084	0	
Add Section 31 Relief Grants	261	362	362	0	
2013/14 Income Adjustment	0	0	-188	-188	
Share of Additional Rates	13	51	298	247	
Actual Financing Transferred to General Fund	2,598	2,761	2,820	59	
Less Estimate in General Fund Budget	-2,205	-2,248	-2,248	0	
Additional Income in Year	393	513	572	59	

CAPITAL EXPENDITURE @ JUNE 2014

Budget	Actual
£	£

COUNCIL HOUSE IMPROVEMENTS

Major Improvements under Self-financing	5,150,000	1,604,759
Sheltered Housing Vision	18,264	-17,380
Council New Build Programme Phase 1	420,668	95,369
Major Disabled Facilities Grants	300,000	13,440
Minor Disabled Facilities Grants	50,000	63,665
	5,938,932	1,759,852

PRIVATE SECTOR HOUSING & DFGs

Disabled Facility Grants and other Works	343,000	116,318
Strategic Housing Market Assessment	40,000	0
Private Sector Stock Condition Survey	22,750	0
Empty Property Landlord Grants	42,943	550
	448,693	116,868

LEISURE & COMMUNITY DEVELOPMENT

Hilton Village Hall Extension	217,408	0
Rosliston - Enterprise Centre	17,698	0
Eureka Park - Community Programme	443,040	84,435
Community Partnership Scheme	19,968	0
Open Space Development Project	4,068	0
Swadlincote Skate Park	20,000	0
Green Bank Leisure Centre Refurbishment - Phase 2	547,354	298,882
Etwall Lesiure Centre - Fitness / Community Facilities	360,000	0
Melbourne Leisure Centre	335,637	3,026
Melbourne Sports Partnership	1,191,683	34,175
	3,156,856	420,518

Partnership Schemes in Conservation Areas	20,000	0
	20,000	0

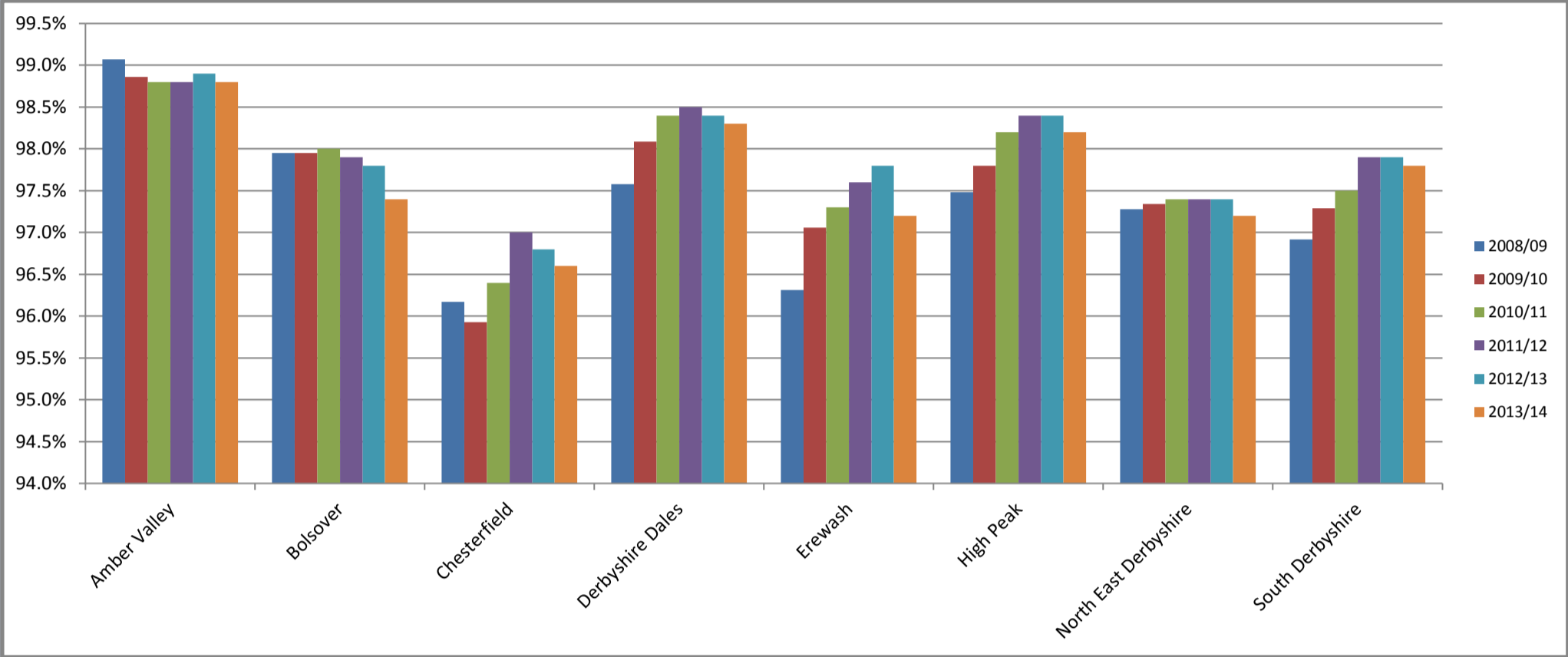
Vehicle Replacements	696,042	18,325
Repairs to Village Halls and Community Facilities	31,700	0
Public Buildings - Planned Maintenance Contingency	58,032	0
Chestnut Avenue, Midway - Fees	17,975	680
	803,749	19,005

TOTAL - ALL SCHEMES

10,368,230	2,316,243
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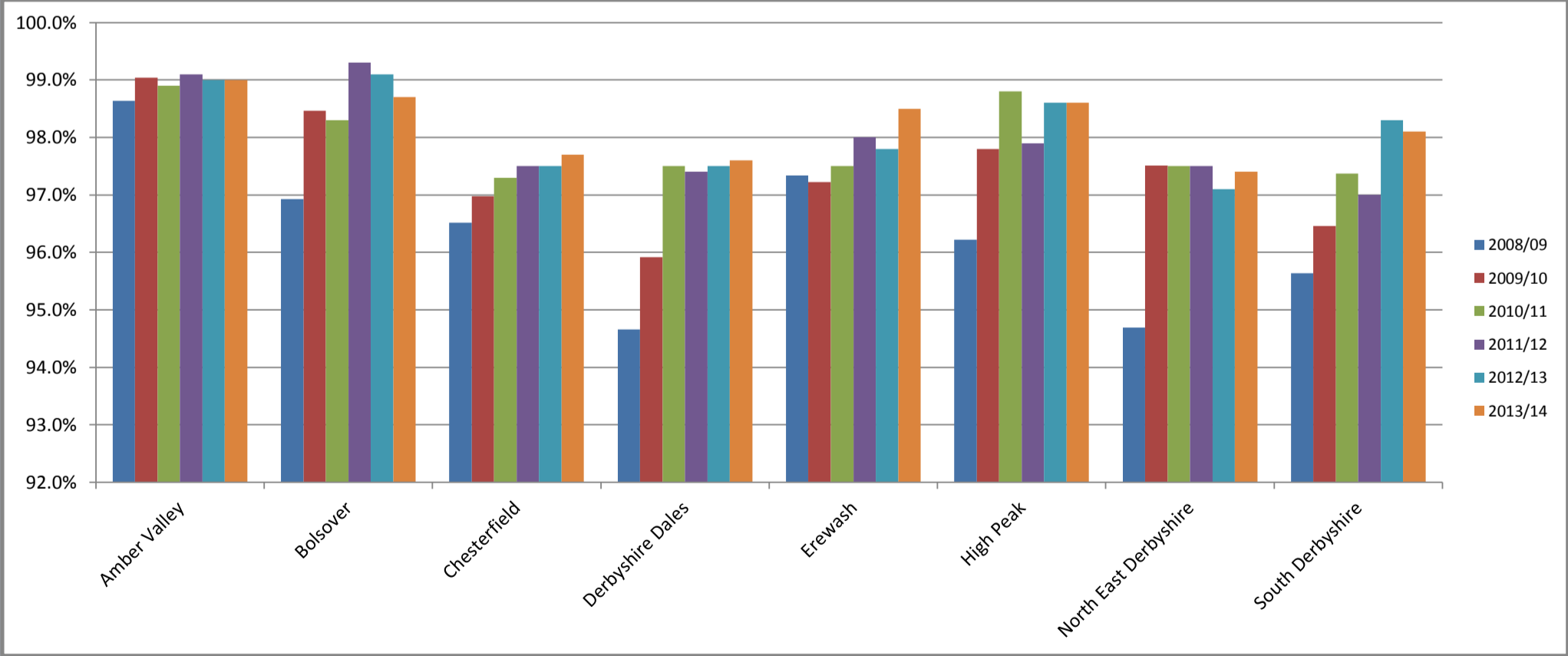
DERBYSHIRE COUNCIL TAX COLLECTION RATES

	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Amber Valley	99.1%	98.9%	98.8%	98.8%	98.9%	98.8%
Bolsover	98.0%	98.0%	98.0%	97.9%	97.8%	97.4%
Chesterfield	96.2%	95.9%	96.4%	97.0%	96.8%	96.6%
Derbyshire Dales	97.6%	98.1%	98.4%	98.5%	98.4%	98.3%
Erewash	96.3%	97.1%	97.3%	97.6%	97.8%	97.2%
High Peak	97.5%	97.8%	98.2%	98.4%	98.4%	98.2%
North East Derbyshire	97.3%	97.3%	97.4%	97.4%	97.4%	97.2%
South Derbyshire	96.9%	97.3%	97.5%	97.9%	97.9%	97.8%
Average	97.3%	97.5%	97.8%	97.9%	97.9%	97.7%



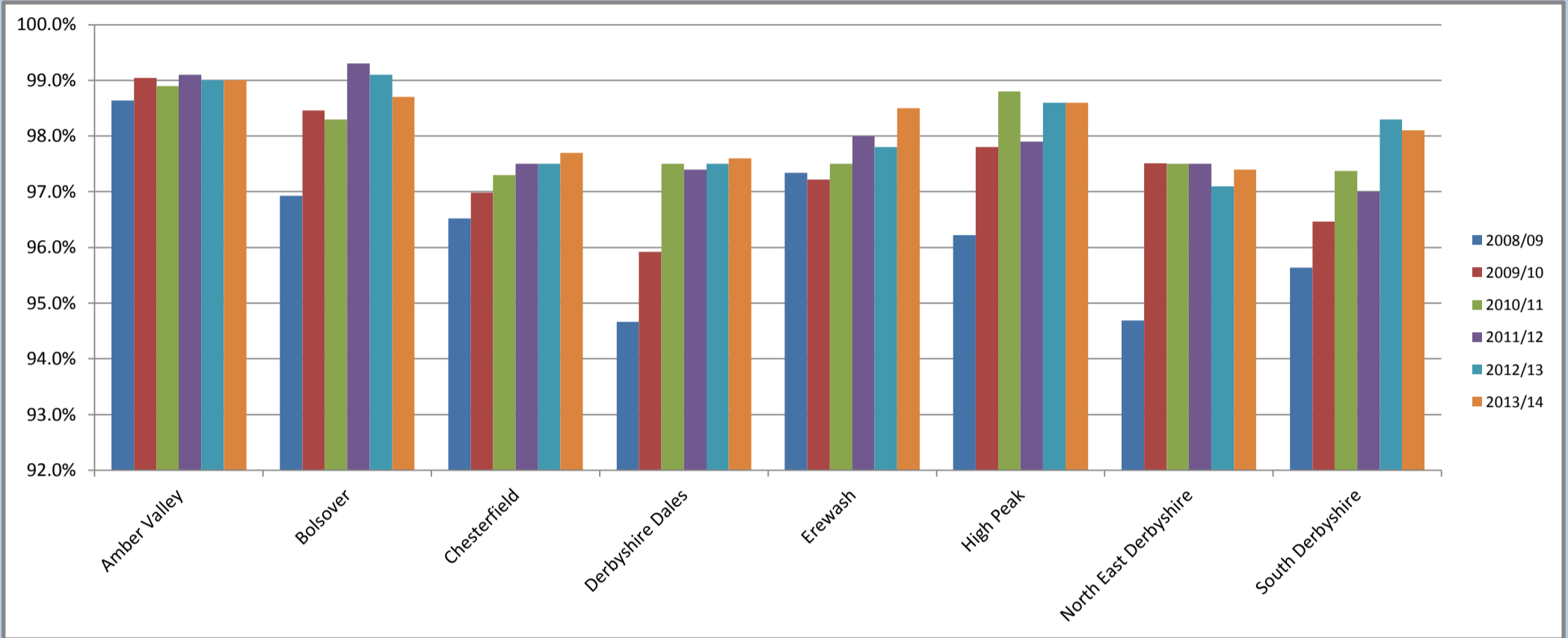
DERBYSHIRE BUSINESS RATES COLLECTION RATES

	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Amber Valley	98.6%	99.0%	98.9%	99.1%	99.0%	99.0%
Bolsover	96.9%	98.5%	98.3%	99.3%	99.1%	98.7%
Chesterfield	96.5%	97.0%	97.3%	97.5%	97.5%	97.7%
Derbyshire Dales	94.7%	95.9%	97.5%	97.4%	97.5%	97.6%
Erewash	97.3%	97.2%	97.5%	98.0%	97.8%	98.5%
High Peak	96.2%	97.8%	98.8%	97.9%	98.6%	98.6%
North East Derbyshire	94.7%	97.5%	97.5%	97.5%	97.1%	97.4%
South Derbyshire	95.6%	96.5%	97.4%	97.0%	98.3%	98.1%
Average	96.3%	97.4%	97.9%	98.0%	98.1%	98.2%



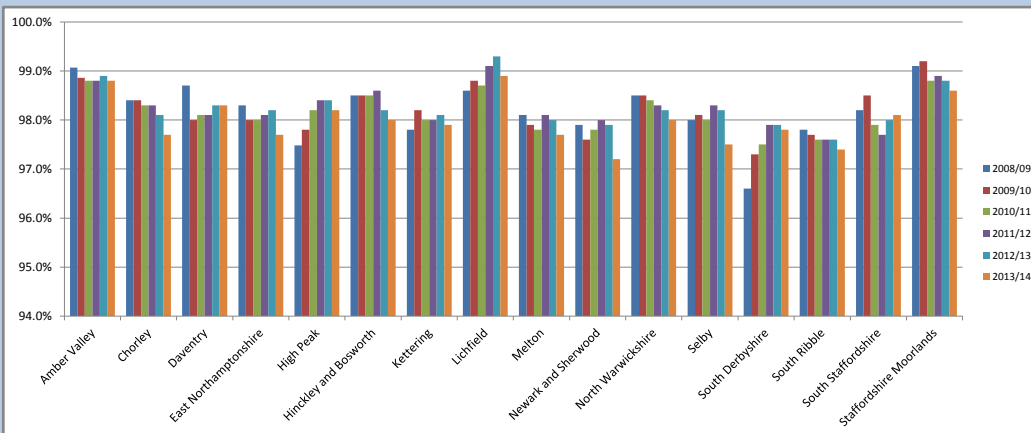
DERBYSHIRE BUSINESS RATES COLLECTION RATES

	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Amber Valley	98.6%	99.0%	98.9%	99.1%	99.0%	99.0%
Bolsover	96.9%	98.5%	98.3%	99.3%	99.1%	98.7%
Chesterfield	96.5%	97.0%	97.3%	97.5%	97.5%	97.7%
Derbyshire Dales	94.7%	95.9%	97.5%	97.4%	97.5%	97.6%
Erewash	97.3%	97.2%	97.5%	98.0%	97.8%	98.5%
High Peak	96.2%	97.8%	98.8%	97.9%	98.6%	98.6%
North East Derbyshire	94.7%	97.5%	97.5%	97.5%	97.1%	97.4%
South Derbyshire	95.6%	96.5%	97.4%	97.0%	98.3%	98.1%
Average	96.3%	97.4%	97.9%	98.0%	98.1%	98.2%



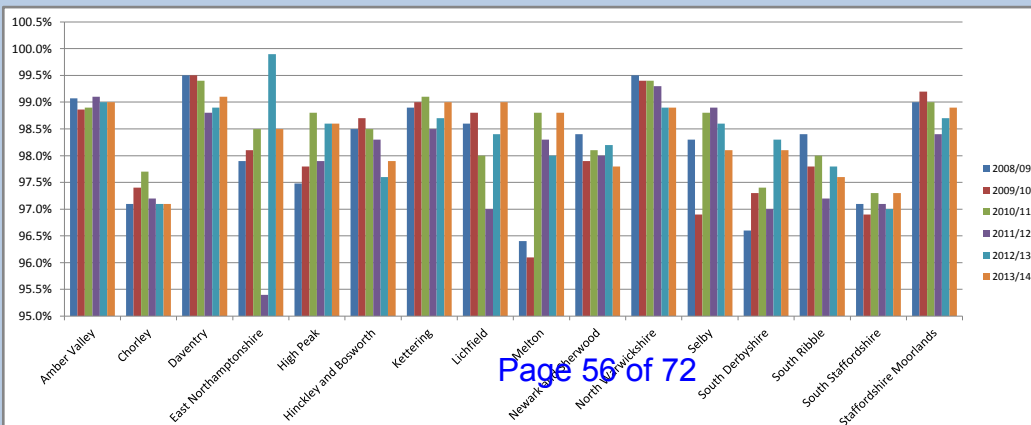
SOUTH DERBYSHIRE DC AND COMPARATORS - COUNCIL TAX COLLECTION RATES

	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	
Amber Valley	99.1%	98.9%	98.8%	98.8%	98.9%	98.8%	-0.1%
Chorley	98.4%	98.4%	98.3%	98.3%	98.1%	97.7%	-0.4%
Daventry	98.7%	98.0%	98.1%	98.1%	98.3%	98.3%	0.0%
East Northamptonshire	98.3%	98.0%	98.0%	98.1%	98.2%	97.7%	-0.5%
High Peak	97.5%	97.8%	98.2%	98.4%	98.4%	98.2%	-0.2%
Hinckley and Bosworth	98.5%	98.5%	98.5%	98.6%	98.2%	98.0%	-0.2%
Kettering	97.8%	98.2%	98.0%	98.0%	98.1%	97.9%	-0.2%
Lichfield	98.6%	98.8%	98.7%	99.1%	99.3%	98.9%	-0.4%
Melton	98.1%	97.9%	97.8%	98.1%	98.0%	97.7%	-0.3%
Newark and Sherwood	97.9%	97.6%	97.8%	98.0%	97.9%	97.2%	-0.7%
North Warwickshire	98.5%	98.5%	98.4%	98.3%	98.2%	98.0%	-0.2%
Selby	98.0%	98.1%	98.0%	98.3%	98.2%	97.5%	-0.7%
South Derbyshire	96.6%	97.3%	97.5%	97.9%	97.9%	97.8%	-0.1%
South Ribble	97.8%	97.7%	97.6%	97.6%	97.6%	97.4%	-0.2%
South Staffordshire	98.2%	98.5%	97.9%	97.7%	98.0%	98.1%	0.1%
Staffordshire Moorlands	99.1%	99.2%	98.8%	98.9%	98.8%	98.6%	-0.2%
Average	98.2%	98.2%	98.2%	98.3%	98.3%	98.0%	-0.3%



SOUTH DERBYSHIRE DC AND COMPARATORS - NNDR COLLECTION RATES

	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	
Amber Valley	99.1%	98.9%	98.9%	99.1%	99.0%	99.0%	0.0%
Chorley	97.1%	97.4%	97.7%	97.2%	97.1%	97.1%	0.0%
Daventry	99.5%	99.5%	99.4%	98.8%	98.9%	99.1%	0.2%
East Northamptonshire	97.9%	98.1%	98.5%	95.4%	99.9%	98.5%	-1.4%
High Peak	97.5%	97.8%	98.8%	97.9%	98.6%	98.6%	0.0%
Hinckley and Bosworth	98.5%	98.7%	98.5%	98.3%	97.6%	97.9%	0.3%
Kettering	98.9%	99.0%	99.1%	98.5%	98.7%	99.0%	0.3%
Lichfield	98.6%	98.8%	98.0%	97.0%	98.4%	99.0%	0.6%
Melton	96.4%	96.1%	98.8%	98.3%	98.0%	98.8%	0.8%
Newark and Sherwood	98.4%	97.9%	98.1%	98.0%	98.2%	97.8%	-0.4%
North Warwickshire	99.5%	99.4%	99.4%	99.3%	98.9%	98.9%	0.0%
Selby	98.3%	96.9%	98.8%	98.9%	98.6%	98.1%	-0.5%
South Derbyshire	96.6%	97.3%	97.4%	97.0%	98.3%	98.1%	-0.2%
South Ribble	98.4%	97.8%	98.0%	97.2%	97.8%	97.6%	-0.2%
South Staffordshire	97.1%	96.9%	97.3%	97.1%	97.0%	97.3%	0.3%
Staffordshire Moorlands	99.0%	99.2%	99.0%	98.4%	98.7%	98.9%	0.2%
Average	98.2%	98.1%	98.5%	97.9%	98.4%	98.4%	0.0%



REPORT TO:	FINANCE AND MANAGEMENT COMMITTEE	AGENDA ITEM: 10
DATE OF MEETING:	4th SEPTEMBER 2014	CATEGORY: RECOMMENDED
REPORT FROM:	DIRECTOR OF FINANCE and CORPORATE SERVICES	OPEN
MEMBERS' CONTACT POINT:	KEVIN STACKHOUSE (01283 595811) Kevin.stackhouse@south-derbys.gov.uk	DOC: u/ks/treasury management/lending policy/bail in sept 2014
SUBJECT:	REVIEW OF THE TREASURY MANAGEMENT LENDING POLICY and COUNTERPARTY LIST	REF:
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: FM 08

1.0 Recommendations

- 1.1 That the revised Lending Policy and Counterparty List as set out in **Appendix 2** are approved.
- 1.2 That delegated authority is given to the Section 151 Officer to amend the named Counterparty List if circumstances change and to report back to the Committee in the Quarterly Treasury Management Report.

2.0 Purpose of the Report

- 2.1 To review the Council's Lending Policy and Counterparty List due to a change in legislation that will affect future intervention by the Government in UK Banks and financial organisations.

3.0 Detail

- 3.1 In the past, governments in most developed countries have used two options to rescue failing banks. These have been to either place a bank into insolvency, or to conduct a taxpayer funded bail-out through buying shares or subsidising a takeover. Where this occurs, wholesale deposits such as those made by local authorities are pretty much guaranteed.
- 3.2 However, it is now likely that in the future bail-outs will no longer be allowed as a way of rescuing failing banks. The UK's Financial Services (Banking Reform) Act which gained royal assent in December 2013, effectively replaces government bail-outs in the UK with "investor bail-ins."

- 3.3 The EU's Banking Recovery and Resolution Directive, which is expected to come into effect in January 2015, will require national regulators to bail-in creditors of seniority, until their losses reach a certain level of the bank's liabilities, before any government money can be injected.
- 3.4 Further reform and regulation globally which is planned up to 2019, will seek to strengthen the stability of financial institutions and focus any rescue plans completely away from the general taxpayer. Ultimately, it will become illegal for any government money to be injected until bondholders and wholesale depositors are completely wiped out.

The Principle of a Bail-in

- 3.5 This allows customers to retain access to their bank accounts, but passes a bank's losses onto its investors instead of taxpayers.
- 3.6 Firstly, losses are suffered by equity shareholders, accepted practice in all types of company. Following the financial problems of recent years, banks are now required to hold minimum levels of equity capital in any case. However, once losses exceed this level, other investors are bailed in.
- 3.7 Junior bondholders and other debt holders become next in line and after that, losses fall upon unsecured bondholders and normal depositors, which include organisations such as local authorities and charities. Within all of this, secured bondholders and insured deposits are exempt from bail-in.

(Note: individual deposits in a majority of UK banks and building societies are covered by the Financial Services Compensation Scheme up to a limit of £85,000)

- 3.8 Amounts bailed-in need to be large enough to ensure that a bank has sufficient equity capital to continue trading. The investors that are bailed in effectively become the new owners.
- 3.9 The percentage loss faced by normal depositors, such as local authorities, will vary from bank to bank depending on:
- The size of loss incurred by the bank
 - The minimum amount of equity required by the Regulator
 - The amount of liabilities exempt from bail-in
 - The size of other liabilities subject to bail-in first
- 3.10 Therefore, normal depositors will be most at risk of loss in banks where equity and junior bonds are lowest and exempt liabilities are highest.

Status of Leading UK Institutions and the Council's Lending List

- 3.11 The Council's current counterparty list is largely based on the credit rating of financial institutions, with any deposit being made with at least AA rated institutions, in accordance with certain limits. The main principle of the Policy is to ensure security and liquidity of funds before return on investment (yield). The criteria and associated policy is detailed in **Appendix 1**.

- 3.12 The current counterparty list is in principle fairly broad. However, in practice, it has become very constrained over the last 2 to 3 years as credit ratings of many financial institutions have reduced with only a limited number now meeting the investment criteria.
- 3.13 The change of emphasis to investor bail-in is expected to affect the credit ratings of most UK banks and financial institutions further. It is expected that most institutions will eventually fall below AA rating as implied government support will no longer be available; this is a key factor in the determination of credit ratings.
- 3.14 Credit ratings are an overall assessment of an institution's ability to meet its liabilities, although the three main rating agencies usually assess institutions differently. Therefore, it is considered that a review of the Council's current lending list is now appropriate as the financial structure of institutions will need to be looked at much closer to assess the impact of a bail-in.

Managing Credit Risk

- 3.15 When selecting an appropriate counterparty for depositing funds, the following factors need to be considered:
- The chance of the counterparty failing in the first place, i.e. the assets held – are they high or low risk
 - The chance of the counterparty receiving external support, i.e. from a parent institution
 - The size of the loss incurred given default
- 3.16 This means that an assessment is required of equity finance and the level of junior debt should a loss occur, to determine the point, at various levels of loss, at which normal depositors would be bailed-in. This then determines the strongest institutions relative to others.
- 3.17 Treasury advisors are also advocating that deposits with anyone institution are limited and that various time periods are used for depositing funds; again this would depend on the relative strength of each institution. The Council's current policy is based on these principles and these are considered to be prudent.
- 3.18 An analysis has been undertaken to assess the financial strength of the major UK banks and financial institutions to determine the impact of a potential bail-in should losses occur. Although this is not an exact measure and is undertaken at a point in time, it does provide a good indication of the effect of losses occurring and the impact on normal depositors.
- 3.19 Based on this, the strongest counterparties have been ranked as shown in the following table.

Group 1 <ul style="list-style-type: none"> • Lloyds Banking Group (includes TSB, Bank of Scotland and Halifax) • Barclays • HSBC • Nationwide Building Society • Standard Chartered • Santander UK
Group 2 <ul style="list-style-type: none"> • Goldman Sachs International • Close Brothers • Leeds Building Society
Group 3 <ul style="list-style-type: none"> • Independent Building Societies
Group 4 <ul style="list-style-type: none"> • RBS Group (includes Nat West and Ulster Banks) • Co-op Bank

3.20 Those institutions in **Group 1** are considered to be the safest place for deposits. This is because substantial losses would need to be incurred before normal depositors would be bailed-in. This reflects their strong equity base and a large amount of junior bondholders who would be expected to meet any losses first. These institutions are expected to at least maintain A and possibly AA rating under the new regulations. The Council currently has (or in the recent past) deposited funds with Lloyds, Barclays and HSBC in accordance with the current lending policy.

3.21 **Groups 2 and 3** have a good capital base, but due to the way in which they are structured, they have much less in the way of junior bondholders. This would mean that bail-in losses would occur earlier and be larger, although they are still considered to be fairly safe deposits because of the level of equity. The Council has never previously had any deposits with the listed institutions.

3.22 Independent Building Societies (e.g. Mansfield Building Society) are smaller institutions but tend to have more secured assets which make them financially sound, although they are not always able to accommodate larger local authority deposits.

3.23 However, the Nationwide and Leeds Building Societies rank higher as 2 of the largest Building Societies. They are assessed as strong due their portfolio of low risk assets such as secured mortgages, so the chance of incurring losses in the first place is low.

- 3.24 Those institutions in **Group 4** are considered to be much more risky. This is because of recent losses, in particular for RBS and the Co-op, who are still dealing with restructuring. In the case of RBS, they are still reliant on Government/taxpayer funding which is not seen as a long-term solution. The Council has in the past held deposits with RBS and the Co-op Bank, but their current credit rating is not sufficient in accordance with the current lending policy.

Foreign Counterparties

- 3.25 Banks such as ING, Credit Suisse, together with Dutch, Swedish and Canadian National Banks, are strongly rated in this assessment due to their financial structure and the AAA rating of their respective economies. The Council has not previously deposited funds with foreign counterparties and in accordance with the current policy, it is recommended that they continue to be used only as a last resort.

Counterparty Limits and Length of Deposits

- 3.26 The Council's deposits consist of cash balances and reserves which need to be kept liquid in lieu of use and to recognise the underlying borrowing requirement on the General Fund. In accordance with regulations, any single deposit needs to be less than 364 days.

Specified and Non-Specified Investments

- 3.27 Based on the above analysis, the Council's revised Lending Policy and Counterparty List are detailed in **Appendix 2**. In accordance with regulations, the Council still needs to differentiate between what are deemed "specified" and "non-specified" investments.
- 3.28 Specified investments are the highest quality institutions and are effectively the Group 1 institutions identified earlier, together with the Government's Deposit Reserve Facility (DMO) and other local authorities. Non specified investments carry more risk but are still considered to be relatively safe deposits and are those named in Groups 2 and 3.
- 3.29 In practice, deposits with the named counterparties will be considered first as demand to borrow funds by the DMO and other local authorities may not be prevalent in the financial market at the time of making a deposit. The DMO do however act as a deposit of last resort, although flexibility is limited and interest earned is extremely low in comparison.

Cash Limits

- 3.30 Based on the current and projected level of reserves and cash, the Council can have as much as £15m on deposit at any one time. Therefore, cash limits are set to ensure that deposits are spread across the named counterparties to reduce exposure to losses.

Comparison to the Current Lending List

- 3.31 In summary, the main change is that the List now has named counterparties rather than a broad principle which is mainly based on credit ratings. In practice, the Council will continue to invest with the likes of Barclays, HSBC and Lloyds, although the proposed changes will allow slightly more diversification and choice.
- 3.32 Clearly, the deposit risk has intrinsically increased because the implied support of governments for failing institutions is ending. However, this needs to be balanced against some major restructuring of the banking sector over the last 2 to 3 years which lowers the risk of losses occurring in the first place.

Monitoring

- 3.33 The benefit of the current lending list is that is based on ratings and this allows flexibility to change counterparties quickly without any report back. The situation of institutions does change, but the underlying financial structure of the major institutions does not happen quickly. In addition, the proposed counterparties all have good levels of equity.
- 3.34 The Council's treasury advisors monitor and provide regular reports on all major counterparties. It is recommended that delegated authority is given to the S151 Officer to change named counterparties when this is appropriate and report back in the Treasury Management Quarterly Report to the Committee.

4.0 Financial Implications

- 4.1 None directly

5.0 Corporate Implications

- 5.1. None directly

6.0 Community Implications

- 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

CURRENT LENDING POLICY

Institution	Limit
Specified Investments <ul style="list-style-type: none"> • UK Debt Management Office (DMO) • Local, Police, Fire and Parish Authorities • Other Bodies with a High Credit Rating of F1+/AA- 	£15m £5m £7.5m
Non-Specified Investments <ul style="list-style-type: none"> • F1/AA Rated Bodies – First Call • F1/A Rated Bodies – Second Call • F2/A Rated Bodies – Third Call 	£2m £2m £0.25m

General Policy

Priority is given to specified investments in any investment decision. The length of investment is made in accordance with overall cash flow requirements.

The Council's policy is to seek investments with those institutions graded at least AA and F1+. The policy is to focus on the credit quality of investment counterparties rather than amounts invested and returns.

Use of Non-Specified Investments

This generally covers high street financial institutions (banks and building societies) and the merchant or secondary-banking sector. It is proposed that these are only used as a "lender of last resort" and in the order listed in the above table.

In particular this may be the case where limits on specified investments are likely to be exceeded and where there is a temporary need to place money.

It should be noted that F1 and F2 credit ratings are still considered to be fairly high ratings for short-term deposits.

These banks are seen as being safe to invest with advice from the Treasury. Therefore, as non-specified investments, these will be utilised when other limits are reached and have a limit of £1million. Instant access accounts mean we are able to withdraw funds at any time if the financial situation of these institutions was to change.

CURRENT APPROVED LENDING LIST & POLICY

1. Approved Types of Investment

The Council may use the following types of investment when managing funds:

- Fixed Term Deposits
- On Call Deposits

2. Approved Institutions for Investment

The Council may invest surplus cash with the following institutions, subject to the provisions within the investment policy in 3 below:

- UK Debt Management Office (DMO);
- Local Authorities and Police Authorities within the UK;
- Major clearing banks incorporated in the UK and their subsidiaries (use of non-British banks is subject to the assessment and approval of the Chief Finance Officer);
- UK Building Societies;
- British Merchant Banks and Securities House Association members;
- The secondary banking sector (use of non-British banks is subject to the assessment and approval of the Chief Finance Officer).
- Foreign Banks with an F1+ Rating (subject to the assessment and approval of the Chief Finance Officer).

3. Investment Policy

The following limits apply on the amount of money that can be invested with any one institution mentioned above, by the designated officers:

• UK Debt Management Office (DMO)	£15M
• Highest quality financial institutions	£7.5M
• Local authorities and police authorities	£5M
• 100% owned subsidiaries of clearing banks	£2M
• F1/AA rated building societies	£2M
• F1/A rated building societies	£1M
• Unrated building societies	£1M
• F1 /A rated merchant or secondary banks	£2M
• F2/A rated merchant or secondary banks	£0.25M

NOTE

- The highest quality financial institutions must have a minimum short-term “Fitch” IBCA rating of F1+ and a long-term rating of AA.

PROPOSED LENDING POLICY and COUNTERPARTY LIST – UPDATED
(Following Assessment of Bail-in Regulations)

Institution	Limit	Maximum Term
<u>Specified Investments</u>		
<ul style="list-style-type: none"> UK Debt Management Office (DMO) 	£15m	364 Days
<ul style="list-style-type: none"> Local, Police, Fire and Parish Authorities 	£5m with anyone Authority	364 Days
<i>Named Counterparties</i>		
<ul style="list-style-type: none"> Lloyds Banking Group (includes TSB and Bank of Scotland) Barclays HSBC Nationwide Building Society Standard Chartered Santander UK 	£2m with anyone Bank	364 Days
<u>Non Specified Investments</u>		
<i>Named Counterparties</i>		
<ul style="list-style-type: none"> Goldman Sachs International Close Brothers Leeds Building Society 	£2m with anyone Bank	3 months
<i>Foreign Counterparties</i>		
<ul style="list-style-type: none"> AAA rated institutions (<i>subject to separate approval by the Section 151 Officer</i>) 	£1m with anyone Bank	1 month
<i>Independent Building Societies</i>		
<ul style="list-style-type: none"> <i>subject to separate approval by the Section 151 Officer</i> 	£1m with anyone society	1 month

General Policy

Priority is given to specified investments in any investment decision. The length of investment is made in accordance with overall cash flow requirements and the projected level of reserves in the Council's Medium Term Financial Plan.

As regards the named counterparties, the policy focuses on the credit quality as measured by the amount of equity finance and secured assets, together with the risk of loss (all as assessed by the Council) before considering investment return.

Assessments are made by reference to formal financial accounts, treasury advisors, together with media announcements and credit ratings.

Use of Non-Specified Investments

These are only used as a “lender of last resort,” where limits on specified investments have already been exceeded or when there is no demand in the market, which may be the case with the DMO and local authorities.

Approved Types of Investment

The following types of investment are used when managing funds:

- Fixed Term Deposits
- On Call Deposits such as those deposited in overnight reserve accounts.

All deposits are for a period of less than 364 days.

REPORT TO:	Finance & Management	AGENDA ITEM: 11
DATE OF MEETING:	4 September 2014	CATEGORY: DELEGATED
REPORT FROM:	Chief Executive	OPEN
MEMBERS' CONTACT POINT:	Frank McArdle 01283 595702 frank.mcardle@south-derbys.gov.uk	DOC:
SUBJECT:	TOYOTA CITY	REF:
WARD(S) AFFECTED:	All	TERMS OF REFERENCE: FM

1.0 Recommendations

1.1 It is recommended that the Committee:

- Notes the importance of the relationship with Toyota City to South Derbyshire, particularly in terms of inward investment and the creation of employment.
- Supports the allocation of resources to further develop this successful relationship for the benefit of the local economy.

2.0 Purpose of Report

- 2.1 To report on the strengthening of a long-standing international link with Toyota City in Japan that has brought thousands of jobs and over a billion pounds in investment to South Derbyshire over the last fifteen years.
- 2.2 To seek approval for the allocation of resources to continue to work with Toyota City in order to broaden and further develop this successful relationship for the benefit of the local economy.

3.0 Detail

- 3.1 In 2013 Derbyshire, Derby City and South Derbyshire celebrated the fifteenth anniversary of their relationship with Toyota City in Japan which was established in 1998. A number of events took place to mark the anniversary of the relationship which was established when the Toyota Motor Corporation built its first European factory at Burnaston.
- 3.2 Over 3,400 people are employed at the plant which supports a thriving supply chain and continues to pump millions of pounds into the local economy every year. To date, Toyota has invested some £1.5 Billion in Burnaston.
- 3.3 In November 2013 a memorandum of understanding was signed by representatives from Toyota City and the three Derbyshire local authorities re-affirming the relationship with a commitment to explore further opportunities in economic development, tourism, the environment, agriculture and cultural industries, for the benefit of both areas.

- 3.4 This broadening of economic links between the two areas builds upon Toyota City staging a 'Japanese Pavilion' at the Derbyshire Food & Drink Fair at Elvaston Castle. Activities to date have included an exhibition at the 'Toyota City Industry Feste' featuring products manufactured in Derbyshire and encouraging Japanese tourists to visit Derbyshire and The National Forest.
- 3.5 Building on existing cultural and educational links, relationships have been established between Toyota City Council and Burton & South Derbyshire College and between Repton School and Toyota West High School. The agreement between the two schools states that it aims to nurture "students with a rich international sense and knowledge through exchange programmes, such as academic and research studies, and cultural, artistic and sporting activities." It is anticipated that Japanese pupils and staff will be welcomed to South Derbyshire in 2015.
- 3.6 In order to further develop joint initiatives, an officer from Japan has been based in the UK for an extended period funded by Toyota City Council.

4.0 Financial Implications

- 4.1 It is proposed that £10,000 be allocated to support the further development of joint initiatives. It is anticipated that this funding will be utilised over a number of years to facilitate visits and the acquisition of project materials, as required.
- 4.2 In addition, it is proposed to seek a contribution from the South Derbyshire Partnership.

5.0 Corporate Implications

- 5.1 The relationship between Derbyshire and Toyota City directly contributes to the Corporate Plan's vision to 'make South Derbyshire a better place to work, live and visit' and to the theme of 'Sustainable Growth & Opportunity – strengthening South Derbyshire's economic position within a 'clean' and 'sustainable' environment'.

6.0 Community Implications

- 6.1 The relationship between Derbyshire and Toyota City directly contributes to the South Derbyshire Partnership's Sustainable Community Strategy vision of 'a dynamic South Derbyshire, able to seize opportunities to develop successful communities, whilst respecting and enhancing the varied character of our fast growing district'. 'Sustainable Development' is highlighted as a key theme, with the aim of achieving 'sustainable existing and new communities that meet the population's needs and aspirations'.

7.0 Conclusions

- 7.1 As the rewards of the relationship with Toyota City continue to grow, it is recommended that Members support the allocation of resources to further develop the benefits for the local economy of South Derbyshire.

REPORT TO:	FINANCE & MANAGEMENT COMMITTEE	AGENDA ITEM: 12
DATE OF MEETING:	4th September 2014	CATEGORY: DELEGATED
REPORT FROM:	Director of Finance & Corporate Services	OPEN
MEMBERS' CONTACT POINT:		DOC:
SUBJECT:	WORK PROGRAMME	REF:
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE:

1.0 Recommendations

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

2.0 Purpose of Report

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

3.0 Detail

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

4.0 Financial Implications

4.1 None arising directly from this report.

5.0 Background Papers

5.1 Work Programme.

**Work Programme 2014/15
Finance and Management Committee
Standing and Other Planned Reports**

Committee 25th September 2014 (Special – Financial Statements and Auditor’s Report)

- Accounts and Financial Statements 2014/15

Committee 16th October 2014

- Review and Update of the Medium Term Financial Plan 2014 to 2019
- Corporate Service Contract and Strategic Partnership Annual report 2013/14

Committee 4th December 2014

- Corporate Plan Monitoring 2014/15– 2nd Quarter Performance to September 2014
- Budget and Financial Monitoring 2014/15
- Complaints, Compliments and FOI Requests – April 2014 to September 2014
- ICT Update and Progress on Work Plan
- Local Council tax Support Scheme 2015/16

Committee 15th January 2015

- Service Base Budgets 2015/16
- Consolidated Budget Report 2015/16 and MTFP to 2020

Committee 26th January 2015 (Provisional – Budget Consultation)

- Statutory Consultation with local businesses, voluntary and community organisations
(*Format subject to review*)

Committee 19th February 2015

- Treasury Management Strategy 2015/16
- Final Budget Proposals 2015/16 and Financial Plan to 2020

Committee 19th March 2015

- Corporate Plan Monitoring 2014/15– 3rd Quarter Performance to December 2014
- Budget and Financial Monitoring 2014/15

Committee 23rd April 2015

- Provisions and Contingent Liabilities 2014/15
- Debts submitted for write-off

Committee 20th May 2015

- Provisional Budget Out-turn 2014/15

REPORT TO:	FINANCE AND MANAGEMENT COMMITTEE	AGENDA ITEM: 13
DATE OF MEETING:	4TH SEPTEMBER 2014	CATEGORY: DELEGATED/ RECOMMENDED OPEN:
REPORT FROM:	CHIEF EXECUTIVE	DOC:
MEMBERS' CONTACT POINT:	ARDIP KAUR (595715)	REF:
SUBJECT:	AUTHORISATION OF OFFICER TO ATTEND MAGISTRATES' COURT AND COUNTY COURT ON BEHALF OF THE COUNCIL	TERMS OF REFERENCE: FM04
WARD(S) AFFECTED:	ALL	

1.0 Recommendation

1.1 That the Committee resolve that Angela Edwards be authorised:-

To prosecute or defend on the Council's behalf, or appear on it's behalf in proceedings before a Magistrates Court in accordance with the provisions of Section 223 of the Local Government Act 1972.

1.2 That the Committee resolve that Angela Edwards be authorised:-

To appear in the County Court on behalf of the Council for the purpose of the recovery of debts, Possession Proceedings, in accordance with the provisions of Section 60 of the County Courts Act 1984.

To appear in Chambers appointments in the County Court in relation to Applications for Injunctions, Anti Social Behaviour Orders/Injunctions, and any other proceedings allocated to her by the Legal and Democratic Services Manager.

2.0 Purpose of Report

2.1 To authorise Angela Edwards, the Council's Senior Legal Officer, to appear at the Magistrates Court and the County Court on behalf of the Council to represent the Council during the course of her employment with South Derbyshire District Council.

3.0 Detail

3.1 To enable the Senior Legal Officer to appear on behalf of the Authority. The Committee is requested to authorise her under the Local Government Act 1972 and the County Courts Act 1984.

3.2 Section 223 of the Local Government Act 1972 states that any 'officer of a local authority who is authorised by that authority to prosecute or defend on their behalf, or to appear on their behalf in proceedings before a Magistrates Court shall be entitled to prosecute or defend or to appear in any such proceedings'

3.3 Section 60 of the County Courts Act 1984 outlines rights of audience:-

'where an action is brought in a County Court by a local authority for either of the following or both of the following:-

- (a) the recovery of possession of a house belonging to the authority;
- (b) the recovery of any rent, mesne profits, damages or other sum claimed by the authority in respect of the occupation by any person of such a house,

then, in so far as the proceedings in the action are heard by the registrar, any officer of the authority authorised by the authority in that behalf, may address the registrar'

3.4 To authorise Angela Edwards, the Council's Senior Legal Officer, to appear in Chambers on appointments, in relation to Applications for Injunctions, Anti Social Behaviour Orders/Injunctions, and any other proceedings allocated to her by the Legal and Democratic Services Manager.

4.0 Financial Implications

4.1 None

5.0 Corporate Implications

5.1 As set out in the report

6.0 Community Implications

6.1 None

7.0 Background Papers

7.1 None