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Our Ref: DS
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Date: 17th July 2019

Dear Councillor,

Finance and Management Committee

A Meeting of the **Finance and Management Committee** will be held in the **Council Chamber (Special)**, on **Thursday, 25 July 2019 at 18:00**. You are requested to attend.

Yours faithfully,



Chief Executive

To:- **Conservative Group**

Councillor Watson (Chairman), Councillor Fitzpatrick (Vice-Chairman) and Councillors Angliss, Billings, Mrs. Brown, Ford, MacPherson and Roberts

Labour Group

Councillors Dr. Pearson, Rhind, Richards, Southerd and Taylor

AGENDA

Open to Public and Press

- 1** Apologies and to note any Substitutes appointed for the Meeting.
- 2** To receive the Open Minutes of the following Meetings:

Finance and Management Committee 25th April 2019 Open Minutes	4 - 6
Finance and Management Committee 13th June 2019 Open Minutes	7 - 11
Audit Sub-Committee 29th May 2019 Open Minutes	12 - 16
- 3** To note any declarations of interest arising from any items on the Agenda
- 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** TREASURY MANAGEMENT ANNUAL REPORT 2018/19 **17 - 34**
- 8** BUDGET OUT-TURN AND FINAL ACCOUNTS 2018/19 **35 - 64**
- 9** ANNUAL REPORT ON SICKNESS ABSENCE **65 - 74**
- 10** PAYMENT FACILITIES IN THE CIVIC OFFICES **75 - 81**
- 11** COMMITTEE WORK PROGRAMME **82 - 87**

Exclusion of the Public and Press:

- 12** The Chairman may therefore move:-
- That in accordance with Section 100 (A)(4) of the Local Government Act 1972 (as amended) the press and public be excluded from the remainder of the Meeting as it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that there would be disclosed exempt information as defined in the paragraph of Part I of the Schedule 12A of the Act indicated in the header to each report on the Agenda.
- 13** To receive the Exempt Minutes of the following Meetings:
Finance and Management Committee 25th April 2019 Exempt Minutes
Finance and Management Committee 13th June 2019 Exempt Minutes
- 14** To receive any Exempt questions by Members of the Council pursuant to Council procedure Rule No. 11.
- 15** APPLICATION FOR DISCRETIONARY RATE RELIEF
- 16** PLANNING SERVICES-VARIATION TO ESTABLISHMENT

FINANCE AND MANAGEMENT COMMITTEE

25th April 2019

PRESENT:-

Conservative Group

Councillor Harrison (Chairman), Councillor Watson (Vice-Chairman) and Councillors Billings, Hewlett, MacPherson and Smith

Labour Group

Councillors Rhind, Richards, Southerd and Taylor

FM/167 **APOLOGIES**

Apologies were received from Councillor Mrs Coe, Dr Coyle and Ford (Conservative Group).

FM/168 **MINUTES**

The Open Minutes of the Meetings held on 14th February 2019 and 14th March 2019 were taken as read, approved as a true record and signed by the Chairman.

FM/169 **DECLARATIONS OF INTEREST**

The Committee was informed that no declarations of interest from Members of the Council had been received.

FM/170 **QUESTIONS FROM MEMBERS OF THE PUBLIC PURSUANT TO COUNCIL PROCEDURE RULE NO 10**

The Committee was informed that no questions from members of the public had been received.

FM/171 **QUESTIONS BY MEMBERS OF THE COUNCIL PURSUANT TO COUNCIL PROCEDURE RULE NO 11**

The Committee was informed that no questions from Members of the Council had been received.

FM/172 **REPORTS OF OVERVIEW AND SCRUTINY COMMITTEE**

The Committee was informed that no reports had been received.

FM/173 **AUDIT SUB-COMMITTEE**

The Open Minutes of the Audit Sub-Committee Meeting held on 20th March 2019 were submitted.

FM/174 **SERVICE PLANS 2019/20**

The Strategic Director (Corporate Resources) presented the report to Committee. An amendment was carried by Committee to rectify a typo in the recommendation to read 30th September 2019.

RESOLVED:

The Committee approved the Service Plans for the Chief Executive's Directorate and Corporate Resources Directorate as a basis for service delivery over the period 1 April 2019 to 30 September 2019.

FM/175 **LOCAL GOVERNMENT PENSION SCHEME (LGPS) EMPLOYER MANDATORY DISCRETIONS**

The Strategic Director (Corporate Resources) presented the report to Committee, advising of the requirement to publish and that any applications for the use of such discretion would continue to be submitted to this Committee.

RESOLVED:

The Committee approved the Council's LGPS Employer Discretions Policy as shown in Appendix 1 of the report.

FM/176 **COMMITTEE WORK PROGRAMME**

RESOLVED:

Members considered and approved the updated work programme.

FM/177 **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.

TO RECEIVE QUESTIONS FROM MEMBERS OF THE COUNCIL PURSUANT TO COUNCIL PROCEDURE RULE NO. 11

The Committee was informed that no questions had been received.

ROSLISTON FORESTRY CENTRE - MANAGEMENT ARRANGEMENT

The Committee approved the recommendations in the report.

BUSINESS SUPPORT OFFICER – ENVIRONMENTAL HEALTH

The Committee approved the recommendations in the report.

PAY AND GRADING REVIEW – DOWNGRADED POSTS

The Committee approved the recommendations in the report.

WRITE OFF: HOUSING BENEFIT OVERPAYMENTS

The Committee approved the recommendations in the report.

The meeting terminated at 6.25pm

COUNCILLOR J HARRISON

CHAIRMAN

FINANCE AND MANAGEMENT COMMITTEE

13th June 2019

PRESENT:-

Conservative Group

Councillor Watson (Chairman), Councillor Fitzpatrick (Vice-Chairman) and Councillors Angliss, Billings, Mrs. Brown, Corbin (substituting for Councillor Roberts) and Ford.

Labour Group

Councillors Dr. Pearson, Rhind, Richards, Taylor and Tilley (substituting for Councillor Southerd).

In Attendance

Councillor Mrs. Wheelton

FM/1 **APOLOGIES**

Apologies were received from Councillors MacPherson and Roberts (Conservative Group) and Councillor Southerd (Labour Group).

FM/2 **DECLARATIONS OF INTEREST**

The Committee was informed that no declarations of interest from Members of the Council had been received.

FM/3 **QUESTIONS FROM MEMBERS OF THE PUBLIC PURSUANT TO COUNCIL PROCEDURE RULE NO 10**

The Committee was informed that no questions from members of the public had been received.

FM/4 **QUESTIONS BY MEMBERS OF THE COUNCIL PURSUANT TO COUNCIL PROCEDURE RULE NO 11**

The Committee was informed that no questions from Members of the Council had been received.

FM/5 **REPORTS OF OVERVIEW AND SCRUTINY COMMITTEE**

The Committee was informed that no reports had been received.

MATTERS DELEGATED TO COMMITTEE

FM/6 **CORPORATE PLAN 2016-2021 AND PERFORMANCE REPORT**

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The Strategic Director (Corporate Resources) presented the report to Committee highlighting achievements and areas where targets had not been met. He noted the largest risk that remained for the Council was Britain's exit from the European Union as the implications remain unknown.

The Chief Executive addressed the Committee, remarking on the Council's record as a caring employer and the Council's ability to extend benefits for staff members with long term sickness, including terminal illness. He noted that whilst the Council would continue to respond to the needs of staff who face a long-term absence due to illness, the trend of long-term absences continued upward. In order to bring about further changes, a Joint Consultative Committee has been arranged for 25th July 2019 to take place with officers, Unions and Members.

Councillor Ford noted as a basis of support, he reminded Members the Council had proudly signed up for the Dying to Work Charter, whose founder had recently been nominated for a MBE.

Councillor Richards queried if the level of absences were spread throughout the departments or if there were pockets of departments with higher levels of long-term absences. The Chief Executive noted that whilst there were higher levels amongst departments with manual work, it is evenly spread throughout the organisation.

The Vice-Chairman noted the Council's staff is the Council's best asset and long-term absences put others under stress; he extended support to what the Chief Executive was undertaking.

RESOLVED:

The Committee considered progress against performance targets set out in the Corporate Plan.

The Committee reviewed the Risk Register and Action Plan for the Committee's services.

FM/7

CORPORATE EQUALITIES ANNUAL REPORT 2018-19 AND ACTION PLAN 2019-20

The Strategic Director (Corporate Services) presented the report to Committee, noting the report demonstrates how the Council carries out its equality responsibilities.

Councillor Taylor requested equality and diversity training is made available for Members. The Strategic Director (Corporate Services) noted the request and would look into arranging training.

RESOLVED:

The Committee approved the Corporate Equalities Annual Report for 2018/19 for publication attached in Appendix A.

The Committee approved the Corporate Equalities and Safeguarding Action Plan for 2019/20, attached in Appendix B.

FM/8 **ANNUAL HEALTH AND SAFETY REPORT 2018-19 AND ACTION PLAN 2019-20**

The Strategic Director (Corporate Services) presented the report to Committee, noting the annual report sets out the work undertaken to safeguard the workforce by ensuring safe working conditions. The Strategic Director (Corporate Services) further noted the Council achieved the Royal Society for the Prevention of Accidents Gold Award for the ninth year.

The Chairman queried how frequently the SoloProtect devices were activated. The Strategic Director (Corporate Services) responded to the query, highlighted there had been a few false alarms but no emergencies.

The Chairman thanked officers for their efforts in achieving the Gold Award yet again.

RESOLVED:

The Committee noted the key health and safety achievements and performance for the year ending 31 March 2019.

The Committee approved the Health and Safety Action Plan for 2019/20 as detailed in Appendix 2.

FM/9 **COMMENTS, COMPLIMENTS, COMPLAINTS & FREEDOM OF INFORMATION REQUESTS**

The Strategic Director (Corporate Services) presented the report to Committee, highlighting Freedom of Information requests continued to increase and, dependent on the nature of the request, could take up significant resources within departments.

Councillor Richards queried how information could be obtained relating to data protection breaches. The Strategic Director (Corporate Services) responded to the query, noting any data protection breach would be dealt with separately as an investigation would need to be carried out. The Chief Executive informed Members that if there were a major breach, it would be reported to Committee.

Councillor Dr. Pearson requested Members were informed of the outcome of complaints as standard practice. The Chief Executive noted the request, remarking there were varying levels of appropriate responses depending on the nature of the complaint, but Members should be regularly kept updated.

RESOLVED:

The Committee considered and noted the comments, compliments, complaints and FOI requests, as detailed in the report.

FM/10 **THE FAIR FUNDING REVIEW**

The Strategic Director (Corporate Services) presented the report to Committee, highlighting the proposed changes to the funding allocation system would have the Council benefit financially, but may potentially take funds away from County Councils.

Councillor Taylor commented the report rang alarm bells for overall funding as there had already been a significant reduction in funding available for social services, schools, highways and police services. By looking at services beyond this authority, he was alarmed at the future financial implications.

RESOLVED:

The Committee noted the response to the Technical Consultation on the Relative Needs and Resources of Local Authorities.

That a further report is submitted to the Committee to provide an update on the implications for the Council following approval by the Government of the final funding formula.

FM/11 **COMMITTEE WORK PROGRAMME**

The Strategic Director (Corporate Services) informed Committee the Statement of Accounts report would not be available for the next Committee as the external auditors would not be able to audit the accounts by the end of July and instead would come to a later Committee.

Members raised queries relating to the payment of the external auditors and if the delay would prevent the Council from applying for grants or submitting bids. The Strategic Director (Corporate Services) responded to the queries, explaining the fee would not be reduced as the work would still be undertaken and he was not aware if the delay in the audit would impact on any application of grants or bids.

RESOLVED:

Members considered and approved the updated work programme.

FM/12 **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.

TO RECEIVE QUESTIONS FROM MEMBERS OF THE COUNCIL PURSUANT TO COUNCIL PROCEDURE RULE NO. 11

The Committee was informed that no questions had been received.

LAND IN MELBOURNE

The Committee approved the recommendations in the report.

PREMISES AT WOODVILLE ROAD, OVERSEAL

The Committee approved the recommendations in the report.

DIRECT ACQUISITION OF FOUR BUNGALOWS IN REPTON

The Committee approved the recommendations in the report.

LAND DEAL TO DELIVER AFFORDABLE HOUSING AT ORCHARD STREET, NEWHALL

The Committee approved the recommendations in the report.

HUMAN RESOURCES SERVICE-FIXED TERM APPOINTMENT

The Committee approved the recommendations in the report.

BAD AND DOUBTFUL DEBTS

The Committee approved the recommendations in the report.

The meeting terminated at 7.10pm.

COUNCILLOR P WATSON

CHAIRMAN

AUDIT SUB-COMMITTEE

29th May 2019

PRESENT:-

Conservative Group

Councillor Whittenham (Chairman), Councillor Atkin (Vice-Chairman) and Councillor Churchill

Labour Group

Councillor Dunn and Shepherd

AS/1 **APOLOGIES**

The Sub-Committee was informed no apologies for absence had been received.

AS/2 **MINUTES**

The Open Minutes of the Meeting held on 20th March 2019 were taken as read, approved as a true record and signed by the Chairman.

AS/3 **DECLARATIONS OF INTEREST**

The Sub-Committee was informed that no declarations of interest had been received.

AS/4 **TO RECEIVE ANY QUESTIONS FROM MEMBERS OF THE PUBLIC PURSUANT TO COUNCIL PROCEDURE RULE NO.10**

The Sub-Committee was informed that no questions from members of the public had been received.

AS/5 **TO RECEIVE ANY QUESTIONS FROM MEMBERS OF THE COUNCIL PURSUANT TO COUNCIL PROCEDURE RULE NO.11**

The Sub-Committee was informed that no questions from Members of the Council had been received.

MATTERS DELEGATED TO SUB-COMMITTEE

AS/6 **LOCAL GOVERNMENT AUDIT COMMITTEE BRIEFING**

The External Auditor presented the report to Sub-Committee.

The Strategic Director (Corporate Services) informed the Sub-Committee the UK's exits from the European Union remains a high risk to the authority, due to the potential impact upon Council services if no deal was established. The Council is prepared as much as possible.

Councillor Shepherd queried the financial resilience of the Council. The Strategic Director (Corporate Services) responded to the query, noting the Council was measured at low risk on CIPFA's model, with only an increasing reliance upon the New Homes Bonus identified as an issue.

RESOLVED:-

The Sub-Committee considered the key questions posed by the Council's External Auditors contained in their latest sector update.

AS/7 **INTERNAL AUDIT PROGRESS REPORT**

The Internal Auditor presented the report to the Sub-Committee, outlining progress within the Audit Plan and outstanding recommendations. The Internal Auditors identified key issues, which included the Orchard IT Application and Fleet Management, which were being addressed.

RESOLVED:-

The Sub-Committee considered the report of the Audit Manager and any issues identified be referred to the Finance and Management Committee or subject to a follow-up report as appropriate.

AS/8 **INTERNAL AUDIT ANNUAL REPORT 2018/19**

The Internal Auditor presented the report to the Sub-Committee, highlighting the audit opinion of 'Satisfactory System of Internal Control' and expanded on how that opinion had been concluded.

Councillor Churchill queried if comparative information from the previous year could be included in the report to measure progress. The Internal Auditor noted the query; relaying different issues are presented each year and would not be a like for like comparison.

RESOLVED:-

The Sub-Committee considered and noted the Annual Internal Audit Opinion for 2018/19.

AS/9 **LOCAL CODE OF CORPORATE GOVERNANCE ANNUAL STATEMENT 2018/19**

The Strategic Director (Corporate Services) presented the report to the Sub-Committee, informing the Sub-Committee this was a self-assessment to measure good governance. He noted against the national framework, there was only one principle with a score of 4; this was due to a delay to the peer review exercise as a result of the Senior Management restructure. The peer review will take place in October 2019.

Councillor Churchill queried what the next steps would be once a score of 5 was achieved for all the principles. The Strategic Director (Corporate Services) noted a different set of principles could be introduced which were more localised to prevent complacency.

The Vice-Chairman queried if it was currently an appropriate time to review the Constitution. The Strategic Director (Corporate Services) responded to the query, highlighting various aspects of the Constitution were reviewed or changed regularly, such as the Code of Conduct.

Councillor Shepherd commented that regarding Appendix 1 Core Principle B 'Engaging Comprehensively with Institutional Stakeholders,' he drew the Sub-Committee's attention to the Council's decision made regarding the Infinity Garden Village. He considered that the decision was made without proper consultation including local members and parish councils, etc. Consequently, he felt unable to support the recommendation based upon a lack of engagement and was surprised a score of 5 was achieved.

RESOLVED:-

1.1 The Sub-Committee approved the review against the Council's Local Code of Corporate Governance for 2019/20 as detailed in Appendix 1.

Councillors Dunn and Shepherd requested that their vote against this item be recorded.

1.2 The Sub-Committee approved the work plan to strengthen the Council's governance arrangements in 2018/19 as detailed in Appendix 2.

Abstention: Councillor Shepherd.

AS/10 **ANNUAL GOVERNANCE STATEMENT 2018/19**

The Strategic Director (Corporate Services) presented the report to the Sub-Committee, noting the Statement is a statutory requirement to demonstrate the Council's governance arrangements.

RESOLVED:-

1.1 The Sub-Committee approved the referral of the Annual Governance Statement (AGS) for the year ended 31 March 2019 to the Finance and Management Committee and its publication within the Statement of Accounts for 2018/19.

1.2 The Sub-Committee authorised the Leader of the Council and Chief Executive Officer to sign the Annual Governance Statement.

Councillors Dunn and Shepherd requested that their vote against this item be recorded in line with previous comments made.

AS/11 **ANTI-FRAUD AND CORRUPTION PLAN 2019/20**

The Strategic Director (Corporate Services) presented the report to the Sub-Committee, noting the report captured incidents of fraud which had been prevented and on-going for a period of time.

Members requested the figures be split to reflect where incidents of fraud had been identified, funds had been recovered, unrecovered funds, and prevented incidents of fraud. The Strategic Director (Corporate Services) noted the request.

RESOLVED:-

The Sub-Committee approved the proposed Anti-Fraud and Corruption Plan attached to the report.

AS/12 **COMMITTEE WORK PROGRAMME**

The External Auditor informed the Sub-Committee the report titled ‘Audit Results Report (ISA 260) for the year ending 31st March 2019,’ due to be presented at the Sub-Committee scheduled for 24th July 2019, would be deferred to a later Sub-Committee due to staff vacancies and recruitment issues at Ernst and Young, which would delay the Audit of the Council’s Accounts.

Members expressed their disappointment the report would not be completed within timescale and raised concerns and queries regarding the fee expected to be paid by the Council. The External Auditor noted a reduction in the fee would not be offered as the fee was set by the Public Sector Audit Appointments and the work would still be carried out.

RESOLVED:-

Members considered and approved the updated work programme with the amendment

AS/13 **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 paragraph of Part I of the Schedule 12A of the Act indicated in the header to each report on the Agenda.

EXEMPT QUESTIONS BY MEMBERS OF THE COUNCIL PURSUANT TO COUNCIL PROCEDURE RULE NO.11

The Sub-Committee was informed that no questions from Members of the Council had been received.

The Meeting terminated at 5.40pm.

COUNCILLOR J WHITTENHAM

CHAIRMAN

REPORT TO:	FINANCE AND MANAGEMENT COMMITTEE (SPECIAL)	AGENDA ITEM: 7
DATE OF MEETING:	25th JULY 2019	CATEGORY: RECOMMENDED
REPORT FROM:	STRATEGIC DIRECTOR (CORPORATE RESOURCES)	OPEN
MEMBERS' CONTACT POINT:	KEVIN STACKHOUSE (01283 595811) Kevin.stackhouse@south-derbys.gov.uk	DOC: s/finance/committee/2018-19/Jul
SUBJECT:	TREASURY MANAGEMENT ANNUAL REPORT 2018/19	REF:
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: FM 08

1.0 Recommendations

- 1.1 The Treasury Management Annual Report for 2018/19 is approved.
- 1.2 The Prudential Indicators and Limits for 2019/20 to 2023/24 updated for 2018/19 actuals is approved.
- 1.3 The updated counterparty (lending) list as at 1st April 2019 is approved.

2.0 Purpose of the Report

- 2.1 To detail the Council's Treasury Management activities for 2018/19 as set out in the Annual Report.
- 2.2 In addition, the report also confirms the Prudential Indicators for treasury operations for 2018/19 and the medium-term financial planning period, 2019/20 to 2023/24. This is in accordance with the requirements of the Local Government Act 2003, updated for provisions contained in the Localism Act 2011.

3.0 Summary

The Prudential System for Capital Finance

- 3.1 The Council is required to manage its treasury and capital expenditure activities under a National Code. The main aims of the National Prudential System are to ensure that:
 - Capital investment plans of local authorities are affordable and sustainable.
 - Treasury management decisions are taken in accordance with best professional practice.

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

- 3.2 Treasury operations are measured within a set of prudential indicators. The main purpose of these indicators is to provide the limits and benchmarks to control the level of capital expenditure, borrowing and investment. The Council is expected to operate comfortably within these limits.
- 3.3 The Prudential System allows councils the freedom to borrow on a prudential basis. Any new borrowing has to be accommodated within any maximum debt limits or caps set by Central Government and the Council has to demonstrate that it can afford to service and repay the debt within its financial plans.
- 3.4 The Chartered Institute of Public Finance (CIPFA) published new versions of its Treasury Management in the Public Services: Code of Practice and Cross-sectoral Guidance Notes (TM Code) and The Prudential Code for Capital Finance in Local Authorities (Prudential Code) in late December 2017. This applied from April 2018 and will inform the strategy for 2019/20 onwards.

The Treasury Management Strategy

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

Prudential Indicators

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

4.0 Financial Implications

- 4.1 As detailed in the report.

5.0 Corporate Implications

- 5.1 None directly

6.0 Community 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



South Derbyshire District Council

Treasury Management Annual Report 2018/19

Introduction

The Authority adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2011 Edition* (the CIPFA Code) which requires the Authority to approve a treasury management annual report after the end of each financial year.

This report fulfils the Authority's legal obligation to have regard to the CIPFA Code.

The Authority's treasury management strategy for 2018/19 was approved at a meeting on 15th February 2018. The Authority has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Authority's treasury management strategy.

External Context (as supplied by the Council's Treasury Management Advisors)

Economic commentary (as at 8th April 2019)

After spiking at over \$85/barrel in October 2018, oil prices fell back sharply by the end of the year, declining to just over \$50 in late December before steadily climbing toward \$70 in April 2019. UK Consumer Price Inflation (CPI) for March 2019 was up 1.9% year/year, just above the consensus forecast but broadly in line with the Bank of England's February Inflation Report. The most recent labour market data for the three months to January 2019 showed the unemployment rate fell to a new low of 3.9% while the employment rate of 76.1% was the highest on record. The 3-month average annual growth rate for pay excluding bonuses was 3.4% as wages continue to rise steadily and provide some upward pressure on general inflation. Once adjusted for inflation, real wages were up 1.4%.

After rising to 0.6% in the third calendar quarter from 0.4% in the second, fourth quarter economic growth slowed to 0.2% as weaker expansion in production, construction and services dragged on overall activity. Annual GDP growth at 1.4% continues to remain below trend. Following the Bank of England's decision to increase Bank Rate to 0.75% in August 2018, no changes to monetary policy have been made since.

The US Federal Reserve continued its tightening bias throughout 2018, pushing rates to the 2.25%-2.50% range in December. However, a recent softening in US data caused the Fed to signal a pause in hiking interest rates at the last Federal Open Market Committee (FOMC) meeting in March.

With the 29th March 2019, the original EU 'exit day' now been and gone, having failed to pass a number of meaningful votes in Parliament, including rejecting the Prime Minister's deal for the third time, MPs voted by a majority of one (313 to 312) to force the prime minister to ask for an extension to the Brexit process beyond 12th April in order to avoid a no-deal scenario. Recent talks between the Conservative and Labour parties to try to reach common ground on a deal which may pass a vote by MPs have yet to yield any positive results. The EU must grant any

extension and its leaders have been clear that the terms of the deal are not up for further negotiation. The ongoing uncertainty continues to weigh on sterling and UK markets.

While the domestic focus has been on Brexit's potential impact on the UK economy, globally the first quarter of 2019 has been overshadowed by a gathering level of broader based economic uncertainty. The US continues to be set on a path of protectionist trade policies and tensions with China in particular, but with the potential for this to spill over into wider trade relationships, most notably with EU. The EU itself appeared to be show signs of a rapid slowdown in economic growth with the major engines of its economy, Germany and France, both suffering misfires from downturns in manufacturing alongside continued domestic/populist unrest in France. The International Monetary Fund downgraded its forecasts for global economic growth in 2019 and beyond as a consequence.

Financial markets

December was a month to forget in terms of performance of riskier asset classes, most notably equities. The FTSE 100 (a good indicator of global corporate sentiment) returned -8.8% assuming dividends were reinvested; in pure price terms it fell around 13%. However, since the beginning of 2019 markets have rallied, and the FTSE 100 and FTSE All share indices were both around 10% higher than at the end of 2018.

Gilt yields continued to display significant volatility over the period on the back of ongoing economic and political uncertainty in the UK and Europe. After rising in October, gilts regained their safe-haven status throughout December and into the new year - the 5-year benchmark gilt yield fell as low as 0.80% and there were similar falls in the 10-year and 20-year gilts over the same period dropping from 1.73% to 1.08% and from 1.90% to 1.55%. The increase in Bank Rate pushed up money markets rates over the year and 1-month, 3-month and 12-month LIBID (London Interbank Bid) rates averaged 0.53%, 0.67% and 0.94% respectively over the period.

Recent activity in the bond markets and PWLB interest rates highlight that weaker economic growth is not just a UK phenomenon but a global risk. During March the US yield curve inverted (10-year Treasury yields were lower than US 3 month money market rates) and German 10-year Bund yields turned negative. The drivers are a significant shift in global economic growth prospects and subsequent official interest rate expectations given its impact on inflation expectations. Further to this is world trade growth which collapsed at the end of 2018 falling by 1.8% year-on-year. A large proportion of this downturn in trade can be ascribed to the ongoing trade tensions between the US and China which despite some moderation in January does suggest that the International Monetary Fund's (IMF) and Organisation for Economic Co-Operation & Development's (OECD) forecasts for global growth in 2019 of 3.5% might need to be revised downwards.

Credit background

The ringfencing of the big four UK banks (Barclays, Bank of Scotland/Lloyds, HSBC and RBS/Natwest Bank plc) transferred their business lines into retail (ringfenced) and investment banking (non-ringfenced) entities.

In February, Fitch put the UK AA sovereign long-term rating on Rating Watch Negative as a result of Brexit uncertainty, following this move with the same treatment for UK banks and a number of government-related entities.

There were minimal other credit rating changes during the period. Moody's revised the outlook on Santander UK to positive from stable to reflect the bank's expected issuance plans which will provide additional protection for the its senior unsecured debt and deposits.

Local Context

On 31st March 2019, the Authority had net borrowing of £19.45m arising from its revenue and capital income and expenditure, a decrease on 2018 of £10.4m. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR). Actual CFR versus budgeted CFR is summarised below.

Capital Financing Requirement (CFR)	Actual £'000	Budget £'000
CFR balance b/fwd April 2018	67,239	67,239
Less Minimum Revenue Provision (MRP)	-206	-206
Less Voluntary Revenue Provision (VRP)	-131	-131
CFR balance c/fwd 31st March 2019	66,902	66,902
General Fund CFR	5,318	5,318
HRA CFR	61,584	61,584
Total CFR	66,902	66,902

The Authority's strategy was to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing, in order to reduce risk and keep interest costs low. The treasury management position as at 31st March 2019 and the year-on-year change is shown in the following table.

Net Borrowing	April 18 B/fwd (£'000)	Movement (£'000)	March 19 C/fwd (£'000)	Average Rate (%)
Long-term Borrowing:				
Fixed	47,423	0	47,423	3.19%
Variable	10,000	0	10,000	0.86%
Short-term Borrowing	28	0	28	0.00%
Total Borrowing	57,451	0	57,451	
Long-term Investments	1,000	1,000	2,000	4.26%
Short-term investments	23,500	10,000	33,500	0.71%
Cash and Cash Equivalents	3,092	-592	2,500	0.55%
Total Investments	27,592	10,408	38,000	
Net Borrowing	29,859	-10,408	19,451	

The net borrowing of the Council reduced during 2018/19 due to an increase in investments. Lower expenditure and budget savings in year resulted in larger cash balances to invest which is reflected above.

Borrowing Activity

At 31st March 2019, the Authority held £57.4m of loans. These loans were taken out by the Authority in 2011/12 for the purpose of HRA self-financing. The following table shows the maturity dates of the loans and rate of interest payable.

Loan Profile	Type	Value (£'000)	Rate at 31st March 2019 (%)	Maturity
Public Works Loan Board	Variable	10,000	0.92	2021/22
Public Works Loan Board	Fixed	10,000	2.70	2023/24
Public Works Loan Board	Fixed	10,000	3.01	2026/27
Public Works Loan Board	Fixed	10,000	3.30	2031/32
Public Works Loan Board	Fixed	10,000	3.44	2036/37
Public Works Loan Board	Fixed	7,423	3.50	2041/42

57,423

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

For the majority of the year the "cost of carry" analysis performed by the Authority's treasury management advisor Arlingclose did not indicate value in borrowing in advance for future years' planned expenditure and therefore none was taken.

The Council was not required to undertake any temporary borrowing during 2018/19 but does hold money on deposit for 2 Parish Councils which is classed as temporary as it can be recalled on immediate notice.

Investment Activity

The Authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During 2018/19, the Authority's investment balance ranged between £28m and £50m due to timing differences between income and expenditure. The year-end investment position is show below.

Investment Profile	Type	Value (£'000)	Average Rate (%)
Local Authorities	Fixed Rate	25,000	0.67
Banks (unsecured)	Variable Rate	2,500	0.55
Money Market Funds	Variable Rate	8,500	0.74
CCLA Property Fund	Variable Rate	2,000	4.26

38,000

Both the CIPFA Code and government guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

In furtherance of these objectives, and given the increasing risk and falling returns from short-term unsecured bank investments, the Authority has undertaken greater detailed cash flow forecasting which has enabled it to enter into longer-term deposits with other Local Authorities, therefore securing a higher rate of return.

In recent years the Authority has diversified into the CCLA Property Fund and Money Market Funds which both offer a higher yield. During the year a further £1m was deposited into the CCLA Property Fund, and up to £10m was invested in Money Market Funds at any one time. As a result, investment risk was marginally increased but funds have still remained secure and the average rate of return has increased.

Financial Implications

The outturn for debt interest paid in 2018/19 was £1.59 million at an average interest rate of 2.81% against a budgeted interest charge of £1.80 million at an average interest rate of 3.13%.

Lower interest costs have been achieved due to the variable element of the loans. The rate of interest budgeted was 3% but the average rate charged was only 0.86%

The outturn for interest income received in 2018/19 was £302,092 against a budget of £45,000. The average interest rate achieved was 0.66%.

Interest received in year was greater than budgeted due to higher levels of cash for investment plus a change in the investment portfolio. The CCLA Property Fund and Money Market investments have increased the average rate of return achieved.

Performance Report

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

	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
7 Day Rate (Target)	0.62%	0.51%	0.47%	0.50%	0.50%	0.36%	0.35%	0.65%
Actual Rate	0.74%	0.31%	0.33%	0.31%	0.32%	0.25%	0.39%	0.66%

Compliance Report

The Chief Finance Officer is pleased to report that all treasury management activities undertaken during 2018/19 complied fully with the CIPFA Code of Practice and the Authority's approved Treasury Management Strategy.

Compliance with the authorised limit and operational boundary for external debt is demonstrated in the table below.

Debt Limits	Actual Debt 18/19 £'000	Operational Boundary £'000	Authorised Limit £'000
HRA	57,423	57,423	66,853
General Fund	0	5,000	5,653

The Operational Boundary represents the expected external debt outstanding in the year. The limit on the General Fund of £5m is a provision for temporary borrowing and is included as a contingency should cash flow become negative during year. The HRA's Operational Boundary represents the current borrowing undertaken due to self-financing.

The Authorised Limit is the Borrowing Cap for the Council. It represents the CFR on the General Fund and the former debt cap set by the Government on the HRA for self-financing. In his Autumn 2018 Budget Statement, the Chancellor confirmed the abolition of the HRA Debt Cap with effect from 29th October 2018. However to ensure affordability the Chief Finance Officer has retained the former limit.

The Council invests surplus funds in accordance with an approved policy and associated counterparty list. Below is a table showing the maximum investments during 2018/19 within each category on the Counterparty list and that the Council were fully compliant with the policy.

Investment Limits	Maximum Investment during 18/19 £m	Maximum invested per Counterparty £m	Limit	Maximum Term	Complied
Debt Management Office	£11m	£11m	£20m in total	364 days	✓
Other Local Authorities	£28m	£5m	£5m per Authority	364 days	✓
Money Market funds	£10m	£2m	£10m total, £2m per fund	60 days	✓
CCLA Property Fund	£2m	£2m	£2m	Indefinite period	✓
Named Counterparties (HSBC/Lloyds/BOS/Standard Chartered /Close Bros/Santander)	£2m	£2m	£2m per Bank	6 months	✓
Named Counterparties (Barclays/Goldman Sachs/RBS/NatWest/Ulster)	£2m	£2m	£2m per Bank	100 days	✓
Named Counterparties (Nationwide/Coventry)	0	0	5% of total deposits	6 months	✓
Named Counterparties (Leeds)	0	0	5% of total deposits	100 days	✓
Foreign Counterparties	0	0	AAA rated - £1m per Bank	1 month	✓
Independent Building Societies	0	0	£1m per Society	100 days	✓



**South
Derbyshire
District Council**

Prudential Indicators 2019/20

March 2019

Introduction

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

Estimated Capital Expenditure and Financing

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

	Actual					
	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Estimated Capital Expenditure	£	£	£	£	£	£
General Fund	2,202,190	2,548,064	866,000	736,000	736,000	846,000
HRA	2,104,725	2,988,000	2,935,000	2,683,000	2,470,000	2,133,000
TOTAL	4,325,620	5,536,064	3,801,000	3,419,000	3,206,000	2,979,000
Financed by						
Grants and Contributions	925,817	1,098,883	416,000	336,000	336,000	336,000
Council Resources	3,399,803	4,437,181	3,385,000	3,083,000	2,870,000	2,643,000
TOTAL	4,325,620	5,536,064	3,801,000	3,419,000	3,206,000	2,979,000

The current year estimated expenditure on the General Fund relates to the final stage of a substantial vehicle upgrade program plus a variety of projects across the District funded through the Better Care Fund. Subsequent years' expenditure relates to the continuing asset replacement program.

The general downward trend of HRA expenditure relates to the reduction in major repairs. The final phase of the New Build programme is due to complete in 2018/19 increasing the housing stock by 6 dwellings.

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

The table highlights that the 5-year investment programme is fully funded. If all financing is not secured, expenditure will need to be curtailed or other resources and reserves identified.

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

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

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

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

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

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

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

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

	Actual					
	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Expected CFR	£'000	£'000	£'000	£'000	£'000	£'000
CFR b/fwd	67,237	66,900	66,572	66,251	55,993	55,798
Add New Financing	0	0	0	0	0	0
Less MRP	-206	-197	-190	-182	-175	-168
Less VRP	-131	-131	-131	-76	-21	-21
Less Debt Repayment	0	0	0	-10,000	0	-10,000
CFR c/fwd	66,900	66,572	66,251	55,993	55,798	45,610
General Fund Proportion	5,316	4,988	4,667	4,409	4,214	4,026
HRA Proportion	61,584	61,584	61,584	51,584	51,584	41,584
	66,900	66,572	66,251	55,993	55,798	45,610

The VRP relates to the repayment of previous internal borrowing relating to the purchase of receptacles to extend the kerbside recycling scheme in 2013, together with the repayment of the internal borrowing for the Grove Hall Extreme Sports project.

Debt Pools

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

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

There is no requirement to make a MRP or VRP in the Housing Revenue Account. The HRA has debt outstanding of just over £57m. This represents the debt inherited under the self-financing framework for Council Housing.

Although no MRP is required for the HRA, money is being set-aside to repay the HRA debt in accordance with the maturity profile. This strategy is reflected in the HRA's Financial Plan. The expected CFRs over the current financial planning period to 2023/24 are detailed in the following table.

Expected CFR	Actual					
	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	£'000	£'000	£'000	£'000	£'000	£'000
General Fund	5,316	4,988	4,667	4,409	4,214	4,026
HRA	61,584	61,584	61,584	51,584	51,584	41,584

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

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

The larger CFR on the HRA is forecast to remain fairly static until such time as any new borrowing is undertaken or until the first repayment of £10m self-financing debt in 2021/2022.

Limits to Borrowing Activity

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

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

Estimated Borrowing Compared to the CFR	Actual					
	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	£'000	£'000	£'000	£'000	£'000	£'000
Gross Borrowing - HRA	57,423	57,423	57,423	47,423	47,423	37,423
Gross Borrowing - General Fund	0	0	0	0	0	0
Total Gross Borrowing	57,423	57,423	57,423	47,423	47,423	37,423
Total CFR	66,900	66,572	66,251	55,993	55,798	45,610

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

The Authorised Limit for External Debt

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

The Operational Boundary for External Debt

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

The Limit and Boundary are summarised in the following table.

Debt Limits	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000
Authorised Limit - General Fund	5,316	4,988	4,667	4,409	4,214	4,026
Authorised Limit - HRA	66,853	66,853	66,853	66,853	66,853	66,853
Operational Boundary	62,423	62,423	62,423	52,423	52,423	42,423

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

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

Cost of Debt to Finance Capital Expenditure

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

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

Cost of Servicing Debt	Actual 2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000
Estimated Net Interest Received - General Fund	-192,989	-80,000	-80,000	-80,000	-80,000	-80,000
Estimated Band D Properties (per MTFP)	32,467	33,302	33,976	34,649	35,323	35,996
Cost per Band D Property	-£5.94	-£2.40	-£2.35	-£2.31	-£2.26	-£2.22

Estimated Net Interest Payable - HRA	1,481,149	1,797,805	1,797,880	1,797,957	1,498,036	1,498,116
Estimated Dwellings (per MTFP)	2,971	2,946	2,928	2,913	2,898	2,886
Annual Cost per Dwelling	£498.53	£610.25	£614.03	£617.22	£516.92	£519.10

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

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

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

	Actual 2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Estimated Usable Reserves	£'000	£'000	£'000	£'000	£'000	£'000
General Fund	10,426	8,593	7,431	6,172	4,667	2,481
Earmarked	12,785	13,435	13,574	14,548	14,699	14,988
Capital Receipts and Grants	9,282	9,387	9,826	10,187	10,385	10,505
Debt Repayment	5,046	6,470	8,018	1,499	5,674	0
HRA General Reserve	6,919	6,869	6,817	5,275	3,705	2,586
TOTAL	44,458	44,754	45,666	37,681	39,130	30,560

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

It is estimated that the current level of earmarked reserves will gradually increase over the planning period due to S106 receipts and provisions for growth. The level of capital receipts is estimated to fluctuate due to the timing of receipts from council house and planned land sales, together with the timing of actual capital expenditure payments.

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

Ratio of Financing Costs to Net Revenue Stream

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

	Actual 2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Financing Ratios	£	£	£	£	£	£
General Fund						
Estimated Council Tax Income	5,169,071	5,405,401	5,622,257	5,845,514	6,075,342	6,311,909
Net Interest Receivable	-192,989	-80,000	-80,000	-80,000	-80,000	-80,000
Proportion	-3.73%	-1.48%	-1.42%	-1.37%	-1.32%	-1.27%
HRA						
Estimated Rental Income	12,096,853	11,955,000	12,204,000	12,437,000	12,743,000	13,062,000
Estimated Net Interest Payable	1,481,149	1,797,805	1,797,880	1,797,957	1,498,036	1,498,116
Proportion	12.24%	15.04%	14.73%	14.46%	11.76%	11.47%

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

COUNTERPARTY LIST 2019/20
(As at 1st April 2019)

Institution	Limit	Maximum Term
<u>Specified Investments</u>		
<ul style="list-style-type: none"> UK Debt Management Office (DMO) 	£20m	364 Days
<ul style="list-style-type: none"> Local, Police, Fire and Parish Authorities 	£5m with any one Authority	364 Days
<u>Non Specified Investments</u>		
<i>Named Counterparties</i>		
<ul style="list-style-type: none"> CCLA LAMIT Property Fund 	£2m	Indefinite period, subject to quarterly review
<ul style="list-style-type: none"> Money Market Funds 	£10m in total and £2m with any one Fund	60 days
<ul style="list-style-type: none"> HSBC Lloyds Bank Plc Bank of Scotland Standard Chartered Bank Close Brothers Santander UK 	£2m with any one Bank	6 months
<ul style="list-style-type: none"> Barclays Bank NatWest Bank Royal Bank of Scotland Ulster Bank Ltd Goldman Sachs International 	£2m with any one Bank	100 days
<ul style="list-style-type: none"> Nationwide Building Society Coventry Building Society 	5% of total deposits	6 months
<ul style="list-style-type: none"> Leeds Building Society 	5% of total deposits	100 days
<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 any one 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 any one society	100 days

REPORT TO:	FINANCE AND MANAGEMENT COMMITTEE (SPECIAL)	AGENDA ITEM: 8
DATE OF MEETING:	25th JULY 2019	CATEGORY: RECOMMENDED
REPORT FROM:	STRATEGIC DIRECTOR (CORPORATE RESOURCES)	OPEN
MEMBERS' CONTACT POINT:	KEVIN STACKHOUSE 01283 595811 Kevin.stackhouse@southderbyshire.gov.uk	DOC: s/finance/committee/2018-19/July/budget outturn report 2019
SUBJECT:	BUDGET OUT-TURN and FINAL ACCOUNTS 2018/19	REF:
WARD (S) AFFECTED:	ALL	TERMS OF REFERENCE: FM 08

1.0 Recommendations

1.1 To approve the final out-turn position for:

- The General Fund Revenue Account 2018/19
- The Housing Revenue Account 2018/19
- Capital Expenditure and Financing 2018/19
- The Collection Fund 2018/19
- The Balance of Reserves and Provisions at 31st March 2019.

1.2 That a net appropriation of £2,951,610 in 2018/19 is made from the General Fund Reserve to other Earmarked Reserves as detailed in the report.

1.3 That the Committee note the following contributions and adjustments have been made to Bad Debt and Appeal Provisions in 2018/19:

Sundry Debtors	114,960	General Fund
Temporary Accommodation	-7,872	General Fund
Housing Benefit Overpayments	39,033	General Fund
Council Tax Arrears	27,975	General Fund
Business Rates Arrears	163,853	General Fund
Business Rates Appeals	169,324	General Fund
Planning Appeals	-37,500	General Fund
Housing Rent Arrears	17,113	HRA

2.0 Purpose of Report

2.1 To detail the final out-turn position for 2018/19 on the Council's main revenue and capital accounts. The report also details the financial position on these

accounts as at 31st March 2019 compared to that estimated in the Council's Medium-Term Financial Plan (MTFP).

Background – The Accounts Process

- 2.2 The Council's Draft Statement of Accounts (prior to Audit) was signed-off by the Chief Finance Officer for External Audit on 31st May 2019 and published on the Council's website.
- 2.3 In accordance with the Accounts and Audit Regulations 2015, the Accounts are audited during June and July with an opinion reported to the Audit Sub Committee and Finance and Management Committee by 31st July 2019.
- 2.4 During the interim period, the draft (unaudited) accounts are available for inspection with the External Auditors who are available to receive questions and comments from the public for the period commencing 3rd June to 10th July 2019. This "public right" is advertised on the Council's website and in the reception area of the Civic Offices.
- 2.5 Due to attrition of staff, the External Auditors have reported that they are unable to resource the audit during the specified period; therefore the Council will not achieve the regulatory deadline for publication of the audited accounts by 31st July 2019. However, the Public Sector Auditor Appointments (PSAA) Body, the Government Agency who oversee the work of external auditors, have confirmed that they will ensure that the Council is not responsible for the delay. At this stage, the Accounts are now due to be Audited in September 2019.
- 2.6 The Statement of Accounts is prepared and reported to fulfil statutory requirements and is based on approved accounting standards. The Statements provide detail regarding the Council's assets and liabilities and analyse income and expenditure for the year.
- 2.7 This budget out-turn report summarises the financial performance against the Council's approved budgets on the General Fund, Housing Revenue and Capital Accounts. It also provides details of the Collection Fund position, together with details of provisions and reserves.
- 2.8 This report is divided into the following sections:
 - Section 3 – General Fund Revenue Account and Collection Fund 2018/19
 - Section 4 – Housing Revenue Account 2018/19
 - Section 5 – Capital expenditure and financing 2018/19
 - Section 6 – Provisions and reserves as at 31st March 2019

 - Appendix 1 - General Fund Account 2018/19
 - Appendix 2 – The Collection Fund 2018/19
 - Appendix 3 – Earmarked reserves 2018/19
 - Appendix 4 – Service Plan Financial Indicators 2018/19

3.0 **GENERAL FUND REVENUE ACCOUNT**

3.1 Apart from Council Housing, day-to-day income and expenditure on Council services is accounted for in the General Fund. The net expenditure is financed by:

- General Government Grant
- Retained Business Rates
- New Homes Bonus
- Council Tax

3.2 The Budget for 2018/19, which was approved in February 2018, estimated a budget deficit of £161,270 for 2018/19. Following the update of the Medium-term Financial Plan (MTFP) in February 2019, this was revised to a surplus of £832,258 as summarised in the following table

	£
Base Budget	12,070,316
Reverse out Depreciation	-871,666
Minimum / Voluntary Revenue Provisions	336,861
Contingent Sums	592,593
Total Estimated Spend	12,128,104
Financing	-12,960,362
Estimated Surplus	-832,258

Final Budget Out-turn 2018/19 - Summary

3.3 **Appendix 1** details the final out-turn on the General Fund for 2018/19 with a comparison to the approved budget.

3.4 The appendix shows that the General Fund achieved a surplus, after appropriations, of £1,782,692 for the year. This was approximately £950k greater than budgeted.

3.5 This level of variance was higher than expected and previously reported, and was mainly due to salary savings offset in part by interim support (£397k) and higher levels of unbudgeted income from grants, Business Rates, investments and fees (£592k). The third quarter's monitoring reported to the Committee in March 2018 forecast a surplus of £937k.

3.6 There are several items that are accounted for in the General Fund's income and expenditure account, but are then adjusted through earmarked reserves. This includes additional expenditure associated with Parks and Open Spaces, Homelessness Prevention and receipts from asset sales.

Overview of Income and Expenditure 2018/19

3.7 Although there was an overall surplus, this was after meeting some additional cost pressures. Many of the variances have been reported in monitoring reports during the year, with actual figures now finalised. An analysis of the

major variances is shown in the following tables with further commentary in the sections that follow.

Summary of main variances compared to the budget

Favourable variances	£'000
Salary savings (vacancies, maternity etc.)	-687
Unbudgeted grant income received	-187
Additional Investment income	-148
Additional unbudgeted income across the Council	-130
Additional Business Rates income	-127
Reduced Benefits costs - detailed in the report	-103
Professional fees underspend	-86
Lettings from Industrial and Commercial Units	-76
Lower Transport costs	-42
Housing benefit repayments	-32
Contingent Sum savings	-26
Members allowances and expenses	-24
Reduced External Audit fee	-23
Total Favourable Variances	-1,691
Adverse variances	
External Legal support unbudgeted	22
Processing charges for Revenues and Benefits	29
Additional Bin Purchases due to Growth	38
Bad Debt Provision unbudgeted	46
Other Local Authority support - Building Control and GIS	48
Business Rates Rateable Value finder fee	48
Business Rates costs	62
Reduced HRA recharges	73
Vehicle Hire	83
Agency and consultancy staff	290
Total Adverse Variances	739
Total Major Variances - Favourable less Adverse	-952
All Other Variances	2
Total Net Variance - Overall Reduction	-950

Variances

- 3.8 Salary savings were made in the year due to a number of vacancies and maternity leave but these were partially offset by agency cost and interim support.

3.9 Additional Benefit Administration Grant (£48k) and Council Tax Annex Grant (£5k) plus Discretionary Housing Benefit (£121k) and New Burdens funding (£13k) were received in year but were unbudgeted.

3.10 The Council achieved a significantly better return on investments than forecast due to having more funds on deposit with the CCLA, Money Markets, other Local Authorities and the DMO than in previous years.

3.11 A large favourable variance was achieved through additional income retained from Business Rates. This is explained in more detail at 3.14.

3.12 Additional income was generated through fees, detail of which is listed below:

	£'000	
Recycling	-30	Higher income receipt per tonne than budgeted
Service Charge	-25	Derbyshire County Council charge for use of Civic Offices
Land Charges	-24	
Food Safety	-24	Food export licences and audits
Court Fees	-18	Council Tax
Planning fees	-17	
Trade Waste	-16	
Indoor Sports and Recreation	-13	Artificial grass pitch and vending machine surplus
Cemetery fees	-10	
Housing Standards	-8	Recovery of enforcement works
Planning Policy	-7	Recharge of staff time to other local authorities
Street Naming and Numbering	-6	
Street Cleansing	-6	Income for dog bins from Parishes
Licensing	44	Prepayment of income due to IFRS 15 updates*
Building Regulations	46	Market share reduction
	-114	
Other income	-16	Numerous income variances less than £5k
TOTAL VARIANCE	-130	

**IFRS15 Revenue from contracts with customers – from 2018/19, an update has been implemented to ensure that all income is recognised over the period it relates to. A thorough review of all income streams has been undertaken and amendments were required to Licensing income in year. Receipts of cash payments for Licences have not reduced but the accounting treatment of the receipt has been amended.*

General Grants and Business Rates Income

3.13 This is detailed in the following table.

Analysis of General Grant Income	Estimate £'000	Actual £'000	Variance £'000
Transitional Grant	-49	-49	0
Business Rates Retention	-4,985	-5,112	-127
New Homes Bonus	-2,702	-2,702	0
Council Tax Income	-5,224	-5,224	0
New Burdens funding	0	-13	-13
	-12,960	-13,100	-140

Retained Business Rates

3.14 An analysis of income retained directly in the General Fund is shown in the following table.

	£'000
Approved Precept	13,338
Tariff paid to the Derbyshire Pool	-8,242
S31 Grants - Business Rates Relief	537
Payment to Derbyshire Economic Prosperity Board	-138
Business Rates Deficit 18/19	-474
Net amount received in retention system	5,021
Add: Declared deficit 2017/18	-383
Add: Reversal of deficit 2018/19 (as above)	474
Total Business Rates Retained	5,112

3.15 Business rates generated a deficit in 2018/19, of which the Council's share was approximately £474k as shown in the previous table. This was due to an increase in the appeals provision and a lower than forecast growth in income; *this is detailed later in the report from paragraph 3.43.*

Estates Income

3.16 The high level of property lettings during the year, with very little incidence of empty units, generated additional income of approximately £76k overall compared to that budgeted.

Professional Fees

3.17 The Council budgets for the use of external organisations to support with professional services. During 2018/19 the need for support was lower than in previous years and the savings are listed below:

	£'000	
Planning Policy	-39	Unrequired Local Plan support
Planning appeals	-34	Release of 17/18 provision plus lower costs
Estate Management	-17	Lower costs from the Valuation Office
	-90	
Other variances	4	All small favourable and adverse variances
TOTAL VARIANCE	-86	

Contingent Sums

3.18 The amount set-aside as a contingent sum in the year to meet growth was not utilised. The growth provision acts as a safeguard against unforeseen matters arising in the year, i.e. to mitigate "budget risk."

3.19 The total amount set-aside is highlighted in the following table.

Waste Collection and Recycling	£100,000
Growth	£315,000
Senior Management Restructure costs	£38,716
Apprenticeship Levy	£28,877
Rateable Value finder fee	£100,000
Off-payroll payments	£10,000
Total contingent sum 2018/19	<u>£592,593</u>

3.20 In year, the £415k for growth, waste collection and recycling has been transferred to an earmarked reserve (as previously approved by the Committee) to help guard against future liabilities and is therefore a cost, as budgeted, to the General Fund.

3.21 A proportion of the Senior Management Restructure costs (£26k) has been utilised in year for payment of the DMA review and implementation of the structure.

3.22 The Rateable Value finder fee provision has been fully utilised in year with only £3k remaining on the Apprenticeship Levy provision and there has been no requirement to utilise the off-payroll provision. The total saving on contingent sums for the year is £26k as noted in Appendix 1.

Provision for Bad Debts

3.23 Under accounting regulations, the Council has to provide for debts that may become uncollectable and which may need to be written-off. Provisions are based on a calculation that takes into account the risk of a debt becoming uncollectable.

3.24 The provisions made in 2018/19 are shown in the following table.

Sundry Debtors	£114,960
Temporary Accommodation	-£7,872
Housing Benefit Overpayments	£39,033
Total	<u>£146,121</u>

3.25 The total contribution of £146,121, as shown in the above table, was greater than that budgeted of £100,000. An increase was required in the provision for sundry debts as the level of outstanding debt has increased alongside the age of the debt resulting in a higher percentage being applied.

3.26 In November 2018 the sundry debt responsibility was transferred into the Finance department and a number of write-offs of older, irrecoverable debt

were reported in March 2019. Work is being progressed to reduce debtor days due to the focus on sundry debt being heightened after the transfer and it is expected that this provision will reduce during 2019/20.

Temporary Accommodation - Bed and Breakfast Charges

3.27 These charges arise where the Council has to incur costs under its duties to provide temporary accommodation for homeless persons. The Council is entitled to recover the costs but this is generally difficult as people concerned are unlikely to have the means to pay.

3.28 The Council is responsible for pursuing recovery of the amount owed and this is generally difficult. However, a reduction in the provision has now been achieved due to write-offs of irrecoverable debt in year.

3.29 In addition, the Council has an earmarked reserve, which relates to Government grants not fully utilised from previous years, to fund initiatives to prevent the incidence of homelessness occurring. This is overseen by the Housing and Community Services Committee.

Housing Benefit Overpayments

3.30 These relate to overpayments whether they have occurred through processing error, claimant misinformation or fraud. The recovery is usually slow and may take several years where an overpayment is being deducted from on-going benefit. Depending on how the overpayment occurred, on average, around 40% is reimbursed through the housing benefit subsidy system in the year that the overpayment occurred.

Net Cost of Housing Benefits

3.31 In addition, the cost of Housing Benefits decreased overall by £135k as shown in the following table.

	Estimate £'000	Actual £'000	Variance £'000
Rent Allowances Paid	10,045	10,148	103
Rent Allowances Subsidy	-9,752	-9,954	-202
Net Cost of Rent Allowances	293	194	-99
Rent Rebates Paid	6,523	6,067	-456
Rent Rebates Subsidy	-6,458	-6,006	452
Net Cost of Rent Rebates	65	61	-4
Net Cost of Benefits Paid	358	255	-103
Overpayments Recovered (Rent Allowances)	-150	-182	-32
Overall Cost of Housing Benefit	208	73	-135

3.32 The cost of benefits falling on the Council is sensitive to small changes given the amount involved. It is important that the Council maximises its subsidy through robust processing. The total cost of benefits paid and administered across over 9,000 claims was approximately £16m in 2018/19. Even a ½% variation in subsidy equates to nearly £100,000.

3.33 The previous table shows that the net cost of benefits paid was approximately £103k less than that estimated.

3.34 Overpayments recovered were budgeted at £150k against an actual recovery of £182k. Any overpayments recovered are a direct benefit to the General Fund.

Other Variances

3.35 Vehicle hire was higher than budget in year due to later delivery of the new vehicle fleet than initially forecast. The cost of hire was partially offset by savings on spare parts and fuel.

3.36 Due to savings generated within Central Support cost centres within the General Fund, the recharge of support to the HRA is lower. The HRA is recharged an average of 23% of specific support services.

3.37 Business Rates costs in year were higher than budgeted due mainly to the new depot. In year, the former depot on Darklands Road and the new depot on Boardman Industrial Estate both incurred charges which were not fully budgeted.

3.38 The Rateable Value finder fee charged by Analyse Local was originally budgeted at £100k. The over spend in year is due to more businesses than forecast being under charged for Business Rates in previous years. This cost will be offset by additional Business Rates income and will not be incurred in future years due to employing an Inspector in the Revenues team.

3.39 Local Authority support has been received from Lichfield District Council for Building Control services and North Lincolnshire for the LLPG. These costs were incurred to offset vacancies in these services.

3.40 Growth in the District has resulted in additional bins being required. This has not been drawn down from the Growth Provision in year.

Transfers to/from Earmarked Reserves

3.40 This is split between expenditure that is incurred and financed from earmarked reserves, together with amounts received in advance and capital receipts,

which need to be transferred into earmarked reserves to meet future expenditure.

- 3.41 In addition, certain budget managers have made requests to transfer underspends from budgets in the year into 2018/19, to meet on-going commitments. Several of these have already been approved by the Committee. All proposed transfers are detailed in the following table.

Transfers between General Reserve and Other Reserves 2018/19

Transfers from General Reserve to other reserves	£'000
Economic Regeneration Fund	1,000
District Growth	415
Vehicle Replacement Fund	270
Civic Offices planned maintenance - revenue contribution	130
ICT contribution for future upgrade works	98
Government Funding - Homelessness Prevention	75
Public Buildings repairs under spend	52
Health Partnership contribution	39
Finance resource cost	30
Planning - Government grant for future resource cover	30
Safer Communities	20
Building Control transition costs	20
Government Funding - EU Exit	17
Get Active in the Forest contribution	17
Government Funding - Parks Improvement	16
Corporate training under spend	12
New Town Centre reserve top up	12
Transfer of turnover share from Rosliston Forestry Centre Café	11
Planning - future District Conservation works	10
Welfare Reform, Fraud and Compliance	8
	2,282

Transfers from other reserves to the General Reserve	£'000
Garden Village - Government funding drawdown by Derby City	-65
Community Right to Bid, Challenge and Property Records Data	-44
Sport and Health external funding	-34
Repton - former Depot site drawdown	-33
Parks and Open Spaces drawdown	-31
Drawdown for repairs at Green Bank Leisure Centre and Caretaker house (Melbourne Assembly Rooms)	-24
Environmental Education	-24
Dilapidation Works - Factory Site as per Lease Agreement	-2
Strategic Partnership costs in year	-1
	-258
	2,024

- 3.42 These amounts are adjusted through reserve transfers as detailed in **Appendix 4**. The overall effect on the General Reserve following the surplus on the General Fund, together with these transfers to earmarked reserves, is detailed in Section 6.

THE COLLECTION FUND

- 3.43 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 other Preceptors on the Fund, including this Council.
- 3.44 During the year, Council Tax continued to perform better than estimated, mainly due to the continuing increase in properties. Although receipts from Business Rates continued to increase, the forecast for anticipated growth was far greater than achieved. The final out-turn on the Fund for 2018/19 is detailed in **Appendix 2**.

Council Tax collectable

- 3.45 Overall collection generated a surplus in the year of £898k. This maintained a cumulative fund balance of £1,820k as at 31st March 2019 – an increase of £365k compared to that estimated. This was mainly due to an increase in Council Tax collectable from a greater number of properties compared to that estimated.
- 3.46 The amount due to South Derbyshire is approximately £193k (*10.6% of £1,820k*). This amount remains in the Collection Fund pending the 2020/21 budget round, when the surplus on the Fund has to be declared in setting the Council Tax for the following year. Depending on the on-going performance of Council Tax, at this point any surplus due to the General Fund will be included in the MTFP.

Business Rates

- 3.47 As highlighted earlier in the report, this part of the Fund generated a deficit in 2018/19 of £949k, compared to an estimated surplus of £2k. This was due to a lower than forecast growth in collectable rates offset in part by a release of the appeals provision.

Business Rates Appeals

- 3.48 Under accounting regulations, the Council has to provide against a certain amount of appeals being successful.
- 3.49 During 2018/19, a number of the larger appeals dating back to 2010 have now been settled. The provision made against these appeals was higher than required and has therefore resulted in a release of part of the provision.

3.50 The provision for appeals bought forward from 2017/18 was £2.05m. This was reduced to £1.98m after a review of the remaining outstanding appeals on file.

4.0 HOUSING REVENUE ACCOUNT (HRA)

4.1 The Council is required to account separately for income and expenditure in providing Council Housing. The approved HRA Budget for 2018/19 was set with a surplus of £1,099k.

4.2 This surplus was revised to a reduced surplus of £293k in February 2019, following a review of capital expenditure for major repairs, depreciation charges and a change in the profile of revenue reserve contributions to the Debt Repayment Reserve. At the end of the third quarter, the surplus was projected to be higher at £670k.

Final Out-turn 2018/19

4.3 Final performance on the HRA is shown in the following table.

Summary HRA 2018/19	BUDGET	ACTUAL	VARIANCE
	£000	£000	£000
Total Income	-12,626	-12,590	36
Contribution to Capital	2,543	1,933	-610
Responsive & Planned Maintenance	3,143	2,710	-433
Interest on Debt and Investments	1,798	1,484	-314
Supervision & Management	1,907	1,751	-156
Supported Housing & Careline Services	795	839	45
Provision for Bad Debts	100	64	-36
Asset Replacement contribution	45	45	0
Contingent Sums	11	0	-11
Surplus	-2,285	-3,764	-1,480
Transfer to Debt Repayment Reserve	1,992	1,992	0
HRA General Reserve Increase	-293	-1,772	-1,480

4.4 The table shows that the HRA generated a surplus greater than that estimated, although there were some more significant variances within the overall variance figure of £1,480k as shown in the above table.

4.5 A number of these variances were known but not to the full extent realised and were reported to the Committee as part of the third quarter's monitoring report in March 2019.

4.6 Interest on debt was lower due to the interest rate on the variable element of the debt portfolio (£10m) having been settled at 0.92% compared to that budgeted of 2.50%. Interest received from investments was also significantly higher than budgeted due to the Council having more funds on deposit than in previous years.

Other Variances

- 4.7 The main favourable variances related to supervision and management and repairs and maintenance. Some of this arose due to staff vacancies and a review is in progress regarding current vacancies and future service requirements.
- 4.8 Due to the vacancies and the finish of all major contracts for the HRA, repairs and maintenance were significantly underspent in year but is expected to be on budget in 2019/20.
- 4.9 Capital expenditure in year was lower than budgeted. The contribution to capital from revenue resources is a statutory requirement through a depreciation charge. Depreciation charged to revenue is then reversed in reserves but can only be used to fund capital items. In year, the depreciation was lower than initially forecast due to an increase in asset life as recommended by the valuer. Although not required, a contribution of £700k has still been made to fund future capital projects.
- 4.10 The provision for bad debts is based on the level of rent arrears at each year-end. The level of arrears and associated bad debts provision is shown in the following table.

	2017	2018	2019
Debt outstanding	£	£	£
Leaseholders	1,764	1,706	6,071
Current Tenants	221,844	255,424	300,512
Former Tenants	107,648	129,389	100,527
	331,256	386,519	407,110
Bad debt provision	194,312	234,127	251,240

- 4.11 The level of arrears has increased by £21k in the year. The bad debt provision required has increased from £234k to £251k, with an increase of £64k after write-offs (compared to an estimate of £100k) required as shown in the following table.

	£
Bad debt provision b/fwd	234,127
Less write-offs in 2018/19	-46,613
Remaining provision	187,514
Provision required	251,240
Top-up required to HRA	63,726

- 4.12 Overall, the effect of the HRA surplus on the HRA's General Reserve is detailed in **Section 6**.

5.0 **CAPITAL EXPENDITURE and FINANCING 2018/19**

5.1 The final out-turn is summarised in the following table.

Capital spending final out-turn 2018/19

	Budget £	Actual £	Variance £
Council House Improvements	2,543,000	1,347,814	-1,195,186
Council New Build and Acquisition	754,000	516,633	-237,367
Private Sector Housing Renewal	1,675,307	499,195	-1,176,112
Community Services	552,564	117,181	-435,383
Environmental Development	182,000	221,129	39,129
Property, Plant and Equipment	1,788,510	1,635,938	-152,572
Total spending	7,495,381	4,337,890	-3,157,491

Council House Improvements

5.2 The expenditure also included disabled facility adaptations. The overall expenditure in the year was lower than estimated due to a review of some contracts regarding how they are packaged, for example, combining the heating replacement and servicing contracts.

5.3 A new contract under a framework has now been agreed and an updated schedule of works has been reported to Housing and Community Services Committee for expected capital works in 2019/20 and £700,000 has been contributed to the Major Repairs Reserve for future works.

Council House New Build and Acquisition

5.4 Phase 2 New Build of 6 dwellings at Lullington Road is due to be completed during the first quarter of 2019/20. A Homes England grant of £180,000 has been secured and is paid in stages during the development.

Private Sector Housing Renewal

5.5 Funding has been received from Derbyshire County Council as part of the Better Care Fund (BCF) allocation during 2018/19 totalling £734,320. An additional one-off sum of £88,434 from MHCLG for Disabled Adaptations was also received in the year.

5.6 An under spend of £792,553 from BCF in 2017/18 was carried forward into 2018/19 and projects have since been approved by the BCF board and the Council. A number of these projects are still in the planning stages and have yet to have any committed expenditure against them.

5.7 Expenditure totalled £499,195 during 2018/19 and funded the administration of Disabled Facility Grants (DFG) (£451k), a Dedicated Mental Health Worker (£13k), an Additional Technical Officer for DFG (£32k) and a Countywide Stock Modelling Report (£3k). The balance of funding has been carried forward into 2019/20 to be utilised within the District during the coming year.

Community and Leisure Schemes

- 5.8 The Community Partnership Scheme grants are now fully committed but were unclaimed at the year-end showing an under spend of £239,005. Expenditure is expected to be incurred during the course of 2019/20.
- 5.9 General Fund bids for the Rosliston Forestry Centre Play project and Swadlincote Woodlands Nature Reserve project had not started during 2018/19. Swadlincote Woodlands has now secured grant funding and the project should be underway in 2019/20. Rosliston Forestry Centre will not progress until after the tender of the site during 2019/20. The under spend for these two projects is £167,000.
- 5.10 Eureka Park is in the late stages of completion and expenditure incurred of £35,750 is funded by S106 and the Heritage Lottery Fund. The Town Hall refurbishment of the windows cost £15,076 in year and was funded through earmarked reserves.
- 5.11 A budget of £450,000 for drainage works at the Melbourne Sports Park was approved in July 2018 being set-aside from the General Fund. Costs in year totalled £17,102 with the remaining budget being carried forward into 2019/20.

Environmental Development

- 5.12 The budget under spend is due to profiling of grant payments for the Townscape Project, which is now nearing completion with final grant payments due during the first half of 2019/20.

Property, Plant and Equipment

- 5.13 Expenditure was incurred for a number of different projects during the year, the most expensive being the replacement of refuse freighters and vans totalling £1,385,411. All vehicles were fully funded through earmarked reserves set-aside in previous years.
- 5.14 The demolition of the former Council depot on Darklands Road was budgeted to cost £75,000 and was due to be funded through Capital Receipts. However, the final cost of the works have totalled £65,006 and grant funding of £55,255 has been secured from the D2 Business Rates Retention Programme and will be received during the first half of 2019/20 reducing the drawdown required from the Capital Receipts Reserve.
- 5.15 Land sales at Staley Close and Oversetts Road, which totalled £790,960, have incurred costs totalling £95,064 which have been funded from the capital receipts from the land sales. Purchase of land at Pinfold Close, Repton costing £14,000 was approved at Committee in June 2018 and was funded through the General Fund.
- 5.16 A final charge for the refurbishment of the new Council depot on Boardman Industrial Estate of £46,764 has been funded from capital receipts in year.

- 5.17 The budget for repairs to village halls has been partially spent in year with costs incurred for Walton Village Hall. Expenditure totalled £22,625 with £9,075 remaining in the budget for future works.
- 5.18 Smaller costs were incurred for the Midway Community Centre Extension for initial design works (£4,988) and works on factory premises (£2,080). These were funded from capital receipts and earmarked reserves respectively.

Financing Capital Expenditure

- 5.19 The expenditure was financed as summarised in the following table.

Financing capital expenditure 2018/19

	Budget £	Actual £	Variance £
Capital Resources	3,594,452	2,043,239	-1,551,213
External Grants and Contributions	1,910,607	830,979	-1,079,628
General and Earmarked Reserves	1,990,322	1,462,222	-528,100
S106 Contributions	0	1,450	1,450
Total funding	7,495,381	4,337,890	-3,157,491

- 5.20 The variance reflects expenditure outstanding and this will be drawn down as schemes are progressed and external funding is received.

6.0 RESERVES, BALANCES AND PROVISIONS

Provisions

- 6.1 In accordance with accounting standards, provisions are made in the accounts by charging the income and expenditure account in the year that a potential liability becomes known.
- 6.2 A provision is made where a known liability exists that has arisen from normal day-to-day operations. The liability will normally be one-off and is more than likely to occur. However, the timing and amount may not be certain, but can be reasonably estimated.
- 6.3 In these circumstances, accounting standards direct that it is prudent to make a provision in the accounts.

Bad Debt Provisions

- 6.4 These are made based on the age and profile of debt outstanding. The provisions are made based on a formula that calculates a percentage on the likelihood of a debt or category of debt being collected.
- 6.5 The longer the debt has been outstanding or where no account has had any transactions for some time, the greater the provision that has to be made. Provisions were made in 2018/19 as shown in the following table.

Sundry Debtors	114,960	General Fund
Temporary Accommodation	-7,872	General Fund
Housing Benefit Overpayments	39,033	General Fund
Council Tax Arrears	27,975	General Fund
Business Rates Arrears	163,853	General Fund
Business Rates Appeals	169,324	General Fund
Planning Appeals	-37,500	General Fund
Housing Rent Arrears	17,113	HRA

- 6.6 An additional provision was required for sundry debtors due the age and volume of debt increasing during 2018/19 as explained earlier in the report.
- 6.7 The provision for Council Tax arrears was increased due to an increase in the age of the debt. The increase in the provision for 2018/19 is contained within the overall surplus balance on the Collection Fund, as detailed earlier in the report in Section 3.
- 6.8 The reasons for the amounts calculated for business rate appeals and housing rent arrears have also been detailed earlier in the report, in Sections 3 and 4 respectively.
- 6.9 In addition to on-going provisions for bad debts and business rates appeals, further provisions continue to be made as shown in the following table.

Analysis of Other Provisions

	Provision b/fwd April 2018 £'000	Increased during the year £'000	Utilised during the year £'000	Released £'000	Provision c/fwd March 2019 £'000
Planning Appeal	-107	-71	8	100	-70
NNDR Appeals	-823	-510	180	162	-991
Termination Benefits	-64	0	64	0	0
Total Provisions 2017/18	-1,109	-581	252	262	-1,061

- 6.10 The amounts released during the year arose due to the liability being lower than estimated when the provision was originally established. These amounts, together with the increases are re-credited or debited (respectively) to the General Fund.

General Fund Reserve

- 6.11 Following the out-turn figures detailed in Section 3, the position on the General Fund Reserve Balance is summarised in the following table.

General Fund Reserve	Budget £'000	Actual £'000	Variance £'000
Balance b/fwd 1st April 2018	-10,044	-10,044	0
Add Surplus for year	-832	-2,621	-1,789
Add: Accounting Adjustments	0	-590	-590
Less: Contribution to Asset Replacement Fund	400	400	0
Less: Contribution to Capital Works	435	54	-381
Less: Contribution to the District Economic Development Fund	1,000	1,000	0
Net Contribution to Earmarked and Capital Reserves	0	1,375	1,375
Closing Balance as at 31st March 2019	-9,041	-10,426	-1,385

6.12 The table shows that the level of general reserves was greater than estimated at March 2019 by around £1,385k, after allowing for the transfer to earmarked reserves as detailed in Section 3 of the report. This improved position is due to the better out turn as detailed in Section 3.

6.13 The remaining contributions towards capital works will be maintained in the Reserve. They will be drawn down as expenditure is incurred to complete the relevant schemes in 2019/20. After allowing for this, the General Fund is £1,004k more favourable (£1,385k - £381k) when compared to the MTFP.

Earmarked Reserves

6.14 The Council maintains earmarked reserves that are held, at the Council's discretion, for specific purposes. These are to meet one-off items of expenditure, together with areas where costs are incurred over several years, for example, vehicle and ICT replacements together with repairs and maintenance and where external funding may be received in advance of expenditure.

6.15 Annual contributions are made to these reserves from other accounts and reserves and they are drawn-down to finance expenditure in revenue and capital accounts as required.

6.16 Once established, earmarked reserves can only be used for that specific purpose. Other reserves may be established through a legal agreement or contractual commitment.

6.17 The Council's earmarked reserves are detailed in **Appendix 3**. This shows the overall change on individual balances during 2018/19, including the appropriations detailed earlier in the report in Section 3.

Housing Revenue Account (HRA) Reserve

6.18 Section 4 detailed the final account of the HRA and this highlighted a surplus for 2018/19 of £1,772k.

6.19 The HRA reserve balance totals £6.91m as at 31st March 2019. This is £1,579k higher than estimated – mainly due to the lower overall expenditure in 2018/19.

6.20 The reserve balance is shown in the following table.

HRA General Reserve	Budget £'000	Actual £'000	Variance £'000
Balance b/fwd 1st April 2018	-5,147	-5,147	0
Contribution to Earmarked Reserves	100	0	-100
Add Surplus for year (section 4)	-293	-1,772	-1,479
Closing Balance as at 31st March 2019	-5,340	-6,919	-1,579

General Fund Capital Receipts Reserve

6.21 The position on this reserve during 2018/19 is shown in the following table.

General Capital Reserve	£'000
Balance b/fwd 1st April 2018	505
Add: Land Sales - Oversetts Road	291
Add: Land Sales - Staley Close	433
Less: Contribution to Capital Works	-156
Closing Balance as at 31st March 2019	1,073

6.22 Within the balance on the reserve is £734k in relation to the overage payment for property sales in Midway.

HRA Capital Receipts Reserve

6.23 This is the reserve that is being used to finance the New Build and Acquisition programme. In accordance with Council policy, all proceeds (net of any pooling payment) from the sale of existing council houses and HRA land are transferred to this reserve.

6.24 The position on this reserve during 2018/19 is shown in the following table.

Housing Capital Reserve	Budget £'000	Actual £'000	Variance £'000
Balance b/fwd 1st April 2018	1,529	1,529	0
Add: Retained Receipts from Council House Sales	733	1,268	535
Add: Deed of Release	45	45	0
Add: Grant income	185	135	-50
Less: New Build Costs in year	-754	-517	237
Closing Balance as at 31st March 2019	1,738	2,460	722

6.25 The table shows that the balance on the Reserve is higher than estimated at the end of the year which is due to additional Right to Buy Retained income receipts.

Other Capital Reserves

- 6.26 Other Capital Reserves consist of Major Repairs and Debt Repayment. The balance stands at £8.50m as at 31st March 2019. This has increased in year due to contributions from the HRA. This reserve will receive annual contributions from HRA surpluses in future years in order for debt to be repaid from 2022 and to allow for provision of major capital works in the future. This is in accordance with the HRA Financial Plan.

7.0 Financial Implications

- 7.1 As set out and detailed in the report.

8.0 Corporate Implications

- 8.1 As detailed in the report.

9.0 Community Implications

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

10.0 Background Papers

- 10.1 None

GENERAL FUND INCOME AND EXPENDITURE - APPENDIX 1

		ACTUAL	BUDGET	VARIANCE	
AAD00	Democratic Representation & Management	79,765	80,008	-243	
AAM00	Corporate Management	55,625	45,909	9,716	Legal support
AAM01	Corporate Finance Management	51,197	56,227	-5,030	Favourable EY fee £23k; adverse GDPR £11k, HRA recharge £7k
ABP00	Funded Pension Schemes	252,290	262,116	-9,826	Pension fee
ABU00	Increase/Decrease in Provision for Bad or Doubtful Debts (GF)	146,120	100,000	46,120	Sundry debt £115k, benefits £39k, B&B -£8k
ACA00	Council Tax Collection	-32,194	20,140	-52,335	Favourable salaries £30k, court fees £18k, grant income £4k
ACA40	Non Domestic Rates Collection	108,091	60,010	48,081	Rateable Value finder fee
ACD00	Elected Members	285,501	312,350	-26,850	Favourable training £4k, Member expenses £20k, insurance £6k; adverse HRA recharge £4k
ACE00	Registration of Electors	60,689	49,473	11,216	Print/post £11k
ACE10	Conducting Elections	103,580	157,759	-54,179	Favourable salaries/wages £34k, room hire £5k, print/post £15k
ACT00	General Grants, Bequests & Donations	292,915	296,047	-3,132	
ACT01	Parish Councils	358,566	359,832	-1,266	
HTT00	Concessionary Fares	-9,695	0	-9,695	County contributions
KGF00	Revenues & Benefits Support & Management	-61,423	36,744	-98,166	Favourable salaries £39k, admin grants £53k, prof fees £6k
KGL00	Rent Allowances Paid	11,562	142,561	-130,999	Benefit overpays £32k, clawback of 98% but budgeted 97% £99k
KGN00	Rent Rebates	60,086	64,584	-4,497	
KGP00	Housing Benefits Administration	220,158	288,105	-67,947	Favourable salaries £5k, disc HB unbudgeted £121k; adverse agency £29k, processing support £29k
KGR00	Corporate Fraud	25,536	25,536	0	
KJE40	Caretaking	73,227	107,706	-34,479	Favourable salaries £55k, service chg income £17k; adverse agency £37k

KJW00	Debt Recovery	50,247	50,348	-101	
PSX40	Senior Management	427,979	425,469	2,510	Favourable HRA recharges £9k; adverse legal support/dismissal £12k
PSX50	Reprographic/Print Room	233,384	242,167	-8,783	Favourable salaries £6k, printing £3k, stationary £5k, postage £5k; adverse agency £10k
PSX55	Financial Services	312,248	315,174	-2,926	
PSX56	Internal Audit	105,693	103,115	2,578	
PSX57	Merchant Banking Services	63,476	68,666	-5,190	Lower bank charges
PSX60	ICT Support	740,649	740,649	-0	
PSX65	Legal Services	170,219	192,997	-22,778	Favourable salaries £43k, fee income £11, prof fees £4k; adverse agency £30k, HRA recharge £6k
PSX75	Personnel/HR	226,302	226,302	-0	
PSX76	Policy & Communications	110,891	153,140	-42,249	Favourable salaries £51k, prof fees £7k, fee income £2k, comp main £5k; adverse agency £17k, HRA recharge £6k
PSX77	Customer Services	256,666	256,582	84	
PSX78	Health & Safety	24,119	28,279	-4,160	Salaries £2k, prof fees £2k
PSX81	Admin Offices & Depot	431,161	386,743	44,418	Favourable salaries £41k, utilities £16k, service chg income £8k, refuse coll £3k; adverse agency £40k, NNDR £47k, HRA recharges £25k
PSX85	Estate Management	-244,181	-166,027	-78,154	Favourable salaries £7k, prof fees £17k, rental income £68k, rent cost £8k, HRA recharge £3k; adverse agency £25k
PSX95	Protective Clothing	21,871	19,800	2,071	Protective clothing
PSX96	Procurement	6,817	-24,592	31,409	HRA recharge budget too high
SSX70	Other Management Costs	14,500	14,500	0	Japan visit
W4A00	Interest & Investment Income (GF)	-190,809	-42,818	-147,992	Investment income
W7A00	External Interest Payable (GF)	771	700	71	
W8A00	Other Operating Income & Expenditure (GF)	43,627	43,627	0	
Finance and Management		4,887,227	5,499,930	-612,703	

ACG00	Emergency Planning	14,847	15,600	-753	
ACL00	Local Land Charges	8,155	20,989	-12,834	Favourable salaries £7k, fee income £24k; adverse agency £18k
CCF00	Tourism Policy, Marketing & Development	58,758	58,758	0	
CEE00	Food Safety	51,562	75,930	-24,368	Fee income
CEE10	Pollution Reduction	240,973	271,288	-30,315	Salaries
CEE50	Pest Control	12,079	12,050	29	
CEE60	Public Health	-2,600	200	-2,800	Fines unbudgeted £2k
CEE70	Licensing	22,329	-21,627	43,956	IFRS15 adjusts to prepaid income
CEE80	Public Conveniences	36,967	36,135	832	
CEH00	Community Safety (Safety Services)	130,690	119,170	11,520	Adverse body cams £4k, stray dogs £4k, signage £4k
CES00	Street Cleansing (not chargeable to highways)	387,058	340,067	46,991	Favourable training £2k, fee income £6k; adverse vehicle hire £55k,
CEW00	Household Waste Collection	1,434,612	1,401,797	32,816	Favourable salaries £68k, income £5k; adverse agency £55k, bins & sacks £38k, vehicle hire £13k
CEW10	Trade Waste Collection	-129,584	-113,771	-15,814	Fee income
CEW20	Recycling	356,450	384,120	-27,670	Favourable fee income £30k; adverse signage £2k
CEW50	Direct services central admin	144,905	145,186	-281	
CPB00	Building Regulations	66,341	93,509	-27,168	Favourable salaries £128k; adverse agency £17k, Lichfield support £38k, fee income £46k
CPC10	Planning Delivery	-40,752	27,143	-67,895	Favourable salaries £24k, fee income £17k, planning appeal costs £34k; adverse agency £8k
CPD10	Planning Policy	254,064	309,394	-55,330	Favourable salaries £6k, grants £3k, prof fees £39k, fee income £7k
CPD30	Business Systems and Information Unit	135,927	165,930	-30,003	Favourable salaries £34k, fee income £6k; adverse North Lincs support £10k
CPE10	Environmental Education	78,825	79,052	-227	
CPH70	Promotion and Marketing of the Area	192,481	192,480	0	
CPL00	Community Development	9,940	10,000	-60	
HTK10	Environmental Maintenance (Other Roads)	23,032	20,000	3,032	Gulley cleaning

HTP10	Off-Street Parking	106,454	95,137	11,317	NNDR £5k, fee to County £6k
KGT00	Travellers' Sites	4,266	-14,614	18,879	Trf back to County Feb 18
KGW00	Welfare Services	-271	1,800	-2,071	
NAC60	Public Transport	29,307	24,548	4,758	Repairs £2k, NNDR £3k
PSX90	Transport Services	576,732	619,022	-42,290	Spare parts under spend

Environmental and Development Services

4,203,547 4,369,295 -165,748

CCA00	Melbourne Leisure Centre	6,362	2,327	4,035	Repairs
CCA10	Arts Development & Support	15,594	13,510	2,084	Favourable dance instructor £4k; adverse fee income £6k
CCA40	Events Management	132,140	159,413	-27,274	Favourable salaries £19k, fee income £3k, Civic Func £3k, NNDR £2k
CCA50	Midway Community Centre	22,655	15,798	6,856	Utilities £7k
CCD00	Community Centres	99,169	101,305	-2,136	Fee income
CCD10	Get Active in the Forest	27,612	27,616	-4	
CCD20	Sports Development & Community Recreation	151,958	151,911	48	
CCD30	Indoor Sports & Recreation Facilities	332,581	355,207	-22,627	Favourable utilities £20k, contributions for AGP and vending £13k; adverse repairs Etwall £10k
CCD40	Outdoor Sports & Recreation Facilities (SSP)	137	0	137	
CCD50	Playschemes	27,942	28,054	-112	
CCE00	Grounds Maintenance	468,265	512,096	-43,831	Favourable salaries £15k, grounds recharge £29k
CCE10	Countryside Recreation & Management	13,254	13,213	41	
CCE20	Allotments	-2,170	-2,067	-103	
CCF10	Village Halls	6,630	8,365	-1,735	Repairs
CCF20	Rosliston Forestry Centre	184,410	176,951	7,459	Favourable grounds work £8k, cleaning £8k, refuse £5k, vehicle hire £2k, tools & mats £20k, advertising £7k; adverse salaries £30k, prof fees £6k, income £4k, NNDR £7k, repairs £10k
CEA00	Cemeteries	1,530	10,011	-8,481	Favourable repairs £3k, fee income £10k; adverse grounds £5k
CEA30	Closed Churchyards	7,734	6,816	918	

CEE20	Housing Standards	114,637	79,948	34,689	Favourable fee income £8k; adverse enforcement works £42k
CEG00	Community Safety (Crime Reduction)	132,602	132,315	287	
CEK00	Defences Against Flooding	45,300	48,503	-3,204	Grounds work
CPH20	Market Undertakings	4,621	-7,227	11,847	Favourable income £5k; adverse van hire £17k
KGA00	Housing Strategy	50,236	106,988	-56,753	Favourable salaries £53k, prof fees £3k
KGE10	Administration of Renovation & Improvement Grants	40,550	42,260	-1,711	Professional fees
KGH10	Bed / Breakfast Accomodation	6,500	6,500	0	
KGH30	Pre-tenancy Services	179,116	179,116	-0	
KGX20	Other Housing Support Costs (GF)	22,049	23,830	-1,781	Computer maintenance
KJE70	Community Parks & Open Spaces	291,778	195,921	95,857	Favourable salaries £21k, tools & mats £5k; adverse agency £70k, repairs £13k, grounds £12k, prof fees £22k, sponsorship income £5k
Housing and Community Services		2,383,189	2,388,681	-5,492	

W2A00	Taxation & non-specific grant income (GF)	- 13,100,833	- 12,960,362	-140,471	NNDR £127k , New Burdens £13k
	Other	-155,822	-129,801	-26,021	Senior Management restructure one-off costs £13k, Off-payroll payments £10k, Apprenticeship Levy £3k

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13,256,655 13,090,163 -166,492

Surplus to be transferred to the General Fund

-1,782,692 -832,258 -950,435

Collection Fund Account 2018/19

	Actual 2017/18 £'000	Estimate 2018/19 £'000	Actual 2018/19 £'000	Variance 2018/19 £'000
COUNCIL TAX - INCOME & EXPENDITURE				
Council Tax collectable	53,295	57,026	57,261	235
County Council Precept	-38,345	-41,302	-41,302	0
Police and Crime Commissioner Precept	-5,715	-6,253	-6,253	0
Fire and Rescue Authority Precept	-2,297	-2,427	-2,427	0
SDDC Precept	-4,942	-5,169	-5,169	0
SDDC Parish Precepts	-757	-773	-773	0
Bad Debt Provision Movement	70	-570	-440	130

Surplus for the year	1,309	532	897	365
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COUNCIL TAX BALANCE				
Opening balance as at 1st April	613	1,422	1,422	0
Surplus paid to County Council	-367	-367	-367	0
Surplus paid to Police and Crime Commissioner	-56	-56	-56	0
Surplus paid to Fire and Rescue Authority	-22	-22	-22	0
Surplus paid to SDDC	-55	-55	-55	0
Surplus for the year (as detailed above)	1,309	532	897	365

Closing balance as at 31st March	1,422	1,454	1,819	365
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BUSINESS RATES - INCOME & EXPENDITURE				
NNDR collectable	24,457	26,635	25,225	-1,410
Central Government Precept	-12,402	0	0	0
SDDC Precept	-9,922	-13,338	-13,338	0
County Council Precept	-2,232	-13,071	-13,071	0
Fire and Rescue Authority Precept	-248	-267	-267	0
Cost of Collection	-91	-91	-91	0
Transitional Protection Payments	590	873	771	-102
Increase in Bad Debt Provision	-145	-266	-250	16
Provision for Appeals	428	-473	72	545

Surplus / Deficit (-) for the year	435	2	-949	-951
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BUSINESS RATES BALANCE				
Opening balance as at 1st April	-1,339	-192	-192	0
Deficit paid by Central Government	356	382	382	0
Deficit paid by County Council	285	306	306	0
Deficit paid by Fire and Rescue Authority	64	69	69	0
Deficit paid by SDDC	7	7	7	0
Deficit for the year (as detailed above)	435	2	-949	-951

Closing balance as at 31st March	-192	574	-377	-951
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APPENDIX 3

List of Earmarked Reserves 2018/19	Balance b/fwd April 2018	Movement 2018/19	Balance c/fwd April 2019
Specific Grants/Earmarked Reserves	£	£	£
Homelessness Prevention	173,598	75,137	248,735
Schools Sport Partnership Project	189,948	38,521	228,469
Rosliston Forestry Centre - Capital Works	149,620	0	149,620
Rosliston Forestry Centre - Café Reserve	11,655	11,425	23,080
IT Reserve	364,131	97,711	461,842
Repton Parish (former Depot proceeds)	33,049	-33,049	0
Community Right to Bid	20,728	-20,728	0
Local Plan - Consultation and Implementation	108,904	0	108,904
Vehicle, Plant and Replacement Fund (incl HRA)	1,069,949	-935,660	134,289
Environmental Education	33,620	-23,911	9,709
Dilapidation Works - Factory Site as per Lease Agreement	12,949	-2,080	10,869
Community Right to Challenge	16,547	-16,547	0
Property Records - Data Sharing	7,131	-7,131	0
Heritage Lottery Grants	18,000	0	18,000
New Town Centre Project Fund	26,397	12,124	38,521
Electoral Registration	4,058	0	4,058
Planning - Staffing and Support Costs	93,775	30,000	123,775
Planning - 20% Fee Increase	33,048	0	33,048
Software upgrades to GIS/LLPG	9,000	0	9,000
Pensions Reserve	138,769	0	138,769
Corporate Training	41,059	11,976	53,035
Welfare Reform, Fraud & Compliance	241,136	8,311	249,447
District Growth	600,000	385,000	985,000
Garden Village Fund	228,570	-65,000	163,570
EU Exit Funding	0	17,484	17,484
Economic Regeneration Fund	0	1,000,000	1,000,000
Building Control Transition	0	20,000	20,000
Public Buildings Maintenance	116,433	13,626	130,059
Asset Replacement and Renewal Fund	0	130,000	130,000
Parks Improvement Fund	0	16,071	16,071
Finance Staffing and Resource Costs	0	30,000	30,000
District Conservation Works	0	10,000	10,000
HRA Software Upgrade	0	120,955	120,955
Swadlincote Woodlands - S106	50,774	0	50,774
South Derbyshire Partnership Reserve	5,027	-790	4,237
Community Safety and Crime Reduction	331,667	20,024	351,691
Young People's Cultural Partnership / Arts Development	7,306	0	7,306
Public Open Space - Commuted Sums	1,263,006	-122,565	1,140,441
Youth Engagement Partnership	637,526	-33,888	603,638
Get Active in the Forest Partnership	43,289	17,239	60,528
Maurice Lea Park NHLF Grant	23,012	0	23,012
Tetron Point Storm Water Basin - S106 UK Coal	53,012	0	53,012
Total	6,156,692	804,255	6,960,947
Section 106 - Earmarked Funds	5,978,517	2,147,354	8,118,871
TOTAL EARMARKED/SPECIFIC RESERVES	12,128,209	2,951,609	15,079,818

APPENDIX 4: SERVICE PLAN PERFORMANCE INDICATORS – CORPORATE RESOURCES

Corporate Plan Aim	Measure	Annual target 2018/19	Performance
Maintain financial health	Deliver a balanced budget in accordance with the statutory timetable	Balanced budget agreed by the Council on 27 th February 2019	Completed
Maintain financial health	Produce regular budget monitoring information	Performance against budget reported to the Council on a quarterly basis	Completed
Maintain financial health	Through better procurement, generate budget savings directly or through supporting other services	Total cashable savings cover the costs of administration and management, estimated at £30,000 for 2018/19	Procurement exercises in the year have related to Capital replacements and one-off projects. No major retendering of on-going supplies and services included in the Base Budget have been undertaken.
Maintain financial health	Collection of Council Tax	In-year Collection Rate of at least 98%	Achieved 98.1%
Maintain financial health	Collection of Business Rates	In-year Collection Rate of at least 98%	Achieved 98%
Maintain financial health	Housing Benefit Subsidy Local Authority Error Rate is below target threshold set by the DWP	Less than 0.48%	Achieved 0.27%
Maintain financial health	Arrears for Council Tax, Business Rates and Housing Benefit Overpayments	Reduction in the annual Provision for Bad Debts	As detailed in Section 6 of the report, Provisions were increased.

Maintain financial health	Identification of Fraud	Value of fraud identified meets service costs of £35,000	As reported to the Audit Sub-Committee on 29 May 2019, £96,000 from Right to Buy and Single Person Discount work achieved.
Maintain financial health	Lettings of Industrial and Commercial Properties	Achieve 90% occupancy of all units and less than 10% of properties with rent arrears greater than 3 months	Almost 99% of units let throughout the year, with 4% of arrears greater than 3 months
Maintain financial health	Income from Land Searches	Service breaks-even	Although income increased from £114k in 2017/18 to £129k in 2018/19, the Service incurred greater costs to cover long term absences. The Service incurred an overall deficit of £8k in 2018/19.
Good Governance	Produce a draft set of Accounts and Financial Statements for Annual Audit and Inspection	31st May 2018	Completed
Good Governance	Completion of Approved Internal Audit Plan and outcomes reported to the Audit Sub-Committee	At least 90% completed (<i>this is monitored by the Audit Sub-Committee</i>)	As reported to the Audit Sub-Committee on 29 May 2019, out of 15 major audit assignments planned for 2018/19, 3 had been completed and signed off, 7 were at draft or final report stage, 2 had completed fieldwork, with only 3 just allocated and yet to commence.
Customer Focus	Minimise downtime of IT	Downtime is less than 1% over the year	Achieved 2% overall, due mainly to virtual desktop server errors. These servers are currently being replaced in accordance with the ICT capital investment programme and all virtual desktops are being decommissioned; this will be completed by December 2019.
Customer Focus	Prompt payment of invoices for goods and services	97% of undisputed invoices paid within 30 days	5,383 invoices from a total of 5,552 (97%) were paid within 30 days.
Customer	Prompt payment of invoices	65% paid within 10 days for	70% (3,908 invoices) were paid within 10 days.

Focus	for goods and services	local suppliers	
Customer Focus	Freedom of Information requests answered within the statutory time limit	98% of requests satisfactorily answered with 20 days	As reported to the Committee in June 2019, 92% and 94% were answered in the six months to March 2018 and March 2019 respectively.

REPORT TO:	FINANCE AND MANAGEMENT COMMITTEE (SPECIAL)	AGENDA ITEM: 9
DATE OF MEETING:	25th JULY 2019	CATEGORY: OPEN
REPORT FROM:	STRATEGIC DIRECTOR (CORPORATE RESOURCES)	
MEMBERS' CONTACT POINT:	David Clamp (01283 595729) david.clamp@southderbyshire.gov.uk	DOC:
SUBJECT:	ANNUAL REPORT ON SICKNESS ABSENCE	REF:
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: FM05

1.0 Recommendations

- 1.1 To approve the planned actions detailed in section 4 of this report to improve attendance levels across the Council.
- 1.2 That the Committee receives quarterly updates on the levels of absence in line with the corporate performance framework and any actions taken to ensure that attendance levels show continued and sustained improvement.
- 1.3 That the Improving Attendance Working Group continues to meet to ensure that planned activities are implemented and other initiatives to improve the health and wellbeing of the workforce are progressed.

2.0 Purpose of the report

- 2.1 To provide information on the working days lost due to sickness absence from 1st April 2018 – 31st March 2019.
- 2.2 To provide an overview of the work completed over the past year to improve levels of attendance and the actions planned for the coming year.

3.0 Detail

- 3.1 The number of working days lost to sickness absence for the year 2018/19 was 3,395.50 days or on average, 11.38 days per person. This is a decrease from 3408 days (or 0.3%) and 11.63 days (or 2%) from the previous year.

Trends

- 3.2 The outturn figure for 2018/19 of 11.38 days per person is the second highest since 2013/2014 where the number was 12.28 days per person. During the years in between the absence rates fluctuated between just under 10 days to a low figure of just under 8 days in the year ending March 31, 2016.
- 3.3 The outturn figures for the past 5 years are shown below;

Year ending March 31	2019	2018	2017	2016	2015
Number of working days lost	3,395.50	3,408	2,613	2,002	2,535
Number of days per person (average)	11.38	11.63	9.91	7.95	9.99

Types of Absence

- 3.4 A categorised list of reasons are available to be used when recording absence due to ill health. The table below shows the top four reasons for absence over the past year excluding the category, 'Other*'. Appendix A shows a breakdown of all absences.

Top 4 reasons of absence during 2018/19;

Reason for absence 2018/19	Number of working days lost	Reason for absence 2017/18	Number of working days lost
Broken Limb/ Back pain/Musculoskeletal**	1001 (29%)	Anxiety/Depression/Stress and work related stress	906 (27%)
Anxiety/Depression/Stress and work related stress**	797 (23%)	Surgery Hospital Procedure	545 (16%)
Surgery Hospital Procedure	490 (14%)	Broken Limb/Back pain/ Musculoskeletal	499 (14%)
Chemotherapy/ Radiotherapy	152 (8%)	Chemotherapy/ Radiotherapy	268 (8%)

* 'Other' – is used when there is no category available for the type of illness being reported and/or the employee requests that the reason is not listed due to personal and/or sensitive reasons. Managers are advised not to use 'Other' wherever possible.

**These are separate categories and grouped together to show absences related to mental health issues.

- 3.5 The top two reasons for absence remained fairly consistent over the past few years and mirror trends of absence reasons nationally. In relation to mental health, a number of national initiatives and high profile campaigns have been used to break down stigmas and raise awareness of the health problems associated with mental health. Research from groups such as Mind¹ and the Mental Health Foundation² estimate that one in six adults have a common mental health problem each week, absence due to mental health cost employers £33-£44 billion each year and 300,000 people lose their jobs each year due to their mental health.
- 3.6 The increase in the number of employees with musculoskeletal absences are down to planned surgical operations with long periods of recovery time and other employees who have had conditions that have taken extended periods to be diagnosed and then for treatment to have any real impact on their ability to return to work.

Long-term/Short-term absences

- 3.7 The Council identifies a long-term absence as an employee being unable to attend work for 15 consecutive working days. During 2018/19, the split of absences due to long term against short-term is;

Term of absence	Number of working days lost – 18/19	Number of working days lost – 17/18
Long term	2043 (60%)	2,226 (65%)
Short term	1352.50 (40%)	1,182 (35%)

Long-term absences

- 3.8 In 2018/19, long-term absence contributed nearly 2/3^{ds} towards the annual number of working days lost although this term of absence is down 5% when compared to the previous year. The number of days lost to short-term absence has risen by 170.50 days (14%) from last year. The number of employees on long term absence and the average number of working days lost is shown in the table below;

Long term absence	Number of employees	Average period of absence per employee
2018/19	37	55 working days
2017/18	37	60 working days
2016/17	29	53 working days

¹ Mind is a leading healthy charity in the UK and supports employers and employees to address and raise awareness of mental health

² Mental Health Foundation publication – Fundamental facts about mental health 2016

- 3.9 The number of employees off work due to a long-term absence is the same as the previous year and is primarily linked to serious medical conditions or planned surgeries that have a long period of rehabilitation. All cases are managed in line with the Attendance Management Procedure and actions taken that include a referral to Occupational Health to gain a medical opinion on the condition and ability to return to work. On occasions, due to employees having a terminal illness, the Council has taken action to continue offering support at these most difficult of times through consideration of welfare facilities for the employee and family as well as payments made under the Occupational Sick Pay Scheme.
- 3.10 Last year, the Council also signed up to the Dying to Work Charter which makes a number of commitments to support employees with the terminal illness. This includes not terminating their employment owing to their terminal prognosis and enables time for both parties to determine the most appropriate course of action to support the employee and their family during the most difficult time.

Short-term absence

- 3.11 These relate to any period of absence up to 15 consecutive working days. Typically there relate to more minor health conditions such as colds/flu and chest/respiratory being the reason for the employee being unable to attend work. The total number of short-term absences during the year is shown below;

Short term absence	Number of employees	Average period of absence
2018/19	341	3.9 working days
2017/18	359	3.3 working days
2016/17	309	3.4 working days

- 3.11 The average number of days lost to short-term absence has shown an increase of over half a day although the number of occurrences has dropped by 18 over the year. It is showing that even with minor ailments employees are nearly having a full week of absence from work. Employees can self-certify themselves from work for up to seven days before they are required to produce a medical certificate.
- 3.12 The Council uses trigger points to manage employees who have repeated periods of short-term absence during the year. Proposals have been made to change these triggers and in particular to have them monitored over a shorter period of time so earlier interventions are taken to support employees. The triggers currently used are;

- Eight or more working days absence in a rolling 12-month period OR
 - Four or more separate occasions of absence in a 12-month rolling period OR
 - An unacceptable pattern of absence. Examples of this are: Friday or Monday absences: absences regularly occurring on a particular day/week: absences occurring before or after annual leave or school holidays or public holidays.
 - A manager may use discretion to review trigger points if an absence relates to a recognised disability (as defined by the Equality Act 2010) after obtaining advice from Human Resources and Occupational Health.
- 3.13 When a trigger point is activated, an employee is invited to a meeting to discuss the causes of their absences and any support/actions needed to improve attendance are determined. If this does not realise a sustained improvement in attendance then a second review meeting is held where the manager can recommend that the employment is terminated on the grounds of capability due to ill-health.

National/Regional levels of absence

- 3.14 Whilst appropriate consideration has to be given to the reliability of national surveys and the basis for calculating sickness absence, it is a useful indicator on any trends in the economy.
- 3.15 Across Derbyshire authorities the average is currently 9.65 days per employee (2018/19 figures excluding Derby City). The Council's figure places it at the higher end of authorities in Derbyshire.
- 3.16 The Chartered Institute of Personnel and Development (CIPD) undertake a national survey³ each year and have recently published the following outcomes (April 2019);
- 5.9 days – average level of employee absence
 9.6 days – average level of employee absence (public sector only)⁴
 Increase rise in 'presenteeism' as harmful to employees health and wellbeing
 Mental health and musculoskeletal absences cited as top two reasons
- 3.17 The Local Government Association (LGA) has launched a new data hub named LG inform that provides a range of metrics covering council services and for sickness absence at the end of March 2108 shows;
- 8.0 days – average level of employee absence in all Shire and Districts (53 respondents)
 9.6 days – average level of employee absence (Shire and districts in East Midlands – eight respondents)

³ CIPD – Health and Wellbeing at Work April 2019

⁴ 36 respondents only

- 3.18 East Midlands Councils complete an annual survey on sickness absence across authorities in the East Midlands. In the year ending March 2018 it showed (27 respondents);

10.2 days up from 9.94 days – average level of employee absence (Shire and Districts)

4.0 **Action to improve attendance**

- 4.1 As noted in the report last year, an internal working group of employer and employee representatives, led by the Strategic Director (Service Delivery), has met on a regular basis to consider a range of measures to address the current levels of absence. The focus for the group has been stated as 'Improving Attendance' rather than managing absence to ensure that a rounded view of actions is taken. A particular focus has been on raising awareness of mental health conditions alongside a range of other initiatives to promote health and wellbeing in the workplace. An overview of the actions completed have included;

- Providing training for managers and staff in mental health awareness
- Training six employees as Mental Health First Aiders to provide support for staff to discuss issues that maybe affecting their mental health
- Establishing a dedicated health and wellbeing site on the Council's intranet and providing information on healthier lifestyles, mental health and groups that can offer professional support for a range of health conditions
- Establishing a coaching network for managers to develop their skills and gaining additional support when dealing with employment issues
- Promoting the national Five Ways to Wellbeing initiative leading to a number of interventions such as the providing advice on healthy lifestyles, Body MOTs, physical activities for staff to experience in break periods such as walking clubs
- Assigning dedicated case officers from Human Resources to provide support for managers who are working with employees in line with the Attendance Management Procedure
- Training in attendance management and stress awareness for managers and employees.
- Promoting wellbeing activities such as the National Time to Talk event for mental health, alcohol abuse and Dementia Friends initiative
- Reviewing all long-term absence cases with action taken in line with the Attendance Management Procedure. Putting in place the appropriate actions to support the employee or further considering their continued employment.
- Providing monthly absence reports for the Strategic Directors
- Completing a full review of the current Attendance Management Procedure with final changes to be determined by the Joint Consultative Committee.

- Providing Suicide Awareness training to three of the MHFA with another course scheduled for September 2019.
- Supporting two employees in line with the Dying to Work Charter

4.2 This range of interventions will be continued throughout the current year and built upon with the following;

- A revised Attendance Management Procedure will be introduced with training and information provided to managers and staff
- Occupational Health services provision will be reviewed to increase clinic time and availability of other health services
- Flexible working opportunities offered by the Council will be developed and promoted
- An increased range of wellbeing activities will be made available for all employees
- Case studies to demonstrate the impact and outcomes of the actions taken by employees will be communicated.

4.3 Reviewing employment practices and wellbeing initiatives, as detailed above, is now seen by many organisations as the more effective way to engage with employees, aid motivation and improve attendance at work.

4.4 The impact of the above will be monitored to assess the impact and an early positive indicator is the 12% reduction in absences related to mental health conditions such as Anxiety/Depression/Stress and work related stress.

4.5 Whilst there has been a minor improvement with the overall levels of attendance, the number of days being lost remains a concern. Not only does it mean that employees are not able to attend work due to health conditions, the impact is much wider on team members and the pressure this then adds on to them to deliver services for the community. The Council's Leadership Team continues to support work across the Council to address this issue that includes making changes to the Attendance Management Procedure to ensure that any health issues are duly considered with earlier interventions and actions as appropriate.

5.0 Financial Implications

5.1 The cost of absence manifests itself in a potential loss of productivity. Whilst employees are still paid during a period of absence (although this can reduce in periods of longer absence) an additional cost can be incurred in order to cover the duties of absent colleagues.

5.2 Although periods of short-term absence are usually covered at no additional cost, in some service areas, for example Refuse Collection, the Council has to employ external agency staff to ensure that the crews are sufficiently resourced. This is budgeted within the cost of the Service.

6.0 Corporate Implications

Employment Implications

- 6.1 As noted in the report.

Legal Implications

- 6.2 No one piece of legislation deals exclusively with absence management. However, numerous pieces of legislation have to be considered such as the Equality Act 2010 (especially the disability discriminations provisions); Employment Act 2008 and Employment Tribunals (Constitution and Rules of Procedure) (Amendment) Regulations 2008 and the Working Time Regulations 1998.

Corporate Plan Implications

- 6.3 Having a skilled and engaged workforce is critical to deliver high quality, customer focused services for the community that makes South Derbyshire a better place to live, work and visit. Having effective arrangement to manage employee attendance therefore underpins and contributes across all themes and outcomes of the Corporate Plan.

Risk Implications

- 6.4 Transparent and clear arrangements to manage employees that include providing support and assistance when health problems arise promote earlier interventions and solutions to be determined when employees are unable to attend work and/or maintain satisfactory levels of attendance. This reduces the risk of extended periods of absence and the impact this has on colleagues, services and the financial resources of the Council.

7.0 Community Implications

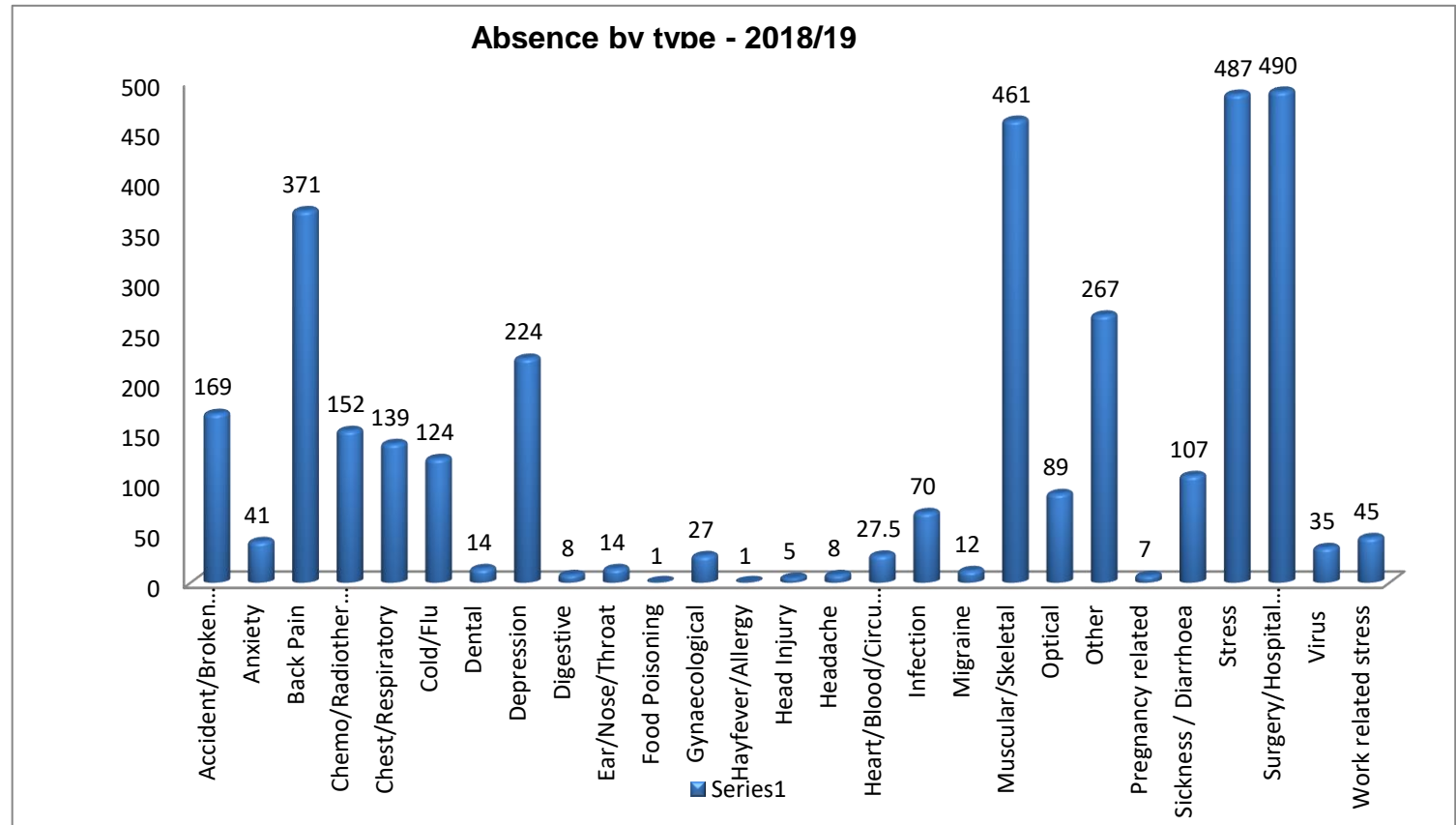
- 7.1 The Council has a responsibility to deliver a range of services for the Community. Ensuring that adequate resources are in place to maintain such services at the required standards demands service areas to utilise their resources in the most effective manner. Having appropriate employment practices and procedures in place, coupled with timely and appropriate management action when staff are absence from work due to ill health, will ensure that services are delivered and the workforce is suitably engaged and employed.

8.0 Background Papers

- 8.1 Monthly absence reports

APPENDIX 1

Sickness Reason	Days	%
Accident/Broken Limbs	169	4.98%
Anxiety	41	1.21%
Back Pain	371	10.93%
Chemo/Radiotherapy	152	4.48%
Chest/Respiratory	139	4.09%
Cold/Flu	124	3.65%
Dental	14	0.41%
Depression	224	6.60%
Digestive	8	0.24%
Ear/Nose/Throat	14	0.41%
Food Poisoning	1	0.03%
Gynaecological	27	0.80%
Hayfever/Allergy	1	0.03%
Head Injury	5	0.15%
Headache	8	0.24%
Heart/Blood/Circulation	27.5	0.81%
Infection	70	2.06%
Migraine	12	0.35%
Muscular/Skeletal	461	13.58%
Optical	89	2.62%
Other	267	7.86%
Pregnancy related	7	0.21%
Sickness / Diarrhoea	107	3.15%
Stress	487	14.34%
Surgery/Hospital Procedure	490	14.43%
Virus	35	1.03%
Work related stress	45	1.33%
Grand Total	3395.5	100.00%



REPORT TO:	FINANCE AND MANAGEMENT COMMITTEE (SPECIAL)	AGENDA ITEM: 10
DATE OF MEETING:	25th JULY 2019	CATEGORY
		DELEGATED
REPORT FROM:	STRATEGIC DIRECTOR (CORPORATE RESOURCES)	OPEN
MEMBERS' CONTACT POINT:	KEVIN STACKHOUSE (01283 595811) Kevin.stackhouse@southderbyshire.gov.uk	DOC: u/ks/revenues and benefits/kiosk and cash replacement 2019/committee report/payment facilities at civic offices
SUBJECT:	PAYMENT FACILITIES IN THE CIVIC OFFICES	
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: FM 08

1.0 Recommendations

- 1.1 That cash payment facilities at the Civic Offices are withdrawn with effect from 1 January 2020.
- 1.2 That payment machines continue to be made available but these are limited to card payments only.
- 1.3 That in the intervening period, a communication plan is drawn up and publicity is provided regarding alternative payment methods, pay point locations and people are supported in using alternative facilities ahead of January 2020.

2.0 Purpose of the Report

- 2.1 To consider the withdrawal of cash payment facilities at the Civic Offices. The option to consider the Council's approach to cash payments has arisen due to the current payment machines in the Civic Offices, becoming obsolete in December 2019.

3.0 Detail

Background

- 3.1 The Council closed its cash office facility in the Civic Offices approximately 15 years ago as it was becoming uneconomical to offer a service due to the growth in alternative payment methods. At that time, the Council still continued to accept cash "over the counter" on the front desk and this continued for several years.
- 3.2 A further review of the service and report by the Overview and Scrutiny Committee in December 2014, led to the Finance and Management Committee approving the installation of two payment machines in the Civic Offices. These replaced the physical acceptance of cash over the counter.

- 3.3 This decision was taken due to security concerns and to provide capacity to deal with queries and supplement resources in the Contact Centre. The payment machines have been operational since April 2015.

Context: The Move towards a Cashless Society

- 3.4 There is no firm strategy or directive that is governing a move towards a “cashless society”. However, it is clear that a greater number of transactions are now being undertaken electronically and the introduction of “contactless” has allowed lower level transactions in terms of payment value, to be made.
- 3.5 This is being led by the banks and financial institutions and with the growth in mobile technology and applications, some analysts are predicting that most, if not all, payment transactions by the end of the next decade in 2030 will be cashless.
- 3.6 Most commercial and retail businesses, etc. now transact electronically and provide facilities for their customers to do so. Entertainment venues, such as sports stadia, have become “cashless” and although these are rare, they are considered to be leading the way in moving towards a cashless society.
- 3.7 However, this move towards a cashless society is not universally accepted. In particular, some evidence suggests that older age groups are not in favour and still prefer cash as the default option to make payments. In a report published in November 2018 “*Going Cashless and the Rise of Contactless Payments*” it highlighted that a majority of those surveyed in the over 45 age category, disapproved of a cashless society ([Going Cashless Report](#)).

The Benefits and Disadvantages of Cashless

- 3.8 These are considered to be as follows:

Benefits	Disadvantages
Lower crime because there is no physical money to steal.	Exposes personal information to a possible data breach.
Less potential for money laundering because there is always a paper trail.	Hacking and technology problems can leave people with no access to money.
Less time and costs associated with handling money.	The poorest in society and those without bank accounts have difficulty in paying.
No requirement to make arrangements to secure and deposit money.	Some people find it harder to control spending when they don't see physical cash.

- 3.9 The main issue for the Council is the time taken in emptying the machines and cashing up, which is undertaken on a daily basis. There is also the cost of hiring a security firm to collect and deposit money with the Council's bankers.

3.10 The current costs of cash collection for the Council are detailed in **Section 4** (Financial Implications) and total approximately £15,500 per year.

The Current Payment Machines

3.11 Besides accepting cash, the current machines can also accept payments by debit and credit card. Since 2015, the security standards for dealing with payments have been increased with amongst other things, the growth in “contactless” technology. New standards are set to be introduced in January 2020.

3.12 Security standards are laid down in the Payment Card Industry Standard Regulations (commonly known as PCI). The current payment machines at the Council will no longer comply with these standards and the machines will become outdated and need to be replaced by January 2020.

3.13 Critically, they do not offer a contactless payment facility that is now a key requirement of PCI. Furthermore, this co-incides with recommended practice that such hardware should be reviewed and if necessary, upgraded every 4 to 5 years.

Current Usage of the Machines

3.14 The current trend in cash transactions in the Civic Offices is downward, with a greater number of payments being made on-line (where available) since the introduction of the new web site, together with those over the telephone. Direct Debit take-up for payment of Council Tax is high at over 75%.

3.15 However, there is still room for improvement, with an on-going campaign to promote Direct Debit. In addition, the ability to extend on-line payments for all Council services is a development forming part of the Council's Digital and Customer Access Plans and this is expected to be implemented in full by mid-2020.

3.16 In the meantime, there is still a steady use of the cash machines, with an average of 160 transactions per week in 2018/19, compared with that of two years ago (2016/17) of 200. This equates on average to around 30 transactions per day, with 90% of transactions relating to payments for Council Tax and Housing Rent.

3.17 The amount of cash collected in the machines is extremely small (less than 1%) in relation to the overall amount of money collected by the Council in a year. However, in absolute terms it is still fairly sizeable at approximately £700,000 in 2018/19 - on average £3,000 per day.

Options

3.18 As highlighted above, there is a need to replace the current cash machines and this does present an opportunity to consider various options, as set out below.

- Continue to use the current machines
- Replace and upgrade the current machines
- Replace one machine
- Replace the current machines with a card reader only and in doing so withdraw the facility to make cash payments

- Do not have any payment machines in the Civic offices, either cash or card.

Option 1: Continue to use the current machines

- 3.19 It is possible to continue to use the current machines beyond December. However, this may lead to a greater risk of break-down and certainly a greater support and maintenance cost due to their age. It also increases the risk that the Council would be subject to a financial penalty for not being PCI compliant and/or be forced to shut off the machines. Realistically therefore, this is not considered to be a viable option.

Option 2: Replace and Upgrade the current machines

- 3.20 The current payment machines could be replaced and in doing so, they would be automatically configured to the latest PCI standards, including a contactless facility. Subject to a formal procurement exercise, the replacement cost of one machine is approximately £15,000, i.e. £30,000 for the replacement of two to match current service provision.

Option 3: Replace just one machine

- 3.21 The Council has been operating with just one machine for several weeks following the failure of one machine which has proven difficult to get back up and running. A replacement was sought but has not been used as the one remaining machine has continued to meet demand. To-date there has been no complaints to the Council.

Option 4: Replace the Payment Machines with a Card Reader

- 3.22 These machines are effectively a mobile device which can be mounted on a plinth in a public area with both “chip and pin” and “contactless” options. Indicative costs per machine are approximately £5,000. Opportunities for better integration with back office systems are also greater.

Option 5: Offer no payment Facilities in the Civic Offices

- 3.23 This option is considered to be counter-productive. Currently, some people making payments are also visiting the Civic Offices to transact other business or to deal with documentation relating to the payment. Realistically therefore, it is considered that some payment facility, even if it's not cash, should still be made available.

Preferred Option

- 3.24 Given the capital replacement of a cash machine, together with the on-going costs associated with cash handling and cash collection as detailed below in Section 4, it is recommended that the Council replaces the current cash machines with a card reader (**Option 4 above**).
- 3.25 Clearly, no cash would then be taken at the Civic Offices. However, there are alternatives for people still wanting to pay with cash. It is generally accepted that most of the people paying cash at the Offices are resident in the “urban core” of the District, i.e. the greater Swadlincote Area.

Alternative Facilities

3.26 Alternative cash payment facilities are available through Post Offices, the nearest being a short distance from the Civic Offices. The “Pay Point” network, featuring a variety of independent local retailers, is also established and already well used by other people making payments to the Council. There are 10 of these locations within one mile of the Civic offices.

3.27 Details of Post Offices and Pay points are available at:

[Post Office Locations](#)

[Pay Point Locations](#)

3.28 The knock-on effect of using a post office or a pay point store is that it increases the footfall in and around these locations. This offers the potential to benefit smaller, local businesses. There is no additional cost to the retailer, as the transaction cost is passed onto the organisation receiving the payment, i.e. the Council, as detailed in Section 4, below.

4.0 Financial Implications

Capital Costs

4.1 If Option 4 is approved and cash machines were replaced with card readers, this would reduce the capital budget from £15,000 to £5,000 per machine, including service and maintenance, subject to a tendering exercise.

Revenue Costs

4.2 The current revenue costs of administering cash payments is as follows:

Secure Cash Collection and Deposit	£12,500
Bank – Cash Handling Fee	£1,000
Insurance Premium – Cash on Site	£2,000
Total	£15,500

4.3 By withdrawing the facility to pay by cash at the Civic Offices, this would eliminate the above cost entirely. However, if a greater number of cash transactions were made at alternative pay points, this would increase the cost to the Council by approximately £3,000 per year on a like-for-like basis, at 45p per transaction.

4.4 Therefore, the net revenue budget savings would be around £12,500 per year.

Internal Cost and Capacity

4.5 The time involved in emptying the current payment machines and cashing-up on a daily basis, which is undertaken by Customer Services staff, takes on average about one hour per day, split between two people.

- 4.6 If this time was freed up, it could be utilised more positively such as dealing with queries and waiting customers more quickly. In addition, it could be used to supplement capacity in the Contact Centre ahead of more service related calls being transferred into Customer Services.

5.0 Corporate Implications

Employment Implications

- 5.1 None

Legal Implications

- 5.2 None

Corporate Plan Implications

- 5.3 The recommended option would contribute to the key aim of “maintaining financial health” by generating on-going budget savings in the General Fund.

Risk Impact

- 5.4 The withdrawal of cash payment facilities would eliminate the risks associated with handling cash as detailed earlier in the report.

6.0 Community Impact

Consultation and Communication

- 6.1 If the recommended option is approved, a communication plan would be drawn up and publicity provided regarding alternative payment methods, together with pay point locations. People would be supported and sign posted to alternative facilities ahead of January 2020.
- 6.2 As a large number of current cash transactions are for Housing Rent, separate communication would be undertaken with tenant representative groups. In addition, some private hire and license fees are also made using the current payment machines and therefore, separate communication would also be undertaken with operators.

Equality and Diversity Impact

- 6.3 There is perhaps a risk that certain groups with protected characteristics under Equalities Legislation could suffer discrimination. For example, there is evidence to suggest that potentially more vulnerable people and people in older age groups may be unable or unwilling to pay by other methods.
- 6.4 However, it is important to note that people would still be able to pay by cash if they so wished, via numerous alternative pay points near to the Civic Offices and in surrounding areas.

Social Value Impact

- 6.5 As highlighted earlier in the report, using a post office or pay point location may increase the footfall in and around these locations. This offers the potential to benefit smaller, local businesses.

Environmental Sustainability

- 6.6 Nothing of significance.

7.0 Background Papers

- 7.1 None

REPORT TO:	FINANCE AND MANAGEMENT COMMITTEE (SPECIAL)	AGENDA ITEM: 11
DATE OF MEETING:	25th JULY 2019	CATEGORY: DELEGATED
REPORT FROM:	STRATEGIC DIRECTOR (CORPORATE RESOURCES)	OPEN
MEMBERS' CONTACT POINT:	KEVIN STACKHOUSE (EXT 5811) Kevin.Stackhouse@southderbyshire.gov.uk	DOC:
SUBJECT:	COMMITTEE WORK PROGRAMME	REF:
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: G

1.0 Recommendations

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

2.0 Purpose of Report

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

3.0 Detail

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

4.0 Financial Implications

4.1 None arising directly from this report.

5.0 Background Papers

5.1 Work Programme.

Finance and Management Committee – 25 July 2019
Work Programme for the Civic Year 2019/20

Work Programme Area	Date of Committee Meeting	Contact Officer (Contact details)
Corporate Plan 2016 to 2021: Performance for the 2018/19	13 June 2019	Kevin Stackhouse Strategic Director (Corporate Resources) Kevin.stackhouse@southderbshire.gov.uk (01283 595811)
Equalities and Safeguarding Annual Report 2018/19	13 June 2019	Kevin Stackhouse Strategic Director (Corporate Resources) Kevin.stackhouse@southderbshire.gov.uk (01283 595811)
Health and Safety Annual Report 2018/19	13 June 2019	Kevin Stackhouse Strategic Director (Corporate Resources) Kevin.stackhouse@southderbshire.gov.uk (01283 595811)
Compliments, Complaints and Freedom Information Requests October 2018 to March 2019	13 June 2019	Kevin Stackhouse Strategic Director (Corporate Resources) Kevin.stackhouse@southderbshire.gov.uk (01283 595811)
The Fair Funding Review	13 June 2019	Kevin Stackhouse Strategic Director (Corporate Resources) Kevin.stackhouse@southderbshire.gov.uk (01283 595811)

Budget Out-turn and Final Accounts 2018/19	25 July 2019	Victoria Summerfield (Head of Finance) Victoria.summerfield@southderbyshire.gov.uk (01283 595939)
Treasury Management Annual Report 2018/19	25 July 2019	Victoria Summerfield (Head of Finance) Victoria.summerfield@southderbyshire.gov.uk (01283 595939)
Annual Report on Sickness Absence	25 July 2019	David Clamp David.Clamp@southderbyshire.gov.uk (01283 595729)
Payment Facilities in the Civic Offices	25 July 2019	Kevin Stackhouse Strategic Director (Corporate Resources) Kevin.stackhouse@southderbshire.gov.uk (01283 595811)
Corporate Plan 2016 to 2021: Performance Report for Quarter 1 2019/20	29 August 2019	Kevin Stackhouse Strategic Director (Corporate Resources) Kevin.stackhouse@southderbshire.gov.uk (01283 595811)
Budget and Financial Monitoring 2019/20	29 August 2019	Victoria Summerfield (Head of Finance) Victoria.summerfield@southderbyshire.gov.uk (01283 595939)
Treasury Management Performance 2019/20	29 August 2019	Victoria Summerfield (Head of Finance) Victoria.summerfield@southderbyshire.gov.uk (01283 595939)
Debt Management Policy: Council Tax, Business Rates and Housing Benefit Overpayments	29 August 2019	Kevin Stackhouse Strategic Director (Corporate Resources) Kevin.stackhouse@southderbshire.gov.uk (01283 595811)

Update on the Council's Medium Term Financial Plan	10 October 2019	Victoria Summerfield (Head of Finance) Victoria.summerfield@southderbyshire.gov.uk (01283 595939)
A Review of Earmarked Reserves	10 October 2019	Victoria Summerfield (Head of Finance) Victoria.summerfield@southderbyshire.gov.uk (01283 595939)
A Review of the Local Council Tax Reduction Scheme	10 October 2019	Kevin Stackhouse Strategic Director (Corporate Resources) Kevin.stackhouse@southderbyshire.gov.uk (01283 595811)
Corporate Plan 2016 to 2021: Performance Report for Quarter 2 2019/20	28 November 2019	Kevin Stackhouse Strategic Director (Corporate Resources) Kevin.stackhouse@southderbyshire.gov.uk (01283 595811)
Budget and Financial Monitoring 2019/20	28 November 2019	Victoria Summerfield (Head of Finance) Victoria.summerfield@southderbyshire.gov.uk (01283 595939)
Treasury Management Performance 2019/20	28 November 2019	Victoria Summerfield (Head of Finance) Victoria.summerfield@southderbyshire.gov.uk (01283 595939)
Compliments, Complaints and Freedom Information Requests April to September 2019	28 November 2019	Kevin Stackhouse Strategic Director (Corporate Resources) Kevin.stackhouse@southderbyshire.gov.uk (01283 595811)

Update on the Fair Funding Review (<i>provisional</i>)	28 November 2019	Kevin Stackhouse Strategic Director (Corporate Resources) Kevin.stackhouse@southderbshire.gov.uk (01283 595811)
Service Base Budget Proposals 2020/21	9 January 2020	Victoria Summerfield (Head of Finance) Victoria.summerfield@southderbyshire.gov.uk (01283 595939)
Budget Report 2020/21, including Consolidated Budget Proposals and Medium Term Financial Plan to 2025	9 January 2020	Victoria Summerfield (Head of Finance) Victoria.summerfield@southderbyshire.gov.uk (01283 595939)
Council Tax Premium on Long Term Empty Properties	9 January 2020	Kevin Stackhouse Strategic Director (Corporate Resources) Kevin.stackhouse@southderbshire.gov.uk (01283 595811)
Financial Budget Proposals 2020/21 and Financial Plan to 2025	13 February 2020	Victoria Summerfield (Head of Finance) Victoria.summerfield@southderbyshire.gov.uk (01283 595939)
Treasury Management Strategy 2020/21 and Prudential Indicators	13 February 2020	Victoria Summerfield (Head of Finance) Victoria.summerfield@southderbyshire.gov.uk (01283 595939)
Proposed Local Council Tax Reduction Scheme 2020/21	13 February 2020	Kevin Stackhouse Strategic Director (Corporate Resources) Kevin.stackhouse@southderbshire.gov.uk (01283 595811)

Discretionary Business Rates Relief Scheme	13 February 2020	Kevin Stackhouse Strategic Director (Corporate Resources) Kevin.stackhouse@southderbshire.gov.uk (01283 595811)
Corporate Plan Performance	19 March 2020	Kevin Stackhouse Strategic Director (Corporate Resources) Kevin.stackhouse@southderbshire.gov.uk (01283 595811)
Budget and Financial Monitoring 2019/20	19 March 2020	Victoria Summerfield (Head of Finance) Victoria.summerfield@southderbyshire.gov.uk (01283 595939)
Treasury Management Performance 2019/20	19 March 2020	Victoria Summerfield (Head of Finance) Victoria.summerfield@southderbyshire.gov.uk (01283 595939)
Service Plans 2020/21	30 April 2020	Kevin Stackhouse Strategic Director (Corporate Resources) Kevin.stackhouse@southderbshire.gov.uk (01283 595811)