
REPORT TO:	FINANCE AND MANAGEMENT COMMITTEE	AGENDA ITEM: 8
DATE OF MEETING:	19th MARCH 2015	CATEGORY: DELEGATED
REPORT FROM:	DIRECTOR OF FINANCE AND CORPORATE SERVICES	OPEN
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SUBJECT:	BUDGET and FINANCIAL MONITORING 2014/15	REF
WARD (S) AFFECTED:	ALL	TERMS OF REFERENCE: FM 08

1.0 Recommendation

- 1.1 That the latest budget and financial monitoring figures for 2014/15 are considered and approved.
- 1.2 That the additional costs in Waste and Cleansing, together with Transport Services are reviewed as a matter of urgency to reduce their incidence in 2015/16.

2.0 Purpose of the Report

- 2.1 In accordance with its financial management framework, the Council monitors income and expenditure against its budgets on a regular basis throughout the year. This is undertaken on at least a monthly basis.
- 2.2 Financial information is available directly on the Council's Financial Management System to enable day-to-day monitoring within services. Formal monitoring involves budget managers together with their service accountant, meeting and reviewing performance against their particular budgets. This is intended to identify any variances as early as possible to enable remedial and timely action to be taken.
- 2.3 Overall financial performance and the major budget variances are reported to this Committee throughout the year. In accordance with its Treasury Management Strategy, the Council monitors its lending and borrowing on a regular basis.
- 2.4 The Council's cash flow is monitored and actioned on a daily basis, with monthly reports summarising activity provided to the Chief Finance Officer. Again, overall performance is reported to this Committee throughout the year.
- 2.5 This is the third monitoring report for the financial year 2014/15. It details performance up to 31st January 2014, unless otherwise stated.

3.0 Detail

GENERAL FUND REVENUE ACCOUNT

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

Net Expenditure on Services	£10,701,043
Depreciation and Capital Charges (in above)	-£515,370
Minimum Revenue Provision	£347,663
Contribution to Bad Debts Provision	£20,000
Contingent Sums	£386,901
Total Estimated Spending	£10,940,237
Financing	-£11,087,681
Estimated Surplus	-£147,444

- 3.4 In accordance with budget monitoring arrangements, the position on Net Expenditure on Services is the main area that is subject to on-going review. This is the amount (£10,701,043) that is directly managed and controlled by the various budget holders across the Council.

Latest Monitoring Figures

- 3.5 The Budget, together with major variances identified as at January 2015 is summarised in the tables which follow. A full analysis of each service area at Cost Centre level with variances across each policy committee is detailed in **Appendices 1 to 3**.
- 3.6 These appendices also show actual spend to-date, budget remaining, together with notes on assumptions, risks and reasons for major variances.

Performance against Budget 2014/15 as at January 2015 (by Committee)

Summary by Policy Committee	Budget £	Projected Actual £	Projected Variance £	Earmarked Reserves £	General Reserve £
Environmental and Development Services	3,591,463	3,132,275	-459,189	25,743	-433,446
Housing and Community Services	2,229,667	2,074,714	-154,954	223,658	68,703
Finance and Management	4,879,913	4,648,158	-204,754	0	-204,754
TOTAL	10,701,043	9,855,148	-818,896	249,400	-569,496

Performance against Budget 2014/15 as at January 2015 (by Service)

Summary by Main Service Area	Budget £	Projected Actual £	Projected Variance £	Earmarked Reserves £	General Reserve £
Transport Account	702,298	792,383	90,085	0	90,085
Economic Development	233,829	196,760	-37,069	0	-37,069
Environmental Education	69,104	43,361	-25,743	25,743	-0
Environmental Health Services	533,252	503,525	-29,727	0	-29,727
Highways	18,651	18,692	41	0	41
Licensing and Land Charges	-46,162	-140,857	-94,695	0	-94,695
Planning	542,352	113,714	-428,638	0	-428,638
Town Centre	69,463	69,247	-216	0	-216
Waste Collection & Street Cleansing	1,468,677	1,535,451	66,774	0	66,774
Community Development and Support	536,930	472,088	-64,842	57,406	-7,435
Leisure and Recreational Activities	128,326	119,344	-8,982	4,144	-4,838
Leisure Centres and Community Facilities	470,479	434,989	-35,490	195,209	159,719
Parks and Open Spaces	693,733	642,554	-51,179	0	-51,179
Private Sector Housing	400,200	405,738	5,538	-33,101	-27,563
Central and Departmental Accounts	3,297,130	3,253,638	-43,492	0	-43,492
Concessionary Travel	0	-1,481	-1,481	0	-1,481
Corporate and Democratic Costs	734,864	636,434	-98,430	0	-98,430
Electoral Registration	143,336	131,045	-12,291	0	-12,291
Payments to Parish Councils	318,108	329,783	11,675	0	11,675
Pensions, Interest Payments and Receipts	204,620	183,275	-21,345	0	-21,345
Property and Estates	-167,696	-174,638	-6,942	0	-6,942
Revenues and Benefits	349,550	290,102	-59,448	0	-59,448
TOTAL	10,701,043	9,855,148	-818,896	249,400	-569,496

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

3.8 The previous tables show that based on current spending, there will be a decrease in net expenditure (after allowing for adjustments between earmarked reserves) of £569,000 compared to the Budget for the year. The variance reported following the half-year report was a decrease of £476,000.

Transfers to/from Earmarked Reserves

3.9 These relate to services in Leisure and Community Development where funding is transferred in and out of earmarked reserves depending on the timing of projects and expenditure.

Main Variances

3.10 The main reasons that account for the projected variance of approximately £569,000 are summarised in the following table. They show services where current spending/income are expected to vary compared to the Budget as at January 2015. The table also shows the change in the variance between Quarter 2 and Quarter 3 (*figures in £'000*)

Main Variances	Jan-15	Q2	Change
Additional Income on Planning fees	-500	-399	-101
Restructure Savings	-73	-73	0
Salary savings (vacancies, maternity, etc.) - Finance and Democratic	-64	-18	-46
Housing Benefit Subsidy 2013/14	-59	0	-59
Civic Offices - Service Charge	-34	0	-34
Waste & Cleansing Savings on Agency costs to fund new posts	-33	-49	16
Additional Trade Waste Income	-35	-23	-12
Additional Environmental Health Income	-28	-24	-4
Building Control Increased Income	-27	0	-27
Salary savings (vacancies, maternity, etc.) - Housing and Community	-25	-31	6
Back Dated Pension Costs	-21	-78	57
Salary savings (vacancies, maternity, etc.) - Environmental Health	-20	-33	13
Increased Licensing Income	-20	0	-20
Additional Land Charges fee income	-20	-10	-10
Early Payment Contract Discount	-18	0	-18
Elected Members Costs	-25	-13	-12
Reduced Bank Charges following Retender	-9	0	-9
Waste & Cleansing - Purchase of new bins	14	0	14
Recycling Costs - Contractor Payments	10	0	10
Pay Award 2014	46	0	46
Vehicle Hire (to cover breakdowns)	28	50	-22
Replacement of Protective Clothing (Budget for 2015/16 to be reduced)	29	0	29
Early Termination Costs - Environmental Health Restructure	31	0	31
Waste & Cleansing Overtime	40	63	-23
Waste & Cleansing - 3 x Permanent Operatives	58	60	-2
Earmarked Reserves Set-aside for Green Bank Leisure Centre	-99	-99	0
Additional costs arising at Green Bank	170	123	47
Spare parts over spend on older vehicles	110	80	30
Other Variances (net)	5	-2	8
TOTAL - OVERALL PROJECTED VARIANCE	-569	-476	-92

Additional Income – Planning Fees

- 3.11 Clearly, the main reason for the increased variance is the planning income received during the year. At its meeting in October, the Committee agreed to reinvest a proportion of this increase back into the service through the appointment of a Graduate Planner on a fixed term contract. This is estimated to cost approximately £92,000 over the next 3 years.

Staffing Costs

- 3.12 Due to vacancies, overall costs are expected to be approximately £100,000 lower across all General Fund services. This equates to around 1.5% of the total establishment budget.

Waste/Cleansing Services, Transport Costs

- 3.13 These services continue to provide the greatest cost pressures. Currently, the net increase over the base budget for the year is approximately £225,000 – 10% of the overall budget across these services.
- 3.14 Of this, around £140,000 is due to additional vehicle costs – maintenance and breakdown replacements, together with additional labour costs of £70,000. The Base Budget has been increased in 2015/16, but current costs continue to cause some concern as the on-going implications into 2015/16 could be more critical for the overall budget position. This should be addressed as matter of urgency.
- 3.15 In addition, some additional costs (£10,000) are being incurred from the kerbside recycling service. This is due a greater level of contamination associated with some materials.

Green Bank Leisure Centre

- 3.16 As reported to the Committee in September and December 2014, parts of the roof, together with air conditioning units were replaced following the recent capital refurbishment and upgrade. These were unforeseen works and a separate procurement exercise was undertaken.
- 3.17 In addition, some additional contractor payments have been made. These were for agreed compensation for loss of income and additional utility costs, following the previous refurbishment.
- 3.18 The total cost of the additional capital and contractor payments was estimated at £123,000. Of this, £99,000 was previously set-aside in an earmarked reserve in 2013/14 in anticipation of these costs leaving an additional £24,000 to be financed from the General Reserve.
- 3.19 However, the additional costs overall are now expected to be £170,000 – an additional £47,000. These are considered to be more general maintenance work on replacement windows, heating and alarm systems that have arisen from the main refurbishment.

3.20 These works total £37,000. However, the revenue budget cannot contain these costs. Furthermore, there may be additional utility costs, over and above that notified to the Council by the Management Contractor, of £10,000. However, this is currently being challenged.

3.21 To meet all of these costs, after allowing for £99,000 in the earmarked reserve, £71,000 will need to be financed from the General Reserve. These are one-off costs. A full analysis of the project costs and the detailed reasons for the additional works were reported to the Housing and Community Services on 12th March.

2014 Pay Award

3.22 A national pay award for local government staff was agreed in November 2014. This increased most pay scales by 2.2% from 1st January 2015, with larger increases for the 6 lowest pay points and smaller increases for Chief Officers.

3.23 In addition, a one-off, non-consolidated payment was awarded to most pay points equating to a further 1% of current pay, again rising for the lower pay points. The award will run to March 2016 when pay will again be reviewed.

3.24 The cost of the pay award in 2014/15 of £46,000 will be financed from the inflation contingency.

Dangerous Structure

3.25 Some expenditure is now likely to be incurred before the financial year end on demolishing an unoccupied building in Church Gresley that has fallen into a dangerous state of disrepair. Legal notices have been issued and a procurement exercise is being undertaken to appoint a suitable contractor to complete the necessary works.

3.26 The cost is estimated at £30,000 in total, including fees. This will need to be funded from the General Reserve.

Contingent Sums

3.27 The Budget includes the following contingent sums totaling £386,901.

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

Pay Inflation

3.28 As the recent pay award (as detailed above) has been paid, this will be financed from the above contingency.

Pay and Grading

- 3.29 Following the Committee's approval in February, Job Evaluation will commence in 2015/16 with an implementation date of April 2016. Therefore, the contingent sum for 2014/15 (and 2015/16) to meet on-going pay costs will not be required. In the current year, £164,000 (as shown in the above table) will be returned to the General Reserve.
- 3.30 In addition, it is unlikely that any call will be made on the Growth provision, which will return a further £100,000 to the General Reserve.

Provisions

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

Provision For	Provision Made	Actual Liability
Voluntary Redundancies – restructures in Legal, Democratic and Land Charges Units	£104,000	£104,000
Refund of Personal Searches**	£100,000	£97,000
Clawback of Housing Benefit Subsidy	£85,000	£64,000
Planning Appeal	£70,000	£30,000
TOTAL PROVISIONS	£359,000	£295,000

*** The actual refunds are still to be paid, but the Council's actual liability has been established.*

The Collection Fund

- 3.33 The Collection Fund is the statutory account that records the collection of Council Tax and Business Rates and shows how that income has been distributed to the Government and Preceptors on the Fund, including this Council.
- 3.34 Any surplus or deficit on the Fund is transferred to the General Funds of the Preceptors, in proportion to precepts levied each year. The current estimated position on the Fund for 2014/15, based on transactions up to 31st January 2015 is detailed in **Appendix 4**.
- 3.35 The projected surplus on the Fund as at 31st March 2015 is currently £773,000 (£841,000 previously) for Council Tax and £169,000 (£768,000 previously) for Business Rates. Based on these amounts, the Council's share would be £77,000 Council Tax (11.3%) and £68,000 for Business Rates (40%). In setting the Budget for 2015/16, the equivalent amounts declared were £57,000 for Council Tax and nil for Business Rates.

Council Tax

3.36 As previously reported, the amount of Council Tax collectable has already exceeded the estimated amount for the year; the estimate allowed for a 3% increase on that collectable in 2013/14. This was on the basis of 40,500 properties (estimated in December 2013) compared to the actual number of 41,100 properties as at December 2014.

3.37 In addition, the cost of the Local Council Tax Support Scheme continues to reduce. In 2013/14, it reduced from £4.95m to £4.65m and is currently estimated to be £4.48m by March 2015.

Business Rates

3.38 As previously reported, there has also been an increase in the Business Tax Base, mainly due to the development of two larger businesses. Several other (downward) reassessments and new rate reliefs have partly offset this increase.

3.39 However, after including Section 31 Grants to compensate for these reliefs, the Business Rate account is now estimated to generate an additional £539,000 compared to the baseline budget included in the Council's financial settlement. The actual figure will be credited to the General Fund on 31st March 2015.

General and Specific Grants Receivable 2014/15

3.40 The following grants have been confirmed for the year.

	Estimate £	Actual £	Diff £
Grants within General Fund			
New Homes Bonus (NHB)	1,779,758	1,779,757	-1
NHB - Returned Funding	0	7,572	7,572
Revenue Support Grant	2,563,000	2,563,486	486
Council Tax Freeze Grant	49,648	49,969	321
Section 31 Grant	24,000	0	-24,000
Council Tax Support Admin Subsidy	88,000	88,392	392
Housing Benefit Admin Subsidy	281,226	279,051	-2,175
Business Rate Reliefs	361,790	361,790	0
	5,147,422	5,130,017	-17,405

Specific Grants

Welfare Reform – New Burdens	0	83,146	83,146
Community Right to Challenge	0	8,547	8,547
Assets of Community Value	0	7,855	7,855
Data Transparency Code	0	2,588	2,588
Individual Electoral Registration	0	40,418	40,418
	0	142,554	142,554

- 3.41 Specific grants are not budgeted for as they vary from year to year and are used to fund one-off expenditure. They are set-aside to deal with additional costs of implementing Government proposals under the “New Burdens Doctrine.”
- 3.42 Anything not spent in the year is transferred to an earmarked reserve to meet future costs associated with each area. Funding for Welfare Reform and Individual Electoral Registration is likely to be used during the year. No costs have yet been incurred for other areas and these amounts will be transferred to the relevant reserves at the year end.
- 3.43 Ultimately, if no additional costs are incurred, the Council can transfer these amounts to use on other services.

Overall General Fund Position and Effect on Reserves

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

	£'000
Lower Net Expenditure	-569
Demolition Costs – Dangerous Structure	30
Funding purchase of new Market Stalls	16
Use of Contingent Sums Lower	-340
Reduction in Provisions	-64
Additional Business Rates Income	-539
Funds set-aside for Graduate Planner	92
Lower General Fund Grants	17
Projected Reduction in Net Expenditure	<u>1,357</u>

HOUSING REVENUE ACCOUNT (HRA)

- 3.45 The Council is required to account separately for income and expenditure in providing Council Housing.
- 3.46 The approved HRA Budget was set with a deficit to finance from reserves of £193,598. Since the Budget was set in February, £20,146 has been transferred from the HRA into the General Fund. This is in respect of a post identified as non-HRA following the restructuring in Housing Services in 2013/14.
- 3.47 Performance on the HRA as at January 2015 is summarised in the following table.

Summary HRA 2014/15	Budget £	Projected Out-turn £	Projected Variance £
Supervision and Management Costs	1,535,611	1,542,346	6,735
Housing Repairs	3,259,923	3,210,344	-49,578
Interest on Debt	1,614,555	1,818,274	203,719
Supported Housing	353,244	375,773	22,530
Rent and other Income	-12,376,321	-12,349,642	26,678
Contribution to Capital Works	5,500,000	5,500,000	0
Contribution to New Build	286,800	286,800	0
TOTAL	173,811	383,895	210,084

3.48 The table shows that the deficit is now projected to be higher compared to the Budget. However, this is largely due to the early termination cost incurred on the repayment of an outstanding market loan as previously reported.

3.49 There are several variances as shown in the following table.

Housing Revenue Account - Projected Variances (figures in £'000)	Q3	Q2	Change
DLO Contractor costs lower than estimated	-60	0	-60
Vacant Posts	-20	-35	15
Pay Award 2014	13	0	13
Reduction In Interest Charges - Rate on variable Debt lower	-25	0	-25
Lower Careline Costs (income also lower -see below)	-20	0	-20
Backlog of Rechargeable Repairs Now Invoiced	-10	-7	-3
Other Variances (net)	-7	-3	-4
Planned Maintenance R&M - now on track	0	-105	105
Decorating Vouchers	0	15	-15
Professional Fees - surveys	14	14	0
Agency Staff to cover vacant posts	15	15	0
Building Control Fees - roofing works	20	20	0
Additional Overtime	25	25	0
Adverse Careline Income	45	0	45
Rent Lost on Sold Properties	59	59	0
Loan Repayment – Early termination cost	229	0	229
Inflation Provision	-68	0	-68
TOTAL - OVERALL PROJECTED VARIANCE	210	-2	212

3.50 After allowing for the loan repayment of £229,000, which has been included in the longer-term Business/Financial Plan of the HRA, the HRA General Reserve will be £19,000 greater compared to Budget.

CAPITAL EXPENDITURE and FINANCING 2014/15

3.51 The investment programme was reviewed and approved during the recent 2015/16 budget round to include updated costs and funding arrangements. Progress in 2014/15 to-date is summarised in the following table.

Capital Spending 2014/15 (as at January 2015)	Approved Budget £	Actual £
Council House Improvements	5,812,297	4,997,406
Private Sector Housing and DFGs	502,311	191,896
Leisure and Community Development	2,034,452	1,434,508
Environmental Schemes	13,119	3,235
Vehicles, Property and Plant	61,960	103,941
Total	8,424,139	6,730,986

Council House Improvements

3.52 Work planned in 2014/15 is well advanced. Some slippage will occur on the first phase of the New Build Programme with initial payments now likely in early 2015/16.

Leisure Schemes

3.53 As previously reported, the schemes at Green Bank Leisure Centre and Eureka Park have been completed and major contract payments have been made. The final funding package for improving the fitness facility at Etwall Leisure Centre is still to be finalised. Works are unlikely to commence until 2015/16. .

3.54 External funding arrangements and land leases are still to be fully completed for the recreational facilities in Melbourne through the Sporting Partnership. Some preliminary works have been completed and tenders have been received for the main contract.

3.55 However the tenders received, are in excess of the current budget and are being reviewed along with the contract specification.

Replacement Vehicles

3.56 The purchase of new vehicles has been greater than anticipated, but will be financed from the Vehicle Replacement Fund.

Capital Receipts

3.57 The current position on Council House sales as at December 2014 is summarised in the following table.

	Qtr 1	Qtr 2	Qtr 3	Total
Number of Sales	7	6	3	16
Proceeds	£396,910	£296,475	160,040	£853,425
Less Pooled Amount	-£87,017	-£69,276	-69,276	-£225,569
Proceeds Retained	£309,893	£227,199	£90,764	£627,856
Percentage Retained	78%	77%	57%	74%

3.58 A further sale has since been completed, making a total of 17 for the year to-date. The retained amount is set-aside in the New Build Reserve.

Council House New Build

3.59 Including the amount brought forward (£1.330m) the accumulated balance on this Reserve is now approximately £2m.

Financial Target

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

Current New Build Targets

	£
Sep-15	191,058
Dec-15	324,056
Mar-16	628,347
Jun-16	628,347
Sep-16	686,430
Dec-16	1,112,561
Mar-17	1,112,561
Jun-17	1,296,447
Sep-17	1,550,961
Dec-17	1,594,226

3.61 The targets represent the value or cost of New Build required on a cumulative basis by the above dates. This can include direct building costs, purchase of land or contributions to other housing providers/developers to deliver new council owned properties.

3.62 The Committee has previously approved the transfer of land in Coton Park from the General Fund to the HRA at a value of £200,000. This is for a site that has been set-aside for one of the three schemes for the 1st Phase of New Build, with an estimated cost of £5.4m in total.

3.63 Currently, tender prices are being finalised and it is expected that all three schemes will have by commenced before the summer of 2015.

General Fund Receipts

- 3.64 As previously reported, proceeds of £13,000 from a land sale in Barrow on Trent have been received to-date in 2015/16.
- 3.65 On 25th February, the Council completed the land sale for the 1st phase of the development of land at William Nadin Way. A net receipt of £1.877m was received and this has been set-aside towards the relocation and construction of the new Council Depot.

TREASURY MANAGEMENT

- 3.66 An analysis of the Council's borrowing and bank deposits is summarised in the tables, below. These show the position at 27th February 2015.
- 3.67 Debt outstanding is split between the HRA and the General Fund and this represents the "two pool" approach adopted for debt management.

	01/04/14 £'000	27/02/15 £'000	Change £'000
Debt Outstanding - HRA			
Self-financing Debt (Average rate 2.7%)	57,423	57,423	0
Market Loan (4.875% fixed) – <i>repaid as previously reported</i>	1,000	0	-1,000
Total Debt Outstanding - HRA	58,423	57,423	-1,000

Capital Financing Requirement - HRA	62,583	61,583	-1,000
Debt Cap (Fixed on Self-Financing)	66,853	66,853	0
Borrowing Capacity (Cap Less Debt o/s)	8,430	9,430	+1,000

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

	01/04/14 £'000	27/02/15 £'000	Change £'000
Temporary Deposits and Short Term Borrowing			
Temporary Bank and other Deposits	7,029	16,492	9,463
Less Parish Council Deposits	-28	-28	0
Less Interest Free Debt	-7	-7	0
Total - Short-term Cash Position	6,994	16,457	9,463

Average Interest Rate Earned (Cumulative)	0.33%	0.31%	-0.02%
Target – Average 7-Day Money Market Rate	0.51%	0.49%	-0.02%

Short-term Deposits

3.68 The funds of £16.492m are currently on deposit as follows:

Debt Management Office	£2m
Other Local Authorities	£10m
UK Banks	£4.492m

3.69 Total interest earned to-date is £28,210, with expected interest for the year (including that currently accruing) to total approximately £42,000. This compares to a budget for the year of £48,750.

Lending Policy and Counterparty List

3.70 At its meeting on 4th September 2014, the Committee approved a revision to the Lending Policy and Counterparty List. This followed changes regulating the banking sector and the potential impact of depositor bail-ins.

3.71 In December, the Lending List was again updated. This was due to the impending deterioration of credit ratings expected in response to weakening prospects for economic growth and the strengthening of bail-in regulations.

3.72 Since December, the Lending List has once again been updated in response to further market developments. Firstly, the Bank of England announced the results of its first “stress testing” exercise of the UK banking system.

3.73 This involved analysing 8 UK financial institutions to assess their resilience to a very severe housing market shock and to a sharp rise in interest rates. This allowed the Bank to assess the risks to the UK’s financial stability and to make informed judgments about the appropriate size of capital buffers for individual banks and for the whole banking system.

3.74 All of the banks on the Council’s Lending list passed the test.

3.75 However, following a review of credit ratings as the bail-in regime becomes established, some of the named counterparties on the Council’s Lending List have been downgraded. It is now recommended that only HSBC and Standard Chartered remain as “specified investments” under the Council’s Policy. The revised counterparty list is shown in **Appendix 5**.

3.76 In line with Treasury advice, the length of deposits with named counterparties (besides the 2 named above) has been reduced to 100 days (from 6 months)

Effect on the Council

3.77 Currently, this will have little effect on the Council’s lending position. In accordance with the Policy, the Council’s deposits are mainly lent out to other local authorities and the DMO. Funds held with banks on the Counterparty List are held in instant access reserve accounts as they are used to balance cash flow on a daily basis or held pending payment of bills.

3.78 Coventry Building Society has been added to the Counterparty List as a non-specified investment. They have recently raised additional capital and are more than sufficiently capitalised to give depositors a substantial cushion against bail-in.

OTHER FINANCIAL INDICATORS

3.79 These are reported to monitor the efficiency of financial services. In addition, the collection rates and speed of benefit processing are key indicators of performance and are contractual targets with the Council's service provider.

3.80 The indicators are detailed in the following table.

	Annual Volumes	Actual 2013/14	Target 2014/15	Projection 2014/15	
Collection Rates					
Council Tax in-year Collection	£45.6m	97.80%	97.40%	97.60%	GREEN
Council Tax Arrears Collection	£4.1m	22.10%	26.70%	22.00%	RED
Business Rates Collection	£23.4m	98.10%	96.10%	97.50%	GREEN
Recovery of Housing Benefit Overpayments	£0.6m	37.50%	34.20%	40.00%	GREEN
Sundry Debtor Collection (incl. Arrears)	£4.9m	84.20%	82.60%	90.00%	GREEN
Benefits Processing (Average Time)					
New Claims	1,000	17 Days	18 Days	20 Days	RED
Change of Circumstances	14,000	14 Days	8 Days	16 Days	RED
Financial Efficiency					
Percentage of Invoices paid within 30-days	5,300	96.40%	97.50%	97.50%	GREEN
Percentage of Invoices paid within 10-days	5,300	69.10%	65.00%	75.00%	GREEN
Number of Payments made Electronically	49,000	98.30%	90.00%	99.50%	GREEN

3.81 The above table continues to show, that as previously reported, three indicators are currently at risk of falling below target. As planned, the current performance of benefits processing has improved over the last quarter due to additional resources and process improvements.

Universal Credit

3.82 The roll out of Universal Credit is now expected to be implemented for South Derbyshire residents in September 2015. In addition, the implementation of the Single Fraud Investigation Service has been confirmed for December 2015.

3.83 When further details become known, these will be reported to the Committee later in the year.

4.0 Financial Implications

4.1 As detailed in the report.

5.0 Corporate Implications

5.1 None directly

6.0 Community Implications

6.1 None directly

7.0 Background Papers

7.1 None