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Date: 13 June 2016

Dear Councillor,

**Finance and Management Committee**

A Meeting of the **Finance and Management Committee** will be held in the **Council Chamber**, on **Tuesday, 21 June 2016 at 18:30**. You are requested to attend.

Yours faithfully,

Chief Executive

To:- **Conservative Group**

Councillor Harrison (Chairman), Councillor Mrs. Plenderleith (Vice-Chairman) and Councillors Atkin, Mrs. Coe, Mrs. Coyle Hewlett, Smith, Watson and Wheeler.

**Labour Group**

Councillors Rhind, Richards, Southerd and Wilkins.



## **AGENDA**

### **Open to Public and Press**

- 1 Apologies and to note any substitutes appointed for the Meeting.
- 2 To note any declarations of interest arising from any items on the Agenda
- 3 To receive any questions by members of the public pursuant to Council Procedure Rule No.10.
- 4 To receive any questions by Members of the Council pursuant to Council procedure Rule No. 11.
- 5 Reports of Overview and Scrutiny Committee
- 6 TREASURY MANAGEMENT ANNUAL REPORT 2015-16 **3 - 18**
- 7 BUDGET OUT-TURN and FINAL ACCOUNTS 2015-16 **19 - 47**

### **Exclusion of the Public and Press:**

- 8 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.
- 9 To receive any Exempt questions by Members of the Council pursuant to Council procedure Rule No. 11.
- 10 APPLICATION FOR DISCRETIONARY RATE RELIEF
- 11 DISCRETIONARY RATE RELIEF-TOP-UP APPLICATION
- 12 DEBTS SUBMITTED FOR WRITE-OFF - COUNCIL TAX, BUSINESS RATES AND HOUSING BENEFIT OVERPAYMENTS
- 13 RESTRUCTURE OF THE HOUSING SERVICES OPERATION WITHIN THE HOUSING & ENVIRONMENTAL SERVICES (H&ES) DIRECTORATE



|                                |  |   |
|--------------------------------|--|---|
| <b>REPORT TO:</b>              | <b>FINANCE AND MANAGEMENT COMMITTEE (SPECIAL – FINAL ACCOUNTS)</b>   | <b>AGENDA ITEM: 6</b>                                       |
| <b>DATE OF MEETING:</b>        | <b>21st JUNE 2016</b>  | <b>CATEGORY: DELEGATED</b>                                  |
| <b>REPORT FROM:</b>            | <b>DIRECTOR OF FINANCE AND CORPORATE SERVICES</b>  | <b>OPEN</b>   |
| <b>MEMBERS' CONTACT POINT:</b> | <b>KEVIN STACKHOUSE (01283 595811)</b><br><a href="mailto:Kevin.stackhouse@south-derbys.gov.uk">Kevin.stackhouse@south-derbys.gov.uk</a> | <b>DOC:</b> u/ks/treasury management/annual reports/2015-16 |
| <b>SUBJECT:</b>                | <b>TREASURY MANAGEMENT ANNUAL REPORT 2015/16</b>   | <b>REF:</b>   |
| <b>WARD (S) AFFECTED:</b>      | <b>ALL</b>   | <b>TERMS OF REFERENCE: FM 08</b>                            |

## **1.0 Recommendations**

- 1.1 That the Treasury Management Annual Report for 2015/16 is approved.
- 1.2 To note the Treasury Management Stewardship Report and Prudential Indicators for 2015/16 (as detailed in **Appendix 1**) and that the Council complied fully with all requirements.
- 1.3 That the Statement on the Minimum Revenue Provision for 2015/16 as detailed in Section 5, is recommended to Council for approval.

## **2.0 Purpose of Report**

- 2.1 To detail the Council's borrowing and lending for 2015/16 compared to the approved strategy, including performance against the prudential indicators. This is in accordance with the Local Government Act 2003 and associated regulations.

## **3.0 Executive Summary**

- 3.1 The Council's borrowing and investment strategy for the year was to focus on:
  - Meeting the Council's cash flow requirements through the investment strategy.
  - Keeping under review the HRA debt position and in particular the variable rate borrowing.
- 3.2 It was anticipated that there would be no requirement to enter into any new external borrowing given that the Council's cash flow and reserves position was forecast to remain healthy. Indeed, the Council's cash flow remained

positive throughout the year and there was no new borrowing, including on a temporary basis.

- 3.3 As financial monitoring reports throughout the year highlighted, the main Bank of England Base Rate remained at 0.5%. This rate has remained unchanged since March 2009.
- 3.4 As expected, this continued to limit the amount of interest earned on short term investments and bank deposits. Although interest rates remained low, together with further limitations being placed on approved counterparties, interest received was above that estimated due to the higher level of cash and reserves on deposit during the year.
- 3.5 In undertaking its treasury management functions during the year, the Council managed its activities within its prudential indicators and approved lending policy.

#### **4.0 Economic Overview**

- 4.1 Following two consecutive years of steady growth, the UK economy showed signs of slowing in 2015/16. Several economic commentators have been concerned about the underlying ability of sustained growth.
- 4.2 Both interest rates and inflation remain at historically low levels. During the second half of the year, the main growth indicator (the *Gross Domestic Product or GDP*) did signal a slowdown and this has led to some pessimism in financial markets.
- 4.3 The Monetary Policy Committee (MPC) at the Bank of England continues to keep the Bank Base Rate at 0.5%. The policy of maintaining the interest rate at a low level is designed to increase growth by boosting expenditure. However, this needs to be balanced against rates being raised too high, too early, so that economic productivity is not adversely affected.
- 4.4 In continuing this policy of maintaining a low Base Rate, the MPC noted that at 0.3% in April 2016, CPI inflation remained well below the Government's target of 2%. During 2015/16, CPI was actually negative for 2 months but has since slowly increased to the current rate. The rate has been influenced by unusually low prices in fuel and foodstuffs over the last year.
- 4.5 The MPC has also been monitoring global oil prices and the Chinese economy, which both impact on the UK economy. Oil prices dropped fairly significantly during the year but have recently risen again, although there is still much debate between oil producing countries about supply.
- 4.6 The MPC remains concerned with increasing interest rates too soon whilst prices remain low and long-term productivity remains uncertain.
- 4.7 In addition, there has also been a steady reduction in the value of the Pound against the US Dollar and the Euro. Although this is beneficial for UK exporters, it signals that currency investors are shying away from the Pound due to concerns over the underlying strength of the UK economy.

- 4.8 The overall situation remains uncertain. Given this, it is unlikely that the Base Rate will increase now before the middle of 2017. It is then forecast to rise incrementally to 2% over a two to three year period. The prognosis for inflation is less certain and this could affect these forecasts for interest rate rises.
- 4.9 However, the biggest focus now is the outcome of the referendum on whether the UK should remain in, or exit, the European Union (EU). There has been much debate on the potential implications on the UK economy leading up to the vote, especially if the result of the vote is to exit. The MPC's projections are on an assumption that the UK continues its EU membership.

### **The Banking Sector – Bail-in Update**

- 4.10 There were no main changes to the bail-in framework which was first introduced during 2013. However, following the EU's Bank Resolution and Recovery Directive, which became effective from January 2015, the Bank of England made a change to its Resolution Strategy to comply with this Directive.
- 4.11 This change was introduced from December 2015. Effectively, the bank of England clarified that banks and building societies with less than £15 to £25 billion of assets are unlikely to be bailed-in and will be allowed to go insolvent instead.
- 4.12 This strategy has two main impacts on the potential losses for wholesale depositors such as local authorities. On the plus side, in an insolvency situation, the regulator will not need to bail-in an additional amount to convert equity to the continuing bank. Therefore, losses may be smaller.
- 4.13 However, the process associated with insolvency usually takes much longer than a bail-in to complete. Therefore, depositors are likely to lose access to their entire investment initially and only be repaid in stages as the insolvency proceeds.
- 4.14 There are 2 institutions on the Council's Counterparty List that fall below the lower end of the £15 to £25 billion threshold. The Council does not currently make any deposits with these institutions as they are classed as "non-specified" (more risky) investments in the Council's Lending Policy.

## 5.0 Detail

### **Borrowing During 2015/16**

5.1 As planned, the Council's did not enter into any new borrowing during the year.

### **The Council's Cash Flow in 2015/16**

5.2 The Council's cash flow can fluctuate on a daily basis depending on the timing of income and expenditure.

5.3 At certain times of the year, the Council may need to borrow to cover shortfalls on a temporary basis, whilst when cash flow is positive any surplus funds are invested on a temporary basis. However, the Council still has a long-term underlying need to borrow. This is based on historical borrowing allocations which were financed internally.

5.4 For several years the Council has not undertaken any form of new long-term borrowing to finance General Fund capital expenditure but has funded this from other sources such as government grants and external funding, together with "internal" borrowing from reserves and balances.

5.5 This is a result of the Council having, over recent years, generated substantial receipts for which expenditure is then spread over a number of years, e.g. Section 106 contributions, partnership funding received in advance, together with general capital receipts.

5.6 In addition, the Council's general level of both allocated and non-allocated reserves has remained sufficiently high to enable internal borrowing. This is generally a more efficient means of borrowing as interest costs are avoided, especially when investment returns are also low. However this does require the overall level of reserves and balances to remain at a level to enable sufficient coverage.

5.7 The Council's long term borrowing of £58.423m remained unchanged during the year. This borrowing relates to the HRA and comprises mainly fixed rate borrowing.

5.8 The Council invests its balances and reserves over the year generating interest for the General Fund and Housing Revenue Accounts. In addition, the Council is generally able to collect its main income in the form of Council Tax and Business Rates before it is spent or re-distributed. This is invested on a short-term basis and generates a return for the Council.

5.9 Overall, the Council continued to have a positive cash flow position in 2015/16 with no requirement to borrow on a short-term basis. However, given the low level of interest rates, the financial benefit in the form of interest earned was low.

5.10 The Council's cash balances remained high throughout the year. The start of year balance was £12m and averaged £15.3m during the year. As at 31<sup>st</sup>

March 2016, the Council had £11m on short-term deposit, all with other local authorities.

### **Interest Rates**

- 5.11 For the 7th consecutive year, the main bank base rate as set by the Bank of England remained at 0.5% throughout 2015/16. It has been at this level since 5<sup>th</sup> March 2009.
- 5.12 During 2015/16, the Council received more interest than estimated despite the average interest rate earned being below the market average. In accordance with the Lending Policy, tight investment criteria remained in place. This is aimed at keeping funds secure and liquid, rather than prioritising yield.
- 5.13 The Council's benchmark, as approved in the Treasury Management Strategy, is to achieve the average 7-day market rate over the year.
- 5.14 This was not achieved during 2015/16 with the average investment rate being 0.32%, compared to a market average of 0.50%. The average rate earned from the Government's Debt Management Office (DMO) was 0.25%, whilst that earned from other local authorities was 0.47%.
- 5.15 Funds are placed predominantly with the Government's Debt Management Office, instant access bank accounts and other local authorities. Although these are the safest form of deposit available and are "guaranteed," interest rates tend to be lower than the market average.

### **Temporary Borrowings**

- 5.16 The Council was not required to undertake any temporary borrowings during 2015/16.
- 5.17 The Council holds money on deposit for 2 Parish Councils. This money is classed as temporary as it can be recalled on immediate notice. Traditionally, parishes have placed funds with the Council to ensure security and liquidity of their funds.
- 5.18 The Council pays 1% below the prevailing Bank of England Base rate. As this rate was 0.5% throughout the year, no interest payments were made. Total money deposited by Parishes remained at £27,700 throughout the year.
- 5.19 This facility offered to parishes has no significant impact upon the overall treasury management operations of the Council.

### **Budgetary Implications**

- 5.20 The level of interest actually received and paid is accounted for in the General Fund. A proportion of this is then recharged into the HRA under a statutory calculation to recognise that some interest on investments is attributable to Council Housing.

5.21 The actual interest received was £65,425 compared to a budget of £39,000. Of the total interest received, £18,158 was transferred to the HRA.

### Interest Paid

5.22 The Council paid interest during the year on the HRA debt outstanding. This is shown in the following table, with a comparison to the amount estimated.

| Interest Type | Principal<br>£    | Interest Rate<br>% | Interest Paid<br>£ | Estimate<br>£    |
|---------------|-------------------|--------------------|--------------------|------------------|
| Variable      | 10,000,000        | 0.71%              | 70,663             | 172,000          |
| Fixed         | 10,000,000        | 2.70%              | 270,000            | 270,000          |
| Fixed         | 10,000,000        | 3.01%              | 301,000            | 301,000          |
| Fixed         | 10,000,000        | 3.30%              | 330,000            | 330,000          |
| Fixed         | 10,000,000        | 3.44%              | 344,000            | 344,000          |
| Fixed         | 7,423,000         | 3.50%              | 259,805            | 259,805          |
|               | <b>57,423,000</b> |                    | <b>1,575,468</b>   | <b>1,676,805</b> |

5.23 The table shows that the total interest paid on the debt for 2015/16 was below that estimated by approximately £100,000. This was due to the interest on the variable rate loan being at 0.71%. This rate was estimated to rise to 1.75% during the year when the HRA budget was set for 2015/16.

### Investments 2015/16

5.24 The Council does not have any long-term investments but the Council is required to maintain an investment strategy covering short-term investments such as the deposit of surplus funds.

5.25 The overall strategy in the year was to effectively invest surplus funds to meet cash flow requirements within the year. In addition, there was no proposal to enter into longer term and externally managed funds.

### Investment Criteria

5.26 The Council invests surplus funds in accordance with an approved policy and associated lending or counterparty list. Based on best practice, the list is split between specified and non-specified investments.

5.27 Specified investments are those with the Government's Debt Management Office and other local authorities, together with the highest rated UK financial institutions. The list is based on an assessment of a financial institution's risk to a depositor bail-in. Most organisations on the Council's list are currently rated as non-specified investments.

5.28 This does not preclude deposits being made with these particular organisations, but the amount deposited and period are limited. Generally, any Council investments in these organisations are placed in instant access reserve accounts.

## Performance Indicator

5.29 As previously highlighted, the main indicator is for the return on short-term investments to meet the average 7-Day Rate, a standard measure of performance. The Council's performance for 2015/16 (with a comparison to recent years) is shown in the following table.

|                     | 2009/10 | 2010/11 | 2011/12 | 2012/13 | 2013/14 | 2014/15 | 2015/16 |
|---------------------|---------|---------|---------|---------|---------|---------|---------|
| 7-Day Rate (target) | 0.39%   | 0.51%   | 0.62%   | 0.51%   | 0.47%   | 0.50%   | 0.50%   |
| Actual Rate         | 0.72%   | 0.78%   | 0.74%   | 0.31%   | 0.33%   | 0.31%   | 0.32%   |

## Prudential Indicators

5.30 Under a national Code of Practice for Capital Finance, the Council must set and regularly monitor Prudential Indicators. These indicators are designed to measure and place controls over the level of borrowing and capital financing during the year.

5.31 They are set following the annual budget round where the Section 151 (Chief Finance) Officer is required to provide an assessment of these indicators, their implications for the Council's spending plans and overall financial position.

5.32 The prudential system provides the flexibility for these indicators to be changed depending on local circumstances. It is the responsibility of the Section 151 Officer to advise the Council accordingly.

5.33 The indicators for 2015/16, together with further details on treasury management activity are detailed in **Appendix 1**. The Council operated within its capital budgets and limits for external borrowing at all times during the year.

## Minimum Revenue Provision (MRP)

5.34 Local authorities are required each year to "set-aside" some of their revenues as a provision to repay any borrowings or other credit arrangements. This set-aside is known as MRP and is a charge on the Council's General Fund. There is no requirement for a MRP on the HRA.

5.35 This requirement on the General Fund has existed for many years and is designed to ensure that authorities, prudently, make provision to meet their credit liabilities into the future. This was to ensure that authorities continue to make a sufficient and prudent provision in their accounts, in particular where they have made any unsupported borrowing under the Prudential System.

5.36 It is the responsibility of the Section 151 Officer to advise on the treatment of MRP and to recommend a suitable policy for adoption. Consequently, authorities are also required to prepare an annual statement on making a MRP.

## The Calculation

- 5.37 MRP traditionally had been calculated (at a rate of 4%) based on an authority's borrowing requirement. As highlighted previously, the Council has an underlying requirement based on past borrowing approvals issued by the Government.
- 5.38 However, due to its strong and positive cash flow position, the Council financed this borrowing "internally." Therefore, over time, actual debt does not match the underlying requirement shown in the Council's accounts.
- 5.39 MRP charged into the accounts, reduces the underlying requirement as it is repaying the resources used internally (on a cash basis) to repay borrowing allocations.
- 5.40 The calculation is designed to ensure that a "prudent" provision is made for debt repayment. This can be done through four options, which are as follows:
- **Option 1** - For debt that is supported by the Government through the grant system, authorities may continue to use the formula in current regulations (4%), since revenue support grant is calculated on that basis. Technically however, this option has been revoked, but has been maintained as a measure for capital expenditure incurred before 1<sup>st</sup> April 2008.
  - **Option 2** – A simplified method of option 1 that reflects supported debt based on an authority's capital financing requirement. This method has been in place since 2004 when the Prudential System was first introduced.
  - **Option 3** – The method to use for new borrowing under the Prudential System for which no Government support is given, MRP being based on the life of the asset being purchased.
  - **Option 4** – As above, but MRP relates to the depreciation charge on the asset purchased.

## Effect on South Derbyshire

- 5.41 The Council is operating under Option 2. Technically, the Council has been debt free under these regulations since 2004 (having repaid its actual borrowings). In addition, it has not entered into any new external borrowing in recent years to finance its capital expenditure on the General Fund.
- 5.42 However, during 2013/14, internal borrowing of approximately £850,000 as undertaken to finance the purchase of the receptacles to extend kerbside recycling. It was approved that this borrowing would be repaid by charging a Voluntary Revenue Provision (VRP) in the General Fund. This provision is being made over the life of the assets purchased under the Prudential System, i.e. Option 3

## **Proposed Council Statement on MRP**

- 5.43 The Council still has an assumed level of debt (or capital financing requirement) that is being subsidised through grant. Therefore, given no actual debt outstanding on the General Fund together with no unsupported borrowing, it is recommended that “prudence” is best achieved by continuing to provide a MRP under **Option 2** for supported borrowing.
- 5.44 As regards unsupported borrowing, it is recommended that prudence is best achieved by providing a VRP under **Option 3** to reflect the life of the assets purchased for the kerbside recycling service.
- 5.45 It is recommended that this policy be endorsed for 2015/16 and adopted for 2016/17. This requires no change from previous years and the necessary MRP and VRP calculated under these methods, have been included in the Council’s accounts for 2015/16 and Base Budget for 2016/17. Future amounts have been provided for in the Medium-Term Financial Plan to 2021.
- 5.46 This Policy will be kept under review depending on the Council’s future capital expenditure and financing requirements. Any proposed changes will be reported as necessary to this Committee for consideration and recommendation to Council. The impact on the MRP will be considered in any decision to enter into any borrowing under the Prudential System.

## **6.0 Financial Implications**

- 6.1 As highlighted above, there are no additional financial implications for the Council regarding the proposed Policy on MRP. The MRP made in 2015/16 was £232,424 and VRP of £131,226.

## **7.0 Corporate Implications**

- 7.1 None directly.

## **8.0 Community Implications**

- 8.1 None directly.

## **9.0 Background Papers**

- 9.1 Local Government Act 2003 and associated Statutory Instruments detailing regulations and amendments under the Local Authorities (Capital Finance and Accounting England Regulations) of 2003.

## ANNUAL REPORT ON THE TREASURY MANAGEMENT SERVICE AND PRUDENTIAL INDICATORS 2015/16

### 1.0 Introduction

1.1 The annual treasury report summarises:

- Confirmation of compliance with Treasury Limits and Prudential Indicators
- Capital activity for the year and how this was financed
- The Council's overall treasury position
- The reporting of the required Prudential Indicators
- Summary of interest rate movements in the year
- Debt and investment activity

### 2.0 Regulatory Framework, Risk and Performance

2.1 The Council's treasury management activities are regulated through statute and codes of practice. Statutory provisions are contained in the Local Government Act 2003, which provides the powers to borrow and invest as well as providing controls and limits on this activity.

2.2 The Act permits the Secretary of State to set limits either on the Council or nationally on all local authorities restricting the amount of borrowing that may be undertaken; no new restrictions were made in 2015/16.

2.3 Amended regulations develop the controls and powers within the Act and require the Council to undertake any borrowing activity with regard to the CIPFA Prudential Code for Capital Finance in Local Authorities. It also requires the Council to operate the overall treasury function with regard to the CIPFA Code of Practice for Treasury Management in the Public Services.

2.4 Under the Act the Government have also issued Investment Guidance to structure and regulate the Council's investment activities.

2.5 The Council has complied with all of the requirements, which limit the levels of risk associated with its treasury management activities. In particular its adoption and implementation of both the Prudential Code and the Code of Practice for Treasury Management means capital expenditure has to be prudent, affordable, sustainable and its treasury practices demonstrate a low risk approach.

2.6 There is minimal risk of volatility of costs for current debt as over 80% of the debt is at fixed interest rates.

2.7 Due to the potential volatility of short-term interest rates, this affects the Council's investment return. These returns are changeable and whilst the risk of loss of principal is minimal through the investment strategy, accurately forecasting returns can be difficult. However, with interest rates remaining generally flat and unchanged in 2015/16, returns are more easily predicted.

### 3.0 The Council's Capital Expenditure and Financing 2015/16

- 3.1 The Council undertakes capital expenditure to maintain and develop its assets. This investment may either be financed through revenue, capital receipts, capital grants/contributions, or borrowing.
- 3.2 Part of the Council's treasury activities is to address the borrowing requirement, either through borrowing from external bodies, or utilising temporary cash resources within the Council (internal borrowing).
- 3.3 The actual capital expenditure is a key prudential indicator. The tables below show how all capital expenditure in the year was financed.

#### *Capital Spending: Final Out-turn 2015/16*

| Services                          | Budget<br>£       | Actual<br>£       | Variance<br>£     |
|-----------------------------------|-------------------|-------------------|-------------------|
| Council House Improvements        | 4,701,750         | 4,205,956         | -495,794          |
| Council House New Build - Phase 1 | 5,374,075         | 4,131,606         | -1,242,469        |
| Private Sector Housing Renewal    | 658,136           | 472,674           | -185,462          |
| Community and Leisure             | 2,998,046         | 2,516,236         | -481,810          |
| Environmental Development         | 9,900             | 24,157            | 14,257            |
| Property, Plant and Equipment     | 1,353,972         | 466,117           | -887,855          |
| <b>Total Spending</b>             | <b>15,095,879</b> | <b>11,816,746</b> | <b>-3,279,133</b> |

#### *Capital Financing: Final Out-turn 2015/16*

| Funding Source                    | Budget<br>£       | Actual<br>£       | Variance<br>£     |
|-----------------------------------|-------------------|-------------------|-------------------|
| Capital Resources (Housing)       | 10,075,825        | 8,227,561         | -1,848,264        |
| External Grants and Contributions | 1,994,698         | 2,358,771         | 364,073           |
| Reserves and Amounts Set-aside    | 2,950,356         | 1,154,637         | -1,795,719        |
| Section 106                       | 75,000            | 75,777            | 777               |
| <b>Total - Financing</b>          | <b>15,095,879</b> | <b>11,816,746</b> | <b>-3,279,133</b> |

### 4.0 The Council's Overall Borrowing Need

- 4.1 The Council's underlying need to borrow is called the 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 value of its assets contained in the Balance Sheet.
- 4.2 The capital expenditure that has not been immediately paid for will increase the CFR through additional borrowing. The Council is required to pay off an element of the accumulated General Fund CFR (but not HRA) each year through a revenue charge called the Minimum Revenue Provision (MRP).
- 4.3 As regards unsupported borrowing, MRP will continue to be based upon the "assumed" level of debt for the General Fund as existed on introduction of the Prudential Code in 2004. Where borrowing is unsupported and has been used to finance capital under the prudential system, a VRP will be calculated based

on the life of the asset and charged to revenue. The Council's CFR for the year is shown below.

| <b>Capital Financing Requirement (CFR)<br/>2015/16</b> | <b>Estimate<br/>2015/16<br/>£'000</b> | <b>Actual<br/>2015/16<br/>£'000</b> |
|--|---------------------------------------|-------------------------------------|
| CFR b/fwd 1st April 2015                               | 68,116                                | 68,116                              |
| Add New Borrowing (Internal)                           | 200                                   | 185                                 |
| Less Debt Repaid                                       | 0                                     | 0                                   |
| Less Minimum Revenue Provision (MRP)                   | -232                                  | -232                                |
| Less Voluntary Revenue Provision (VRP)                 | -110                                  | -131                                |
| <b>CFR c/fwd 31st March 2016</b>                       | <b>67,974</b>                         | <b>67,938</b>                       |
| General Fund Proportion                                | 6,390                                 | 6,354                               |
| HRA Proportion   | 61,584                                | 61,584                              |

## 5.0 Treasury Position at 31st March 2016

5.1 The treasury position at 31st March 2016 compared with the previous year is shown in the following table.

| <b>Overall Borrowing Position<br/>as at 31st March</b> | <b>2014/15</b>             |                         | <b>2015/16</b>             |                         |
|--|----------------------------|-------------------------|----------------------------|-------------------------|
|  | <b>Principal<br/>£'000</b> | <b>Average<br/>Rate</b> | <b>Principal<br/>£'000</b> | <b>Average<br/>Rate</b> |
| Fixed Interest Rate Debt                               | 47,423                     | 3.17%                   | 47,423                     | 3.17%                   |
| Variable Interest Rate Debt                            | 10,028                     | 0.75%                   | 10,028                     | 0.71%                   |
| <b>Total Debt</b>                                      | <b>57,451</b>              |                         | <b>57,451</b>              |                         |
| Short-term Investments                                 | -12,000                    | 0.31%                   | -11,000                    | 0.32%                   |
| <b>Net Borrowing Position</b>                          | <b>45,451</b>              |                         | <b>46,451</b>              |                         |

## 6.0 Prudential Indicators and Compliance

6.1 The prudential indicators provide an overview of and specific limits on treasury activity. The full suite of indicators for publication in accordance with the Code is detailed in **Appendix 2**, with a summary below.

- a) **Borrowing and the CFR** – in order to ensure that borrowing levels are prudent over the medium term, the Council's external borrowing, net of investments, must only be for a capital purpose. Net borrowing should not have exceeded the CFR for 2015/16, plus the expected changes to the CFR over 2015/16 and 2016/17. The table below highlights the Council's gross and net borrowing position against the CFR and demonstrates that the Council has complied with this prudential indicator.

| <b>Borrowing Compared to CFR 2015/16</b> | <b>£'000</b> |
|--|--------------|
| Gross Borrowing                          | 57,451       |
| Net Borrowing                            | 46,451       |
| CFR                                      | 67,938       |

- b) **The Authorised Limit** – is the ‘affordable borrowing limit’ required by Section 3 of the Local Government Act 2003. The Council does not have the power to borrow above this level. The table (in c) below demonstrates that during 2015/16 the Council has maintained gross borrowing within its Authorised Limit.
- c) **The Operational Boundary** – is based on the expected maximum external debt (as above) during the course of the year, but it is not a limit. It is designed to help the Council’s Chief Finance Officer to manage treasury activity on a daily basis and acts as an early warning sign of any potential issues.

| <b>Authorised Limit and Operational Boundaries 2015/16</b> | <b>£'000</b> |
|--|--------------|
| Authorised Limit   | 73,207       |
| Operational Boundary                                       | 62,636       |
| Gross Borrowing as at 31/03/2016                           | 57,451       |

- d) **HRA – Limit on Indebtedness** – under self-financing, the HRA debt pool has been set a cap over which no borrowing is allowed. This is prescribed by the Government and is fixed. The cap is shown in the following table with a comparison to the CFR and the level of actual debt on the HRA.

| <b>HRA Limit on Indebtedness 2015/16</b>  | <b>£'000</b>        |
|---|---------------------|
| HRA Debt Cap (Fixed)                      | 66,853              |
| HRA CFR                                   | 61,584              |
| <b>Difference</b>                         | <b>5,269</b>        |
| HRA Debt                                  | 57,451              |
| <b>Borrowing Headroom (Cap less Debt)</b> | <b><u>9,402</u></b> |

- e) **Actual Financing Costs as a Proportion of Net Revenue Stream** – this identifies the trend in the cost of capital (borrowing and other long-term credit obligations, net of investment income) against the net revenue stream, i.e. money raised from Council Tax and Housing Rents.

| <b>Financing Ratios</b> | <b>Budget<br/>£</b> | <b>Actual<br/>£</b> |
|-------------------------|---------------------|---------------------|
| <b>General Fund</b>     |                     |                     |
| Council Tax Income      | 4,598,852           | 4,598,852           |
| Net Interest            | -£39,000            | -£65,425            |
| <b>Proportion</b>       | <b>-0.85%</b>       | <b>-1.42%</b>       |
| <b>HRA</b>              |                     |                     |
| Rent Income             | 12,643,000          | 12,612,124          |
| Net Interest            | 1,676,805           | 1,575,468           |
| <b>Proportion</b>       | <b>13.26%</b>       | <b>12.49%</b>       |

**APPENDIX 2**

**PRUDENTIAL INDICATORS 2015/16**

|   | Estimate<br>£    | Actual<br>£      |
|---|------------------|------------------|
| <b>Capital Spending: Final Out-turn 2015/16</b> |                  |                  |
| Council House Improvements                      | 4,701,750        | 4,205,956        |
| Private Sector Housing Renewal                  | 658,136          | 472,674          |
| Community and Leisure                           | 2,998,046        | 2,516,236        |
| Environmental Development                       | 9,900            | 24,157           |
| Property, Plant and Equipment                   | 1,353,972        | 466,117          |
| <b>Total Spending</b>                           | <b>9,721,804</b> | <b>7,685,140</b> |

|  |                   |                   |
|--|-------------------|-------------------|
| <b>Capital Financing: Final Out-turn 2015/16</b> |                   |                   |
| Capital Resources (Housing)                      | 10,075,825        | 8,227,561         |
| External Grants and Contributions                | 1,994,698         | 2,358,771         |
| Reserves and Amounts Set-aside                   | 2,950,356         | 1,154,637         |
| Section 106                                      | 75,000            | 75,777            |
| <b>Total - Financing</b>                         | <b>15,095,879</b> | <b>11,816,746</b> |

| <b>External Debt</b>   | <b>£'000</b>  | <b>£'000</b>  |
|------------------------|---------------|---------------|
| Debt 1st April         | 57,451        | 57,451        |
| New Debt               | 200           | 185           |
| Maturing Debt          | 0             | 0             |
| <b>Debt 31st March</b> | <b>57,451</b> | <b>57,636</b> |
| Annual Change in Debt  | 0             | -185          |
| Long-term Investments  | 0             | 0             |
| Short-term Investments | -12,000       | -11,000       |

|   |        |        |
|---|--------|--------|
| <b>Limits compared to Actual Debt</b>   |        |        |
| Authorised Limit - General Fund         | 6,390  | 6,354  |
| Authorised Limit - HRA (Fixed Debt Cap) | 66,853 | 66,853 |
| Total Financing Requirement (CFR)       | 67,974 | 67,938 |
| Operational Boundary                    | 62,451 | 62,636 |
| Gross Debt                              | 57,451 | 57,636 |
| Debt Less Investments                   | 45,451 | 46,451 |

|  |               |               |
|--|---------------|---------------|
| <b>General Fund - Net Indebtedness</b> |               |               |
| Capital Financing Requirement (CFR)    | 6,390         | 6,354         |
| Less: Reserves                         | -10,234       | -15,232       |
| <b>Net Indebtedness</b>                | <b>-3,844</b> | <b>-8,878</b> |

|   |              |              |
|---|--------------|--------------|
| HRA Debt Cap                            | 66,853       | 66,853       |
| HRA Capital Financing Requirement (CFR) | 61,584       | 61,584       |
| <b>Difference</b>                       | <b>5,269</b> | <b>5,269</b> |
| HRA Debt                                | 57,451       | 57,451       |
| <b>Borrowing Headroom</b>               | <b>9,402</b> | <b>9,402</b> |

### Interest Payable and Receivable

| General Fund      | £'000     | £'000     |
|-------------------|-----------|-----------|
| Interest Payable  | 0         | 0         |
| Interest Received | -39,000   | -65,425   |
| <b>HRA</b>        |           |           |
| Interest Payable  | 1,676,805 | 1,575,468 |
| Interest Received | -16,000   | -18,158   |

### Capital Financing Requirement (CFR)

|                         |               |               |
|-------------------------|---------------|---------------|
| CFR b/fwd               | 68,116        | 68,116        |
| Add Net Financing       | 200           | 185           |
| Less MRP                | -232          | -232          |
| Less VRP                | -110          | -131          |
| Less Loan Repayments    | 0             | 0             |
| <b>CFR c/fwd</b>        | <b>67,974</b> | <b>67,938</b> |
| General Fund Proportion | 6,390         | 6,354         |
| HRA Proportion          | 61,584        | 61,584        |

### Cost of Servicing Debt

|                                  |                |                |
|----------------------------------|----------------|----------------|
| Net Interest Received - Gen Fund | -£39,000       | -£65,425       |
| Tax Base - Band D Properties     | 30,608         | 30,608         |
| <b>Cost per Band D Property</b>  | <b>-£0.78</b>  | <b>-£0.47</b>  |
| Net Interest Paid - HRA          | £1,676,805     | £1,575,468     |
| Number of Council Dwellings      | 2,972          | 2,972          |
| <b>Annual Cost per Dwelling</b>  | <b>£564.20</b> | <b>£530.10</b> |

### Financing Ratios

| General Fund       |               |               |
|--------------------|---------------|---------------|
| Council Tax Income | £4,598,852    | £4,598,852    |
| Net Interest       | -£39,000      | -£65,425      |
| <b>Proportion</b>  | <b>-0.85%</b> | <b>-1.42%</b> |
| <b>HRA</b>         |               |               |
| Rent Income        | £12,643,000   | £12,612,124   |
| Net Interest       | £1,676,805    | £1,575,468    |
| <b>Proportion</b>  | <b>13.26%</b> | <b>12.49%</b> |

**Usable Reserves**

|                               |               |               |
|-------------------------------|---------------|---------------|
| General Fund                  | 5,787         | 6,929         |
| Earmarked Reserves            | 4,476         | 8,303         |
| HRA                           | 2,067         | 1,425         |
| Capital Receipts and Reserves | 2,873         | 5,251         |
| <b>Total Usable Reserves</b>  | <b>15,203</b> | <b>21,908</b> |

**Revenue Reserves**

|                               |               |               |
|-------------------------------|---------------|---------------|
| General Fund                  | 5,787         | 6,929         |
| Earmarked Reserves            | 4,476         | 8,303         |
| HRA                           | 2,067         | 1,425         |
| <b>Total Revenue Reserves</b> | <b>12,330</b> | <b>16,657</b> |

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|                                |   |   |
|--------------------------------|---|---|
| <b>REPORT TO:</b>              | <b>FINANCE AND MANAGEMENT COMMITTEE (SPECIAL – FINAL ACCOUNTS)</b>  | <b>AGENDA ITEM: 7</b>   |
| <b>DATE OF MEETING:</b>        | <b>21st JUNE 2016</b>   | <b>CATEGORY: RECOMMENDED</b>  |
| <b>REPORT FROM:</b>            | <b>DIRECTOR OF FINANCE and CORPORATE SERVICES</b>   | <b>OPEN</b>   |
| <b>MEMBERS' CONTACT POINT:</b> | <b>KEVIN STACKHOUSE<br/>01283 595811<br/><a href="mailto:Kevin.stackhouse@south-derbys.gov.uk">Kevin.stackhouse@south-derbys.gov.uk</a></b> | <b>DOC:</b> <small>u/ks/accounts/final accounts1516/ budget out-turn report/budget out-turn report 2016</small> |
| <b>SUBJECT:</b>                | <b>BUDGET OUT-TURN and FINAL ACCOUNTS 2015/16</b>   | <b>REF:</b>   |
| <b>WARD (S) AFFECTED:</b>      | <b>ALL</b>  | <b>TERMS OF REFERENCE: FM 08</b>  |

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## 1.0 Recommendations

1.1 To approve the final out-turn position for:

- The General Fund Revenue Account 2015/16
- The Housing Revenue Account 2015/16
- Capital Expenditure and Financing 2015/16
- The Collection Fund 2015/16
- The Balance of Reserves and Provisions at 31<sup>st</sup> March 2016.

1.2 That a net appropriation of £133,000 in 2015/16 is made from the General Fund Reserve to other Earmarked Reserves as detailed in the report.

1.3 That the following contributions are made to Bad Debt and Appeal Provisions in 2015/16:

|                                |              |                         |
|--------------------------------|--------------|-------------------------|
| Sundry Debtors                 | <b>-£680</b> | General Fund            |
| Bed and Breakfast Charges      | £29,033      | General Fund            |
| Housing Benefit Overpayments   | £104,280     | General Fund            |
| Previous Year's Balances (Net) | £21,989      | General fund            |
| Council Tax Arrears            | £247,805     | Collection Fund         |
| Business Rates Arrears         | £90,380      | Collection Fund         |
| Business Rates Appeals         | £1,488,867   | Collection Fund         |
| Housing Rent Arrears           | £105,068     | Housing Revenue Account |

## **2.0 Purpose of Report**

2.1 To detail the final out-turn position for 2015/16 on the Council's main revenue and capital accounts. The report also details the financial position on these accounts as at 31<sup>st</sup> March 2016 compared to that estimated in the Council's Medium-Term Financial Plan (MTFP).

### **Background – The Accounts Process**

2.2 The Council's Draft Annual Accounts and Financial Statements (prior to Audit) will be signed-off by the Chief Finance Officer for External Audit on 30<sup>th</sup> June 2016. In accordance with the Account and Audit Regulations, the accounts will be reported to the Committee, in September, after the Audit has been completed.

2.3 During the interim period, the draft (unaudited) accounts are available for inspection with the Auditor themselves, being available to receive questions and comments from the Public, for the period 1<sup>st</sup> July to 30<sup>th</sup> July 2016 inclusive. This "public right" is advertised in the local press and on the Council's web site.

2.4 The Auditor's detailed report will be considered by the Audit Sub Committee on 21<sup>st</sup> September. The audited accounts, together with the auditor's opinion, will be reported at a meeting of this Committee on 22<sup>nd</sup> September 2016.

2.5 The Financial Statements are prepared and reported to fulfil statutory requirements and are based on approved accounting standards. The statements provide detail regarding the Council's assets and liabilities and analyse income and expenditure for the year.

2.6 This 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.

2.7 Although these figures are final, they may be subject to amendment following Audit and the submission of statutory returns for Business Rates and Housing Benefits.

2.8 This report is divided into the following sections:

- Section 3 – General Fund Revenue Account and Collection Fund 2015/16
- Section 4 – Housing Revenue Account 2015/16
- Section 5 – Capital expenditure and financing 2015/16
- Section 6 – Provisions and reserves as at 31<sup>st</sup> March 2016
  
- Appendix 1 - General Fund Account 2015/16
- Appendix 2 – The Collection Fund 2015/16
- Appendix 3 – Capital expenditure and financing 2015/16
- Appendix 4 – Earmarked reserves 2015/16

### **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 from Core Spending Power which is a mixture of :

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

3.2 The Budget for 2015/16, which was approved in February 2015, estimated a budget surplus of £91,189 for 2015/16. Following the update of the Medium-term Financial Plan (MTFP) in January and February 2016, this was revised to a surplus of £563,667 as summarised in the following table

|   |                         |
|---|-------------------------|
| <b>Net Expenditure on Services</b>                      | <b>£10,944,226</b>      |
| Less - Depreciation and Capital Charges                 | -£645,650               |
| Add - Minimum / Voluntary Revenue Provisions            | £342,444                |
| Add - Contingent Sums                                   | £301,204                |
| Add - Council Tax Support Grant paid to Parish Councils | £43,627                 |
| <b>Total Estimated Spending</b>                         | <b>£10,985,851</b>      |
| Less - Financing  | -£11,549,518            |
| <b>Updated General Fund Surplus 2015/16</b>             | <b><u>-£563,667</u></b> |

#### **Final Budget Out-turn 2015/16 - Summary**

3.3 **Appendix 1** details the final out-turn on the General Fund for 2015/16 with a comparison to the approved budget.

3.4 The appendix shows that the General Fund achieved a surplus, before appropriations, of £1.46m for the year. This was approximately £900,000 greater than budgeted.

3.5 This level of variance was expected and previously reported, mainly due to additional income from planning fees and retained business rates. The third quarter's monitoring reported to the Committee in March, estimated a surplus of £986,000.

3.6 There are several items that are accounted for in the General Fund's income and expenditure account, but then are adjusted through earmarked reserves and the contingent sum. This includes additional expenditure associated with the Planning service, receipts from asset sales and increases in the bad debts provision.

## Overview of Income and Expenditure 2015/16

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, subject to Audit. An analysis of the major variances is shown in the following tables.

### Summary of the major variances compared to budget in 2015/16

| <b>Favourable Variances (compared to Budget)</b>   | <b>£'000</b>  |
|--|---------------|
| Retained Business Rates  | -454          |
| Planning Fees  | -423          |
| Capital Receipts (transferred to the Capital Receipts Reserve)                               | -328          |
| Contingent Sums (effectively offsetting additional expenditure below)                        | -290          |
| Government contribution to reimbursement of Land Charges income (Personal Searches)          | -105          |
| Lower fuel prices  | -87           |
| Estates income - all property units let  | -75           |
| Reimbursement of Parliamentary Election Expenses   | -68           |
| New Burdens funding for Welfare Reform, Fraud Partnership and Compliance (to be c/fwd)       | -67           |
| Sports Development - project costs and contributions (to be carried forward)                 | -48           |
| Members Training, Expenses and Allowances  | -33           |
| Interest on short-term deposits  | -25           |
| Lower utility costs (gas and electricity)  | -18           |
| <b>Total - Favourable Variances</b>  | <b>-2,021</b> |
| <b>Adverse Variances (compared to Budget)</b>  |               |
| Net Cost of Housing Benefits   | 185           |
| Contribution to Bad Debts Provision (offset by additional Business Rates and Contingent Sum) | 155           |
| Development of the Local Plan - financed from earmarked reserves                             | 113           |
| Indexation of contractual services (financed from Contingent Sum)                            | 102           |
| Recycling credits  | 101           |
| ICT Network Upgrade (financed from the ICT reserve)  | 95            |
| Homelessness - temporary staffing and project costs - financed from earmarked reserves       | 71            |
| Planning Costs - financed from earmarked reserves  | 56            |
| Vehicle Costs (mainly hired vehicles on a temporary basis)                                   | 46            |
| Environmental Education capital projects - financed from earmarked reserves                  | 37            |
| Recycling Costs  | 33            |
| External Facilitator - Job Evaluation project (financed from Contingent Sum)                 | 31            |
| Leisure centres - repairs and maintenance costs  | 24            |
| Leisure centres - utility costs  | 23            |
| <b>Total - Adverse Variances</b>   | <b>1,072</b>  |
| Total - Major Variances - favourable less adverse variances (net gain)                       | -949          |
| All other Variances (net)  | 49            |
| <b>Total - Net Variance (compared to Budget) - Overall Reduction</b>                         | <b>-900</b>   |

## Additional Income

- 3.8 The main variances related to additional income. There were increases in income from planning fees (as expected) and retained business rates in particular. The income from planning fees exceeded £1m in total for 2015/16 compared to a budget of £600,000.
- 3.9 Some of this additional income is being reinvested back into the Planning service to meet the current volume of planning applications, ICT improvements, together with developing the Local Plan and the Facilities Strategy for generating future Section 106 contributions (as previously approved by the Committee).

## General Grants and Business Rates Income

3.10 This is detailed in the following table.

| Analysis of General Grant Income 2015/16           | Estimate<br>£'000 | Actual<br>£'000 | Variance<br>£'000 |
|--|-------------------|-----------------|-------------------|
| Revenue Support Grant                              | 1,811             | 1,811           | 0                 |
| New Homes Bonus                                    | 2,322             | 2,330           | 8                 |
| Council Tax Freeze Grant                           | 51                | 51              | 0                 |
| New Burdens Grant                                  | 0                 | 9               | 9                 |
| Retained Business Rates ( <i>see table below</i> ) | 2,709             | 2,745           | 36                |
| Council Tax income (including Parishes)            | 5,324             | 5,290           | -34               |
| <b>Total Grant Income 2015/16</b>                  | <b>12,217</b>     | <b>12,236</b>   | <b>19</b>         |

## Retained Business Rates

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

|   | £'000        |
|---|--------------|
| Approved Precept                                  | 8,792        |
| Less Tariff paid to the Government                | -6,200       |
| Section 31 Grants - Business Rate Reliefs         | 413          |
| Payment of Levy to Derbyshire Business Rates Pool | -290         |
| Share of growth returned from the Pool            | 213          |
| Business Rates Deficit 2015/16                    | -130         |
| Transitional Relief adjustment - previous years   | -53          |
| <b>Net amount received in Retention System</b>    | <b>2,745</b> |
| Add: Previous Year's surpluses                    | 288          |
| Add back: Deficit 2015/16 (transferred to 16/17)  | 130          |
| <b>Total Business Rates Retained 2015/16</b>      | <b>3,163</b> |

3.12 The General Fund retained a greater share of Business Rates compared to that budgeted by approximately £6,000. However, this was increased overall to £454,000 when previous year's surpluses of £288,000 were paid from the

Collection Fund, together with the 2015/16 deficit (£130,000) being carried forward to 2016/17.

3.13 It should be noted that business rates incurred a deficit in 2015/16, of which the Council's share was approximately £130,000 as shown in the previous table. This was due to an increase in the number of valuation appeals rather than a reduction in income; this detailed later in the report in the Collection Fund section.

3.14 The impact of this deficit has been masked in the General Fund by the Section 31 Grants for Business Rate Relief, together with a share of growth from the Derbyshire Business Rates Pool.

### **Growth and the Derbyshire Business Rates Pool**

3.15 However, the Council's rates income increased compared to its baseline target which is set in the funding system and to calculate the "Levy." Although the Council incurred a deficit on the Collection Fund in 2015/16 (as detailed later) it saw an increase in receipts during the year. This is shown in the following table.

|   | <b>£'000</b> |
|---|--------------|
| Share of Gross Rates (at 40%)               | 9,072        |
| Less Tariff paid to the Government          | -6,200       |
| Equals Retained Rates                       | 2,872        |
| Less Baseline Level (set by the Government) | -2,291       |
| Equals Retained income above the Baseline   | 581          |
| <b>Levy (at 50%)</b>                        | <b>291</b>   |

3.16 This levy payment is paid into the Derbyshire Pool. If the pooling arrangement did not exist, this income would have been lost entirely to the Council and paid directly to the Government. This would have adversely affected the overall General Fund position given that the Collection Fund fell into deficit during 2015/16.

3.17 However, a payment of £213,000 was returned back to the Council from the Pool. This was the Council's share of all growth in the Pool in 2015/16.

### **Estates Income**

3.18 The high level of property lettings during the year, with very little incidence of empty units, generated additional income of approximately £55,000 overall, compared to that budgeted. This also reduced the Council's liability for business rates on empty properties by approximately £20,000 – a further benefit of maximising lettings.

## Land Charges – Personal Searches

3.19 As previously reported, a Government contribution of £105,000 was received towards the cost of refunding personal searches from past years. The cost of £156,000 had previously been set-aside as a provision in the Council's accounts.

## Cost of Elections

3.20 In addition, the Council received a contribution of approximately £68,000 towards the administration of the local and parliamentary elections which took place in May 2015. Although the Council is responsible for the cost of the local District election, it received a reimbursement as it was run concurrently with the Parliamentary election at that time.

3.21 The cost of administering those elections is shown in the following table.

|                              | £             |
|------------------------------|---------------|
| Employees                    | 83,558        |
| Training                     | 3,240         |
| Advertising                  | 2,015         |
| Room Hire                    | 15,428        |
| Equipment                    | 2,805         |
| Printing                     | 28,936        |
| Stationery                   | 6,654         |
| Postage                      | 6,443         |
| Fees                         | 3,000         |
| Parish Council Contributions | -2,396        |
| <b>Gross Cost</b>            | 149,683       |
| Government reimbursement     | -67,860       |
| <b>Net cost</b>              | <u>81,823</u> |

3.22 The Council's budget for the gross cost was £150,000.

## Reduced Costs

3.23 The main area where costs were substantially less than that budgeted arose from the falling price of fuel during the year. Compared to a budgeted cost of £310,000 for all vehicles and plant, the actual cost of fuel in 2015/16 was £222,600.

## Contingent Sums

3.24 The amount set-aside as a contingent sum in the year to meet inflation and growth, together with the pay and grading review (employment of an external facilitator) was not fully utilised. The inflation and growth elements act as a safeguard against unforeseen matters arising in the year, i.e. to mitigate “budget risk.”

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

|   |                        |
|---|------------------------|
| Pay and Grading Review – External Facilitator | £100,000               |
| Inflation                                     | £89,700                |
| Growth  | £100,000               |
| <b>Total - Contingent Sum 2015/16</b>         | <b><u>£289,700</u></b> |

3.26 Effectively, this contingent sum offset the additional expenditure regarding the External Facilitator (£31,000) together with the indexation of contractual services (£102,000) and the contributions to the General Fund Bad Debts provision of £155,000.

3.27 The largest costs were effectively accounting charges which fall as a cost on the General Fund, i.e. the increase in provisions for bad debts, together with the net cost of Housing Benefits.

## Provision for Bad Debts

3.28 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.

3.29 The provisions made in 2015/16 are shown in the following table.

| <b>General Fund - Bad Debt Provisions</b> |                        |
|---|------------------------|
| Sundry Debtors                            | -£680                  |
| Bed and Breakfast Charges                 | £29,033                |
| Housing Benefit Overpayments              | £104,280               |
| Previous Year's Balances (Net)            | £21,989                |
| <b>Total</b>                              | <b><u>£154,622</u></b> |

3.30 No increase was required in the provision for sundry debts due to a good collection rate in the year and a reduction in arrears. In fact, the provision was slightly reduced.

## Bed and Breakfast Charges

- 3.31 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.
- 3.32 The Council is responsible for pursuing recovery of the amount owed and this is generally difficult. However, in recognition of this, the Council is moving away from using “bed and breakfast” facilities to using its own accommodation and that of charitable organisations. This should help to reduce the costs in the future.
- 3.33 In addition, the Council does have 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

- 3.34 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

- 3.35 In addition, the cost of Housing Benefits increased overall by £184,000 as shown in the following table.

| Cost of Housing Benefits 2015/16         | Estimate<br>£'000 | Actual<br>£'000 | Variance<br>£'000 |
|--|-------------------|-----------------|-------------------|
| Rent Allowances Paid                     | 11,457            | 11,327          | -130              |
| Rent Allowances Subsidy                  | -11,092           | -10,983         | 109               |
| <b>Net Cost of Rent Allowances</b>       | <b>365</b>        | <b>344</b>      | <b>-21</b>        |
| Rent Rebates Paid                        | 6,938             | 6,757           | -181              |
| Rent Rebates Subsidy                     | -6,882            | -6,732          | 150               |
| <b>Net Cost of Rent Rebates</b>          | <b>56</b>         | <b>25</b>       | <b>-31</b>        |
| <b>Net Cost of Benefits Paid</b>         | <b>421</b>        | <b>369</b>      | <b>-52</b>        |
| Overpayments Recovered (Rent Allowances) | -151              | 85              | 236               |
| <b>Overall Cost of Housing Benefits</b>  | <b>270</b>        | <b>454</b>      | <b>184</b>        |

3.36 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 9,500 claims was approximately £18m in 2015/16. Even a ½% variation in subsidy equates to nearly £100,000.

3.37 The previous table shows that the net cost of benefits paid was approximately £50,000 less than that estimated. The reason for the increase in the cost to the Council compared to that estimated, was actually a reduction in the amount of overpayments recovered.

3.38 This was budgeted at £151,000 against an actual deficit of £85,000. This arose as an accrual of outstanding overpayments of £300,000 was made in 2014/15. The amount actually recovered was £215,000. This has been corrected in 2015/16. Given this situation, no accrual has been made in the accounts for 2015/16. Any overpayments recovered in the future will then be a direct benefit to the General Fund.

### Other Cost Pressures

3.39 Besides the additional costs being financed from earmarked reserves, the main adverse variances, as previously reported, are shown in the following table.

| Additional costs - previously known          | £'000 | <i>3rd<br/>quarter<br/>forecast</i> |
|--|-------|-------------------------------------|
| Income from recycling credits over-budgeted  | 101   | 100                                 |
| Additional vehicle hire on a temporary basis | 46    | 60                                  |
| Repairs and utility costs at leisure centres | 47    | 62                                  |
| Other recycling costs                        | 33    | 30                                  |

### 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 2016/17, 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 2015/16

|  | £'00              |
|--|-------------------|
| <b>Transfers from General Fund to Earmarked Reserves</b>                                     | <b>0</b>          |
| External funding - Sports Development  | 48                |
| Government funding - Welfare Reform, Fraud and Compliance                                    | 67                |
| Transfer to Facilities Development Fund (approved by the Committee - April 2016)             | 30                |
| Townscape project - Grant funding carried forward  | 21                |
| Transfer to Planning - ICT development (approved by the Committee - March 2016)              | 20                |
| Transfer of receipts from land sales (mainly William Nadin Way) to Capital Reserves          | 309               |
| Transfer of receipts from disposal of vehicles to the Asset Replacement Reserve              | 19                |
| Transfer of turnover share from Rosliston Forestry Centre - café                             | 11                |
| <b>Transfers from Earmarked Reserves to the General Reserve to meet expenditure in 15/16</b> |                   |
| Planning - resources to meet increased planning applications                                 | -56               |
| Development of the Local Plan  | -113              |
| Strategic Partnership - Grant funding  | -11               |
| Environmental Education - capital projects   | -37               |
| Safer Communities  | -9                |
| Prevention of Homelessness - temporary staffing and project costs                            | -71               |
| ICT Network upgrade - drawdown from ICT reserve  | -95               |
| <b>TOTAL NET TRANSFER TO EARMARKED RESERVES FROM GENERAL FUND RESERVE</b>                    | <b><u>133</u></b> |

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, both the Council Tax and Business Rates accounts continued to perform better than estimated and surpluses were expected to be achieved. As at the third quarter, the cumulative balances were estimated at approximately £1/4m for Council Tax and £1/2m for Business Rates. The final out-turn on the Fund for 2015/16 is detailed in **Appendix 2**.

### Council Tax

3.45 Overall collection generated a surplus in the year of £211,000. This maintained a cumulative fund balance of £407,000 as at 31<sup>st</sup> March 2016 – an increase of £138,000 compared to that estimated. This was mainly due to a reduction in the contribution to the provision for bad debts due to a better collection rate.

3.46 The amount due to South Derbyshire is approximately £45,000 (11% of £407k). This amount remains in the Collection Fund pending the 2017/18 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 can be included in the MTFP.

### **Business Rates**

3.47 As highlighted earlier in the report, this part of the Fund generated a deficit in 2015/16 of £326,000, compared to an estimated surplus of approximately £1/2m. This was not due to less rates being collected, but arose due to a large increase in the provision for appeals of approximately £1.49m.

### **Business Rates Appeals**

3.48 Several large businesses in the area have recently submitted appeals against their rating value to the District Valuer (DV). If successful, these could be backdated to 2010 which is the latest valuation list.

3.49 Under accounting regulations, the Council has to provide against a certain amount of appeals being successful. In recent years, approximately 3.5% of appeals have been successful. Although this is only a small percentage, the monetary amounts involved are significant. There are around 200 individual cases currently pending with the DV. The total amount of rates involved across these appeals is approximately £62m when backdated to 2010.

3.50 At a success rate of 3.5%, this equates to a provision of around £2.1m. The Council's existing provision is £700,000. Therefore, this needs to be increased by £1.4m to ensure a proper provision is maintained. As shown in Appendix 2, this is a charge in the Collection Fund for Business Rates.

### **Deficit and Previous Year's Surpluses**

3.51 The financial year 2015/16 was the third year of the Rates Retention System which was introduced in 2013/14. The first two years of the system generated a cumulative surplus on the Council's Business Rates Account of £647,000 as at 31<sup>st</sup> March 2015.

3.52 As previously reported, the cumulative surplus had been maintained in the Collection Fund. With an anticipated surplus of £1/2m in 2015/16, payments of £720,000 have been paid to the Preceptors in 2015/16 to return the overall surplus, whilst still maintaining a balance as a contingency.

3.53 At 40% of £720k, the Council's share was £288,000 and this was transferred to the General Fund in 2015/16. The Council's share of the deficit incurred in 2015/16 of £130,000 ( $£326,000 * 40%$ ) has been carried forward and will be accounted for in 2016/17. However, it is likely that the on-going surplus of the overall Fund in 2016/17, assuming retained receipts continue above the Government's baseline, will offset this deficit.

## 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 2105/16 was set with a deficit to finance from HRA reserves of £240,000.
- 4.2 This was revised to £314,000 in February 2016, following a review of the 10-year financial plan. At the end of the third quarter, the deficit was projected to be slightly higher at £331,000.
- 4.3 Due to changes in the profile of capital expenditure and the New Build programme, the HRA budget for 2015/16 was revised again in May. In particular, this was due to an anticipated increase in capital works of £800,000 as reported to the Committee in March. The revised deficit for the year was then estimated at approximately £1.1m (£331k + £800k).

### Final Out-turn 2015/16

- 4.4 Final performance on the HRA is shown in the following table.

| Summary HRA 2015/16                     | Budget<br>£'000 | Actual<br>£'000 | Variance<br>£'000 |
|---|-----------------|-----------------|-------------------|
| Rental Income                           | -12,643         | -12,612         | 31                |
| Contribution to Capital Works           | 4,343           | 4,205           | -138              |
| Contribution to New Build Programme     | 2,287           | 2,287           | 0                 |
| Planned Maintenance                     | 2,358           | 2,252           | -106              |
| Responsive Repairs                      | 1,136           | 1,119           | -17               |
| Supervision and Management              | 1,531           | 1,635           | 104               |
| Supported Housing and Careline Services | 420             | 400             | -20               |
| Interest on Debt                        | 1,681           | 1,566           | -115              |
| Provision for Bad Debts                 | 44              | 105             | 61                |
| <b>Deficit</b>                          | <b>1,157</b>    | <b>957</b>      | <b>-200</b>       |

- 4.5 The table shows that the HRA incurred a deficit less than that estimated, although there were some more significant variances within the overall figure of £200,000 as shown in the above table. However, these variances were known and reported to the Committee as part of the third quarter's monitoring report in March 2016.
- 4.6 The reduction in rental income is due to a greater number of Right to Buys – 17 in total compared to 8 budgeted. Interest on debt was lower due to the interest rate on the variable element of the debt portfolio (£10m) having been settled at 0.71% compared to that budgeted of 1.25%. In addition, overall expenditure on Planned Maintenance was lower compared to the Budget.

## Contribution to Capital Works

4.7 As reported to the Committee in March, this budget was increased by £800,000, from £3.5m to £4.3m, to accommodate additional expenditure in 2015/16. The actual out-turn was approximately £138,000 lower than this and this has helped to maintain the HRA General Reserve above the minimum level of £1m – a potential risk identified when the additional expenditure was reported.

## Other Variances

4.8 The main adverse variances related to supervision and management, with a greater level of staffing and support costs. Some of this arose to cover long-term absences. Moreover, additional contract recruitment and consultancy costs were also incurred.

4.9 The increase in 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.

|                     | Debt<br>O/s<br>2015<br>£ | Debt<br>O/s<br>2016<br>£ |
|---------------------|--------------------------|--------------------------|
| Leaseholders        | 5,651                    | 8,933                    |
| Current Tenants     | 222,470                  | 209,750                  |
| Former Tenants      | 172,015                  | 87,937                   |
|                     | <b>400,136</b>           | <b>306,620</b>           |
|                     | <hr/>                    |                          |
| Bad Debts Provision | 183,265                  | 169,329                  |

4.10 Although the level of arrears has reduced, the provision has not reduced in proportion and rose to 55% of arrears outstanding in 2016, compared to 45% at the end of 2015. This was due to an amount of £119,000 being written off in 2015/16 against the provision. These write-offs mainly related to former tenants.

4.11 The level of arrears has effectively increased. The bad debts provision required has only reduced from £183,265 to £169,329, with an increase of £105,000 required as shown in the following table.

|                                | £                     |  |
|--------------------------------|-----------------------|--|
| Bad Debts Provision b/fwd      | 183,265               |  |
| Less Write-offs in 2015/16     | -119,004              |  |
| Provision Remaining            | <u>64,261</u>         |  |
|                                | <hr/>                 |  |
| Provision Required             | <u>169,329</u>        |  |
| Top-up Required in HRA 2015/16 | <b><u>105,068</u></b> |  |

4.12 Overall, the effect of the HRA [Page 30 of 48](#) HRA's General Reserve is detailed in **Section 6**.

## 5.0 **CAPITAL EXPENDITURE and FINANCING 2015/16**

5.1 The final out-turn is detailed in **Appendix 3** with a summary in the following table.

### *Capital Spending: Final Out-turn 2015/16*

| Services                          | Budget<br>£       | Actual<br>£       | Variance<br>£     |
|-----------------------------------|-------------------|-------------------|-------------------|
| Council House Improvements        | 4,701,750         | 4,205,956         | -495,794          |
| Council House New Build - Phase 1 | 5,374,075         | 4,131,606         | -1,242,469        |
| Private Sector Housing Renewal    | 658,136           | 472,674           | -185,462          |
| Community and Leisure             | 2,998,046         | 2,516,236         | -481,810          |
| Environmental Development         | 9,900             | 24,157            | 14,257            |
| Property, Plant and Equipment     | 1,353,972         | 466,117           | -887,855          |
| <b>Total Spending</b>             | <b>15,095,879</b> | <b>11,816,746</b> | <b>-3,279,133</b> |

### **Council House Improvements**

5.2 This variance was explained previously in the report in Section 4. The expenditure also included disabled facility adaptations.

### **Council House New Build – Phase 1**

5.3 The programme was substantially complete in 2015/16. There was some slippage but the main works and associated contract payments will be completed during the first quarter of 2016/17. Detailed progress continues to be reported to the Housing and Community Services Committee.

### **Community and Leisure Schemes**

5.4 The main slippage was on the schemes associated with the Melbourne Sporting Partnership (£236k) Rosliston Forestry Centre Play Project (£130k) and the Community Partnership Scheme (£177k). As reported previously, the Melbourne project was delayed in the year as funding and procurement matters were finalised. The scheme is currently nearing completion.

5.5 The Rosliston project is still subject to the planned external funding being secured; this is on-going work.

5.6 As regards the Community Partnership Scheme, all monies have been allocated to various organisations by the Grants Panel. The reason for the “underspend” is that there is generally a lead in time between a grant being awarded and the scheme being delivered which triggers the grant payment.

5.7 The remaining/unspent amounts have been carried forward into 2016/17 to complete schemes.

## Property, Plant and Equipment

- 5.8 The main variance relates to the replacement of vehicles. Two refuse freighters were replaced in 2015/16. However, these were purchased (as used) from a neighbouring authority at substantially lower prices than brand new.

## Financing Capital Expenditure

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

### *Capital Financing: Final Out-turn 2015/16*

| Funding Source                    | Budget<br>£       | Actual<br>£       | Variance<br>£     |
|-----------------------------------|-------------------|-------------------|-------------------|
| Capital Resources (Housing)       | 10,075,825        | 8,227,561         | -1,848,264        |
| External Grants and Contributions | 1,994,698         | 2,358,771         | 364,073           |
| Reserves and Amounts Set-aside    | 2,950,356         | 1,154,637         | -1,795,719        |
| Section 106                       | 75,000            | 75,777            | 777               |
| <b>Total - Financing</b>          | <b>15,095,879</b> | <b>11,816,746</b> | <b>-3,279,133</b> |

- 5.10 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 2015/16 as shown in the following table.

|                                |            |                         |
|--------------------------------|------------|-------------------------|
| Sundry Debtors                 | -£680      | General Fund            |
| Bed and Breakfast Charges      | £29,033    | General Fund            |
| Housing Benefit Overpayments   | £104,280   | General Fund            |
| Previous Year's Balances (Net) | £21,989    | General fund            |
| Council Tax Arrears            | £247,805   | Collection Fund         |
| Business Rates Arrears         | £90,380    | Collection Fund         |
| Business Rates Appeals         | £1,488,867 | Collection Fund         |
| Housing Rent Arrears           | £105,068   | Housing Revenue Account |

- 6.6 No additional provision was required for sundry debtors as the overall arrears situation improved during 2015/16. The provision for Council Tax arrears amounts to £1/2% of that collectable and is contained within the overall surplus balance on the Collection Fund, as detailed earlier in the report in Section 3.
- 6.7 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.
- 6.8 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  | Used        | Amounts    | Increases | Provision  |
|---------------------------------|------------|-------------|------------|-----------|------------|
|                                 | b/fwd      | during      | Released   |           | c/fwd      |
|                                 | April 2015 | 2015/16     | 2015/16    | 2015/16   | April      |
|                                 | £'000      | £'000       | £'000      | £'000     | 2016       |
|                                 |            |             |            |           | £'000      |
| Personal Search Refunds         | 156        | -114        | 0          | 0         | 42         |
| Planning Appeals                | 172        | -38         | -34        | 27        | 127        |
| Early Termination Benefits      | 0          | 0           | 0          | 9         | 9          |
| <b>Total Provisions 2015/16</b> | <b>328</b> | <b>-152</b> | <b>-34</b> | <b>36</b> | <b>178</b> |

- 6.9 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

6.10 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 as at 31st March 2016      | Budget<br>£'000 | Actual<br>£'000 | Variance<br>£'000 |
|---|-----------------|-----------------|-------------------|
| Balance b/fwd (1st April 2015)                  | 6,134           | 6,134           | 0                 |
| Add: Surplus for the Year (Section 3)           | 564             | 1,464           | 900               |
| Less: Contribution to the Vehicle Renewals Fund | -20             | -20             | 0                 |
| Less: Contributions to Capital Works            | -891            | -522            | 369               |
| Accumulated absences movement                   | 0               | 6               | 6                 |
| Net transfer to Earmarked Reserves              | 0               | -133            | -133              |
| <b>Closing Balance as at 31st March 2016</b>    | <b>5,787</b>    | <b>6,929</b>    | <b>1,142</b>      |

6.11 The table shows that the level of general reserves was greater than estimated at March 2016 by around £1.1m, 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.

6.12 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 2016/17. After allowing for this, the General Fund is £773,000 more favourable (£1,142k - £369k) when compared to the MTFP.

## Earmarked Reserves

6.13 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.

6.14 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.

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

6.16 The Council's earmarked reserves are detailed in **Appendix 4**. This shows the overall change on individual balances during 2015/16, including the appropriations detailed earlier in the report in Section 3.

## Housing Revenue Account (HRA) Reserve

6.17 Section 4 detailed the final account of the HRA and this highlighted a deficit for 2015/16 of £957,000.

6.18 The HRA reserve balance totals £1.42m as at 31<sup>st</sup> March 2016. This is £201,000 higher than estimated - mainly due to the lower overall expenditure in 2015/16.

6.19 The reserve balance is shown in the following table.

| HRA General Reserve as at 31st March 2016    | Budget<br>£'000 | Actual<br>£'000 | Variance<br>£'000 |
|--|-----------------|-----------------|-------------------|
| Balance b/fwd (1st April 2015)               | 2,381           | 2,381           | 0                 |
| Less Deficit 2015/16 (Section 4)             | -1,157          | -957            | 200               |
| Accumulated absences movement                | 0               | 1               | 1                 |
| <b>Closing Balance as at 31st March 2016</b> | <b>1,224</b>    | <b>1,425</b>    | <b>201</b>        |

## General Capital Receipts Reserve

6.20 The position on this reserve during 2015/16 is shown in the following table.

| General Capital Receipts Reserve as at 31st March 2016 | Budget<br>£'000 | Actual<br>£'000 | Variance<br>£'000 |
|--|-----------------|-----------------|-------------------|
| Balance b/fwd (1st April 2015)                         | 3,177           | 3,177           | 0                 |
| Land Sale Receipts (William Nadin Way)                 | 135             | 309             | 174               |
| Vehicle disposals                                      | 0               | 19              | 19                |
| Contribution to Vehicle Replacement Fund               | -250            | -250            | 0                 |
| Contribution to General Fund Capital Schemes           | -623            | -465            | 158               |
| <b>Closing Balance as at 31st March 2016</b>           | <b>2,439</b>    | <b>2,790</b>    | <b>351</b>        |

6.21 The above table shows this reserve is £351,000 greater as at 31<sup>st</sup> March 2016 compared to that estimated. The land sale receipts from William Nadin Way are earmarked for the payment of development costs and the capital costs for relocating the Council's depot.

6.22 In addition, the variance on the amount to finance the General Fund capital schemes remains earmarked to fund the appropriate projects when completed.

## Housing Capital Receipts Reserve

6.23 This is the reserve that is being used to finance the New Build 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 2015/16 is shown in the following table.

| <b>Housing Capital Receipts Reserve as at 31st March<br/>2016</b> | <b>Budget<br/>£'000</b> | <b>Actual<br/>£'000</b> | <b>Variance<br/>£'000</b> |
|---|-------------------------|-------------------------|---------------------------|
| Balance b/fwd (1st April 2015)                                    | 2,002                   | 2,002                   | 0                         |
| Add: Transfer from HRA  | 2,287                   | 2,287                   | 0                         |
| Add: Receipts from land sales                                     | 15                      | 15                      | 0                         |
| Add: Retained receipts from Council House sales                   | 614                     | 490                     | -124                      |
| HCA Grant Income  | 0                       | 95                      | 95                        |
| Less: Costs of New Build in Year                                  | -3,930                  | -4,132                  | -202                      |
| <b>Closing Balance as at 31st March 2016</b>                      | <b>988</b>              | <b>757</b>              | <b>-231</b>               |

6.25 The table shows that the balance on the Reserve is lower than estimated at the end of the year. This is mainly due to the value of retained receipts being lower than anticipated, together with the costs of New Build (in year) being greater than estimated. The costs of New Build are purely a timing difference reflecting the profile of contract payments..

### **HRA Debt Repayment Reserve**

6.26 The balance stands at £1.7m as at 31<sup>st</sup> March 2016. This remains unchanged from 2015. This reserve will receive annual contributions from HRA surpluses in future years in order for debt to be repaid from 2023. 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

**APPENDIX 1: GENERAL FUND INCOME and EXPENDITURE 2015/16**

| <b>Cost Centre</b>  | <b>Budget<br/>£</b> | <b>Actual<br/>£</b> | <b>Variance<br/>£</b> | <b>Main Variances Noted</b>                         |
|---|---------------------|---------------------|-----------------------|---|
| Democratic Representation & Management                        | 167,139             | 167,363             | 224                   |   |
| Corporate Management  | 59,649              | 66,924              | 7,275                 |   |
| Corporate Finance Management                                  | 69,403              | 60,406              | -8,997                | Lower Audit fees                                    |
| Funded Pension Schemes  | 241,505             | 296,262             | 54,756                | Backdated Pension Payments greater than anticipated |
| Increase/Decrease in Provision for Bad or Doubtful Debts (GF) | 0                   | 154,622             | 154,622               | Detailed in Report                                  |
| Council Tax Collection  | -33,745             | -15,311             | 18,434                |   |
| Non Domestic Rates Collection                                 | 48,912              | 44,193              | -4,719                |   |
| Elected Members   | 357,143             | 312,438             | -44,705               | Lower training, expenses and allowances             |
| Registration of Electors                                      | 33,356              | 44,165              | 10,809                | Approved restructure costs                          |
| Conducting Elections  | 316,972             | 255,539             | -61,434               | Government reimbursement of national election       |
| Emergency Planning  | 0                   | 1,434               | 1,434                 |   |
| Local Land Charges  | 16,798              | -93,454             | -110,252              | Government funding for personal search refunds      |
| General Grants, Bequests & Donations                          | 304,085             | 308,169             | 4,084                 |   |
| Parish Councils   | 324,340             | 349,892             | 25,552                | Inflation and backdated claim                       |
| Melbourne Leisure Centre                                      | 1,869               | 15,440              | 13,571                | Repairs and maintenance                             |
| Arts Development & Support                                    | 25,427              | 23,272              | -2,155                |   |
| Events Management   | 187,025             | 193,635             | 6,610                 |   |
| Community Centres   | 103,545             | 125,043             | 21,498                | Depreciation - reversed out in adjustments          |
| Get Active in the Forest                                      | 48,682              | 50,390              | 1,707                 |   |
| Sports Development & Community Recreation                     | 236,080             | 185,005             | -51,075               | External funding - carried forward in reserve       |
| Indoor Sports & Recreation Facilities                         | 356,525             | 356,603             | 78                    |   |
| Outdoor Sports & Recreation Facilities (SSP)                  | 55,058              | 49,544              | -5,514                |   |
| Playschemes   | 25,347              | 40,850              | 15,503                | Projects funded from earmarked reserves             |
| Grounds Maintenance   | 746,586             | 671,098             | -75,489               | Lower fuel and transport costs                      |
| Countryside Recreation & Management                           | 15,219              | 14,852              | -367                  |   |
| Allotments  | -135                | -1,595              | -1,460                |   |
| Tourism Policy, Marketing & Development                       | 60,967              | 57,241              | -3,726                |   |
| Village Halls   | 7,537               | 4,044               | -3,493                |   |

|   |           |           |          |   |
|---|-----------|-----------|----------|---|
| Rosliston Forestry Centre                     | 165,485   | 116,992   | -48,492  | Lower depreciation and additional income                      |
| Cemeteries                                    | 27,839    | 28,137    | 298      |   |
| Closed Churchyards                            | 4,415     | 5,136     | 721      |   |
| Food Safety                                   | 101,366   | 136,703   | 35,338   | One-off restructure costs                                     |
| Pollution Reduction                           | 368,293   | 362,111   | -6,182   | Vacant posts  |
| Housing Standards                             | 64,931    | 55,388    | -9,543   | As above  |
| Pest Control                                  | 31,841    | 26,214    | -5,627   | As above  |
| Public Health                                 | 0         | -2,821    | -2,821   | As above  |
| Licensing                                     | 26,648    | 9,224     | -17,423  | As above  |
| Public Conveniences                           | 37,824    | 37,058    | -765     |   |
| Community Safety (Crime Reduction)            | 199,321   | 213,925   | 14,604   | Offset below  |
| Community Safety (Safety Services)            | 143,401   | 131,609   | -11,792  | Offset above  |
| Defences Against Flooding                     | 72,362    | 69,714    | -2,648   |   |
| Street Cleansing (not chargeable to highways) | 442,740   | 425,158   | -17,582  | Lower costs (4% of budget)                                    |
| Household Waste Collection                    | 2,246,488 | 2,371,408 | 124,920  | Depreciation on vehicles (+250k) offset by lower costs - fuel |
| Trade Waste Collection                        | -98,780   | -115,809  | -17,029  | Increased income  |
| Recycling                                     | 296,962   | 463,152   | 166,190  | Recycling credits (as reported) and other costs               |
| Building Regulations                          | 180,707   | 225,037   | 44,330   | Offset by income below  |
| Other Building Control Work                   | -7,916    | -33,460   | -25,544  | See above   |
| Dealing with Development Control Applications | 253,951   | 8,648     | -245,302 | Planning income, offset by appeal costs (reserves)            |
| Planning Policy                               | 538,245   | 661,690   | 123,445  | Cost of Local plan financed from earmarked reserves           |
| Environmental Education                       | 127,995   | 170,907   | 42,913   | Capital projects financed from earmarked reserves             |
| Market Undertakings                           | -10,197   | -7,014    | 3,184    |   |
| Promotion and Marketing of the Area           | 238,009   | 228,605   | -9,404   |   |
| Planning Development                          | 255,264   | 296,840   | 41,576   | Extra resources financed from earmarked reserves              |
| Environmental Maintenance (Other Roads)       | -8,104    | -67,132   | -59,027  | Costs transferred to Parks and Open Spaces                    |
| Off-Street Parking                            | 64,349    | 94,133    | 29,784   | Additional maintenance and utility costs                      |
| Concessionary Fares (replacement passes)      | 1,503     | -7,343    | -8,846   | Additional administration contribution                        |
| Housing Strategy                              | 181,514   | 175,223   | -6,291   |   |
| Housing Advice                                | 95,542    | 115,219   | 19,677   | Additional resources financed from earmarked reserve          |

|  |                 |                   |                 |   |
|--|-----------------|-------------------|-----------------|---|
| Administration of Renovation & Improvement Grants        | 62,292          | 61,263            | -1,029          |   |
| Bed / Breakfast Accommodation                            | 15,208          | 27,814            | 12,606          | Additional costs  |
| Homelessness Administration                              | 102,429         | 142,097           | 39,668          | Additional resources financed from earmarked reserve    |
| Rent Allowances Paid                                     | 214,195         | 429,865           | 215,670         | Lower overpayments recovered                            |
| Rent Rebates   | 56,015          | 25,540            | -30,475         | Net subsidy better                                      |
| Housing Benefits Administration                          | 253,146         | 204,748           | -48,398         | Government funding for welfare reform                   |
| Travellers' Sites  | -2,743          | -2                | 2,741           |   |
| Welfare Services   | 1,976           | -3,778            | -5,754          |   |
| Other Housing Support Costs (GF)                         | 55,202          | 57,337            | 2,135           |   |
| Caretaking   | 130,526         | 98,208            | -32,318         | Staff vacancies   |
| Community Parks & Open Spaces                            | 266,672         | 331,718           | 65,046          | Costs transferred from Parks and Open Spaces            |
| Debt Recovery  | 135,349         | 135,736           | 387             |   |
| Public Transport (Bus Station)                           | 34,012          | 26,993            | -7,019          | Lower maintenance costs                                 |
| Estate Management  | -150,153        | -767,760          | -617,607        | Re-valuation gain on land sales (reversed) plus income  |
| Transport Services                                       | -0              | -645              | -645            |   |
| Other Management Costs                                   | 0               | -476              | -476            |   |
| Taxation & non-specific grant income (GF)                | -12,217,458     | -12,235,339       | -17,881         |   |
| Interest & Investment Income (GF)                        | -37,185         | -43,480           | -6,295          |   |
| External Interest Payable (GF)                           | 1,500           | 123               | -1,377          |   |
| Other Operating Income & Expenditure (GF)                | 711,567         | 377,241           | -334,326        | Capital receipts from land sales transferred to capital |
| <b>Total - Net Income before Adjustments</b>             | <b>-550,166</b> | <b>-1,200,077</b> | <b>-649,912</b> |   |
| <b>Adjustments</b>                                       |                 |                   |                 |   |
| Depreciation and Capital Charges Reversed                | -645,650        | -195,524          | 450,126         | Offsets costs and revaluation gains in cost of services |
| Transfer of Previous Year's Council Tax Surplus          | 0               | -13,404           | -13,404         | Additional income detailed in Collection Fund analysis  |
| Transfer of Previous Year's Business Rates Surplus       | 0               | -288,616          | -288,616        | As above  |
| Reversal of Business Rates 2015/16 Deficit into 2016/17  | 0               | -130,469          | -130,469        | As above  |
| Minimum and Voluntary Revenue Provisions                 | 342,444         | 363,650           | 21,206          |   |
| Provisions and Contingencies                             | 289,704         | 0                 | -289,704        | Offset costs of bad debt provisions and indexation      |
| <b>Total - Net Income Transferred to General Reserve</b> | <b>-563,668</b> | <b>-1,464,440</b> | <b>-900,773</b> |   |

## COLLECTION FUND ACCOUNT 2015/16

|   | Actual<br>2014/15<br>£'000 | Estimated<br>2015/16<br>£'000 | Actual<br>2015/16<br>£'000 | Variance<br>£'000 |
|---|----------------------------|-------------------------------|----------------------------|-------------------|
| <b>COUNCIL TAX - INCOME &amp; EXPENDITURE</b> |                            |                               |                            |                   |
| <b>INCOME</b>                                 |                            |                               |                            |                   |
| Council Tax Collectable                       | 45,729                     | 47,496                        | 47,471                     | -25               |
| <b>EXPENDITURE</b>                            |                            |                               |                            |                   |
| County Council Precept                        | 32,657                     | 34,295                        | 34,295                     | 0                 |
| Police and Crime Commissioner Precept         | 5,059                      | 5,313                         | 5,313                      | 0                 |
| Fire and Rescue Authority Precept             | 2,034                      | 2,137                         | 2,137                      | 0                 |
| SDDC Precept                                  | 4,466                      | 4,599                         | 4,599                      | 0                 |
| SDDC Parish Precepts                          | 606                        | 668                           | 668                        | 0                 |
| Increase in Bad Debts Provision               | 396                        | 411                           | 248                        | -163              |
| <b>Total Expenditure</b>                      | <b>45,218</b>              | <b>47,423</b>                 | <b>47,260</b>              | <b>-163</b>       |
| <b>Surplus for the Year</b>                   | <b>511</b>                 | <b>73</b>                     | <b>211</b>                 | <b>138</b>        |

|   |            |            |            |            |
|---|------------|------------|------------|------------|
| <b>COUNCIL TAX BALANCE</b>                  |            |            |            |            |
| Opening Balance 1st April                   | 358        | 696        | 696        | 0          |
| Share of Previous Surplus to County Council | -126       | -364       | -364       | 0          |
| Share of Previous Surplus to Police         | -19        | -56        | -56        | 0          |
| Share of Previous Surplus to Fire Authority | -8         | -23        | -23        | 0          |
| Share of Previous Surplus to SDDC           | -20        | -57        | -57        | 0          |
| Surplus for Year (as above)                 | 511        | 73         | 211        | 138        |
| <b>Closing Balance as at 31st March</b>     | <b>696</b> | <b>269</b> | <b>407</b> | <b>138</b> |

|  |               |               |               |            |
|--|---------------|---------------|---------------|------------|
| <b>BUSINESS RATES - INCOME &amp; EXPENDITURE</b> |               |               |               |            |
| <b>INCOME</b>                                    |               |               |               |            |
| Business Rates Collectable                       | 22,823        | 23,370        | 23,351        | -19        |
| <b>EXPENDITURE</b>                               |               |               |               |            |
| Central Government Precept                       | 10,540        | 10,990        | 10,990        | 0          |
| SDDC Precept                                     | 8,432         | 8,792         | 8,792         | 0          |
| Derbyshire County Council Precept                | 1,897         | 1,978         | 1,978         | 0          |
| Fire and Rescue Service Precept                  | 211           | 220           | 220           | 0          |
| Cost of Collection                               | 91            | 92            | 92            | 0          |
| Transitional Protection Payments                 | 0             | 0             | 26            | 26         |
| Increase in Bad Debts Provision                  | 64            | 353           | 90            | -263       |
| Provision for Appeals                            | 54            | 451           | 1,489         | 1,038      |
| <b>Total Expenditure</b>                         | <b>21,289</b> | <b>22,876</b> | <b>23,677</b> | <b>801</b> |

Surplus / Deficit (-)

**1,534**      **494**      **-326**      **-820**

**BUSINESS RATES BALANCE**

|   |            |            |             |             |
|---|------------|------------|-------------|-------------|
| Opening Balance 1st April                             | -887       | 647        | 647         | 0           |
| Transfer of Previous Year's Surplus to Government     | 0          | -361       | -361        | 0           |
| Transfer of Previous Year's Surplus to SDDC           | 0          | -288       | -288        | 0           |
| Transfer of Previous Year's Surplus to County Council | 0          | -65        | -65         | 0           |
| Transfer of Previous Year's Surplus to Fire Authority | 0          | -7         | -7          | 0           |
| Surplus / Deficit (-) for the Year as above           | 1,534      | 494        | -326        | -820        |
| <b>Closing Balance as at 31st March</b>               | <b>647</b> | <b>420</b> | <b>-400</b> | <b>-820</b> |

## CAPITAL EXPENDITURE and FINANCING 2015/15

|  | Final<br>Budget<br>£ | Actual<br>£       | Variance<br>£     |
|--|----------------------|-------------------|-------------------|
| Major Improvements and Capital Works                   | 4,343,000            | 3,920,086         | -422,914          |
| Council New Build Programme Phase 1                    | 5,374,075            | 4,131,606         | -1,242,469        |
| Major Disabled Facilities Adaptations                  | 307,500              | 284,900           | -22,600           |
| Minor Disabled Facilities Adaptations                  | 51,250               | 970               | -50,280           |
| <b>COUNCIL HOUSE IMPROVEMENTS</b>                      | <b>10,075,825</b>    | <b>8,337,562</b>  | <b>-1,738,263</b> |
| Disabled Facility Grants and other Works               | 479,097              | 396,830           | -82,267           |
| Decent Homes   | 73,346               | 51,414            | -21,932           |
| Local Housing Needs Study                              | 40,000               | 23,650            | -16,350           |
| Private Sector Stock Condition Survey                  | 22,750               | 0                 | -22,750           |
| Empty Property Landlord Grants                         | 42,943               | 780               | -42,163           |
| <b>PRIVATE SECTOR HOUSING RENEWAL</b>                  | <b>658,136</b>       | <b>472,674</b>    | <b>-185,462</b>   |
| Swadlincote Woodlands Nature Reserve                   | 37,000               | 0                 | -37,000           |
| Hilton Village Hall                                    | 0                    | 31,167            | 31,167            |
| Melbourne Leisure Centre                               | 0                    | 1,600             | 1,600             |
| Save More Waste Less Project                           | 0                    | 1,795             | 1,795             |
| Eureka Park Community Programme                        | 0                    | 89,558            | 89,558            |
| Rosliston Forestry Centre - Play Project               | 130,000              | 0                 | -130,000          |
| Rosliston Forestry Centre - Previous Works             | 0                    | -12,547           | -12,547           |
| Open Space Development Project                         | 0                    | 48,007            | 48,007            |
| Drainage Works   | 0                    | 48,923            | 48,923            |
| Grove Active Zone                                      | 997,828              | 941,793           | -56,035           |
| Community Partnership Scheme                           | 312,700              | 135,489           | -177,211          |
| Etwall Leisure Centre - Fitness / Community Facilities | 360,000              | 306,500           | -53,500           |
| Melbourne Sports Partnership                           | 1,160,518            | 923,951           | -236,567          |
| <b>COMMUNITY SERVICES</b>                              | <b>2,998,046</b>     | <b>2,516,236</b>  | <b>-481,810</b>   |
| Partnership Schemes in Conservation Areas              | 0                    | 15,024            | 15,024            |
| Noise and Anti-Social Behaviour Prevention             | 9,900                | 9,133             | -767              |
| <b>ENVIRONMENTAL AND DEVELOPMENT SERVICES</b>          | <b>9,900</b>         | <b>24,157</b>     | <b>14,257</b>     |
| Vehicle Replacements                                   | 887,838              | 74,178            | -813,660          |
| Repairs to Village Halls and Community Facilities      | 31,700               | 0                 | -31,700           |
| Public Buildings - Planned Maintenance Programme       | 58,032               | 0                 | -58,032           |
| Purchase of Town Centre Land                           | 191,000              | 191,050           | 50                |
| Factory Site - Capital Works                           | 158,000              | 158,093           | 93                |
| Land Assembly Costs and Minor Works                    | 27,402               | 42,796            | 15,394            |
| <b>PROPERTY and OTHER ASSETS</b>                       | <b>1,353,972</b>     | <b>466,117</b>    | <b>-887,855</b>   |
| <b>TOTAL EXPENDITURE</b>                               | <b>15,095,879</b>    | <b>11,816,746</b> | <b>-3,279,133</b> |

**Financing**

|                                   |                   |                   |                   |
|-----------------------------------|-------------------|-------------------|-------------------|
| Capital Resources (Housing)       | 10,075,825        | 8,227,561         | -1,848,264        |
| External Grants and Contributions | 1,994,698         | 2,358,771         | 364,073           |
| Reserves and Amounts Set-aside    | 2,950,356         | 1,154,637         | -1,795,719        |
| Section 106                       | 75,000            | 75,777            | 777               |
| <b>TOTAL FINANCING</b>            | <b>15,095,879</b> | <b>11,816,746</b> | <b>-3,279,133</b> |

## LIST OF EARMARKED RESERVES 2015/16

|  | Balance<br>b/fwd<br>1/4/15<br>£ | Used in<br>2015/16<br>£ | Amounts<br>in<br>2015/16<br>£ | Balance<br>c/fwd<br>31/3/16<br>£ |
|--|---------------------------------|-------------------------|-------------------------------|----------------------------------|
| <b>Specific / Earmarked Reserves - Council Funds</b>   |                                 |                         |                               |                                  |
| Vehicle and Plant Replacement Fund                     | 782,062                         | -55,568                 | 270,000                       | 996,494                          |
| Dilapidation Works - Factory Site per Lease Agreement  | 260,870                         | -158,093                | 0                             | 102,777                          |
| IT Reserve   | 195,526                         | -95,000                 | 0                             | 100,526                          |
| Pensions Reserve                                       | 182,000                         | 0                       | 0                             | 182,000                          |
| Local Plan - Consultation and Implementation           | 164,000                         | -113,059                | 0                             | 50,941                           |
| Repton Parish (Former Depot proceeds)                  | 33,049                          | 0                       | 0                             | 33,049                           |
| Corporate Services Innovation Fund                     | 81,666                          | 0                       | 0                             | 81,666                           |
| Rosliston Forestry Centre / Café                       | 45,772                          | 0                       | 11,157                        | 56,929                           |
| Planning - Staffing and Support Costs                  | 167,000                         | -56,424                 | 20,000                        | 130,576                          |
| Facilities Development Fund                            | 0                               | 0                       | 30,000                        | 30,000                           |
| Civic Offices - Maintenance                            | 32,000                          | 0                       | 0                             | 32,000                           |
| Leisure Maintenance                                    | 5,000                           | 0                       | 0                             | 5,000                            |
| Corporate Training                                     | 19,775                          | 0                       | 0                             | 19,775                           |
| <b>Total - Specific / Earmarked Reserves</b>           | <b>1,968,720</b>                | <b>-478,144</b>         | <b>331,157</b>                | <b>1,821,733</b>                 |
| <b>Specific Grants and Contributions</b>               |                                 |                         |                               |                                  |
| Public Open Space - Commuted Sums                      | 901,725                         | 0                       | 393,858                       | 1,295,583                        |
| Youth Engagement Partnership                           | 569,997                         | -75,326                 | 60,474                        | 555,145                          |
| Schools Sport Partnership Project                      | 182,861                         | -8,000                  | 10,437                        | 185,298                          |
| Community Safety & Crime Reduction                     | 401,292                         | -58,900                 | 0                             | 342,392                          |
| Young People's Cultural Partnership / Arts Development | 27,326                          | -26,972                 | 2,320                         | 2,674                            |
| Rosliston Business Units                               | 10,719                          | 0                       | 0                             | 10,719                           |
| Get Active in the Forest Partnership                   | 92,238                          | -49,828                 | 905                           | 43,315                           |
| Environmental Education                                | 57,539                          | -36,756                 | 0                             | 20,783                           |
| Tetron Point Storm Water Basin - S106 UK Coal          | 53,012                          | 0                       | 0                             | 53,012                           |
| Swadlincote Woodlands - Section 106                    | 50,774                          | 0                       | 0                             | 50,774                           |
| Rosliston Forestry Centre - The Glade                  | 35,892                          | 0                       | 0                             | 35,892                           |
| New Play Equipment and Safety Surfacing                | 26,007                          | 0                       | 0                             | 26,007                           |
| Maurice Lea Park NHLF Grant                            | 23,012                          | 0                       | 0                             | 23,012                           |
| South Derbyshire Partnership Reserve                   | 38,357                          | -10,829                 | 0                             | 27,528                           |
| Housing Strategy                                       | 34,559                          | -34,559                 | 0                             | 0                                |
| Homelessness Prevention                                | 187,365                         | -36,571                 | 0                             | 150,794                          |
| Welfare Reform, Fraud and Compliance                   | 92,000                          | 0                       | 67,000                        | 159,000                          |
| Community Right to Bid                                 | 20,728                          | 0                       | 0                             | 20,728                           |
| Community Right to Challenge                           | 16,547                          | 0                       | 0                             | 16,547                           |
| Property Records - Data sharing                        | 7,131                           | 0                       | 0                             | 7,131                            |
| Heritage Lottery Grants                                | 17,500                          | 0                       | 20,897                        | 38,397                           |
| Electoral Registration                                 | 38,401                          | 0                       | 0                             | 38,401                           |
| <b>Total - Specific Grants and Contributions</b>       | <b>2,884,981</b>                | <b>-337,741</b>         | <b>555,891</b>                | <b>3,103,131</b>                 |
| <b>Section 106 - Earmarked Funds (see note below)</b>  | <b>3,477,744</b>                | <b>-1,563,545</b>       | <b>1,463,704</b>              | <b>3,377,902</b>                 |
| <b>TOTAL EARMARKED RESERVES</b>                        | <b>8,331,445</b>                | <b>-2,379,430</b>       | <b>2,350,752</b>              | <b>8,302,767</b>                 |

