

REPORT TO:	FINANCE AND MANAGEMENT COMMITTEE	AGENDA ITEM: 8
DATE OF MEETING:	15th MARCH 2018	CATEGORY: DELEGATED
REPORT FROM:	STRATEGIC DIRECTOR (CORPORATE RESOURCES)	OPEN
MEMBERS' CONTACT POINT:	KEVIN STACKHOUSE (01283 595811) kevin.stackhouse@south-derbys.gov.uk	DOC: s/finance/committee/2017-18/Mar18
SUBJECT:	BUDGET and FINANCIAL MONITORING 2017/18	REF
WARD (S) AFFECTED:	ALL	TERMS OF REFERENCE: FM 08

1.0 Recommendation

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

2.0 Purpose of the Report

- 2.1 To provide progress on performance against budgets for the financial year 2017/18, together with an update on the Council's treasury management activities for the year.
- 2.2 Where applicable, the effects upon the Medium-Term Financial Plan (MTFP) are also noted.
- 2.3 The report details performance up to 31st January 2018 (unless stated otherwise) and is an update of forecasted income and expenditure for 2017/18.
- 2.4 The report covers:
- General Fund Income and Expenditure
 - Collection Fund
 - Housing Revenue Account
 - Capital Expenditure and Financing
 - Treasury Management
 - Financial Performance Indicators

3.0 Detail

GENERAL FUND REVENUE ACCOUNT

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

- New Homes Bonus
- Council Tax

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

3.3 Following an update to the MTFP, which was reported to this Committee in February, the estimated surplus was increased to £876,205. The main reasons for the increased surplus are as follows and are listed in more detail in the table at 3.16:

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

3.4 The updated budget is summarised below.

£	
Base Budget	11,391,631
Reverse out Depreciation	-783,025
Minimum / Voluntary Revenue Provisions	345,428
Contingent Sums	102,274
Total Estimated Spend	11,056,308
Financing	-11,932,513
Estimated Surplus	-876,205

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

Budget Monitoring - January					
Summary by Policy Committee					
COMMITTEE	ANNUAL			RESERVES	
	BUDGET	PROJECTED ACTUAL	PROJECTED VARIANCE	EARMARKED	NET EFFECT ON GF
	£	£	£	£	£
Environmental & Development	3,975,943	4,092,982	117,039	11,854	105,185
Housing & Community	2,231,776	1,747,883	(483,893)	(529,153)	45,260
Finance & Management	5,183,911	3,452,607	(1,731,304)	(1,662,643)	(68,661)
TOTAL	11,391,630	9,293,472	(2,098,158)	(2,179,942)	81,784

3.6 Although the above table shows that projected net expenditure is £2,098,158 lower than the base budget, £2,179,942 is due to grant income, external contributions and receipts received from developers under Section 106 agreements, for ongoing projects and capital schemes which stretch beyond 2017/18. This funding is transferred to specific reserves and drawn down to finance expenditure when it is incurred.

3.7 Excluding transfers to earmarked reserves, the above table shows that based on current spending, there is a projected increase in overall net expenditure across General Fund Services of approximately £82k compared to the base budget for the year.

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

Budget Monitoring - January					
Summary by Main Service Area					
MAIN SERVICE AREA	BUDGET			RESERVES	
	BUDGET	PROJECTED ACTUAL	PROJECTED VARIANCE	EARMARKED	NET EFFECT ON GF
	£	£	£	£	£
Economic Development	248,120	242,524	(5,596)	0	(5,596)
Environmental Services	508,326	503,512	(4,814)	0	(4,814)
Highways	24,468	74,587	50,119	0	50,119
Licensing and Land Charges	(11,029)	(62,686)	(51,658)	0	(51,658)
Planning	468,705	369,276	(99,429)	22,524	(121,953)
Town Centre	89,585	92,499	2,914	0	2,914
Waste Collection & Street Cleansing	1,871,569	2,141,027	269,458	28,000	241,458
Environmental Education	74,865	36,194	(38,670)	(38,670)	0
Transport	701,334	696,049	(5,285)	0	(5,285)
Community Development and Support	557,666	518,463	(39,203)	(65,414)	26,211
Leisure and Recreational Activities	182,006	181,588	(418)	(1,405)	987
Leisure Centres and Community Facilities	450,974	165,547	(285,427)	(276,081)	(9,346)
Parks and Open Spaces	656,591	632,907	(23,684)	(36,076)	12,392
Private Sector Housing	384,539	249,378	(135,160)	(150,176)	15,016
Central and Departmental Accounts	3,543,896	3,504,259	(39,636)	(95,719)	56,083
Revenues and Benefits	474,459	384,011	(90,449)	(84,207)	(6,241)
Electoral Registration	177,550	177,550	(0)	0	(0)
Corporate and Democratic Costs	613,331	593,925	(19,406)	0	(19,406)
Payments to Parish Councils	351,158	351,633	475	0	475
Concessionary Travel	0	(9,235)	(9,235)	0	(9,235)
Property and Estates	(206,013)	(279,157)	(73,144)	0	(73,144)
Pensions, Grants, Interest and Receipts	229,530	(1,270,379)	(1,499,908)	(1,482,716)	(17,192)
TOTAL	11,391,630	9,293,472	(2,098,158)	(2,179,942)	81,784

Overview of Spending to date

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

Main variances

	£'000
Salary savings (vacancies, maternity etc.) - F&M	-272
Increased Planning Fee Income	-125
Salary savings (vacancies, maternity etc.) - E&D	-79
Lettings from Industrial and Commercial Units	-73
Unbudgeted Grant Income	-48
Professional Fee Underspend (Depot £25k, Local Plan £8k)	-34
Increased Licensing Income	-25
Increased Interest on Investments	-25
Street Naming Increased Income	-22

Employee Training	-17
Increased Personal Searches Fee Income	-12
Increased Trade Waste Income	-6
Lower Diesel Costs	-5
Housing Restructure savings	-5
Additional Computer Maintenance Unbudgeted	4
Materials Overspend (Depot)	8
Reduction in Building Regs Income	20
Markets Additional Costs	21
Railfreight Income Budgeted, not received	28
Revenues and Benefits Processing Charges	44
Gulley Cleaning Additional Costs	50
Waste and Cleansing Agency Cost	130
Vehicle Hire	146
Interim Support	381
Other Variances (net)	-2
TOTAL - OVERALL PROJECTED VARIANCE	82

3.10 The main variances relate firstly to the cost of vehicle hire which is due to growth of the District plus an aging vehicle fleet. Growth expenditure can be absorbed within contingent sums of £200k (see table 3.16) and the replacement of 8 refuse freighters and 29 vans has been procured for delivery in March, April and May 2018.

3.11 Budget savings are currently being made from vacant posts although agency and interim support costs to support service areas are higher overall than the savings currently forecast. This is shown in the following table.

Service Area	Salary saving £000	Training £000	Support costs £000	Net cost / saving £000
Senior Management	-108	0	147	39
HR	0	-12	28	16
Policy Communications	0	0	20	20
Admin Offices	-33	0	50	17
Procurement	-34	0	56	22
Caretaking	-31	0	6	-25
Other Central and Departmental Accounts	-37	0	0	-37
Revenues and Benefits	-27	-2	19	-10
Environmental Services	-28	0	15	-13
Licensing and Land Charges	-14	0	0	-14
Planning	-9	-3	15	3
Waste Collection and Street Cleansing	-30	0	145	115
Parks and Open Spaces	-4	0	2	-2
Private Sector Housing	4	0	8	12
	-351	-17	511	143

- 3.12 Waste and Cleansing agency cost is partially offset by vacancy savings but due to growth of the District, an increase in staffing support is required whilst recruitment of approved additional posts is underway. The cost of the additional posts once recruited will be funded from the Growth Provision.
- 3.13 Gulley cleaning costs have increased due to a new contract. Previously, gulley cleaning was not at the required standard due to on-going issues with the former contractor. This has now been rectified and has been included in the Base Budget in 2018/19.
- 3.14 Revenues and Benefits additional costs have been incurred for processing claims but these are offset by unbudgeted grant income from DWP.
- 3.15 Increases on Industrial Unit income is due to a reduction in void properties and will give a favourable variance by year-end.

Contingent Sums

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

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

- 3.17 The other contingent sums relate to:

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

Provisions

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

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

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

Core Grants and Funding

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

Core Grants and Funding 2017/18		£
Council Tax		4,942,217
Retained Business Rates (est)		3,549,355
Discretionary Business Rates Relief Scheme		100,832
New Homes Bonus		2,613,640
Revenue Support Grant		668,239
Collection Fund Surplus		55,000
Transitional Grant		3,230
Total Core Funding 2017/18		11,932,513

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

	Estimate £'000	Projection £'000
Approved Precept	9,508	9,922
Tariff paid to the Derbyshire Pool	-6,194	-6,194
S31 Grants - Business Rates Relief	354	456
Payment of Levy to Derbyshire Pool	-200	-999
Share of growth returned from the Pool	200	649
Business Rates Deficit 2017/18	0	-257
Net amount received in retention system	3,668	3,577
Declared deficit 2016/17	0	-285
Reversal of deficit 2017/18	0	257
Total Business Rates Retained	3,668	3,549

THE COLLECTION FUND

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

3.23 Any surplus or deficit on the Fund is transferred to the General Funds of the Preceptors, in proportion to precepts levied each year. The projected position on the Fund for 2017/18, based on transactions up to 31st December 2017, is detailed in **Appendix 1**.

3.24 This shows that the projected surplus balance on Council Tax is approximately £825k, with a projected deficit balance of approximately £1,268k on Business Rates. In both instances, this is currently more favourable than estimated.

Council Tax

3.25 The projected balance at the year-end is approximately £825k compared to the budget estimate of £440k. This is due to the continuing increase in the tax base (number of properties).

- 3.26 The budget was based on a Tax Base of 31,647 Band D equivalent properties (after exemptions and discounts) with the total number of dwellings on the valuation list numbering 42,131. At the end of January 2018, the actual Tax Base amounted to 32,763 (+ 1,116) with the overall number of properties at 43,388 (+ 1,257).
- 3.27 During the Budget Round for 2017/18, the Council declared a surplus on the Collection Fund of £500,000 and this is being paid to Preceptors in the current financial year as shown in Appendix 1. It is anticipated that income will continue to increase with further residential development but will be offset by associated costs.
- 3.28 The Precepts are fixed payments for the year. The only other variable is the provision for bad debts which is calculated at the year-end. Even allowing for any further increase in the estimated amount, there will be a continuing surplus on Council Tax. The Council's share is approximately 11%.

Business Rates

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

Business Rates Retention

- 3.32 At its meeting in October, the Committee approved to support an application to the Government alongside other Derbyshire councils, to become a pilot to trial 100% Business Rates Retention in 2018/19. Subsequently, the application was successful and a financial review is currently underway.
- 3.33 The pilot will effectively relinquish the Revenue Support Grant, but will retain the 50% of Business Rates income that currently flows to the Government, plus all future growth. Initially, the pilot will only be for one year and no additional responsibilities are being passed down from central to local government at this stage.
- 3.34 The Business Case for Derbyshire shows that approximately £21m (net) of extra resources per year would be retained within the County but a full financial review is currently underway to determine expected benefits to the pilot authorities.

HOUSING REVENUE ACCOUNT (HRA)

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

3.42 The approved HRA Budget for 2017/18 was set with an estimated deficit of £214,878, financed from the HRA General Reserve.

3.43 An update to the MTFP in February 2018 has altered this estimated deficit to a surplus of £940k due to a review of the Capital Programme and a change in the profile of revenue reserve contributions to the Debt Repayment Reserve.

3.44 The position on the HRA as at January 2018 is summarised in the following table.

Summary HRA 2017/18	BUDGET	PROJECTED ACTUAL	PROJECTED VARIANCE
	£000	£000	£000
Total Income	-12,868	-12,897	-29
Contribution to Capital & New Build	2,500	2,500	0
Responsive & Planned Maintenance	3,252	3,286	34
Interest on Debt	1,762	1,653	-109
Supervision & Management	1,790	1,689	-101
Supported Housing & Careline Services	833	861	28
Provision for Bad Debts	44	44	0
Provision for Debt Repayment	1,517	1,517	0
Asset Replacement Contribution	215	215	0
Contingent Sums	15	15	0
Surplus	-940	-1,117	-177

3.45 The above table shows that overall the HRA is now projected to achieve a surplus of approximately £1,117k which is £177k more than reported. The main variances are shown in the following table.

<u>HRA variances</u>	
	£'000
Salary savings (vacancies, maternity etc.)	-202
Interest Payable Savings on Variable Debt	-109
Favourable Rental Income	-29
Professional Fees for New Build	-25
Additional Careline Income	-15
Vehicle Hire	15
Careline Subsidy Adjustment	48
Redundancy and Early Termination Costs	57
Agency and Consultancy Staff	84
Other Variances (net)	-1
TOTAL - OVERALL PROJECTED VARIANCE	-177

3.46 The main variances are due to vacant posts partially offset by agency and consultants to support services. The savings on vacancies have also helped to support the one off costs of the Housing restructure.

3.47 Rental income is forecast to be slightly higher than budget due to full occupation of new build and acquired properties which were originally budgeted to include some voids.

- 3.48 Interest payable on HRA loans is lower than forecast on the variable rate loan as the interest rate budgeted is 2.5% versus actual paid of 0.45%.
- 3.49 A small proportion of council house tenants are currently not charged for Careline services. This decision was made prior to 2013 when changes to the subsidy received from Derbyshire County Council were determined. Revenue reported previously has been overstated and an adjustment is required to account for this correctly. The cost is estimated to be approximately £10k per annum but this is now under review. The overstatement of income in previous years is £48k as noted in the table above at 3.45.
- 3.50 Renewal of Planned Maintenance contracts has resulted in a delay to the original planned works. The anticipated saving totals £300k but this will be earmarked at year-end and carried forward into 2018/19.

CAPITAL EXPENDITURE and FINANCING 2017/18

- 3.51 The Capital Programme for 2018/19 was approved by the Committee in February 2018.
- 3.52 Progress in 2017/18 across the main projects and schemes in the updated programme is shown in the following table.

Capital Spending 2017/18 (as at January 2018)	Approved Budget £	B/fwd 2016/17 £	Updated Budget 2017/18 £	Expenditure to-date £
Council House Capital Works	1,800,000	0	1,800,000	941,238
Private Sector Housing Works	448,000	592,957	1,040,957	303,313
Environmental and Heritage Schemes	155,165	113,783	268,948	124,228
S106 Project	20,000	0	20,000	13,500
Swadlincote Woodlands Nature Reserve	37,000	0	37,000	0
Rosliston Forestry Centre - Play Project	130,000	0	130,000	0
Community Partnership Scheme (2016/17)	100,000	-24,075	75,925	49,937
Table Tennis Tables	0	1,730	1,730	1,900
Eureka Park	0	0	0	24,377
Town Hall Windows	0	13,600	13,600	14,820
Melbourne Assembly Rooms	65,000	-28,000	37,000	43,197
Vehicle Replacements	1,521,203	0	1,521,203	35,994
Depot Relocation	1,061,000	85,303	1,146,303	1,267,414
Property Maintenance, Development and Refurbishment	204,198	39,230	243,428	576
Total	5,541,566	794,528	6,336,094	2,820,494

Council House Capital Works and New Build Schemes

- 3.53 Major improvement works are set to underspend during the year due to the commissioning of a stock condition survey. Once results of the survey are received the Major Repairs will be reviewed with potentially new proposals for spend going forward. This will be reported to Members once work is complete. Any underspend in year will be carried forward into 2018/19.
- 3.54 The final New Build project at Lullington Road is still in the early stages and has a funding agreement in place with the Housing and Communities Agency. This project

is being progressed by the Strategic Housing Manager with starts on site due early 2018/19.

Private Sector Housing Works

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

Environmental and Heritage Schemes

- 3.56 This relates to the Swadlincote Town Centre Scheme following the award of funding in 2016/17.
- 3.57 The scheme is progressing well with a number of the grant projects being undertaken over the summer months. It is anticipated that the full budget of £269k will be utilised during the year.

Leisure and Community Schemes

- 3.58 Member approval to utilise earmarked reserves for the Swadlincote Woodlands Nature Reserve project has been granted therefore this project will be undertaken during 2018/19.
- 3.59 The Rosliston Play Project is to be conjoined with the new contract at Rosliston Forestry Centre. There will not be any spend during this financial year and so this budget will need to be carried forward into 2018/19.
- 3.60 Eureka Park capital project is now complete with final funding to be claimed from the HLF.
- 3.61 New windows for the Town Hall have been funded through revenue contributions and earmarked reserves alongside funding from the Swadlincote Heritage Town Centre Scheme.
- 3.62 Melbourne Assembly Rooms is now complete and additional funding from MARS plus underspends on contractual works have resulted in the project being on budget.

Vehicle Replacements

- 3.63 New mowers have been purchased in year but no major vehicle replacements have been made to-date. A procurement exercise has been undertaken and 8 new refuse freighters have been ordered for delivery in March and April 2018. In addition, a further procurement exercise has been concluded to replace vans which are due for delivery in May 2018.

Relocation of the Council Depot

- 3.64 All refurbishment works at the new site have been completed. Some additional items have been identified although the cost to-date has been contained comfortably within the contingency for provisional items.

Housing Capital Receipts

3.65 There have been 16 council house sales up to 31st December 2017 as shown in the following table. The net amount retained of £667,694 has been transferred to the New Build Reserve.

	Sales	Gross Receipts £	Less Pooled £	Retained £	% Retained
Quarter 1	4	117,800	-24,253	93,547	79%
Quarter 2	4	262,680	-130,094	132,586	50%
Quarter 3	8	520,912	-79,351	441,561	85%
Total	16	901,392	-233,698	667,694	74%

3.66 There have been a further 4 sales since December making a total of 20 to-date in 2017/18.

General Capital Receipts

3.67 A receipt of £1m was received, as expected, in April 2017 from the final tranche of land sold as part of the development of William Nadin Way. This had previously been earmarked to partly finance the relocation of the Depot.

3.68 A sum of £738,599 has been received regarding an overage payment from the redevelopment of Chestnut Avenue, Midway.

3.69 In addition, £28,000 has been received from the Fire Service for a strip of land outside the Fire Station in Swadlincote.

TREASURY MANAGEMENT

3.70 An analysis of the Council's borrowing and bank deposits is summarised in the tables which follow below. These show the position at 31st January 2018.

3.71 Debt outstanding is split between the HRA and the General Fund and this represents the "two pool" approach adopted for debt management.

	As at 1/4/17 £'000	As at 30/9/17 £'000	As at 31/1/18 £'000
--	--------------------------	---------------------------	---------------------------

Housing Revenue Account

Debt Outstanding (Average Rate 2.7%)	57,423	57,423	57,423
Capital Financing Requirement (CFR)	61,584	61,584	61,584
Statutory Debt Cap	66,853	66,853	66,853
Borrowing Capacity (Cap Less Debt o/s)	9,430	9,430	9,430

General Fund

Debt Outstanding	0	0	0
Capital Financing Requirement (CFR)	5,999	5,999	5,999
Borrowing Capacity (CFR Less Debt o/s)	5,999	5,999	5,999

Temporary Deposits and Short Term Borrowing

Temporary Bank and other Deposits	10,000	23,500	30,000
Less Parish Council Deposits	-28	-28	-28
Total - Short-term Cash Position	9,972	23,472	29,972

Average Interest Rate on Deposits	0.25%	0.19%	0.20%
Average 7-Day Money Market Rate	0.36%	0.25%	0.33%

Short-term Deposits

3.72 The money on deposit of £30m was spread over 12 deposits, 9 with other local authorities and 3 with the Government's Debt Management Office. The totals together with the average interest rate are shown in the following table.

	As at 1/4/17		As at 30/9/17		As at 31/1/18	
	£'000	%	£'000	%	£'000	%
Debt Management Office (DMO)	0	0.00%	7,500	0.10%	9,000	0.25%
Other Local Authorities	10,000	0.38%	16,000	0.41%	21,000	0.42%

3.73 Money on deposit with other local authorities tends to be for longer periods of up to 364 days. Deposits with the DMO are for shorter periods to manage cash flow.

3.74 The Council also has a long-term indefinite deposit of £1m with the CCLA LAMIT fund after approval from this Committee in August. This was invested on 28th September 2017, with the investment purchasing 317,985 units at an offer price of 314.48p per unit.

3.75 As previously reported, the value of these units and the income from them can fall as well as rise. Past performance is no guarantee of future returns; however the fluctuations in the value of the units can be seen in the following table.

	28/02/2018	31/01/2018	31/12/2017	30/11/2017	31/10/2017	30/09/2017
	pence/unit	pence/unit	pence/unit	pence/unit	pence/unit	pence/unit
CCLA LAMIT Property Fund - Prices						
Offer (buying) price	320.69	319.65	319.44	315.83	315.20	314.48
Net asset value	300.41	299.44	299.24	295.86	295.27	294.60
Bid (selling) price	295.75	294.80	294.60	291.27	290.69	290.03

3.76 Quarter 3 performance for the units we own is shown in the following table.

**Q3
2017/18
£**

CCLA LAMIT Property Fund	
Amount Invested	1,000,000
Dividend Received	10,738
Annual Equivalent Interest Rate	4.30%

3.77 In August this committee also approved the use of Money Market funds. The first deposit was made on 8th December 2017, and returns to date are shown in the following table.

As at
31/1/18
£

Federated Investors Liquidity Fund

Amount Invested	2,000,000
Dividend Received	1,191
Annual Equivalent Interest Rate	0.40%

Lending Policy and Counterparty List

3.78 The Committee agreed an updated list and associated lending policy as part of the Treasury Management Strategy for 2018/19 in February. The counterparty list has been updated to include the CCLA LAMIT fund referred to in 3.74 plus the Money Market funds also approved in August. A full counterparty list is provided in Appendix 2.

Financial Markets - Update

3.79 Previous updates to the Committee have focused on the potential impact of the Brexit negotiations. Clearly, these are still on-going and the main focus of the markets in more recent weeks has been whether the Bank of England will again increase interest rates, following the November 2017 increase to 0.5%.

3.80 Following February's Bank of England Inflation Report, the Monetary Policy Committee (MPC) has raised expectations for further rises in the Bank Base Rate, both sooner and to a higher level than previously anticipated by markets. Reiterating the view of the UK economy's impaired supply capacity and survey data of higher private sector earnings growth, meaning inflationary outcomes are more likely, the MPC also revised the UK's economic growth prospects slightly higher due to the pull of global economic momentum.

3.81 The MPC have been mindful of the slow growth in the economy as measured by the Gross Domestic Product (GDP). However, this has increased again slightly during the fourth quarter of 2017 (0.5% compared to 0.4% in the previous quarter).

3.82 Household consumption growth has softened, despite high employment and low saving rates. The depreciation in sterling is assisting the economy to rebalance away from spending. Export volumes have increased, helped by stronger global Eurozone economic expansions.

FINANCIAL and OTHER PERFORMANCE

3.83 In addition to the Corporate Plan, the Corporate Resources Directorate also maintain a set of key performance indicators to monitor the progress of its services. These indicators, although more operational, also relate back to the main aims in the Corporate Plan and are contained in the Directorate's Service Plan.

3.84 The indicators are maintained to ensure that each service area meets its intended outcomes and is a measure of its success. Several of the indicators are governed by statute. The targets are based on current benchmarks and are designed to improve on previous year's performance.

3.85 The indicators for 2017/18, together with progress to January 2018, are detailed in **Appendix 3**.

Payments to Suppliers

- 3.86 Under the Public Contracts Regulations 2015, the Council is required to publish its speed in processing payments to suppliers. Under the Regulations, the Council should pay all undisputed invoices within 30-days of receipt.
- 3.87 Although there is no specific penalty if this regulation is not complied with, individual suppliers have the right, under Late Payments Legislation, to claim interest on late payments. The rate of interest is 8% above the prevailing Bank of England Base Rate (currently 0.5%).
- 3.88 Overall performance against this indicator is shown in Appendix 3. The Council's detailed performance in 2016/17, together with that to-date in 2017/18, is shown in the following tables.

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

	<u>No of Invoices</u>	<u>No. Paid in 30 Days</u>	<u>% Paid with 30 days</u>	<u>No. Paid in 10 Days</u>	<u>% Paid with 10 days</u>
Apr-17	326	317	97.24%	223	68.40%
May-17	448	429	95.76%	313	69.87%
Jun-17	409	380	92.91%	289	70.66%
Jul-17	524	504	96.18%	320	61.07%
Aug-17	549	535	97.45%	381	69.40%
Sep-17	525	457	87.05%	351	66.86%
Oct-17	420	401	95.48%	266	63.33%
Nov-17	627	603	96.17%	464	74.00%
Dec-17	353	339	96.03%	199	56.37%
Jan-18	573	543	94.76%	373	65.10%
	4754	4508	94.83%	3179	66.87%

- 3.89 Standard benchmarks are 97.5% for all invoices to be paid within 30 days and 65% for 10-day payments. The Council did not receive any claims or make any payments for late interest in 2016/17 or to-date in 2017/18.
- 3.90 The percentage of invoices paid within 30 days has fallen since September due to more robust financial control measures being implemented. To eliminate cross departmental ordering and approving, each budget area has a designated officer to raise purchase orders. As a result, administering the new procedure has caused delays in orders being raised and goods receipted. Training sessions have been rolled out to all designated officers during February and therefore an improvement in the performance indicators will be apparent going forward.

4.0 Financial Implications

- 4.1 As detailed in the report

5.0 Corporate Implications

- 5.1 None directly

6.0 Community Implications

- 6.1 None directly

7.0 Background Papers

- 7.1 None

APPENDIX 1

COLLECTION FUND MONITORING 2017/18 (as at 31st December 2017)

	Actual 2016/17	Estimated 2017/18	3rd Qtr Projection 2017/18	Notes
COUNCIL TAX - INCOME & EXPENDITURE	£'000	£'000	£'000	
INCOME				
Council Tax Collectable	50,265	52,778	53,300	Estimated Increase in Tax Base and Precepts of 5%; projection per report Ct6140c
EXPENDITURE				
County Council Precept	36,109	38,345	38,345	As approved by Full Council 1st March 2017
Police and Crime Commissioner Precept	5,487	5,715	5,715	As above
Fire and Rescue Authority Precept	2,206	2,297	2,297	As above
SDDC Precept	4,747	4,942	4,942	As above
SDDC Parish Precepts	679	756	756	As above
Increase in Bad Debts Provision	655	396	533	Estimated at 1% of income
Total Expenditure	49,883	52,451	52,588	
Surplus for the Year	382	327	712	
COUNCIL TAX BALANCE				
Opening Balance 1st April	407	613	613	Per Final Accounts 2016/17
Share of Previous Surplus to County Council	-128	-367	-367	As approved by Full Council 1st March 2017
Share of Previous Surplus to Police	-20	-56	-56	As above
Share of Previous Surplus to Fire Authority	-8	-22	-22	As above
Share of Previous Surplus to SDDC	-20	-55	-55	As above
Surplus for Year (as above)	382	327	712	
Closing Balance as at 31st March	613	440	825	

	Actual 2016/17	Estimated 2017/18	3rd Qtr Projection 2017/18
BUSINESS RATES - INCOME & EXPENDITURE	£'000	£'000	£'000

INCOME

Business Rates Collectable	23,787	24,805	24,840
----------------------------	--------	--------	--------

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

EXPENDITURE

Central Government Precept	11,767	12,402	12,402
SDDC Precept	9,414	9,922	9,922
Derbyshire County Council Precept	2,118	2,232	2,232
Fire and Rescue Service Precept	235	248	248
Cost of Collection	91	91	91
Transitional Protection Payments	15	15	15
Increase in Bad Debts Provision	226	236	248
Provision for Appeals	312	322	323

Per NNDR1 Submission

As above

As above

As above

As above

Nominal

Estimated at 1% of income

Estimated at 1.3% of income

Total Expenditure	24,178	25,468	25,481
--------------------------	---------------	---------------	---------------

Surplus / Deficit (-)	-391	-663	-641
------------------------------	-------------	-------------	-------------

BUSINESS RATES BALANCE

Opening Balance 1st April	-400	-1,339	-1,339
Transfer of Previous Year's Surplus paid	-274	356	356
Transfer of Previous Year's Surplus paid	-49	285	285
Transfer of Previous Year's Surplus paid	-5	64	64
Transfer of Previous Year's Surplus paid	-220	7	7
Surplus / Deficit (-) for the Year as above	-391	-663	-641

Per Final Accounts 2016/17

Per NNDR1 Submission

As above

As above

As above

Closing Balance as at 31st March	-1,339	-1,290	-1,268
---	---------------	---------------	---------------

COUNTERPARTY LIST 2018/19
(As at February 2018)

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

Corporate Plan Aim	Measure	Annual target 2017/18	Progress as at Jan 2018
Maintain financial health	Deliver a balanced budget in accordance with the statutory timetable	Balanced budget agreed by the Council on 26 th February 2018	This was completed and approved by Full Council on 26 th February.
Maintain financial health	Produce regular budget monitoring information	Performance against budget reported to the Council on a quarterly basis	Completed
Maintain financial health	Through better procurement, generate budget savings directly or through supporting other services	Total cashable savings meet salary costs of £80,000	<p><i>Total Net Savings to-date £200,000 which includes:</i></p> <ul style="list-style-type: none"> • Refuse Freighters £176k • Council House Heating £32k • Asbestos Surveys £5k • Care line Monitoring £5k (cost) • Electrical Re-wiring £8k cost
Maintain financial health	Collection of Council Tax	In-year Collection Rate of at least 98%	95.0% in line with the profiled target
Maintain financial health	Collection of Business Rates	In-year Collection Rate of at least 98%	86.9% slightly below profiled target due to RV adjustments in January
Maintain financial health	Arrears for Council Tax, Business Rates and Housing Benefit Overpayments	Reduction in the annual Provision for Bad Debts	Not due until Final Out-turn
Maintain financial health	Identification of Fraud	Value of fraud identified meets service costs of £35,000	£2,300 single person discount £6,000 Council Tax support £62,640 Housing and Corporate fraud
Maintain financial health	Lettings of Industrial and Commercial Properties	Achieve 90% occupancy of all units and less than 10% of properties with rent arrears greater than 3 months	67 out of 67 units occupied (100%) with 2 tenants having rent arrears greater than 3 months (3%)

Maintain financial health	Income from Land Searches	Service breaks-even	Due to additional income, the service is currently running at a surplus of £12,000.
Good Governance	Produce a draft set of Accounts and Financial Statements for Annual Audit and Inspection	30 th June 2017	Completed
Good Governance	Completion of Approved Internal Audit Plan and outcomes reported to the Audit Sub-Committee	At least 90% completed (<i>this is monitored by the Audit Sub-Committee</i>)	As at January 2018, of 23 planned Audits for the year, 10 had been completed and signed-off, with a further 6 Audits in progress and well advanced. The final 7 Audits had been allocated but not started. Due to investigation work earlier in the year, progress slipped but it is considered that at least 90% will be achieved by the year-end.
Customer Focus	Minimise downtime of IT	Downtime is less than 1% over the year	1% Unplanned Downtime. In October and November 17 outage occurred due to a - VMware 503 error, resulting in homeworkers being unable to access for 1.5 hours respectively.
Customer Focus	Prompt payment of invoices for goods and services	97% of undisputed invoices paid within 30-days	Cumulatively, 94.8% paid to-date (4,508 invoices out of 4,754)
Customer Focus	Prompt payment of invoices	65% paid within 10-days for	66.9% - 3,179 invoices

	for goods and services	local suppliers	
Customer Focus	Freedom of Information requests answered within the statutory time limit	98% of requests satisfactorily answered with 20-days	In the period April to September 2017, 293 from 313 requests received were answered within 20-days. This equates to 93% as reported to the Committee on 30 th November 2017.