
REPORT TO:	FINANCE AND MANAGEMENT COMMITTEE: SPECIAL – FINAL ACCOUNTS	AGENDA ITEM: 7
DATE OF MEETING:	26th JULY 2018	CATEGORY: RECOMMENDED
REPORT FROM:	STRATEGIC DIRECTOR (CORPORATE RESOURCES)	OPEN
MEMBERS' CONTACT POINT:	KEVIN STACKHOUSE 01283 595811 Kevin.stackhouse@south-derbys.gov.uk	DOC: s/finance/committee/2017-18/July/budget outturn report 2018
SUBJECT:	BUDGET OUT-TURN and FINAL ACCOUNTS 2017/18	REF:
WARD (S) AFFECTED:	ALL	TERMS OF REFERENCE: FM 08

1.0 Recommendations

1.1 To approve the final out-turn position for:

- The General Fund Revenue Account 2017/18
- The Housing Revenue Account 2017/18
- Capital Expenditure and Financing 2017/18
- The Collection Fund 2017/18
- The Balance of Reserves and Provisions at 31st March 2018.

1.2 That a net appropriation of £599,071 in 2017/18 is made from the General Fund Reserve to other Earmarked Reserves as detailed in the report.

1.3 That the Committee note the following contributions and adjustments have been made to Bad Debt and Appeal Provisions in 2017/18:

Sundry Debtors	84,978	General Fund
Temporary Accommodation	21,828	General Fund
Housing Benefit Overpayments	100,135	General Fund
Council Tax Arrears	-7,661	General Fund
Business Rates Arrears	58,065	General Fund
Business Rates Appeals	-171,121	General Fund
Planning Appeals	5,500	General Fund
Housing Rent Arrears	48,168	HRA

2.0 Purpose of Report

2.1 To detail the final out-turn position for 2017/18 on the Council's main revenue and capital accounts. The report also details the financial position on these accounts as at 31st March 2018 compared to that estimated in the Council's Medium-Term Financial Plan (MTFP).

Background – The Accounts Process

2.2 Following changes to the Accounts and Audit Regulations, the timetable for completing and submitting the Council's Accounts was brought forward for the financial year 2017/18. In accordance with the new timetable, the Council's Draft Annual Accounts and Financial Statements (prior to Audit) were signed-off by the Chief Finance Officer for External Audit on 31st May 2018 (previously this was 30th June each year).

2.3 The Accounts were audited during June and July 2018. During this interim period, the Draft Accounts were also made available for inspection, with the Auditor themselves, being available to receive questions and comments direct from the Public, for the period 1st June to 10th July 2018 inclusive.

2.4 The Auditor's detailed report and opinion on the Accounts and Financial Statements was considered by the Audit Sub Committee on 25th July. The final Audited Accounts are subject to a separate report to this Committee. As part of that report, the Auditor's opinion on the Accounts will be confirmed.

2.5 The Accounts and 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 budget out-turn report summarises the financial performance against the Council's approved budgets on the General Fund, Housing Revenue and Capital Accounts. It also provides details of the Collection Fund position, together with details of provisions and reserves.

2.7 This report is divided into the following sections:

- Section 3 – General Fund Revenue Account and Collection Fund 2017/18
- Section 4 – Housing Revenue Account 2017/18
- Section 5 – Capital expenditure and financing 2017/18
- Section 6 – Provisions and reserves as at 31st March 2018

- Appendix 1 - General Fund Account 2017/18
- Appendix 2 – The Collection Fund 2017/18
- Appendix 3 – Earmarked reserves 2017/18
- Appendix 4 – Service Plan Financial Indicators 2017/18

3.0 GENERAL FUND REVENUE ACCOUNT

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

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

3.2 The Budget for 2017/18, which was approved in February 2017, estimated a budget surplus of £482,058 for 2017/18. Following the update of the Medium-term Financial Plan (MTFP) in February 2018, this was revised to a surplus of £876,205 as summarised in the following table

Net Expenditure on Services	11,391,630
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
Updated General Fund Surplus 2017/18	<u>-876,205</u>

Final Budget Out-turn 2017/18 - Summary

3.3 **Appendix 1** details the final out-turn on the General Fund for 2017/18 with a comparison to the approved budget.

3.4 The appendix shows that the General Fund achieved a surplus, after appropriations, of £1,610,312 for the year. This was approximately £734k greater than budgeted.

3.5 This level of variance was higher than expected and previously reported, and was mainly due to a higher level of Business Rates income than forecast (£728k). The third quarter's monitoring reported to the Committee in March 2018 forecast a surplus of £794k.

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

Overview of Income and Expenditure 2017/18

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

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

Summary of main variances compared to the budget

Favourable variances	£'000
Additional Business Rates income	-728
Salary savings (vacancies, maternity leave etc.)	-262
Additional savings in Corporate Services	-216
Unbudgeted grant income received	-125
Lettings from Industrial and Commercial Units (lower void units)	-79
Additional County Council contributions	-59
Additional Elections income	-58
Bed & Breakfast reduced cost per case	-55
Additional Investment income (mainly from the Property Fund Deposit)	-52
Additional unbudgeted income across the Council	-45
Lower Vehicle and Plant costs	-32
Contingent Sum savings	-31
Increased Licensing fee income	-27
Bulky Waste transferred in-house saving	-26
Members allowances and expenses	-20
Increased Cemeteries income	-17
Additional Land Charges income	-14
Total Favourable Variances	-1,846
Adverse variances	
Interim consultancy costs	205
Vehicle Hire	173
Waste and Cleansing agency staff	171
Bad Debt Provision unbudgeted	107
Reduced HRA recharges (this is a credit in the HRA)	97
Additional Housing Benefit costs	68
Gulley cleaning costs unbudgeted	65
Redundancy provision	64
Agency and temporary staff	48
Business Rates costs	43
Processing charges for Revenues and Benefits	40
Additional Bin Purchases due to Growth	31
Building Control reduced Income	20
Total Adverse Variances	1,132
Total Major Variances - Favourable less Adverse	-714
All Other Variances	-20
Total Net Variance - Overall Reduction	-734

Variances

3.8 The main favourable variance was the additional income retained from Business Rates. This is explained in more detail at 3.13.

- 3.9 Salary savings were made in the year due to a number of vacancies and maternity leave but these were more than offset by agency cost and interim support.
- 3.10 Savings of £400k following the ending of the Shared Services (Northgate) contract were originally forecast and included within the MTFP. Contingencies set-aside for potential unknown costs have not been fully utilised in year and an additional £216k has been saved.
- 3.11 Additional New Burdens funding (£74k), Benefit Administration Grant (£46k) and Council Tax Annex Grant (£5k) were received in year but were unbudgeted.
- 3.12 County Council contributions were unbudgeted for Public Health (£3k) and Concessionary Fares (£9k). Additional income for Waste Disposal was received above the forecast due to more prudent budgeting.

General Grants and Business Rates Income

3.13 This is detailed in the following table.

Analysis of General Grant Income	Estimate £'000	Actual £'000	Variance £'000
Revenue Support Grant	-668	-668	0
Transitional Grant	-3	-3	0
Business Rates Retention (see table below)	-3,650	-4,378	-728
New Homes Bonus	-2,614	-2,619	-5
Council Tax Income	-4,997	-4,997	0
New Burdens funding	0	-26	-26
	-11,932	-12,691	-759

Retained Business Rates

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

	£'000
Approved Precept	9,922
Tariff paid to the Derbyshire Pool	-6,194
S31 Grants - Business Rates Relief	1,526
Payment of Levy to Derbyshire Pool	-1,149
Share of growth returned from the Pool	556
Business Rates Surplus 2017/18	174
Net amount received in retention system	4,835
Add: Declared deficit	-283
Add: Reversal of surplus	-174
Total Business Rates Retained	4,378

3.15 Business rates generated a surplus in 2017/18, of which the Council's share was approximately £174k as shown in the previous table. This was due to additional income from new businesses plus a reduction in the appeals provision; *this is detailed later in the report from paragraph 3.41.*

Growth and the Derbyshire Business Rates Pool

3.16 The Council's rates income increased compared to its baseline target which is set in the funding system and used to calculate the "Levy." This is shown in the following table.

	£'000
Share of gross rates (at 40%)	10,848
Tariff paid to Derbyshire Pool	-6,193
Retained Rates	4,655
Baseline funding (set by the Government)	-2,357
Retained income above the Baseline	2,298
Levy (at 50%)	<u>1,149</u>

3.17 This levy payment is paid into the Derbyshire Pool. If the pooling arrangement did not exist, this income would have been lost entirely by the Council and paid directly to the Government. This would have adversely affected the overall General Fund position during 2017/18.

3.18 A payment of £556k was returned back to the Council from the Pool. This was the Council's share of all growth in the Pool in 2017/18.

Estates Income

3.19 The high level of property lettings during the year, with very little incidence of empty units, generated additional income of approximately £79k overall compared to that budgeted.

Contingent Sums

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

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

Waste Collection and Recycling	£100,000
Saving from Northgate Contract	-£400,000
Growth	£200,000
Bad Debt Provision	£100,000
Reduced HRA Recharges	£54,161
Other contingent sums	£48,113
Total contingent sum 2017/18	<u>£102,274</u>

- 3.22 In year, the £300k for growth, waste collection and recycling has been transferred to an earmarked reserve (as previously approved by the Committee) to help guard against future liabilities and is therefore a cost, as budgeted, to the General Fund.
- 3.23 The other contingent sums relate to small restructures throughout the year, the Pay and Grading review, implementation of the National Living Wage, the Apprenticeship Levy and a provision for “off-payroll” payments.
- 3.24 Any costs incurred against other contingent sums have been absorbed in year within the base costs and therefore, the contingent sum has not been fully utilised. The total saving against other contingent sums of 48kk in the above table is £31k.
- 3.25 Recharges to the HRA have reduced in year due to the HRA’s share of the forecasted savings of £400k from the ending of the Shared Services contract. As noted in the table at 3.7, the actual reduction in recharges to the HRA was £97k. This saving has been transferred to the HRA.

Provision for Bad Debts

- 3.26 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.
- 3.27 The provisions made in 2017/18 are shown in the following table.

Sundry Debtors	£84,978
Temporary Accommodation	£21,828
Housing Benefit Overpayments	£100,135
Total	<u>£206,941</u>

- 3.28 The total contribution of £206, 941, as shown in the above table, was greater than that budgeted of £100,000. An increase was required in the provision for sundry debts as, although the level of outstanding debt has reduced, the age of the debt has increased resulting in a higher percentage being applied.

Temporary Accommodation - Bed and Breakfast Charges

- 3.29 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.

3.30 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.

3.31 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

3.32 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

3.33 In addition, the cost of Housing Benefits increased overall by £68k as shown in the following table.

	Estimate £'000	Actual £'000	Variance £'000
Rent Allowances Paid	11,249	10,661	-588
Rent Allowances Subsidy	-10,921	-10,254	667
Net Cost of Rent Allowances	328	407	79
Rent Rebates Paid	6,779	6,536	-243
Rent Rebates Subsidy	-6,712	-6,358	354
Net Cost of Rent Rebates	67	178	111
Net Cost of Benefits Paid	395	585	190
Overpayments Recovered (Rent Allowances)	-151	-273	-122
Overall Cost of Housing Benefit	244	312	68

3.34 The cost of benefits falling on the Council is sensitive to small changes given the amount involved. It is important that the Council maximises its subsidy through robust processing. The total cost of benefits paid and administered across over 9,000 claims was approximately £17m in 2017/18. Even a ½% variation in subsidy equates to nearly £100,000.

3.35 The previous table shows that the net cost of benefits paid was approximately £190k more than that estimated.

3.36 However, the overpayments recovered were budgeted at £151k against an actual recovery of £273k. Any overpayments recovered are a direct benefit to the General Fund and this helped to offset the additional cost of actual benefits paid.

Other Cost Pressures

3.37 A provision for redundancy due to the approved restructure of the Leadership Team has been made in the accounts in 2017/18. Details of the restructure and potential redundancy costs have been reported previously.

3.38 The other main adverse variances, as previously reported, are shown in the following table.

Additional costs previously reported	£'000	Third quarter forecast
Vehicle hire on a temporary basis	173	146
Gulley cleaning costs	65	50

Transfers to/from Earmarked Reserves

3.39 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.

3.40 In addition, certain budget managers have made requests to transfer underspends from budgets in the year into 2017/18, 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 2017/18

Transfers from General Reserve to other reserves	£'000
Sport and Health external funding	43
Transfer of turnover share from Rosliston Forestry Centre Café	18
Rosliston Forestry Centre future repairs - revenue contribution	5
Civic Offices planned maintenance - revenue contribution	29
District Growth	300
Green Bank planned maintenance carry forward	32
Garden Village - Government funding	14
Planning - resources to meet future increased applications	40
Planning - 20% Fee increase	33
Government Funding - Homelessness Prevention	85
ICT contribution for future upgrade works	142
	741

Transfers from other reserves to the General Reserve	£'000
Safer Communities	-1
Dilapidation Works - Factory Site as per Lease Agreement	-65
Townscape project	-14
Welfare Reform, Fraud and Compliance	-6
Environmental Education	-4
Development of the Local Plan	-11
Elections - resources to meet General and County elections	-26
Strategic Partnership costs in year	-15
	-142
	599

3.41 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

3.42 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.

3.43 During the year, Council Tax continued to perform better than estimated, mainly due to the continuing increase in properties. Business Rates revenue also continued to increase and the impact of the reduction in the appeals provision has resulted in a positive effect on the Business Rates Account with a surplus being generated in year. The final out-turn on the Fund for 2017/18 is detailed in **Appendix 2**.

Council Tax collectable

3.44 Overall collection generated a surplus in the year of £1,309k. This maintained a cumulative fund balance of £1,422k as at 31st March 2018 – an increase of £983k compared to that estimated. This was mainly due to an increase in Council Tax collectable from a greater number of properties compared to that estimated.

3.45 The amount due to South Derbyshire is approximately £156k (11% of £1,422k). This amount remains in the Collection Fund pending the 2019/20 budget round, when the surplus on the Fund has to be declared in setting the Council Tax for the following year. Depending on the on-going performance of Council Tax, at this point any surplus due to the General Fund will be included in the MTFP.

Business Rates

3.46 As highlighted earlier in the report, this part of the Fund also generated a surplus in 2017/18 of £435k, compared to an estimated deficit of £663k. This was due to an increase in collectable rates accompanied by a release of the appeals provision.

Business Rates Appeals

3.47 Under accounting regulations, the Council has to provide against a certain amount of appeals being successful.

3.48 During 2017/18, a number of the larger appeals dating back to 2010 have now been settled. The provision made against these appeals was higher than required and has therefore resulted in a release of part of the provision.

3.49 The provision for appeals bought forward from 2016/17 was £2.48m. This was reduced to £2.05m after a review of the remaining outstanding appeals on file. The overall reduction in year was therefore £0.43m. The Council's share of the reduction (at 40%) is £0.17m.

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 2017/18 was set with a deficit to be financed from HRA reserves of £215k.

4.2 This deficit was revised to a surplus of £940k in February 2018, following a review of capital expenditure for major repairs and a change in the profile of revenue reserve contributions to the Debt Repayment Reserve. At the end of the third quarter, the surplus was projected to be slightly higher at £1,117k.

Final Out-turn 2017/18

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

Summary HRA 2017/18	BUDGET	ACTUAL	VARIANCE
	£000	£000	£000
Total Income	-12,868	-12,945	-77
Contribution to Capital	4,232	4,461	229
Responsive & Planned Maintenance	3,252	2,785	-467
Interest on Debt	1,762	1,520	-242
Supervision & Management	1,790	1,601	-189
Supported Housing & Careline Services	833	836	3
Provision for Bad Debts	44	48	4
Contingent Sums	15	0	-15
Surplus	-940	-1,694	-754
Transfer to Debt Repayment Reserve	250	250	0
HRA General Reserve Increase	-690	-1,444	-754

- 4.4 The table shows that the HRA generated a surplus greater than that estimated, although there were some more significant variances within the overall variance figure of £754k as shown in the above table.
- 4.5 A number of these variances were known but not to the full extent realised and were reported to the Committee as part of the third quarter's monitoring report in March 2018.
- 4.6 Interest on debt was lower due to the interest rate on the variable element of the debt portfolio (£10m) having been settled at 0.79% compared to that budgeted of 2.50%. Overall expenditure on Planned Maintenance was lower compared to the Budget.

Other Variances

- 4.7 The main favourable variances related to supervision and management and repairs and maintenance. Some of this arose due to staff vacancies which were mostly recruited into during the final quarter of 2017/18. A review is in progress regarding current vacancies and future service requirements.
- 4.8 Due to the late recruitment in year and the current service review, repairs and maintenance were significantly underspent in year but is expected to be on budget in 2018/19.
- 4.9 Capital expenditure in year was lower than budgeted. The contribution to capital from revenue resources is a statutory requirement through a depreciation charge. Depreciation charged to revenue is then reversed in reserves but can only be used to fund capital items. In year, the depreciation was higher than initially forecast due to an increase on the value of housing stock. This has resulted in a higher contribution to future capital projects.
- 4.10 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.

	2017	2018
Debt outstanding	£	£
Leaseholders	1,764	1,706
Current Tenants	221,844	255,424
Former Tenants	107,648	129,389
	331,256	386,519
	<hr/>	
Bad debt provision	194,312	234,127

- 4.11 The level of arrears has increased by £55k in the year. The bad debt provision required has increased from £194k to £234k, with an increase of £48k after write-offs (compared to an estimate of £44k) required as shown in the following table.

£	
Bad debt provision b/fwd	194,312
Less write-offs in 2017/18	-8,353
Remaining provision	<u>185,959</u>
Provision required	<u>234,127</u>
Top-up required to HRA	<u>48,168</u>

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

5.0 CAPITAL EXPENDITURE and FINANCING 2017/18

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

Capital spending final out-turn 2017/18

	Budget £	Actual £	Variance £
Council House Improvements	2,015,000	1,316,017	-698,983
Council New Build and Acquisition	0	7,500	7,500
Private Sector Housing Renewal	1,058,470	459,428	-599,042
Community Services	145,400	187,990	42,590
Environmental Development	168,665	177,508	8,843
Property, Plant and Equipment	2,687,535	2,008,811	-678,724
Total spending	<u>6,075,070</u>	<u>4,157,254</u>	<u>-1,917,816</u>

Council House Improvements

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

Council House New Build and Acquisition

5.3 The Phase 1 New Build programme was completed in 2016/17. One final bill was received in year but all costs for Phase 1 are now paid.

5.4 Phase 2 New Build at Lullington Road has a Homes and Communities Agency grant approved but is still in the early stages of development. This is currently being progressed and work is expected to start shortly. Detailed progress will be reported to the Housing and Community Services Committee.

Private Sector Housing Renewal

5.5 Funding has been received from Derbyshire County Council as part of the Better Care Fund (BCF) allocation during 2017/18 totalling £674,829. An additional one-off sum of £71,885 from DCLG for Disabled Adaptations was also received in the year.

- 5.6 Expenditure totalled £459,428 during 2017/18 and solely funded the administration of Disabled Facility Grants. The balance of funding has been carried forward into 2018/19 and a plan to spend the BCF allocation has been agreed with the BCF Board at the County Council, to ensure the funds are utilised within the District during the coming year.

Community and Leisure Schemes

- 5.7 An overspend of £42k was due to timing of the final charges being received for the capital project at the Melbourne Assembly Rooms. This has been fully funded either through external sources or by carry forwards on reserves.

Environmental Development

- 5.8 The budget overspend is due to profiling of grant payments for the Townscape Project, which was accelerated in 2017/18 following underspends in 2016/17.

Property, Plant and Equipment

- 5.9 The expenditure relates to the refurbishment of the two units at Boardman's Industrial Park, Swadlincote for relocation of the works Depot and acquisition of refuse freighters.
- 5.10 The refurbishment was on budget and the underspend is due to the delay on ordering new vans. These were originally expected to be purchased in year. Vans have been ordered and were delivered in May 2018.

Financing Capital Expenditure

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

Financing capital expenditure 2017/18

	Budget £	Actual £	Variance £
Capital Resources	1,761,641	1,287,970	-473,671
External Grants and Contributions	1,249,595	725,418	-524,177
General and Earmarked Reserves	3,046,891	2,103,171	-943,720
S106 Contributions	16,943	40,695	23,752
Total funding	6,075,070	4,157,254	-1,917,816

- 5.12 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 2017/18 as shown in the following table.

Sundry Debtors	84,978	General Fund
Temporary Accommodation	21,828	General Fund
Housing Benefit Overpayments	100,135	General Fund
Council Tax Arrears	-7,661	General Fund
Business Rates Arrears	58,065	General Fund
Business Rates Appeals	-171,121	General Fund
Planning Appeals	5,500	General Fund
Housing Rent Arrears	48,168	HRA

- 6.6 An additional provision was required for sundry debtors due the age of debt increasing during 2017/18.
- 6.7 The provision for Council Tax arrears was reduced due to a review of the calculation plus better collection rates in year. The increase in the provision for 2017/18 is contained within the overall surplus balance on the Collection Fund, as detailed earlier in the report in Section 3.
- 6.8 The reasons for the amounts calculated for business rate appeals and housing rent arrears have also been detailed earlier in the report, in Sections 3 and 4 respectively.
- 6.9 In addition to on-going provisions for bad debts and business rates appeals, further provisions continue to be made as shown in the following table.

	Provision b/fwd April 2017 £'000	Increased during the year £'000	Utilised during the year £'000	Released £'000	Provision c/fwd March 2018 £'000
Personal Searches	-13	0	0	13	0
Planning Appeal	-102	-108	12	90	-108
NNDR Appeals	-993	-401	0	572	-822
Termination Benefits	0	-64	0	0	-64
Total Provisions 2017/18	-1,109	-573	12	675	-994

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

General Fund Reserve

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

General Fund Reserve	Budget £'000	Actual £'000	Variance £'000
Balance b/fwd 1st April 2017	-8,433	-8,433	0
Add Surplus for year	-876	-2,266	-1,390
Add: Pensions Reserve drawdown	-43	-43	0
Less: Contribution to Vehicle Renewals Fund	20	20	0
Less: Contribution to Capital Works	120	64	-56
Accumulated Absence Movement	0	16	16
Net Contribution to Earmarked Reserves	0	599	599
Closing Balance as at 31st March 2018	-9,212	-10,043	-831

6.12 The table shows that the level of general reserves was greater than estimated at March 2018 by around £831k, after allowing for the transfer to earmarked reserves as detailed in Section 3 of the report. This improved position is due to the better out turn as detailed in Section 3.

6.13 The remaining contributions towards capital works will be maintained in the Reserve. They will be drawn-down as expenditure is incurred to complete the relevant schemes in 2018/19. After allowing for this, the General Fund is £775k more favourable (£831k - £56k) when compared to the MTFP.

Earmarked Reserves

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

- 6.15 Annual contributions are made to these reserves from other accounts and reserves and they are drawn-down to finance expenditure in revenue and capital accounts as required.
- 6.16 Once established, earmarked reserves can only be used for that specific purpose. Other reserves may be established through a legal agreement or contractual commitment.
- 6.17 The Council's earmarked reserves are detailed in **Appendix 3**. This shows the overall change on individual balances during 2017/18, including the appropriations detailed earlier in the report in Section 3.

Housing Revenue Account (HRA) Reserve

- 6.18 Section 4 detailed the final account of the HRA and this highlighted a surplus for 2017/18 of £1,694k.
- 6.19 The HRA reserve balance totals £5.14m as at 31st March 2018. This is £754k higher than estimated - mainly due to the lower overall expenditure in 2017/18.
- 6.20 The reserve balance is shown in the following table.

HRA General Reserve	Budget £'000	Actual £'000	Variance £'000
Balance b/fwd 1st April 2017	-3,703	-3,703	0
Contribution to Earmarked Reserves	0	215	215
Add Surplus for year (section 4)	-690	-1,659	-969
Closing Balance as at 31st March 2018	-4,393	-5,147	-754

General Capital Receipts Reserve

- 6.21 The position on this reserve during 2017/18 is shown in the following table.

General Capital Reserve	Budget £'000	Actual £'000	Variance £'000
Balance b/fwd 1st April 2017	268	268	0
Add: Land Sales - Fire Station Ransom Strip	28	28	0
Add: William Nadin Way Final Phase	1,000	1,000	0
Add: Chestnut Avenue Overage	739	739	0
Less: Contribution to Vehicle Renewals Fund	-250	-250	0
Less: Contribution to Capital Works	-1,512	-1,280	232
Closing Balance as at 31st March 2018	273	505	232

- 6.22 The above table shows this reserve is £232k more as at 31st March 2018 compared to that estimated.

Housing Capital Receipts Reserve

- 6.23 This is the reserve that is being used to finance the New Build and Acquisition programme. In accordance with Council policy, all proceeds (net of any

pooling payment) from the sale of existing council houses and HRA land are transferred to this reserve.

6.24 The position on this reserve during 2017/18 is shown in the following table.

Housing Capital Reserve	Budget £'000	Actual £'000	Variance £'000
Balance b/fwd 1st April 2017	-393	-393	0
Add: Retained Receipts from Council House Sales	-479	-1,143	-664
Less: New Build Costs in year	0	8	8
Closing Balance as at 31st March 2018	-872	-1,528	-656

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

Other Capital Reserves

6.26 Other Capital Reserves consist of Major Repairs and Debt Repayment. The balance stands at £5.828m as at 31st March 2018. This has increased in year due to contributions from the HRA. This reserve will receive annual contributions from HRA surpluses in future years in order for debt to be repaid from 2022 and to allow for provision of major capital works in the future. This is in accordance with the HRA Financial Plan.

7.0 Financial Implications

7.1 As set out and detailed in the report.

8.0 Corporate Implications

8.1 As detailed in the report.

9.0 Community Implications

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

10.0 Background Papers

10.1 None

GENERAL FUND INCOME & EXPENDITURE - APPENDIX 1

		Actual	Budget	Variance	
ACG00	Emergency Planning	17	0	17	
ACL00	Local Land Charges	-55,124	2,903	-58,027	Grant (£27k), provision release (£13k), income (£14k), prof fees underspend (£4k)
CCF00	Tourism Policy, Marketing & Development	56,167	57,194	-1,027	
CEE00	Food Safety	65,875	67,968	-2,093	
CEE10	Pollution Reduction	238,690	265,546	-26,856	Income (£11k), salaries(£16k)
CEE50	Pest Control	14,589	12,119	2,471	Fee income
CEE60	Public Health	-3,100	200	-3,300	County contribution
CEE70	Licensing	-66,987	-13,931	-53,056	Income (£27k), salaries(£16k), other exp (£10k)
CEE80	Public Conveniences	17,514	20,389	-2,875	R&M
CEH00	Community Safety (Safety Services)	114,878	118,736	-3,858	
CES00	Street Cleansing (not chargeable to highways)	348,955	298,801	50,154	Vehicle hire (£65k), materials (10k), favourable income (£25k)
CEW00	Household Waste Collection	1,203,905	1,024,227	179,678	Agency (£147k), vehicle hire (£91k), bins (£31k), favourable income (£47k), salaries (£15k), prof fees (£28k)
CEW10	Trade Waste Collection	-100,249	-98,932	-1,318	Income
CEW20	Recycling	316,584	318,118	-1,534	
CEW50	Direct services central admin	138,306	140,150	-1,845	
CPB00	Building Regulations	82,931	62,462	20,470	Income
CPC10	Dealing with Development Control Applications	-154,705	-149,332	-5,373	Income
CPD10	Planning Policy	361,031	361,075	-44	
CPD30	Business Systems and Information Unit	105,511	136,776	-31,266	Salaries (£12k), income (£20k)
CPE10	Environmental Education	75,388	74,865	523	
CPH70	Promotion and Marketing of the Area	193,105	190,926	2,179	
CPL00	Community Development	49,184	59,282	-10,099	Prof fees (£4k), training (£3k), other (3k)
HTK10	Environmental Maintenance (Other Roads)	64,946	0	64,946	Gulley cleaning
HTP10	Off-Street Parking	79,866	76,686	3,180	

KGW00	Welfare Services	-856	1,800	-2,656	Income for PY funeral
NAC60	Public Transport	30,775	24,468	6,306	R&M
PSX90	Transport Services	542,359	574,543	-32,184	Fuel (£12k), spare parts (£20k)
Environmental and Development Services		3,719,551	3,627,037	92,514	
AAD00	Democratic Representation & Management	73,701	78,637	-4,936	Prof fees
AAM00	Corporate Management	64,036	55,786	8,251	Subs (£2k), GDPR (£6k)
AAM01	Corporate Finance Management	47,742	44,218	3,524	Prof fees
ABP00	Funded Pension Schemes	252,027	246,204	5,823	
ABU00	Increase/Decrease in Provision for Bad or Doubtful Debts	206,941	100,000	106,941	Sundry Debt (£85k), Benefits (£100k), B&B (£22k)
ACA00	Council Tax Collection	-41,085	-45,491	4,406	Processing charge (£15k), court fees (£7k) favourable grant income (£5k), lower DHP (£13k)
ACA40	Non Domestic Rates Collection	-27,922	-41,745	13,823	Software (£3k), court fees (£10k)
ACD00	Elected Members	279,672	299,789	-20,117	Allowances and prof fees
ACE00	Registration of Electors	51,376	37,537	13,839	Postage
ACE10	Conducting Elections	68,459	140,013	-71,554	Income
ACT01	Parish Councils	351,634	351,158	475	
HTT00	Concessionary Fares	-9,375	0	-9,375	County contribution
KGf00	Revenues & Benefits Support & Management	-104,202	-36,433	-67,769	Salaries (£12k), admin grants (£42k), comp costs adverse (£13k), add grants (£27k)
KGL00	Rent Allowances Paid	133,237	176,637	-43,400	Overpayments recovered
KGN00	Rent Rebates	178,379	67,122	111,257	Reduced subsidy
KGP00	Housing Benefits Administration	291,881	279,091	12,790	Processing (£25k), favourable grants (£4k), training (£8k)
KGP10	Universal Credit	0	0	0	
KGR00	Corporate Fraud	61,708	47,822	13,886	Prof fees
KJE40	Caretaking	58,546	100,354	-41,808	Agency (£12k), favourable salaries (£40k), service charge (£14k)
KJW00	Debt Recovery	52,359	56,285	-3,926	Salaries
PSX40	Senior Management	551,242	465,428	85,813	Fav salaries (£111k), recharge (£23k), adverse interims (£155k), redundancy (£64k)
PSX50	Reprographic/Print Room	196,623	210,163	-13,540	T&E (£7k), comp main (£4k), prof fees (£3k)

PSX55	Financial Services	262,318	251,797	10,521	Fav salaries (£8k), training (£5k), adverse recharge (£24k)
PSX56	Internal Audit	103,115	103,115	0	
PSX57	Merchant Banking Services	66,527	64,137	2,390	
PSX60	ICT Support	731,784	731,784	-0	
PSX65	Legal Services	158,847	184,822	-25,975	Fav salaries (£26k), income (£5k), other exp (£4k) adverse recharge (£9k)
PSX75	Personnel/HR	245,602	211,895	33,707	Consultancy (£30k), comp licences (£3k)
PSX76	Policy & Communications	137,051	97,669	39,382	Consultancy (£20k), recharge (£18k), training (£2k)
PSX77	Customer Services	250,683	197,690	52,993	Recharge
PSX78	Health & Safety	19,756	13,363	6,394	Recharge
PSX81	Admin Offices & Depot	301,271	233,098	68,172	NNDR (£43k), utilities (£15k), recharge (£10k)
PSX85	Estate Management	-284,774	-206,013	-78,761	Reduced voids
PSX95	Procurement Unit	68,147	23,651	44,496	Agency
W4A00	Interest & Investment Income (GF)	-70,375	-18,174	-52,201	Investment income
W7A00	External Interest Payable (GF)	142	1,500	-1,358	No loans
Finance and Management		4,727,073	4,522,910	204,163	

ACT00	General Grants, Bequests & Donations	277,187	284,783	-7,597	Grant expenditure
CCA00	Melbourne Leisure Centre	5,152	2,317	2,835	R&M
CCA10	Arts Development & Support	10,475	13,580	-3,105	No dance class provision
CCA40	Events Management	145,206	147,582	-2,376	Salaries
CCA50	Midway Community Centre	8,245	17,605	-9,360	NNDR (£7k), utilities (£2k)
CCD00	Community Centres	78,371	78,760	-389	
CCD10	Get Active in the Forest	27,149	27,082	67	
CCD20	Sports Development & Community Recreation	141,407	141,130	276	
CCD30	Indoor Sports & Recreation Facilities	14,679	24,101	-9,422	Income
CCD40	Outdoor Sports & Recreation Facilities	-562	-882	320	
CCD50	Play schemes	27,581	27,466	115	
CCE00	Grounds Maintenance	331,024	332,555	-1,530	
CCE10	Countryside Recreation & Management	12,716	12,384	333	

CCE20	Allotments	-1,991	-1,807	-184	
CCF10	Village Halls	9,174	8,184	990	R&M
CCF20	Rosliston Forestry Centre	88,140	80,967	7,173	NNDR
CEA00	Cemeteries	-10,582	6,293	-16,875	Increased income
CEA30	Closed Churchyards	7,045	5,726	1,319	Grounds maintenance
CEE20	Housing Standards	81,824	77,974	3,850	Enforcement works
CEG00	Community Safety (Crime Reduction)	128,942	128,435	507	
CEK00	Defences Against Flooding	51,131	48,018	3,113	Grounds maintenance
CPH20	Market Undertakings	10,266	-8,411	18,677	Van hire (£17k), income (£2k)
KGA00	Housing Strategy	94,229	73,967	20,262	Agency/consultancy to cover sickness (£15k), job adverse (£5k)
KGE10	Administration of Renovation & Improvement Grants	38,001	36,351	1,651	
KGH10	Bed / Breakfast Accommodation	-42,684	12,272	-54,956	Income per case higher than cost
KGH30	Pre-tenancy Services	173,687	175,074	-1,387	
KGT00	Travellers' Sites	0	-21,234	21,234	Budget incorrect
KGX20	Other Housing Support Costs	24,021	30,134	-6,113	CBL income unbudgeted - used to go to HRA
KJE70	Community Parks & Open Spaces	141,014	141,088	-73	
Housing and Community Services		1,870,849	1,901,496	-30,647	

W2A00	Taxation & non-specific grant income	-12,692,037	-11,938,483	-753,554	NNDR (£728k), new burdens (£25k)
	Other	764,253	1,010,835	-246,582	Off-payroll saving (£10k), app levy saving (£6k), pay & grade review saving (£9k) Northgate contingency (£215k), living wage (£6k)
		-11,927,784	-10,927,648	-1,000,136	

Surplus Transferred to the General Fund

-1,610,312 -876,205 -734,106

Collection Fund Account 2017/18

	Actual 2016/17 £'000	Estimate 2017/18 £'000	Actual 2017/18 £'000	Variance 2017/18 £'000
COUNCIL TAX - INCOME & EXPENDITURE				
Council Tax collectable	50,265	52,778	53,295	517
County Council Precept	-36,109	-38,345	-38,345	0
Police and Crime Commissioner Precept	-5,487	-5,715	-5,715	0
Fire and Rescue Authority Precept	-2,206	-2,297	-2,297	0
SDDC Precept	-4,747	-4,942	-4,942	0
SDDC Parish Precepts	-679	-757	-757	0
Bad Debt Provision Movement	-655	-396	70	466
Surplus for the year	382	326	1,309	983

COUNCIL TAX BALANCE				
Opening balance as at 1st April	407	613	613	0
Surplus paid to County Council	-128	-367	-367	0
Surplus paid to Police and Crime Commissioner	-20	-56	-56	0
Surplus paid to Fire and Rescue Authority	-8	-22	-22	0
Surplus paid to SDDC	-20	-55	-55	0
Surplus for the year (as detailed above)	382	326	1,309	983
Closing balance as at 31st March	613	439	1,422	983

BUSINESS RATES - INCOME & EXPENDITURE				
NNDR collectable	23,787	24,805	24,457	-348
Central Government Precept	-11,767	-12,402	-12,402	0
SDDC Precept	-9,414	-9,922	-9,922	0
County Council Precept	-2,118	-2,232	-2,232	0
Fire and Rescue Authority Precept	-235	-248	-248	0
Cost of Collection	-91	-91	-91	0
Transitional Protection Payments	-15	-15	590	605
Increase in Bad Debt Provision	-226	-236	-145	91
Provision for Appeals	-312	-322	428	750
Surplus / Deficit (-) for the year	-391	-663	435	1,098

BUSINESS RATES BALANCE				
Opening balance as at 1st April	-400	-1,339	-1,339	0
Deficit paid by Central Government	-274	356	356	0
Deficit paid by County Council	-49	285	285	0
Deficit paid by Fire and Rescue Authority	-5	64	64	0
Deficit paid by SDDC	-220	7	7	0
Deficit for the year (as detailed above)	-391	-663	435	1,098
Closing balance as at 31st March	-1,339	-1,290	-192	1,098

List of Earmarked Reserves 2017/18

	Balance b/fwd April 2017	Movement 2017/18	Balance c/fwd April 2018
Specific Grants/Earmarked Reserves	£	£	£
Homelessness Prevention	88,598	85,000	173,598
Schools Sport Partnership Project	203,649	-13,701	189,948
New Play Equipment and Safety Surfacing	3,577	-370	3,207
Rosliston Forestry Centre - Capital Works	138,575	22,699	161,274
IT Reserve	140,706	141,759	282,465
Repton Parish (former Depot proceeds)	33,049	0	33,049
Community Right to Bid	20,728	0	20,728
Local Plan - Consultation and Implementation	120,247	-11,343	108,904
Vehicle, Plant and Replacement Fund	1,251,203	-396,254	854,949
Environmental Education	37,347	-3,727	33,620
Dilapidation Works - Factory Site as per Lease Agreement	78,236	-65,287	12,949
Corporate Services Innovation Fund	81,666	0	81,666
Community Right to Challenge	16,547	0	16,547
Property Records - Data Sharing	7,131	0	7,131
Heritage Lottery Grants	32,000	-14,000	18,000
New Town Centre Project Fund	26397	0	26,397
Electoral Registration	30,318	-26,260	4,058
Planning - Staffing and Support Costs	62,409	40,366	102,775
Planning - 20% Fee Increase	0	33,048	33,048
Pensions Reserve	182,000	-43,231	138,769
Civic Offices - Maintenance	21,069	29,030	50,099
Leisure Maintenance	1,000	32,127	33,127
Corporate Training	41,059	0	41,059
Welfare Reform, Fraud & Compliance	247,073	-5,937	241,136
Facilities Development Fund	30,000	0	30,000
District Growth	300,000	300,000	600,000
Garden Village Fund	214,285	14,285	228,570
Swadlincote Woodlands - S106	50,774	0	50,774
South Derbyshire Partnership Reserve	20,051	-15,024	5,027
Community Safety and Crime Reduction	332,336	-669	331,667
Young People's Cultural Partnership / Arts Development	8,980	-1,674	7,306
Public Open Space - Commuted Sums	1,295,584	-32,578	1,263,006
Youth Engagement Partnership	579,852	57,674	637,526
Get Active in the Forest Partnership	43,973	-684	43,289
Maurice Lea Park NHLF Grant	23,012	0	23,012
Tetron Point Storm Water Basin - S106 UK Coal	53,012	0	53,012
Total	5,816,443	125,249	5,941,692
Section 106 - Earmarked Funds	5,062,448	909,069	5,971,517
TOTAL EARMARKED/SPECIFIC RESERVES	10,878,891	1,034,318	11,913,209

APPENDIX 4: SERVICE PLAN PERFORMANCE INDICATORS – CORPORATE RESOURCES

Corporate Plan Aim	Measure	Annual target 2017/18	Performance
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 2018.
Maintain financial health	Produce regular budget monitoring information	Performance against budget reported to the Council on a quarterly basis	Completed. Reports in August 2017, December 2017, March 2018 and the final out-turn 26th July 2018 in this report.
Maintain financial health	Through better procurement, generate budget savings directly or through supporting other services	Total cashable savings meet salary costs of £80,000	Total Savings of £212,000, mainly generated from: <ul style="list-style-type: none"> • Refuse Freighters £176k • Council House Heating £32k • Asbestos Surveys £5k
Maintain financial health	Collection of Council Tax	In-year Collection Rate of at least 98%	98.2%
Maintain financial health	Collection of Business Rates	In-year Collection Rate of at least 98%	97.8%. The small shortfall was mainly due to a large revaluation adjustment (upwards) in March 2018 for which the cash will be collected in 2018/19
Maintain financial health	Arrears for Council Tax, Business Rates and Housing Benefit Overpayments	Reduction in the annual Provision for Bad Debts	As reported earlier in this report: <ul style="list-style-type: none"> • Council Tax reduced by £7,661 • Rates increased by £58,065 • Overpayments increased by £100,135
Maintain financial health	Identification of Fraud	Value of fraud identified meets service costs of	Total value identified was £70,940, of which: <ul style="list-style-type: none"> • £2,300 single person discounts

		£35,000	<ul style="list-style-type: none"> • £6,000 Council Tax support • £62,640 Housing Right-to-Buy
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	The previous 3 quarters were all achieved as previously reported. As at 31 st March 2018, 67 out of 67 units were occupied (100%) with 3 properties (4.5%) having rent arrears greater than 3 months.
Maintain financial health	Income from Land Searches	Service breaks-even	A surplus of approximately £55,000 was achieved. This included income of £40,000 from contributions towards previous refunds under the Government's compensation scheme. The associated costs were incurred in previous years. Therefore, operating costs achieved a surplus of £15,000.
Good Governance	Produce a draft set of Accounts and Financial Statements for Annual Audit and Inspection	30 th June 2017	Completed. Final Accounts were approved and published on 30 th September 2017.
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>)	From 40 individual audit assignments, 33 (82.5%) were fully completed in the year. The remaining 7 assignments were at various stages of completion as at 31 st March 2018. Some slippage in the Plan was agreed by the Audit-Sub Committee during the year to allow unplanned investigation work to take place. The 7 assignments were carried forward into 2018/19 and by 30 th May 2018, 2 had been completed.

Customer Focus	Minimise downtime of IT	Downtime is less than 1% over the year	<p>Unplanned downtime fairly insignificant during the year with no major outages. Failure with cash machines and ID Card System affected some services in April and May 2017.</p> <p>Planned downtime is greater but this is mainly scheduled outside of normal business hours and is communicated to users in advance. Systems available 24/7 with remote access available. An upgrade for monitoring the availability of systems currently in progress.</p>
Customer Focus	Prompt payment of invoices for goods and services	97% of undisputed invoices paid within 30 days	<p>5,352 invoices from a total of 5,631 (95%) were paid within 30 days.</p> <p>The percentage of invoices paid within 30 days fell from September 2017, 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 caused some delays in orders being raised and goods receipted to enable an invoice to be paid. Training sessions have been delivered to all designated officers and therefore, an improvement in the speed of processing is expected in 2018/19.</p>
Customer Focus	Prompt payment of invoices for goods and services	65% paid within 10 days for local suppliers	68% (3,821 invoices) were paid within 10 days
Customer Focus	Freedom of Information requests answered within the statutory time limit	98% of requests satisfactorily answered with 20 days	From 596 requests due to be answered, 553 (93%) were answered within 20 days.

