
REPORT TO:	FINANCE AND MANAGEMENT COMMITTEE	AGENDA ITEM: 9
DATE OF MEETING:	5th DECEMBER 2013	CATEGORY: DELEGATED
REPORT FROM:	DIRECTOR OF FINANCE AND CORPORATE SERVICES	OPEN
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SUBJECT:	BUDGET and FINANCIAL MONITORING 2013/14	REF
WARD (S) AFFECTED:	ALL	TERMS OF REFERENCE: FM 08

1.0 Recommendation

- 1.1 That the latest budget and financial monitoring figures for 2013/14 are considered and approved.

2.0 Purpose of Report

- 2.1 In accordance with its financial management framework, the Council monitors income and expenditure against its budgets on a regular basis throughout the year. This is undertaken on at least a monthly basis.
- 2.2 Financial information is available directly on the Council's Financial Management System to enable day-to-day monitoring within services. Formal monitoring involves budget managers together with their service accountant, meeting and reviewing performance against their particular budgets. This is intended to identify any variances as early as possible to enable remedial and timely action to be taken.
- 2.3 Overall financial performance and the major budget variances are reported to this Committee throughout the year. In accordance with its Treasury Management Strategy, the Council monitors its lending and borrowing on a regular basis.
- 2.4 The Council's cash flow is monitored and actioned on a daily basis, with monthly reports summarising activity provided to the Chief Finance Officer. Again, overall performance is reported to this Committee throughout the year.
- 2.5 This is the second monitoring report for the financial year 2013/14. It details performance up to 30th September 2013, and is effectively a half yearly report.

3.0 Detail

GENERAL FUND REVENUE ACCOUNT

- 3.1 Apart from Council Housing, day to day income and expenditure is accounted for through the General Fund. The net expenditure is financed from Government Grant and Council Tax, with any shortfall/deficit being financed from the Council's Reserves.
- 3.2 The original budget, which was approved in February 2013, estimated a budget deficit of £136,402 in 2013/14 to be financed from general reserves. As in previous years, the Budget included contingent sums set-aside for inflation, growth and the implementation of the local pay and grading review. The Budget is summarised in the following table.

Net Expenditure on Services	£11,462,987
Depreciation and Capital Charges (in above)	-£689,023
Minimum Revenue Provision	£250,000
Contribution to Bad Debts Provision	£20,000
Contingent Sums	£375,265
Total Estimated Spending	£11,419,229
Financing	-£11,282,827
Deficit	£136,402

- 3.3 In accordance with budget monitoring arrangements, the position on Net Expenditure on Services is the main area that is subject to on-going review. This is the amount (£11,462,987) that is directly managed and controlled by the various budget holders across the Council.
- 3.4 Following the first quarter's monitoring, which was reported to the Committee in September, an overall reduction in net expenditure of approximately £250,000 was forecast for the year.

Latest Monitoring Figures

- 3.5 The Budget, together with major variances identified as at September 2013 is summarised in the tables which follow. A full analysis of each service area at cost centre level with variances across each policy committee is detailed in **Appendices 1 to 3**.
- 3.6 These appendices also show actual spend to-date, budget remaining, together with narrative on any assumptions, risks and reasons for major variances.

Performance against Budget 2013/14 as at September 2013 (by Committee)

Summary by Policy Committee	Approved Budget £	Projected Actual £	Projected Variance £	Earmarked Reserves £	General Reserve £
Environmental and Development Services	3,835,893	3,731,611	-104,282	-3,993	-108,275
Housing and Community Services	2,424,950	2,242,363	-182,587	116,137	-66,451
Finance and Management	5,202,144	5,096,280	-105,864	0	-105,864
TOTAL	11,462,987	11,070,254	-392,733	112,144	-280,589

Performance against Budget 2013/14 as at September 2013 (by Service)

Summary by Main Service Area	Approved Budget £	Projected Actual £	Projected Variance £	Earmarked Reserves £	General Reserve £
Economic Development	270,951	266,195	-4,756	0	-4,756
Environmental Health Services	543,756	510,578	-33,178	0	-33,178
Highways	22,152	20,393	-1,760	0	-1,760
Licensing and Land Charges	-35,755	-50,280	-14,525	0	-14,525
Planning	560,804	459,993	-100,811	0	-100,811
Town Centre	71,466	70,833	-632	0	-632
Waste Collection & Street Cleansing	1,503,856	1,539,374	35,518	0	35,518
Environmental Education	71,013	75,006	3,993	-3,993	0
Transport Account	827,650	839,519	11,869	0	11,869
Community Development and Support	535,841	474,421	-61,419	64,074	2,655
Leisure and Recreational Activities	113,497	114,284	787	-737	50
Leisure Centres and Community Facilities	620,226	581,445	-38,781	39,208	427
Parks and Open Spaces	696,292	688,996	-7,295	-1,967	-9,262
Private Sector Housing	459,094	383,216	-75,879	15,558	-60,321
Central and Departmental Accounts	3,487,588	3,452,896	-34,692	0	-34,692
Revenues and Benefits	294,819	294,819	-0	0	-0
Electoral Registration	106,754	120,725	13,971	0	13,971
Corporate and Democratic Costs	867,498	809,650	-57,848	0	-57,848
Payments to Parish Councils	311,182	311,181	-0	0	-0
Concessionary Travel	3,000	-5,818	-8,818	0	-8,818
Property and Estates	-79,724	-96,297	-16,573	0	-16,573
Pensions, Grants and Interest	211,027	209,124	-1,904	0	-1,904
TOTAL	11,462,987	11,070,254	-392,733	112,144	-280,589

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

3.8 The previous tables show that based on current income and expenditure, there will be a decrease in net expenditure on services of £392,733 compared to the Budget for the year. After allowing for adjustments between earmarked reserves, the net decrease is forecast at £280,589.

Main Variances

3.9 The main reasons that account for the projected variance are summarised in the following table. They show services where current spending is expected to vary compared to the Budget as at September 2013. This could change over the remainder of the year and all areas are kept under review.

	£'000
Senior Management Restructure	-151
Development Control Income	-48
Staff Vacancies and lower costs in Private Sector Housing	-42
Corporate and Central Services	-39
Democratic and Members Costs	-37
Staff Vacancies - Environmental and Development Services	-31
Building Regulations Income	-22
Staff Vacancies - Community and Leisure Services	-21
Corporate Training	-20
Land Charges Income	-14
Vehicles - Repairs and Maintenance	12
Other Variances	16
Agency cover in Waste Collection Service	43
Pay Award (1%) - financed from inflation provision	74
Net Variance	-280

3.10 The largest variance is the confirmed savings relating to the Senior Management Restructure approved in March 2013. The associated one-off costs were accounted for in 2012/13 and reported to the Committee in May.

3.11 Most of the other variances were identified during the first quarter, in particular those relating to staff vacancies, additional income and lower costs in corporate and democratic services.

3.12 Besides the impact of the 1% staff pay award (which is financed from the inflation contingency) the biggest cost variance is in the Waste Collection Service, with additional costs being incurred through agency workers to cover leave and sickness absence.

Contingent Sums

3.13 The Revised budget continues to include the following contingent sums totaling approximately £375,000

- Pay and Grading - additional on-going resources £130,000
- Provision for Inflation and General Growth £160,000
- Waste Collection - Provision for Growth of the District £85,000

3.14 Over recent years, there has been a limited need to draw on these sums. The additional resources for the local pay model depend on implementation of the pay and grading review. The cost of the pay award as shown in the above table will be financed from the inflation provision.

3.15 It is anticipated that no other sums for inflation will be required at this stage.

Kerbside Recycling

3.16 As part of financing the extension to the dry recyclables service, it was approved that a sum of £33,000 would be temporarily taken from the growth contingency, pending savings still to be made in the overall Waste Collection service.

Purchase of Bins and Caddies

3.17 It was approved that the purchase of the bins and the caddies for the extended kerbside collection service would be financed from internal borrowing. As reported, this will increase the Council's underlying need to borrow as measured by its Capital Financing Requirement.

3.18 However, the Council will borrow against its current level of cash reserves, negating the need to physically borrow money from the loan market. Over the life of the Contract, a revenue provision will be made from within the Recycling budget to pay down the increased CFR. Resources were identified within the Waste Collection Service to finance the extended service at no extra cost.

3.19 The revenue provision was estimated at £120,000 per year based on the capital cost of the bins and caddies being £960,000.

3.20 Following a procurement exercise, the capital cost was in fact £1,077,300. However, following a contribution from the County Council of £200,000, the net cost to be financed is £877,300. Therefore, the annual provision will be £110,000 – a saving of approximately £10,000 per year.

Municipal Mutual Insurance

3.21 As reported to the Committee on 22nd May 2013, a payment of £12,247 is due in accordance with the Scheme of Arrangement; this will be paid in January 2014.

Additional Contribution to Rosliston Forestry Centre

3.22 In September, the Committee approved an additional £10,000 to finance the completion of the new toilet facility at the Glade complex.

Housing Benefit Subsidy

3.23 A separate provision of £147,000 has been set-aside in the Council's accounts to meet an outstanding liability regarding the clawback of housing benefit subsidy for 2010/11. The audited figure has now been agreed with the Department for Works and Pensions and totals £170,006. This is £23,000 greater than the provision and will be a charge on the General Reserve.

3.24 The Provisional audited claim for 2011/12 has been submitted. This shows an amount of £3,321 due to the Council. The claim for 2012/13 is currently subject to audit.

Business Rates Collection

- 3.25 Included in the Financing amount is an estimated figure of £2,204,773 for retained Business Rates (BR). As previously reported, under the new Rates Retention System, the Council's BR Baseline Income has been set at £8,172,603 for 2013/14. This is the target amount against which retained growth, together with any tariff, levy and safety net contribution is measured.
- 3.26 The BR Baseline represents the Council's 40% estimated share of net business rate income in the District after allowing for 50% to be paid to the Government and 10% to the County Council/Fire Authority.
- 3.27 The financing figure of £2,204,773 is much lower than the BR Baseline income amount of £8,172,603. The difference of £5,967,830 is the Tariff that is being paid to the Government under the redistribution part of the system.
- 3.28 It is important to note that these are estimated figures and the actual business rates collected, together with retention and levy amounts, etc will not be known until the year end. However, income from Business Rates is monitored and as the year progresses, the actual situation can be tracked against that estimated.
- 3.29 This is important, as any changes between the actual and estimated figures in setting the Budget will have an impact on General Fund resources – this part of the Council's core funding is not fixed. As at 30th September 2013, the actual position is looking favourable compared to that estimated, as shown in the following table.

Business Rates Income 2013/14	Estimate	Sep-13	Variance
Number of Businesses	2,113	2,133	20
Rateable Value (RV)	£54,249,510	£54,595,625	£346,115
Multiplier (rate in the £)	0.462	0.462	0
Gross Yield before Adjustments	£25,063,274	£25,223,179	£159,905
Mandatory Reliefs and Exemptions	-£2,604,565	-£2,577,656	£26,909
Discretionary Rate Reliefs	-£2,386	-£25,000	-£22,614
Rates to be Billed and Collected	£22,456,323	£22,620,523	£164,200
Provision for Bad and Doubtful Debts	-£1,651,751	-£1,105,281	£546,470
Allowance for Collection (transferred to the General Fund)	-£90,901	-£91,707	-£806
Net Yield	£20,713,671	£21,423,535	£709,864
Rate Retention Adjustments			
Change in Receipts year to year due to RV adjustments	£628,885	£152,696	-£476,189
Change in Receipts year to year due to Appeals	-£911,048	-£911,048	£0
Net Yield - for Distribution	£20,431,508	£20,665,183	£233,675
Net cost of Transitional Relief (paid separately)	£27,185	£43,168	£15,983
	£20,458,693	£20,708,351	£249,658
Distribution / Share			
Government (50%)	£10,215,754	£10,332,591	£116,838
South Derbyshire District Council (40%)	£8,172,603	£8,266,073	£93,470
Derbyshire County Council (9%)	£1,838,836	£1,859,866	£21,031
Derbyshire Fire and Rescue Authority (1%)	£204,315	£206,652	£2,337
	£20,431,508	£20,665,183	£233,675

3.30 The main reason for the favourable position at this stage is the collection losses being less than estimated. There has been a small increase in the number of business paying Rates with no major additions or reductions in business growth during the year to-date.

3.31 The overall Rateable Value has increased. However, this is mainly due to revaluations, rather than growth, which are excluded from the distribution system.

3.32 The above table shows a projected additional net yield of £233,625 compared to that estimated. The Council's share of this amount is £93,470, although this will be subject to a levy of around 50%. Therefore, based on the position to-date, the Council will generate an additional £45,000 in rates income on the General Fund compared to the Budget.

Other Financing and Grants Received

3.33 An additional sum of £18,688 has been received for the year under the New Homes Bonus scheme. This follows the final allocation of overall resources set-aside by the Government for 2013/14.

3.34 In addition, the Council has received the following ring-fenced grants for 2013/14:

- To meet costs associated with the Community Right to Bid (£7,855)
- To meet costs associated with the Community Right to Challenge (£8,547)
- To implement system changes for the Local Council Tax Support Scheme and Welfare Reform (£49,603 and £61,937 respectively)
- To implement Individual Electoral Registration (£6,330) with a further amount due later in the year. This will enable on-line registration from June 2014.

3.35 Any grant remaining unspent at the year end, will be transferred to an earmarked reserve in accordance with Council policy. At this stage, no costs are foreseen for either of the "Community Right" funding grants in 2013/14; additional costs will be incurred for Welfare Reform and Electoral Registration.

Overall General Fund position and Effect on Reserves

3.36 After allowing for all variances and adjustments, the estimated overall position on the General Fund for 2013/14 is shown in the following table.

	£'000
Reduction in Net Expenditure	-280
Reduction in Contingent Sums	-300
Municipal Mutual Insurance	12
Rosliston - Capital Contribution	10
Reduction in Housing Benefit Subsidy	20
Additional Business Rates Income	-45
Additional New Homes Bonus	-18
Forecasted Reduction in Expenditure	-601

3.37 The impact on the General Reserve would be to increase it to approximately £4.8m by 31st March 2014.

Update on Budget Savings

3.38 As part of the MTFP, a savings target of £300,000 was set for 2013/14. Progress to-date is shown in the following table.

Senior Management Restructure (March 2013)	£143,000
Paperless Committees (June 2013)	£21,000
Restructure in Community and Planning – subject to consultation	£116,000
Total – Full Year Savings	£280,000

3.39 The above figures represent the full year on-going costs from 2014/15. The savings from the senior management restructure in 2013/14 and from the introduction of paperless committees, are included in the net underspend for this year (as previously highlighted).

3.40 Subject to consultation and final approval, the savings from the restructure in Community and Planning will not accrue until 2014/15; there may be some one-off expenditure in 2013/14.

COLLECTION FUND

3.41 The Collection Fund is a separate ring-fenced account that has to be statutorily maintained. It accounts for 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.

3.42 Any surplus or deficit on the Fund is transferred to the General Funds of the Preceptors, with the proportion for South Derbyshire being approximately 11.5%. The current estimated position on the Fund for 2013/14 is detailed in **Appendix 4**. This shows that the overall Fund is projected to achieve a surplus for the year of approximately £292,000, up from £266,000 at Quarter 1.

3.43 This is mainly due to the increase in Council Tax collectable. As previously reported, the cost of the Local Council Tax Support Scheme is lower than estimated, with additional income being collected from empty properties, together with an increase in new properties.

3.44 The latest estimate includes a slightly lower collection rate than previous years (97.6% compared to 97.9%) to include the effects of collecting Council Tax from households previously in receipt of benefit.

HOUSING REVENUE ACCOUNT (HRA)

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

3.46 The approved HRA Budget was set with a deficit to finance from reserves of **£118,530**. Performance on the HRA as at September 2013 is summarised in the following table.

Summary HRA as at Sept 2013	Approved Budget £	Projected Actual £	Projected Variance £
Supervision and Management Costs	1,424,969	1,331,338	-93,631
Housing Repairs	3,209,959	3,140,293	-69,665
Interest on Debt	1,614,677	1,614,677	-0
Supported Housing	362,976	344,280	-18,695
Rent and other Income	-11,994,050	-11,753,163	240,888
Transfer to Capital Works Reserve	5,500,000	5,500,000	0
TOTAL	118,530	177,426	58,896

3.47 The table shows that the HRA is forecast to achieve a higher deficit of £177,426.

3.48 This is due to actual rent income being lower in the year compared to the Budget, but which is being offset, to a large extent, by a reduction in costs, mainly as a result of vacant posts, together with some slippage in planned maintenance on repairs.

Rent Income

3.49 A breakdown of the reduction is summarised in the following table.

Accounting adjustment to spread effect of 53 week years (Note 1)	£192,000
Greater Council House Sales in 2012/13 and 2013/14 (Note 2)	£64,000
Void properties relet at full Formula Rent (Note 3)	- £15,000
Total	£241,000

Note 1: This is a change in accounting methodology to smooth out the incidence of “53 week” years (every 5 years) by accounting for rent on a daily and not weekly basis. This has reduced the amount of rent income accounted in this year by 6 days. However, overall cash income remains the same over the longer-term financial period it is just being accounted for in different years. This will be reflected in the yearly budgets for the HRA in the MTFP.

Note 2: There were 18 sales in 2012/13 and 9 to-date in 2013/14. This compares with estimates of 5 and 7 respectively.

Note 3: This is in accordance with the Council’s local rent policy.

CAPITAL EXPENDITURE and FINANCING 2013/14

3.50 The Programme has been updated following the approved out-turn for 2012/13 and includes an amount of £2.4m brought forward from the previous year. It also includes a further government and County Council allocations of £170,000 for Disabled Facility Grants.

3.51 Progress to-date is summarised in the following table.

Capital Spending 2013/14 (as at October 2013)	Updated Budget £	Actual £
Council House Improvements	6,247,527	2,403,968
Private Sector Housing and DFGs	627,358	260,230
Leisure and Community Development	3,635,259	437,927
Environmental Schemes	44,439	18,190
Vehicles, Property and Plant	1,263,164	1,214,468
	11,817,747	4,334,783

Council House Improvements

3.52 A revised programme was considered by the Housing and Community Services Committee in October. Following tender exercises to take account of the extended capital programme, new contracts for kitchen, bathroom and heating replacements are now being let.

3.53 Some slippage in spending will occur in this financial year as new contracts will be commencing in January 2014. Most other areas are on target for 2013/14.

Private Sector Housing

- 3.54 Savings, compared to that budgeted, have been made following tenders to undertake the statutory stock condition and housing needs surveys. The cost of both surveys was tendered at £75,000 against a budget of £120,000; the saving of £45,500 will be maintained in the general capital receipts reserve.

Leisure and Community Development

- 3.55 Due to time being taken to secure external funding and to adhere to procurement regulations, there is likely to be slippage on spending in 2013/14. An update on progress on the main schemes is summarised in the following sections.

Green Bank Leisure Centre

- 3.56 A contractor has now been appointed to undertake the £500,000 refurbishment and enhancement project. This will include the creation of new exercise areas and upgrading of changing rooms and community areas,
- 3.57 The issue for settling on the compensation figure for the loss of income during the completed and future refurbishment works is still to be resolved. The Council is responsible for this compensation payment and historical usage patterns are being used to agree a figure.

Etwall Leisure Centre

- 3.58 The project to install a full size Artificial Grass Pitch has been completed and officially launched. The cost was £490,000 with £239,000 from the Football Foundation - John Port School and the District Council each providing £100,000 with the Centre's sinking fund and Hilton Harriers providing the balance. Full community use started in May.
- 3.59 A further project is being developed that will look at the potential of a larger gym area along with minor enhancements to other areas of the Centre. Over £200,000 has already been secured for this project and further options are being examined. An Inspired Facility application will be made in December.

Rosliston Forestry Centre

- 3.60 The building of toilet facilities adjacent to the 'Glade in the Forest Arena' is progressing well and should be complete in the New Year.

Eureka Park

- 3.61 The Project to restore and repair the heritage features of Eureka Park is progressing well. Final designs and costs for the Capital works are due to be approved by HLF in November, with a view to works starting on site in January 2014.
- 3.62 A community engagement programme is underway delivering events and activities on the site, with outputs in terms of skills, training and volunteering.

Melbourne Sporting Partnership (MSP)

- 3.63 This £2.5m multi sports club project has been further supported with a £600,000 grant from the Football Foundation and £150,000 from Sport England. A further application has been submitted to the Rugby Football Union. A consultation event has been held and final planning conditions satisfied.
- 3.64 Construction has started on the drainage outfall (due for completion in November 2013) and football pitch works (due for completion Spring 2014).
- 3.65 A tendering exercise to appoint an architect to deliver the clubhouse, car park and tennis courts is currently underway.
- 3.66 Planning permission is being sought for the construction of an Artificial Grass Pitch, and the MSP Project Group is planning the phasing of the pitch improvement works.

Melbourne Leisure Centre

- 3.67 An initial lease for the Centre (now known as Melbourne Assembly Rooms) has been transferred to Melbourne Community Group, who is developing funding bids with a view to enhancing and developing the facility for increased community use.
- 3.68 Discussions are underway in relation to a longer lease that would support additional grant applications where a long lease is a pre-requisite. The Heads of Terms have been previously been approved by the Committee.

Capital Receipts

3.69 The following receipts have been received as at 30th September 2013.

- Sale of Garden Land - £7,250
- Sale of HRA Land - £70,000
- 7 Council House Sales - £337,765 (before pooling)

3.70 Two further Council House Sales have recently been completed and will be accounted for in the third quarter. An analysis of receipts is shown in the following table.

ANALYSIS OF COUNCIL HOUSE SALES 2013/14		£
Receipts Received		337,765
Less Allowable Costs		-9,100
Less Allowable Debt		-83,193
Amount subject to Share		<u>245,472</u>
Split		
SDDC Share		72,778
Treasury Share (Pooling Payment)		172,694
		<u>245,472</u>

Cash Retained	
Non Pooling Part	72,778
Retained Costs	9,100
Debt Part	83,193
Total Resources for Reinvestment	165,071
Add Pooling Payment	172,694
Total Receipts Received	337,765
<hr/>	
Required Amount of New Build Expenditure by March 2016 - b/f	42,238

3.71 The total resources retained for reinvestment of £165,071, will be transferred to the New Build Capital Receipts Reserve in accordance with the approved policy. The accumulated balance on the Reserve is now approximately £925,000.

3.72 Proceeds from the sale of the HRA land (£70,000) is not subject to pooling as it will be used for the New Build programme; this is a recognised low cost affordable housing scheme as approved by the Committee under regulations.

TREASURY MANAGEMENT

3.73 An analysis of the Council's borrowing and short-term investments/bank deposits is summarised in the tables, below. This shows the position at 30th September 2013.

3.74 Debt outstanding is split between the HRA and the General Fund and this represents the "two pool" approach adopted for debt management with the implementation of self-financing in the HRA.

	01/04/2013 £'000	30/09/2013 £'000	Change £'000
Debt Outstanding - HRA			
Self-financing Debt (Average rate 2.7%)	57,423	57,423	0
Market Loan (4.875% fixed)	1,000	1,000	0
Transferred Assets (<i>repaid as reported in Sept</i>)	279	0	-279
Total Debt Outstanding - HRA	58,702	58,423	-279

Capital Financing Requirement - HRA	62,860	62,581	-279
Debt Cap (Fixed on Self-Financing)	66,853	66,853	0
Borrowing Headroom (Cap Less Debt o/s)	8,151	8,430	279

Debt Outstanding - General Fund			
Actual Loans o/s	0	0	0
Capital Financing Requirement (CFR)	6,315	6,902	587
Borrowing Headroom (CFR Less Debt o/s)	6,315	6,902	587

Temporary Investments and Borrowings

Temporary Bank and other Deposits	4,500	10,400	5,900
Less Parish Council Deposits	-41	-32	9
Less Temporary Debt	-15	-7	8
Total - Short-term Cash Position	4,444	10,361	5,917

Average Interest Rate Earned (Cumulative)	0.31%	0.34%	0.03%
Target - Average 7-Day Local Authority Rate	0.51%	0.48%	-0.03%

Debt Outstanding

3.75 This is largely fixed and no repayments are anticipated during the financial year. £10m of the HRA Self-financing Debt is at variable rates. These rates continue to remain historically low (0.6%) and therefore, it is unlikely that any revisions to the Treasury Management Strategy will be required as far as managing this part of the debt portfolio.

Capital Financing Requirement (CFR)

3.76 The increase in the General Fund's CFR represents the impact of financing the purchase of the bins and caddies for the extended recycling service as detailed earlier in the report. The increase of £587k is made up as shown in the following table.

General Fund CFR	£'000
Balance as at April 2013	6,315
Add: Net Financing of new Bins and Caddies	877
Less: Normal Minimum Revenue Provision	-250
Less: Provision for Bins and Caddies (part year 2013/14)	-40
Provisional Balance as at March 2014	6,902

Short-term Investments

3.77 The funds of £10.4m are currently on deposit as follows:

Other Local Authorities	£6.5m	0.31%
UK High Street Banks	£3.9m	0.42%

3.78 The amounts on deposit with Banks are in instant access reserve accounts. Although the rates are below the market average, total interest earned to-date of £17,900, is slightly better than budgeted due to a higher average level of balances on deposit (£9.5m compared to £7.5m).

The Co-operative Bank and a New Banking Contract

3.79 As previously reported, the Council's banker (the Co-op) has been experiencing financial difficulties and according to media reports, this situation has worsened in recent weeks.

- 3.80 The financial package, proposed and accepted by the banking regulator, to rescue the Co-op is dependent upon a vote of its bond holders. If they reject the package then this could lead to the Bank having to withdraw its services.
- 3.81 Due to its financial position, the Co-op's credit rating had previously been downgraded and the Council has no deposits lodged with them.
- 3.82 However, ahead of the vote, there are now some indications to suggest that day to day financial transactions (payments and income collection) through the banks clearing system will be affected. Additional precautions have been taken on large daily transactions to ensure that they clear the system and no balances remain in accounts overnight.
- 3.83 In addition, contingency arrangements have now been set up with a separate bank (*see below*) as cover against the Co-op having to cease operations, although some short-term issues cannot be ruled out.

Tender for a New Contract

- 3.84 As previously reported, the Council's current contract with the Co-op was due to end in March 2014. A tendering exercise has recently been completed to let a new banking contract.
- 3.85 The Co-op, having been selected to tender following an initial evaluation, then withdrew from the full tendering process, citing their financial position. Subsequently, the Co-op has announced that they will no longer be tendering or renewing local authority business.
- 3.86 Four other banks did submit tenders and all were competitive in terms of price and quality. The banks submitting tenders were:
- HSBC
 - Nat West
 - Barclays
 - Lloyds
- 3.87 Following the tender evaluation, the new Contract was awarded to Barclays. The annual contract price is lower per year compared to current charges so this will provide a budget saving.
- 3.88 Work is already underway to transfer bank accounts. It was planned to complete this on a phased basis by April 2014, but this has been brought forward to February 2014. A contingency arrangement has been set up with Barclays should the Co-op cease trading in the meantime.

OTHER FINANCIAL INDICATORS

- 3.89 These are reported to monitor the efficiency of financial services. In addition, the collection rates are targets that form part of the Income Guarantee arrangement under the Corporate Services Contract. The processing of

benefit claims are also key performance indicators which are subject to default conditions if they are not achieved.

3.90 The indicators are detailed in the following table.

	Estimated Annual Volumes	2012/13 Actual	Yearly target	Actual Sept 2013	Actual Sept 2012	At Risk
Collection Rates						
Council Tax in-year Collection	£44.1m	97.90%	97.40%	58.10%	58.30%	No
Council Tax Arrears Collection	£3.8m	23.40%	26.70%	14.70%	12.30%	No
Business Rates Collection	£22.6m	98.30%	96.10%	60.80%	59.80%	No
Recovery of Housing Benefit Overpayments	£0.5m	39.50%	34.20%	26.20%	22.70%	No
Sundry Debtor Collection (incl. Arrears)	£4.5m	90.60%	82.60%	65.90%	73.20%	No
Benefits Processing (Average Time)						
New Claims	1,000	16 Days	18 Days	17 days	16 Days	No
Change of Circumstances	14,000	7 Days	8 Days	18 days	8 Days	Yes
Financial Efficiency						
Percentage of Invoices paid within 30-days	5,200	98.20%	97.50%	96.80%	98.50%	No
Percentage of Invoices paid within 10-days	5,200	80.60%	65.00%	73.30%	79.40%	No
Number of Payments made Electronically	36,000	93.70%	90.00%	99.70%	93.10%	No

3.91 The table shows one indicator currently at risk of falling below target, i.e. performance in processing change of circumstances.

3.92 As previously reported, this is attributable to recent changes in the method in which the DWP pass information to councils to enable them to assess benefit entitlement more accurately and in a timely manner. It is part of a project known as ATLAS (*Automatic Transfer to Local Authority Systems*).

3.93 Ultimately, this system should ensure that councils maximise the subsidy they are reimbursed, with any loss through errors stemming from missing and/or inaccurate data being minimised.

3.94 However, at present there is a substantial amount of additional information being sent over ATLAS which is requiring extra checks to validate. Despite upgrades to the Council's software and additional resources being input (*financed from a Government Grant that is not permanent*) this problem has remained.

3.95 A further software upgrade has been identified which should make the validation easier and this is being kept under review. In the meantime, error rates in processing are have reduced. Whether this is all a direct consequence of ATLAS is not fully known, but it is considered to be a big factor.

Comparisons

3.96 The average processing of new claims at 17 days is well within the average of all authorities, which is currently 24 days. However, the average processing time for change of circumstances is 11 days compared to the 18 days in South Derbyshire.

Electronic Processing of Payments

3.97 The previous table shows that almost all payments made by the Council, including bills to suppliers and housing benefit payments, are now made electronically - predominantly through direct debit. Very few cheque payments are now made.

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