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<b>REPORT TO:</b>	<b>FINANCE AND MANAGEMENT COMMITTEE</b>	<b>AGENDA ITEM: 8</b>
<b>DATE OF MEETING:</b>	<b>17th MARCH 2016</b>	<b>CATEGORY: DELEGATED</b>
<b>REPORT FROM:</b>	<b>DIRECTOR OF FINANCE AND CORPORATE SERVICES</b>	<b>OPEN</b>
<b>MEMBERS' CONTACT POINT:</b>	<b>KEVIN STACKHOUSE (01283 595811)</b> <a href="mailto:Kevin.stackhouse@south-derbys.gov.uk">Kevin.stackhouse@south-derbys.gov.uk</a>	<b>DOC:</b> u/ks/financial monitoring reports/2016/1 March
<b>SUBJECT:</b>	<b>BUDGET and FINANCIAL MONITORING 2015/16</b>	<b>REF</b>
<b>WARD (S) AFFECTED:</b>	<b>ALL</b>	<b>TERMS OF REFERENCE: FM 08</b>

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## **1.0 Recommendation**

- 1.1 That the latest budget and financial monitoring figures for 2015/16 are considered and approved.
- 1.2 That an amount of £63,000 is transferred to the Planning Appeals Provision.
- 1.3 That requests to set-aside £50,000 from additional planning income in 2015/16 to meet IT development, together with support for future planning agreements, is considered and subject to a separate report.
- 1.4 That the projected over spend on the Council Houses, Capital Works Budget is considered.
- 1.5 That the Capital Budget for 2016/17 for Council Houses is reviewed and a detailed report is provided to the Committee on future capital allocations, together with implications for the HRA and its housing stock.

## **2.0 Purpose of the Report**

- 2.1 To provide an update on performance against budgets for the financial year 2015/16, together with an update on the Council's treasury management activities for the year.
- 2.2 Where appropriate, the effects upon the Medium-Term Financial Plan are also noted.
- 2.3 The report details performance up to 31<sup>st</sup> January 2016, unless otherwise stated.

### 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 is a mixture of:

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

3.2 Any deficit is financed from the General Fund Reserve, with a surplus being passed over to that Reserve, subject to any contributions to specific reserves.

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

	£
Original Estimated Budget Surplus 2015/16	91,189
Add - Increased Business Rates (Growth)	418,978
Add - Pay and Grading Provision re-profiled to 2016/17	165,000
Less - Appointment of External Facilitator - Pay and Grading Review	-100,000
Less - Electoral Services Restructure	-11,500
<b>Updated General Fund Surplus 2015/16</b>	<b><u>563,667</u></b>

3.4 The Budget includes contingent sums set-aside for inflation and growth. The updated Budget is summarised in the following table.

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

#### Position as at January 2016

3.5 A summary of the position to-date and the projected position for the year by Policy Committee is shown in the following table.

## Projected Net Expenditure 2015/16

Committee	Budget £	Projected £	Variance £	Transfer to / from (-) Earmarked Reserves	Net Effect on General Reserve
Environmental and Development Services	3,575,123	3,283,650	-291,473	-102,249	-393,722
Housing and Community Services	2,365,821	2,250,638	-115,183	175,909	60,726
Finance and Management Services	5,003,282	4,747,507	-255,775	222,645	-33,130
<b>Total General Fund Projected Out-turn 2015/16</b>	<b>10,944,226</b>	<b>10,281,794</b>	<b>-662,432</b>	<b>296,305</b>	<b>-366,127</b>

3.6 The above table shows that based on current spending and after adjusting for transfers between earmarked reserves, there is a projected decrease in net expenditure of £366,127 compared to the updated budget for the year.

3.7 This compares with a figure of £194,393 at the end of the first quarter reported in September and £366,505 reported in December 2015, following the half-yearly review. An analysis by main service area is shown in the following table.

### Performance against Budget 2015/16 as at January 2016 (by Service)

Summary by Main Service Area	Budget £	Projected Actual £	Projected Variance £	Earmarked Reserves £	General Reserve £
Economic Development	236,636	211,794	-24,842	-1,000	-25,842
Environmental Health Services	513,831	526,282	12,451	0	12,451
Highways	5,347	-52,689	-58,036	0	-58,036
Licensing and Land Charges	-53,571	-174,456	-120,885	0	-120,885
Planning	322,462	91,714	-230,748	-78,864	-309,612
Town Centre	58,617	72,990	14,373	0	14,373
Waste Collection & Street Cleansing	1,567,139	1,719,791	152,652	0	152,652
Environmental Education	69,104	91,489	22,385	-22,385	-0
Transport Account	855,557	796,736	-58,821	0	-58,821
Community Development and Support	646,613	646,776	163	17,572	17,735
Leisure and Recreational Activities	156,553	158,936	2,383	643	3,026
Leisure Centres and Community Facilities	486,789	348,805	-137,984	204,845	66,861
Parks and Open Spaces	698,818	719,920	21,102	-14,770	6,332
Private Sector Housing	377,048	376,200	-848	-32,380	-33,228
Central and Departmental Accounts	3,311,117	3,552,064	240,947	-94,452	146,495
Revenues and Benefits	358,203	242,999	-115,204	0	-115,204
Electoral Registration	276,104	269,602	-6,502	0	-6,502
Corporate and Democratic Costs	677,852	632,950	-44,902	0	-44,902
Payments to Parish Councils	324,340	331,341	7,001	-7,000	1
Concessionary Travel	0	-670	-670	0	-670
Property and Estates	-150,153	-201,738	-51,585	0	-51,585
Pensions, Interest Payments and Receipts	205,820	-79,040	-284,860	324,097	39,237
<b>TOTAL</b>	<b>10,944,226</b>	<b>10,281,794</b>	<b>-662,432</b>	<b>296,305</b>	<b>-366,127</b>

## Overview of Spending To-date

- 3.8 The main reason for this variance is the continuing increase in planning fee income compared to the Budget; this follows the large increase in 2014/15.
- 3.9 The Budget for the year is £600,000, with actual fees generated at the end of February 2017 totalling approximately £1m. Therefore, the actual increase compared to the Budget may be higher, depending on income received during the final month of the year.
- 3.10 Many of the variances are those reported previously. A list of all of the major variances is shown in the following table.

Favourable Variances	£'000
Additional Planning Income	-400
Vacant Posts	-371
Offset by costs of Temporary Cover and Recruitment	343
Land Charges - Grant for Refund of Personal Searches	-105
Housing Benefit Payments - Increase in Subsidy	-65
Additional income from Estate properties (no voids)	-45
Reduction in Fuel Costs	-40
Elected Members Cost's	-37
Lower expenditure on Maintenance of Vehicles and Plant	-30
Additional Interest on Short-term investments	-30
Additional income from collection of Trade Waste	-25
Additional income from Land Charges	-16
<b>Adverse Variances</b>	
Income from Recycling credits over-budgeted	100
Additional cost of Planning Appeals	63
Additional Vehicle Hire on a Temporary Basis	60
External Facilitator - Job Evaluation (**)	53
Indexation on contractual services and pension costs (**)	52
Repairs and Utility Costs at Etwall Leisure Centre	35
Other Recycling Costs	30
Repairs and Utility Costs at Green Bank Leisure Centre	27
Lower income from Cemeteries	14
Lower income from Food Export Certificates	10
Other Variances	11
<b>Total Projected Variance - Positive</b>	<b>-366</b>
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<b>** Add: Funding from Contingent Sums</b>	<b>-105</b>
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	<b>-471</b>

- 3.11 The above table shows that after allowing for funding in contingent sums, including inflation (or indexation) the overall reduction in net expenditure is projected to be £471,000.

- 3.12 The other large variance relates to vacant posts, although the reduction is largely offset by the costs of temporary cover and recruitment. In addition, the reduction in income from Recycling Credits has previously been reported and the on-going effects have been included in the approved MTFP from 2016/17.

## Planning Appeals

- 3.13 The additional cost of £63,000 is in addition to the Provision of £172,000 set-aside in 2014/15. Although these costs have yet to be actually incurred, it is recommended that they are added to the existing Provision when the accounts are finalised for 2015/16.
- 3.14 Under accounting regulations, the Council will be required to transfer this amount in any case as the potential liability is known and likely to materialise.

## Leisure Centres – Repairs and Utility Costs

- 3.15 These continue to escalate with a projected increase compared to the Budget of £65,000 across Green Bank and Etwall Leisure Centres. This has increased from £35,000 at the half-year stage. An analysis of the additional costs is shown in the following table.

	Green Bank £	Etwall £	Total £
Repairs and Maintenance	18,000	28,000	46,000
Utility Costs	9,000	10,000	19,000
	<b>27,000</b>	<b>38,000</b>	<b>65,000</b>

- 3.16 Some of the costs were previously known and reported, in particular additional maintenance at Green Bank and utility costs across both centres. As regards utility costs, the Base Budget for 2016/17 has since been increased. This reflects the additional liability that the Council has to the management contractor for utility costs if they exceed a threshold during the year.
- 3.17 The additional maintenance costs at Etwall Leisure Centre have arisen although these have as yet, not been accounted for through the Joint Management Committee's Account. They are currently being reviewed between the Council and John Port School.

## Waste Less / Save More Campaign

- 3.18 The Council is bidding to undertake certain projects direct and this could lead to some additional costs being incurred by the Council for which there is no budgetary provision. The position is being reviewed and a report will be presented for consideration at Full Council on 7<sup>th</sup> April 2016 to set out the full implications.

## Use of Planning Fee Income

- 3.19 The Director of Community and Planning has requested that some of the additional planning income is reinvested back into the Planning Service. There are two proposals:
- To implement bespoke software to strengthen the monitoring and use of Section 106 receipts (£20,000 including implementation costs)

- The development of a strategic community plan for the provision of future leisure facilities arising from new residential development. This follows a recent consultation across the District. It will be subject to a separate report setting out the detailed proposal (£30,000).

## Contingent Sums

3.20 The updated Budget includes the following contingent sums:

	£
General Inflation	101,204
Growth	100,000
External Facilitator - Job Evaluation	100,000
	<b><u>301,204</u></b>

3.21 As highlighted earlier in the report, approximately £105,000 of this contingent sum will be used to finance appropriate costs in 2015/16. In addition, any unused amount (currently estimated at £48,000) arising from the job evaluation sum will be carried forward.

3.22 Therefore, this will leave approximately £148,000 (£301,000 - £105,000 - £48,000) in 2015/16 which can be returned to the General Fund Reserve.

## Provisions

3.23 The following provisions were made in the Council's accounts in 2014/15 for liabilities due in 2015/16.

Provision For	Provision Made
Refund of Personal Searches	£156,000
Business Rates Appeals	£272,00
Planning Appeal	£172,000
<b>TOTAL PROVISIONS</b>	<b>£600,000</b>

3.24 The final cost for business rates is still to be determined. The estimated cost regarding outstanding planning appeals is £235,000. As detailed earlier in the report, it is recommended that an additional £63,000 is added to this Provision in 2015/16 to cover the updated cost.

3.25 As previously reported, payments for the refund of personal searches, including costs, have been confirmed. However, the Council has received a Government contribution towards these costs in the form of a New Burdens Payment, totalling £105,000.

3.26 This has been included in the variance analysis detailed earlier in the report.

## Core Grants and Funding

3.27 The following grants have been confirmed for the year.

Core Grants and Funding 2015/16	Estimate £	Actual £	Variance £
New Homes Bonus (NHB)	2,322,405	2,322,404	-1
NHB - Returned Funding	0	7,420	7,420
Revenue Support Grant	1,811,467	1,811,467	0
Council Tax Freeze Grant	50,794	50,014	-780
Business Rate Reliefs (Section 31)	0	360,651	360,651
<b>Total General Grants</b>	<b>4,184,666</b>	<b>4,551,956</b>	<b>367,290</b>

### Business Rate Reliefs – Section 31 Grant

3.28 These grants are paid to reimburse councils who, by granting relief and capping annual increases in accordance with the National Scheme, lose income in the Collection Fund. It is paid so as to ensure that the Billing Authority is no worse off overall.

3.29 The figure for Business Rate Relief was confirmed after the Budget was set. Income from Section 31 is not budgeted for in any case as it can vary. In accordance with financial planning, it acts as a contingency should there be any adverse variation in Business Rate receipts.

### Overall General Fund Position

3.30 After allowing for all variances and adjustments, the projected overall position on the General Fund for 2015/16, compared to the Budget, is shown in the following table.

Lower Net Expenditure	471
Use of Contingent Sums Lower	148
Section 31 Grants	361
Higher General Fund Grants	6
<b>Projected Reduction in Net Expenditure 2015/16</b>	<b>986</b>

3.31 This amount (less any transfers to Earmarked Reserves) will be transferred to the General Fund Reserve, subject to final out-turn figures.

3.32 This projected reduction compares with £652,000 at the half-year stage. The main reason for the increase is the incidence of the Section 31 Grants. The situation is subject to change, although at this stage, clearly there is likely to be an overall reduction in net expenditure for 2015/16.

3.33 However, it is recommended that this is not assumed or included in the MTFP until it is certain and reported in the Budget Out-turn for the year. This is in accordance with the financial policy followed in previous years.

## **THE COLLECTION FUND**

- 3.34 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.
- 3.35 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 2015/16, based on transactions up to 31st January 2016, is detailed in **Appendix 1**.
- 3.36 The projected position on the Fund as at 31<sup>st</sup> March 2016 is currently £197,000 for Council Tax and £1.269m for Business Rates. This is in line with previous estimates and that reported when setting the Budget for 2016/17, when declaring amounts to be shared with preceptors and relevant transfers to the General Fund.

### **Council Tax**

- 3.37 The projected balance of £197,000 compares with £213,000 when setting the Budget. The surplus declared on Council Tax for 2015/16, to be paid to Preceptors from this Balance in 2016/17, is £175,000, including £20,000 to the Council's General Fund.
- 3.38 The cost of the Local Council Tax Support Scheme continues to reduce. In 2013/14, it reduced from £4.95m to £4.65m and was £4.5m in 2014/15. It is currently estimated to be approximately £4.37m in 2015/16.

### **Business Rates**

- 3.39 The balance for Business Rates of £1,269k is split between the previous year's surpluses that had already accrued (but not shared) of £721k up to 2014/15, together with a further £548k in 2015/16. The amounts attributable to the Council are £288k and £219k respectively, based on its 40% share.
- 3.40 The amount of £288k will be transferred across to the General Fund in 2015/16 and £219k will be transferred in 2016/17. Both of these amounts were included in the updated General Fund Budget approved in February.
- 3.41 The current Business Rates Debit for the year of £23.6m is slightly above that estimated of £23.4m. If this continues to the year end, this will increase the overall surplus in addition to that declared in the recent Budget Round.

### **Derbyshire Business Rates Pool**

- 3.42 2015/16 is the first year of the Pool. The benefit of pooling is that growth in business rates receipts across Derbyshire are not subject to the 50% Government levy but are shared between pool members in accordance with the Derbyshire Pooling Agreement.

3.43 Based on performance of the Pool up to December 2015, the additional benefit to the Council currently accruing is £218,000.

### **NHS Hospital Trusts**

3.44 During January, it emerged that councils across the country are potentially facing a challenge from NHS Trusts who are seeking to be awarded 80% mandatory charitable rate relief.

3.45 Currently, Trusts are not entitled to such relief as they are not considered to be charitable organisations but public sector funded bodies that operate with boards of directors (and not trustees). Most trusts also have income earning, effectively business activities.

3.46 Legally, representatives of the Trusts are challenging this position. If the Trusts are successful, the relief may be backdated for up to 6 years. The amount involved nationally is significant, estimated at £1.5bn and several councils have already received claims.

3.47 The amount locally for the Council is not significant in the context of annual business rates of £23m. There is potential for one organisation in the District to qualify if the rules were changed. Including a backdated element, the amount involved would total approximately £72,000, with £12,000 as an on-going cost.

3.48 However, as a member of the Derbyshire Pool, there is a knock-on effect to the Council. The main risk associated with a "Pool" is that any major reductions in Business Rates are not covered by the Government's Safety Net.

3.49 In other parts of Derbyshire, the effect is more significant and it will affect the receipts in the Derbyshire Pool. If the status of Trusts is changed, it has been estimated that the impact on the Pool would all but erase the current benefit currently accruing in growth in 2015/16, mainly due to the potential for backdating relief, stretching back for 6 years.

3.50 The position will be kept under review. The Local Government Association is defending the current position under the existing legislation governing rate relief.

## HOUSING REVENUE ACCOUNT (HRA)

- 3.51 The Council is required to account separately for income and expenditure in providing Council Housing.
- 3.52 The approved HRA Budget for 2015/16 was set with a deficit of £240,000, to be financed from the HRA General Reserve. This was revised to £314,000 following a review of the 10-year Financial Plan, as reported to the Committee in February.
- 3.53 Performance on the HRA as at January 2016 is summarised in the following table.

<b>Summary HRA 2015/16</b>	Budget £'000	Projected Out-turn £'000	Projected Variance £'000
Rental Income	-12,808	-12,776	32
Contribution to Capital and New Build	5,787	5,787	0
Responsive and Planned Maintenance	3,341	3,295	-46
Interest on Debt	1,681	1,628	-53
Supervision and Management	1,577	1,665	88
Supported Housing and Careline Services	692	688	-4
Provision for Bad Debts	44	44	0
<b>Deficit</b>	<b>314</b>	<b>331</b>	<b>17</b>

- 3.54 The table shows that overall the HRA will incur a greater variance of £17,000 compared the Budget.
- 3.55 The reduction in rental income is due to a greater number of Right to Buys (currently 14 compared to 8 budgeted). This will have an on-going effect in the HRA's longer-term Financial Plan.
- 3.56 There will be lower costs associated with debt payments, with the interest rate on the variable element of the debt portfolio (£10m) having been settled at 0.75% compared to 1.25%. In addition, overall expenditure on repairs is projected to be lower compared to the Budget.
- 3.57 The main variance relates to supervision and management, with a greater level of staffing and support costs. Some of this has arisen to cover long-term absences.
- 3.58 In addition, some additional contract recruitment and consultancy costs of approximately £46,000 are also being incurred.

## CAPITAL EXPENDITURE and FINANCING 2015/16

3.59 The Capital Programme was updated and approved by the Committee in February. Progress in 2015/16 across the main projects and schemes is shown in the following table.

Capital Spending 2015/16 (as at January 2016)	Approved Budget £	Actual £
Council House Capital Works ( <i>see narrative below</i> )	3,150,000	2,883,744
New Build Schemes ( <i>see narrative below</i> )	5,495,000	3,226,689
Disabled Facility Works - Council Houses	350,000	210,299
Private Sector Housing Works and DFGs	658,226	254,681
Environmental and Heritage Schemes	43,966	22,162
Melbourne Sporting Partnership	750,000	454,631
Eureka Park	350,000	82,680
Rosliston Forestry Centre - Play Project	130,000	0
Rosliston Forestry Centre - Previous Works	0	-12,547
Grove Hall Redevelopment	979,300	916,644
Community Partnership Scheme	162,700	89,030
Etwall Leisure Centre - Fitness Suite	378,500	306,500
Swadlincote Woodlands Nature Reserve	6,000	0
Hilton Village Hall ( <i>see narrative below</i> )	0	31,167
Flood Defence / Drainage Works ( <i>see narrative below</i> )	0	48,923
Vehicle Replacements	50,000	32,350
Factory Site - Capital Works	147,893	147,893
Purchase of Town Centre Land	188,050	188,050
Chestnut Avenue - Professional Fees	5,000	1,878
<b>Total</b>	<b>12,844,635</b>	<b>8,884,775</b>

### Council Houses – Capital Works

3.60 As at January, approximately £2.6m had been invoiced and paid, with a further £300,000 committed and accrued in the Council's accounts. However, additional works of approximately £1m have also been let which are effectively commitments. These are likely to have either been invoiced or accrued as work in progress by the year end.

3.61 After taking account of these commitments, the actual spend in the year is now expected to be approximately £4m, **around £800,000 above budget.**

3.62 The approved budget of £3,150,000 was revised down earlier in the year as part of the savings required to rebalance the HRA's Financial Plan in response to the statutory reduction in rent income.

3.63 This Policy was approved by the Committee in October 2015, with revised figures being considered and approved by the Committee during the Budget Round in January / February.

3.64 Future capital budgets were also revised down in the updated Financial Plan. These allocations will now need to be revised down further in order to recover this year's overspend in the longer-term Financial Plan.

- 3.65 Capital expenditure is financed from rent income in the HRA. The current level of the HRA's General Reserve cannot sustain additional expenditure of this magnitude.
- 3.66 As reported to the Committee in February, the financial position of the HRA is now much tighter following the statutory change in social rent policy for the next 4 years.
- 3.67 The HRA's General Reserve is currently estimated to be approximately £2m at 31<sup>st</sup> March 2016. With the additional £800,000 capital expenditure in the year, the balance is now likely to fall to £1.2m.
- 3.68 The current Financial Plan projects an overall deficit on the HRA of £300,000 in 2016/17. This would reduce the HRA's General Reserve to £900,000, i.e. below the minimum level of £1m.
- 3.69 Therefore, planned capital works in 2016/17 will need to be reduced by £800,000 to compensate for the additional expenditure in 2015/16 and to safeguard the minimum General Reserve of 1m by March 2017. This assumes that there are no other major adverse variances on the HRA during 2015/16 and 2016/17.

### **Comments by the Director of Housing and Community Services**

- 3.70 *This year's programme is expected to out-turn at approximately £4m, some £800,000 above budget. This is a result of the team taking advantage of an opportunity to deliver part of the 2016/17 programme in 2015/16 and therefore commissioning works at this year's prices as opposed to next years, which will be subject to a contractual price increase.*
- 3.71 *Whilst the programme will overspend by around £800,000 in 2015/16, the spend over the two year period of 2015/16 and 2016/17 is expected to out-turn at around £300,000 below budget, delivering a capital programme for the 2 year period of £6.7m against a budget for the 2 years of £7m.*
- 3.72 *Future capital budgets have also been revised to reflect the financial position of the HRA. The 10-year capital programme commencing in 2017/18 has been reduced from an anticipated £20m to £17.6m, a saving of £2.4m over the 10-year period. Further work is currently being undertaken to the capital programme and this will be reported at a future Committee.*

### **New Build - Phase 1**

- 3.73 The main scheme at Coton Park was expected to be complete by February 2016. The scheme has slipped and therefore not all contract payments will be made in the year.
- 3.74 However, this will have implications for the HRA's Financial Plan as the delay will mean that new properties are not let. A total of 23 new properties are due to be built and the delay will reduce income in the HRA as the Plan had assumed properties being let from April 2016.

## **Community and Recreational Schemes**

3.75 The major schemes at Grove Hall and Etwall Leisure Centre have been completed. In addition, the works at the Cockshut Lane Recreation Ground relating to the Melbourne Sporting Partnership are well underway.

3.76 Additional works at Hilton Village Hall, together with 2 drainage schemes at Repton Brook, in Hartshorne and Carr Brook, Melbourne have been financed through specific grant awards.

## **External Finance Outstanding**

3.77 Several community and recreational schemes are being partly funded by external grants and contributions. The following amounts are still to be claimed for works already completed.

- Grove Hall redevelopment - £1/2m still to be claimed from the main funding body.
- Green Bank Leisure Centre refurbishment in 2014/15 - £85,000 is still outstanding from the management contractor.
- Eureka Park improvement – various contributions of approximately £100,000 outstanding although work is in progress to claim the sums outstanding.

## **Housing Capital Receipts**

3.78 There were 14 council house sales in the year up to January 2016. These generated gross receipts of £678,190, of which £263,289 (39%) has been “Pooled.” The net amount retained of approximately £414,901 has been transferred to the New Build Reserve.

3.79 Following an easement granted for land in Repton (as approved by the Committee in October 2015) £15,000 has also been received and will be transferred to the New Build Reserve.

## **Council House New Build**

3.80 Including the amount brought forward from 2014/15 (£2.05m) the accumulated balance on this Reserve is now approximately £2.5m.

## **Financial Target**

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

3.82 These financial targets are shown in the following table.

### ***New Build Targets***

Sep-15	£191,058
Dec-15	£324,056
Mar-16	£628,347
Jun-16	£628,347
Sep-16	£686,430
Dec-16	£1,112,561
Mar-17	£1,112,561
Jun-17	£1,296,447
Sep-17	£1,550,961
Dec-17	£1,594,226
Mar-18	£1,594,226
Jun-18	£1,613,024
Sep-18	£1,613,024
Dec-18	£1,613,024

***Note: These figures are cumulative.***

3.83 The Council is currently well ahead of these cumulative targets, with expenditure on Phase 1 of the New Build programme currently £3.2m.

### **General Fund Receipts**

3.84 A further £165,000 has been received in respect of the next phase for the sale of land at the William Nadin Way development. This receipt has been set-aside as a contribution to the cost of relocating and building the new Council Depot.

## TREASURY MANAGEMENT

3.85 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 2016.

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

	01/04/15 £'000	31/1/16 £'000	Change £'000
<b>Housing Revenue Account</b>			
Debt Outstanding (Average Rate 2.7%)	57,423	57,423	0
Capital Financing Requirement (CFR)	61,584	61,584	0
Statutory Debt Cap	66,853	66,853	0
Borrowing Capacity (Cap Less Debt o/s)	9,430	9,430	0
<b>General Fund</b>			
Debt Outstanding	0	0	0
Capital Financing Requirement (CFR)	6,532	6,532	0
Borrowing Capacity (CFR Less Debt o/s)	6,532	6,532	0
<b>Temporary Deposits and Short Term Borrowing</b>			
Temporary Bank and other Deposits	12,000	19,500	7,500
Less Parish Council Deposits	-28	-28	0
<b>Total - Short-term Cash Position</b>	<b>11,972</b>	<b>19,472</b>	<b>7,500</b>
<b>Average Interest Rates</b>			
Average Interest Rate	0.31%	0.42%	0.11%
Average 7-Day Money Market Rate	0.50%	0.51%	0.01%

### Short-term Deposits

3.87 The deposits of £19.5m were being invested as follows:

Debt Management Office (DMO)	£3.5m	0.25%
Other Local Authorities	£16.0m	0.44%

3.88 Money on deposit with other local authorities tends to be for longer periods of between 3 months and 364 days. Deposits with the DMO are for shorter periods to manage cash flow and to avoid the need for short-term borrowing.

3.89 Total interest accrued to-date totals £52,000 and is now estimated to be £70,000 for the year. This compares with a budget estimate of £39,000.

### Lending Policy and Counterparty List

3.90 No changes are recommended.

3.91 However, it should be noted that Standard Chartered, a specified counterparty of the Council, has recently been placed on "Negative Credit Watch" by one

the recognised credit rating agencies. This is mainly due to their current exposure to Asian Markets which are currently quite volatile.

3.92 “Negative Watch” means that potentially, there may be a downward change in the Bank’s credit rating. The Bank’s latest set of accounts is due to be published shortly and one of the other recognised credit rating agencies has since reduced the Bank’s rating.

3.93 Standard Chartered are currently one of the strongest banks in the UK. This is due to the amount of equity available to the Bank which limits the risk for wholesale depositors (such as local authorities) being bailed in should the Bank incur significant losses.

3.94 The Council does not have any deposits with this Bank and will give extra consideration before making any deposits whilst the rating is under review. In addition, the Council’s treasury advisors have also recommended that no unsecured investments are made with the Bank until the Bank’s situation has been confirmed.

#### **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

## COLLECTION FUND MONITORING 2015/16

	Actual 2014/15 £'000	Estimated 2015/16 £'000	Projected 2015/16 £'000	
<b>COUNCIL TAX - INCOME &amp; EXPENDITURE</b>				
<b>INCOME</b>				
Council Tax Collectable	45,729	47,496	47,480	<i>Actual Debit as at January 2016 - Service Report</i>
<b>EXPENDITURE</b>				
County Council Precept	32,657	34,295	34,295	<i>Actual amount due as set in March 15</i>
Police and Crime Commissioner Precept	5,059	5,370	5,370	<i>As above</i>
Fire and Rescue Authority Precept	2,034	2,136	2,136	<i>As above</i>
SDDC Precept	4,466	4,599	4,599	<i>As above</i>
SDDC Parish Precepts	606	668	668	<i>As above</i>
Increase in Bad Debts Provision	396	411	411	<i>0.87% of Council Tax Collectable</i>
<b>Total Expenditure</b>	<b>45,218</b>	<b>47,479</b>	<b>47,479</b>	
<b>Surplus for the Year</b>	<b>511</b>	<b>17</b>	<b>1</b>	
<b>COUNCIL TAX BALANCE</b>				
Opening Balance 1st April	358	696	696	<i>As per final accounts</i>
Share of Previous Surplus to County Council	-126	-364	-364	<i>Actual amount approved by Committee in January 2015</i>
Share of Previous Surplus to Police	-19	-56	-56	<i>As above</i>
Share of Previous Surplus to Fire Authority	-8	-23	-23	<i>As above</i>
Share of Previous Surplus to SDDC	-20	-57	-57	<i>As above</i>
Surplus for Year (as above)	511	17	1	<i>As above</i>
<b>Closing Balance as at 31st March</b>	<b>696</b>	<b>213</b>	<b>197</b>	<i>Note: £175k Declared in Budget 2015/16</i>

**BUSINESS RATES - INCOME & EXPENDITURE****INCOME**

Business Rates Collectable	22,823	23,370	23,439
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*As per NNDR1 2016/17; includes £29k Transitional Protection Credits*

**Current Debit at £23.6m**

**EXPENDITURE**

Central Government Precept	10,540	10,990	10,990
SDDC Precept	8,432	8,792	8,792
Derbyshire County Council Precept	1,897	1,978	1,978
Fire and Rescue Service Precept	211	220	220
Cost of Collection	91	92	92
Transfer of Previous Year's Surplus to Government	0	0	361
Transfer of Previous Year's Surplus to SDDC	0	0	288
Transfer of Previous Year's Surplus to County Council	0	0	65
Transfer of Previous Year's Surplus to Fire Authority	0	0	7
Increase in Bad Debts Provision	64	353	-327
Provision for Appeals	54	451	1,073
<b>Total Expenditure</b>	<b>21,289</b>	<b>22,876</b>	<b>23,539</b>

*Fixed - 50% of estimate in 2015/16*

*Fixed - 40% of estimate in 2015/16*

*Fixed - 9% of estimate in 2015/16*

*Fixed - 1% of estimate in 2015/16*

*Fixed amount*

*As per NNDR 1 and approved in 2016/17 Budget*

*As above*

*As above*

*As above*

*To allow for Section 44a Relief deducted from Rates Collectable*

*To allow for Doctors' Surgeries and ATMs*

**Surplus / Deficit (-)**

**1,534      494      -100**

**BUSINESS RATES BALANCE**

Opening Balance 1st April	-886	648	648
Share of Balance to Government (50%)	0	0	-274
Share of Balance to SDDC (40%)	0	0	-219
Share of Balance to County Council (9%)	0	0	-49
Share of Balance to Fire Authority (1%)	0	0	-5
Surplus / Deficit (-) for the Year as above	1,534	494	-100

Closing Balance as at 31st March

648      1,142      0