

FINANCE AND MANAGEMENT COMMITTEE (SPECIAL)

28th June 2012

PRESENT:-

Conservative Group

Councillor Wheeler (Chairman), Councillor Mrs. Watson (Vice-Chairman) and Councillors Jones, Lemmon, Murray, Stanton (substitute for Councillor Smith) and Watson.

Labour Group

Councillors Frost, Dunn (substitute for Councillor Rhind), Richards, Southerd, Taylor and Wilkins.

In attendance

Councillors Atkin and Bell.

APOLOGIES

Apologies for absence from the Meeting were received from Councillor Smith (Conservative Group) and Councillor Rhind (Labour Group).

MATTERS DELEGATED TO COMMITTEE

FM/21. **TREASURY MANAGEMENT ANNUAL REPORT 2011/12**

The Committee received a report which detailed the Council's actual borrowing and lending for 2011/12, compared to the approved strategy, including performance against its Prudential Indicators. This was in accordance with the Local Government Act 2003 and associated regulations.

The Council's borrowing and investment strategy for the year required that its cash flow requirements were managed through short-term borrowings and bank deposits. Overall, the Council's cash flow remained positive throughout the year, as forecast and this had generated some additional interest over that budgeted.

As financial monitoring reports throughout the year highlighted, the main Bank of England base rate remained at 0.5%, which continued to limit the amount of interest earned on short-term investments and bank deposits.

Clearly, the most significant transaction in the year was the debt-take under HRA self financing. Although this did not materially affect the strategy during 2011/12, it affected the Council's debt position at the year-end, together with the Prudential Indicators for the year. In undertaking its treasury management functions during the year, the Council managed its activities within its Prudential Indicators and approved lending policy.

The detail of the report included sections on borrowing during 2011/12 and the Council's cash flow for that period. This included a graph showing the cash

flow analysis. There was commentary on interest rates, temporary borrowings and budgetary implications. Also reported were other interest paid and received, the money market debt, investments, the definition of credit ratings and the general policy. Further information was provided on performance indicators, prudential indicators and the Minimum Revenue Provision, including how this was calculated and the four options available. This section of the report included the effect on South Derbyshire and the Council's statement on the Minimum Revenue Provision.

RESOLVED:-

- (1) That the Treasury Management Annual Report for 2011/12 be approved.**
- (2) That the Treasury Management Stewardship Report and Prudential Indicators for 2011/12 be noted, together with the Council's full compliance with all requirements.**
- (3) That the Statement on the Minimum Revenue Position for 2011/12 be recommended to the Council for approval.**

FM/22. **BUDGET OUT-TURN AND FINANCIAL POSITION 2011/12**

The Committee received a report detailing the final out-turn position for 2011/12 on the main revenue and capital accounts. The report also detailed the financial position on these accounts as at 31st March 2012, compared to that estimated in the Council's Medium-Term Financial Plan (MTFP). A context was provided and it was noted that the Auditor's detailed report would be considered by the Audit Sub-Committee on 26th September 2012. The report detailed the performance against the approved budgets on the General Fund, Housing Revenue and Capital Accounts. It also provided details on the Collection Fund position, together with details of reserves, provisions and balances.

As reported to the Committee on 22nd May 2012, the Council's out-turn position was extremely favourable compared to that budgeted. This would have ongoing implications for the MTFP. Following the May report, the Committee approved a review of the base budget in lower spending areas and in activities where additional income had been generated compared to the budget. This included both the General Fund and Housing Revenue Accounts. As part of the Council's financial planning process, the MTFP and overall financial strategy were currently subject to the usual periodic review. The updated position would be reported to the Committee in October, ahead of the budget round for 2012/13.

On the General Fund Revenue Account, appendices detailed net spending at cost centre level across the three main policy committees. These showed the approved budget compared to the actual out-turn for 2011/12 and were effectively the figures reported in May with a number of updates. Tables were included within the report, summarising the changes at cost centre level and major variances. Further commentary was then provided to give an overview of service spending, financing and the Collection Fund.

Next, the Housing Revenue Account was reported. Details were provided of the final out-turn position in a table, showing a final deficit of £149,464. Further commentary was provided with regard to additional income, lower spending on housing repairs and the reduction in service and management costs. A further section concerned bad debts provision, including interest recharged and negative subsidy payment, together with contingent sums for inflation and pay/grading.

Capital expenditure and financing was reported with details in a further appendix to the report. A table highlighted that expenditure on schemes of approximately £845,000 was still to be incurred. Once these schemes had been completed, there would be no major under or over spends. An analysis of the main variances was provided for the following areas:-

- Council House Improvements
- Leisure and Community Schemes
- Environmental and Development Services
- Improvements to Swadlincote Town Centre
- Property and Other Assets

This section of the report included a table showing the capital financing for 2011/12.

Finally, the report covered reserves, balances and provisions. An update was given on the potential claw backs relating to subsidy claims in 2010/11 and 2011/12. Further detail was provided on the General Fund Reserve, with a summary in tabular form. This showed that the level of General Fund Reserve at March 2012 was significantly greater than estimated by approximately £760,000. Also covered were the Housing Revenue Account Reserve, the Capital Receipts Reserve, Major Repairs Reserve and other earmarked reserves.

RESOLVED:-

That the out-turn position for the following be approved:-

- ***The General Fund Revenue Account 2011/12***
- ***The Housing Revenue Account 2011/12***
- ***Capital Expenditure and Financing 2011/12***
- ***The Collection Fund 2011/12***
- ***Balance of Reserves and Provisions as at 31 March 2012***

R. WHEELER

CHAIRMAN

The Meeting terminated at 6.40 p.m.