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Date: 23 June 2015

Dear Councillor,

Finance and Management Committee

A Meeting of the **Finance and Management Committee** will be held in the **Council Chamber (Special)**, on **Thursday, 25 June 2015 at 18:00**. You are requested to attend.

Yours faithfully,



Chief Executive

To:- **Conservative Group**

Councillor Harrison (Chairman), Councillor Mrs. Plenderleith (Vice-Chairman) and Councillors Billings, Mrs. Coyle, Hewlett, MacPherson, Smith, Watson and Wheeler.

Labour Group

Councillors Rhind, Richards, Southerd and Wilkins.

AGENDA

Open to Public and Press

- 1** Apologies and to note any Substitutes appointed for the Meeting.
- 2** To note any declarations of interest arising from any items on the Agenda
- 3** To receive any questions by members of the public pursuant to Council Procedure Rule No.10.
- 4** To receive any questions by Members of the Council pursuant to Council procedure Rule No. 11.
- 5** Reports of Overview and Scrutiny Committee
- 6** Treasury Management Annual Report 2014-15 **3 - 18**
- 7** Budget Out-Turn and Final Accounts 2014-15 **19 - 44**
- 8** Melbourne Sporting Partnership **45 - 47**

Exclusion of the Public and Press:

- 9** The Chairman may therefore move:-
That in accordance with Section 100 (A) of the Local Government Act 1972 the press and public be excluded from the remainder of the Meeting as it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that there would be disclosed exempt information as defined in the paragraph of Part I of the Schedule 12A of the Act indicated in the header to each report on the Agenda.
- 10** To receive any Exempt questions by Members of the Council pursuant to Council procedure Rule No. 11.
- 11** The Single Fraud Investigation Service
- 12** Pay and Grading Review - Appointment of an External Facilitator

REPORT TO:	FINANCE AND MANAGEMENT COMMITTEE (SPECIAL – FINAL ACCOUNTS)	AGENDA ITEM: 6
DATE OF MEETING:	25th JUNE 2015	CATEGORY: DELEGATED
REPORT FROM:	Director of Finance & Corporate Services	OPEN
MEMBERS' CONTACT POINT:	KEVIN STACKHOUSE (01283 595811) Kevin.stackhouse@south-derbys.gov.uk	DOC: u/ks/treasury management/annual reports/2014-15
SUBJECT:	TREASURY MANAGEMENT ANNUAL REPORT 2014/15	REF:
WARD (S) AFFECTED:	ALL	TERMS OF REFERENCE: FM 08

1.0 Recommendations

- 1.1 That the Treasury Management Annual Report for 2014/15 is approved.
- 1.2 To note the Treasury Management Stewardship Report and Prudential Indicators for 2014/15 (as detailed in **Appendix 1**) and that the Council complied fully with all requirements.
- 1.3 That the Statement on the Minimum Revenue Provision for 2014/15 as detailed in Section 5, is recommended to Council for approval.

2.0 Purpose of Report

- 2.1 To detail the Council's actual borrowing and lending for 2014/15 compared to the approved strategy, including performance against its Prudential Indicators. This is in accordance with the Local Government Act 2003 and associated regulations.

3.0 Executive Summary

- 3.1 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.
- 3.2 As financial monitoring reports throughout the year highlighted, the main Bank of England Base Rate remained at 0.5% throughout the year. This continued to limit the amount of interest earned on short term investments and bank deposits.

- 3.3 Although interest rates remained low, together with further limitations being placed on approved counterparties, interest received was above that estimated due to the higher level of Council cash and reserves on deposit during the year.
- 3.4 During the year, the Council repaid the outstanding Money Market Loan (as detailed in Section 5) but there were no other significant transactions regarding borrowing.
- 3.5 In undertaking its treasury management functions during the year, the Council managed its activities within its prudential indicators and approved lending policy.

4.0 Economic Overview

- 4.1 The Office for Budget Responsibility (OBR) is the body appointed to provide independent analysis of the Country's public finances. During the year, they reported that 2014/15 continued to see growth in the UK's economy although this had slowed by the end of the financial year.
- 4.2 During 2014/15, unemployment also continued to fall, although wage and productivity growth was low and this led to less tax revenue being received by the Treasury. Consequently, the national budget deficit did not reduce as much as anticipated.
- 4.3 The main issue continues to be the sustainability of growth. The fall in the level of unemployment during the year was due to spare capacity in the economy, which may not be on-going.
- 4.4 As the year closed, there was some concern around the economies of the UK's main trading partners which were still experiencing more difficult times. It is considered that the knock on effect could affect demand and stall growth in the UK.
- 4.5 Against this background, inflation continued to fall to record low levels, with the CPI rate being zero by March 2015. Due to the delicate balance of these factors and the potential effect on the longer-term UK economy, the Bank of England Base Rate remained at 0.5% for the 6th consecutive year.

The Banking System

- 4.6 During 2014/15, the impact of tighter banking regulations in the UK became apparent. In particular, the principle of general depositor bail-ins replacing Government backed bail-outs, saw many financial institutions restructuring, under-going stress tests and having their credit ratings reduced.
- 4.7 Against this background, the Council reviewed and changed its approach to lending and its Counterparty List was subsequently reviewed several times in the year. This was to reflect the changing circumstances to ensure that Council deposits remained safe and secure.

5.0 Detail

Borrowing During 2014/15

5.1 The Council's approved borrowing strategy for 2014/15 was:

- To manage its cash flow requirements through short-term borrowings and bank deposits
- That in accordance with capital investment requirements, no longer-term borrowing was to be undertaken in the year
- That the one remaining Money Market loan of £1m be repaid should the Lender invoke their option to increase the interest rate.

The Council's Cash Flow in 2014/15

- 5.2 The Council's cash flow can fluctuate on a daily basis depending on the timing of income and expenditure.
- 5.3 At certain times of the year, the Council may need to borrow to cover shortfalls on a temporary basis, whilst when cash flow is positive any surplus funds are invested on a temporary basis. However, the Council still has a long-term underlying need to borrow. This is based on historical borrowing allocations which were financed internally.
- 5.4 For several years the Council has not undertaken any form of new long-term borrowing to finance General Fund capital expenditure but has funded this from other sources such as government grants and external funding, together with "internal" borrowing from reserves and balances.
- 5.5 This is a result of the Council having, over recent years, generated substantial receipts for which expenditure is then spread over a number of years, e.g. Section 106 contributions, partnership funding received in advance, together with general capital receipts.
- 5.6 In addition, the Council's general level of both allocated and non-allocated reserves has remained sufficiently high to enable internal borrowing. This is generally a more efficient means of borrowing as interest costs are avoided, especially when investment returns are also low. However this does require the overall level of reserves and balances to remain at a level to enable sufficient coverage.
- 5.7 The Council started 2014/15 with total long term borrowing of £58.423m relating to the HRA, comprising mainly of fixed rate borrowing.
- 5.8 The Council invests its balances and reserves over the year generating interest for the General Fund and Housing Revenue Accounts. In addition, the Council is generally able to collect its main income in the form of Council Tax and Business Rates before it is spent or re-distributed. This is invested on a short-term basis and generates a return for the Council.

5.9 Overall, the Council continued to have a positive cash flow position in 2014/15 with no requirement to borrow on a short-term basis. However, given the low level of interest rates, the financial benefit in the form of interest earned was low.

5.10 The Council's cash balances remained high throughout the year with the average daily cash balance being £14.8m. As at 31st March, the Council had £12m on short-term deposit, all with other local authorities.

Interest Rates

5.11 For the 6th consecutive year, the main bank base rate as set by the Bank of England remained at 0.5% throughout 2014/15. It has been at this level since 5th March 2009.

5.12 During 2014/15, the Council received more interest than estimated despite the average interest rate earned being below the market average. In accordance with the Lending Policy, tight investment criteria remained in place. This is aimed at keeping funds secure and liquid, rather than prioritising yield.

5.13 The Council's benchmark, as approved in the Treasury Management Strategy, is to achieve the average 7-day market rate over the year.

5.14 This was not achieved during 2014/15 with the average investment rate being 0.31%, compared to a market average of 0.50%.

5.15 This is because funds are placed predominantly with the Government's Debt Management Office, instant access bank accounts and other local authorities. Although these are the safest form of deposit available and are "guaranteed," interest rates are lower than the market average.

Temporary Borrowings

5.16 The Council was not required to undertake any temporary borrowings during 2014/15.

5.17 The Council holds money on deposit for 2 Parish Councils. This money is classed as temporary as it can be recalled on immediate notice. Traditionally, parishes have placed funds with the Council to ensure security and liquidity of their funds.

5.18 The Council pays 1% below the prevailing Bank of England Base rate. As this rate was 0.5% throughout the year, no interest payments were made. Total money deposited by Parishes remained at £27,700 throughout the year.

5.19 This facility offered to parishes has no significant impact upon the overall treasury management operations of the Council.

Budgetary Implications

- 5.20 The level of interest actually received and paid is accounted for in the General Fund. A proportion of this is recharged into the HRA under a statutory calculation to recognise that some interest on investments is attributable to Council Housing.
- 5.21 The actual interest received was just over £55,000 compared to a budget of £48,750. Of the total interest received, £7,600 was transferred to the HRA.

Interest Paid

- 5.22 In addition, the Council paid interest during the year on the HRA debt outstanding as set out in the following table.

Interest Paid 2014/15	Budget £000	Actual £000	Variance £000
Interest – Self Financing Debt	1,574,805	1,558,161	-16,644
Interest – Money Market Loan	51,750	24,402	-27,348
Early Termination Payment	0	242,959	242,959
TOTAL	1,626,555	1,825,522	198,967

Money Market Loan

- 5.23 This loan was at a fixed rate 4.875%, maturing in 2032 with interest payments of £48,750 per year.
- 5.24 The loan contained a break clause, whereby the lender had the option of reviewing the interest rate at any time and increasing it if they so wished.
- 5.25 However, the Council then had the option of rejecting this and instead choosing to repay without incurring any penalty.
- 5.26 The Strategy was that should the lender exercise their option to increase the interest rate, the loan should be repaid at that time.
- 5.27 During 2014/15, the lender approached the Council to see what price it was willing to pay to repay the loan early. Following recent bank restructurings, the Bank was effectively being directed, under regulation, to clear loan instruments such as these.
- 5.28 Therefore, the Council's treasury advisors negotiated a deal for the Council to buy-out the loan early. The price negotiated had to be at such a level that savings in interest in later years were greater than the early termination fee.
- 5.29 Agreement was reached and the loan was repaid on 2nd October 2014. The termination fee was £242,959.
- 5.30 The saving in interest over the remaining life of the loan is approximately £828,000 (17 years at £48,750) with "pay-back" within 5 years. The principal repaid has been financed within the HRA's Capital Financing Requirement.

Investments 2014/15

- 5.31 The Council does not have any long-term investments but the Council is required to maintain an investment strategy covering short-term investments such as the deposit of surplus funds.
- 5.32 The overall strategy in the year was to effectively invest surplus funds to meet cash flow requirements within the year. In addition, there was no proposal to enter into longer term and externally managed funds.

Investment Criteria

- 5.33 The Council invests surplus funds in accordance with an approved policy and associated lending or counterparty list. Based on best practice, the list is split between specified and non-specified investments.
- 5.34 Specified investments are those with the Government's Debt Management Office and other local authorities, together with the highest rated UK financial institutions. The list is based on an assessment of a financial institution's risk to a depositor bail-in. Most organisations on the Council's list are currently rated as non-specified investments.
- 5.35 This does not preclude deposits being made with these particular organisations, but the amount deposited and period are limited. Generally, any Council investments in these organisations are placed in instant access reserve accounts.

Performance Indicator

- 5.36 As previously highlighted, the main indicator is for the return on short-term investments to meet the average 7-Day Rate, a standard measure of performance. The Council's performance for 2014/15 (with a comparison to recent years) is shown in the following table.

	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
7-Day Rate (target)	3.57%	0.39%	0.51%	0.62%	0.51%	0.47%	0.50%
Actual Rate	4.38%	0.72%	0.78%	0.74%	0.31%	0.33%	0.31%

Other Treasury Matters

- 5.37 During the year, the Council made an interest free loan of £15,000 to a parish council to enable it to meet cash flow requirements associated with a capital project. This loan was repaid in March 2015.
- 5.38 In addition, an interest free loan of £50,000 was made to the local Credit Union to support its operational costs. Of this, £10,000 bought the Council a corporate membership for which an annual interest dividend may be paid. The Loan is for 3 years, subject to annual review. However, at this stage, the Credit Union is still to take-up the Loan offered.

Prudential Indicators

- 5.39 Under a national Code of Practice for Capital Finance, the Council must set and regularly monitor Prudential Indicators. These indicators are designed to measure and place controls over the level of borrowing and capital financing during the year.
- 5.40 They are set following the annual budget round where the Section 151 (Chief Finance) Officer is required to provide an assessment of these indicators, their implications for the Council's spending plans and overall financial position.
- 5.41 The prudential system provides the flexibility for these indicators to be changed depending on local circumstances. It is the responsibility of the Section 151 Officer to advise the Council accordingly.
- 5.42 The actual indicators for 2014/15, together with further details on treasury management activity are detailed in **Appendix 1**. The Council operated within its capital budgets and limits for external borrowing at all times during the year.

Minimum Revenue Provision (MRP) - Background

- 5.43 Local authorities are required each year to "set-aside" some of their revenues as a provision to repay any borrowings or other credit arrangements. This set-aside is known as MRP and is a charge on the Council's General Fund. There is no requirement for a MRP on the HRA.
- 5.44 This requirement on the General Fund has existed for many years and is designed to ensure that authorities, prudently, make provision to meet their credit liabilities into the future. This was to ensure that authorities continue to make a sufficient and prudent provision in their accounts, in particular where they have made any unsupported borrowing under the Prudential System.
- 5.45 It is the responsibility of the Section 151 Officer to advise on the treatment of MRP and to recommend a suitable policy for adoption. Consequently, authorities are also required to prepare an annual statement on making a MRP.

The Calculation

- 5.46 MRP traditionally had been calculated (at a rate of 4%) based on an authority's borrowing requirement. As highlighted previously, the Council has an underlying requirement based on past borrowing approvals issued by the Government.
- 5.47 However, due to its strong and positive cash flow position, the Council financed this borrowing "internally." Therefore, over time, actual debt does not match the underlying requirement shown in the Council's accounts.
- 5.48 MRP charged into the accounts, reduces the underlying requirement as it is repaying the resources used internally (on a cash basis) to repay borrowing allocations.

5.49 The calculation is designed to ensure that a “prudent” provision is made for debt repayment. This can be done through four options, which are as follows:

- **Option 1** - For debt that is supported by the Government through the grant system, authorities may continue to use the formula in current regulations (4%), since revenue support grant is calculated on that basis. Technically however, this option has been revoked, but has been maintained as a measure for capital expenditure incurred before 1st April 2008.
- **Option 2** – A simplified method of option 1 that reflects supported debt based on an authority’s capital financing requirement. This method has been in place since 2004 when the Prudential System was first introduced.
- **Option 3** – The method to use for new borrowing under the Prudential System for which no Government support is given, MRP being based on the life of the asset being purchased.
- **Option 4** – As above, but MRP relates to the depreciation charge on the asset purchased.

Effect on South Derbyshire

5.50 The Council is operating under Option 2. Technically, the Council has been debt free under these regulations since 2004 (having repaid its actual borrowings). In addition, it has not entered into any new borrowing in recent years to finance its capital expenditure.

5.51 However, during 2013/14, internal borrowing of approximately £850,000 as undertaken to finance the purchase of the receptacles to extend kerbside recycling. It was approved that this borrowing would be repaid by charging a Voluntary Revenue Provision (VRP) in the General Fund. This provision is being made over the life of the assets purchased under the Prudential System, i.e. Option 3

Proposed Council Statement on MRP

5.52 The Council still has an assumed level of debt (or capital financing requirement) that is being subsidised through grant. Therefore, given no actual debt outstanding on the General Fund together with no unsupported borrowing, it is recommended that “prudence” is best achieved by continuing to provide a MRP under **Option 2** for supported borrowing.

5.53 As regards unsupported borrowing, it is recommended that prudence is best achieved by providing a VRP under **Option 3** to reflect the life of the assets purchased for the kerbside recycling service.

5.54 It is recommended that this policy be endorsed for 2014/15 and adopted for 2015/16. This requires no change from previous years and the necessary MRP and VRP calculated under these methods, have been included in the

Council's accounts for 2014/15 and Base Budget for 2015/16. Future amounts have been provided for in the Medium-Term Financial Plan to 20120.

- 5.55 This Policy will be kept under review depending on the Council's future capital expenditure and financing requirements. Any proposed changes will be reported as necessary to this Committee for consideration and recommendation to Council. The impact on the MRP will be considered in any decision to enter into any borrowing under the Prudential System.

6.0 Financial Implications

- 6.1 As highlighted above, there are no additional financial implications for the Council regarding the proposed Policy on MRP. The MRP made in 2014/15 was £242,400 and VRP of £110,670.

7.0 Corporate Implications

- 7.1 None directly.

8.0 Community Implications

- 8.1 None directly.

9.0 Background Papers

- 9.1 Local Government Act 2003 and associated Statutory Instruments detailing regulations under the Local Authorities (Capital Finance and Accounting England Regulations) of 2003, 2006 and 2008.

ANNUAL REPORT ON THE TREASURY MANAGEMENT SERVICE AND PRUDENTIAL INDICATORS 2014/15

1.0 Introduction

1.1 The annual treasury report summarises:

- Confirmation of compliance with treasury limits and Prudential Indicators
- Capital activity for the year and how this was financed
- The Council's overall treasury position
- The reporting of the required Prudential Indicators
- Summary of interest rate movements in the year
- Debt and investment activity

2.0 Regulatory Framework, Risk and Performance

- 2.1 The Council's treasury management activities are regulated through statute and codes of practice. Statutory provisions are contained in the Local Government Act 2003, which provides the powers to borrow and invest as well as providing controls and limits on this activity.
- 2.2 The Act permits the Secretary of State to set limits either on the Council or nationally on all local authorities restricting the amount of borrowing that may be undertaken; no new restrictions were made in 2014/15.
- 2.3 Amended regulations develop the controls and powers within the Act and require the Council to undertake any borrowing activity with regard to the CIPFA Prudential Code for Capital Finance in Local Authorities. It also requires the Council to operate the overall treasury function with regard to the CIPFA Code of Practice for Treasury Management in the Public Services.
- 2.4 Under the Act the Government have also issued Investment Guidance to structure and regulate the Council's investment activities.
- 2.5 The Council has complied with all of the requirements, which limit the levels of risk associated with its treasury management activities. In particular its adoption and implementation of both the Prudential Code and the Code of Practice for Treasury Management means capital expenditure has to be prudent, affordable, sustainable and its treasury practices demonstrate a low risk approach.
- 2.6 There is minimal risk of volatility of costs for current debt as over 80% of the debt is at fixed interest rates.
- 2.7 Due to the potential volatility of short-term interest rates, this affects the Council's investment return. These returns are changeable and whilst the risk of loss of principal is minimal through the investment strategy, accurately forecasting returns can be difficult. However, with interest rates remaining generally flat and unchanged in 2014/15, returns are more easily predicted.

3.0 The Council's Capital Expenditure and Financing 2014/15

- 3.1 The Council undertakes capital expenditure to maintain and develop its assets. This investment may either be financed through revenue, capital receipts, capital grants/contributions, or borrowing.
- 3.2 Part of the Council's treasury activities is to address the borrowing requirement, either through borrowing from external bodies, or utilising temporary cash resources within the Council (internal borrowing).
- 3.3 The actual capital expenditure is a key prudential indicator. The tables below show how all capital expenditure in the year was financed.

Capital Spending: Final Out-turn 2014/15

Services	Budget £	Actual £	Variance £
Council House Improvements	5,812,297	5,609,212	-203,085
Private Sector Housing Renewal	502,311	359,393	-142,918
Leisure and Community Schemes	2,034,452	1,441,296	-593,156
Environmental Development	13,119	8,545	-4,574
Property, Plant and Equipment	61,960	148,229	86,269
Total Spending	8,424,139	7,566,675	-857,464

Capital Financing: Final Out-turn 2014/15

Funding Source	Budget £	Actual £	Variance £
Government Grants	394,118	382,899	-11,219
External/Partnership Contributions	1,259,087	717,109	-541,978
Council Reserves/Earmarked Funds	5,927,722	5,940,690	12,968
Housing Capital Receipts	312,297	31,555	-280,742
General Capital Receipts	530,915	494,422	-36,493
Total - Financing	8,424,139	7,566,675	-857,464

4.0 The Council's Overall Borrowing Need

- 4.1 The Council's underlying need to borrow is called the Capital Financing Requirement (CFR). The CFR is a measure of the Council's underlying need to borrow for capital investment and is based on the value of its assets contained in the Balance Sheet.
- 4.2 The capital expenditure that has not been immediately paid for will increase the CFR through additional borrowing. The Council is required to pay off an element of the accumulated General Fund CFR (but not HRA) each year through a revenue charge called the Minimum Revenue Provision (MRP).
- 4.3 As regards unsupported borrowing, MRP will continue to be based upon the "assumed" level of debt for the General Fund as existed on introduction of the Prudential Code in 2004. Where borrowing is unsupported and has been used to finance capital under the prudential system, a VRP will be calculated based

on the life of the asset and charged to revenue. The Council's CFR for the year is shown below.

Capital Financing Requirement (CFR) 2014/15	Estimate 2014/15 £'000	Actual 2014/15 £'000
CFR b/fwd 1st April 2014	69,476	69,476
Add New Borrowing (Internal)	0	0
Less Debt Repaid	-1,000	-1,007
Less Minimum Revenue Provision (MRP)	-238	-242
Less Voluntary Revenue Provision (VRP)	-110	-111
CFR c/fwd 31st March 2015	68,128	68,116
General Fund Proportion	6,544	6,532
HRA Proportion	61,584	61,584

5.0 Treasury Position at 31st March 2015

5.1 The treasury position at 31st March 2015 compared with the previous year is shown in the following table.

	2013/14		2014/15	
Overall Borrowing Position as at 31st March	Principal £'000	Average Rate	Principal £'000	Average Rate
Fixed Interest Rate Debt	48,423	3.21%	47,423	3.17%
Variable Interest Rate Debt	10,035	0.57%	10,028	0.75%
Total Debt	58,458		57,451	
Short-term Investments	-7,029	0.31%	-12,000	0.48%
Net Borrowing Position	51,429		45,451	

6.0 Prudential Indicators and Compliance

6.1 The prudential indicators provide an overview and specific limits on treasury activity. The full suite of indicators for publication in accordance with the Code is detailed in **Appendix 2**, with a summary below.

- a) **Borrowing and the CFR** – in order to ensure that borrowing levels are prudent over the medium term, the Council's external borrowing, net of investments, must only be for a capital purpose. Net borrowing should not have exceeded the CFR for 2014/15, plus the expected changes to the CFR over 2014/15 and 2015/16. The table below highlights the Council's gross and net borrowing position against the CFR and demonstrates that the Council has complied with this prudential indicator.

Borrowing Compared to CFR 2014/15	£'000
Gross Borrowing	57,451
Net Borrowing	45,451
CFR	68,116

- b) **The Authorised Limit** – is the ‘affordable borrowing limit’ required by Section 3 of the Local Government Act 2003. The Council does not have the power to borrow above this level. The table (in c) below demonstrates that during 2014/15 the Council has maintained gross borrowing within its Authorised Limit.
- c) **The Operational Boundary** – is based on the expected maximum external debt (as above) during the course of the year but it is not a limit. It is designed to help the Council’s Chief Finance Officer to manage treasury activity on a daily basis and acts as an early warning sign of any potential issues.

Authorised Limit and Operational Boundaries 2014/15		£'000
Authorised Limit		73,385
Operational Boundary		62,451
Gross Borrowing as at 31/03/2015		57,451

- d) **HRA – Limit on Indebtedness** – under self-financing, the HRA debt pool has been set a cap over which no borrowing is allowed. This is prescribed by the Government and is fixed. The Cap is shown in the following table with a comparison to the CFR and the level of actual debt on the HRA.

HRA Limit on Indebtedness 2014/15		£'000
HRA Debt Cap (Fixed)		66,853
HRA CFR		61,584
Difference		5,269
HRA Debt		57,451
Borrowing Headroom (Cap less Debt)		<u>9,402</u>

- e) **Actual Financing Costs as a Proportion of Net Revenue Stream** – this identifies the trend in the cost of capital (borrowing and other long-term obligation costs, net of investment income) against the net revenue stream, i.e. money raised from Council Tax and Housing Rents.

Financing Ratios	2013/14 £'000	2014/15 £'000
General Fund		
Council Tax Income	4,411	4,466
Net Interest	-29	-45
Proportion	-0.66%	-1.01%
HRA		
Rent Income	11,674	12,356
Net Interest	1,620	1,820
Proportion	13.88%	14.73%

APPENDIX 2

PRUDENTIAL INDICATORS 2014/15

	Estimate £'000	Actual £'000
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Capital Spending: Final Out-turn 2014/15

Council House Improvements	5,812	5,609
Private Sector Housing Renewal	502	359
Leisure and Community Schemes	2,034	1,441
Environmental Development	14	9
Property, Plant and Equipment	62	148
Total Spending	8,424	7,566

Capital Financing: Final Out-turn 2014/15

Government Grants	394	383
External/Partnership Contributions	1,259	717
Council Reserves/Earmarked Funds	5,928	5,940
Housing Capital Receipts	312	32
General Capital Receipts	531	494
Total - Financing	8,424	7,566

External Debt

Debt 1st April	58,458	58,458
New Debt	0	0
Maturing Debt	-1,007	-1,007
Debt 31st March	57,451	57,451
Annual Change in Debt	-1,007	-1,007
Long-term Investments	0	0
Short-term Investments	-7,029	12,000

Limits compared to Actual Debt

Authorised Limit - General Fund	6,540	6,532
Authorised Limit - HRA	66,853	66,853
Total Financing Requirement (CFR)	68,123	68,116
Operational Boundary	62,451	62,451
Gross Debt	57,451	57,451
Debt Less Investments	49,994	45,451

General Fund - Net Indebtedness

Capital Financing Requirement (CFR)	6,540	6,532
Estimated Reserves	9,268	14,877
Net Indebtedness	-2,728	21,409

HRA Limit on Indebtedness

HRA Debt Cap	66,853	66,853
HRA Capital Financing Requirement (CFR)	61,584	61,584
Difference	5,270	5,269
HRA Debt	57,451	57,451
Borrowing Headroom	9,402	9,402

Interest Payable and Receivable**General Fund**

Interest Payable	10	3
Interest Received	-49	-48

HRA

Interest Payable	1,627	1,826
Interest Received	-13	-8

Capital Financing Requirement (CFR)

CFR b/fwd	69,475	69,476
Add Net Financing	0	0
Less MRP	-242	-242
Less VRP	-110	-111
Less Loan Repayments	-1,000	-1,007
CFR c/fwd	68,123	68,116
General Fund Proportion	6,540	6,532
HRA Proportion	61,583	61,584

Cost of Servicing Debt

Net Interest Received - Gen Fund	-£39,000	-£45,003
Tax Base - Band D Properties	29,723	29,723

Cost per Band D Property

Net Interest Paid - HRA	£1,614,555	£1,820,293
Number of Council Dwellings	2,989	2,990

Annual Cost per Dwelling

£540.17	£608.79
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Financing Ratios**General Fund**

Council Tax Income	£4,465,881	£4,465,881
Net Interest	-£39,000	-£45,003

Proportion

-0.87%	-1.01%
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HRA

Rent Income	£12,374,321	£12,356,225
Net Interest	£1,614,555	£1,820,293

Proportion

13.05%	14.73%
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Usable Reserves

General Fund	5,858	6,484
Earmarked Reserves	4,520	8,393
HRA	2,636	2,397
Capital Receipts and Reserves	4,852	7,234
Total Usable Reserves	17,866	24,508

Revenue Reserves

General Fund	5,858	6,484
Earmarked Reserves	4,936	8,393
HRA	2,636	2,397
Total Revenue Reserves	13,430	17,274

REPORT TO:	FINANCE AND MANAGEMENT COMMITTEE (SPECIAL – FINAL ACCOUNTS)	AGENDA ITEM: 7
DATE OF MEETING:	25th JUNE 2015	CATEGORY: RECOMMENDED
REPORT FROM:	DIRECTOR OF FINANCE and CORPORATE SERVICES	OPEN
MEMBERS' CONTACT POINT:	KEVIN STACKHOUSE 01283 595811 Kevin.stackhouse@south-derbys.gov.uk	DOC: u/ks/accounts/final accounts1415/ out-turn reports/budget out-turn report 2015
SUBJECT:	BUDGET OUT-TURN and FINAL ACCOUNTS 2014/15	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 2014/15
- The Housing Revenue Account 2014/15
- Capital Expenditure and Financing 2014/15
- The Collection Fund 2014/15
- The Balance of Reserves and Provisions at 31st March 2015.

1.2 That a net appropriation of £328,000 in 2014/15 is made from the General Fund Reserve to other Earmarked Reserves as detailed in the report.

1.3 That the following contributions are made to Bad Debt Provisions in 2014/15:

Sundry Debtors	£66,040	General Fund
Bed and Breakfast Charges	£49,375	General Fund
Housing Benefit Overpayments	£28,139	General Fund
Council Tax Arrears	£396,309	Collection Fund
Business Rates Arrears	£64,452	Collection Fund
Business Rates Appeals	£54,180	Collection Fund
Housing Rent Arrears	£9,610	Housing Revenue Account

1.4 That the following Provisions are increased in accordance with Accounting Standards and charged to the General Fund in 2014/15:

Planning Appeals	£122,000
Personal Search Refunds	£56,000

2.0 Purpose of Report

- 2.1 To detail the final out-turn position for 2014/15 on the Council's main revenue and capital accounts. The report also details the financial position on these accounts as at 31st March 2015 compared to that estimated in the Council's Medium-Term Financial Plan (MTFP).

Background – The Accounts Process

- 2.2 The Council's Draft Annual Accounts and Financial Statements (prior to Audit) will be signed off by the Chief Finance Officer for External Audit on 30th June 2015. In accordance with the Account and Audit Regulations, the accounts will be reported to the Committee, in September, after the Audit has been completed.
- 2.3 During the interim period, the draft (unaudited) accounts are available for inspection with the Auditor themselves, being available to receive questions and comments from the Public, from July 29th onwards. This "public right" is advertised in the local press and on the Council's web site.
- 2.4 The Auditor's detailed report will be considered by the Audit Sub Committee on 23rd September. The audited accounts, together with the auditor's opinion, will be reported at a meeting of this Committee on 24th September 2015.
- 2.5 The Financial Statements are prepared and reported to fulfil statutory requirements and are based on accepted accounting standards. The statements provide detail regarding the Council's assets and liabilities and analyse income and expenditure for the year.
- 2.6 This 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 2014/15
 - Section 4 – Housing Revenue Account
 - Section 5 – Capital Expenditure and Financing 2014/15
 - Section 6 – Provisions and Reserves as at 31st March 2015
 - Section 7 – Performance against financial indicators

 - Appendix 1 - General Fund Account 2014/15
 - Appendix 2 – General Fund Budget Variances 2014/15
 - Appendix 3 – The Collection Fund 2014/15
 - Appendix 4 – Capital Expenditure and Financing 2014/15
 - Appendix 5 – Earmarked Reserves 2014/15

3.0 **GENERAL FUND REVENUE ACCOUNT**

- 3.1 Apart from Council Housing, day to day income and expenditure on the Council's services is accounted for in the General Fund. The net expenditure is financed from Government Grant and Council Tax, with any shortfall/deficit being transferred to/financed from the Council's Reserves.
- 3.2 The original budget, which was approved in February 2014, estimated a budget surplus of £170,310 in 2014/15. As in previous years, the Budget included contingent sums set-aside for inflation, growth and the implementation of the local pay and grading review.
- 3.3 During the year, £22,866 was transferred from the HRA into the General Fund. This was in respect of a post identified as non-HRA following a restructuring in Housing Services.
- 3.4 The Budget was again updated in the year; this followed savings arising out of approved staffing restructures in Legal and Democratic Services.
- 3.5 When the updated Medium Term Financial Plan (MTFP) was approved by the Committee in February 2015, this estimated a budget **surplus** in 2014/15 of £149,585 as summarised in the following table.

Net Expenditure on Services	£10,623,426
Less Capital Accounting Charges (in above)	-£515,369
Minimum/Voluntary Revenue Provisions	£352,143
Provisions and Contingencies	£432,795
Total Estimated Spending	£10,892,995
Less Financing from Grant and Council Tax	-£11,042,580
Estimated Surplus	-£149,585

Final Budget Out-turn 2014/15

- 3.6 **Appendix 1** details the final out-turn on the General Fund for 2014/15 with a comparison to the approved budget. This shows that the General Fund achieved a surplus of approximately £1.1m for the year.
- 3.7 As expected, this was substantially higher than that budgeted, mainly due to additional income from planning fees and business rates. The third quarter's monitoring report reported to the Committee in March, had estimated a surplus of £1.3m.
- 3.8 The actual surplus of £1.1m was lower, mainly due to the payment of the Efficiency Dividend. Although this is not due to be paid to Council Tax payers until 2015/16, it has been accrued and charged to the General Fund in 2104/15 to recognise the commitment in accordance with accounting practice. Clearly, this is a timing difference and does not affect the overall MTFP.

- 3.9 The amount set-aside to meet the Dividend is £270,000 as approved by the Council on 1st March 2015.

Overview of Income and Expenditure 2014/15

- 3.10 The main variances between the actual out-turn and the Budget are detailed in **Appendix 2**. Although there is an overall surplus, this is after meeting some additional cost pressures. Many of the variances had been reported in monitoring reports during the year.
- 3.11 In addition, following these variances, some adjustments are made between the General Reserve and other earmarked reserves, such as transferring grant income received in 2014/15; this is carried forward to defray costs in future years.
- 3.12 In addition, a drawdown is made from other earmarked reserves that had been set-aside to meet additional liabilities in the year. This includes costs associated with the Local Plan and Green Bank Leisure Centre. An analysis of the major variances is provided in the following sections.

Favourable Variances (compared to the Budget)

- 3.13 There were increases in income from planning fees and additional income from business rates; this had been expected. In total, these income streams generated approximately £850,000 of additional income in the year.

Contingent Sums

- 3.14 In addition, the amount set-aside as a contingent sum in the year to meet inflation, growth, together with the pay and grading review, was not fully utilised. However, in practice, these sums are effectively used to offset additional contributions to provisions; these are detailed later in the report.
- 3.15 The total amount set-aside is detailed in the following table.

Pay and Grading Review	£164,000
Inflation	£91,179
Growth	£100,000
Total - Contingent Sums 2014/15	<u>£355,179</u>

- 3.16 The sum set-aside for the Pay and Grading Review is an on-going amount in the MTFP.
- 3.17 Other favourable variances arose from additional income in Land Charges, Building Regulations and Licensing, together with vacant posts in several

areas and budget savings made from a service restructure in Legal and Democratic Services in April 2014.

Adverse Variances (compared to the Budget)

- 3.18 Besides the Efficiency Dividend and the costs at Green Bank Leisure Centre (see below) the main increases were associated with additional provisions being made for bad debts and planning appeals.

Planning Appeals

- 3.19 In addition, a provision for costs associated with a planning appeal has been made, totalling £172,000. However, this has partly been offset by writing back a provision made in 2013/14 of £70,000 for a separate appeal.
- 3.20 In regards to the appeal in 2013/14, although some additional fees were incurred, costs were not awarded against the Council and £50,000 has been reccredited back to the General Fund from the original provision of £70,000.
- 3.21 The net increase in the provision of £122,000 has effectively been met from the additional planning fees received in the year.

Personal Searches

- 3.22 A provision in the accounts of £100,000 was made in 2012/13 for the refund of personal searches. This followed a legal case affecting all councils which determined that charges for personal searches should not have been made as they were outside Environmental Information Regulations.
- 3.23 Therefore, all personal searches fees dating back to 2005 need to be refunded. Over the last two years, legal firms have acted on behalf of councils to determine actual liabilities. No payments have yet been made.
- 3.24 However, the Council has recently been notified of its final liability. This includes interest and legal fees. In total, costs have been settled at £156,000. Therefore, this provision has been increased accordingly from £100,000.

Green Bank Leisure Centre

- 3.25 As reported to the Committee during 2014/15, parts of the roof, together with air conditioning units were replaced following the capital refurbishment and centre upgrade. These were unforeseen works.
- 3.26 In addition, some additional contractor payments were made to the management company. These were for agreed compensation for loss of income and additional utility costs following the previous refurbishment.

- 3.27 In addition, general maintenance work was required on replacement windows, heating and alarm systems all of which arose from the main refurbishment.
- 3.28 In total, additional costs of approximately £190,000 were incurred. However, a proportion of these costs (£102,000) will be financed from an earmarked reserve previously set-aside for this eventuality.

Net Cost of Housing Benefits

- 3.29 This increased by approximately £100,000 compared to the Budget. This was mainly due to loss of subsidy arising from processing error and backlogs. As previously reported to the Committee, this will be subject to Audit and the degree of liability falling on the Council's service provider.

Waste and Cleansing Services, Transport Costs

- 3.30 During the year, running costs in these services were in excess of the Budget and at one point, it was projected that overall costs could increase by up to £200,000. The additional costs were being incurred on labour, especially the employment of agency workers, together with the maintenance of vehicles.
- 3.31 By the year end, additional costs had been managed downwards, with the eventual increase being nearer £100,000. However, this included some additional contractor costs associated with Recycling and the cost of Gulley Cleaning. This service has recently been retendered at a lower cost.
- 3.32 Income from Recycling following the extension of the kerbside collection service in October 2013 was lower than anticipated. A publicity campaign to increase awareness has recently commenced.

Transfers to/from Earmarked Reserves

- 3.33 This is split between expenditure that is incurred and financed from earmarked reserves together with amounts received in advance, which need to be transferred into earmarked reserves to meet future expenditure.
- 3.34 In addition, certain budget managers have made requests to transfer underspends from budgets in the year into 2015/16, to meet on-going commitments. These mainly relate to repairs and maintenance. All proposed transfers are detailed in the following table.

Transfers between General Reserve and other Reserves 2014/15

Transfers from General Fund to Earmarked Reserves	£'000
Transfer to Planning Reserve to meet staffing costs (as approved)	167
Transfer Sports Development Grants to Earmarked Reserve	83
Corporate Fraud Grant transferred to Earmarked Reserve	92
Transfer to Civic Offices Reserve to meet future maintenance costs	32
Transfer Community Safety Grants to Earmarked Reserve	31
Transfer to Innovation Fund from procurement savings	29
Revenue Contribution to Capital Schemes at Greenbank and Skate Park	25
Transfer of Salary savings in Economic Development to the SDP Reserve	22
Transfer of Land and Asset sales to General Capital Receipts Reserve	21
Transfer to Corporate Training Reserve to meet 3-year contract	20
Profit Share at Rosliston café transferred to Earmarked Reserve	11
Transfer of Grant to Community Right to Bid Reserve	8
Transfer of Grant to Community Right to Challenge Reserve	8
Transfer to Leisure Maintenance Reserve	5
Transfer balance on Heritage Grants Reserve	-10
Transfers from Earmarked Reserves to the General Reserve	
Transfer from Green Bank Reserve to meet additional costs	-102
Transfer from Welfare Reform Reserve to meet administration costs	-46
Transfer from Local Plan Reserve to meet consultation costs (as approved)	-36
Transfer from New Build Reserve to cover professional fees	-32
TOTAL NET TRANSFER TO EARMARKED RESERVES	<u>328</u>

3.35 These amounts are adjusted through reserve transfers as detailed in **Appendix 5**. 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

3.36 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.

3.37 During the year, both the Council Tax and Business Rates accounts continued to perform better than estimated and surpluses were expected to be achieved. As at the third quarter, these surpluses were estimated at approximately £1/2m for Council Tax and just over £1m for Business Rates.

3.38 The final out-turn on the Fund for 2014/15 is detailed in **Appendix 3**.

Council Tax

- 3.39 This achieved a surplus for the year of just over £1/2m as expected. As previously reported, the amount of Council Tax collectable exceeded the estimated amount mid-way through the year.
- 3.40 Although the rate of Council Tax was frozen for 2014/15, the estimated income for 2014/15 allowed for a 3% increase on that collected in 2013/14; this was based on new properties.
- 3.41 It was estimated that the number of properties liable for Council Tax would grow to 40,500 properties (estimated in December 2013). The actual number of properties liable to Council Tax had grown to 41,125 by March 2015.
- 3.42 In addition, the cost of the Local Council Tax Support Scheme continued to reduce. In 2012/13, the first year of the scheme, the cost was £4.95m, reducing to £4.65m in 2013/14. The final cost was £4.48m in 2014/15.
- 3.43 Due to the surplus achieved in the year, the balance on the Collection Fund as at 31st March 2015 is just under £700,000. This is after allowing for an increase in the provision for bad debts.
- 3.44 The amount due to South Derbyshire is approximately £75,000; this remains in the Collection Fund pending the 2016/17 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 is transferred.

Business Rates

- 3.45 The surplus in the year was approximately £1.5m. As expected, this was due to not having to set up a provision for bad debts and appeals as was the case for 2013/14 – the first year of the Business Rates Retention System.
- 3.46 The balance on the Business Rates Account is approximately £660,000. The Council's share is approximately £1/2m and excludes the Levy payable to the Government of £1/2m.
- 3.47 Similar to Council Tax, the remaining surplus balance on the Account will be considered in setting the Budget for 2016/17.

Growth in Rates and Section 31 Grants

- 3.48 The increase in income transferred to the General Fund in 2014/15 was £378,000 as shown in Appendix 2. This was mainly attributable to the Section 31 Government Grants which were payable to the Council.
- 3.49 These grants compensate the Council for the various reliefs that are applied to support certain businesses such as small business rate relief, together with capping inflation increases. [Page 26 of 47](#)

3.50 These reliefs are funded by the Government under their policy of increasing and supporting business growth. The Grants effectively make-up the reduction in income suffered by the Council in granting reliefs.

3.51 After adding in the total grants received in the year, the real growth in business rates is shown in the following table.

	2013/14 £'000	2014/15 £'000	Change £'000
Business Rates Received	22,015	22,737	722
Add Section 31 Grants	261	455	194
Total Business Rates	22,276	23,192	916

3.52 The growth between 2013/14 and 2014/15 is mainly due to the expansion of a large business within the District.

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 was set with a deficit to finance from HRA reserves of £173,000.

4.2 At the end of the third quarter, the deficit was projected to be higher at £383,000. However, this was due to the early termination cost incurred on the repayment of an outstanding HRA loan in October 2014, as previously reported (see below).

Final Out-turn 2014/15

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

Summary HRA 2014/15	Budget £	Actual £	Variance £
Supervision and Management Costs	1,535,611	1,517,900	-17,711
Housing Repairs	3,259,923	3,290,161	30,238
Interest on Debt	1,614,555	1,820,293	205,738
Supported Housing	353,244	354,157	913
Depreciation and Capital Charges	2,805,432	3,671,962	866,530
Pensions - Accounting Cost	0	188,142	188,142
Rent and other Income	-12,376,321	-12,356,225	20,096
Surplus on Income and Expenditure	-2,807,556	-1,513,612	1,293,944
Adjustments			
Reverse Pension Accounting Cost (above)	0	-188,142	-188,142
Reverse Capital Charges (above)	-2,805,432	-3,671,962	-866,530
Contribution to Major Repairs Reserve	5,500,000	5,500,000	0
Contribution to New Build Reserve	286,800	286,800	0
Deficit on HRA 2014/15	173,812	413,085	239,273

- 4.4 The table shows that the HRA incurred a deficit of £413,085. However, after excluding the early termination payment of £242,959 in the cost of debt, this equates to a deficit of £170,126, just below that budgeted. Besides the debt payment, the other main variances on the HRA during 2014/15 were as follows:

HRA Variances 2014/15 (compared to Budget)

	£'000
Part-year saving on interest for market loan	-37
Increase in Housing Repairs	18
Lower rental income due to council house sales	20
	<u>1</u>

Money Market Loan

- 4.5 This loan was at a fixed rate 4.875%, maturing in 2032 with interest payments of £48,750 per year.
- 4.6 The loan contained a break clause, whereby the lender had the option of reviewing the interest rate at any time and increasing it if they so wished. However, the Council then had the option of rejecting this and instead choosing to repay without incurring any penalty.
- 4.7 The Strategy was that should the lender exercise their option to increase the interest rate, the loan should be repaid at that time.
- 4.8 During 2014/15, the lender approached the Council to see what price it was willing to pay to repay the loan early. Following recent bank restructurings, the Bank was effectively being directed, under regulation, to clear loan instruments such as these.
- 4.9 Therefore, the Council's treasury advisors negotiated a deal for the Council to buy-out of the loan early. The price negotiated had to be at such a level that savings in interest in later years were greater than the early termination fee.
- 4.10 Agreement was reached and the loan was repaid on 2nd October 2014. The termination fee was £242,959.
- 4.11 The saving in interest over the remaining life of the loan is approximately £828,000 (17 years at £48,750) with "pay-back" within 5 years. The principal repaid has been financed within the HRA's Capital Financing Requirement.
- 4.12 Overall, the effect of the HRA deficit on the HRA's General Reserve is detailed in **Section 6**.

5.0 **CAPITAL EXPENDITURE and FINANCING 2014/15**

- 5.1 The final out-turn is detailed in **Appendix 4** with a summary in the following table.

Capital Spending: Final Out-turn 2014/15

Services	Budget £	Actual £	Variance £
Council House Improvements	5,812,297	5,609,212	-203,085
Private Sector Housing Renewal	502,311	359,393	-142,918
Leisure and Community Schemes	2,034,452	1,441,296	-593,156
Environmental Development	13,119	8,545	-4,574
Property, Plant and Equipment	61,960	148,229	86,269
Total Spending	8,424,139	7,566,675	-857,464

- 5.2 The table highlights that expenditure on schemes of approximately £0.8m is still to be incurred. Once all schemes are completed, it is anticipated that there will be no major under or over spends; outstanding budgets will be carried forward into 2015/16 to complete schemes.
- 5.3 The main area of underspend (£1/2m) is on the redevelopment of Grove Hall into an extreme sports facility. Following approval of the project in October 2014, works were expected to commence early in 2015.
- 5.4 However, the final funding package took longer to complete than anticipated. The works have now commenced and will be completed later in 2015.
- 5.5 In addition, initial works (£0.3m) on the New Build Phase 1 programme did not commence until April 2015; this followed the procurement process and sealing of contracts.
- 5.6 Update reports on progress against schemes in the Capital Programme continue to be reported to Policy Committees on a regular basis.

Financing Capital Expenditure

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

Capital Financing: Final Out-turn 2014/15

Funding Source	Budget £	Actual £	Variance £
Government Grants	394,118	382,899	-11,219
External/Partnership Contributions	1,259,087	717,109	-541,978
Council Reserves/Earmarked Funds	5,927,722	5,940,690	12,968
Housing Capital Receipts	312,297	31,555	-280,742
General Capital Receipts	530,915	494,422	-36,493
Total - Financing	8,424,139	7,566,675	-857,464

- 5.8 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 should be 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. Any provision for writing off older debt is also made. The provisions are made based on a formula that calculates a percentage based 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. The following provisions have been made in 2014/15.

Sundry Debtors	£66,040	General Fund
Bed and Breakfast Charges	£49,375	General Fund
Housing Benefit Overpayments	£28,139	General Fund
Council Tax Arrears	£396,309	Collection Fund
Business Rates Arrears	£64,452	Collection Fund
Business Rates Appeals	£54,180	Collection Fund
Housing Rent Arrears	£9,610	Housing Revenue Account

- 6.6 The provision for Council Tax arrears amounts to less than 1% of that collectable and is contained within the overall surplus balance on the Collection Fund, as detailed earlier in the report.
- 6.7 Besides on-going provisions for bad debts and business rates appeals, the following specific provisions have been made.
- £156,000 relating to Local Land Charges for the refund of personal searches as detailed in Section 3 of the report.
 - £172,000 for costs associated with an appeal against planning permission, also as detailed in Section 3 of the report.

General Fund Reserve

- 6.8 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 as at 31st March 2015	Budget £	Actual £	Variance £
Balance b/fwd (1st April 2014)	5,910,325	5,910,325	0
Add: Surplus for the Year	149,585	1,103,327	953,742
Contribution to the Vehicle Renewals Fund	-20,000	-20,000	0
Contribution to Pensions Reserve	-182,000	-182,000	0
Net transfer to Earmarked Reserves	0	-328,000	-328,000
Closing Balance as at 31st March 2015	5,857,910	6,483,652	625,742

- 6.9 The table shows that the level of general reserves is greater than estimated at March 2015 by £625,742 after allowing for the transfer to earmarked reserves as detailed in Section 3 of the report. This is due to the better out turn position as detailed in Section 3.
- 6.10 As highlighted, the cost of the Efficiency Dividend, due to be paid in July 2015, is included in this figure. In the MTFP, the cost was budgeted for in 2015/16. Therefore, effectively, reserves are an additional £270,000 better than estimated as at 31st March 2015.

Earmarked Reserves

- 6.11 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 IT replacements together with repairs and maintenance and where external funding may be received in advance of expenditure.
- 6.12 Yearly contributions are made to these reserves each year from other accounts and reserves and they are drawn down to finance expenditure in revenue and capital accounts as required.
- 6.13 Once established, earmarked reserves can only be used for that specific purpose and to meet policy/strategy commitments, such as IT. Other reserves may be established through a legal agreement or contractual commitment.
- 6.14 The Council's earmarked reserves are detailed in **Appendix 5**. This shows the overall change on the balances during 2014/15, including the appropriations detailed earlier in the report in Section 3.

Housing Revenue Account (HRA) Reserve

6.15 Section 4 detailed the final account of the HRA and this highlighted a deficit for 2014/15 of £413,085.

6.16 The HRA reserve balance totals £2.39m as at 31st March 2015. This is £239,273 lower than estimated - mainly due to the early termination payment of the market loan as detailed in Section 4.

6.17 The reserve balance is shown in the following table.

HRA GENERAL RESERVE 2014/15	Budget £	Actual £	Variance £
Balance b/f 1-4-14	2,809,999	2,809,999	0
Deficit 2014/15 (as Section 4)	-173,812	-413,085	-239,273
Balance c/f 31-3-15	2,636,187	2,396,914	-239,273

Major Repairs Reserve

6.18 This reserve is used to finance the investment in the housing stock and the reserve is funded by transfers from the HRA (through the Capital Expenditure Requirement). The status of the reserve as at 31 March 2015 is shown in the following table.

Balance as at 1 st April 2014	£1,648,376
Add: Transfer from the HRA	£5,500,000
Less: Capital Expenditure 2014/15 (Appendix 4)	-£5,445,037
Balance as at 31st March 2015	£1,703,339

General Capital Receipts Reserve

6.19 The position on this reserve during 2014/15 is shown in the following table.

GENERAL CAPITAL RECEIPTS 2014/15	Estimate £	Actual £	Variance £
Balance b/fwd 1st April 2014	2,151,721	2,151,721	0
Add Land and Asset Sales	15,000	21,000	6,000
Add Transfer of Land at Coton Park to HRA New Build	200,000	200,000	0
Add Sale of Phase 1 Land - William Nadin Way	0	1,855,000	1,855,000
Less - Contribution to Vehicle Renewals Fund	-250,000	-250,000	0
Less - Amount required to Fund Gen Fund Programme	-530,915	-494,422	36,493
Balance c/fwd 31st March 2015	1,585,806	3,483,299	1,897,493

6.20 The above table shows this reserve is approximately £1.9m greater as at 31st March 2015 compared to that estimated. However, the receipt from the land sale at William Nadin Way has been earmarked for the payment of development costs and the capital costs for relocating the Council's depot.

6.21 In addition, the variance on the amount to finance the General Fund Programme is still earmarked to fund the appropriate schemes when completed.

Housing Capital Receipts Reserve

6.22 This is the reserve that is being built up for the New Build programme, for which work on 3 sites is about to commence to provide up to 50 new properties. In accordance with Council policy, all sale proceeds (net of any pooling payment) from existing council houses and HRA land are transferred to this reserve.

6.23 The position on this reserve during 2014/15 is shown in the following table.

HOUSING CAPITAL RECEIPTS RESERVE 2014/15	Estimate £	Actual £	Variance £
Balance b/fwd 1st April 2014	1,331,011	1,331,011	0
Add - transfer from HRA Reserve	286,800	286,800	0
Add - transfer balance from Sheltered Housing		17,380	17,380
Add - Repayment of Discounts	0	-13,764	
Add - receipts from Council House sales	300,000	928,225	628,225
Less - amount pooled	-100,000	-269,300	-169,300
Less - costs incurred in New Build preparation	0	-32,000	-32,000
Less - purchase of land from General Fund	-200,000	-200,000	0
Balance c/fwd 31st March 2015	1,617,811	2,048,352	444,305

6.24 The table shows that the balance on the Reserve is higher than estimated at the end of the year. As reported during the year, this is due to the number of council house sales, which totalled 18 compared to an estimate of 7.

Supported Housing Capital Reserve

6.25 An amount of £17,380 remained in this reserve at the end of 2013/14. Resources previously in this reserve had been used to provide improvements in sheltered accommodation.

6.26 These works have now been completed and the remaining balance has been transfered into the general housing capital receipts reserve as shown in the above table.

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, 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 REVENUE - INCOME and EXPENDITURE 2014/15

Cost Centre	Amount	Budget	Variance
Democratic Representation & Management	£161,337	£236,090	-£74,753
Corporate Management	£78,122	£80,898	-£2,777
Corporate Finance Management	£48,343	£77,743	-£29,399
Funded Pension Schemes	£225,106	£241,505	-£16,399
Planning Agreements (Section 106)	-£3,035,995	£0	-£3,035,995
Increase/Decrease in Provision for Bad or Doubtful Debts	£143,555	£0	£143,555
Council Tax Collection	-£62,452	-£6,207	-£56,245
Non Domestic Rates Collection	£49,656	£48,843	£813
Elected Members	£307,953	£296,950	£11,003
Registration of Electors	£5,926	£22,326	-£16,400
Conducting Elections	£157,958	£172,496	-£14,538
Emergency Planning	£1,232	£0	£1,232
Local Land Charges	£65,578	£59,769	£5,809
General Grants to Voluntary and Community Groups	£288,740	£277,645	£11,095
Parish Councils	£327,101	£318,108	£8,992
Capital Expenditure – Fees - Housing New Build Programme	£31,555	£0	£31,555
Melbourne Leisure Centre	-£3,500	£2,006	-£5,506
Arts Development & Support	£17,373	£24,671	-£7,297
Heritage	-£9,866	£9,334	-£19,200
Christmas Lights	£45,542	£42,646	£2,895
Events Management	£87,003	£93,422	-£6,420
Community Centres	£113,563	£113,782	-£219
Get Active in the Forest	£37,712	£34,557	£3,154
Sports Development & Community Recreation	£156,982	£239,614	-£82,632
Indoor Sports & Recreation Facilities	£656,296	£336,410	£319,886
Outdoor Sports & Recreation Facilities (SSP)	£54,830	£49,926	£4,904
Playschemes	£53,416	£52,222	£1,194
Grounds Maintenance	£672,228	£727,867	-£55,639
Countryside Recreation & Management	£14,339	£16,086	-£1,747
Allotments	-£693	£9	-£703
Tourism Policy, Marketing & Development	£55,502	£59,118	-£3,616
Village Halls	£4,649	£7,510	-£2,861
Rosliston Forestry Centre	£114,116	£159,085	-£44,969
Cemeteries	£41,557	£43,523	-£1,966
Closed Churchyards	£4,206	£3,871	£335
Food Safety	£195,009	£199,169	-£4,160
Pollution Reduction	£324,562	£342,597	-£18,035
Housing Standards	£89,943	£110,066	-£20,123
Pest Control	£17,704	£27,287	-£9,583
Public Health	-£1,001	£399	-£1,400
Licensing	£11,187	£60,729	-£49,542
Public Conveniences	£42,362	£46,860	-£4,498
Community Safety (Crime Reduction)	£189,703	£199,770	-£10,067
Community Safety (Safety Services)	£140,052	£161,146	-£21,094
Defences Against Flooding	£68,777	£68,316	£461

Street Cleansing (not chargeable to highways)	£322,385	£311,157	£11,228
Household Waste Collection	£2,352,010	£2,141,737	£210,273
Trade Waste Collection	-£126,699	-£79,771	-£46,928
Recycling	£381,801	£318,193	£63,608
Building Regulations	£156,445	£204,592	-£48,147
Other Building Control Work	-£22,550	-£4,043	-£18,506
Dealing with Development Control Applications	£24,769	£362,975	-£338,206
Development Control Enforcement	£103,034	£101,176	£1,858
Planning Policy	£591,170	£555,176	£35,994
Environmental Education	£138,150	£138,776	-£627
Market Undertakings	-£9,962	-£4,614	-£5,349
Promotion and Marketing of the Area	£221,785	£248,099	-£26,314
Community Development	£36,340	£30,690	£5,650
Environmental Maintenance (Other Roads)	£32,664	£4,088	£28,576
Off-Street Parking	-£39,991	£75,825	-£115,816
Concessionary Fares (Gold Card Scheme Admin)	-£1,520	£100	-£1,620
Housing Strategy	£117,878	£142,593	-£24,715
Housing Advice	£51,665	£45,994	£5,671
Administration of Renovation & Improvement Grants	£91,081	£131,322	-£40,241
Bed / Breakfast Accommodation	£19,031	£20,254	-£1,223
Homelessness Administration	£243,102	£184,694	£58,408
Rent Allowances Paid	£276,315	£191,309	£85,006
Rent Rebates	£106,131	£84,700	£21,431
Housing Benefits Administration	£85,657	£82,341	£3,316
Travellers' Sites	-£0	£4,940	-£4,940
Welfare Services	£112	£1,609	-£1,497
Caretaking	£111,460	£136,651	-£25,191
Community Parks & Open Spaces	£274,664	£252,737	£21,928
Debt Recovery Costs	£134,553	£134,008	£545
Public Transport	£22,412	£30,147	-£7,735
Estate Management	-£403,889	-£167,696	-£236,193
Taxation & non-specific grant income (GF)	-£12,145,572	-£11,692,681	-£452,891
Interest & Investment Income (GF)	-£46,252	-£46,935	£683
IAS19 Pensions Adjustment (GF)	£749,858	£0	£749,858
External Interest Payable (GF)	£2,529	£10,050	-£7,521
Other Operating Income & Expenditure (GF)	£714,016	£650,101	£63,915
Total - Net Income before Adjustments	-£3,448,150	-£341,538	-£3,106,612

Adjustments

Planning Agreements (transfer to Section 106 Reserve)	£3,035,995	£0	£3,035,995
Reverse out Depreciation	-£888,721	-£515,369	-£373,352
Reverse out Revaluations	£231,500	£0	£231,500
Reverse out Impairments	£205,917	£0	£205,917
Council Tax Surplus transferred to Collection Fund	£38,412	£0	£38,412
Business Rates Surplus transferred to Collection Fund	£204,446	£0	£204,446
Pensions Adjustment (as above)	-£749,858	£0	-£749,858
Reverse out Loss on Disposal of Fixed Assets	-£85,011	£0	-£85,011
Minimum and Voluntary Revenue Provisions	£352,143	£352,143	£0
Provisions and Contingencies	£0	£355,179	-£355,179
Total - Net Income Transferred to General Reserve	-£1,103,327	-£149,585	-£953,742

Summary of the major variances compared to budget in 2014/15

Favourable Variances (compared to Budget)	£'000
Business Rates Income	-378
Planning and Development - fee income	-493
Contingent sums set-aside	-355
Sports Development Grants (to be carried forward)	-83
Cost of Democratic Services, including staff restructure	-75
Debt Recovery - Court Fees	-54
Trade Waste income	-49
Building Regulations - income	-47
Grounds Maintenance - chargeable work for redevelopment site	-38
Restructure and staff vacancies in Environmental Health	-38
Other Government Grants	-34
Civic Offices - lower maintenance and utility costs	-32
Community Safety Grants (to be carried forward)	-31
Audit Fees, early payment discounts, turnover share (Rosliston)	-29
Financial Services - vacant posts	-27
Licensing - approved restructure savings	-26
Economic Development - staff vacancy	-26
Land Charges income	-25
Land Charges - approved restructure savings	-25
Housing Strategy - reduction in professional fees	-25
Disabled Facility Grants - technical work bought in-house	-25
Licensing Service - additional income	-24
Building Regulations - staff vacancies	-20
Corporate Training	-20
Contributions for Heritage Grants paid in previous years	-19
Pensions Deficit - lower cost	-16
Total - Favourable Variances	<u>-2,014</u>

Adverse Variances (compared to Budget)	
Increase in Bad Debts Provisions	144
Efficiency Dividend	270
Green Bank leisure Centre - maintenance, utilities and capital works	190
Increase in Provision for Planning Appeals	122
Net increase in cost of Housing Benefits	106
Increase in provision for personal search refunds	56
Vehicles - repairs, maintenance and spare parts	38
Local Plan - development and consultation costs	36
Planning - increase in staffing and support costs to meet demand	33
Legal Services - approved cost of restructure	33
New Build - professional and technical fees	32
Lower income from Recycling	32
Recycling - additional contractor payments	31
Increase costs of Gulley Cleaning	29
Total - Adverse Variances	<u>1,152</u>

Total - Major Variances	-862
All other Variances	-91
Total - Net Variance (compared to Budget) - Overall Reduction	-953

Appendix 3

COLLECTION FUND FINAL OUT-TURN 2014/15

	Actual 2013/14	Estimate 2014/15	Final Out- turn 2014/15	Variance
	£'000	£'000	£'000	£'000
COUNCIL TAX - INCOME & EXPENDITURE				
INCOME				
Council Tax Collectable	44,151	45,480	45,728	248
EXPENDITURE				
County Council Precept	31,627	32,657	32,657	0
Police and Crime Commissioner Precept	4,901	5,059	5,059	0
Fire Authority Precept	1,972	2,034	2,034	0
SDDC Precept	4,411	4,466	5,072	606
SDDC Parish Precepts	603	606	0	-606
Increase in Bad Debts Provision	347	359	396	37
Total Expenditure	43,861	45,181	45,218	37
Surplus for the Year - Council Tax	290	299	510	211
COUNCIL TAX BALANCE				
Opening Balance 1st April 2014	84	359	359	0
Share of Previous Surplus to County Council	0	-126	-126	0
Share of Previous Surplus to Police	0	-19	-19	0
Share of Previous Surplus to Fire Authority	0	-8	-8	0
Share of Previous Surplus to SDDC	0	-20	-20	0
Surplus for Year (as above)	290	299	510	211
Closing Balance as at 31st March 2015	374	485	696	211
BUSINESS RATES - INCOME & EXPENDITURE				
INCOME				
Business Rates Collectable	22,015	22,930	22,737	-193
EXPENDITURE				
Central Government Precept	10,365	10,540	10,540	0
SDDC Precept	8,292	8,332	8,332	0
Derbyshire County Council Precept	1,866	1,897	1,897	0
Fire and Rescue Service Precept	207	211	211	0
Cost of Collection	91	91	91	0
Increase in Bad Debts Provision	1,453	1,187	64	-1,123
Provision for Appeals	627	584	54	-530
Total Expenditure	22,901	22,842	21,189	-1,653

Surplus / Deficit (-) - Business Rates

-886	88	1,548	1,460
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BUSINESS RATES BALANCE

Opening Balance 1st April 2014	0	-886	-886	0
Surplus / Deficit (-) for the Year as above	-886	88	1,548	1,460
Closing Balance as at 31st March 2015	-886	-798	662	1,460

LEVY/SAFETY NET CALCULATION

SDDC Precept	8,292	8,332	8,332	0
Less Tariff Payment	-5,968	-6,084	-6,084	0
Add Section 31 Relief Grants	261	362	455	93
Share of Business Rate Surplus / Deficit (-) at 40%	-354	-319	619	938
Retained Rates before Levy	2,231	2,291	3,322	1,031
<i>Less Assumed Rates in the Funding Formula</i>	<i>-2,205</i>	<i>-2,248</i>	<i>-2,248</i>	<i>0</i>
Additional Net Rates Generated	26	43	1,074	1,031
Less Government Levy (50%)	-13	-21	-537	-516
Additional Amount Retained by SDDC	13	21	537	516

CAPITAL EXPENDITURE & FINANCING 2014/15

	Budget £	Actual £	Variance £
COUNCIL HOUSE IMPROVEMENTS			
Major Improvements under Self-financing	5,150,000	5,254,587	104,587
Major Disabled Facilities Grant (Council Houses MRA)	300,000	290,450	-9,550
Minor Disabled facilities Grant (Council - HRA)	50,000	0	-50,000
Sheltered Housing	0	-17,380	-17,380
Purchase of Property - Lime Tree Avenue	0	50,000	50,000
Council New Build Programme Phase 1	312,297	31,555	-280,742
Total Expenditure	5,812,297	5,609,212	-203,085

Financed from

Major Repairs Reserve	5,500,000	5,445,037	-54,963
Sheltered Housing Reserve	0	-17,380	-17,380
HCA Grant	0	100,000	100,000
Housing Capital Receipts Reserve	312,297	81,555	-230,742
Total Financing	5,812,297	5,609,212	-203,085

PRIVATE SECTOR HOUSING RENEWAL

Disabled Facility Grants and other Works	389,618	320,700	-68,918
DECC Funded Project - Fuel Poverty	4,500	4,382	-118
Housing Strategy Enforcement Work	2,500	0	-2,500
Public Sector Stock Condition Survey	22,750	17,250	-5,500
Empty Property Landlord Grants	42,943	745	-42,198
Strategic Housing Market Assessment	40,000	16,316	-23,684
Total Expenditure	502,311	359,393	-142,918

Financed from

External Contributions	0	42,300	42,300
General Fund	2,500	0	-2,500
Government and County Council Grants	394,118	282,899	-111,219
Earmarked Reserve	0	16,316	16,316
General Capital Receipts	105,693	17,878	-87,815
Total Financing	502,311	359,393	-142,918

GENERAL FUND INVESTMENT PROGRAM
COMMUNITY SERVICES

Hilton Village Hall Extension	38,082	-1,293	-39,375
Melbourne Leisure Centre	48,400	48,400	0
Melbourne Sports Partnership	200,000	190,399	-9,601
Eureka Park - Community Programme	470,078	482,347	12,269
Grove Hall Active Zone Redevelopment	500,000	0	-500,000
Community Partnership Scheme	104,968	7,268	-97,700
Rosliston Forestry Centre - Enterprise Centre	0	12,547	12,547
Open Space Development Project	4,068	19,184	15,116
Get Active Zone	0	20,172	20,172
Swadlincote Skate Park	55,320	55,320	0
Green Bank Leisure Centre Refurbishment - Phase 2	613,536	606,952	-6,584

ENVIRONMENTAL AND DEVELOPMENT SERVICES

Swadlincote Heritage Opportunities project	139	8,716	8,577
Noise and Antisocial Behaviour Prevention	9,900	0	-9,900
Tree Schemes	0	-3,251	-3,251
Partnership Schemes in Conservation Areas	3,080	3,080	0

PROPERTY AND OTHER ASSETS

Land Redevelopments - Professional Fees	14,762	64,339	49,577
Vehicle Replacements	47,198	66,300	19,102
Purchase of Market Stalls	0	17,590	17,590
Total Expenditure - General Fund	2,109,531	1,598,070	-511,461

Financed from

External Funding (Growth Point)	38,082	-1,293	-39,375
External Contributions - Rosliston Enterprise Centre	0	20,000	20,000
Partnership Funding	0	45,115	45,115
ESC Lottery Fund	33,500	0	-33,500
Section 106	21,000	21,000	0
Derbyshire Sport	33,182	33,182	0
Leisure Management Contractor	85,000	85,000	0
Revenue Contributions	20,000	20,000	0
Sport England - Inspired Facilities Grant	150,000	150,000	0
Earmarked Reserves	99,000	66,000	-33,000
Section 106	125,723	125,723	0
Heritage Lottery	344,355	356,624	12,269
Police Authority Funding	15,000	15,000	0
DCC Members Funding	4,000	4,000	0
Section 106	30,000	30,000	0
Revenue Contributions	5,320	5,320	0
Partnership Funding	1,000	1,000	0
Section 106	4,068	19,184	15,116
Derbyshire County Council - Conservation Areas	0	3,080	3,080
Heritage Lottery - Swadlincote Project	0	8,716	8,716

Revenue Contributions	3,080	0	-3,080
Sport England	500,000	0	-500,000
Police Authority Funding	20,000	0	-20,000
Vehicle Replacement Reserve	27,198	66,300	39,102
External Funding - Development Schemes	14,762	27,402	12,640
Earmarked Reserves - Get Active Fund	0	20,172	20,172
General Fund	110,039	0	-110,039
General Capital Receipts	425,222	476,545	51,323
Total Financing - General Fund	2,109,531	1,598,070	-511,461

TOTAL EXPENDITURE - ALL SCHEMES	8,424,139	7,566,675	-857,464
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TOTAL FINANCING - ALL SCHEMES	8,424,139	7,566,675	-857,464
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General Capital Receipts

Private Sector Housing Renewal

Public Sector Stock Condition Survey	22,750	17,250	-5,500
Empty Property Landlord Grants	42,943	745	-42,198
Fuel Poverty Project	0	-118	-118
Strategic Housing Market Assessment	40,000	0	-40,000
General Fund			0
Melbourne Sports Partnership	166,500	145,284	-21,216
Melbourne Leisure Centre	48,400	48,400	0
Community Partnership Scheme	4,968	7,268	2,300
Green Bank Leisure Centre Refurbishment - Phase 2	205,354	231,770	26,416
Land Development - Professional Fees	0	36,937	36,937
Purchase of Market Stalls	0	17,590	17,590
Open Space Development Project	0	-7,453	-7,453
Tree Schemes	0	-3,251	-3,251
Total - General Capital Receipts Used	530,915	494,422	-36,493

General Fund Contributions

Community Partnership Scheme	100,000	0	-100,000
Swadlincote Heritage Opportunities project	139	0	-139
Noise and Antisocial Behaviour Prevention	9,900	0	-9,900
Total - General Fund Contributions Used	110,039	0	-110,039

LIST OF EARMARKED RESERVES 2014/15

Specific / Earmarked Reserves - Council Funds	Balance b/fwd 1/4/14 £	Contributions 2014/15 £	Used in 2014/15 £	Balance c/fwd 31/3/15 £
Vehicle Replacement Fund	581,530	270,000	-66,300	785,230
Dilapidation Works - Factory Site per Lease Agreement	260,870	0	0	260,870
IT Reserve	195,526	0	0	195,526
Pensions Reserve	0	182,000	0	182,000
Local Plan - Consultation and Implementation	200,000	0	-36,000	164,000
Green Bank Leisure Centre - Refurbishment Works	99,000	0	-99,000	0
Repton Parish (Former Depot proceeds)	33,049	0	0	33,049
Corporate Services Innovation Fund	52,666	29,000	0	81,666
Rosliston Forestry Centre / Café	34,772	11,000	0	45,772
Planning - Staffing and Support Costs	0	167,000	0	167,000
Civic Offices - Maintenance	0	32,000	0	32,000
Leisure Maintenance	0	5,000	0	5,000
Corporate Training	0	20,000	0	20,000
Total - Specific / Earmarked Reserves	1,457,413	716,000	-201,300	1,972,113

Specific Grants and Contributions

Public Open Space - Commuted Sums	452,757	0	0	452,757
Youth Engagement Partnership	472,978	0	-66,000	406,978
Schools Sport Partnership Project	187,765	83,000	0	270,765
Community Safety & Crime Reduction	456,611	31,000	0	487,611
Young People's Cultural Partnership / Arts Development	42,326	0	0	42,326
Rosliston Business Units	10,719	0	0	10,719
Get Active in the Forest Partnership	112,410	0	0	112,410
Environmental Education	56,912	0	0	56,912
Tetron Point Storm Water Basin - S106 UK Coal	53,012	0	0	53,012
Swadlincote Woodlands - Section 106	50,774	0	0	50,774
Rosliston Forestry Centre	35,892	0	0	35,892
New Play Equipment and Safety Surfacing	22,842	0	0	22,842
Maurice Lea Park NHLF Grant	23,012	0	0	23,012
BCU Funding	21,110	0	0	21,110
LSP Reserve	16,357	22,000	0	38,357
Housing Strategy	50,875	0	-16,316	34,559
Homelessness Prevention	176,581	0	0	176,581
Local Council Tax Support Scheme	14,006	0	-14,006	0
Welfare Reform	17,003	0	-17,003	0
Community Right to Bid	12,728	8,000	0	20,728
Community Right to Challenge	8,547	8,000	0	16,547
Property Records - Data sharing	7,131	0	0	7,131
Discretionary Housing Payments	14,962	0	-14,962	0
Fraud Initiatives - Partnership Funding	0	92,000	0	92,000

Heritage Grants	10,000	0	-10,000	0
Electoral Registration	38,401	0	0	38,401
Green Bank Leisure Centre Refurbishment - retention	2,757	-2,757	0	0
Total - Specific Grants and Contributions	2,368,468	241,243	-138,287	2,471,424
Section 106 - Earmarked Funds (see note below)	1,109,728	3,114,725	-274,637	3,949,816
TOTAL EARMARKED RESERVES	4,935,609	957,243	-339,587	8,393,353

NOTE - Section 106 - used in year

Payments to 3rd parties in accordance with agreements	-78,730
Funding of SDDC Capital Schemes	-195,907
	-274,637

REPORT TO:	FINANCE AND MANAGEMENT SERVICES	AGENDA ITEM: 8
DATE OF MEETING:	25th JUNE 2015	CATEGORY: DELEGATED/
REPORT FROM:	DIRECTOR OF COMMUNITY AND PLANNING SERVICES	OPEN
MEMBERS' CONTACT POINT:	DIRECTOR OF COMMUNITY AND PLANNING SERVICES STUART BATCHELOR Ext: 5820	DOC:
SUBJECT:	MELBOURNE SPORTING PARTNERSHIP	REF: SB
WARD(S) AFFECTED:	MELBOURNE	TERMS OF REFERENCE: FM08

1.0 Recommendations

- 1.1 To approve that £213,000 be provided from the General Fund Reserve in lieu of identified Section 106 funds towards the construction of the Cockshut Lane Recreation Ground Clubhouse and ancillary facilities.

2.0 Purpose of Report

- 2.1 To seek members approval for the loan from the General Fund Reserve in lieu of receipt of future S106 funds of £213,000 identified for the Melbourne Sporting Partnership project.

3.0 Detail

- 3.1 For the past 8 years the Council has been working with the Melbourne Sporting Partnership which includes Melbourne Parish Council, Melbourne Rugby Club, Melbourne Town Cricket Club and a number of local football clubs to develop the facilities at Cockshut Lane Recreation Ground.
- 3.2 In recent years significant progress has been made. The MSP have an approved site master plan, and feasibility, consultation, design, legal, VAT, grant compliance and planning issues have been dealt with. Most importantly there has been an accumulation of £2,200,913 of funding. This accumulation was stimulated to a large degree by the allocation by the District Council of £1million from the Bretby Crematorium capital receipt. The full break down of significant funding contributions received to date is as follows:

South Derbyshire District Council	£1,000,000
Derbyshire County Council	£250,000
Football Foundation	£600,000
Sport England	£200,000
Rugby Football Union	£78,000
Growth Point	£45,000
Maxplant	£20,000

- 3.3 In addition to the development work described above the first and most substantial phase of pitch levelling and drainage works has been completed and a tender exercise undertaken for the main building phase. When funds were set aside for the construction of an Artificial Grass Pitch on site and other more minor commitments there was an initial significant funding shortfall to overcome before a build contract could be let and signed. Consequently Officers have been working with the MSP partners, our appointed architect and QS and the successful contractor to simultaneously identify further funds or value engineer the design in order to reduce the shortfall and enable the contract to be let. In addition Melbourne Parish Council has approved a capital contribution of £18,000 to the build and the RFU confirming a further £20,000 towards the overall scheme and an interest free loan for future works when the initial build phase has been transferred over to the MSP to operate. Negotiations are still underway with some other potential funders and sports bodies although any contributions now will be for later phases of work. In addition local sources have also identified loans towards subsequent stages of the project.
- 3.4 As things stand there is now a shortfall of £101,000 in order to sign the build contract in July and start work on site in August. This is the timetable agreed with external funders and the contractor allowing existing prices and funding assurances to hold. The Housing and Community Services Committee at its meeting on 11th June, 2015 confirmed the allocation of £213,000 of Section 106 funds from the Kings Newton Lane development that are available for indoor and outdoor sports provision in Melbourne for use on the project and requested that this Committee authorise the use of reserves for the capital build in lieu of the S106 funds being paid to the Council. The authorisation of use of the reserves means the funding shortfall is met, certain important items taken out of the initial scheme in the value engineering exercise can be reintroduced and most importantly the build contract can be let within the required timeframe.

4.0 Financial Implications

- 4.1 The proposal is to borrow from the General Fund Reserves £213,000 in lieu of Section 106 funding allocated toward the Melbourne Sporting Project. When the S106 Funding is received this will be retained by the Council and added back to the General Fund Reserve.
- 4.2 The Section 106 funding will be received in 2 tranches; the first in 2016/17 (50% when 33 dwellings occupied) and the second in 2017/18 (50% when 50 dwellings occupied). This will depend on how quickly the new properties are occupied.

- 4.3 Until the Section 106 funding is received, the allocation of £213,000 will be a charge on the General Fund Reserve. This will effectively reduce the reserve balance and limit the potential for the balance of the General Fund Reserve, over and above the minimum level, to be considered for other options in the medium term.

5.0 Corporate Implications

- 5.1 The programme of developments linked to the 2012 Olympic Legacy links with the Councils Corporate priorities and the key action within the 'Promoting Healthy Facilities and Lifestyles' objective and the 'promotion of cultural events' in the 'Lifestyle Choice' priority. The development of facilities in Melbourne is a priority in the Corporate Plan with the Melbourne Sporting Partnership being mentioned specifically.

6.0 Community Implications

- 6.1 The 2012 London Olympics gave the community of South Derbyshire an ideal opportunity to become more physically active, support emerging local talent and benefit from external investment. The delivery of this project will continue the success of 2012 and prove to have a lasting impact on the District.

7.0 Conclusions

- 7.1 As promised by the Council the legacy of the 2012 London Olympics for South Derbyshire will be increased physical activity levels and opportunities for continued involvement in sport. This project is fulfilling that promise.