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<b>REPORT TO:</b>	<b>FINANCE AND MANAGEMENT COMMITTEE</b>	<b>AGENDA ITEM: 11</b>
<b>DATE OF MEETING:</b>	<b>21st FEBRUARY 2013</b>	<b>CATEGORY: DELEGATED</b>
<b>REPORT FROM:</b>	<b>CHIEF EXECUTIVE OFFICER</b>	<b>OPEN</b>
<b>MEMBERS' CONTACT POINT:</b>	<b>KEVIN STACKHOUSE (01283 595811)</b> <b>CHIEF FINANCE OFFICER</b> <a href="mailto:Kevin.stackhouse@south-derbys.gov.uk">Kevin.stackhouse@south-derbys.gov.uk</a>	<b>DOC:</b> u/ks/financial monitoring reports/2013 1 February
<b>SUBJECT:</b>	<b>BUDGET and FINANCIAL MONITORING 2012/13</b>	<b>REF</b>
<b>WARD (S) AFFECTED:</b>	<b>ALL</b>	<b>TERMS OF REFERENCE: FM 08</b>

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## **1.0 Recommendation**

- 1.1 That the latest budget and financial monitoring figures for 2012/13 are considered and approved.

## **2.0 Purpose of Report**

- 2.1 In accordance with its financial management framework, the Council monitors income and expenditure against its budgets on a regular basis throughout the year. This is generally undertaken on a monthly basis, although more regular monitoring takes place on the more volatile and higher risk budgets such as housing repairs.
- 2.2 Financial information is available on-line to enable day-to-day monitoring within services. Formal monitoring involves budget managers together with their service accountant, meeting and reviewing performance against their particular budgets. This is intended to identify any variances as early as possible to enable remedial and timely action to be taken.
- 2.3 Overall financial performance and the major budget variances are reported to this committee throughout the year. In accordance with its Treasury Management Strategy, the Council monitors its lending and borrowing on a regular basis.
- 2.4 The Council's cash flow is monitored on a daily basis and reported monthly to the Council's Chief Finance Officer. Again, overall performance is reported to this Committee throughout the year.
- 2.5 This is the third monitoring report for the financial year 2012/13. It details performance up to 31st December 2012, i.e. the 3<sup>rd</sup> quarter's performance.

### 3.0 Detail

#### GENERAL FUND REVENUE ACCOUNT

- 3.1 Apart from council housing, day to day income and expenditure is accounted for through the General Fund. The net expenditure is financed from Government Grant and Council Tax, with any shortfall/deficit being financed from the Council's Reserves.
- 3.2 The original budget, which was approved in February 2012, estimated a budget deficit of £109,767 in 2012/13 to be financed from general reserves. The Budget included contingent sums set-aside for inflation, growth and the implementation of the local pay and grading review.
- 3.3 As reported to the Committee in December following the half-yearly review of income and expenditure, the deficit was revised down to £24,974 as summarised in the following table.

	Original Budget £	Revised Budget £	Change £
Net Expenditure on Services	11,343,340	11,395,875	52,535
Capital Accounting Adjustments	-356,430	-356,430	0
Contingent Sums	437,423	299,856	-137,567
<b>Overall Net Revenue Expenditure</b>	<b>11,424,333</b>	<b>11,339,301</b>	<b>-85,032</b>
Less - Financing	-11,314,566	-11,314,327	239
<b>Estimated Budget Deficit</b>	<b>109,767</b>	<b>24,974</b>	<b>-84,793</b>

- 3.4 The reduced deficit reflects the effect of savings made in the early part of the financial year, offset by some one-off costs associated with service restructures. The changes are summarised in the following table.

Changes to Original Budget Deficit 2012/13		£
<b>Original Budget Deficit</b>		<b>109,767</b>
Reduction in Inflation and Growth Contingency		-137,567
Confirmed savings reported at half-yearly review		-96,263
Restructure of Democratic Services (December 2011)		-27,793
Adjustment to Government Grant		239
Service Revisions in Pest Control (March 2012) - one-off costs		9,600
Restructure of Legal, Democratic and Licensing Services (March 2012)		21,900
Re-organisation of Direct Services (April 2012) - one-off costs		145,091
<b>Revised Deficit 2012/13</b>		<b>24,974</b>

- 3.5 In accordance with budget monitoring arrangements, the position on Net Expenditure on Services is the main area that is subject to on-going review. This is the amount (£11,395,875) that is directly managed and controlled by the various budget holders across the Council.

### Latest Monitoring Figures

- 3.6 The Original Budget, together with major variances identified as at December 2012 is summarised in the tables which follow. A full analysis of each service area at cost centre level with variances across each policy committee is detailed in **Appendices 1 to 3**. These appendices also show actual spend to-date, budget remaining, together with narrative on any assumptions, risks and reasons for major variances.

#### Performance against Budget 2012/13 as at December 2012 (by Committee)

Summary by Policy Committee	Approved Budget £	Projected Actual £	Projected Variance £
Environmental and Development Services	3,955,591	3,948,452	-7,139
Housing and Community Services	2,254,949	2,188,410	-66,539
Finance and Management	5,132,799	4,991,598	-141,201
<b>TOTAL</b>	<b>11,343,340</b>	<b>11,128,461</b>	<b>-214,879</b>

#### Performance against Budget 2012/13 as at December 2012 (by Service)

Summary by Main Service Area	Approved Budget £	Projected Actual £	Projected Variance £
Economic Development	271,154	270,470	-684
Environmental Health Services	639,170	607,094	-32,076
Highways	-3,310	-4,065	-755
Licensing and Land Charges	-54,214	-62,769	-8,555
Planning	484,105	471,518	-12,587
Town Centre	59,470	58,042	-1,428
Waste Collection & Street Cleansing	1,681,180	1,691,907	10,727
Environmental Education	70,616	70,179	-437
Transport Account	807,420	846,076	38,656
Community Development and Support	546,195	546,735	541
Leisure and Recreational Activities	130,524	134,153	3,629
Leisure Centres and Community Facilities	491,355	491,497	142
Parks and Open Spaces	675,287	615,216	-60,071
Private Sector Housing	411,589	400,808	-10,781
Central and Departmental Accounts	3,383,393	3,349,110	-34,283
Revenues and Benefits	157,242	222,493	65,251
Electoral Registration	132,930	125,762	-7,169
Corporate and Democratic Costs	922,739	798,359	-124,380

Payments to Parish Councils	310,980	309,688	-1,292
Concessionary Travel	3,000	3,000	0
Property and Estates	-23,719	-23,719	-0
Pensions, Grants and Interest	246,234	206,906	-39,328
<b>TOTAL</b>	<b>11,343,340</b>	<b>11,128,461</b>	<b>-214,879</b>

- 3.7 The variances reflect the latest situation and although projected to out-turn at this level, could change during the remainder of the year. Areas of projected overspend are kept under review in order to mitigate the effects on the overall budget.
- 3.8 The previous tables show that based on current income and expenditure, there will be an overall decrease in net expenditure on services of £214,879 compared to the Original Budget for the year (£267,414 compared to the Revised Budget).
- 3.9 This variance has increased from £144,255 as reported at the half yearly review.

### Main Variances

- 3.10 The main reasons that account for the projected variance are summarised in the following table. They show services where current spending is expected to vary as at December 2012. This could change over the remainder of the year and all areas are kept under review.

AMOUNTS ALREADY CONFIRMED AND INCLUDED IN THE MTFP	£'000
On-going reduction for past service Pension Deficit	-40
Restructure of Democratic Services (December 2011)	-28
Refund of Pension Costs for 2011/12 - Corporate Services	-26
Corporate Training below that budgeted	-25
Savings in Central Accounts - Protective Clothing and Equipment	-20
Lower Payroll Costs	-10
<b>Sub Total</b>	<b>-149</b>
Restructure of Direct Services (April 2012) - one-off costs	145
Civic Office Alterations - Additional cabling and removal costs	25
Restructure of Legal, Democratic and Licensing - one-off costs	22
Service Revisions in Pest Control - one-off costs	10
<b>Total Confirmed Adjustments to-date in 2012/13</b>	<b>53</b>

### Additional Variances

#### Positive Variances

Lower costs to-date on waste collection, recycling and street cleansing	-128
Staffing Costs - mainly National Insurance Contributions	-71
Grounds Maintenance - Insurance and Staffing costs lower	-47
Members allowances and Expenses	-42
Transfer of final Reserve Balance to SDDC re: Bretby Crematorium	-32
Income from Food Export Certificates	-25

Reduction in Financial Services Costs following transfer	-24
External Audit Fees	-20
Corporate Fees and Expenses	-19
Additional income from Building Regulations	-15
Additional Licensing Income	-13
IT Replacements (transferred to IT Reserve)	-13
Income from Cemeteries greater than estimated	-8
Other costs	-6
<b>Total - Positive Variances</b>	<b>-463</b>
<b>Adverse Variances</b>	
Reduction in Planning Fees	47
Greater maintenance and insurance costs on Transport and Plant	39
Lower Trade Waste Income	20
Reduction in Deposit Interest (see Treasury Section)	20
Cost of Homelessness	17
<b>Total - Adverse Variances</b>	<b>143</b>
<b>TOTAL - OVERALL PROJECTED VARIANCE</b>	<b>-267</b>

3.11 Many of the above variances have been known and previously reported. The on-going effects have been included in the updated MTFP reported to the Committee in January 2013.

3.12 The largest positive variance relates to lower costs in waste collection. As approved by the Committee in December 2012, savings identified in this service area have been reinvested into the new dry recyclables (kerbside collection) service from 2013/14.

3.13 The greatest adverse variance is on Planning Fees. During January 2013, there was limited activity and the overall variance could increase to approximately £100,000 by the year end.

3.14 The overall effect of the underspend will be to increase the level of the General Fund Reserve as at 31<sup>st</sup> March 2013. Based on these figures, the balance is now estimated at approximately £3.8m.

### Other Variances

3.15 Professional fees in Planning are also likely to underspend by approximately £40,000 in 2012/13. This is in addition to the variances highlighted above. However, it is likely that this amount will need to be transferred to the earmarked reserve set-aside for financing costs associated with the new Local Plan.

### Other Income Received

3.16 The table above shows the final balance of £32,000 received from the winding up of the Bretby Joint Crematorium Accounts in 2011/12. This is a one-off sum not specifically earmarked and will be transferred to General Reserves.

3.17 Under the lease arrangements for the café at Rosliston Forestry Centre, a sum of approximately £10,000 has been received. This is based on a percentage of annual turnover and will be transferred into the repairs and replacement fund to meet ad-hoc building works at the facility or to replace equipment.

### **Government Funding for Welfare Reform**

3.18 As previously reported sums of £84,000 and £13,421 have been received to implement the new Local Council Tax Support Scheme, together with wider benefit reform in 2012/13. These amounts have been used to pay for IT system changes and to employ additional temporary staff to implement the changes between January and May 2014.

3.19 Additional amounts are anticipated for 2013/14 and 2014/15.

### **Additional Costs**

3.20 Additional legal and professional fees that have been incurred by the Council as follows:

- Weston Hill Caravan Park - £14,000
- Vehicle and Operator Services Agency - £2,000
- Turbines Appeal - £20,000 (estimated maximum)

3.21 These costs will effectively be a charge against General Reserves.

3.22 In addition, the Council has received a legal challenge to the award of the Dry Recyclables (Kerbside Collection) Contract; this is currently in its early stages.

### **Contingent Sums**

3.23 The Revised budget continues to include the following contingent sums totaling approximately £300,000

- |   |         |
|---|---------|
| • Pay and Grading - additional on-going resources         | 130,000 |
| • Provision for Inflation and General Growth              | 100,000 |
| • Waste Collection - Provision for Growth of the District | 70,000  |

3.24 Over recent years, there has been only a limited need to draw on these sums. Clearly, the additional resources for the new local pay model depend on implementation of the pay and grading review.

3.25 It is likely that there will now be a limited requirement to drawdown these amounts; this will increase the General Reserve balance to in excess of £4m by 31<sup>st</sup> March 2013.

## **Other Provisions and Reserves**

- 3.26 The Council has a series of earmarked reserves and balances which are used to defray expenditure over a number of years, or to meet one-off/ad-hoc costs not provided in day to day budgets. A detailed analysis of these sums is included in **Appendix 5**. This shows the balance brought forward on each reserve and the estimated movement during 2012/13.
- 3.27 In addition, a separate provision of £205,000 was set-aside in the Council's accounts in 2011/12 to meet the potential clawback of Housing Benefit Subsidy by the DWP for 2010/11, pending the final audited claim. The actual clawback is now estimated at approximately £130,000 following audit testing.
- 3.28 When this is confirmed, the balance of the Provision can be transferred back to General Reserves. The Subsidy claim for 2011/12 has also been subject to initial testing and this has identified a small potential clawback of £4,000.

## **HOUSING REVENUE ACCOUNT (HRA)**

- 3.29 The Council is required to account separately for income and expenditure in providing Council Housing.
- 3.30 2012/13 is the first year under the self-financing framework which was introduced in April 2013. The approved HRA Budget was set with a small surplus of £30,346. Performance on the HRA is detailed in **Appendix 4**.
- 3.31 This shows that the HRA is now estimated to achieve a surplus in the year of £383,298. The main variances to-date is in staffing (vacant posts) and external support costs, rental income, together with responsive repairs and planned maintenance.
- 3.32 The projected underspend on the overall repairs budget is approximately £240,000 (7.5%). This follows the pattern of recent years. It is proposed to reduce future budgets by £100,000 per year due to the recent and planned capital investment in the housing stock.
- 3.33 In addition, rent income is projected to be greater compared to budget, due to empty properties being relet at Formula Rent during the year.

## CAPITAL EXPENDITURE and FINANCING 2012/13

3.34 Progress to-date is summarised in the table below.

<u>Capital Spending Compared to the Budget as at December 2012</u>	Approved Budget 2012/13 £	Actual @ Dec 2012 £
Council House Improvements	4,351,219	2,060,920
Private Sector Housing and DFGs	879,000	296,398
Leisure and Community Development	2,150,731	344,287
Environmental Schemes	89,000	30,781
Property Maintenance	106,794	25,000
	<b>7,576,744</b>	<b>2,757,386</b>

**Note:** The Budget for DFGs includes £1/2m provision for the Council's own housing stock funded from HRA capital.

### Council House Improvements

3.35 Under self-financing, the capital programme for 2012/13 has increased significantly compared to previous years. The Committee approved the programmed spend during the last Budget Round and this was updated in October 2012.

3.36 The increased programme has meant that some existing contracts have been re-negotiated (where allowable) whilst additional spend in several other areas is currently subject to the procurement process.

3.37 In addition, a procurement review has just been completed by the Council's External Auditors. This was to advise the Council on the best service delivery framework for delivering this investment. The review is due to report by the end of February 2013 and the outcome will be reported to the Committee.

3.38 These factors mean that there will be a delay in spending in this financial year, although this should not affect the overall 5 year programme.

### Private Sector Housing Renewal

3.39 This includes a budget of £60,000 to undertake the Strategic Housing Market Assessment. This is likely to slip into 2013/14.

### Leisure and Community Development

3.40 An update on progress on the main schemes is summarised in the following sections.



## **Green Bank Leisure Centre**

- 3.41 Following the successful wet side changing accommodation project an application was made to Sport England for £150,000 towards further refurbishment works. This application has now been successful.
- 3.42 This grant will support a £499,000 package of works which will include refurbishment of public areas and provision of exercise studio space. The Procurement Framework is being finalised.
- 3.43 A further issue for determination on the Green Bank works is to settle on the compensation figure for the loss of income during the completed and future refurbishment works. The Council is responsible for this compensation payment and historical usage patterns are being used to agree a figure.

## **Etwall Leisure Centre**

- 3.44 The project to install a full size Artificial Grass Pitch is now progressing following a successful application to the Football Foundation. The cost is £491,000 with £239,000 from the Football Foundation - John Port School and the District Council each providing £100,000 with the Centre's sinking fund and Hilton Harriers providing the balance. It is envisaged that works will be complete in April with full community use the following month.
- 3.45 In terms of further developments at the Centre an initial application to the Sport England Inspired Facilities Fund has not been successful.
- 3.46 This would have enabled a £277,000 package to create a dedicated dance studio, increased size of the current fitness studio and provide 3 refurbished and floodlit tennis/netball courts. Over £200,000 has already been confirmed to this project from the Council, Active Nation and others and consideration is being given to a revised bid to the Inspired Facilities Fund.

## **Rosliston Forestry Centre**

- 3.47 The return of tenders to build toilet facilities adjacent to the 'Glade in the Forest Arena' is imminent with a completion date in early spring anticipated. In addition, Derbyshire County Council Aiming High funds of £87,710 have been secured for improving facilities and opportunities for young disabled users. The total project spend will be £193,000.

## **Eureka Park**

- 3.48 The Project is to restore and repair the heritage features of Eureka Park and deliver a community engagement programme for which a successful Heritage Lottery Fund application has received £547,316 towards a scheme with a total value of £828,830. This includes revenue funding for a Community Engagement post.

## **Melbourne Sporting Partnership (MSP)**

- 3.49 This £2.5m multi sports club project has been enhanced with the provision of £250,000 from Derbyshire County Council and £50,000 from Sport England so that work can begin on drainage works to provide quality football, rugby and cricket playing areas and a pavilion. Further applications for funds in excess of £400,000 are being developed with the Football Foundation and Rugby Football Union. A further application will be made in April to the Sport England Inspired Facilities Fund.

## **Melbourne Leisure Centre**

- 3.50 An initial lease for the Centre now known as Melbourne Assembly Rooms has been transferred to Melbourne Community Group who is developing funding bids with a view to enhancing and developing the facility for increased community use. Discussions are underway in relation to a longer lease that would support additional grant applications where a long lease is a pre-requisite.

## **Gresley Old Hall**

- 3.51 The refurbishment of the grounds and outdoor recreational facilities at the Hall has almost been completed, including the successful relocation of the bowls pavilion from Maurice Lea Memorial Park to the Old Hall site. The capital works have cost £480,000 to date, which were funded from a developer contribution.

## **Hilton Village Hall**

- 3.52 Phase one of the extensions to Hilton Village hall commenced in December 2012. Footings are in and brickwork has commenced although snow has delayed progress slightly. Nevertheless it is still anticipated that works will be complete in April 2013 thereby utilising all outstanding Growth Point funding for the project.

## **Rosliston Business Units**

- 3.53 The adjudicator found in favor of the Council with regard to claims from the building contractor. Attempts are now being made to settle all accounts with the building contractor according to the adjudicator's decision. This in turn will enable settling of accounts with the contract administrator and completion of some associated minor works with any remaining budget.

## **Capital Receipts**

- 3.54 With the implementation of the self-financing framework, Council policy is to reinvest all receipts (after the 75% pooling payment to Government) from the sale of council houses into the housing stock.
- 3.55 Under the Government's model for the debt settlement, it was assumed that a certain level (or target) of council house sales would continue each year and this was reflected in the Council's debt take-on.

3.56 This was set at an average of 9 sales over the 30 year settlement period, with 5 being the target for 2012/13. Once this target is reached, further sales trigger a separate pooling calculation which is designed to ensure a greater proportion of capital receipts can be retained locally to be reinvested in New Build Expenditure.

### **Government Guarantee**

3.57 As previously reported, the Council entered into an Agreement with the Government to enable it to retain these receipts. The pooling mechanism calculates, after allowing an amount for the debt associated with each unit sold, a net figure that is retained and that must be spent on New Build within 3 years of its receipt.

3.58 These receipts are known as **1-4-1 receipts**. All 1-4-1 receipts calculated in each financial quarter can only be used as a contribution to total expenditure equating to no more than 30%.

3.59 For example, if 1-4-1 receipts totaled £15,000 in the quarter ending December 2012, this would mean that the Required Amount of New Build Expenditure would be £50,000 by December 2015.

3.60 Expenditure can be greater than £50,000 in total, although clearly the difference between the allocated 1-4-1 receipts and the total expenditure will need to be funded from other resources.

3.61 However, if the Required Amount is not spent within 3 years, then the Council would need to repay the additional receipts retained back to the Treasury with interest added.

3.62 The Housing and Community Services Committee considered options for delivering New Build in October. (<http://cmis.south-derbys.gov.uk/CmisWebPublic/Binary.ashx?Document=14175>)

3.63 Work is now in progress to produce a fully detailed and costed plan which the Committee will be requested to consider later in 2013.

### **Council House Sales to-date**

3.64 As at 31st December 2013, 10 sales were completed. An analysis of the receipts and how they have been allocated under the pooling mechanism is shown in the following tables.

<b>ANALYSIS OF COUNCIL HOUSE SALES 2012 / 13</b>		<b>£</b>
Receipts Received		575,720
Less Allowable Costs		-13,000
Less Allowable Debt		-344,173
<b>Amount subject to Share</b>		<b>218,547</b>
<b>Split</b>		
SDDC Share		60,581
Treasury Share (Pooling Payment)		145,294
Initially Retained 1-4-1 Receipts		12,672
		<b>218,547</b>
<b>Required Amount of New Build Expenditure by September 2015</b>		42,240
<b>Cash Retained</b>		
For General Reinvestment		73,581
To Repay Debt / Reinvestment (to be confirmed)		344,173
For New Build		12,672
		<b>430,426</b>
Add Pooling Payment		145,294
<b>Total Receipts Received</b>		<b>575,720</b>

- 3.65 The table shows that out of approximately £575,000 received to-date, £430,000 has been retained. Of this retained amount, £73,000 can be used at the discretion of the Council, with £12,672 being calculated as 1-4-1 receipts. This generates a required new build expenditure of £42,240 by September 2015. This is unchanged from the half-year situation.
- 3.66 An amount of £344,173 has also been retained. This represents the debt attributable to the units sold as calculated under the pooling mechanism. In principle, this should be set-aside to repay debt but there is no statutory requirement to do so.
- 3.67 It is recommended that utilisation of this amount is considered as part of the budget out-turn for the year when final figures are confirmed.

## **Land Sales**

- 3.68 Besides council house sales, the HRA could also retain all receipts from any sales of housing land (normally 50% is pooled). A outline strategy to meet Government regulations for retaining and reinvesting all proceeds was approved by the Committee in June 2012.
- 3.69 To retain all receipts from land sales, they must be reinvested in the provision of low cost affordable housing or the regeneration of un-used/derelict land. Detailed options are currently being considered, although proceeds could be used to supplement New Build, subject to the approval of the Council's External Auditor.
- 3.70 It is likely that some receipts from land sales will be generated during the final quarter of 2012/13.

## General Fund Receipts

- 3.71 No sales are currently anticipated in 2012/13, although the depot redevelopment project is on-going and will eventually generate a capital receipt for reinvestment in other non-housing projects.

## TREASURY MANAGEMENT

- 3.72 An analysis of the Council's borrowing and short-term investments/bank deposits is summarised in the tables, below. This shows the position at 31st January 2013. Debt outstanding is split between the HRA and the General Fund and this represents the "two pool" approach adopted for debt management with the implementation of self-financing.

Debt Outstanding - HRA	1/04/2012 £'000	31/12/12 £'000	Change £'000
Self-financing Debt (Average rate 2.7%)	57,423	57,423	0
Market Loan (4.875% fixed)	1,000	1,000	0
Transferred Assets (variable rate currently < 1%)	279	279	0
<b>Total Debt Outstanding - HRA</b>	<b>58,702</b>	<b>58,702</b>	<b>0</b>
Capital Financing Requirement	62,860	62,860	0
Debt Cap (Fixed on Self-Financing)	66,853	66,853	0
Borrowing Headroom (Cap Less Debt o/s)	8,151	8,151	0

Debt Outstanding - General Fund			
Actual Loans o/s	0	0	0
Capital Financing Requirement (CFR)	6,578	6,578	0
Borrowing Headroom (CFR Less Debt o/s)	6,578	6,578	0

Temporary Investments and Borrowings			
Temporary Bank and other Deposits	3,000	14,700	11,700
Less Parish Council Deposits	-113	-41	72
Temporary Debt	0	0	0
<b>Total - Short-term Cash Position</b>	<b>2,887</b>	<b>14,659</b>	<b>11,772</b>

Average Interest Rate Earned (Cumulative)	0.74%	0.32%	-0.42%
Target - Average 7-Day Local Authority Rate	0.62%	0.48%	-0.14%

## Debt Outstanding

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

## Short-term Investments

- 3.74 As previously reported, the Council's lending list has become considerably constrained by the reduction in credit ratings of major financial institutions. The Council's deposits continue to remain safe and easily accessible with other local authorities and the Government's Debt Management Office (DMO).
- 3.75 The current amount on deposit of £14.7m is historically high. Although this follows the typical profile for this time of the financial year, it does reflect the current level of reserves, as summarised in the following table.

General Fund	£3.9m
HRA	£2.4m
Capital Receipts	£3.4m
Earmarked Reserves	£2.8m
Capital Grants	£1.7m
Cash Flow Position	£0.5m

- 3.76 The cash flow position includes the effect of collecting council tax and business rates over 10 months with payments out profiled over the full 12 month financial year. Consequently, this will reduce the positive cash flow over the final quarter.
- 3.77 In addition, some spending, for example on capital projects, is still to be incurred from within the above reserves, which has increased the level of funds on deposit.
- 3.78 The funds are currently invested as follows:

Government's Debt Management Office (DMO)	£7.0m	0.25%
Other Local Authorities	£5.0m	0.25%
High Street Banks	£2.7m	0.66%

- 3.79 The amounts with other local authorities and high street banks are the maximum allowed under the Investment Policy. The amount with the DMO has been in excess of the £10m limit during the last quarter.
- 3.80 However, due to the total amount of deposits and the restrictions on the current lending list, this limit has been temporary exceeded - the DMO being the safest form of investment regarding security and liquidity.
- 3.81 A proposal to permanently increase the DMO limit is part of the Treasury Management Strategy for 2013/14, which is subject to a separate report elsewhere on the Agenda.
- 3.82 The overall rate earned continues to be below the market average, although clearly the rates in both circumstances are extremely low.
- 3.83 Total interest earned to-date totals approximately £22,000. The estimate for the year is £50,000, although it is now projected to be in the region of £30,000.

## OTHER FINANCIAL INDICATORS

3.84 These are reported to monitor the efficiency of financial services. In addition, the collection rates are targets that form part of the Income Guarantee arrangement under the Corporate Services Partnership. The processing of benefit claims are also key performance indicators which are subject to default conditions if they are not achieved.

3.85 The indicators are detailed in the following table.

	Annual Volumes	2011/12 Actual	Yearly target	Actual Dec 2012	Actual Dec 2011	At Risk
<b>Collection Rates</b>						
Council Tax in-year Collection	£42.9m	97.90%	97.40%	86.3%	86.4%	No
Council Tax Arrears Collection	£4.1m	22.30%	26.70%	16.3%	18.7%	Yes
Business Rates Collection	£21.4m	97.10%	96.10%	86.2%	86.3%	No
Recovery of Housing Benefit Overpayments	£0.6m	31.50%	34.20%	22.7%	26.1%	Yes
Sundry Debtor Collection (incl. Arrears)	£4.5m	87.20%	82.60%	83.3%	83.7%	No
<b>Benefits Processing (Average Time)</b>						
New Claims	3,500	16 Days	18 Days	16 Days	15 Days	No
Change of Circumstances	19,000	7 Days	8 Days	19 Days	7 Days	No
<b>Financial Efficiency</b>						
Council Tax Base (number of dwellings)		32,313	32,494	32,581	32,204	No
Percentage of Invoices paid within 30-days	5,900	97.10%	97.50%	98.6%	96.6%	No
Percentage of Invoices paid within 10-days	5,900	74.40%	65.00%	80.6%	70.7%	No
Number of Payments made Electronically	49,600	91.30%	90.00%	93.5%	91.4%	No

3.86 Performance on council tax arrears collection and the recovery of housing benefit overpayments continue to be reviewed in order to improve performance. However, it is likely that these targets will not be achieved and the impact will be reviewed as part of the performance mechanism for 2013/14.

3.87 As regards benefits processing, the performance on change of circumstances has fallen well short of the target for this quarter. This has attracted a default penalty under the performance mechanism.

3.88 Due to system changes and the transfer of additional data from the DWP to improve future performance through data sharing, this is considered to be a temporary dip in performance; this is now back on track for the final quarter.

#### **4.0 Financial Implications**

4.1 As detailed in the report.

#### **5.0 Corporate Implications**

5.1 None directly

#### **6.0 Community Implications**

6.1 None directly

#### **7.0 Background Papers**

7.1 None