

Date: 18 June 2014

Dear Councillor,

Finance and Management Committee

A Meeting of the **Finance and Management Committee** will be held in the **Council Chamber (Special)**, on **Thursday, 26 June 2014 at 18:00**. You are requested to attend.

Yours faithfully,



Chief Executive

To:- **Conservative Group**

Councillor Watson (Chairman), Councillor Jones (Vice-Chairman) and Councillors Hewlett, Murray, Smith, Watson and Wheeler.

Labour Group

Councillors Bell, Rhind, Richards, Southerd, Taylor and Wilkins.

AGENDA

Open to Public and Press

- 1** Apologies and to note any substitutes 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** BUDGET OUT-TURN and FINANCIAL ACCOUNTS 2013/14 **3 - 31**
- 7** TREASURY MANAGEMENT ANNUAL REPORT 2013/14 **32 - 45**
- 8** LOCAL GOVERNMENT PENSION SCHEME 2014 – LOCAL DISCRETIONS **46 - 51**

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** LAND AT LINTON (Paragraph 3)
- 12** FACTORY PREMISES IN SWADLINCOTE (Paragraph 3)

REPORT TO:	FINANCE AND MANAGEMENT COMMITTEE (SPECIAL – FINAL ACCOUNTS)	AGENDA ITEM: 6
DATE OF MEETING:	26th JUNE 2014	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 accounts1314/final out-turn/budget out-turn report 2014
SUBJECT:	BUDGET OUT-TURN and FINANCIAL ACCOUNTS 2013/14	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 2013/14
- The Housing Revenue Account 2013/14
- Capital Expenditure and Financing 2013/14
- The Collection Fund 2013/14
- The Balance of Reserves and Provisions at 31st March 2014.

2.0 Purpose of Report

- 2.1 To detail the final out-turn position for 2013/14 on the Council's main revenue and capital accounts. The report also details the financial position on these accounts as at 31st March 2014 compared to that estimated in the Council's Medium-Term Financial Plan (MTFP).
- 2.2 This follows the provisional out-turn report considered by the Committee on 20th May 2014, which detailed the Council's indicative position including detailed figures and financial commentary.
- 2.3 This report confirms final figures (prior to External Audit) and provides an update where applicable.

Background

- 2.4 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 2013. In accordance with the Account and Audit Regulations, the accounts will be reported to the Committee after the audit has been completed.

- 2.5 The Auditor's detailed report will be considered by the Audit Committee on 24th September. The audited accounts along with the Auditor's Opinion will be reported at a meeting of this Committee on 25th September 2014.
- 2.6 This report summarises the 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 reserves, provisions and balances.
- 2.7 As reported to the Committee on 20th May, the Council's out-turn position was favourable compared to that budgeted. This report does not include all the detailed commentary previously reported, but does include the detailed accounts as appendices.
- 2.8 The only changes made are to update for the final position regarding Business Rates, Court Costs income and an increased provision for Housing Benefit Subsidy, all of which were subject to final accounts in May. The overall effect of the changes is favourable, compared to that reported in May.
- 2.9 The Collection Fund detail has been expanded to show a split between that relating to Council Tax and that relating to Business Rates, following the introduction of the Retention System for 2013/14. The Collection Fund also includes details of the Local Council Tax Support Scheme.
- 2.10 The Accounts have also been updated for reserve appropriations and contributions to bad debt provisions as approved in May. The May report is available at:

<http://south-derbys.cmis.uk.com/south-derbys/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/1789/Committee/367/Default.aspx>

- 2.11 This report is divided into the following sections:

- Section 3 – General Fund Revenue Account and Collection Fund 2013/14
 - Section 4 – Housing Revenue Account
 - Section 5 – Capital Expenditure and Financing
 - Section 6 – Reserves, Balances and Provisions
 - Section 7 – Local Council Tax Support Scheme 2013/14
-
- Appendix 1 - Environmental and Development Services Spend 2013/14
 - Appendix 2 – Housing and Community Services Spend 2013/14
 - Appendix 3 – Finance and Management Spend 2013/14
 - Appendix 4 – Summary of General Fund Variances 2013/14
 - Appendix 5 – Capital Expenditure and Financing 2013/14
 - Appendix 6 – Earmarked Reserves 2013/14
 - Appendix 7 – The Collection Fund 2013/14

3.0 GENERAL FUND REVENUE ACCOUNT

3.1 **Appendices 1 to 3** detail net spending at cost centre level across the 3 main Policy Committees. The appendices show the approved budget compared to the actual out-turn for 2013/14. The following changes have been made:

Increased provision for clawback of housing benefit subsidy following audit of 2012/13 claim	£47,860
Additional court costs reclaimed on Council Tax and Business Rates collection	£69,571
Net Reduction in Service Expenditure	£21,711

3.2 The provision made in the provisional accounts for subsidy was £36,912. This has been increased to £84,763, which is the maximum liability pending the Council providing further evidence and making representations to the DWP.

3.3 Following these changes, a summary of the final accounts is provided in the following tables.

Performance against Budget 2013/14 (by Committee)

Summary by Policy Committee	Original Budget £	Final Out-turn £	Variance £	Earmarked Reserves £	General Reserve £
Environmental and Development Services	5,699,575	5,330,704	-368,870	-10,288	-358,582
Housing and Community Services	3,682,208	3,423,766	-258,442	402	-258,844
Finance and Management	2,101,205	1,158,179	-943,026	-289,100	-653,926
TOTAL	11,482,988	9,912,649	-1,570,338	-298,986	-1,271,352

Performance against Budget 2013/14 (by Service)

Summary by Main Service Area	Original Budget £	Final Out-turn £	Variance £	Earmarked Reserves £	General Reserve £
Economic Development	351,672	315,699	-35,973	0	-35,973
Environmental Education	136,605	136,317	-288	-288	0
Environmental Services	812,001	751,739	-60,262	0	-60,262
Highways	28,090	9,703	-18,387	0	-18,387
Licensing and Land Charges	106,868	170,503	63,635	0	63,635
Planning	1,264,172	1,002,060	-262,112	-10,000	-252,112
Town Centre	79,677	127,446	47,769	0	47,769
Waste Collection & Street Cleansing	2,920,489	2,817,237	-103,252	0	-103,252
Community Development and Support	718,488	783,486	64,999	85,683	-20,684
Leisure and Recreational Activities	145,526	158,967	13,441	17,459	-4,017
Leisure Centres and Community Facilities	866,384	689,274	-177,110	-149,712	-27,398
Parks and Open Spaces	1,247,214	1,161,715	-85,499	56,972	-142,471
Private Sector Housing	704,597	630,324	-74,273	-10,000	-64,273

Central and Departmental Accounts	115,085	109,873	-5,212	0	-5,212
Concessionary Travel	3,224	-431	-3,655	0	-3,655
Corporate and Democratic Costs	1,010,369	867,375	-142,994	-10,850	-132,144
Electoral Registration	157,112	156,652	-460	-38,401	37,941
Payments to Parish Councils	311,182	323,034	11,852	0	11,852
Pension Deficit, Interest and Receipts	231,027	190,549	-40,478	-239,849	199,371
Property and Estates	-79,724	-520,290	-440,566	0	-440,566
Revenues and Benefits	352,930	31,417	-321,513	0	-321,513
TOTAL	11,482,987	9,912,649	-1,570,338	-298,986	-1,271,352

Overview of Service Spending

- 3.4 The above tables show that overall financial performance was better with a decrease in net expenditure compared to the Budget (after allowing for transfers between earmarked reserves) of £1,271,352. A reduction was expected as the year progressed as reported in monitoring statements.
- 3.5 The reduction represents 11% of the net budget on the General Fund. The main reasons for the overall decrease are detailed in **Appendix 4** and summarised in the following table.

	£'000
Depreciation and Capital Charges	-325
Approved Savings and Budget Changes	-455
Lower Employee Costs	-301
Additional Income	-546
Net Cost of Housing Benefits	-274
Other Budget Savings	-65
Additional Costs	695
	-1,271

Depreciation and Capital Charges

- 3.6 These are charged within services but are reversed out in the financing section of the General Fund, so that there is no effect on the bottom line; these are accounting charges which reflect the value of assets used in service provision in accordance with accounting standards.
- 3.7 The lower charge is due to revaluation gains on commercial units in the Town Centre following rent reviews.

Approved Savings and Budget Changes

- 3.8 These mainly relate to the Senior Management Restructure in May 2013, together with an increase in apportionment of central costs from the General Fund to the HRA.

Lower Employee Costs (Vacant Posts)

- 3.9 The overall budget saving in vacancies equates to approximately 10 vacant posts (about 3% of the establishment) on average in the year.

Additional Income

- 3.10 The total increase equates to 12% of the total income received from fees, charges, rents and other levies.

Net Cost of Housing Benefits

- 3.11 The variance equates to 1.5% of the total cost of benefits paid out.

Additional Costs

- 3.12 This Includes provisions made for the refund of Personal Searches and a Planning Appeal, subsidy clawback, together with some voluntary redundancy costs.

Transfers to/from Earmarked Reserves

- 3.13 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. These are detailed in the following table.

Heritage Grants - Funding to be carried forward	£10,000
Community and Voluntary Grants - financed from reserves	-£100,069
Community and Sports Development - Partnership Contributions	£146,927
Drawdown of Section 106 funding for Grounds Maintenance	-£56,972
Housing Needs Survey	£10,000
Profit Share - Rosliston Forestry Centre - café	£10,850
Electoral Registration - EIR funding	£38,401
Net S106 developer contributions	£239,849
Total Adjustments - Earmarked Reserves	£298,986

red minus figures denote drawdown of reserve

- 3.14 These amounts are adjusted through reserve transfers as detailed in **Appendix 6**.

Financing

- 3.15 After bringing into account financing from government grants and accounting adjustments, the overall position on the General Fund is summarised in the following table.

SUMMARY GENERAL FUND 2013/14	Original Budget £	Actual £	Variance £
Net Service Expenditure	11,482,987	9,912,649	-1,570,338
Reverse out Depreciation and Asset Adjs.	-689,023	-363,468	325,555
Minimum Revenue Provision	250,000	252,600	2,600
Voluntary Provision for Green Bins	0	55,335	55,335
Contingent Sums	377,538	0	-377,538
Net Revenue Spending	11,421,502	9,857,116	-1,564,386
Financing			
Revenue Support Grant	-3,363,237	-3,380,479	-17,242
Share of Retained Business Rates	-2,204,773	-2,300,642	-95,869
New Homes Bonus	-1,347,000	-1,365,687	-18,687
Council Tax Support Scheme (Transitional Grant)	-14,053	-14,053	0
Grant Earmarked for Homelessness Prevention	64,080	0	-64,080
Payment to Parish Councils - Share of CTSG	37,563	43,627	6,064
Welfare Reform Grant and New Burdens Grant	0	-132,518	-132,518
Community Right to Bid Grant	0	-7,855	-7,855
Community Right to Challenge Grant	0	-8,547	-8,547
Publication of Property Records - Data Sharing	0	-7,131	-7,131
Council Tax Payers	-4,411,190	-4,411,190	0
Earmarked Reserves	-44,217	0	44,217
Total Financing	-11,282,827	-11,584,475	-301,648
Revenue Surplus for the Year	138,675	-1,727,359	-1,866,034

3.16 The only change from that reported in May is the increase in the Council's share of Retained Business Rates of £2,300,642. This is £96,000 greater than estimated as reported during the year. The detail is provided in the Collection Fund position later in this section.

3.17 The above summary shows that the overall surplus for 2013/14 on the General Fund is approximately £1.7m. This is after taking account of the additional housing benefit provision, together with the increase in retained Business Rates and compares to the provisional figure of £1.6m reported in May.

3.18 However, this is before the proposed transfer to earmarked reserves approved in May which relate to the Local Plan and Green Bank Leisure Centre.

3.19 The table shows that as projected, there was no requirement to use any of the contingent sums of £377,000. These were allowed for:

- Provision for Pay and Grading Review - £130,000
- Growth - £100,000
- Inflation - £147,000

3.20 In addition, the above table shows the additional grant for Welfare Reform used to finance changes to system expenditure for which is within the net cost of services and detailed in **Appendix 4**.

- 3.21 Some additional Revenue Support Grant (RSG) and New Homes Bonus were received, along with administrative grants for “community rights.” These amounts are being kept separate in an earmarked reserve pending any costs incurred by the Council. These reserves are detailed in **Appendix 6**.
- 3.22 The grant element of RSG earmarked for Homelessness Prevention was not required due to lower costs and other income received in the year. This amount will be maintained in the earmarked reserve for this service.

THE COLLECTION FUND

- 3.23 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.
- 3.24 To reflect a change in accounting regulations following the introduction of the Retained Business Rates system in 2013/14, the Fund is now effectively split between Council Tax and Business Rates.
- 3.25 As regards any surplus or deficit on the Council Tax element, this is transferred to the General Funds of the Preceptors in the following year, with the proportion for South Derbyshire being approximately 11.5%.
- 3.26 The surplus or deficit on the Business Rates part is adjusted at the year-end in question with any monies owing between the preceptors in the form of levies, safety nets and business relief grants, being reflected in the final account.
- 3.27 The final out-turn on the Fund for 2013/14 is detailed in **Appendix 7**.

Council Tax

- 3.28 This achieved a surplus for the year of £291k, broadly in line with £312k projected at the end of the 3rd quarter. Overall, this is better than estimated due to the increase in Council Tax collectable through a combination of:
- Increase in new properties
 - Greater income from empty properties
 - Lower costs of the Local Council Tax Support Scheme
- 3.29 The amount due to South Derbyshire is approximately £40,000 and this will be reviewed in the 2015/16 Budget Round.

Business Rates

- 3.30 The overall amount collected was lower than estimated. This was mainly due to the extension of the national Small Business Rate Relief Scheme during the year. Consequently, the Business Rate Account shows a deficit of £470k for 2013/14.

3.31 The Council's share (40%) of this is £188k. However, after adjusting for the Compensation Grant for the loss of income, the amount of retained rates before the payment of any Levy is £192,000 greater than estimated and which was included in the Council's financial settlement for 2013/14.

3.32 This is summarised in the following table.

	£'000
Share of Estimated Rates Received in Year	8,292
Less Tariff Payment in Retention System	-5,968
Add Section 31 Compensation Grant	261
Less Share of Collection Fund Deficit	-188
Retained Rates before Levy	2,397
Less Retained Rates in the Funding Formula	-2,205
Additional Net Rates Generated	192
Less Government Levy (50%)	-96
Additional Amount Retained by SDDC	96

Total Retained Business Rates 2013/14 2,301

3.33 After excluding the effects of all reliefs, there was in fact an increase in growth in rates of £192k compared to that estimated and included in the Retention System and Funding Formula.

3.34 Under the Retention System, 50% of this growth is repaid to the Government in the form of a Levy, but the Council is still £96k better than estimated.

Local Council Tax Support Scheme

3.35 Figures for the year are summarised in the following table.

	Estimate	Actual	Variance
Total Amount of Local Council Tax Support Awarded	£4,919,899	£4,656,367	-£263,532
Number of Cases	6,200	5,941	-259
Amount of Extended Payments for 8 weeks	£13,000	£23,424	£10,424
Income from Empty Properties after 3 months	£188,000	£269,506	£81,506
Number of Empty Properties subject to 50% Premium	85	88	3
Additional Council Tax raised from the Premium	£45,900	£55,356	£9,456
Number of Cases subject to 8.5% and 10% reduction(**)	2,000	1,737	-263
Council Tax payable on the above	£185,000	£167,379	-£17,621
Collection Rate on the above	60%	70%	10%
Number of DHP cases awarded	160	303	143
Total Amount awarded	£102,320	£100,989	-£1,331

** Claimants paying some Council Tax for the first time

- 3.36 As previously reported the overall cost of the scheme was less than estimated with the number of claimants falling below 6,000. The volatility, a major risk associated with the local scheme, was not as great as expected with the volume and amount of claims remaining fairly consistent.
- 3.37 This is also the case with those claimants making a contribution to Council Tax for the first time. The total number of claimants slightly during the year with a reduction in the associated amount claimed. The collection rate for this amount was 70% for the year.

Discretionary Housing Payments (DHP)

- 3.38 The policy was strictly applied to remain within the overall allocation for the year.

4.0 HOUSING REVENUE ACCOUNT

- 4.1 The approved HRA Budget for 2013/14 was set with a deficit to finance from reserves of £91,590. Following the updated MTFP approved by the Committee in February, this deficit was increased to £572,469, due to the change in accounting methodology for housing rents and the revised apportionment of costs between the General Fund and the HRA.

Final Out-turn 2013/14

- 4.2 Final performance on the HRA is shown in the following table and has not changed from that reported in May.

HRA - Out-turn 2013/14	Revised Estimate £	Actual £	Variance £
Rents	11,802,050	11,762,065	-39,985
Rechargeable Repairs	21,000	2,125	-18,875
TOTAL INCOME	11,823,050	11,764,190	-58,860
Housing Repairs	3,261,085	2,698,275	-562,810
Management and Support Costs	1,515,606	1,390,349	-125,257
Managing Tenancies	38,310	24,191	-14,119
Supported Housing	395,841	330,302	-65,539
Provision for Bad Debts	20,000	67,216	47,216
Capital Charges - Historic Debt	51,872	48,528	-3,344
Depreciation	2,851,007	3,602,312	751,305
Interest on Self-Financing Debt	1,562,805	1,569,795	6,990
Capital Expenditure Requirement	5,500,000	5,500,000	0
Provision for Capital Salaries	50,000	0	-50,000
TOTAL EXPENDITURE	15,246,526	15,230,968	-15,558
HRA NET EXPENDITURE	3,423,476	3,466,778	43,302
Less Depreciation reversed out	-2,851,007	-3,602,312	-751,305
HRA Surplus (-) / Deficit	572,469	-135,534	-708,003

- 4.3 The table shows that the HRA achieved an overall surplus of £135,534, mainly due to slippage on the Planned Maintenance Programme, as expected. There were lower staffing (vacancies), IT, equipment and office accommodation costs, as anticipated.
- 4.4 In addition, there were lower central and support costs (£60,000) allocated into the HRA as the relevant proportion of General Fund savings in these areas are reflected in the HRA.
- 4.5 As expected, rental income was lower compared to that estimated, mainly garage rents (£32,000) together with a higher number of council house sales (£8,000). There was also an increase in the Bad Debts provision for outstanding arrears as approved by the Committee in May.
- 4.6 Overall, the effect of the HRA surplus on the HRA's General Reserve is detailed in **Section 6**.

5.0 CAPITAL EXPENDITURE and FINANCING 2013/14

5.1 The final out-turn is detailed in **Appendix 5** with a summary in the following table.

Capital Investment: Final Out-turn 2013/14

Services	Budget £	Actual £	Variance £
Council House Improvements	5,653,094	4,665,963	-987,131
Private Sector Housing Renewal	613,583	693,237	79,654
Leisure and Community Schemes	3,599,409	680,485	-2,918,924
Environmental Development	20,000	33,429	13,429
Property and Equipment	1,544,161	1,493,917	-50,244
Total - Spending	11,430,247	7,567,031	-3,863,216

5.2 The table highlights that expenditure on schemes of approximately £3.9m 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 2014/15 to complete schemes.

5.3 The revised capital programme for council house improvements is now fully in progress. Following external funding being secured and relevant procurement having taken place, a number of the leisure schemes are now progressing.

Financing Capital Expenditure

5.4 The expenditure was financed as summarised in the following table.

Capital Financing: Final Out-turn 2013/14

Funding Source	Budget £	Actual £	Variance £
Government Grants	382,314	370,178	-12,136
External/Partnership Contributions	2,239,145	742,370	-1,496,775
Internal Borrowing	885,367	885,367	0
Council Reserves/Earmarked Funds	701,750	488,513	-213,237
Housing Capital Receipts	5,653,094	4,665,963	-987,131
General Capital Receipts	1,568,577	414,640	-1,153,937
Total - Financing	11,430,247	7,567,031	-3,863,216

5.5 The variance reflects expenditure outstanding and this will be drawn down as schemes are progressed and external funding secured

6.0 RESERVES, BALANCES AND PROVISIONS

Provisions

6.1 As approved, the following 4 provisions have been made in 2013/14 to cover identified liabilities in 2014/15.

- £85k for the clawback of housing benefit subsidy by the DWP relating to the 2012/13 claim.
- £104k for voluntary redundancy which was approved by the Council in March 2014 in relation to the restructures in Legal and Democratic Services, together with Land Charges.
- £100k relating to Local Land Charges for personal searches previously held as a contingent liability.
- £70k for an appeal against refusal for planning permission for houses.

General Fund Reserve

6.2 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 2014	Budget £	Actual £	Variance £
Balance b/fwd (1st April 2013)	4,372,356	4,372,356	0
Add: Surplus for the Year	260,372	1,727,359	1,466,987
Grants to Community Organisations (within revenue account)	-100,000	0	100,000
Contribution to the Vehicle Renewals Fund	-20,000	-20,000	0
Contribution to Capital Expenses	0	-23,747	-23,747
Proposed net transfer to Earmarked Reserves (per Appendix 6)	-21,000	-280,140	-259,140
Closing Balance as at 31st March 2014	4,491,728	5,775,828	1,284,100

6.3 The table shows that the level of general reserves is greater than estimated at March 2014 by approximately £1.2m. This is due to the better out-turn position as detailed in Section 3.

Earmarked Reserves

6.4 The Council maintains earmarked reserves that are held for specific purposes. These are to meet exceptional and one-off items of expenditure, together with areas where larger costs are incurred over several years (for example, Vehicle and IT replacements) and where external funding may be received in advance of expenditure.

- 6.5 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.
- 6.6 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.
- 6.7 The Council's earmarked reserves are detailed in **Appendix 6**. This shows the overall change on the balances during 2013/14, including the appropriations agreed by the Committee in May.

Housing Revenue Account Reserve

- 6.8 Section 4 detailed the budget out-turn of the HRA and this highlighted a surplus for 2013/14 of £135,000.
- 6.9 The HRA reserve balance totals £2.82m as at 31st March 2014, compared to an estimate of £2.11m as shown in the table below. However, within the variance of £708,000, approximately £500,000 will be carried forward to complete the on-going Planned Maintenance Programme

HRA GENERAL RESERVE 2013/14	Budget	Actual	Variance
Balance b/f	-2,686,082	-2,686,082	0
Surplus (-) / Deficit (as Section 4)	572,469	-135,534	-708,003
Balance c/f	-2,113,613	-2,821,616	-708,003

Major Repairs Reserve

- 6.10 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 2014 is shown in the following table.

Balance as at 1 st April 2013	£652,923
Add: Transfer from the HRA	£5,500,000
Less: Capital Expenditure 2013/14	£4,505,600
Balance as at 31st March 2014	£1,647,323

General Capital Receipts Reserve

- 6.11 The position on this reserve during 2013/14 is shown in the following table.

GENERAL CAPITAL RECEIPTS RESERVE 2013/14	Estimated £	Actual £	Variance £
Balance b/fwd 1st April 2013	2,808,111	2,808,111	0
Add - new receipts received	7,250	8,250	1,000
Less - Contribution to Vehicle Renewals Fund	-250,000	-250,000	0
Less - Amount required to Fund GFund Programme	-1,425,533	-358,706	1,066,827
Less - Amount required to Fund Private Sector Housing	-143,044	-55,934	87,110
Balance c/fwd 31st March 2014	996,784	2,151,721	1,154,937

- 6.12 The table shows this reserve is approximately £1.15m greater as at 31st March 2014 compared to that estimated. This is due to the slippage in respect of the leisure capital programme in particular and this amount will be carried forward into 2014/15 to match expenditure.

Housing Capital Receipts Reserve

- 6.13 This is the reserve that is being built up for investment in providing new council houses. All sale proceeds (net of any pooling payment) from existing council houses and HRA land are transferred to this reserve. The position on this reserve during 2013/14 is shown in the following table.

HOUSING CAPITAL RECEIPTS RESERVE 2013/14	Estimated £	Actual £	Variance £
Balance b/fwd 1st April 2013	708,052	708,052	0
Add - new receipts received	300,000	941,810	641,810
Less - amount pooled	-100,000	-294,176	-194,176
Less - costs incurred in New Build preparation	0	25,559	25,559
Balance c/fwd 31st March 2014	908,052	1,381,245	473,193

- 6.14 The table shows that the balance on the Reserve is higher than estimated at the end of the year. This is due to the number of council house sales, which totalled 17 compared to an estimate of 7. There was also one land sale of £70,000 included in the total receipts of £941,000.
- 6.15 Under the New Build Agreement with the Government, a greater share of HRA asset sales are retained locally and effectively, the proportion pooled reduces as more sales are generated. The costs incurred during the year were associated with land assembly, options appraisal and other preparation costs associated with the first phase of New Build.

Supported Housing Capital Reserve

- 6.16 An amount of £153,094 remained in this reserve at the end of the previous year, 2012/13. Expenditure of £134,830 was incurred in 2013/14 to complete a schedule of works to upgrade sheltered accommodation. The amount remaining will be utilised to fund some final works.

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 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

Budget Monitoring - March 2014

Environmental and Development

APPENDIX 1

£'s

		BUDGET			FORECAST		ANNUAL		RESERVES		COMMENTARY
		YTD ACTUAL	BUDGET	BUDGET OUTTURN	ADJUSTMENTS	PROJECTED OUTTURN	BUDGET	PROJECTED VARIANCE	EARMARKED	GF	
PSX90	Transport Services	0	0	0		0	0	0		0	
Central & Departmental Accounts		0	0	0	0	0	0	0	0	0	
CCF00	Tourism Policy, Marketing & Development	56,322	0	56,322		56,322	56,447	125		125	
CPH70	Promotion and Marketing of the Area	259,377	0	259,377		259,377	295,225	35,848		35,848	£10k unbudgeted income, £18k saving on restructure, £6k Fav comp maintenance, £2k fav on recharges
Economic Development		315,699	0	315,699	0	315,699	351,672	35,973	0	35,973	
CPE10	Environmental Education	136,317	0	136,317		136,317	136,605	288	288		
Environmental Education		136,317	0	136,317	0	136,317	136,605	288	288	0	
CEE00	Food Safety	203,227	0	203,227		203,227	223,144	19,917		19,917	£21k additional licencing income, £4k fav recharges, £6k adv additional contractor costs
CEE10	Pollution Reduction	318,500	0	318,500		318,500	337,798	19,298		19,298	£6k fav salary, £11k fav licencing fees, £7k fav recharges, £3k adv depreciation, £2k adv prof fees
CEE30	Health and Safety at Work	0	0	0		0	0	0		0	
CEE50	Pest Control	28,321	0	28,321		28,321	25,998	(2,323)		(2,323)	£1k fav recharges, £3k adv salary
CEE80	Public Conveniences	48,152	0	48,152		48,152	52,128	3,977		3,977	£2k fav depreciation, £5k fav r&m, £3k adv bus rates
CEH00	Community Safety (Safety Services)	153,430	0	153,430		153,430	171,320	17,890		17,890	£10k fav salaries due to vacancy, £4k fav prof fees - reduction in stray dogs, £3k fav recharges
KGW00	Welfare Services	109	0	109		109	1,612	1,503		1,503	
Environmental Services		751,739	0	751,739	0	751,739	812,001	60,262	0	60,262	
HTK10	Environmental Maintenance (Other Roads)	(13,915)	0	(13,915)		(13,915)	(1,679)	12,237		12,237	Professional fees lower than expected
NAC60	Public Transport	23,618	0	23,618		23,618	29,769	6,151		6,151	£5k fav on r&m, £1k fav contract cleaning
Highways		9,703	0	9,703	0	9,703	28,090	18,387	0	18,387	
ACL00	Local Land Charges	177,808	0	177,808		177,808	69,180	(108,628)		(108,628)	£100k adv prov for refund of personal searches, £32k adv redundancy prov, £16k fav fees, £4k fav recharges, £3k fav comp maintenance, £1k fav insurance
CEE70	Licensing	(7,305)	0	(7,305)		(7,305)	37,688	44,993		44,993	Fav £35k due to vacancy/mat leave, £19k fav fees, £5k fav recharges, £10k adv agency, £3k adv prof fees
Licensing and Land Charges		170,503	0	170,503	0	170,503	106,868	(63,635)	0	(63,635)	
ACG00	Emergency Planning and Works	1,091	0	1,091		1,091	537	(554)		(554)	
CCA20	Heritage	12,872	0	12,872		12,872	24,040	11,168	10,000	1,168	Heritage sub Committee approval for £10k earmarked reserves. £1k fav essential user
CPB00	Building Regulations	102,489	0	102,489		102,489	140,377	37,888		37,888	£14k fav fee income, £21k fav recharges, £4k fav salary, £3k fav microfilming, £1k adv agency, £3k adv training (restructure)
CPB10	Building Control Enforcement	68,574	0	68,574		68,574	74,872	6,298		6,298	£3k fav comp maintenance, £2k fav salary, £1k fav other

Budget Monitoring - March 2014

Environmental and Development

APPENDIX 1

£'s

		BUDGET			FORECAST		ANNUAL		RESERVES		COMMENTARY
		YTD ACTUAL	BUDGET	BUDGET OUTTURN	ADJUSTMENTS	PROJECTED OUTTURN	BUDGET	PROJECTED VARIANCE	EARMARKED	GF	
CPB20	Other Building Control Work	20,650	0	20,650		20,650	41,156	20,506		20,506	<p>£4k fav salaries, £5k prof fees and £11k fee income</p> <p>£6k adv comp maintenance, £3k fav essential user Favourable £33k salaries due to vacancy & mat leave, £21k fav recharges, £157k fav planning apps, adverse £11k ex-gratia payments and £70k prov for appeal, other small var £3k adv</p> <p>Salary underspend £10k and £2k fav recharges £53k fav on salary costs due to vacancy & mat leave, which is covering professional fees (£36k), £8k fav recharges, £27k fav prof fees</p> <p>£43k adv impairment of assets, £4k fav grounds maint, £9k adv fee income</p> <p>£9k fav vehicle hire, £11k fav income, £9k fav furniture, salaries £20k fav salary, £3k fav recharges, £6k fav depreciation, £43k adv prof fees</p> <p>£53k fav salaries, £28k fav materials, £39k fav tpp costs, £43k fav recharges, £25k fav depreciation, £115k adv agency, £19k adv hire of vehicles, £45k adv fees</p> <p>£36k fav fees, £9k fav tpp costs and materials £6k fav agency, £7k fav prof fees, £7k fav materials, £5k fav recharges, £65k fav income, £18k adv salary, £39k adv waste management</p>
CPC00	Development Control Advice	18,860	0	18,860		18,860	16,316	(2,544)		(2,544)	
CPC10	Dealing with Development Control Applications	166,294	0	166,294		166,294	292,976	126,682		126,682	
CPC20	Development Control Enforcement	131,585	0	131,585		131,585	143,889	12,304		12,304	
CPD10	Structure and Local Planning	479,645	0	479,645		479,645	530,007	50,362		50,362	
Planning		1,002,060	0	1,002,060	0	1,002,060	1,264,172	262,112	10,000	252,112	
HTP10	Off-Street Parking	127,446	0	127,446		127,446	79,677	(47,769)		(47,769)	
Town Centre		127,446	0	127,446	0	127,446	79,677	(47,769)	0	(47,769)	
CEE60	Public Health	(731)	0	(731)		(731)	446	1,178		1,178	
CES00	Street Cleansing (not chargeable to highways)	401,816	0	401,816		401,816	417,313	15,497		15,497	
CEW00	Household Waste Collection	2,225,017	0	2,225,017		2,225,017	2,233,673	8,656		8,656	
CEW10	Trade Waste Collection	(122,288)	0	(122,288)		(122,288)	(77,605)	44,683		44,683	
CEW20	Recycling	313,423	0	313,423		313,423	346,662	33,239		33,239	
Waste Collection & Street Cleansing		2,817,237	0	2,817,237	0	2,817,237	2,920,489	103,252	0	103,252	
		5,330,704	0	5,330,704	0	5,330,704	5,699,575	368,870	10,288	358,582	

Budget Monitoring - March 2014

Housing & Community

APPENDIX 2

£'s	BUDGET			FORECAST		ANNUAL		RESERVES		COMMENTARY
	YTD ACTUAL	BUDGET	BUDGET OUTTURN	ADJUSTMENTS	PROJECTED OUTTURN	BUDGET	PROJECTED VARIANCE	EARMARKED	GF	
ACT00 General Grants, Bequests & Donations	378,876	0	378,876		378,876	282,966	(95,910)	(100,069)	4,159	£1k fav recharges, £3k fav salary (reserve drawdown for grants)
CCD00 Community Centres	51,438	0	51,438		51,438	54,562	3,124		3,124	£1k fav electricity, £3k fav recharges
CEG00 Community Safety (Crime Reduction)	273,702	0	273,702		273,702	288,088	14,386	14,386		
CEK00 Defences Against Flooding	47,286	0	47,286		47,286	49,594	2,308		2,308	
CPH20 Market Undertakings	(13,768)	0	(13,768)		(13,768)	(62)	13,705		13,705	£10k increase in market income, £3k decrease in Business Rates
CPL00 Community Development	40,364	0	40,364		40,364	35,818	(4,546)		(4,546)	Adverse salaries £1k, prof fees £2k, £3k training and £2k insurance, favourable subscriptions £1k and tools £1k
CCF10 Village Halls	5,588	0	5,588		5,588	7,522	1,934		1,934	R&M saving
Community Development and Support	783,486	0	783,486	0	783,486	718,488	(64,999)	(85,683)	20,684	
CCA10 Arts Development & Support	52,595	0	52,595		52,595	35,136	(17,459)	(17,459)	0	
CCA40 Festival of Leisure	44,791	0	44,791		44,791	47,857	3,066		3,066	£1k fav recharges, £2k fav salary
CCA30 Christmas Lights	61,581	0	61,581		61,581	62,533	952		952	
Leisure and Recreational Activities	158,967	0	158,967	0	158,967	145,526	(13,441)	(17,459)	4,017	
CCD20 Sports Development & Community Recreation	247,769	0	247,769		247,769	265,245	17,475	17,475		
CCD30 Indoor Sports & Recreation Facilities	447,938	0	447,938		447,938	472,016	24,077		24,077	£21k fav r&m, £2k fav utilities, £5k fav depreciation, £2k fav income, £4k adv tpp, £2k adv t&e
CCD40 Outdoor Sports & Recreation Facilities (SSP)	(88,539)	0	(88,539)		(88,539)	39,691	128,230	128,230		
CCA00 Melbourne Leisure Centre	(2,522)	0	(2,522)		(2,522)	799	3,321		3,321	Accrual released from YE
CCD10 Get Active in the Forest	32,895	0	32,895		32,895	36,493	3,598	3,598		
CCD50 Playschemes	51,733	0	51,733		51,733	52,141	408	408		
Leisure Centres and Community Facilities	689,274	0	689,274	0	689,274	866,384	177,110	149,712	27,398	
CCE00 Ground Maintenance	602,269	0	602,269		602,269	729,793	127,524		127,524	£29k inc income DCL, £25k fav fees for golf course & Parishes, £3k fav GM non contract, £30k fav recharges, £8k fav depreciation, £2k fav insurance, £9k salaries due to vacancy, £11k fav t&e, and £6k fav materials, £4k fav R&M
CCE10 Countryside Recreation & Management	15,115	0	15,115		15,115	18,538	3,423		3,423	
CCE20 Allotments	(849)	0	(849)		(849)	(138)	711		711	Fav grounds maintenance
CCF20 Rosliston Forestry Centre	148,945	0	148,945		148,945	178,245	29,300		29,300	£26k fav revaluation gain, £3k fav recharges £34k adv redundancy prov, £6k fav fees, £2k fav recharges, £2k fav salary, £5k fav r&m
CEA00 Cemeteries	71,990	0	71,990		71,990	53,170	(18,820)		(18,820)	
CEA30 Closed Churchyards	4,246	0	4,246		4,246	4,578	332		332	
KJE70 Community Parks & Open Spaces	320,000	0	320,000		320,000	263,028	(56,972)	(56,972)		Drawdown from commuted sum
Parks and Open Spaces	1,161,715	0	1,161,715	0	1,161,715	1,247,214	85,499	(56,972)	142,471	
CEE20 Housing Standards	130,150	0	130,150		130,150	125,857	(4,293)		(4,293)	£8k adv salary, £2k fav recharges, £2k fav prof fees £28k fav salary due to vacancy, £4k fav subscriptions, £1k fav recharges, £3k other small var (reserves: £10k housing needs study c/fwd)
KGA00 Housing Strategy	76,920	0	76,920		76,920	123,273	46,353	10,000	36,353	
KGD00 Housing Advice	99,923	0	99,923		99,923	88,918	(11,005)		(11,005)	£5k adv public lib, £3k fav salary, £3k other small var £6k adv salaries, £3k fav recharges, £15k fav tpp, £1k fav prof fees
KGE10 Administration of Renovation & Improvement Grants	127,988	0	127,988		127,988	142,606	14,618		14,618	
KGH10 Bed / Breakfast Accommodation	(111)	0	(111)		(111)	16,326	16,438		16,438	Income offset costs

Budget Monitoring - March 2014

Housing & Community

APPENDIX 2

£'s

	BUDGET			FORECAST		ANNUAL		RESERVES		COMMENTARY
	YTD ACTUAL	BUDGET	BUDGET OUTTURN	ADJUSTMENTS	PROJECTED OUTTURN	BUDGET	PROJECTED VARIANCE	EARMARKED	GF	
KGH40 Homelessness Administration	192,827	0	192,827		192,827	204,990	12,163		12,163	£36k fav salary costs due to vacancy, £26k unbudgeted income from DCC, £7k fav recharges, £4k fav misc expenses, £3k other small var, £64k adv due to income being rec'd through RSG
KGT00 Travellers' Sites	2,626	0	2,626		2,626	2,626	0		0	
Private Sector Housing	630,324	0	630,324	0	630,324	704,597	74,273	10,000	64,273	
	3,423,766	0	3,423,766	0	3,423,766	3,682,208	258,442	(402)	258,844	

Budget Monitoring - March 2014

Finance & Management

APPENDIX 3

£'s

BUDGET			FORECAST		ANNUAL		RESERVES		COMMENTARY
YTD ACTUAL	BUDGET	BUDGET OUTTURN	ADJUSTMENT S	PROJECTED OUTTURN	BUDGET	PROJECTED VARIANCE	EARMARKED	GF	
0	0	0		0	0	0		0	£106k saving on restructure, £4k adv add duties, £2k insurance costs and £8k prof fees (Env Transistion costs) (adj profiling)
0	0	0		0	(0)	(0)		(0)	
0	0	0		0	(0)	(0)		(0)	Fav £12k salaries due to vacancy, maternity & sickness £3k fav on tools, £2k fav periodicals, £9k adv prof fees, £9k adv Agresso main unaccrued in 12/13, £5k bespoke support Unit 4 unbudgeted (ajd correct outturn)
0	0	0		0	0	0		0	
0	0	0		0	0	(0)		(0)	Bank charges lower than budget (adj electronic payments)
0	0	0		0	(0)	(0)		(0)	Internet £17k adv, Prof Fees 13K, 19k Adv R & M ,19K adv Software, £32k saving in Microsoft Licences
0	0	0		0	(0)	(0)		(0)	Salary overspend (£8 unbudgeted additional duties payments)
0	0	0		0	(0)	(0)		(0)	Adverse £5k adv prof fees (Solicitor costs for Payroll transition) and £2k licences (Skillbites), Favourable
0	0	0		0	0	0		0	£35k on training
0	0	0		0	0	0		0	(adj Profiling)
0	0	0		0	0	0		0	Medical fees & training
(1)	0	(1)		(1)	(0)	0		0	Favourable £28k rent from DCC, £9k utilities and £4k tools, adverse r&m £16k, salaries £4k, £3k refuse collection and £2k fees other (Adj: 82% income from PSX85 plus outturn accuracy)
0	0	0		0	0	0		0	£22k adv procurement savings invoice, 4K adv training
0	0	0		0	0	0		0	Access Agreement
0	0	0		0	0	0		0	(Adj: Recharge to Northgate)
109,874	0	109,874		109,874	115,085	5,212		5,212	Income to be received to offset exp
109,873	0	109,873	0	109,873	115,085	5,212	0	5,212	£10k fav recharges, £5k adv salary
(431)	0	(431)		(431)	3,224	3,655		3,655	No Stationery costs
(431)	0	(431)	0	(431)	3,224	3,655	0	3,655	
570,909	0	570,909		570,909	715,022	144,112		144,112	Adv £15k superan & NI members unbudgeted, £38k adv redundancy prov, £8k fav vehicle costs, £10k fav car allow & public transport, £6k fav catering, £6k fav members allow, £15k fav other member costs, £42k fav salary due to vacancies, £8 fav recharges, £55k fav HRA recharge, £8k DCC forum income unbudgeted, £31k restructure saving, £6k fav depreciation, £4k fav other small var
84,164	0	84,164		84,164	93,383	9,220		9,220	District Valuer fees saving
81,348	0	81,348		81,348	70,539	(10,809)	10,850	(21,659)	£9k fav audit comm repayment, £10k fav external Audit fees, £8k adv subs to FID, £12k adv insurance, £20k adv HRA recharge, £1k adv write off of mortgage (reserves: turnover rent)
130,954	0	130,954		130,954	131,425	471		471	
867,375	0	867,375	0	867,375	1,010,369	142,994	10,850	132,144	

APPENDIX 3

£'s

BUDGET			FORECAST		ANNUAL		RESERVES		COMMENTARY
YTD ACTUAL	BUDGET	BUDGET OUTTURN	ADJUSTMENTS	PROJECTED OUTTURN	BUDGET	PROJECTED VARIANCE	EARMARKED	GF	
23,496	0	23,496		23,496	20,142	(3,355)	6,330	(9,685)	£11k fav printing & postage, £2k fav sale of publications, £23k adv election wages (Earmarked: IERP funding) £29k adv unbudgeted post, £9k adv prot fees, £80k adv wages, £15k fav election fees, £69k fav fee income, £2k fav recharges, £2k fav other smaller var (Reserves: election reserve required)
133,155	0	133,155		133,155	136,970	3,815	32,071	(28,256)	
156,652	0	156,652	0	156,652	157,112	460	38,401	(37,941)	
323,034	0	323,034		323,034	311,182	(11,852)		(11,852)	
323,034	0	323,034	0	323,034	311,182	(11,852)	0	(11,852)	2% increase unbudgeted, £5k adv due to payment of old expenses not accrued
247,039	0	247,039		247,039	232,037	(15,002)		(15,002)	£6k adv on pension prov, £9k adv on HRA recharge Provisions (Reserves: S106 earmarked) Fav interest rec'd Fav interest paid
126,966	0	126,966	81,944	208,910	20,000	(188,910)		(188,910)	
(239,849)	0	(239,849)		(239,849)	0	239,849	239,849	0	
(26,716)	0	(26,716)		(26,716)	(32,500)	(5,784)		(5,784)	
1,166	0	1,166		1,166	11,490	10,324		10,324	
108,605	0	108,605	81,944	190,549	231,027	40,478	239,849	(199,371)	
(520,290)	0	(520,290)		(520,290)	(79,724)	440,566		440,566	£9k fav agency, £10k fav rent payable, £9k fav business rates, £48k fav HRA recharge, £281k fav reval gain, £6k fav additional conveyancing, £7k fav agency, £17k fav VO fees, £54k fav rental income
(520,290)	0	(520,290)	0	(520,290)	(79,724)	440,566	0	440,566	
164,897	0	164,897	(244,645)	(79,748)	(1,546)	78,202		78,202	Court Costs
44	0	44		44	645	601		601	
0	0	0		0	(14,000)	(14,000)		(14,000)	
142,823	0	142,823	(86,720)	56,103	61,472	5,369		5,369	
(97,122)	0	(97,122)	(34,084)	(131,206)	162,000	293,206		293,206	
0	0	0		0	48,000	48,000		48,000	
(9,954)	0	(9,954)		(9,954)	68,000	77,954		77,954	
196,179	0	196,179		196,179	28,359	(167,819)		(167,819)	System Changes funded by Grant
396,866	0	396,866	(365,449)	31,417	352,930	321,513	0	321,513	
1,441,684	0	1,441,684	(283,505)	1,158,179	2,101,205	943,026	289,100	653,926	

Major Variances on General Fund Revenue Income and Expenditure 13/14

	£'000
Depreciation and Capital Charges	-325
Approved Savings and Budget Changes	
Senior Management Restructure	-153
General Fund costs apportioned to the HRA	-212
Democratic and Members Costs	-90
	-455
Lower Employee Costs	
Vacancies - Environmental and Planning Services	-222
Vacancies - Housing and Community Services	-69
Vacancies - Corporate Services	-10
	-301
Additional Income	
Planning and Building Control	-182
Industrial and Commercial Lettings	-94
Court Costs	-70
Land Charges and Trade Waste	-52
Waste & Recycling Credits	-33
Environmental Health Services	-32
Grounds Maintenance - Weed Spraying works	-29
Grounds Maintenance - Parish and Golf Course Works	-25
Licencing	-29
	-546
Net Cost of Housing Benefits	-274
Other Budget Savings	
Corporate Training	-39
All other Variances	-26
	-65
Additional Costs	
Agency Staffing - Waste and Cleansing	132
Computer System Changes in Revenues and Benefits (funded from Grant)	130
Voluntary Redundancy Costs (approved in the MTFP)	104
Provision for Land Charges - Personal Searches (approved in the MTFP)	100
Provision for clawback of Housing Benefit Subsidy 2012/13	85
Maintenance of vehicles, plant and equipment	74
Provision for Planning Appeal	70
	695
TOTAL - OVERALL VARIANCE	-1,271

CAPITAL EXPENDITURE & FINANCING 2013/14

	Approved Budget 2013/14 £	Actual 2013/14 £	Variance 2013/14 £
COUNCIL HOUSE IMPROVEMENTS			
Major Improvements under Self-financing	5,150,000	4,336,218	-813,782
Major Disabled Adaptations	300,000	148,061	-151,939
Minor Disabled Adaptions	50,000	21,322	-28,678
Sheltered Housing Vision	153,094	134,830	-18,264
Council New Build Programme Phase 1	0	25,532	25,532
Total Expenditure	5,653,094	4,665,963	-987,131

Financed from

Major Repairs Reserve	5,500,000	4,505,600	-994,400
New Build Housing (Capital Receipts Reserve)	0	25,533	25,533
Capital Reserve	153,094	134,830	-18,264
Total Financing	5,653,094	4,665,963	-987,131

PRIVATE SECTOR HOUSING RENEWAL

Disabled Facility Grants and other Works	470,539	458,403	-12,136
Strategic Housing Market Assessment	40,000	0	-40,000
Private Sector Stock Condition Survey	40,000	30,550	-9,450
Decent Homes	0	5,283	5,283
Enforcement Work	0	30,216	30,216
DECC Funded Project - Fuel Poverty	0	148,684	148,684
Empty Property Landlord Grants	63,044	20,101	-42,943
Total Expenditure	613,583	693,237	79,654

Financed from

Government Grant	382,314	370,178	-12,136
Earmarked Reserves	26,225	26,225	0
Derbyshire County Council	62,000	210,684	148,684
External Recharges and Contributions	0	30,216	30,216
General Capital Receipts	143,044	55,934	-87,110
Total Financing	613,583	693,237	79,654

GENERAL FUND INVESTMENT PROGRAM**COMMUNITY SERVICES**

Hilton Village Hall Extension	131,301	107,593	-23,708
Melbourne Leisure Centre	235,637	0	-235,637
Melbourne Sports Partnership	965,917	159,234	-806,683
Eureka Park - Community Programme	500,000	56,960	-443,040
Community Partnership Scheme	42,978	23,010	-19,968
Rosliston Forestry Centre	199,732	191,266	-8,466
Open Space Development Project	10,000	5,932	-4,068
Swadlincote Skate Park	20,000	0	-20,000
Green Bank Leisure Centre Refurbishment - Phase 2	556,844	9,490	-547,354

CAPITAL EXPENDITURE & FINANCING 2013/14

	Approved Budget 2013/14 £	Actual 2013/14 £	Variance 2013/14 £
Etwall Leisure Centre (Growth Point)	27,000	27,000	0
Etwall Lesiure Centre - Fitness / Community Facilities	360,000	0	-360,000
Etwall Leisure Centre - Artificial Grass Pitch	550,000	100,000	-450,000

ENVIRONMENTAL AND DEVELOPMENT SERVICES

Partnership Schemes in Conservation Areas	20,000	33,429	13,429
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PROPERTY AND OTHER ASSETS

Depot	40,000	41,000	1,000
Vehicle Replacements	279,000	338,553	59,553
Recycling bins	1,085,367	1,085,367	0
Chestnut Avenue, Midway - Leisure Project	8,000	7,025	-975
Market Stalls	25,000	5,000	-20,000
Repairs to Village Halls and Community Facilities	48,762	16,972	-31,790
Public Buildings - Planned Maintenance Programme	58,032	0	-58,032

Total Expenditure - General Fund

5,163,570	2,207,831	-2,955,739
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Financed from

External Funding (Growth Point)	131,301	107,593	-23,708
Derbyshire County Council	250,000	0	-250,000
Sport England	50,000	0	-50,000
Aiming High Grant	87,710	87,710	0
Growth Point	3,000	3,000	0
Forestry Commission	41,719	0	-41,719
Earmarked Reserves	17,303	50,556	33,253
Growth Point	70,637		-70,637
Trust Funders	40,000		-40,000
Section 106	21,000	0	-21,000
Leisure Management Contractor	85,000	0	-85,000
Revenue Contributions	20,000	0	-20,000
Sport England - Inspired Facilities Grant	150,000	0	-150,000
Earmarked Reserves	66,000	0	-66,000
Leisure Management Contractor	105,000	0	-105,000
External Contributions	110,000	0	-110,000
Renewals (Sinking) Fund	25,000	0	-25,000
Section 106	150,000	0	-150,000
Heritage Lottery	350,000	56,960	-293,040
Police Authority Funding	15,000	0	-15,000
DCC Members Funding	4,000	0	-4,000
Partnership Funding	1,000	0	-1,000
Section 106	20,000	0	-20,000
External Contributions	430,000	0	-430,000
Derbyshire County Council	200,000	200,000	0
Borrowing (MRP)	885,367	885,367	0
Section 106	10,000	5,932	-4,068

CAPITAL EXPENDITURE & FINANCING 2013/14

	Approved Budget 2013/14 £	Actual 2013/14 £	Variance 2013/14 £
Derbyshire County Council	10,000	17,559	7,559
Heritage Lottery	0	15,870	15,870
Revenue Contributions	10,000	0	-10,000
Police Authority Funding	30,000	0	-30,000
Vehicle Replacement Reserve	249,000	338,553	89,553
Toyota	12,778	12,778	0
General / Earmarked Reserves	87,222	67,247	-19,975
General Capital Receipts	1,425,533	358,706	-1,066,827
Total Financing - General Fund	5,163,570	2,207,831	-2,955,739
TOTAL EXPENDITURE - ALL SCHEMES	11,430,247	7,567,031	-3,863,216
TOTAL FINANCING - ALL SCHEMES	11,430,247	7,567,031	-3,863,216

General Capital Receipts

Melbourne Leisure Centre	125,000	0	-125,000
Melbourne Sports Partnership	700,000	159,234	-540,766
Melbourne Sports Partnership	-34,083	0	34,083
Community Partnership Scheme	42,978	23,010	-19,968
Repairs to Village Halls and Community Facilities	48,762	16,972	-31,790
Public Buildings - Planned Maintenance Programme	58,032	0	-58,032
Rosliston Forestry Centre (Toilets)	50,000	50,000	0
Green Bank Leisure Centre Refurbishment - Phase 2	214,844	9,490	-205,354
Etwall Leisure Centre - Fitness / Community Facilities	120,000	0	-120,000
Etwall Leisure Centre - Artificial Grass Pitch	100,000	100,000	0
Market Stalls	0	0	0
	1,425,533	358,706	-1,066,827

Services	Budget £	Actual £	Variance £
Council House Improvements	5,653,094	4,665,963	-987,131
Private Sector Housing Renewal	613,583	693,237	79,654
Leisure and Community Schemes	3,599,409	680,485	-2,918,924
Environmental Development	20,000	33,429	13,429
Property and Equipment	1,544,161	1,493,917	-50,244
Total - Spending	11,430,247	7,567,031	-3,863,216

Funding Source	Budget £	Actual £	Variance £
Government Grants	382,314	370,178	-12,136
External/Partnership Contributions	2,239,145	742,370	-1,496,775
Internal Borrowing	885,367	885,367	0
Council Reserves/Earmarked Funds	701,750	488,513	-213,237
Housing Capital Receipts	5,653,094	4,665,963	-987,131
General Capital Receipts	1,568,577	414,640	-1,153,937
Total - Financing	11,430,247	7,567,031	-3,863,216

LIST OF EARMARKED RESERVES 2013/14

Specific / Earmarked Reserves - Council Funds	Balance		Usage	Income	Balance	Notes
	b/fwd		13/14	13/14	c/fwd	
	1/4/13	£	£	£	31/3/14	
Vehicle Replacement Fund	593,159	-338,553	270,000	524,606	Capital expenditure and financing as planned	
Dilapidation Works - Factory Site per Lease Agreement	260,870	0	0	260,870	Ring fenced	
IT Reserve	212,367	-16,841	0	195,526	To fund revenue spending	
Local Plan - Consultation and Implementation	130,500	0	69,500	200,000	Proposed transfer of additional income in 2013/14	
Green Bank Leisure Centre - Refurbishment Works	49,000	0	50,000	99,000	Proposed transfer of additional income in 2013/14	
Repton Parish (Former Depot proceeds)	33,049	0	0	33,049	Ring fenced	
Relocation of Depot - Fees	30,000	-30,000	0	0	Capital expenditure as planned	
Civic Offices Maintenance	3,500	-3,500	0	0	Small balance remaining - transfer to General Reserve	
Corporate Services Innovation Fund	52,666	0	0	52,666	Ring fenced - partnership board to consider usage	
Growth Point	23,757	-23,757	0	0	£14k financing capital in year - remainder to General Reserve	
Rosliston Forestry Centre / Café	23,922	0	10,850	34,772	Profit share in 2013/14 transferred	
Food Safety Training	3,000	-3,000	0	0	Funded in Budget - transfer to General Reserve	
Mobile Working Project	10,000	-10,000	0	0	Funded in Budget - transfer to General Reserve	
Total - Specific / Earmarked Reserves	1,425,790	-425,651	400,350	1,400,489		

Specific Grants and Contributions - Discretionary

Public Open Space - Commuted Sums	515,661	-62,904	0	452,757	Financing expenditure as planned
Youth Engagement Partnership	455,503	0	17,475	472,978	Net funding received in the year
Schools Sport Partnership Project	38,535	0	149,230	187,765	As above (includes 21k transferred from General Reserve)
Community Safety & Crime Reduction	442,225	0	14,386	456,611	As above
Young People's Cultural Partnership / Arts Development	59,785	-17,459	0	42,326	Drawdown required in 2013/14
Rosliston Business Units	61,275	-50,556		10,719	Balance for retention payments
Get Active in the Forest Partnership	108,812	0	3,598	112,410	Net funding received in the year
Environmental Education	56,624	0	288	56,912	As above
Tetron Point Storm Water Basin - S106 UK Coal	53,012	0	0	53,012	Ring fenced
Swadlincote Woodlands - Section 106	50,774	0	0	50,774	Current funding ends in 2018/19
Rosliston Forestry Centre	35,892	0	0	35,892	Subject to review
New Play Equipment and Safety Surfacing	22,434	0	408	22,842	Subject to review
Disabled Facility Grants	25,303	-25,303		0	Financing capital expenditure as planned
Maurice Lea Park NHLF Grant	23,012	0	0	23,012	Subject to review
BCU Funding	21,110	0	0	21,110	Subject to review
LSP Reserve	16,357	0	0	16,357	Subject to review
Housing Strategy	40,875	0	10,000	50,875	Expenditure in 2013/14 funded within Budget

LIST OF EARMARKED RESERVES 2013/14

Specific / Earmarked Reserves - Council Funds	Balance		Usage	Income	Balance	Notes
	b/fwd		13/14	13/14	c/fwd	
	1/4/13	£	£	£	31/3/14	
Homelessness Prevention	176,581		0	0	176,581	As above
Local Council Tax Support Scheme	14,006		0	0	14,006	As above
Welfare Reform	17,003		0	0	17,003	As above
Community Right to Bid	4,873		0	7,855	12,728	Grant - to meet potential cost of listing assets
Community Right to Challenge	0		0	8,547	8,547	Grant - to meet potential cost of service reviews
Property Records - Data sharing	0		0	7,131	7,131	Grant - cost of system changes incurred in 2014/15
Discretionary Housing Payments	14,962		0	0	14,962	Balance held to meet impact of Welfare Reform in 2014/15
Heritage Grants	0		0	10,000	10,000	To be utilised in 2014/15
Electoral Registration	0		0	38,401	38,401	As above
Green Bank Lesiure Centre Refurbishment - retention	2,757		0	0	2,757	Hold pending existing works
Total - Specific Grants and Contributions	2,257,371	-156,222		267,319	2,368,468	
Section 106 - Earmarked Funds	869,879	-202,544		442,393	1,109,728	
TOTAL EARMARKED RESERVES	4,553,040	-784,417		1,110,062	4,878,685	

325,641

325,645

In Year Transactions

Contra General Fund Reserve	-117,529	397,669	280,140	<i>Recommendation 1.2</i>
Contra Capital Account	-125,791	270,000	144,209	
Contra Vehicle Renewals Fund	-338,553	0	-338,553	
Contra Section 106	-202,544	442,393	239,849	
	-784,417	1,110,062	325,645	

FINAL COLLECTION FUND ACCOUNT 2013/14

	Estimate £'000	Actual £'000	Variance £'000
COUNCIL TAX			
INCOME			
Council Tax Collectable	43,877	44,151	274

EXPENDITURE

County Council Precept	31,626	31,626	0
Police Authority Precept	4,901	4,901	0
Fire Authority Precept	1,972	1,972	0
SDDC Precept (incl. Parishes)	5,014	5,014	0
Increase in Bad Debts Provision	275	347	72
Total Expenditure	43,788	43,860	72

Surplus for the Year

89	291	202
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COUNCIL TAX FUND BALANCE

Opening Balance 1st April 2013	84	84	0
Surplus for Year (as above)	89	291	202
Closing Balance as at 31st Marc 2014	173	375	202

BUSINESS RATES**INCOME**

Net Rates Collected (after reliefs)	22,994	22,247	-747
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EXPENDITURE

Share Paid to Central Government	10,365	10,365	0
Share Paid to South Derbyshire DC	8,292	8,292	0
Share Paid to Derbyshire County Council	1,866	1,866	0
Share Paid to Fire and Rescue Service	207	207	0
Increase in Bad Debts Provision	1,353	1,361	8
Provision for Appeals	911	626	-285
Total Expenditure	22,994	22,717	-277

Deficit

0	-470	-470
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Share of Deficit

Central Government (50%)	0	-235	-235
South Derbyshire DC (40%)	0	-188	-188
Derbyshire County Council (9%)	0	-42	-42
Derbyshire Fire and Rescue Service (1%)	0	-5	-5
	0	-470	-470

£'000

Share of Estimated Rates Received in Year	8,292
Less Tariff Payment in Retention System	-5,968
Add Section 31 Compensation Grant	261
Less Share of Collection Fund Deficit	-188
Retained Rates before Levy	2,397
Less Retained Rates in the Funding Formula	-2,205
Additional Net Rates Generated	192
Less Government Levy (50%)	-96
Additional Amount Retained by SDDC	96

Total Retained Business Rates 2013/14

2,301

REPORT TO:	FINANCE AND MANAGEMENT COMMITTEE (SPECIAL – FINAL ACCOUNTS)	AGENDA ITEM: 7
DATE OF MEETING:	26th JUNE 2014	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/2013-14
SUBJECT:	TREASURY MANAGEMENT ANNUAL REPORT 2013/14	REF:
WARD (S) AFFECTED:	ALL	TERMS OF REFERENCE: FM 08

1.0 Recommendations

- 1.1 That the Treasury Management Annual Report for 2013/14 is approved.
- 1.2 To note the Treasury Management Stewardship Report and Prudential Indicators for 2013/14 (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 2013/14 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 2013/14 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 but due to low rates and limitations on approved counterparties kept the interest received lower than budgeted.
- 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 During the year there are no significant transactions regarding borrowing.

- 3.4 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 During 2013/14 economic growth was higher than anticipated by many forecasters, with GDP growth estimated to have increased by 1.8% on 2012. There were positive signs with unemployment rates now standing at 6.6% of the adult working population. Pay on average increased by 1.4% excluding bonuses with inflation in the last half of the financial year, reducing.
- 4.2 There is still a large amount of turmoil existing in the banking system with many banks continuing to suffer losses, agreeing restructure plans with the Bank of England and experiencing negative media coverage. With some credit ratings being reduced, this has constrained the Council's Counterparty Lending List.
- 4.3 Although there have been more positive signs that the economy is upturning, this is being tempered by some analysts advising caution around its sustainability. The Bank of England has so far resisted calls to increase the Base Bank Lending Rate.

5.0 Detail

Borrowing During 2013/14

- 5.1 The Council's approved borrowing strategy for 2013/14 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 is 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 2013/14

- 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.
- 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 chosen to fund

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 and partnership funding received in advance.
- 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 currently has a total long term borrowing of £58,423k relating to the HRA and is made up of both fixed and variable rate borrowing.
- 5.8 The Council effectively 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 2013/14. However, given the low level of interest rates, the financial benefit in the form of interest earned is low.
- 5.10 The Council’s cash balances remained high throughout the year with the average cash balance being £12.4million.

Interest Rates

- 5.11 For the fifth consecutive year, the main bank base rate as set by the Bank of England remained at 0.5% throughout 2013/14. It has been at this level since 5th March 2009.
- 5.12 During 2013/14 the Council received more interest than in 2012/13 due to the high balances and this was above budget, despite the average interest rate being below the market average. Restrictive investment criteria remained in place. This is aimed at keeping funds secure and liquid, rather than prioritising yield. Interest received is not forecast to change in 2014/15 as the Bank of England rate is forecast to stay at 0.5%.
- 5.13 The Council’s benchmark, as approved in the Treasury Management Strategy, is to achieve at least the average 7-day market rate over the year.
- 5.14 This was not achieved during 2013/14 with the average investment rate being 0.33%, compared to a market average of 0.47%.
- 5.15 The Council placed funds predominantly with the Government’s Debt Management Office, instant access investment 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 2013/14. This was due to the high reserve levels.
- 5.17 The Council holds money on deposit for 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. Principal outstanding fell from £41k at the start of the year to £28k as some parishes recalled their deposits due to the lack of interest being received.
- 5.19 This facility offered to parishes does not have a significant impact upon the overall treasury management operations of the Council.

Budgetary Implications

- 5.20 The level of interest actually received and paid is built into the General Fund Revenue Account. A proportion of this is recharged into the Housing Revenue Account (HRA) under a statutory calculation to recognise that some interest on investments is attributable to the HRA.
- 5.21 The actual interest received was £40,870 compared to a budget of £32,500, of which £12,339 (30%) related to the HRA.

Other Interest Paid and Received

- 5.22 In addition, the Council paid and received other interest during the year as set out in the following table. This demonstrates the influence lower interest rates on investments had on the budgets overall.

Overall Interest 2013/14	Budget £000	Actual £000	Variance £000
Interest Payments – HRA	1,627	1,622	-5
Interest Received – HRA	-20	-12	8
Interest Received – General Fund	-33	-29	4
TOTAL	1,574	1,581	7

Money Market Debt

- 5.23 The Council still has one money market loan for £1m. This borrowing was undertaken some years ago to fund capital commitments at that time. The loan costs £48k per year in interest charges at a fixed rate of 4.875%. It is due to mature in 2032.

- 5.24 Potentially, there is a break clause. The lender has the option of reviewing the interest rate at any time and increasing it if they so wish. However, the Council then has the option of rejecting this and can instead choose to repay without incurring any penalty.
- 5.25 In setting the borrowing strategy for 2013/14, it was approved that should the lender exercise their option to increase the interest rate, then the loan should be repaid at that time. This would be financed “internally” from reserves and balances.
- 5.26 The lender did not invoke their option during the year and the situation will be kept under review. Given that current borrowing rates are low compared to the rate of this loan (at 4.875%) the penalty for early redemption would not make it cost effective to repay early.
- 5.27 The same principle regarding this loan was adopted as part of the treasury management strategy for 2014/15.

Investments 2013/14

- 5.28 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.
- 5.29 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.
- 5.30 The Council invests surplus funds in accordance with an approved policy and associated lending list. This is summarised in the following table.

Institution	Limit
Specified Investments	
<ul style="list-style-type: none"> • UK Debt Management Office (DMO) • Local, Police, Fire and Parish Authorities • Other Bodies with a High Credit Rating of F1+/AA- 	£15m £5m £7.5m
Non-Specified Investments	
<ul style="list-style-type: none"> • F1/AA Rated Bodies – First Call • F1/A Rated Bodies – Second Call • F2/A Rated Bodies – Third Call 	£2m £1m £0.25m

Definition of Credit Ratings

- 5.31 The long-term rating is based on an investment grade categorised by “Fitch” on the following scale:

- AAA: the best quality companies, reliable and stable
- AA: quality companies, a slightly higher risk than AAA
- A: economic situation can affect financial position
- BBB: medium class companies which are satisfactory at the moment.

5.32 Intermediate modifiers are also used for each category between AAA and BBB (i.e. AA+, AA, AA-, A+, A, A-, etc.).

5.33 Short-term credit ratings indicate the potential level of default within a 12-month period, based on the following scale.

- F1+: best quality grade, indicating exceptionally strong capacity to meet financial commitments.
- F1: best grade, indicating strong capacity to financial commitments.
- F2: good quality grade with satisfactory capacity to financial commitments.

5.34 The scale then falls from F3 to B, then C and finally down to D, which indicates the institution is likely to, or has failed to meet its financial commitments.

General Policy

5.35 As approved, priority is given to specified investments in any investment decision. The length of investment is made in accordance with overall cash flow requirements.

5.36 The Council's policy is to seek investments with those institutions graded at least AA and F1+.

5.37 All deposits made in the year were in accordance with the approved lending list.

Performance Indicators

5.38 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 2013/14 (with a comparison to recent years) is shown in the following table.

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

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 2013/14, together with further details on treasury management activity are detailed in **Appendix 1**.
- 5.43 The Council operated within its capital budgets and limits for external borrowing at all times during the year.

Minimum Revenue Provision (MRP) - Background

- 5.44 Local authorities are required each year to set-aside some of their revenues as a provision to repay any borrowings or other credit (shorthand this is technically called “debt”). 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.
- 5.45 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.
- 5.46 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.
- 5.47 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

- 5.48 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.
- 5.49 However, due to its strong and positive cash flow position, the Council has financed this borrowing “internally.” Therefore, over time, actual debt does not match the underlying requirement shown in the Council’s accounts.
- 5.50 However, by charging a MRP into the accounts, this is reducing the underlying requirement as effectively it is providing the resources to “repay” on a yearly basis.

The 4 Options

- 5.51 The calculation is designed to ensure that a “prudent” provision is made for debt repayment. The 4 options 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 now been revoked, but has been maintained temporarily 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

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

5.53 However, during 2013/14, internal borrowing was 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 Repayment Provision (VRP) in the General Fund. This will be made over the life of the assets purchased under the Prudential System, i.e. Option 3.

Council Statement on MRP

5.54 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” be best achieved by continuing to provide a MRP under **Option 2** for supported borrowing.

5.55 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.

5.56 It is recommended that this policy be endorsed for 2013/14 and adopted for 2014/15. It will be kept under review depending on the Council's future capital expenditure and financing requirements.

5.57 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 detailed in the report regards the MRP and the proposed Statement, there are no additional financial implications for the Council as the budget in the Medium Term Financial Plan has been calculated to reflect this approach. The MRP made in 2013/14 was £252,600 and VRP of £55,335.

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 2013/14

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 restrictions were made in 2013/14.
- 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 above 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 and sustainable and its treasury practices demonstrate a low risk approach.
- 2.6 There is minimal risk of volatility of costs for current debt as 82% 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 annual investment strategy, accurately forecasting returns can be difficult.

3.0 The Council's Capital Expenditure and Financing 2013/14

- 3.1 The Council undertakes capital expenditure on long-term assets. These activities 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 table below shows how all capital expenditure in the year was financed.

Capital Expenditure and Financing 2013/14	Estimate 2013/14 £000	Actual 2013/14 £000
Capital Expenditure		
General Fund	5,777	2,901
HRA	5,653	4,666
Total - Capital Expenditure	11,430	7,567
Government Grants	382	370
External/Partnership Contributions	2,239	742
Internal Borrowing	885	885
Council Reserves/Earmarked Funds	702	489
Housing Capital Receipts	5,653	4,666
General Capital Receipts	1,569	415
Total - Financing	11,430	7,567

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.
- 4.4 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.

4.5 The Council's CFR for the year is shown below.

Capital Financing Requirement (CFR) 2013/14	Estimate 2013/14 £'000	Actual 2013/14 £'000
CFR b/fwd 1st April 2013	69,175	69,175
Add New Borrowing (Internal)	0	885
Less Debt Repaid	0	-277
Less Minimum Revenue Provision (MRP)	-253	-253
Less Voluntary Revenue Provision (VRP)	0	-55
CFR c/fwd 31st March 2014	68,922	69,475
General Fund Proportion	6,062	6,892
HRA Proportion	62,860	62,583

5.0 Treasury Position at 31 March 2014

5.1 The treasury position at 31 March 2014 compared with the previous year is shown in the following table.

	2012/13		2013/14	
Overall Borrowing Position @ 31st March	Principal £'000	Average Rate	Principal £'000	Average Rate
Fixed Interest Rate Debt	48,444	3.21%	48,437	3.21%
Variable Interest Rate Debt	10,319	0.60%	10,028	0.57%
Total Debt	58,763		58,465	
Short-term Investments	4,512	0.31%	7,029	0.33%
Net Borrowing Position	54,251		51,436	

6.0 Prudential Indicators and Compliance Issues

6.1 The prudential indicators provide an overview and specific limits on treasury activity. These are detailed 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 2013/14, plus the expected changes to the CFR over 2013/14 and 2014/15. 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 2013/14 £'000

Gross Borrowing	58,465
Net Borrowing	51,436
CFR	69,475

- 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 below demonstrates that during 2013/14 the Council has maintained gross borrowing within its Authorised Limit.
- c) **The Operational Boundary** – is based on the expected maximum external debt (as described 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 2013/14** **£'000**

Authorised Limit	72,610
Operational Boundary	63,853
Borrowing Position at 31/03/2014	58,465

- 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 expected level of actual debt on the HRA.

HRA Limit on Indebtedness 2013/14 **2013/14**
£'000 **2013/14**
£'000

HRA Debt Cap (Fixed)	66,853	66,853
HRA CFR	62,860	62,583
Difference	3,993	4,270
HRA Debt	58,702	58,423
Borrowing Headroom (Cap less Debt)	8,151	8,430

- 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.

Financing Ratios 2013/14 **Estimate**
2013/14
£'000 **Actual**
2013/14
£'000

General Fund

Council Tax Income	4,411	4,411
Net Interest	-18	-29
Proportion	- 0.41%	- 0.66%

HRA

Rent Income	11,874	11,674
Net Interest	1,627	1,620
Proportion	13.70%	13.88%

7.0 The Economy and Interest Rates

- 7.1 The UK economy started to show signs of recovery during the year with growth in quarter 4 increasing by 2.8% on a year by year basis.
- 7.2 The low Bank of England Base Rate remained at 0.5% leaving investment yielding a low return. But this has also meant our variable borrowing rate has remained a low level.

8.0 Investment Strategy Approved for 2013/14

- 8.1 In accordance with its policy, the Council continued to place investments giving priority to security and liquidity over yield. At year end the investments were held with Local Authorities and UK Banks in Reserve Accounts on immediate recall.

9.0 Debt Management Activity for 2013/14

- 9.1 There was no further borrowing during the year.
- 9.2 Parish Council loans of £12,000 were repaid during 2013/14.
- 9.3 The transferred debt was fully repaid in early 2013/14 following agreement with the neighbouring authority.

10.0 Investment Performance 2012/13

- 10.1 The Council's investment policy is governed by regulations and best practice guidance. These are included in the Council's approved Investment Strategy. All investment activity during the year conformed to the approved strategy and the Council had no liquidity issues.
- 10.2 The Council's longer-term cash balances comprise primarily of unallocated revenue and capital reserves held as a contingency, earmarked reserves and usable capital receipts, together with sums received in advance of spend to meet future commitments.
- 10.3 The low bank base rate has continued to have a detrimental impact on the Council's investment returns. The Council maintained an average cash balance of approximately £12.4million with a return of £39k during the year.

REPORT TO:	FINANCE and MANAGEMENT COMMITTEE (SPECIAL – FINAL ACCOUNTS)	AGENDA ITEM: 8
DATE OF MEETING:	26th JUNE 2014	CATEGORY: DELEGATED
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/pay and pensions/pensions/2014 regulations/discretion report
SUBJECT:	LOCAL GOVERNMENT PENSION SCHEME 2014 – LOCAL DISCRETIONS	REF:
WARD AFFECTED:	ALL	TERMS OF REFERENCE: FM 05

1.0 Recommendation

- 1.1 That the Committee approve the employer discretions set out in **Appendix A**, which are required to be determined and published by 30th June 2014 in accordance with the requirements of the Local Government Pension Scheme.

2.0 Purpose of the Report

- 2.1 To determine the Council's employer discretions permitted under the new Local Government Pension Scheme (LGPS) Regulations 2014.

3.0 Detail

- 3.1 The LGPS requires each employer to formulate, publish and keep under review a policy statement in relation to the exercise of a number of discretions under the LGPS Regulations. A review is now required following changes to the LGPS that came into effect on 1st April 2014. The Council has a statutory deadline of 30th June 2014 to submit its policy statement to the pension administering body which is Derbyshire County Council.

Areas to be reviewed

- 3.2 The LGPS Regulations stipulate a review in four areas namely:

- Voluntary funding of additional pension via a Shared Cost Additional Pension Contribution (SCAPC) contract either by regular on-going contribution or one-off lump sum.
- Flexible retirement.
- Waiving all or part of any actuarial reduction.
- Award of additional pension (at whole cost to the employer).

“85 year rule”

- 3.3 The LGPS (Transitional Provisions and Savings) Regulations 2014 also require that employers have a policy on whether to agree to apply the “85 year rule” to a scheme member wishing to voluntarily draw benefits on or after 55 and before age 60.
- 3.4 The rule of 85 is satisfied if a scheme member’s age at the date they draw their benefits and their scheme membership add up to 85 or more.
- 3.5 The 85 year rule does not automatically apply if an employee decides to voluntarily draw benefits on or after age 55 and before age 60 but the employer can agree to apply the 85 year rule. However, if the employer does apply the 85 year rule, the employer would have to meet any strain on the Pension Fund. If the employer does not apply the 85 year rule, the scheme member would meet any strain on the Pension Fund by an actuarial reduction applied to their pension. The employer has the discretion to waive actuarial reductions (at a cost to the employer).

Discretions post 31st March 2008 and pre 1st April 2014

- 3.6 Some of the existing discretions under the 2008 scheme are replaced by similar provisions (granting additional pension, flexible retirement and waiving actuarial reductions). This will necessitate a rewording of existing policies to reflect the provisions of the 2014 Scheme.
- 3.7 It is also necessary to draw up a new list of discretions for post 31st March 2008 and pre 1st April 2014 leavers. For example, the need for the employer to consent to applications for early payment of benefits for employees under the age of 60 will cease on the 1st April 2014 as there is no equivalent provision from April 2014. However, it will still be possible for pre 1st April 2014 leavers to ask for employer consent for the early release of deferred benefits. The employer will need to have a policy in this respect.

Publishing the policy statement

- 3.8 The 2014 LGPS contains a provision that discretion policies must be prepared, published, and copied to the Pension Fund administering authority within three months of 1st April 2014. Any subsequent revisions must be copied to the administering authority within one month of the date of the revision.
- 3.9 The deadline for providing Derbyshire County Council with the Council’s policy statement is 30th June 2014.

The Council’s policy statement

- 3.10 Authorities have delayed formulating their policy statements until after the publication of their policy statement by Derbyshire County Council. This has been done to enable them to model their policies, subject to local conditions, on the County Council’s policy statement. This approach has been taken by the Council.
- 3.11 It is recommended that the policy statement in Appendix A is adopted by the Council. The approved policy statement will then be provided to Derbyshire County Council as the Pension Fund administering body in accordance with the Pension Regulations.
- 3.12 Additionally, the Council should [Page 47 of 51](#) review of its Pay Policy Statement (effective 1st April 2014) as this includes a description of the discretions current

exercised by the authority. Any revision to the Pay Policy Statement must be approved by Full Council in accordance with Localism Act.

4.0 Employment Implications

- 4.1 The approved policy statement will set out how the Council will apply the pension regulations in terms of the discretions. It should ensure the consistent treatment of employees when such discretions are applied by the Council.

5.0 Financial Implications

- 5.1 There are no financial implications arising from this report.

6.0 Conclusion

- 6.1 The LGPS requires each employer to formulate, publish and keep under review a policy statement in relation to the exercise of a number of discretions under the LGPS Regulations. A review is now required following changes to the LGPS effective 1st April 2014. The Council has a deadline of 30th June 2014 to submit its policy statement to the pension administering body which is Derbyshire County Council.
- 6.2 It is recommended that the policy statement in Appendix A is approved by the Council and provided to Derbyshire County Council as required by the LGPS Regulations.

7.0 Background Papers

Derbyshire County Council published Pension Discretions.
Policy Statement for Local Government Pension Scheme - dated October 2013.

South Derbyshire District Council – Policy Statement on Pension Discretions June 2014

Under Regulation 60 of the Local Government Pension Scheme Regulations 2013 (as amended) each scheme employer must publish and keep under review a Statement of Policy to explain how it will apply certain discretions allowed under the pension regulations.

This statement is applicable to all employees of South Derbyshire District Council who are eligible members of the LGPS.

Discretion	Regulation	Required to Publish by 30/06/2014	South Derbyshire District Council (SDDC) Published Discretion
Whether, how much and in what circumstances to contribute to a shared cost Additional Pension Contribution (APC) Scheme	R16(2)(e) & R16(4)(d)	Y	Policy is for the Finance and Management Committee to consider a shared cost APC in exceptional circumstances, where a person opts to pay for the break after 30 days up to a period of 12 months from the end of the break. If the person opts to pay an APC to buy extra pension the shared cost option does not apply.
Whether all or some benefits can be paid if an employee reduces their hours of work or grade (flexible retirement)	R30(6) & TP11(2)	Y	The Council's policy is that all benefits can be paid. The Flexible Retirement Policy says that benefits will be paid subject to a reduction of half the employee's contractual hours.
Whether to waive, in whole or in part, actuarial reduction on benefits paid to the employee when granted flexible retirement.	R30(8)	y	The Council's policy is not to waive the actuarial reduction for routine flexible retirements.
Whether to waive, in whole or part, the actuarial reduction on benefits which a member voluntarily draws before normal pension age.	R30(8)	Y	The Council's policy is not to waive any actuarial reduction on benefits which a member voluntarily draws before normal retirement age.

Appendix A (continued)

Discretion	Regulation	Required to Publish 30/06/2014	South Derbyshire District Council (SDDC) Published Discretion
Whether to waive any actuarial reduction on pre and or post 1 st April 2014 benefits paid early on compassionate grounds.	TP3(1), TPSch 2, paras 2(1) and 2(2), B30(5) and B30A(5)	Y	The Council's policy is for cases to be considered by the Finance and Management Committee in order for it to determine whether an actuarial reduction is appropriate.
Whether to "switch on" the 85 year rule for a member voluntarily drawing benefits on or after age 55 and before age 60	TP Sch 2 paras 1(2) and 2(2)	Y	The Council's policy is not to "switch on" the 85 year rule for a member voluntarily drawing benefits on or after age 55 and before age 60.
Whether to grant additional pension to an active pension scheme member or within six months of ceasing to be an active member by reason of redundancy or business efficiency. The additional pension that can be granted is up to £6,500 (figure as at 1 st April 2014) a year.	R31	Y	The Council's policy is not to grant any additional pension to an active member or within six months of ceasing to be an active member by reason of redundancy or business efficiency.
Whether, for a member leaving on the grounds of redundancy or business efficiency on or before 31 st March 2014, to augment membership by up to 10 years. The resolution to do so would have to be made within six months of the date of leaving. Hence this discretion is spent entirely after 30 th September 2014.	B12	Y	The Council's policy is not to grant any augmentation to a scheme member leaving on grounds of redundancy or business efficiency.
Whether to grant application for early payment of deferred benefits on or after age 55 and before age 60.	B30(2)	Y	The Council's policy is to only grant application for the early release of deferred benefits on or after age 55 and before age 60 where there is no cost to the Council.

Appendix A (continued)

Discretion	Regulation	Required to Publish 30/06/2014	South Derbyshire District Council (SDDC) Published Discretion
Whether to waive, on compassionate grounds, the actuarial reduction applied to deferred benefits paid early under B30.	B30(5)	Y	The Council's policy is to take cases to the Finance and Management Committee in order for it to consider whether an actuarial reduction is appropriate.
Whether to grant an application for early payment of a suspended tier three ill health pension on or after age 55 and before age 60.	B30A(3)	Y	The Council's policy is to grant an application for early payment of a suspended tier three ill health retirement pension on or after age 55 and before age 60 where there is no cost to the Council.
Whether to waive, on compassionate grounds, the actuarial reduction applied to benefits paid early under B30A	B30A(5)	Y	The Council's policy is to take cases to the Finance and Management Committee in order for it to consider whether an actuarial reduction is appropriate.
Grant application from a post 31/03/98 / pre 01/04/08 leaver or from a councillor for early payment of benefits on or after age 50/55 and before age 60.	31(2)	Y	The Council's policy is to grant an application from a post 31 st March 1998/pre 1 st April 2008 leaver or from a councillor for early payment of benefits on or after age 50/55 and before age 60 where there is no cost to the Council.
Waive, on compassionate grounds, the actuarial reduction applied to the benefits paid early for a post 31/08/98 / pre 01/04/08 leaver or a councillor leaver.	31(5)	Y	The Council's policy is to take cases to the Finance and Management Committee in order for it to consider whether an actuarial reduction is appropriate.
Councillor optants out and pre 01/04/08 employee optants out to only get benefits paid from Normal Retirement Date if employer agrees.	31(7A)	Y	The Council's policy is to allow councillor optants out and pre 1 st April 2008 employee optants out to only get benefits paid from Normal Retirement Date.