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Date: 13 June 2016

Dear Councillor,

**Finance and Management Committee**

A Meeting of the **Finance and Management Committee** will be held in the **Council Chamber**, on **Tuesday, 21 June 2016 at 18:30**. You are requested to attend.

Yours faithfully,



Chief Executive

To:- **Conservative Group**

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

**Labour Group**

Councillors Rhind, Richards, Southerd and Wilkins.

## **AGENDA**

### **Open to Public and Press**

- 1** Apologies and to note any substitutes appointed for the Meeting.
- 2** To note any declarations of interest arising from any items on the Agenda
- 3** To receive any questions by members of the public pursuant to Council Procedure Rule No.10.
- 4** To receive any questions by Members of the Council pursuant to Council procedure Rule No. 11.
- 5** Reports of Overview and Scrutiny Committee
- 6** TREASURY MANAGEMENT ANNUAL REPORT 2015-16 **3 - 18**
- 7** BUDGET OUT-TURN and FINAL ACCOUNTS 2015-16 **19 - 47**

### **Exclusion of the Public and Press:**

- 8** The Chairman may therefore move:-  
That in accordance with Section 100 (A)(4) of the Local Government Act 1972 (as amended) 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.
- 9** To receive any Exempt questions by Members of the Council pursuant to Council procedure Rule No. 11.
- 10** APPLICATION FOR DISCRETIONARY RATE RELIEF
- 11** DISCRETIONARY RATE RELIEF-TOP-UP APPLICATION
- 12** DEBTS SUBMITTED FOR WRITE-OFF - COUNCIL TAX, BUSINESS RATES AND HOUSING BENEFIT OVERPAYMENTS
- 13** RESTRUCTURE OF THE HOUSING SERVICES OPERATION WITHIN THE HOUSING & ENVIRONMENTAL SERVICES (H&ES) DIRECTORATE



<b>REPORT TO:</b>	<b>FINANCE AND MANAGEMENT COMMITTEE (SPECIAL – FINAL ACCOUNTS)</b>	<b>AGENDA ITEM: 6</b>
<b>DATE OF MEETING:</b>	<b>21st JUNE 2016</b>	<b>CATEGORY: DELEGATED</b>
<b>REPORT FROM:</b>	<b>DIRECTOR OF FINANCE AND CORPORATE SERVICES</b>	<b>OPEN</b>
<b>MEMBERS' CONTACT POINT:</b>	<b>KEVIN STACKHOUSE (01283 595811)</b> <a href="mailto:Kevin.stackhouse@south-derbys.gov.uk">Kevin.stackhouse@south-derbys.gov.uk</a>	<b>DOC:</b> u/ks/treasury management/annual reports/2015-16
<b>SUBJECT:</b>	<b>TREASURY MANAGEMENT ANNUAL REPORT 2015/16</b>	<b>REF:</b>
<b>WARD (S) AFFECTED:</b>	<b>ALL</b>	<b>TERMS OF REFERENCE: FM 08</b>

## **1.0 Recommendations**

- 1.1 That the Treasury Management Annual Report for 2015/16 is approved.
- 1.2 To note the Treasury Management Stewardship Report and Prudential Indicators for 2015/16 (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 2015/16 as detailed in Section 5, is recommended to Council for approval.

## **2.0 Purpose of Report**

- 2.1 To detail the Council's borrowing and lending for 2015/16 compared to the approved strategy, including performance against the 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 was to focus on:
  - Meeting the Council's cash flow requirements through the investment strategy.
  - Keeping under review the HRA debt position and in particular the variable rate borrowing.
- 3.2 It was anticipated that there would be no requirement to enter into any new external borrowing given that the Council's cash flow and reserves position was forecast to remain healthy. Indeed, the Council's cash flow remained

positive throughout the year and there was no new borrowing, including on a temporary basis.

- 3.3 As financial monitoring reports throughout the year highlighted, the main Bank of England Base Rate remained at 0.5%. This rate has remained unchanged since March 2009.
- 3.4 As expected, this continued to limit the amount of interest earned on short term investments and bank deposits. Although interest rates remained low, together with further limitations being placed on approved counterparties, interest received was above that estimated due to the higher level of cash and reserves on deposit during the year.
- 3.5 In undertaking its treasury management functions during the year, the Council managed its activities within its prudential indicators and approved lending policy.

#### **4.0 Economic Overview**

- 4.1 Following two consecutive years of steady growth, the UK economy showed signs of slowing in 2015/16. Several economic commentators have been concerned about the underlying ability of sustained growth.
- 4.2 Both interest rates and inflation remain at historically low levels. During the second half of the year, the main growth indicator (the *Gross Domestic Product or GDP*) did signal a slowdown and this has led to some pessimism in financial markets.
- 4.3 The Monetary Policy Committee (MPC) at the Bank of England continues to keep the Bank Base Rate at 0.5%. The policy of maintaining the interest rate at a low level is designed to increase growth by boosting expenditure. However, this needs to be balanced against rates being raised too high, too early, so that economic productivity is not adversely affected.
- 4.4 In continuing this policy of maintaining a low Base Rate, the MPC noted that at 0.3% in April 2016, CPI inflation remained well below the Government's target of 2%. During 2015/16, CPI was actually negative for 2 months but has since slowly increased to the current rate. The rate has been influenced by unusually low prices in fuel and foodstuffs over the last year.
- 4.5 The MPC has also been monitoring global oil prices and the Chinese economy, which both impact on the UK economy. Oil prices dropped fairly significantly during the year but have recently risen again, although there is still much debate between oil producing countries about supply.
- 4.6 The MPC remains concerned with increasing interest rates too soon whilst prices remain low and long-term productivity remains uncertain.
- 4.7 In addition, there has also been a steady reduction in the value of the Pound against the US Dollar and the Euro. Although this is beneficial for UK exporters, it signals that currency investors are shying away from the Pound due to concerns over the underlying strength of the UK economy.

- 4.8 The overall situation remains uncertain. Given this, it is unlikely that the Base Rate will increase now before the middle of 2017. It is then forecast to rise incrementally to 2% over a two to three year period. The prognosis for inflation is less certain and this could affect these forecasts for interest rate rises.
- 4.9 However, the biggest focus now is the outcome of the referendum on whether the UK should remain in, or exit, the European Union (EU). There has been much debate on the potential implications on the UK economy leading up to the vote, especially if the result of the vote is to exit. The MPC's projections are on an assumption that the UK continues its EU membership.

### **The Banking Sector – Bail-in Update**

- 4.10 There were no main changes to the bail-in framework which was first introduced during 2013. However, following the EU's Bank Resolution and Recovery Directive, which became effective from January 2015, the Bank of England made a change to its Resolution Strategy to comply with this Directive.
- 4.11 This change was introduced from December 2015. Effectively, the bank of England clarified that banks and building societies with less than £15 to £25 billion of assets are unlikely to be bailed-in and will be allowed to go insolvent instead.
- 4.12 This strategy has two main impacts on the potential losses for wholesale depositors such as local authorities. On the plus side, in an insolvency situation, the regulator will not need to bail-in an additional amount to convert equity to the continuing bank. Therefore, losses may be smaller.
- 4.13 However, the process associated with insolvency usually takes much longer than a bail-in to complete. Therefore, depositors are likely to lose access to their entire investment initially and only be repaid in stages as the insolvency proceeds.
- 4.14 There are 2 institutions on the Council's Counterparty List that fall below the lower end of the £15 to £25 billion threshold. The Council does not currently make any deposits with these institutions as they are classed as "non-specified" (more risky) investments in the Council's Lending Policy.

## **5.0 Detail**

### **Borrowing During 2015/16**

- 5.1 As planned, the Council's did not enter into any new borrowing during the year.

### **The Council's Cash Flow in 2015/16**

- 5.2 The Council's cash flow can fluctuate on a daily basis depending on the timing of income and expenditure.
- 5.3 At certain times of the year, the Council may need to borrow to cover shortfalls on a temporary basis, whilst when cash flow is positive any surplus funds are invested on a temporary basis. However, the Council still has a long-term underlying need to borrow. This is based on historical borrowing allocations which were financed internally.
- 5.4 For several years the Council has not undertaken any form of new long-term borrowing to finance General Fund capital expenditure but has funded this from other sources such as government grants and external funding, together with "internal" borrowing from reserves and balances.
- 5.5 This is a result of the Council having, over recent years, generated substantial receipts for which expenditure is then spread over a number of years, e.g. Section 106 contributions, partnership funding received in advance, together with general capital receipts.
- 5.6 In addition, the Council's general level of both allocated and non-allocated reserves has remained sufficiently high to enable internal borrowing. This is generally a more efficient means of borrowing as interest costs are avoided, especially when investment returns are also low. However this does require the overall level of reserves and balances to remain at a level to enable sufficient coverage.
- 5.7 The Council's long term borrowing of £58.423m remained unchanged during the year. This borrowing relates to the HRA and comprises mainly fixed rate borrowing.
- 5.8 The Council invests its balances and reserves over the year generating interest for the General Fund and Housing Revenue Accounts. In addition, the Council is generally able to collect its main income in the form of Council Tax and Business Rates before it is spent or re-distributed. This is invested on a short-term basis and generates a return for the Council.
- 5.9 Overall, the Council continued to have a positive cash flow position in 2015/16 with no requirement to borrow on a short-term basis. However, given the low level of interest rates, the financial benefit in the form of interest earned was low.
- 5.10 The Council's cash balances remained high throughout the year. The start of year balance was £12m and averaged £15.3m during the year. As at 31<sup>st</sup>

March 2016, the Council had £11m on short-term deposit, all with other local authorities.

### **Interest Rates**

- 5.11 For the 7th consecutive year, the main bank base rate as set by the Bank of England remained at 0.5% throughout 2015/16. It has been at this level since 5<sup>th</sup> March 2009.
- 5.12 During 2015/16, the Council received more interest than estimated despite the average interest rate earned being below the market average. In accordance with the Lending Policy, tight investment criteria remained in place. This is aimed at keeping funds secure and liquid, rather than prioritising yield.
- 5.13 The Council's benchmark, as approved in the Treasury Management Strategy, is to achieve the average 7-day market rate over the year.
- 5.14 This was not achieved during 2015/16 with the average investment rate being 0.32%, compared to a market average of 0.50%. The average rate earned from the Government's Debt Management Office (DMO) was 0.25%, whilst that earned from other local authorities was 0.47%.
- 5.15 Funds are placed predominantly with the Government's Debt Management Office, instant access bank accounts and other local authorities. Although these are the safest form of deposit available and are "guaranteed," interest rates tend to be lower than the market average.

### **Temporary Borrowings**

- 5.16 The Council was not required to undertake any temporary borrowings during 2015/16.
- 5.17 The Council holds money on deposit for 2 Parish Councils. This money is classed as temporary as it can be recalled on immediate notice. Traditionally, parishes have placed funds with the Council to ensure security and liquidity of their funds.
- 5.18 The Council pays 1% below the prevailing Bank of England Base rate. As this rate was 0.5% throughout the year, no interest payments were made. Total money deposited by Parishes remained at £27,700 throughout the year.
- 5.19 This facility offered to parishes has no significant impact upon the overall treasury management operations of the Council.

### **Budgetary Implications**

- 5.20 The level of interest actually received and paid is accounted for in the General Fund. A proportion of this is then recharged into the HRA under a statutory calculation to recognise that some interest on investments is attributable to Council Housing.



5.21 The actual interest received was £65,425 compared to a budget of £39,000. Of the total interest received, £18,158 was transferred to the HRA.

### Interest Paid

5.22 The Council paid interest during the year on the HRA debt outstanding. This is shown in the following table, with a comparison to the amount estimated.

Interest Type	Principal £	Interest Rate %	Interest Paid £	Estimate £
Variable	10,000,000	0.71%	70,663	172,000
Fixed	10,000,000	2.70%	270,000	270,000
Fixed	10,000,000	3.01%	301,000	301,000
Fixed	10,000,000	3.30%	330,000	330,000
Fixed	10,000,000	3.44%	344,000	344,000
Fixed	7,423,000	3.50%	259,805	259,805
	<b>57,423,000</b>		<b>1,575,468</b>	<b>1,676,805</b>

5.23 The table shows that the total interest paid on the debt for 2015/16 was below that estimated by approximately £100,000. This was due to the interest on the variable rate loan being at 0.71%. This rate was estimated to rise to 1.75% during the year when the HRA budget was set for 2015/16.

### Investments 2015/16

5.24 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.

5.25 The overall strategy in the year was to effectively invest surplus funds to meet cash flow requirements within the year. In addition, there was no proposal to enter into longer term and externally managed funds.

### Investment Criteria

5.26 The Council invests surplus funds in accordance with an approved policy and associated lending or counterparty list. Based on best practice, the list is split between specified and non-specified investments.

5.27 Specified investments are those with the Government's Debt Management Office and other local authorities, together with the highest rated UK financial institutions. The list is based on an assessment of a financial institution's risk to a depositor bail-in. Most organisations on the Council's list are currently rated as non-specified investments.

5.28 This does not preclude deposits being made with these particular organisations, but the amount deposited and period are limited. Generally, any Council investments in these organisations are placed in instant access reserve accounts.

## Performance Indicator

- 5.29 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 2015/16 (with a comparison to recent years) is shown in the following table.

	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
7-Day Rate (target)	0.39%	0.51%	0.62%	0.51%	0.47%	0.50%	0.50%
Actual Rate	0.72%	0.78%	0.74%	0.31%	0.33%	0.31%	0.32%

## Prudential Indicators

- 5.30 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.
- 5.31 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.
- 5.32 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.
- 5.33 The indicators for 2015/16, together with further details on treasury management activity are detailed in **Appendix 1**. The Council operated within its capital budgets and limits for external borrowing at all times during the year.

## Minimum Revenue Provision (MRP)

- 5.34 Local authorities are required each year to "set-aside" some of their revenues as a provision to repay any borrowings or other credit arrangements. This set-aside is known as MRP and is a charge on the Council's General Fund. There is no requirement for a MRP on the HRA.
- 5.35 This requirement on the General Fund has existed for many years and is designed to ensure that authorities, prudently, make provision to meet their credit liabilities into the future. This was to ensure that authorities continue to make a sufficient and prudent provision in their accounts, in particular where they have made any unsupported borrowing under the Prudential System.
- 5.36 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

- 5.37 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.
- 5.38 However, due to its strong and positive cash flow position, the Council financed this borrowing "internally." Therefore, over time, actual debt does not match the underlying requirement shown in the Council's accounts.
- 5.39 MRP charged into the accounts, reduces the underlying requirement as it is repaying the resources used internally (on a cash basis) to repay borrowing allocations.
- 5.40 The calculation is designed to ensure that a "prudent" provision is made for debt repayment. This can be done through four options, which are as follows:
- **Option 1** - For debt that is supported by the Government through the grant system, authorities may continue to use the formula in current regulations (4%), since revenue support grant is calculated on that basis. Technically however, this option has been revoked, but has been maintained as a measure for capital expenditure incurred before 1<sup>st</sup> 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

- 5.41 The Council is operating under Option 2. Technically, the Council has been debt free under these regulations since 2004 (having repaid its actual borrowings). In addition, it has not entered into any new external borrowing in recent years to finance its capital expenditure on the General Fund.
- 5.42 However, during 2013/14, internal borrowing of approximately £850,000 as undertaken to finance the purchase of the receptacles to extend kerbside recycling. It was approved that this borrowing would be repaid by charging a Voluntary Revenue Provision (VRP) in the General Fund. This provision is being made over the life of the assets purchased under the Prudential System, i.e. Option 3

## **Proposed Council Statement on MRP**

- 5.43 The Council still has an assumed level of debt (or capital financing requirement) that is being subsidised through grant. Therefore, given no actual debt outstanding on the General Fund together with no unsupported borrowing, it is recommended that “prudence” is best achieved by continuing to provide a MRP under **Option 2** for supported borrowing.
- 5.44 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.
- 5.45 It is recommended that this policy be endorsed for 2015/16 and adopted for 2016/17. This requires no change from previous years and the necessary MRP and VRP calculated under these methods, have been included in the Council’s accounts for 2015/16 and Base Budget for 2016/17. Future amounts have been provided for in the Medium-Term Financial Plan to 2021.
- 5.46 This Policy will be kept under review depending on the Council’s future capital expenditure and financing requirements. Any proposed changes will be reported as necessary to this Committee for consideration and recommendation to Council. The impact on the MRP will be considered in any decision to enter into any borrowing under the Prudential System.

## **6.0 Financial Implications**

- 6.1 As highlighted above, there are no additional financial implications for the Council regarding the proposed Policy on MRP. The MRP made in 2015/16 was £232,424 and VRP of £131,226.

## **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 and amendments under the Local Authorities (Capital Finance and Accounting England Regulations) of 2003.

## **ANNUAL REPORT ON THE TREASURY MANAGEMENT SERVICE AND PRUDENTIAL INDICATORS 2015/16**

### **1.0 Introduction**

1.1 The annual treasury report summarises:

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

### **2.0 Regulatory Framework, Risk and Performance**

- 2.1 The Council's treasury management activities are regulated through statute and codes of practice. Statutory provisions are contained in the Local Government Act 2003, which provides the powers to borrow and invest as well as providing controls and limits on this activity.
- 2.2 The Act permits the Secretary of State to set limits either on the Council or nationally on all local authorities restricting the amount of borrowing that may be undertaken; no new restrictions were made in 2015/16.
- 2.3 Amended regulations develop the controls and powers within the Act and require the Council to undertake any borrowing activity with regard to the CIPFA Prudential Code for Capital Finance in Local Authorities. It also requires the Council to operate the overall treasury function with regard to the CIPFA Code of Practice for Treasury Management in the Public Services.
- 2.4 Under the Act the Government have also issued Investment Guidance to structure and regulate the Council's investment activities.
- 2.5 The Council has complied with all of the requirements, which limit the levels of risk associated with its treasury management activities. In particular its adoption and implementation of both the Prudential Code and the Code of Practice for Treasury Management means capital expenditure has to be prudent, affordable, sustainable and its treasury practices demonstrate a low risk approach.
- 2.6 There is minimal risk of volatility of costs for current debt as over 80% of the debt is at fixed interest rates.
- 2.7 Due to the potential volatility of short-term interest rates, this affects the Council's investment return. These returns are changeable and whilst the risk of loss of principal is minimal through the investment strategy, accurately forecasting returns can be difficult. However, with interest rates remaining generally flat and unchanged in 2015/16, returns are more easily predicted.

### 3.0 The Council's Capital Expenditure and Financing 2015/16

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

#### *Capital Spending: Final Out-turn 2015/16*

Services	Budget £	Actual £	Variance £
Council House Improvements	4,701,750	4,205,956	-495,794
Council House New Build - Phase 1	5,374,075	4,131,606	-1,242,469
Private Sector Housing Renewal	658,136	472,674	-185,462
Community and Leisure	2,998,046	2,516,236	-481,810
Environmental Development	9,900	24,157	14,257
Property, Plant and Equipment	1,353,972	466,117	-887,855
<b>Total Spending</b>	<b>15,095,879</b>	<b>11,816,746</b>	<b>-3,279,133</b>

#### *Capital Financing: Final Out-turn 2015/16*

Funding Source	Budget £	Actual £	Variance £
Capital Resources (Housing)	10,075,825	8,227,561	-1,848,264
External Grants and Contributions	1,994,698	2,358,771	364,073
Reserves and Amounts Set-aside	2,950,356	1,154,637	-1,795,719
Section 106	75,000	75,777	777
<b>Total - Financing</b>	<b>15,095,879</b>	<b>11,816,746</b>	<b>-3,279,133</b>

### 4.0 The Council's Overall Borrowing Need

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

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

<b>Capital Financing Requirement (CFR) 2015/16</b>	<b>Estimate 2015/16 £'000</b>	<b>Actual 2015/16 £'000</b>
CFR b/fwd 1st April 2015	68,116	68,116
Add New Borrowing (Internal)	200	185
Less Debt Repaid	0	0
Less Minimum Revenue Provision (MRP)	-232	-232
Less Voluntary Revenue Provision (VRP)	-110	-131
<b>CFR c/fwd 31st March 2016</b>	<b>67,974</b>	<b>67,938</b>
General Fund Proportion	6,390	6,354
HRA Proportion	61,584	61,584

## 5.0 Treasury Position at 31st March 2016

5.1 The treasury position at 31st March 2016 compared with the previous year is shown in the following table.

	<b>2014/15</b>		<b>2015/16</b>	
<b>Overall Borrowing Position as at 31st March</b>	<b>Principal £'000</b>	<b>Average Rate</b>	<b>Principal £'000</b>	<b>Average Rate</b>
Fixed Interest Rate Debt	47,423	3.17%	47,423	3.17%
Variable Interest Rate Debt	10,028	0.75%	10,028	0.71%
<b>Total Debt</b>	<b>57,451</b>		<b>57,451</b>	
Short-term Investments	-12,000	0.31%	-11,000	0.32%
<b>Net Borrowing Position</b>	<b>45,451</b>		<b>46,451</b>	

## 6.0 Prudential Indicators and Compliance

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

- a) **Borrowing and the CFR** – in order to ensure that borrowing levels are prudent over the medium term, the Council's external borrowing, net of investments, must only be for a capital purpose. Net borrowing should not have exceeded the CFR for 2015/16, plus the expected changes to the CFR over 2015/16 and 2016/17. 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.

<b>Borrowing Compared to CFR 2015/16</b>	<b>£'000</b>
Gross Borrowing	57,451
Net Borrowing	46,451
CFR	67,938



- b) **The Authorised Limit** – is the ‘affordable borrowing limit’ required by Section 3 of the Local Government Act 2003. The Council does not have the power to borrow above this level. The table (in c) below demonstrates that during 2015/16 the Council has maintained gross borrowing within its Authorised Limit.
- c) **The Operational Boundary** – is based on the expected maximum external debt (as above) during the course of the year, but it is not a limit. It is designed to help the Council’s Chief Finance Officer to manage treasury activity on a daily basis and acts as an early warning sign of any potential issues.

<b>Authorised Limit and Operational Boundaries 2015/16</b>		<b>£'000</b>
Authorised Limit		73,207
Operational Boundary		62,636
Gross Borrowing as at 31/03/2016		57,451

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

<b>HRA Limit on Indebtedness 2015/16</b>		<b>£'000</b>
HRA Debt Cap (Fixed)		66,853
HRA CFR		61,584
<b>Difference</b>		<b>5,269</b>
HRA Debt		57,451
<b>Borrowing Headroom (Cap less Debt)</b>		<b>9,402</b>

- 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 credit obligations, net of investment income) against the net revenue stream, i.e. money raised from Council Tax and Housing Rents.

<b>Financing Ratios</b>	<b>Budget £</b>	<b>Actual £</b>
<b>General Fund</b>		
Council Tax Income	4,598,852	4,598,852
Net Interest	-£39,000	-£65,425
<b>Proportion</b>	<b>-0.85%</b>	<b>-1.42%</b>
<b>HRA</b>		
Rent Income	12,643,000	12,612,124
Net Interest	1,676,805	1,575,468
<b>Proportion</b>	<b>13.26%</b>	<b>12.49%</b>



## APPENDIX 2

### PRUDENTIAL INDICATORS 2015/16

	Estimate £	Actual £
<b>Capital Spending: Final Out-turn 2015/16</b>		
Council House Improvements	4,701,750	4,205,956
Private Sector Housing Renewal	658,136	472,674
Community and Leisure	2,998,046	2,516,236
Environmental Development	9,900	24,157
Property, Plant and Equipment	1,353,972	466,117
<b>Total Spending</b>	<b>9,721,804</b>	<b>7,685,140</b>

<b>Capital Financing: Final Out-turn 2015/16</b>		
Capital Resources (Housing)	10,075,825	8,227,561
External Grants and Contributions	1,994,698	2,358,771
Reserves and Amounts Set-aside	2,950,356	1,154,637
Section 106	75,000	75,777
<b>Total - Financing</b>	<b>15,095,879</b>	<b>11,816,746</b>

<b>External Debt</b>	<b>£'000</b>	<b>£'000</b>
Debt 1st April	57,451	57,451
New Debt	200	185
Maturing Debt	0	0
<b>Debt 31st March</b>	<b>57,451</b>	<b>57,636</b>
Annual Change in Debt	0	-185
Long-term Investments	0	0
Short-term Investments	-12,000	-11,000

<b>Limits compared to Actual Debt</b>		
Authorised Limit - General Fund	6,390	6,354
Authorised Limit - HRA (Fixed Debt Cap)	66,853	66,853
Total Financing Requirement (CFR)	67,974	67,938
Operational Boundary	62,451	62,636
Gross Debt	57,451	57,636
Debt Less Investments	45,451	46,451

<b>General Fund - Net Indebtedness</b>		
Capital Financing Requirement (CFR)	6,390	6,354
Less: Reserves	-10,234	-15,232
<b>Net Indebtedness</b>	<b>-3,844</b>	<b>-8,878</b>

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

#### Interest Payable and Receivable

General Fund	£'000	£'000
Interest Payable	0	0
Interest Received	-39,000	-65,425
<b>HRA</b>		
Interest Payable	1,676,805	1,575,468
Interest Received	-16,000	-18,158

#### Capital Financing Requirement (CFR)

CFR b/fwd	68,116	68,116
Add Net Financing	200	185
Less MRP	-232	-232
Less VRP	-110	-131
Less Loan Repayments	0	0
<b>CFR c/fwd</b>	<b>67,974</b>	<b>67,938</b>
General Fund Proportion	6,390	6,354
HRA Proportion	61,584	61,584

#### Cost of Servicing Debt

Net Interest Received - Gen Fund	-£39,000	-£65,425
Tax Base - Band D Properties	30,608	30,608
<b>Cost per Band D Property</b>	<b>-£0.78</b>	<b>-£0.47</b>
Net Interest Paid - HRA	£1,676,805	£1,575,468
Number of Council Dwellings	2,972	2,972
<b>Annual Cost per Dwelling</b>	<b>£564.20</b>	<b>£530.10</b>

#### Financing Ratios

##### General Fund

Council Tax Income	£4,598,852	£4,598,852
Net Interest	-£39,000	-£65,425
<b>Proportion</b>	<b>-0.85%</b>	<b>-1.42%</b>

##### HRA

Rent Income	£12,643,000	£12,612,124
Net Interest	£1,676,805	£1,575,468
<b>Proportion</b>	<b>13.26%</b>	<b>12.49%</b>

**Usable Reserves**

General Fund	5,787	6,929
Earmarked Reserves	4,476	8,303
HRA	2,067	1,425
Capital Receipts and Reserves	2,873	5,251
<b>Total Usable Reserves</b>	<b>15,203</b>	<b>21,908</b>

**Revenue Reserves**

General Fund	5,787	6,929
Earmarked Reserves	4,476	8,303
HRA	2,067	1,425
<b>Total Revenue Reserves</b>	<b>12,330</b>	<b>16,657</b>

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<b>REPORT TO:</b>	<b>FINANCE AND MANAGEMENT COMMITTEE (SPECIAL – FINAL ACCOUNTS)</b>	<b>AGENDA ITEM: 7</b>
<b>DATE OF MEETING:</b>	<b>21st JUNE 2016</b>	<b>CATEGORY: RECOMMENDED</b>
<b>REPORT FROM:</b>	<b>DIRECTOR OF FINANCE and CORPORATE SERVICES</b>	<b>OPEN</b>
<b>MEMBERS' CONTACT POINT:</b>	<b>KEVIN STACKHOUSE</b> <b>01283 595811</b> <a href="mailto:Kevin.stackhouse@south-derbys.gov.uk">Kevin.stackhouse@south-derbys.gov.uk</a>	<b>DOC:</b> u/ks/accounts/final accounts1516/ budget out-turn report/budget out-turn report 2016
<b>SUBJECT:</b>	<b>BUDGET OUT-TURN and FINAL ACCOUNTS 2015/16</b>	<b>REF:</b>
<b>WARD (S) AFFECTED:</b>	<b>ALL</b>	<b>TERMS OF REFERENCE: FM 08</b>

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## **1.0 Recommendations**

1.1 To approve the final out-turn position for:

- The General Fund Revenue Account 2015/16
- The Housing Revenue Account 2015/16
- Capital Expenditure and Financing 2015/16
- The Collection Fund 2015/16
- The Balance of Reserves and Provisions at 31<sup>st</sup> March 2016.

1.2 That a net appropriation of £133,000 in 2015/16 is made from the General Fund Reserve to other Earmarked Reserves as detailed in the report.

1.3 That the following contributions are made to Bad Debt and Appeal Provisions in 2015/16:

Sundry Debtors	<b>-£680</b>	General Fund
Bed and Breakfast Charges	£29,033	General Fund
Housing Benefit Overpayments	£104,280	General Fund
Previous Year's Balances (Net)	£21,989	General fund
Council Tax Arrears	£247,805	Collection Fund
Business Rates Arrears	£90,380	Collection Fund
Business Rates Appeals	£1,488,867	Collection Fund
Housing Rent Arrears	£105,068	Housing Revenue Account

## **2.0 Purpose of Report**

- 2.1 To detail the final out-turn position for 2015/16 on the Council's main revenue and capital accounts. The report also details the financial position on these accounts as at 31<sup>st</sup> March 2016 compared to that estimated in the Council's Medium-Term Financial Plan (MTFP).

### **Background – The Accounts Process**

- 2.2 The Council's Draft Annual Accounts and Financial Statements (prior to Audit) will be signed-off by the Chief Finance Officer for External Audit on 30<sup>th</sup> June 2016. In accordance with the Account and Audit Regulations, the accounts will be reported to the Committee, in September, after the Audit has been completed.
- 2.3 During the interim period, the draft (unaudited) accounts are available for inspection with the Auditor themselves, being available to receive questions and comments from the Public, for the period 1<sup>st</sup> July to 30<sup>th</sup> July 2016 inclusive. This "public right" is advertised in the local press and on the Council's web site.
- 2.4 The Auditor's detailed report will be considered by the Audit Sub Committee on 21<sup>st</sup> September. The audited accounts, together with the auditor's opinion, will be reported at a meeting of this Committee on 22<sup>nd</sup> September 2016.
- 2.5 The Financial Statements are prepared and reported to fulfil statutory requirements and are based on approved accounting standards. The statements provide detail regarding the Council's assets and liabilities and analyse income and expenditure for the year.
- 2.6 This report summarises the financial performance against the Council's approved budgets on the General Fund, Housing Revenue and Capital Accounts. It also provides details of the Collection Fund position, together with details of provisions and reserves.
- 2.7 Although these figures are final, they may be subject to amendment following Audit and the submission of statutory returns for Business Rates and Housing Benefits.
- 2.8 This report is divided into the following sections:
- Section 3 – General Fund Revenue Account and Collection Fund 2015/16
  - Section 4 – Housing Revenue Account 2015/16
  - Section 5 – Capital expenditure and financing 2015/16
  - Section 6 – Provisions and reserves as at 31<sup>st</sup> March 2016
  
  - Appendix 1 - General Fund Account 2015/16
  - Appendix 2 – The Collection Fund 2015/16
  - Appendix 3 – Capital expenditure and financing 2015/16
  - Appendix 4 – Earmarked reserves 2015/16

### 3.0 **GENERAL FUND REVENUE ACCOUNT**

3.1 Apart from Council Housing, day-to-day income and expenditure on Council services is accounted for in the General Fund. The net expenditure is financed from Core Spending Power which is a mixture of :

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

3.2 The Budget for 2015/16, which was approved in February 2015, estimated a budget surplus of £91,189 for 2015/16. Following the update of the Medium-term Financial Plan (MTFP) in January and February 2016, this was revised to a surplus of £563,667 as summarised in the following table

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

#### **Final Budget Out-turn 2015/16 - Summary**

3.3 **Appendix 1** details the final out-turn on the General Fund for 2015/16 with a comparison to the approved budget.

3.4 The appendix shows that the General Fund achieved a surplus, before appropriations, of £1.46m for the year. This was approximately £900,000 greater than budgeted.

3.5 This level of variance was expected and previously reported, mainly due to additional income from planning fees and retained business rates. The third quarter's monitoring reported to the Committee in March, estimated a surplus of £986,000.

3.6 There are several items that are accounted for in the General Fund's income and expenditure account, but then are adjusted through earmarked reserves and the contingent sum. This includes additional expenditure associated with the Planning service, receipts from asset sales and increases in the bad debts provision.

## Overview of Income and Expenditure 2015/16

- 3.7 Although there was an overall surplus, this was after meeting some additional cost pressures. Many of the variances have been reported in monitoring reports during the year, with actual figures now finalised, subject to Audit. An analysis of the major variances is shown in the following tables.

### Summary of the major variances compared to budget in 2015/16

<b>Favourable Variances (compared to Budget)</b>	<b>£'000</b>
Retained Business Rates	-454
Planning Fees	-423
Capital Receipts (transferred to the Capital Receipts Reserve)	-328
Contingent Sums (effectively offsetting additional expenditure below)	-290
Government contribution to reimbursement of Land Charges income (Personal Searches)	-105
Lower fuel prices	-87
Estates income - all property units let	-75
Reimbursement of Parliamentary Election Expenses	-68
New Burdens funding for Welfare Reform, Fraud Partnership and Compliance (to be c/fwd)	-67
Sports Development - project costs and contributions (to be carried forward)	-48
Members Training, Expenses and Allowances	-33
Interest on short-term deposits	-25
Lower utility costs (gas and electricity)	-18
<b>Total - Favourable Variances</b>	<b>-2,021</b>
<b>Adverse Variances (compared to Budget)</b>	
Net Cost of Housing Benefits	185
Contribution to Bad Debts Provision (offset by additional Business Rates and Contingent Sum)	155
Development of the Local Plan - financed from earmarked reserves	113
Indexation of contractual services (financed from Contingent Sum)	102
Recycling credits	101
ICT Network Upgrade (financed from the ICT reserve)	95
Homelessness - temporary staffing and project costs - financed from earmarked reserves	71
Planning Costs - financed from earmarked reserves	56
Vehicle Costs (mainly hired vehicles on a temporary basis)	46
Environmental Education capital projects - financed from earmarked reserves	37
Recycling Costs	33
External Facilitator - Job Evaluation project (financed from Contingent Sum)	31
Leisure centres - repairs and maintenance costs	24
Leisure centres - utility costs	23
<b>Total - Adverse Variances</b>	<b>1,072</b>
Total - Major Variances - favourable less adverse variances (net gain)	-949
All other Variances (net)	49
<b>Total - Net Variance (compared to Budget) - Overall Reduction</b>	<b>-900</b>

## Additional Income

- 3.8 The main variances related to additional income. There were increases in income from planning fees (as expected) and retained business rates in particular. The income from planning fees exceeded £1m in total for 2015/16 compared to a budget of £600,000.
- 3.9 Some of this additional income is being reinvested back into the Planning service to meet the current volume of planning applications, ICT improvements, together with developing the Local Plan and the Facilities Strategy for generating future Section 106 contributions (as previously approved by the Committee).

## General Grants and Business Rates Income

- 3.10 This is detailed in the following table.

Analysis of General Grant Income 2015/16	Estimate £'000	Actual £'000	Variance £'000
Revenue Support Grant	1,811	1,811	0
New Homes Bonus	2,322	2,330	8
Council Tax Freeze Grant	51	51	0
New Burdens Grant	0	9	9
Retained Business Rates ( <i>see table below</i> )	2,709	2,745	36
Council Tax income (including Parishes)	5,324	5,290	-34
<b>Total Grant Income 2015/16</b>	<b>12,217</b>	<b>12,236</b>	<b>19</b>

## Retained Business Rates

- 3.11 An analysis of income retained directly in the General Fund is shown in the following table.

	£'000
Approved Precept	8,792
Less Tariff paid to the Government	-6,200
Section 31 Grants - Business Rate Reliefs	413
Payment of Levy to Derbyshire Business Rates Pool	-290
Share of growth returned from the Pool	213
Business Rates Deficit 2015/16	-130
Transitional Relief adjustment - previous years	-53
<b>Net amount received in Retention System</b>	<b>2,745</b>
Add: Previous Year's surpluses	288
Add back: Deficit 2015/16 (transferred to 16/17)	130
<b>Total Business Rates Retained 2015/16</b>	<b>3,163</b>

- 3.12 The General Fund retained a greater share of Business Rates compared to that budgeted by approximately £6,000. However, this was increased overall to £454,000 when previous year's surpluses of £288,000 were paid from the



Collection Fund, together with the 2015/16 deficit (£130,000) being carried forward to 2016/17.

- 3.13 It should be noted that business rates incurred a deficit in 2015/16, of which the Council's share was approximately £130,000 as shown in the previous table. This was due to an increase in the number of valuation appeals rather than a reduction in income; this detailed later in the report in the Collection Fund section.
- 3.14 The impact of this deficit has been masked in the General Fund by the Section 31 Grants for Business Rate Relief, together with a share of growth from the Derbyshire Business Rates Pool.

### **Growth and the Derbyshire Business Rates Pool**

- 3.15 However, the Council's rates income increased compared to its baseline target which is set in the funding system and to calculate the "Levy." Although the Council incurred a deficit on the Collection Fund in 2015/16 (as detailed later) it saw an increase in receipts during the year. This is shown in the following table.

	£'000
Share of Gross Rates (at 40%)	9,072
Less Tariff paid to the Government	-6,200
Equals Retained Rates	2,872
Less Baseline Level (set by the Government)	-2,291
Equals Retained income above the Baseline	581
<b>Levy (at 50%)</b>	<b>291</b>

- 3.16 This levy payment is paid into the Derbyshire Pool. If the pooling arrangement did not exist, this income would have been lost entirely to the Council and paid directly to the Government. This would have adversely affected the overall General Fund position given that the Collection Fund fell into deficit during 2015/16.
- 3.17 However, a payment of £213,000 was returned back to the Council from the Pool. This was the Council's share of all growth in the Pool in 2015/16.

### **Estates Income**

- 3.18 The high level of property lettings during the year, with very little incidence of empty units, generated additional income of approximately £55,000 overall, compared to that budgeted. This also reduced the Council's liability for business rates on empty properties by approximately £20,000 – a further benefit of maximising lettings.

## Land Charges – Personal Searches

- 3.19 As previously reported, a Government contribution of £105,000 was received towards the cost of refunding personal searches from past years. The cost of £156,000 had previously been set-aside as a provision in the Council's accounts.

## Cost of Elections

- 3.20 In addition, the Council received a contribution of approximately £68,000 towards the administration of the local and parliamentary elections which took place in May 2015. Although the Council is responsible for the cost of the local District election, it received a reimbursement as it was run concurrently with the Parliamentary election at that time.
- 3.21 The cost of administering those elections is shown in the following table.

	£
Employees	83,558
Training	3,240
Advertising	2,015
Room Hire	15,428
Equipment	2,805
Printing	28,936
Stationery	6,654
Postage	6,443
Fees	3,000
Parish Council Contributions	-2,396
<b>Gross Cost</b>	149,683
Government reimbursement	-67,860
<b>Net cost</b>	<u>81,823</u>

- 3.22 The Council's budget for the gross cost was £150,000.

## Reduced Costs

- 3.23 The main area where costs were substantially less than that budgeted arose from the falling price of fuel during the year. Compared to a budgeted cost of £310,000 for all vehicles and plant, the actual cost of fuel in 2015/16 was £222,600.

## Contingent Sums

3.24 The amount set-aside as a contingent sum in the year to meet inflation and growth, together with the pay and grading review (employment of an external facilitator) was not fully utilised. The inflation and growth elements act as a safeguard against unforeseen matters arising in the year, i.e. to mitigate “budget risk.”

3.25 The total amount set-aside is highlighted in the following table.

Pay and Grading Review – External Facilitator	£100,000
Inflation	£89,700
Growth	£100,000
<b>Total - Contingent Sum 2015/16</b>	<b><u>£289,700</u></b>

3.26 Effectively, this contingent sum offset the additional expenditure regarding the External Facilitator (£31,000) together with the indexation of contractual services (£102,000) and the contributions to the General Fund Bad Debts provision of £155,000.

3.27 The largest costs were effectively accounting charges which fall as a cost on the General Fund, i.e. the increase in provisions for bad debts, together with the net cost of Housing Benefits.

## Provision for Bad Debts

3.28 Under accounting regulations, the Council has to provide for debts that may become uncollectable and which may need to be written-off. Provisions are based on a calculation that takes into account the risk of a debt becoming uncollectable.

3.29 The provisions made in 2015/16 are shown in the following table.

<b>General Fund - Bad Debt Provisions</b>	
Sundry Debtors	-£680
Bed and Breakfast Charges	£29,033
Housing Benefit Overpayments	£104,280
Previous Year's Balances (Net)	£21,989
<b>Total</b>	<b><u>£154,622</u></b>

3.30 No increase was required in the provision for sundry debts due to a good collection rate in the year and a reduction in arrears. In fact, the provision was slightly reduced.

## Bed and Breakfast Charges

- 3.31 These charges arise where the Council has to incur costs under its duties to provide temporary accommodation for homeless persons. The Council is entitled to recover the costs but this is generally difficult as people concerned are unlikely to have the means to pay.
- 3.32 The Council is responsible for pursuing recovery of the amount owed and this is generally difficult. However, in recognition of this, the Council is moving away from using “bed and breakfast” facilities to using its own accommodation and that of charitable organisations. This should help to reduce the costs in the future.
- 3.33 In addition, the Council does have an earmarked reserve, which relates to Government grants not fully utilised from previous years, to fund initiatives to prevent the incidence of homelessness occurring. This is overseen by the Housing and Community Services Committee.

## Housing Benefit Overpayments

- 3.34 These relate to overpayments whether they have occurred through processing error, claimant misinformation or fraud. The recovery is usually slow and may take several years where an overpayment is being deducted from on-going benefit. Depending on how the overpayment occurred, on average, around 40% is reimbursed through the housing benefit subsidy system in the year that the overpayment occurred.

## Net Cost of Housing Benefits

- 3.35 In addition, the cost of Housing Benefits increased overall by £184,000 as shown in the following table.

	Estimate £'000	Actual £'000	Variance £'000
<b>Cost of Housing Benefits 2015/16</b>			
Rent Allowances Paid	11,457	11,327	-130
Rent Allowances Subsidy	-11,092	-10,983	109
<b>Net Cost of Rent Allowances</b>	<b>365</b>	<b>344</b>	<b>-21</b>
Rent Rebates Paid	6,938	6,757	-181
Rent Rebates Subsidy	-6,882	-6,732	150
<b>Net Cost of Rent Rebates</b>	<b>56</b>	<b>25</b>	<b>-31</b>
<b>Net Cost of Benefits Paid</b>	<b>421</b>	<b>369</b>	<b>-52</b>
Overpayments Recovered (Rent Allowances)	-151	85	236
<b>Overall Cost of Housing Benefits</b>	<b>270</b>	<b>454</b>	<b>184</b>

- 3.36 The cost of benefits falling on the Council is sensitive to small changes given the amount involved. It is important that the Council maximises its subsidy through robust processing. The total cost of benefits paid and administered across 9,500 claims was approximately £18m in 2015/16. Even a ½% variation in subsidy equates to nearly £100,000.
- 3.37 The previous table shows that the net cost of benefits paid was approximately £50,000 less than that estimated. The reason for the increase in the cost to the Council compared to that estimated, was actually a reduction in the amount of overpayments recovered.
- 3.38 This was budgeted at £151,000 against an actual deficit of £85,000. This arose as an accrual of outstanding overpayments of £300,000 was made in 2014/15. The amount actually recovered was £215,000. This has been corrected in 2015/16. Given this situation, no accrual has been made in the accounts for 2015/16. Any overpayments recovered in the future will then be a direct benefit to the General Fund.

### Other Cost Pressures

- 3.39 Besides the additional costs being financed from earmarked reserves, the main adverse variances, as previously reported, are shown in the following table.

Additional costs - previously known	£'000	3rd quarter forecast
Income from recycling credits over-budgeted	101	100
Additional vehicle hire on a temporary basis	46	60
Repairs and utility costs at leisure centres	47	62
Other recycling costs	33	30

### Transfers to/from Earmarked Reserves

- 3.40 This is split between expenditure that is incurred and financed from earmarked reserves, together with amounts received in advance and capital receipts, which need to be transferred into earmarked reserves to meet future expenditure.
- 3.41 In addition, certain budget managers have made requests to transfer underspends from budgets in the year into 2016/17, to meet on-going commitments. Several of these have already been approved by the Committee. All proposed transfers are detailed in the following table.

## Transfers between General Reserve and other Reserves 2015/16

	£'00
<b>Transfers from General Fund to Earmarked Reserves</b>	<b>0</b>
External funding - Sports Development	48
Government funding - Welfare Reform, Fraud and Compliance	67
Transfer to Facilities Development Fund (approved by the Committee - April 2016)	30
Townscape project - Grant funding carried forward	21
Transfer to Planning - ICT development (approved by the Committee - March 2016)	20
Transfer of receipts from land sales (mainly William Nadin Way) to Capital Reserves	309
Transfer of receipts from disposal of vehicles to the Asset Replacement Reserve	19
Transfer of turnover share from Rosliston Forestry Centre - café	11
<b>Transfers from Earmarked Reserves to the General Reserve to meet expenditure in 15/16</b>	
Planning - resources to meet increased planning applications	-56
Development of the Local Plan	-113
Strategic Partnership - Grant funding	-11
Environmental Education - capital projects	-37
Safer Communities	-9
Prevention of Homelessness - temporary staffing and project costs	-71
ICT Network upgrade - drawdown from ICT reserve	-95
<b>TOTAL NET TRANSFER TO EARMARKED RESERVES FROM GENERAL FUND RESERVE</b>	<b>133</b>

- 3.42 These amounts are adjusted through reserve transfers as detailed in **Appendix 4**. The overall effect on the General Reserve following the surplus on the General Fund, together with these transfers to earmarked reserves, is detailed in Section 6.

## THE COLLECTION FUND

- 3.43 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.
- 3.44 During the year, both the Council Tax and Business Rates accounts continued to perform better than estimated and surpluses were expected to be achieved. As at the third quarter, the cumulative balances were estimated at approximately £1/4m for Council Tax and £1/2m for Business Rates. The final out-turn on the Fund for 2015/16 is detailed in **Appendix 2**.

## Council Tax

- 3.45 Overall collection generated a surplus in the year of £211,000. This maintained a cumulative fund balance of £407,000 as at 31<sup>st</sup> March 2016 – an increase of £138,000 compared to that estimated. This was mainly due to a reduction in the contribution to the provision for bad debts due to a better collection rate.

- 3.46 The amount due to South Derbyshire is approximately £45,000 (11% of £407k). This amount remains in the Collection Fund pending the 2017/18 budget round, when the surplus on the Fund has to be declared in setting the Council Tax for the following year. Depending on the on-going performance of Council Tax, at this point any surplus due to the General Fund can be included in the MTFP.

### **Business Rates**

- 3.47 As highlighted earlier in the report, this part of the Fund generated a deficit in 2015/16 of £326,000, compared to an estimated surplus of approximately £1/2m. This was not due to less rates being collected, but arose due to a large increase in the provision for appeals of approximately £1.49m.

### **Business Rates Appeals**

- 3.48 Several large businesses in the area have recently submitted appeals against their rating value to the District Valuer (DV). If successful, these could be backdated to 2010 which is the latest valuation list.
- 3.49 Under accounting regulations, the Council has to provide against a certain amount of appeals being successful. In recent years, approximately 3.5% of appeals have been successful. Although this is only a small percentage, the monetary amounts involved are significant. There are around 200 individual cases currently pending with the DV. The total amount of rates involved across these appeals is approximately £62m when backdated to 2010.
- 3.50 At a success rate of 3.5%, this equates to a provision of around £2.1m. The Council's existing provision is £700,000. Therefore, this needs to be increased by £1.4m to ensure a proper provision is maintained. As shown in Appendix 2, this is a charge in the Collection Fund for Business Rates.

### **Deficit and Previous Year's Surpluses**

- 3.51 The financial year 2015/16 was the third year of the Rates Retention System which was introduced in 2013/14. The first two years of the system generated a cumulative surplus on the Council's Business Rates Account of £647,000 as at 31<sup>st</sup> March 2015.
- 3.52 As previously reported, the cumulative surplus had been maintained in the Collection Fund. With an anticipated surplus of £1/2m in 2015/16, payments of £720,000 have been paid to the Preceptors in 2015/16 to return the overall surplus, whilst still maintaining a balance as a contingency.
- 3.53 At 40% of £720k, the Council's share was £288,000 and this was transferred to the General Fund in 2015/16. The Council's share of the deficit incurred in 2015/16 of £130,000 ( $£326,000 \times 40\%$ ) has been carried forward and will be accounted for in 2016/17. However, it is likely that the on-going surplus of the overall Fund in 2016/17, assuming retained receipts continue above the Government's baseline, will offset this deficit.



#### 4.0 HOUSING REVENUE ACCOUNT (HRA)

- 4.1 The Council is required to account separately for income and expenditure in providing Council Housing. The approved HRA Budget for 2105/16 was set with a deficit to finance from HRA reserves of £240,000.
- 4.2 This was revised to £314,000 in February 2016, following a review of the 10-year financial plan. At the end of the third quarter, the deficit was projected to be slightly higher at £331,000.
- 4.3 Due to changes in the profile of capital expenditure and the New Build programme, the HRA budget for 2015/16 was revised again in May. In particular, this was due to an anticipated increase in capital works of £800,000 as reported to the Committee in March. The revised deficit for the year was then estimated at approximately £1.1m (£331k + £800k).

#### **Final Out-turn 2015/16**

- 4.4 Final performance on the HRA is shown in the following table.

<b>Summary HRA 2015/16</b>	<b>Budget £'000</b>	<b>Actual £'000</b>	<b>Variance £'000</b>
Rental Income	-12,643	-12,612	31
Contribution to Capital Works	4,343	4,205	-138
Contribution to New Build Programme	2,287	2,287	0
Planned Maintenance	2,358	2,252	-106
Responsive Repairs	1,136	1,119	-17
Supervision and Management	1,531	1,635	104
Supported Housing and Careline Services	420	400	-20
Interest on Debt	1,681	1,566	-115
Provision for Bad Debts	44	105	61
<b>Deficit</b>	<b>1,157</b>	<b>957</b>	<b>-200</b>

- 4.5 The table shows that the HRA incurred a deficit less than that estimated, although there were some more significant variances within the overall figure of £200,000 as shown in the above table. However, these variances were known and reported to the Committee as part of the third quarter's monitoring report in March 2016.
- 4.6 The reduction in rental income is due to a greater number of Right to Buys – 17 in total compared to 8 budgeted. Interest on debt was lower due to the interest rate on the variable element of the debt portfolio (£10m) having been settled at 0.71% compared to that budgeted of 1.25%. In addition, overall expenditure on Planned Maintenance was lower compared to the Budget.



## Contribution to Capital Works

- 4.7 As reported to the Committee in March, this budget was increased by £800,000, from £3.5m to £4.3m, to accommodate additional expenditure in 2015/16. The actual out-turn was approximately £138,000 lower than this and this has helped to maintain the HRA General Reserve above the minimum level of £1m – a potential risk identified when the additional expenditure was reported.

## Other Variances

- 4.8 The main adverse variances related to supervision and management, with a greater level of staffing and support costs. Some of this arose to cover long-term absences. Moreover, additional contract recruitment and consultancy costs were also incurred.
- 4.9 The increase in the provision for bad debts is based on the level of rent arrears at each year-end. The level of arrears and associated bad debts provision is shown in the following table.

	Debt O/s 2015 £	Debt O/s 2016 £
Leaseholders	5,651	8,933
Current Tenants	222,470	209,750
Former Tenants	172,015	87,937
	<b>400,136</b>	<b>306,620</b>
Bad Debts Provision	183,265	169,329

- 4.10 Although the level of arrears has reduced, the provision has not reduced in proportion and rose to 55% of arrears outstanding in 2016, compared to 45% at the end of 2015. This was due to an amount of £119,000 being written off in 2015/16 against the provision. These write-offs mainly related to former tenants.
- 4.11 The level of arrears has effectively increased. The bad debts provision required has only reduced from £183,265 to £169,329, with an increase of £105,000 required as shown in the following table.

	£
Bad Debts Provision b/fwd	183,265
Less Write-offs in 2015/16	-119,004
Provision Remaining	64,261
Provision Required	169,329
Top-up Required in HRA 2015/16	105,068

- 4.12 Overall, the effect of the HRA [Page 30 of 46](#) on the HRA's General Reserve is detailed in **Section 6**.

## 5.0 **CAPITAL EXPENDITURE and FINANCING 2015/16**

- 5.1 The final out-turn is detailed in **Appendix 3** with a summary in the following table.

### *Capital Spending: Final Out-turn 2015/16*

Services	Budget £	Actual £	Variance £
Council House Improvements	4,701,750	4,205,956	-495,794
Council House New Build - Phase 1	5,374,075	4,131,606	-1,242,469
Private Sector Housing Renewal	658,136	472,674	-185,462
Community and Leisure	2,998,046	2,516,236	-481,810
Environmental Development	9,900	24,157	14,257
Property, Plant and Equipment	1,353,972	466,117	-887,855
<b>Total Spending</b>	<b>15,095,879</b>	<b>11,816,746</b>	<b>-3,279,133</b>

### **Council House Improvements**

- 5.2 This variance was explained previously in the report in Section 4. The expenditure also included disabled facility adaptations.

### **Council House New Build – Phase 1**

- 5.3 The programme was substantially complete in 2015/16. There was some slippage but the main works and associated contract payments will be completed during the first quarter of 2016/17. Detailed progress continues to be reported to the Housing and Community Services Committee.

### **Community and Leisure Schemes**

- 5.4 The main slippage was on the schemes associated with the Melbourne Sporting Partnership (£236k) Rosliston Forestry Centre Play Project (£130k) and the Community Partnership Scheme (£177k). As reported previously, the Melbourne project was delayed in the year as funding and procurement matters were finalised. The scheme is currently nearing completion.
- 5.5 The Rosliston project is still subject to the planned external funding being secured; this is on-going work.
- 5.6 As regards the Community Partnership Scheme, all monies have been allocated to various organisations by the Grants Panel. The reason for the “underspend” is that there is generally a lead in time between a grant being awarded and the scheme being delivered which triggers the grant payment.
- 5.7 The remaining/unspent amounts have been carried forward into 2016/17 to complete schemes.

## Property, Plant and Equipment

- 5.8 The main variance relates to the replacement of vehicles. Two refuse freighters were replaced in 2015/16. However, these were purchased (as used) from a neighbouring authority at substantially lower prices than brand new.

## Financing Capital Expenditure

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

### *Capital Financing: Final Out-turn 2015/16*

Funding Source	Budget £	Actual £	Variance £
Capital Resources (Housing)	10,075,825	8,227,561	-1,848,264
External Grants and Contributions	1,994,698	2,358,771	364,073
Reserves and Amounts Set-aside	2,950,356	1,154,637	-1,795,719
Section 106	75,000	75,777	777
<b>Total - Financing</b>	<b>15,095,879</b>	<b>11,816,746</b>	<b>-3,279,133</b>

- 5.10 The variance reflects expenditure outstanding and this will be drawn down as schemes are progressed and external funding is received.

## **6.0 RESERVES, BALANCES AND PROVISIONS**

### **Provisions**

- 6.1 In accordance with accounting standards, provisions are made in the accounts by charging the income and expenditure account in the year that a potential liability becomes known.
- 6.2 A provision is made where a known liability exists that has arisen from normal day-to-day operations. The liability will normally be one-off and is more than likely to occur. However, the timing and amount may not be certain, but can be reasonably estimated.
- 6.3 In these circumstances, accounting standards direct that it is prudent to make a provision in the accounts.

### **Bad Debt Provisions**

- 6.4 These are made based on the age and profile of debt outstanding. The provisions are made based on a formula that calculates a percentage on the likelihood of a debt or category of debt being collected.
- 6.5 The longer the debt has been outstanding or where no account has had any transactions for some time, the greater the provision that has to be made. Provisions were made in 2015/16 as shown in the following table.

Sundry Debtors	-£680	General Fund
Bed and Breakfast Charges	£29,033	General Fund
Housing Benefit Overpayments	£104,280	General Fund
Previous Year's Balances (Net)	£21,989	General fund
Council Tax Arrears	£247,805	Collection Fund
Business Rates Arrears	£90,380	Collection Fund
Business Rates Appeals	£1,488,867	Collection Fund
Housing Rent Arrears	£105,068	Housing Revenue Account

- 6.6 No additional provision was required for sundry debtors as the overall arrears situation improved during 2015/16. The provision for Council Tax arrears amounts to £1/2% of that collectable and is contained within the overall surplus balance on the Collection Fund, as detailed earlier in the report in Section 3.
- 6.7 The reasons for the amounts calculated for business rate appeals and Housing rent arrears have also been detailed earlier in the report, in Sections 3 and 4 respectively.
- 6.8 In addition to on-going provisions for bad debts and business rates appeals, further provisions continue to be made as shown in the following table.

Analysis of Other Provisions	Provision b/fwd April 2015 £'000	Used during 2015/16 £'000	Amounts Released 2015/16 £'000	Increases 2015/16 £'000	Provision c/fwd April 2016 £'000
Personal Search Refunds	156	-114	0	0	42
Planning Appeals	172	-38	-34	27	127
Early Termination Benefits	0	0	0	9	9
<b>Total Provisions 2015/16</b>	<b>328</b>	<b>-152</b>	<b>-34</b>	<b>36</b>	<b>178</b>

- 6.9 The amounts released during the year arose due to the liability being lower than estimated when the provision was originally established. These amounts, together with the increases are re-credited or debited (respectively) to the General Fund.

## General Fund Reserve

- 6.10 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 2016	Budget £'000	Actual £'000	Variance £'000
Balance b/fwd (1st April 2015)	6,134	6,134	0
Add: Surplus for the Year (Section 3)	564	1,464	900
Less: Contribution to the Vehicle Renewals Fund	-20	-20	0
Less: Contributions to Capital Works	-891	-522	369
Accumulated absences movement	0	6	6
Net transfer to Earmarked Reserves	0	-133	-133
<b>Closing Balance as at 31st March 2016</b>	<b>5,787</b>	<b>6,929</b>	<b>1,142</b>

- 6.11 The table shows that the level of general reserves was greater than estimated at March 2016 by around £1.1m, after allowing for the transfer to earmarked reserves as detailed in Section 3 of the report. This improved position is due to the better out turn as detailed in Section 3.
- 6.12 The remaining contributions towards capital works will be maintained in the Reserve. They will be drawn-down as expenditure is incurred to complete the relevant schemes in 2016/17. After allowing for this, the General Fund is £773,000 more favourable (£1,142k - £369k) when compared to the MTFP.

## Earmarked Reserves

- 6.13 The Council maintains earmarked reserves that are held, at the Council's discretion, for specific purposes. These are to meet one-off items of expenditure, together with areas where costs are incurred over several years, for example, Vehicle and ICT replacements together with repairs and maintenance and where external funding may be received in advance of expenditure.
- 6.14 Annual contributions are made to these reserves from other accounts and reserves and they are drawn-down to finance expenditure in revenue and capital accounts as required.
- 6.15 Once established, earmarked reserves can only be used for that specific purpose. Other reserves may be established through a legal agreement or contractual commitment.
- 6.16 The Council's earmarked reserves are detailed in **Appendix 4**. This shows the overall change on individual balances during 2015/16, including the appropriations detailed earlier in the report in Section 3.

## Housing Revenue Account (HRA) Reserve

6.17 Section 4 detailed the final account of the HRA and this highlighted a deficit for 2015/16 of £957,000.

6.18 The HRA reserve balance totals £1.42m as at 31<sup>st</sup> March 2016. This is £201,000 higher than estimated - mainly due to the lower overall expenditure in 2015/16.

6.19 The reserve balance is shown in the following table.

HRA General Reserve as at 31st March 2016	Budget £'000	Actual £'000	Variance £'000
Balance b/fwd (1st April 2015)	2,381	2,381	0
Less Deficit 2015/16 (Section 4)	-1,157	-957	200
Accumulated absences movement	0	1	1
<b>Closing Balance as at 31st March 2016</b>	<b>1,224</b>	<b>1,425</b>	<b>201</b>

## General Capital Receipts Reserve

6.20 The position on this reserve during 2015/16 is shown in the following table.

General Capital Receipts Reserve as at 31st March 2016	Budget £'000	Actual £'000	Variance £'000
Balance b/fwd (1st April 2015)	3,177	3,177	0
Land Sale Receipts (William Nadin Way)	135	309	174
Vehicle disposals	0	19	19
Contribution to Vehicle Replacement Fund	-250	-250	0
Contribution to General Fund Capital Schemes	-623	-465	158
<b>Closing Balance as at 31st March 2016</b>	<b>2,439</b>	<b>2,790</b>	<b>351</b>

6.21 The above table shows this reserve is £351,000 greater as at 31<sup>st</sup> March 2016 compared to that estimated. The land sale receipts from William Nadin Way are earmarked for the payment of development costs and the capital costs for relocating the Council's depot.

6.22 In addition, the variance on the amount to finance the General Fund capital schemes remains earmarked to fund the appropriate projects when completed.

## Housing Capital Receipts Reserve

6.23 This is the reserve that is being used to finance the New Build programme. In accordance with Council policy, all proceeds (net of any pooling payment) from the sale of existing council houses and HRA land are transferred to this reserve.

6.24 The position on this reserve during 2015/16 is shown in the following table.

<b>Housing Capital Receipts Reserve as at 31st March 2016</b>	<b>Budget £'000</b>	<b>Actual £'000</b>	<b>Variance £'000</b>
Balance b/fwd (1st April 2015)	2,002	2,002	0
Add: Transfer from HRA	2,287	2,287	0
Add: Receipts from land sales	15	15	0
Add: Retained receipts from Council House sales	614	490	-124
HCA Grant Income	0	95	95
Less: Costs of New Build in Year	-3,930	-4,132	-202
<b>Closing Balance as at 31st March 2016</b>	<b>988</b>	<b>757</b>	<b>-231</b>

6.25 The table shows that the balance on the Reserve is lower than estimated at the end of the year. This is mainly due to the value of retained receipts being lower than anticipated, together with the costs of New Build (in year) being greater than estimated. The costs of New Build are purely a timing difference reflecting the profile of contract payments..

### **HRA Debt Repayment Reserve**

6.26 The balance stands at £1.7m as at 31<sup>st</sup> March 2016. This remains unchanged from 2015. This reserve will receive annual contributions from HRA surpluses in future years in order for debt to be repaid from 2023. This is in accordance with the HRA Financial Plan.

## **7.0 Financial Implications**

7.1 As set out and detailed in the report.

## **8.0 Corporate Implications**

8.1 As detailed in the report.

## **9.0 Community Implications**

9.1 The production of financial information in a timely manner is an important part of stewardship and accountability for public resources. It aims to give electors, those subject to locally levied taxes and charges, Elected 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

# APPENDIX 1: GENERAL FUND INCOME and EXPENDITURE 2015/16

Cost Centre	Budget £	Actual £	Variance £	Main Variances Noted
Democratic Representation & Management	167,139	167,363	224	
Corporate Management	59,649	66,924	7,275	
Corporate Finance Management	69,403	60,406	-8,997	Lower Audit fees
Funded Pension Schemes	241,505	296,262	54,756	Backdated Pension Payments greater than anticipated
Increase/Decrease in Provision for Bad or Doubtful Debts (GF)	0	154,622	154,622	Detailed in Report
Council Tax Collection	-33,745	-15,311	18,434	
Non Domestic Rates Collection	48,912	44,193	-4,719	
Elected Members	357,143	312,438	-44,705	Lower training, expenses and allowances
Registration of Electors	33,356	44,165	10,809	Approved restructure costs
Conducting Elections	316,972	255,539	-61,434	Government reimbursement of national election
Emergency Planning	0	1,434	1,434	
Local Land Charges	16,798	-93,454	-110,252	Government funding for personal search refunds
General Grants, Bequests & Donations	304,085	308,169	4,084	
Parish Councils	324,340	349,892	25,552	Inflation and backdated claim
Melbourne Leisure Centre	1,869	15,440	13,571	Repairs and maintenance
Arts Development & Support	25,427	23,272	-2,155	
Events Management	187,025	193,635	6,610	
Community Centres	103,545	125,043	21,498	Depreciation - reversed out in adjustments
Get Active in the Forest	48,682	50,390	1,707	
Sports Development & Community Recreation	236,080	185,005	-51,075	External funding - carried forward in reserve
Indoor Sports & Recreation Facilities	356,525	356,603	78	
Outdoor Sports & Recreation Facilities (SSP)	55,058	49,544	-5,514	
Playschemes	25,347	40,850	15,503	Projects funded from earmarked reserves
Grounds Maintenance	746,586	671,098	-75,489	Lower fuel and transport costs
Countryside Recreation & Management	15,219	14,852	-367	
Allotments	-135	-1,595	-1,460	
Tourism Policy, Marketing & Development	60,967	57,241	-3,726	
Village Halls	7,537	4,044	-3,493	



Rosliston Forestry Centre	165,485	116,992	-48,492	Lower depreciation and additional income
Cemeteries	27,839	28,137	298	
Closed Churchyards	4,415	5,136	721	
Food Safety	101,366	136,703	35,338	One-off restructure costs
Pollution Reduction	368,293	362,111	-6,182	Vacant posts
Housing Standards	64,931	55,388	-9,543	As above
Pest Control	31,841	26,214	-5,627	As above
Public Health	0	-2,821	-2,821	As above
Licensing	26,648	9,224	-17,423	As above
Public Conveniences	37,824	37,058	-765	
Community Safety (Crime Reduction)	199,321	213,925	14,604	Offset below
Community Safety (Safety Services)	143,401	131,609	-11,792	Offset above
Defences Against Flooding	72,362	69,714	-2,648	
Street Cleansing (not chargeable to highways)	442,740	425,158	-17,582	Lower costs (4% of budget)
Household Waste Collection	2,246,488	2,371,408	124,920	Depreciation on vehicles (+250k) offset by lower costs - fuel
Trade Waste Collection	-98,780	-115,809	-17,029	Increased income
Recycling	296,962	463,152	166,190	Recycling credits (as reported) and other costs
Building Regulations	180,707	225,037	44,330	Offset by income below
Other Building Control Work	-7,916	-33,460	-25,544	See above
Dealing with Development Control Applications	253,951	8,648	-245,302	Planning income, offset by appeal costs (reserves)
Planning Policy	538,245	661,690	123,445	Cost of Local plan financed from earmarked reserves
Environmental Education	127,995	170,907	42,913	Capital projects financed from earmarked reserves
Market Undertakings	-10,197	-7,014	3,184	
Promotion and Marketing of the Area	238,009	228,605	-9,404	
Planning Development	255,264	296,840	41,576	Extra resources financed from earmarked reserves
Environmental Maintenance (Other Roads)	-8,104	-67,132	-59,027	Costs transfered to Parks and Open Spaces
Off-Street Parking	64,349	94,133	29,784	Additional maintenance and utility costs
Concessionary Fares (replacement passes)	1,503	-7,343	-8,846	Additional administration contribution
Housing Strategy	181,514	175,223	-6,291	
Housing Advice	95,542	115,219	19,677	Additional resources financed from earmarked reserve

Administration of Renovation & Improvement Grants	62,292	61,263	-1,029	
Bed / Breakfast Accommodation	15,208	27,814	12,606	Additional costs
Homelessness Administration	102,429	142,097	39,668	Additional resources financed from earmarked reserve
Rent Allowances Paid	214,195	429,865	215,670	Lower overpayments recovered
Rent Rebates	56,015	25,540	-30,475	Net subsidy better
Housing Benefits Administration	253,146	204,748	-48,398	Government funding for welfare reform
Travellers' Sites	-2,743	-2	2,741	
Welfare Services	1,976	-3,778	-5,754	
Other Housing Support Costs (GF)	55,202	57,337	2,135	
Caretaking	130,526	98,208	-32,318	Staff vacancies
Community Parks & Open Spaces	266,672	331,718	65,046	Costs transfered from Parks and Open Spaces
Debt Recovery	135,349	135,736	387	
Public Transport (Bus Station)	34,012	26,993	-7,019	Lower maintenance costs
Estate Management	-150,153	-767,760	-617,607	Re-valuation gain on land sales (reversed) plus income
Transport Services	-0	-645	-645	
Other Management Costs	0	-476	-476	
Taxation & non-specific grant income (GF)	-12,217,458	-12,235,339	-17,881	
Interest & Investment Income (GF)	-37,185	-43,480	-6,295	
External Interest Payable (GF)	1,500	123	-1,377	
Other Operating Income & Expenditure (GF)	711,567	377,241	-334,326	Capital receipts from land sales transferred to capital
<b>Total - Net Income before Adjustments</b>	<b>-550,166</b>	<b>-1,200,077</b>	<b>-649,912</b>	

#### Adjustments

Depreciation and Capital Charges Reversed	-645,650	-195,524	450,126	Offsets costs and revaluation gains in cost of services
Transfer of Previous Year's Council Tax Surplus	0	-13,404	-13,404	Additional income detailed in Collection Fund analysis
Transfer of Previous Year's Business Rates Surplus	0	-288,616	-288,616	As above
Reversal of Business Rates 2015/16 Deficit into 2016/17	0	-130,469	-130,469	As above
Minimum and Voluntary Revenue Provisions	342,444	363,650	21,206	
Provisions and Contingencies	289,704	0	-289,704	Offset costs of bad debt provisions and indexation
<b>Total - Net Income Transferred to General Reserve</b>	<b>-563,668</b>	<b>-1,464,440</b>	<b>-900,773</b>	

## COLLECTION FUND ACCOUNT 2015/16

	Actual 2014/15 £'000	Estimated 2015/16 £'000	Actual 2015/16 £'000	Variance £'000
<b>COUNCIL TAX - INCOME &amp; EXPENDITURE</b>				
<b>INCOME</b>				
Council Tax Collectable	45,729	47,496	47,471	-25
<b>EXPENDITURE</b>				
County Council Precept	32,657	34,295	34,295	0
Police and Crime Commissioner Precept	5,059	5,313	5,313	0
Fire and Rescue Authority Precept	2,034	2,137	2,137	0
SDDC Precept	4,466	4,599	4,599	0
SDDC Parish Precepts	606	668	668	0
Increase in Bad Debts Provision	396	411	248	-163
<b>Total Expenditure</b>	<b>45,218</b>	<b>47,423</b>	<b>47,260</b>	<b>-163</b>
<b>Surplus for the Year</b>	<b>511</b>	<b>73</b>	<b>211</b>	<b>138</b>

<b>COUNCIL TAX BALANCE</b>				
Opening Balance 1st April	358	696	696	0
Share of Previous Surplus to County Council	-126	-364	-364	0
Share of Previous Surplus to Police	-19	-56	-56	0
Share of Previous Surplus to Fire Authority	-8	-23	-23	0
Share of Previous Surplus to SDDC	-20	-57	-57	0
Surplus for Year (as above)	511	73	211	138
<b>Closing Balance as at 31st March</b>	<b>696</b>	<b>269</b>	<b>407</b>	<b>138</b>

<b>BUSINESS RATES - INCOME &amp; EXPENDITURE</b>				
<b>INCOME</b>				
Business Rates Collectable	22,823	23,370	23,351	-19
<b>EXPENDITURE</b>				
Central Government Precept	10,540	10,990	10,990	0
SDDC Precept	8,432	8,792	8,792	0
Derbyshire County Council Precept	1,897	1,978	1,978	0
Fire and Rescue Service Precept	211	220	220	0
Cost of Collection	91	92	92	0
Transitional Protection Payments	0	0	26	26
Increase in Bad Debts Provision	64	353	90	-263
Provision for Appeals	54	451	1,489	1,038
<b>Total Expenditure</b>	<b>21,289</b>	<b>22,876</b>	<b>23,677</b>	<b>801</b>

**Surplus / Deficit (-)**

<b>1,534</b>	<b>494</b>	<b>-326</b>	<b>-820</b>
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**BUSINESS RATES BALANCE**

Opening Balance 1st April	-887	647	647	0
Transfer of Previous Year's Surplus to Government	0	-361	-361	0
Transfer of Previous Year's Surplus to SDDC	0	-288	-288	0
Transfer of Previous Year's Surplus to County Council	0	-65	-65	0
Transfer of Previous Year's Surplus to Fire Authority	0	-7	-7	0
Surplus / Deficit (-) for the Year as above	1,534	494	-326	-820
<b>Closing Balance as at 31st March</b>	<b>647</b>	<b>420</b>	<b>-400</b>	<b>-820</b>

## CAPITAL EXPENDITURE and FINANCING 2015/15

	Final Budget £	Actual £	Variance £
Major Improvements and Capital Works	4,343,000	3,920,086	-422,914
Council New Build Programme Phase 1	5,374,075	4,131,606	-1,242,469
Major Disabled Facilities Adaptations	307,500	284,900	-22,600
Minor Disabled Facilities Adaptations	51,250	970	-50,280
<b>COUNCIL HOUSE IMPROVEMENTS</b>	<b>10,075,825</b>	<b>8,337,562</b>	<b>-1,738,263</b>
Disabled Facility Grants and other Works	479,097	396,830	-82,267
Decent Homes	73,346	51,414	-21,932
Local Housing Needs Study	40,000	23,650	-16,350
Private Sector Stock Condition Survey	22,750	0	-22,750
Empty Property Landlord Grants	42,943	780	-42,163
<b>PRIVATE SECTOR HOUSING RENEWAL</b>	<b>658,136</b>	<b>472,674</b>	<b>-185,462</b>
Swadlincote Woodlands Nature Reserve	37,000	0	-37,000
Hilton Village Hall	0	31,167	31,167
Melbourne Leisure Centre	0	1,600	1,600
Save More Waste Less Project	0	1,795	1,795
Eureka Park Community Programme	0	89,558	89,558
Rosliston Forestry Centre - Play Project	130,000	0	-130,000
Rosliston Forestry Centre - Previous Works	0	-12,547	-12,547
Open Space Development Project	0	48,007	48,007
Drainage Works	0	48,923	48,923
Grove Active Zone	997,828	941,793	-56,035
Community Partnership Scheme	312,700	135,489	-177,211
Etwall Leisure Centre - Fitness / Community Facilities	360,000	306,500	-53,500
Melbourne Sports Partnership	1,160,518	923,951	-236,567
<b>COMMUNITY SERVICES</b>	<b>2,998,046</b>	<b>2,516,236</b>	<b>-481,810</b>
Partnership Schemes in Conservation Areas	0	15,024	15,024
Noise and Anti-Social Behaviour Prevention	9,900	9,133	-767
<b>ENVIRONMENTAL AND DEVELOPMENT SERVICES</b>	<b>9,900</b>	<b>24,157</b>	<b>14,257</b>
Vehicle Replacements	887,838	74,178	-813,660
Repairs to Village Halls and Community Facilities	31,700	0	-31,700
Public Buildings - Planned Maintenance Programme	58,032	0	-58,032
Purchase of Town Centre Land	191,000	191,050	50
Factory Site - Capital Works	158,000	158,093	93
Land Assembly Costs and Minor Works	27,402	42,796	15,394
<b>PROPERTY and OTHER ASSETS</b>	<b>1,353,972</b>	<b>466,117</b>	<b>-887,855</b>
<b>TOTAL EXPENDITURE</b>	<b>15,095,879</b>	<b>11,816,746</b>	<b>-3,279,133</b>

**Financing**

Capital Resources (Housing)	10,075,825	8,227,561	-1,848,264
External Grants and Contributions	1,994,698	2,358,771	364,073
Reserves and Amounts Set-aside	2,950,356	1,154,637	-1,795,719
Section 106	75,000	75,777	777
<b>TOTAL FINANCING</b>	<b>15,095,879</b>	<b>11,816,746</b>	<b>-3,279,133</b>

## LIST OF EARMARKED RESERVES 2015/16

	Balance b/fwd 1/4/15 £	Used in 2015/16 £	Amounts in 2015/16 £	Balance c/fwd 31/3/16 £
<b>Specific / Earmarked Reserves - Council Funds</b>				
Vehicle and Plant Replacement Fund	782,062	-55,568	270,000	996,494
Dilapidation Works - Factory Site per Lease Agreement	260,870	-158,093	0	102,777
IT Reserve	195,526	-95,000	0	100,526
Pensions Reserve	182,000	0	0	182,000
Local Plan - Consultation and Implementation	164,000	-113,059	0	50,941
Repton Parish (Former Depot proceeds)	33,049	0	0	33,049
Corporate Services Innovation Fund	81,666	0	0	81,666
Rosliston Forestry Centre / Café	45,772	0	11,157	56,929
Planning - Staffing and Support Costs	167,000	-56,424	20,000	130,576
Facilities Development Fund	0	0	30,000	30,000
Civic Offices - Maintenance	32,000	0	0	32,000
Leisure Maintenance	5,000	0	0	5,000
Corporate Training	19,775	0	0	19,775
<b>Total - Specific / Earmarked Reserves</b>	<b>1,968,720</b>	<b>-478,144</b>	<b>331,157</b>	<b>1,821,733</b>
<b>Specific Grants and Contributions</b>				
Public Open Space - Commuted Sums	901,725	0	393,858	1,295,583
Youth Engagement Partnership	569,997	-75,326	60,474	555,145
Schools Sport Partnership Project	182,861	-8,000	10,437	185,298
Community Safety & Crime Reduction	401,292	-58,900	0	342,392
Young People's Cultural Partnership / Arts Development	27,326	-26,972	2,320	2,674
Rosliston Business Units	10,719	0	0	10,719
Get Active in the Forest Partnership	92,238	-49,828	905	43,315
Environmental Education	57,539	-36,756	0	20,783
Tetron Point Storm Water Basin - S106 UK Coal	53,012	0	0	53,012
Swadlincote Woodlands - Section 106	50,774	0	0	50,774
Rosliston Forestry Centre - The Glade	35,892	0	0	35,892
New Play Equipment and Safety Surfacing	26,007	0	0	26,007
Maurice Lea Park NHLF Grant	23,012	0	0	23,012
South Derbyshire Partnership Reserve	38,357	-10,829	0	27,528
Housing Strategy	34,559	-34,559	0	0
Homelessness Prevention	187,365	-36,571	0	150,794
Welfare Reform, Fraud and Compliance	92,000	0	67,000	159,000
Community Right to Bid	20,728	0	0	20,728
Community Right to Challenge	16,547	0	0	16,547
Property Records - Data sharing	7,131	0	0	7,131
Heritage Lottery Grants	17,500	0	20,897	38,397
Electoral Registration	38,401	0	0	38,401
<b>Total - Specific Grants and Contributions</b>	<b>2,884,981</b>	<b>-337,741</b>	<b>555,891</b>	<b>3,103,131</b>
<b>Section 106 - Earmarked Funds (see note below)</b>	<b>3,477,744</b>	<b>-1,563,545</b>	<b>1,463,704</b>	<b>3,377,902</b>
<b>TOTAL EARMARKED RESERVES</b>	<b>8,331,445</b>	<b>-2,379,430</b>	<b>2,350,752</b>	<b>8,302,767</b>

