Derby City Council

Council Cabinet
12 June 2019

ITEM 13

Report sponsor: Don McLure, Strategic Director of Corporate Resources
Report author: Toni Nash, Head of Finance

Final Accounts – 2018/19 Outturn Report for General Fund, Capital Programme, Treasury Management, Housing Revenue Account, Dedicated Schools Grant and Collection Fund.

Purpose

1.1 This report summarises the overall Council's final outturn position, subject to external audit opinion, for the 2018/19 financial year. It describes the main variances against the Revised Budget for 2018/19 and sets out a number of issues requiring approval. In summary the year outturn was as follows:

1.2 **Revenue Budget**
The General Fund revenue outturn position is a balanced position when compared to the Revenue Budget for 2018/19. The balanced position is achieved after use of reserves of £5.434m, as detailed in section 4.1.

1.3 98.3% of the Council's £9.104m savings target for 2018/19 has been delivered as planned. The remaining 1.7% has been mitigated through 'one-off' savings contained within the outturn.

1.4 **Capital Budget**
The capital programme outlines the delivery of 84.72% of the latest approved £87.513m capital programme. Details of the capital outturn for 2018/19 totalling £74.138m for work completed and an analysis of the £13.375m slippage against the final approved capital programme is set out in 4.48.

1.5 **Treasury Management**
The treasury management section at 4.94 reviews how the Council conducted its borrowing and investments during 2018/19 and reports on the prudential indicator activity for 2018/19 which we are required to report under the Local Government Act 2003. The report includes the following:

I. A summary of the financial markets 2018/19
II. Treasury Management investment activity 2018/19
III. Treasury Management borrowing activity and position 2018/19
IV. Prudential Code Indicators, limits and compliance.

1.6 **Housing Revenue Account (HRA)**
The HRA revenue outturn position shows a net surplus of £0.262m compared to a budgeted net shortfall of £1.895m, there is therefore a favourable variance of £2.157m for the year. The surplus increases overall HRA balances to £54.583m at 31 March 2019, as detailed in section 4.127.

1.7 **Dedicated Schools Grant**

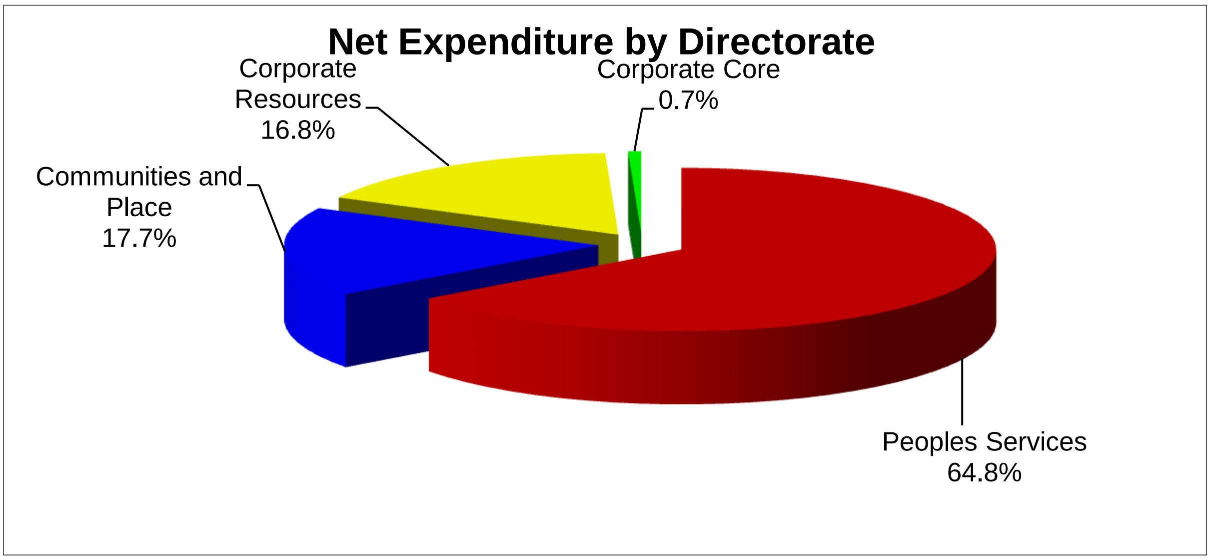
The Dedicated Schools Grant closed with a deficit of £2.769m on the central non-delegated items and individual school balances are £8.4m compared to £10.788m at 31 March 2018 as detailed in section 4.131.

1.8 **Collection Fund**

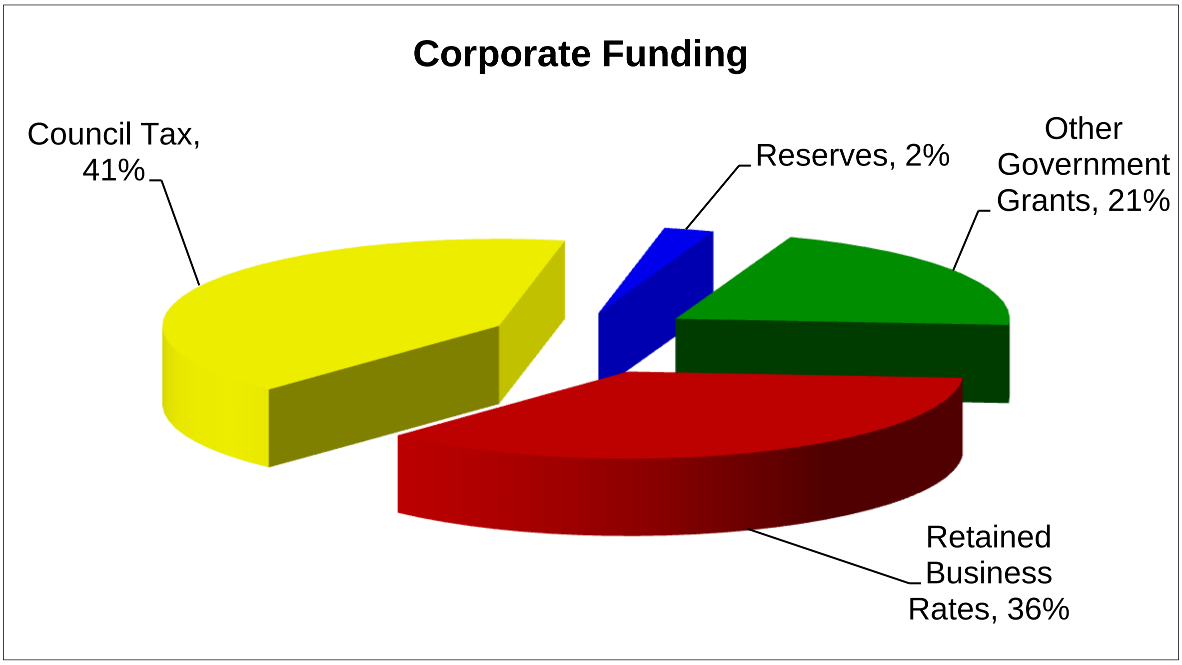
The Council's share of the Collection Fund outturn is a deficit of £6.389m as detailed in section 4.132.

1.9 **General Fund**

During the year the Council manages and controls spending on services through its General Fund. A summary of the net cost of running each main service area is shown below:



1.10 This spending is corporately financed from Council Tax, Business Rates and Government Grants as shown below.



Recommendations

2.1 To note the overall General Fund revenue budget outturn position for 2018/19 (subject to external audit) and budget variances at 31 March 2019 as set out in section 4.1.

2.2 To approve final required movements in reserves set out in section 4.3 and 4.4 and 4.41.

2.3 To approve service carry forward requests as set out in section 4.5.

2.4 To approve the transfer of reserves as set out in section 4.7 to achieve a balanced out-turn position.

2.5 To note the savings achieved in 2018/19 as summarised in section 4.8**.**

2.6 To note the Capital outturn and the Capital expenditure incurred during the year as summarised in section 4.53.

2.7 To approve the addition of the £9.316m slippage to the 2019/20 capital programme as detailed in Appendix 3.

2.8 To approve the additional Capital spend backed by funding outlined in section 4.55 of £0.565m.

2.9 To approve the net underspends within the Highways and Transport 2018/19 capital programme be added back into the 2019/20 programme for future use on the A52 scheme, as detailed in section 4.54.

2.10 To approve the reduction in budget for the city centre accelerated development scheme in order for the funding to be switched to revenue to pay for abortive costs as detailed in section 4.84.

2.11 To approve the Annual Report in respect of Treasury Management activity for 2018/19 outlined in section 4.94.

2.12 To note the compliant prudential indicators in respect of the Treasury Management outturn, as outlined in the report, outlined in section 4.96.

2.13 To approve the HRA outturn net surplus of £0.262m as set out in section 4.127 and Appendix 5.

2.14 To note the overall Dedicated Schools Budget position for 2018/19 as set out in section 4.131.

2.15 To note the Council's share of the Collection Fund is a deficit of £6.389m as set out in section 4.132.

2.16 To approve the 2018/19 Private Finance Initiative Reserve movements as set out in Appendix 4.

2.17 To authorise the Section 151 Officer to adjust the Council’s Reserves in the event that the Council or its External Auditors (Ernst Young) require any adjustments to the Final Accounts for 2018/19 that alter the overall Council’s position.

Reasons

3.1 Under the Local Government Act 2003, the Council has a legal obligation to achieve an annual balanced budget position.

3.2 The Medium Term Financial Plan (MTFP) sets the funding for the Council for the financial year and the use of those funds is then monitored throughout the year to ensure delivery of Council priorities. The Outturn report indicates how the Council’s resources have been used to support the delivery of budgetary decisions.

3.3 Approval is required under Financial Procedure Rules for amendments to the capital programme.

3.4 In accordance with CIPFA Code of Practice for Treasury Management in Public Services (the “CIPFA TM Code”), members should approve the annual report for Treasury Management activity in 2018/19.

3.5 Under CIPFA’s Prudential Code for Capital Finance in Local Authorities, members have a statutory duty to adopt a set of annual indicators relating to capital expenditure and Treasury Management.

3.6 The HRA Business Plan 2018 to 2048 sets out the forecasted funding and the use of those funds is then monitored throughout the year to ensure delivery of HRA priorities. The outturn report indicates how the resources have been used to support the delivery of budgetary decisions.

Supporting information

4.1 **Introduction and General Fund Summary**
This section outlines the actual outturn, subject to external audit opinion, compared with the Revenue Budget for the 2018/19 financial year, and the subsequent effect on the Council's level of reserves.

4.2 The overall general fund revenue position at 31 March 2019 is a balanced position. However this includes use of reserves to balance of £5.434m. The position is summarised with supporting explanations for the main variances in section 4.10.

4.3 In establishing the Council's final outturn position a number of movements in reserves require appropriate approval as per the Council's Financial Procedure Rules. Approval is therefore requested for the movements in reserves as set out in Appendix 1. The net movement in reserves requiring approval is (£6.369m).

4.4 The transfer to reserves of the additional business rates gain of £5.878m is requested for the following adjustments:

- £3.083m, for the forecast deficit on collection fund in the Medium Term Financial Plan. This was originally proposed to be funded from the Business Rates Pilot gain.
- £0.372m is required for the updated forecast of the Business Rates forecasted yield amount included in the 2019/20 Medium Term Financial Plan as this did not use the NNDR1 forecast figure.
- £2.423m transfer to reserves until post audit of 2018/19 NNDR3 actual figure for any Final Accounts Audit changes that could affect any Business Rates Pilot final adjustments and to smooth any future fluctuation on business rates.

4.5 In establishing the Council's final outturn position a number of carry forward requests require appropriate approval. These requests are for use of 2018/19 underspends for commitments in 2019/20 and are set out in the table below:

Carry forward requests that require Cabinet approval are outlined below:

Directorate	**£**	**Description**
Communities & Place – Community and Neighbourhoods Boards	(32,784)	Community & Neighbourhood Boards funding to ensure that projects and work are delivered to meet local priorities and needs
Corporate Resources – Human Resources	(60,000)	Use of one off underspends to fund the online Wellbeing Service in 2019/20. A permanent solution will be included as a financial pressure in the next Medium Term Financial Plan for 2020/21 – 2022/23.
Corporate Resources – Business Support	(47,884)	Use of one off underspends to fund additional staffing costs in 2019/20 to make the significant improvements in the collection of income from invoices on hold and payment compliance.
TOTAL	(£140,668)	

The summary revenue budget variance is shown below:

4.6

Directorate	Restated Budget £m	In Year Movements £m	Current Budget £m	2018/19 Spend £m	2018/19 Final Outturn Variance £m
Adult Services	73.363	1.829	75.192	73.809	(1.383)
Children Services	51.717	(3.876)	47.841	56.261	8.420
Public Health	16.302	(0.238)	16.064	16.064	0
Peoples Total	**141.382**				
Communities and Place	36.364	3.763	40.127	39.907	(0.220)
Corporate Resources	32.701	0.835	33.536	32.791	(0.745)
Corporate	6.458	0.812	7.270	6.632	(0.638)
Sub Total	**216.905**	**3.125**	**220.030**	**225.464**	**5.434**
Use of Reserve to balance					(5.434)
Original approved transfer to reserves	0.877				
TOTAL	**217.782**				**0**

4.7 The Council's Revenue budget was net overspend at year end of £5.434m and required the following combinations of use of reserves to achieve a balanced position:

I.	Additional Business Rates Levy Grant	£0.871m
II.	Social Care Grant	£0.678m
III.	Winter Pressures	£0.749m
IV.	Business Rates Pilot Gain	£2.873m
V.	Better Care Fund	£0.263m
		£5.434m

4.8 The Council's Revenue budget for 2018/19 included savings targets for each directorate in order to support a balanced budget position. The achievement of these savings has been included within the overall budget outturn position.

Directorate	Budget Savings Targets 2018/19 £'m	Full year effect of savings delivered £m	Year End Variance £m	% Achieved
Peoples Services	0.761	0.761	0	100%
Communities and Place	1.710	1.557	0.153	91%
Corporate Resources	6.633	6.633	0	100%
Total	**9.104**	**8.951**	**0.153**	**98.3%**

4.9 **Directorate Outturn and Savings Analysis**

Significant variances for each directorate are highlighted below. The outturn includes the achievement of £8.951m savings against a target of £9.104m.

4.10 **Peoples Services Directorate**
Like most unitary, metropolitan and county councils, we continue to face growing demand and cost pressures in adult social care and children's services. In 2018/19 we experienced a 41% increase in care applications.

4.11 Within adult services, the over 85s population is rising annually by 3%, coupled with the Council supporting more adults of working age with eligible social care needs. In 2018/19 there was a 10% increase in the numbers of adults of working age with severe and chronic learning and/or physical disabilities supported by adult social care.

4.12 We also have increased demand for early help and children's social care services, particularly the numbers of children subject to child protection plans, and latterly children coming into care, with a 41% increase in care applications in 2017/18. We have continued to see a rise in the numbers of children being admitted to care in 2018/19, and have increasing numbers of children placed in external foster placements which are more costly than placing with our own foster carers.

4.13 Despite these service challenges, Adults Services have reported a year end underspend of (£1.383m). The principle reason for the underspend is by improving processes for the collection of income.

4.14 Public Health have reported a year end underspend of (£0.538m), which will be transferred to Public Health reserves to help continued funding of the Livewell programme during 2019/20. The underspend is due to staffing savings of (£0.100m) and savings from underspends on demand led contracts across sexual health, smoking cessation and children's oral health.

4.15 The Directorate continues to manage the demands on Adult Social Care through some key strategies; integration with Health, supported hospital discharges, community based support and self directed support through increased direct payments.

4.16 The significant pressures on Children's Services have resulted in an unprecedented £8.4m overspend in 2018/19. The significant areas of overspend are:

I. The total budget aligned to the placement of looked after children excluding school placements is £23.2m and the final outturn position for these placements was an overspend of £6.5m. The increasing numbers of looked after children and the complexities of their need has caused the overspend. The Directorate is endeavouring to manage these pressures by ensuring that all placements are appropriate to need and are approved at the most appropriate management levels.
II. Pressures within the service in relation to the use of agency social workers which are required to fill temporary vacancies within the social care teams in order that case loads are manageable caused an overspend of £0.900m. This issue is being addressed through recruitment and retention initiatives and regional agreements around the use and fee levels of agency social work.
III. £0.400m overspend on budgets providing assistance to families where children are assessed as “being in need” in line with the definition in Section 17 – Children’s Act 1989 including interpretation costs.
IV. £0.400m legal costs associated with children’s care proceedings. The legal budget is £0.300m and the outturn was in excess of £0.700m.
V. £0.750m Home to School Transport associated with the transporting of children with special needs and disabilities to schools outside of the City.

4.17 **Communities and Place Directorate**
The Communities and Place outturn position is a net underspend of (£0.220m). There are multiple reasons for the variances across the Directorate including unachieved and overachievement of income budgets and efficiencies and additional unplanned expenditure.

4.18 The Directorate’s budget assumes that income will be generated by some divisions. A number of these income generating services did not perform as budgeted.

4.19 Parking Services under achieved from new and existing enforcement mainly as a result of traffic camera temporary termination but did recover some of this loss from early savings on fee increases resulting in £0.232m pressure.

4.20 Bereavement Services was also not able to achieve its income target due to opening of a competitor crematorium causing a shortfall in income from reduced services performed, resulting in £0.085m under achievement and this could have an even greater impact in 2019/20.

4.21 Leisure Centres attracted lower levels of income than the budgeted position due to historically high income targets, competition from other providers across the city and the age and condition of the facilities at Queens Leisure Centre not being as attractive to customers when compared to other leisure service offers across the city. Under achieved income totalled £0.472m.

4.22 There is a pressure in Libraries service of £0.153m due to an under achievement against the savings target. This has been contained within the overall underspend of the directorate.

4.23 There was an overachievement of income in both Engineering by (£0.140m) and (£0.170m) in Housing, Engineering overachieved after reviewing its rates and ensuring projects were recharged on a full cost recovery basis. The Housing Service also received multiple S31 grants without notice at year end.

4.24 There were two significant expenditure budget underspends in the Directorate that totalled (£1.5m), these were within Waste and Concessionary Fares. £1.079m was as a result of the delay in the waste treatment facility becoming operational until mid-2018/19 which resulted in payments for disposal based on planned tonnages although agreement has not yet been finalised with Derbyshire County Council on this matter. In addition there was no NNDR charge in 2018/19 as the facility is not yet operational. Income from improved electricity generation was also better than expected. The Waste underspend contains the pressure within Trade Waste of £0.157m.

Concessionary Fares underspend was £0.421m, the scheme is managed by Derbyshire County Council. This was a one off credit as part of their review of prior year passenger numbers and a large reduction in passenger journey numbers in 2018/19.

4.25 Grounds Maintenance underspends for the markets cleaning was (£0.121m) as a number of the markets have closed negating the need for cleaning.

4.26 There were also a number of outturn pressures, Stores Road Depot and Fleet Management overspent by £0.312m due to Inflation pressure on fuel budgets, a growing and ageing fleet requiring additional maintenance and an ageing depot that requires more maintenance.

4.27 Traffic Management expenditure budget overspend amounted to £0.110m, the cause of which is additional traffic signal maintenance partly due to asset age and unrecoverable works on bus shelter maintenance.

4.28 Broadband connectivity overspend of £0.204m was as a result of excess one-off licence and support costs and under recovery of these costs through existing Service Level Agreements.

4.29 There was an overspend on the Marble Hall budget. Whilst Marble Hall is performing well, this overspend is as a result of an historic loan arrangement and income pressures. The budget pressure of £0.173m has been resolved as part of the 2019/20 Medium Term Financial Plan.

4.30 Other variances across the Directorate resulted in minor net underspends of (£0.030m).

4.31 Of the £1.710m total savings target for the directorate, £1.557m was achieved either directly or alternatively. £0.184m of the £0.337m Libraries Strategic Review saving was achieved in line with the revised implementation plan; the balance of £0.153m will be monitored and reported to Cabinet during 2019/20 but has been contained in 2018/19 within the overall underspend of the directorate.

4.32 **Corporate Resources Directorate**
The Corporate Resources Directorate total year end variance is an under spend of (£745,000), although there are some significant variances within this amount, the main areas are outlined below.

4.33 There are underspends in Finance of (£0.960m) due to Housing Benefits overpayment recovery and a more favourable Housing Benefit subsidy position (£0.566m), Staffing underspends across the department of (£0.294m), Lower than anticipated external audit fees (£0.080m), additional new burdens income of (£0.049m) and other net variances of £0.029m.

4.34 The legal, procurement and Democratic services has overspent by £0.675m this is due to increased use of external solicitors and Counsel fees within Legal Services as a result of substantially increased caseloads in the Peoples directorate leading to outsourcing of cases to the private sector, £0.122m. There is an overspend of £0.256m due to Coroner’s fees which is recharged from Derbyshire County Council of which the City Council has no direct control. Electoral services pressure of £0.232m relates to insufficient budget for planned spend. There is an underachievement of income within Land Charges £0.065m because of a detrimental change in service demand and free personal search provision.

4.35 There is a net underspend within Human Resources of (£0.123m), relating to vacancies within the Occupational Health, Health and Attendance and Health and Safety of (£0.217m) these were partially offset by overspends on the Childcare voucher scheme £0.047m, Sold Service income shortfall £0.036m and other net variances of £0.011m.

4.36 Digital Services and Customer Management has an underspend of (£0.175m**)** due to unanticipated IT income (£221,000) partially offset by net income pressures within Registrars service £0.040m relating to Nationality Checking Service and other minor net variances of £0.006m.

4.37 Property Services has a minor overspend of £0.028m.

4.38 **Corporate Core**
The Corporate Core has underspent by (£0.190m) due to additional income generation within Corporate Communications relating, primarily, to advertising revenues, (£0.132m) and other net variances of (£0.058m).

4.39 **Corporate Budgets**
Corporate budgets have reported a year end underspend of (£0.638m) against a current base budget of £7.270m. This is due, primarily to Apprenticeship Levy pressure underspend where costs have been contained within directorates (£0.325m), an underspend within the corporate contingency budget due to less than anticipated spend (£0.158m), one off underspends within the management restructure pressure (£0.119m) and minor variances across corporate budgets resulting in a net underspend of (£0.036m).

4.40 All of the savings relating to Corporate Resources, including Corporate Core and Corporate budgets totalling £6.633m have been achieved either permanently or through one of mitigation which has been permanently addressed in 2019/20.

4.41 **Analysis of Reserves, including School Balances and Dedicated Schools Grant**
The Council's main revenue reserve for general purposes is the General Fund Balance. This is set aside to support the management of risks in the Revenue Budget and could be used for any purpose if required. The General Fund Balance represents the minimum level of reserves that the Council should hold.

4.42 At 31 March 2019 the General Fund Balance is £10.933m. On 13 February 2019 cabinet agreed to fund £3.8m from the General Fund Balance for the A52 scheme leaving an uncommitted balance of £7.133m. This is still within the best practice accounting guidelines with expected percentage of budget being at 3.23% of the 2019/20 Net Budget requirement.

4.43 The Council also holds a number of revenue earmarked reserves to fund specific projects included within the Council's budget and priorities, such as the Council's regeneration fund programme and waste strategy. As at 31 March 2019 revenue earmarked reserves held by the Council total £101.907m. A review of all revenue earmarked reserves is carried out on an annual basis as part of the Medium Term Financial Strategy planning process. This aims to identify any earmarked reserves which could be redistributed to better support the Council's budget plans. Further details of the Council's revenue earmarked reserves are provided at Appendix 2.

4.44 Included within corporate earmarked reserves is a budget risk reserve of £23.903m at 31 March 2019. The Budget Risk Reserve is held to support future budget planning risks and general unforeseen in-year budget pressures.

4.45 Each individual Council-controlled school in Derby has its own financial reserve, collectively known as 'School Balances'. School balances are delegated directly to schools and are not available to the Council for general use. The use of any surplus balances is defined within the local Scheme for Funding Schools.

4.46 School balances as at 31 March 2019 are £8.049m compared to £10.286m in 2017/18. This includes Schools Imprest Cash balances.

4.47 Non delegated DSG balances are currently £2.8m.

4.48 **The Capital Programme**

The final capital expenditure outturn for 2018/19 was £74.138m, £60.152m below the original approved budget of £134.290m. During the year, the capital programme was revised to reflect delays in key projects including the waste management plant, regeneration schemes, housing and flood defence resulting in a planned level of Capital expenditure of £87.513m.

4.49 The table below analyses the main variances by service against the original budget and revised programme:

Table below – Final Outturn - Capital

2018/19 Capital Programme by Service Area	**Original Approved Capital Budget**	**Actual Spend**	**(Under)/ Overspend on Original budget**		**Final Adjusted Approved Original Capital Programme**	**Actual Spend**	**Outturn variance Actual to Adjusted**
	£m	**£m**	**£m**		**£m**	**£m**	**£m**
Schools	14.843	12.787	(2.056)		12.546	12.787	0.241
Housing General Fund	4.155	3.461	(0.694)		3.660	3.461	(0.199)
Property Improvement	25.503	4.165	(21.338)		5.691	4.165	(1.526)
Flood Defence	13.341	0.646	(12.695)		1.481	0.646	(0.835)
Highways & Transport	14.103	14.535	0.432		21.738	14.535	(7.203)
Vehicles Plant & Equipment	25.480	0.753	(24.727)		0.810	0.753	(0.057)
Regeneration	14.723	19.037	4.314		19.172	19.037	(0.135)
Information and Communication Technologies (ICT)	2.925	1.844	(1.081)		2.316	1.844	(0.472)
Housing Revenue Account (HRA)	19.217	16.910	(2.307)		20.099	16.910	(3.189)
Total	**134.290**	**74.138**	**(60.152)**		**87.513**	74.138	**(13.375)**

4.50 The net variance against the final adjusted approved capital programme takes into account the addition of the 17/18 outturn slippage of £9.521m plus further changes reported and approved at Cabinet throughout the year. The net programme variance is detailed in table below:

Explanation of Programme Variance	
Reason for Variance	**Amount £m**
Slippage	(11.975)
Net underspends	(4.624)
Additional Spend Backed by Funding	0.565
Spend Brought Forward	2.659
Total Programme Variance	**(13.375)**

4.51 **Slippage**
The programme variance includes slippage of (£11.975m). Approval is sought to add this slippage to the 2019/20 capital programme. Details of slippage requests are listed in Appendix 3. Progress in 2019/20 will be reported as part of the planned monitoring to Council Cabinet.

4.52 **Net Scheme Underspends**
The net scheme cost variations of (£4.624m) underspend was predominantly due to underspends within the Housing Revenue Account and Highways programmes.

4.53 Main areas include:

- **I.** HRA underspend of (£2.463m)
- **II.** Highways and Transport underspend (£1.531m)
- **III.** Other (£0.630m)

4.54 Funding of (£1.531m) not utilised on the 2018/19 schemes for Highways and Transport will be added back into the 2019/20 programme for future use in the A52 scheme – which will enable the replenishment of the budget risk reserve.

4.55 **Additional Spend Backed by Funding**
£0.565m additional spend supported by associated funding has arisen due to late changes to the programme which were not included in the February Cabinet report. This additional spend is mainly due to:

4.56 **Schools £0.426m**
The addition of capitalised maintenance for individual schools from their delegated budget. Although included within the Schools capital programme the level of expenditure is not controlled or influenced by the Council (£0.335m). A further £0.091m is mainly due to the addition of contributions from Miller and Redrow for works undertaken by the council but funded by the house builders for Hackwood Farm Primary School.

4.57 **Highways and Transport £0.133m**
There is an addition of the street lighting Private Finance Initiative lifecycle costs which are not budgeted in the capital programme, but budgeted in revenue and funded from revenue contributions at year end. The lifecycle costs mainly comprise replacement/up-dated parts for the lighting network held within the PFI street lighting contract.

4.58 **Spend Brought Forward**
£2.659m spend brought forward from 2019/20 has been necessary mainly due to schemes originally programmed for 2018/19 within the Regeneration programmes delivered earlier than anticipated.

4.59 Main areas include:

- I. £2.011m for the Regeneration programme
- II. £0.331m for the Schools programme
- III. £0.149m for Property Improvement programme
- IV. £0.149m for the HRA programme.

A list of all schemes necessitating spend brought forward is detailed in Appendix 3.

4.60 **Capital Programme - Main Outturn Variances**
The main variances over £0.200m between actual capital expenditure and the final adjusted approved budget are as follows:

4.61 **Schools**
The schools' net outturn variance is £0.241m overspend. Significant variances over £0.200m are detailed below:

There is £0.335m net additional spend for capital works delivered by schools / devolved formula capital/healthy pupils capital funding. This is expenditure incurred and paid for by individual schools. Although included within the schools' capital programme the level of expenditure is not controlled or influenced by the Council.

4.62 **Housing General Fund**
The Housing General Fund net outturn variance is (£0.199m) underspend. There are no significant variances over £0.200m.

4.63 **Property Development (including Parks and open Spaces)**
The property improvement net outturn variance is (£1.526m) underspend. There are no significant variances over £0.200m.

4.64 The majority of this underspend is due to the Property Programme, excluding Parks and relates to the predominance of Landlord and tenant discussions and the associated agreements being in place prior to commencement of work. Other factors include ongoing liaison with the planning function and response times to listed building matters.

4.65 **Flood Defence**
The flood defence net outturn variance is (£0.835m) underspend. Significant variances over £0.200m are detailed below:

4.66 Cuttle-Brook Flood Alleviation Scheme has £0.532m of slippage. The original Cuttle-Brook Capital funding bid proposal was based on a high level Atkin's report which estimated the costs for the proposed scheme as in the region of £0.600m.

4.67 This was to be funded from two funding bodies in equal amounts, 50% being ERDF, with the remaining budget being financed by a Flood and Coastal Erosion Risk Management (FCERM) allocation. FCERM monies are available for flood defence schemes which can demonstrate a cost benefit ratio of greater than 1 and a minimum partnership funding calculator score of 100%.

4.68 The original Aktins proposal estimated the numbers of properties protected by the scheme as being in the region of 110, which provided a very high cost benefit, significantly higher than required. However following the more detailed flood risk modelling exercise, as part of the business case preparation required for FCERM grant application process, the numbers of indicated properties protected by the original proposed scheme reduced significantly, to less than 30.

4.69 This meant that the proposed scheme was no longer cost beneficial and therefore would not be supported by FCERM funding. Therefore, in order to secure the required funding, a fundamental options reappraisal and costing exercise had to be undertaken, to secure the funding necessary to progress the scheme. The scheme reappraisal led to an overall delay in project progress.

4.70 **Highways and Transport**
The Highways and Transport net outturn variance is (£7.203m) underspent. Significant variances over £0.200m are detailed below:

4.71 There is (£0.929m) of slippage together with an underspend of (£0.372m) on Highways maintenance. This is because of delays to schemes due to contractor availability and works carried out in proximity to a secondary school scheduled for February half term taking longer than originally planned. These works were rescheduled to Easter.

4.72 Highway maintenance was contributing a proportion of this budget to the A52 which has slipped in accordance with the main A52 scheme reported below. (£0.368m slippage)

4.73 There is (£2.815m) of slippage/underspend on the Network Management - Strategic Network Management of which (£2.298m) slippage/underspend relates to Department for Transport (DfT) Cleaner Bus grant. Discussions with Department for the Environment Food and Rural Affairs (DEFRA) and DfT were underway and not included in the update to Cabinet on 13 February 2019 because the outcome of those discussions was not known. Subsequently, Trent Barton and Your Bus will not be taking up the grant and therefore funding will be returned to Government. The remaining funding will go to Arriva to fund their fleet retro-fit as planned early in 2019/20.

4.74 In addition (£0.200m) slippage for Cleaner Taxis and (£0.207m) slippage for HGV retrofitting was provided for Euro 6 compliance for Air Quality. However, the technology in this area is presently progressing at such a rapid pace that the original technology intended is practically obsolete. As the funding had a narrow scope, it has been necessary to talk to the Government about widening that scope.

4.75 There is (£2.156m) slippage on the public transport scheme which was due to delays to the bus station scheme. Phase 1 of the project involved assessment and review into the operation of the bus station. This revealed additional complexity with the topography and consequent risks, these made it necessary to defer phase 2 until these could be better understood. Discussions were held with the funding body on alternative configuration or returning the funding if the required outputs or timescales could not be achieved. Approval for slippage is therefore sought to enable those discussions to conclude.

4.76 There is (£0.629m) slippage on the A52 widening scheme. The level of works instructed have been less than anticipated in 2019 as a result of the ongoing scrutiny of the proposed design and associated costs.

4.77 **Vehicles Plant and Equipment**
The vehicles plant and equipment net outturn variance is (£0.057m). There were no significant variances over £0.200m.

4.78 **Regeneration**
The regeneration programme net outturn variance is (£0.135m) underspent. Significant variances over £0.200m are detailed below:

4.79 This includes slippage of (£0.591m), for the Victory Road realignment scheme. This is due to the commuted sum circa £0.470m not to be paid until next financial year.

4.80 A (£0.272m) underspend/slippage on the D2EGF Growth & Innovation scheme. Several of the companies contracted with subsequently reviewed their desire to draw down the funding or altered their timescales for their investment. These factors then had a knock-on effect to the fund we manage as there was a December 2018 deadline for our final claim.

4.81 £0.999m spend brought forward on the Market Hall Refurbishment scheme. The technical and complex nature of the Market Hall scaffolding and need to adopt a sensitive and flexible approach to the design and installation of scaffolding to this Grade II Listed Building means there has been an increase in the cost of the scaffolding which contributed to the Market Hall outturn position. This increase can be accommodated within the project risk contingency and overall budget envelope.

4.82 There are a number of elements of the programme which have been delivered earlier than originally scheduled which have increased spend in 2018/19, these costs are relatively small in nature as they relate to fees incurred as a result of the technical and complex nature of the project, this will not impact on the overall project budget.

4.83 There is £0.650m spend brought forward for the Silk Mill scheme. The grant was paid to the Museums Trust earlier than anticipated at the request of the funder. (The Council as Accountable Body has received this funding and pass-ported it to the Museums Trust for use on the Silk Mill project spends).

4.84 In addition to the above budget variances Cabinet is asked to consider and approve the reduction in budget of £0.088m on the City Centre Accelerated Development scheme in order for funding to be switched from this scheme to revenue to pay for the abortive costs incurred for the Homeleigh Way scheme which is not now going ahead. This reduction has been taken into account within the final approved budget figures.

4.85 **ICT**
The ICT net outturn variance is (£0.472m) underspent. Significant variances over £0.200m are detailed below:

4.86 There is (£0.339m) slippage on the ICT Major Hardware Developments. Slippage is to align with the Digital Workforce programme including the rollout of Windows 10 and Office 365 that is still in the design stage with an estimated completion Autumn 2019.

4.87 **HRA**
The HRA net outturn variance is (£3.189m) underspent. Significant variances over £0.200m are detailed below:

4.88 £0.209m overspends on the Estates Pride scheme. This is due to increases in costs due to additional works identified during the course of the development. Delays in completing these works were due to availability of in house team.

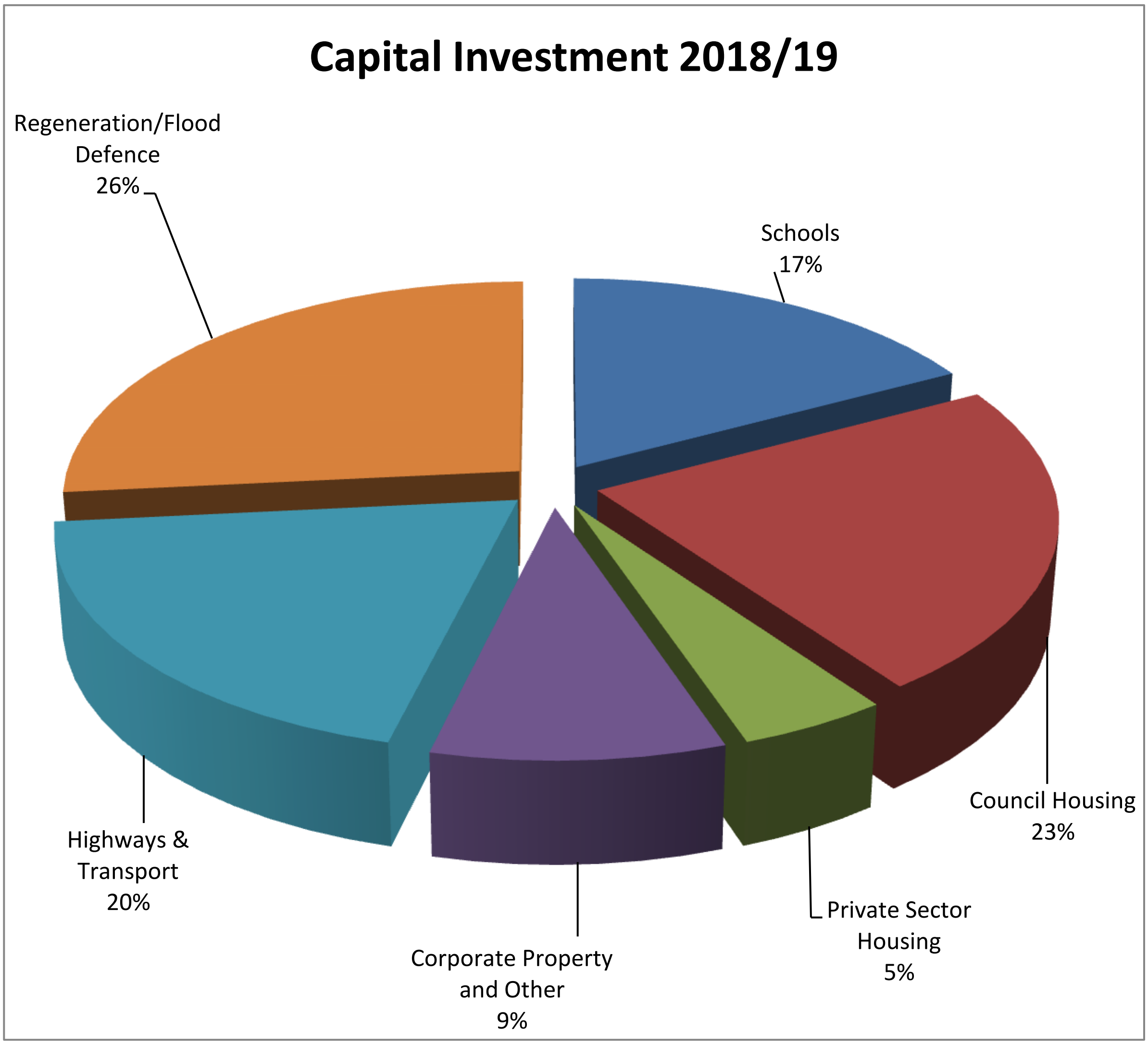
4.89 (£0.296m) underspend on the one off modernisations/major refurbishment scheme. The underspend is due to an increased housing acquisitions, and therefore resources have been diverted away from this scheme to undertake some of the acquisition work.

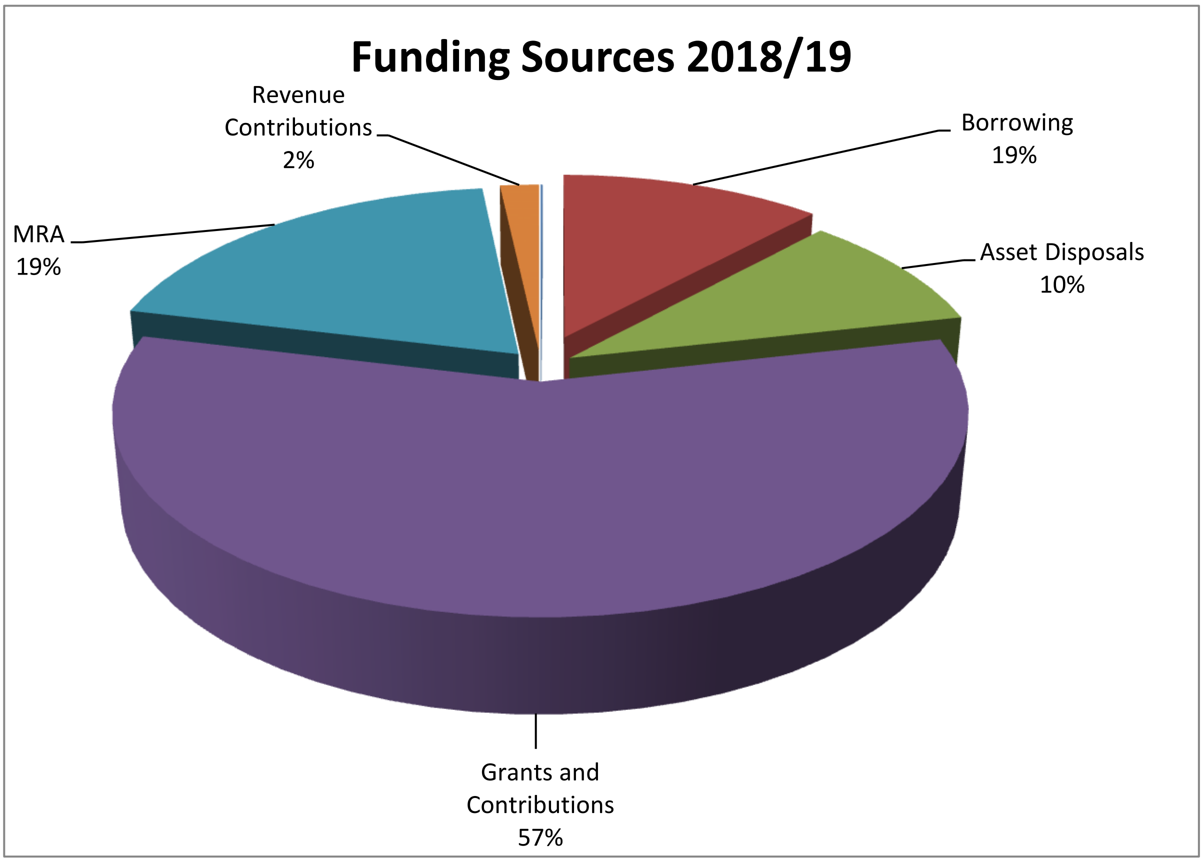
4.90 (£0.250m) underspend on the new and replacement central heating scheme. This is because a reduced number of boiler replacements were undertaken (due to resource availability) than forecasted and lower than forecasted materials costs incurred on "standard" boiler replacements.

4.91 (£1.208m) underspend on the New build and Acquisitions scheme. There was some slippage within the new build programme coupled with vacancies in key posts and the subsequent recruitment to these, prevented the acquisition programme from progressing and completing as planned.

4.92 (£0.202m) slippage on the Parliament Street new build scheme. Contract negotiations took longer than anticipated.

4.93 The following graphs summarise where the £74.138m capital was invested and how it was funded:





4.94 **Treasury Management Final Outturn 2018/19**
The Treasury Management outturn shows a net underspend for 2018/19 of £0.68m. This compares to the forecast underspend of £0.56m previously reported at quarter 3. The underspend was mainly achieved due to higher investment balances due in part to slippage on the capital programme delivery, and higher interest rates than forecast at the start of the year.

4.95 This underspend is to be transferred to the Treasury Management reserve as agreed by a Cabinet Member Report on 08 October 2018.

The Council continues to have a prudent approach to Treasury Management in that it does not borrow more than it needs, due to the cost of carry where interest rates on loans is significantly higher than the return the Council would receive on cash investments. It only lends to approve financial institutions, and this discipline is enforced by reviewing the approved list of counterparties, which is regularly updated in consultation with the Council's treasury advisors - Arlingclose.

4.96 For 2018/19 all prudential indicators and limits in line with Chartered Institute of Public Finance and Accountancy (CIPFA) guidance have been adhered to.

4.97 **The Financial Markets During 2018/19**
The information relating to the overall global position of the UK financial markets in 2018/19 was provided by Arlingclose, our treasury advisors, who continue to update the Council with on-going market activity and interest rates.

4.98 The Bank of England's Monetary Policy Committee (MPC) increased the Bank Rate by 0.25% to 0.75% in August no changes to the monetary policy have been made since. The interest rate will continue to be monitored and members will be updated on the proposed interest rate forecasts in the Treasury Management mid-year report for 2019/20.

4.99 The increase in Bank Rate pushed up money markets rates over the year and 1-month, 3-month and 12-month LIBID (London Interbank Bid) rates averaged 0.53%, 0.67% and 0.94% respectively over the period.

4.100 Public Works Loan Board (PWLB) rates available to the Council are currently based on gilts plus 0.80%. Gilt yields continued to display significant volatility over the period on the back of ongoing economic and political uncertainty in the UK and Europe. After rising in October 2018, gilts regained their safe-haven status throughout December and into the new year - the 5-year benchmark gilt yield fell as low as 0.80% and there were similar falls in the 10-year and 20-year gilts over the same period dropping from 1.73% to 1.08% and from 1.90% to 1.55%.

4.101 The ongoing uncertainty around Brexit continues to weigh on sterling and UK markets. In February 2019, Fitch put the UK AA sovereign long-term rating on Rating Watch Negative, following this move with the same treatment for UK banks and a number of government-related entities.

4.102 **Local Context**
On 31 March 2019, the Council had net borrowing of £284.133m arising from its revenue and capital income and expenditure, an increase on 31 March 2018 of £20.170m. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. These factors and the year-on-year change are summarised in table below.

Table below: Balance Sheet Summary

	31/03/18 Actual £m	**2018/19 Movement £m**	**31/03/19 Actual £m**
General Fund CFR	404.453	(3.612)	400.841
HRA CFR	**231.372**	2.506	233.878
Total CFR	**635.825**	**(1.106)**	**634.719**
Less: Other debt liabilities *	(95.789)	(4.544)	(91.245)
Borrowing CFR	**540.036**	**3.438**	**543.474**
Less: Usable reserves	(238.959)	16.476	(222.483)
Less: Working capital	(37.114)	0.256	(36.858)
Net borrowing	**263.963**	**20.170**	**284.133**

*finance leases, PFI liabilities and transferred debt that form part of the Council's total debt

4.103 Net borrowing has increased mainly due to a reduction in PFI liabilities and a reduction in usable reserves, in particular a reduction in revenue reserves.

4.104 The Council's strategy was to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing, in order to reduce risk and keep interest costs low. The treasury management position as at 31st March 2019 and the year-on-year change is shown in table below.

Table below: Treasury Management Summary

	31/03/18 Balance £m	2018/19 Movement £m	31/03/19 Balance £m
Long-term borrowing	351.622	(11.552)	340.070
Short-term borrowing	11.582	319	11.901
Total borrowing	**363.204**	**(11.233)**	**351.971**
Long-term investments	0.000	0.000	0.000
Short-term investments	34.000	(10.000)	20.000
Cash and cash equivalents	65.240	(21.402)	47.838
Total investments	**99.240**	**(31.402)**	**67.838**
Net borrowing	**263.964**	**20,169**	**284.133**

Note: the figures in the table are from the balance sheet in the Council's statement of accounts, but adjusted to exclude operational cash, accrued interest and other accounting adjustments.

4.105 The increase in net borrowing has translated into a decrease in investment balances that is larger than the decrease in borrowing. As at 31 March 2019 a higher proportion of investments were made for periods of less than three months meaning the investments are defined as cash equivalents. This was due to favourable rates being offered for this kind of investment, and to ensure that enough funds remained liquid to meet our business needs.

4.106 **Investment Activity**

The Council holds invested funds, representing income received in advance of expenditure plus balances and reserves held. During 2018/19, the Council's investment balance ranged between £67.838m and £129.255m due to timing differences between income and expenditure. The year-end investment position and the year-on-year change in show in table below.

Table below: Treasury Investment Summary

Counterparty	31/03/18 Balance £m	2018/19 Movement £m	31/03/19 Balance £m
Banks & building societies (unsecured)	0.889	0.484	1.373
Local authorities	50.000	(7.000)	43.000
Money Market Funds	48.351	(24.886)	23.465
Total investments	**99.240**	**(31.402)**	**67.838**

4.107 The investment activity in 2018/19 together with a comparison for the previous year is summarised in table below:

Table below: Treasury Investment Activity

	2017/18	2018/19
Number of fixed-term deposits made	35	41
Number of instant access and money market accounts used	15	11
Number of deposits/withdrawals from money market funds/ call accounts	89	72
Value of deposits/ investments held at 31 March	£99.240m	£67.838m
Average size of deposit/ investment portfolio	£94.023m	£93.098
Average size of Lloyds Balance (operational)	£8.904m	£8.999m
Total interest earned on deposits/ investments (including Lloyds)	£0.343m	£0.661m
Average Return on deposits/ investment portfolio	0.33%	0.57%

4.108 Both the CIPFA Code and government guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

4.109 In furtherance of these objectives, and given the increasing risk and low returns from short-term unsecured bank investments, the Council has continued to keep the use of these to a minimum. It has continued to use fixed term deposits with other Local Authorities as these are more secure as they are not subject to bail-in, and there is an insignificant risk of insolvency. All fixed term deposits were at a favourable rate higher than instant access accounts. The interest rates for Money Market Funds (MMF) improved during the year and we have continued to make good use of this type of investment.

4.110 The credit risk and return metrics for the Council investments extracted from Arlingclose's quarterly investment benchmarking is shown in the table below:

Table below : Investment Benchmarking

	Credit Score*	Credit Rating	Bail-in Exposure	WAM** (days)	Rate of Return
30.09.2018	4.46	AA-	58%	50	0.72%
31.12.2018	4.43	AA-	60%	28	0.69%
31.03.2019	4.09	AA-	33%	33	0.79%
Similar LA's	4.17	AA-	58%	50	1.58%
All LAs	4.20	AA-	55%	29	1.45%

*The lower the credit score the lower risk
** Weighted Average Maturity

This shows the Council is pursuing security/low risk demonstrated by a lower credit score and lower bail in exposure that other Local Authorities (LA's).

4.111 **Borrowing Activity 2018/19**
As at the 31 March 2019 the total external debt portfolio of the Council (including HRA debt and other long- term liabilities) was £443.176m, this is a result of the strategy for funding previous years' capital programme. The analysis of external debt outstanding at 31 March 2019 is shown in the table below:

Table below : External Debt at 31 March 2018 and 2019

	£m	£m
	As at 31 March 2018	**As at 31 March 2019**
External Borrowing:		
- Fixed Rate PWLB	304.347	303.288
- Fixed Rate Market (LOBO)	20.000	20.000
- Other Local Authorities	35.000	25.000
- Local Enterprise Partnership (LEP)	1.710	1.417
- SALIX Energy Efficiency	1.347	1.532
University of Derby	0.800	0.733
Total External Borrowing as at 31 March	**363.204**	**351.970**
Other Long-term Liabilities:		
- Transferred Debt from other Local Authorities	0.453	0.405
- PFI Financing	94.883	90.801
Total Gross External Debt at 31 March	**458.540**	**443.176**

4.112 During 2018/19 the only new loan taken out was £0.280m from SALIX Energy Efficiency Loans Programme. The loan was taken out as part of a street lighting efficiency project and is at 0% interest. Because of this very favourable zero interest rate charge, the loan was taken although the Council did not have a need to borrow as they will help maintain our cash levels available for investment whilst having no cost to the Council.

4.113 The Council continues to hold £20m of Lender's Option Borrower's Option (LOBO) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. The options on the LOBO loans were not due to be exercised during 2018/19, the next dates the lenders can exercise their option are in 2020/21.

4.114 For the majority of the year the "cost of carry" analysis performed by the Council's treasury management advisor Arlingclose did not indicate value in borrowing in advance for future years' planned expenditure and therefore none was taken.

4.115 **Compliance Report**
All treasury management activities undertaken during 2018/19 complied fully with the CIPFA Code of Practice and the Council's approved Treasury Management Strategy Compliance with specific investment limits are demonstrated in table 7 below.

Table below: Investment Limits

	2018/19 Maximum	2018/19 Limit	Complied
The Councils Banking Provider – Lloyds	£15m	£15m	✓
Any single organisation, except the UK Central Government (excluding the operational bank)	£12m	£10m	✓
Any group of pooled funds under the same management	£9m	£10m	✓
Money Market Funds (MMF)	£8m	£8m	✓

4.116 Compliance with the authorised limit and operational boundary for external debt is demonstrated in table 8 below.

Table below : Debt Limits

	2018/19 Maximum £m	31/03/19 Actual £m	2018/19 Operational Boundary £m	2018/19 Authorised Limit £m	Complied
Borrowing	363.2	352.0	632.2	765.9	✓
PFI & finance leases	95.2	91.2	102.0	102.0	✓
Total debt	**458.4**	**58.4.2**	**734.2**	**867.9**	✓

4.117 **Treasury Management Indicators**
The authority measures and manages its exposures to treasury management risks using the following indicators.

4.118 Security: The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit score of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

4.119 Local Authorities are unrated, therefore fixed term deposits with Local Authorities have to be assigned a score. The score assigned is AAA=1, this means the investments are of the highest credit quality. This is due to Local Authorities not being subject to bail-in and having an insignificant risk of insolvency.

4.120 Table 9 shows the target for the portfolio average credit score and the actual for 2018/19:

Table below: Security Indicator - Portfolio average credit score

	Target	**Actual**
Portfolio average credit score	3.00	1.04

4.121 The actual credit score is below the target showing the exposure to credit risk in the year to date achieved has been lower than the target set this is due to higher credit quality investment being used over lower credit quality investment. This is due to the using fixed term deposits with Local Authorities and high credit quality MMF's.

4.122 **Interest rate exposure indicator**
The other locally-set prudential indicator relates to interest rate exposure which allows the Council to manage the extent to which it is exposed to changes in interest rates. It shows the split of borrowing and investments between fixed and variable rates, and the maturity profile of long term loans. Fixed investments and borrowings are those where the rate of interest is fixed for the whole financial year or from the transaction date if later. Instruments that mature during the following financial year are classed as variable rate.

4.123 The split in respect of borrowing and investments as at 31 March 2019, and the comparative figures for the previous year, are shown in Table below:

Table below: Interest Rate Exposure

	2017/18	**2018/19**
	%	%
Upper Limit on fixed interest rate Exposure	100	100
Actual	87.11	91.51
Upper Limit on variable interest rate exposure	20	20
Actual	12.89	8.49

4.124 These figures show that the Council has not exceeded any limits for the fixed and variable rate borrowing.

4.125 **Maturity Structure of Borrowing -** The actual maturity structure of borrowing as at 31 March 2019 has been compared to the loan maturity limit profile that was approved in the Treasury Management Strategy 2018/19. Table below shows that this indicator has been met as follows:

Table : Maturity Structure of Borrowing

Number of Years to Maturity	Borrowing Profile Set per the 2018/19 Strategy	Actual Profile of Borrowing at 31 March 2019
	%	%
Up to 1 year	10	3
Up to 2 years	20	3
Up to 5 years	30	7
Up to 10 years	50	13
Up to 20 years	70	31
Up to 30 years	80	41
Up to 40 years	90	86
Up to 50 years	100	100

4.126 The final Treasury Management indicator required relates to the limit at any one time on investments with a period to maturity of no greater than 365 days. Investments made in 2018/19 were in accordance with this criteria and no investment made was greater than 365 days.

4.127 **Housing Revenue Account**
The summary Housing Revenue Account budget variance is shown below:

Directorate position Outturn 2018/19	Original Budget £m	In year Movements £m	Current Budget £m	Actual Spend £m	% of Current Budget	Outturn Variance to Current Budget £m
Housing Revenue Account	1.895	0	1.895	(0.262)	(14)%	(2.157)

4.128 The Housing Revenue Account includes only income and expenditure relating to the City’s council 12,809 housing stock. It does not include Local Authority expenditure on other Housing services e.g. support for Registered Social Landlords or Housing Benefit Payments. The purpose of the HRA is to separately identify the services that council tenants pay for through their rents as opposed to their Council Tax. It includes expenditure on Management and Maintenance of Council Housing and how these costs are met by Rents, Charges, Grants and other income.

4.129 The HRA shows an outturn surplus of £0.262m against a planned shortfall of £1.895m, this is a positive variance of £2.157m. The outturn position represents 0.4% of the total income generated of circa £59m across the HRA. It results in an increase to HRA balances, including the Major Repairs Reserve, from £54.012m to £54.583m for 2018/19.

4.130 The main reasons for the variance include overachievement of income against dwelling rents and other income, alongside lower than budgeted repairs and maintenance costs. A summary and supporting explanation of the key variances are provided at Appendix 5. The reserve is managed annually as part of the 30 year HRA Business Plan.

4.131 **Dedicated Schools Grant – DSG**
The DSG overspend is non delegated budgets of the value of £2.769m and this was specifically in relation to the pressures on the High Needs Block of the DSG which funds specialist education provision. The overspend was in relation to the number of Children who require additional specialist support in either mainstream schools or special schools outside of the City.

4.132 **Collection Fund**
The Collection Fund is a separate account that the Council has a statutory duty to maintain outside of the General Fund. The Collection Fund Statement shows the transactions of the billing authority in relation to collection of Council Tax and Non Domestic Rates and the redistribution to its preceptors.

4.133 The Collection Fund is intended to break-even but is dependent largely on the robustness of the estimates and recovery levels of the amount of Council Tax and Non Domestic Rates collected. It involves forecasting the income due from all properties including the effect of exemptions and discounts across the City. Surpluses and deficits declared on the collection fund are apportioned to the relevant precepting bodies in subsequent years.

4.134 **Council Tax**
The actual deficit on Council Tax at 31 March 2019 was £0.447m. This is mainly due to an increase in the bad debt provision as a result of increased arrears balance at year end and £1.9m write-offs during the financial year. An estimate of the Collection Fund balance as at 31 March 2019 will be revised in the light of this deficit and all other circumstances just prior to setting the Council Tax and budget for the next financial year. Any estimated variation at that time will then be recovered during 2020/21 financial year.

4.135 The City Council administers the collection of Council Tax on behalf of the preceptors, Derbyshire Police and Crime Commissioner and Derbyshire Fire and Rescue Service and therefore any surplus or deficit is shared with them. The apportionment of the current deficit is as follows:

Derby City Council	£0.375m	83.8%
Derbyshire Police and Crime Commissioner	£0.052m	11.7%
Derbyshire Fire and Rescue	£0.020m	4.5%
	£0.447m	

4.136 **Non Domestic Rates**
The Council collects Non Domestic Rates - NDR - for its local area. NDR is based on the individual rateable value, set by the Government's Valuation Office Agency multiplied by a national multiplier set by Central Government.

4.137 During 2018/19 the Council participated in the 100% Business Rates retention pilot, which has meant for the financial year 2018/19 the Council has retained 99% of the Business Rate risks and rewards and the Fire Authority has received 1% share.

4.138 The actual deficit for Business Rates at 31 March 2019 is £5.827m. The main reasons for this deficit are an increase in the NNDR appeals provision of £2.6m; a large proportion of this is due to a Supreme Court ruling that removes certain types of Automatic Teller Machines (ATM's) from the rating list. £1.3m of the deficit is due to unbudgeted changes to the ratings list – the largest of which was the removal of the Celenese plant from the 2010 rating list, for the period 2012 to 2014, which had an impact of £1.2m in 2018/19. There has also been an increase of £2.4m to the anticipated level of reliefs provided, the majority of which relates to an increase in unoccupied property relief. There was also a (£0.5m) variance between the budgeted deficit estimated and the actual deficit calculated at the end of 2018/19.

4.139 The City Council administers the collection of NDR on behalf of the preceptors, being Central Government and Derbyshire Fire and Rescue Service and therefore any surplus or deficit is shared with them. The apportionment of the current deficit is as follows:

Derby City Council	£6.014m	99.0%
Central Government	(£0.245m)*	50.0%
Derbyshire Fire and Rescue	£0.058m	1.0%
	£5.827m	

* Due to the participation in the pilot scheme Central Government do not receive a share of the 2018/19 NNDR deficit however they do still receive a share of the previous year surplus calculated.

4.140 The total deficit of the two collection funds was £6.389m (£6.014m NDR + £0.375m Council Tax) that relates to the City Council will be transferred from the collection fund from 2018/19 and planned into future financial forecasts accordingly.

Public/stakeholder engagement

5.1 None directly arising.

Other options

6.1 No other options considered as the Council has a statutory obligation to achieve a balanced budget position.

Financial and value for money issues

7.1 As detailed in the report.

Legal implications

8.1 Under Section 28 of the Local Government Act 2003 the Council must review its performance against budget.

Other significant implications

9.1 None directly arising.

This report has been approved by the following people:

Role	Name	Date of sign-off
Legal	Olu Idowu	22 May 2019
Finance	Toni Nash, Alison Parkin	21 May 2019
Service Director(s)	Don McLure	22 May 2019
Report sponsor	Don McLure	22 May 2019
Other(s)	Liz Moore (Human Resources)	21 May 2019
	Ann Webster (Equality and Diversity)	21 May 2019

For more information contact:	Toni Nash: Toni.Nash@derby.gov.uk
Background papers:	None
List of appendices:	Appendix 1 – Net Movement in Reserves Appendix 2 – Statement of reserves Appendix 3 – Capital Programme slippage/spend brought forward requests Appendix 4 – PFI reserve movements Appendix 5 – Housing Revenue Account – Outturn Analysis

Appendix 1

Movement in Reserves requiring approval

Directorate	£	Reserve	Description
Communities & Place	149,133	Budget Risk	Use of reserve to fund the Waste Treatment Facility revenue costs incurred to fund the City's share of the works. This is to update historical approval from the Waste Strategy Reserve which was consolidated into Budget risk Reserve
Communities & Place	12,000	Local Plan	Use of reserve to pay for additional Uniform licences in the Spatial Planning team
Communities & Place	13,152	Local Plan	Use of reserve to pay Service Lead Agreement with Derbyshire Wildlife Trust for advice on planning applications and other environmental services
Communities & Place	14,645	Local Plan	Use of reserves for set up and maintenance of a Brownfield Land register
Communities & Place	(33,807)	Local Plan	Transfer to reserves surplus planning fees to Local Plan reserve. Increase in Planning Fees of 20% agreed in February 2017 on condition that the increase would be re-invested in Planning
Communities & Place	3,558,863 (3,558,863)	MTFP Assembly Rooms	Transfer Medium Term Financial Plan Reserve balance to Assembly Rooms Reserve. (Approval to be used given 12 December 2018 at Council Cabinet)
Communities & Place	877,392 (877,392)	Council Tax Base Uplift Assembly Rooms	Transfer between reserves - Council Tax Base Uplift Reserve. (Approval to be used given 12 December 2018 at Council Cabinet)
Communities & Place	300,000 (300,000)	Trading Services Budget Risk	Transfer between reserves - Valuations carry forward approved in 2015/16 out-turn report no longer required
Corporate	852,000	Budget Risk	Use of funding transferred to budget risk reserve in 2017/18 due to audit adjustment for over accrual of disputed waste

			invoices to fund unachievable staffing savings target in 2018/2019
Corporate	(5,820,232)	Business Rate Pilot	Transfer to reserve for Business Rates Pilot gain
Corporate	5,434,000	Combination outlined in section 4.8	Use of reserves to fund outturn overspend
Directorate	**£**	**Reserve**	**Description**
Corporate	(5,878,000)	Business Rates Smoothing	Transfer to reserve: unbudgeted NNDR gain (outlined ins section in 4.5)
Corporate	*(972,433)	Budget Risk	Transfer to reserve Additional funding received in year
Corporate	(281,878)	Business Rates Smoothing/Budget Risk	Net collection fund adjustments: (£1.117m) Transfer to reserves the difference between the 2018/19 Derby City Council budgeted NNDR deficit and the actual calculated NNDR1 deficit used for collection fund accounting (due to early budget setting). This funding will be used in the 2019/20 MTFP to reduce the impact of the forecast deficit and £0.835m Use of transitional protection payment funding transferred to reserves in 2017/18. This has been netted off with additional NNDR funding received in 2018/19 for section 31 grants and top-up funding.
Corporate Resources	240,021	Equal Pay	Use of reserves to support on-going maintenance and integrity of the Job Evaluation scheme and advise on equal pay claims logged against the Council
Cross Directorate	261,835	Budget Risk	Use of reserves for redundancies linked to Medium Term Financial Plan savings
Peoples	17,837	Getting to Good	Use of reserves agreed by People's directorate for resources to support inspection readiness / meet social care statutory demands. Agreement was to fund post in Corporate Resources for 2 years this is the

			final funding for this agreement
Peoples	28,589	SEND Improvement	Use of reserves agreed to appoint Education Lawyer in Corporate Resources to focus on Children's legal cases
Peoples	51,746	Music Grant	Use of reserve to ensure pupils in deprived areas have access to high quality music tuition
Peoples	28,662	Adoption Support Fund	Use of reserve to support families in the process of adoption
Peoples	51,544	Pupil Premium for Looked After Children	Use of reserve to support the education of children who are looked after
Directorate	**£**	**Reserve**	**Description**
Peoples	(538,208)	Public Health	Transfer to reserves - underspend on ring-fenced Public Health Grant
Total	**(6,369,394)**		

***Further movements will be done in the new - year to re-allocate to appropriate reserve if appropriate**

Appendix 2

Statement of Reserves

Statement of Reserves	2018/19 Opening Balance £m	In Year Movement £m	2018/19 Closing Balance £m
General Fund			
Unallocated General Fund Balance	(10.933)	0	**(10.933)**
Balances Held By Schools	(10.286)	2.237	**(8.049)**
TOTAL	**(21.219)**	**2.237**	**(18.982)**
Revenue Earmarked Reserves			
Budget Risk Reserve	(35.909)	12.006	**(23.903)**
Central Schools Budget Reserve	(4.923)	2.087	**(2.836)**
General Insurance Reserve	(2.411)	(0.168)	**(2.579)**
Trading Services Reserve	(0.536)	0.363	**(0.173)**
Year end grants with restrictions	(4.730)	(1.056)	**(5.786)**
DEGF Interest Reserve	0	(1.064)	**(1.064)**
Regeneration Fund Reserve	(2.256)	0.268	**(1.988)**
Assembly Rooms Reserve	(1.503)	(4.008)	**(5.511)**
MTFP Specific Reserve	(3.559)	3.559	**0**
Delivering Change Reserve	(3.707)	1.345	**(2.362)**
Better Care Fund Reserve	(4.780)	2.358	**(2.422)**
Business Rate Pilot Reserve	0	(2.947)	**(2.947)**
Business Rates Smoothing Reserve	0	(6.995)	**(6.995)**
Treasury Management Reserve	0	(0.685)	**(0.685)**
Public Health Reserve	(0.804)	(0.238)	**(1.042)**
Adult Social Care Reserve	0	(0.421)	**(0.421)**
Other Service Reserves	(6.558)	(2.747)	**(9.305)**
PFI Reserves	(26.046)	(1.670)	**(27.716)**
Earmarked Reserves to support the capital programme	(2.136)	(2.036)	**(4.172)**
TOTAL	**(99.858)**	**(2.049)**	**(101.907)**
Housing Revenue Account (Ring-fenced)			
Housing Revenue Account (Ring-fenced)	(47.049)	(0.261)	**(47.310)**
Major Repairs Reserve	(6.280)	(0.309)	**(6.589)**
Other Earmarked HRA Reserves	(0.683)	0	**(0.683)**
TOTAL	**(54.012)**	**(0.570)**	**(54.582)**

Appendix 3

Capital Programme Slippage 2018/19 to 2019/20 & Spend Brought Forward from 2019/20

Strategy area	Scheme	Amount	Funded By
Schools	Noel Baker BSF Scheme - agreed PFI contribution	16,000	GG
Schools	School Access Initiative Projects	20,000	GG
Schools	Woodlands Lane Chellaston Secondary School S106	4,744	S106
Schools	Universal Infant free school meals	2,293	GG
Schools	Rosehill infant school extension and remodelling works	6,221	UCB
Schools	Alvaston Infants School - 30 hours Early Years Childcare Grant for 3-4 year old provision	6,201	GG
Schools	Firs Estate Primary School - 2017 Fire Risk Assessment (FRA) - Phase1 Fire evacuation route improvement	34,868	UBC/SCE C
Schools	West Park - 150 Place School Expansion	97,421	SCE C
Schools	Primary Phase Specialist Enhanced Resources Unit Alterations	1,648	SCE C
Schools	Buildings at Risk urgent condition and suitability schemes	76,600	SCE C
Schools	Fire Risk Assessment Works	47,309	UBC/SCE C
Schools	Derbyshire County Council Primary School - Homeleigh Way Development	71,000	S106
Schools	Chellaston Secondary School - Homeleigh Way Contribution	78,000	S106
Schools	The Bemrose School - SEN Unit	70,000	
Schools	St Clare's Special School - Redevelopment	10,000	GG/SCE C
Schools	Wren Park Additional Classroom Feasibility	40,000	SCE C
Schools	Murray Park – 550 place school expansion	(61,045)	SCE C
Schools	Stonehill Nursey - FRA - external fire evacuation route protection	(4,095)	UBC/SCE C
Schools	Adaptions For Foster Carers	(18,310)	SCE C
Schools	Hackwood Farm primary school	(12,194)	SCE C
Schools	Fellows Lane Way Primary S106	(22,000)	S106
Schools	Ivy House School Fire risk assessment improvements	(1,000)	SCE C
Schools	Wren Park Primary School replacement gas main	(1,000)	SCE C
Schools	Brackensdale Infant and Junior – Expansion Design	(112,807)	
Schools	Derby Moor – 170 Place School Expansion	(93,822)	SCE C
Schools	Oakwood Junior school Phase 3	(2,000)	SCE C

Schools	Springfield Primary School - 2017 Additional classroom accommodation	(645)	UBC/SCE C
Schools	Littleover Community School Fire Alarm works	(2,000)	SCE C
Strategy area	**Scheme**	**Amount**	**Funded By**
Schools	Ashgate Primary School- Final Phase Refurbishment	(450)	SCE C
Highways & Transport	Asset Management - Highways Maintenance	929,000	SCE C
Highways & Transport	Asset Management - Structures Maintenance	229,000	SCE C
Highways & Transport	Asset Management - ITS Network Management Maintenance	53,493	SCE C
Highways & Transport	Network Management - Strategic Network Management	1,554,097	GG/SCE C
Highways & Transport	Network Management - Local Traffic Management	107,997	SCE C
Highways & Transport	Active Travel - Smarter Choices	73,817	GG
Highways & Transport	Active Travel - Cycle Derby	64,000	GG
Highways & Transport	Public Transport - Public Transport	2,155,667	GG/SCE C
Highways & Transport	Active Travel Pedestrian Accessibility	9,937	S106/SCE C
Highways & Transport	A52 Strategic Transport Scheme	628,620	UCB
Property Improvement	Homes for older people	34,222	SCE/UBC
Property Improvement	Allestree Library	15,775	SCE/UBC
Property Improvement	Sinfin Library	92,845	SCE/UBC
Property Improvement	Markeaton Park Train Shed - demolition	70,000	SCE/UBC
Property Improvement	Former Butterfly Project Rosehill Demolition	64,500	SCE/UBC
Property Improvement	Store at Racecourse Playing Field - Demolition	33,000	SCE/UBC
Property Improvement	Arboretum Park Rosehill Lodge	29,000	SCE/UBC
Property Improvement	King George V Bowls Block roof refurbishment	40,000	SCE/UBC
Property Improvement	Rowditch Recreation Ground roof replacement	30,251	SCE/UBC
Property Improvement	Queens Leisure Centre Roof Protection	174,285	SCE/UBC
Property Improvement	Nunsfield House Fire related Works	68,000	SCE/UBC
Property Improvement	Chapel Street Multi Storey Car Park	85,227	SCE/UBC
Property Improvement	Kedleston Road Training Centre	50,000	SCE/UBC
Property Improvement	Museum Stores Bold Lane	58,190	SCE/UBC
Property Improvement	City Centre Infrastructure	114,662	SCE/UBC
Property Improvement	Lift Replacement/Maintenance	10,000	SCE/UBC

Property Improvement	Parks Various	58,884	UBC/S106
Property Improvement	Allestree Park Footpath	635	UBC
Property Improvement	Swimming Pool New Build	146,157	SCE/UBC
Strategy area	**Scheme**	**Amount**	**Funded By**
Property Improvement	BMX Track Improvements Onslow Rd and Chaddesden Park	17,885	EC
Property Improvement	Aboretum Park	4,138	S106
Property Improvement	Roe Farm Play Area	5,526	EC
Property Improvement	Wensleydale Walk	3,427	EC
Property Improvement	Chelleston Brickwork Improvements	10,771	S106
Property Improvement	Central Library Conversion to Museum	(72,903)	SCE/UBC
Property Improvement	Libraries Refurbishment	(58,896)	SCE/UBC
Property Improvement	Chelleston Park	(17,283)	S106
Flood Defence	Cotton Brook Flood Alleviation Scheme	9,803	UBC
Flood Defence	Markeaton Lane Flood Alleviation Scheme Phase 1 & 2	5,198	UBC
Flood Defence	Shardlow Road Drainage	19,790	UBC
Flood Defence	Cuttlebrook Flood Alleviation Scheme	532,519	GG
Flood Defence	Wilmore Road Rain Gardens	96,686	GG
Flood Defence	Markeaton Brook Dredging	140,302	GG
Flood Defence	Markeaton Lane Phase 3	28,540	UBC
Flood Defence	Gully Replacement Programme	3,098	UBC
Regeneration	Our City Our River	413,372	GG/SCEC
Regeneration	Building Frontage Enhancement Scheme	35,000	EC/UBC
Regeneration	Marble Hall	18,179	EC
Regeneration	Climate Change European Regional Development Fund	46,345	GG
Regeneration	Alvaston District Centre Improvement	15,784	UBC
Regeneration	City Centre Accelerated Development	9,690	UBC
Regeneration	Castleward Enhancement of Public Square	7,741	SCE C
Regeneration	T12 Phase 2	122,757	UBC
Regeneration	Darley Abbey Mills	51,836	SCE C
Regeneration	Creative Pathways	13,616	EC
Regeneration	Derby Enterprise Growth Fund - Recycled	60,750	CR
Regeneration	D2EGF Growth & Innovation	23,284	CR/GG
Regeneration	IPD Wayfinding	42,636	UBC
Regeneration	Ihub capital works AMRC	82,948	CR
Regeneration	Townscape Heritage Initiative	145,399	GG, SCE C
Regeneration	Access Osmaston	43,172	GG
Regeneration	Derby Vibrant City Placemaking	117,763	GG

Regeneration	Victory Road Re-alignment	591,227	EC
Regeneration	Brook realignment	50,236	UBC
Regeneration	Performance Venue	(149,566)	UBCSF
Regeneration	Silk Mill	(650,000)	GG
Regeneration	Market Hall Refurbishments	(999,384)	SCE C
Regeneration	Becket Well	(174,906)	GG
Regeneration	Infinity Park Derby (IPD) – Initial Infrastructure	(3,011)	SCE C
Strategy area	**Scheme**	**Amount**	**Funded By**
Regeneration	iHub plot preparation	(34,519)	GG
HGF	Affordable Housing External Registered Partner	50,000	EC
HGF	London Road refurbishment works	93,170	EC
HGF	Acquisition of Temporary Accommodation	32,760	EC
HGF	Works at Shelton Lock	80,000	EC
HGF	Rapid Rehousing Pathway - property Refurb	40,000	GG
HGF	Disabled Facilities Grant 96 Act	(18,936)	GG
HRA	Emergency Call System replacement	25,000	MRA
HRA	Fire safety work	707	MRA
HRA	Mill Hill Flats	97,243	MRA/CR
HRA	Gerard Street	84,243	MRA/CR
HRA	Hatfield Road	16,249	MRA/CR
HRA	The Knoll New Build	81,943	MRA/CR
HRA	Britannia Court	36,497	MRA/CR
HRA	Perth Street New Build	146,913	MRA/CR
HRA	Barlow Street	50,000	MRA/CR
HRA	Aida Bliss	132,930	MRA/CR
HRA	Parliament Street	202,400	MRA/CR
HRA	Beaufort Business Centre	(61,750)	MRA/CR
HRA	Communal staircases	(46,776)	MRA
HRA	Bracknell	(40,000)	MRA/CR
ICT	Major IT hardware Developments	338,913	SCE C
ICT	Peoples Services Information Governance Improvements	56,573	SCE C
ICT	Major IT Systems Developments	77,181	SCE C
	Net Slippage/Spend Bfwd	**9,316,405**	

Key of Funding Sources

Supported Capital Expenditure Capital	SCE C
Major Repairs Allowance	MRA
Capital Receipts	CR
Government Grants	GG
External Contributions	EC
Unsupported Borrowing corporate	UBC
Unsupported Borrowing Service Financed	UBCSF
Section 106 contributions	S106

Appendix 4

2018/19 Private Finance Initiative Reserve Movements

For all Private Finance Initiative Reserve (PFI) schemes PFI credits are received in year from the government departments to support the PFI business models and contractual commitments any surplus at the end of the year is transferred to a PFI reserve and any deficit is met from the accumulated surplus PFI credits held in the PFI reserves. The transfers to and from the PFI reserves in 2018/19 are detailed in the table below and are required to be approved.

Transfer to Reserves	**£m**
Building Schools for the Future (BSF) PFI Reserve	0.804
Grouped Schools PFI Reserve	0.893
Housing PFI reserve	0.158
Transfer from Reserve	**£m**
Street Lighting Reserve	0.171
Facilities Management Reserve for Grouped Schools PFI	0.014

Appendix 5

Housing Revenue Account – Outturn Analysis

The outturn position for 2018/2019 shows cumulative resources of £54.583m, an increase of £0.571m on the previous year's position. The table below shows the variations at outturn.

	£m
Estimated Outturn in 2018/2019	1.895
Variations at outturn:	
Increase in rents and service charges	(1.360)
Reduced Repairs and Maintenance	(1.144)
Reduced provision for bad debts	(0.333)
Increase depreciation/impairment charge	0.863
Lower capital financing charges	(0.260)
Other minor variances	0.077
NET SURPLUS 2018/2019	(0.262)
Net Movement in HRA reserves	(0.309)
Total increase in HRA resources	(0.571)
Total reserves B/fwd. from 2017/2018	(54.012)
Total Reserves 31 March 2019	**(54.583)**
Of which:	
Major Repairs reserve	(6.589)
HRA Earmarked reserves	(0.683)
General reserves including contingency	(47.311)
Total Reserves 31 March 2019	**(54.583)**

The Housing Revenue Account (HRA) shows an outturn surplus of £0.262m which together with net movement in other reserves of £0.309m increases overall HRA balances by £0.571m to £54.583m for the year.

General Balances £47.311m

The general balance on the HRA at 31 March 2019 was £47.311m. In addition to this there are £7.272m of earmarked reserves giving total HRA resources of £54.583m. The increase in general balances was mainly due to increased rental and service charge income and gains from sale of non-current assets reduced by higher than expected depreciation and impairment charge.

Rents and Service Charges - (£1.360m)

Rents and Service charges are higher than anticipated due to better performance on void levels and properties moving to target rent after being re-let following a void period.

Repairs and Maintenance - (£1.144m)

Lower than anticipated expenditure on the Repairs and Maintenance, some of which was due to a reclassification of spend from revenue to capital.

Provision for bad debts - (£0.333m)

Better performance on rent collection and delayed implementation of Universal Credit to has resulted in a lower than anticipated bad debt provision.

Depreciation/Impairment charges - £0.863m

Higher than anticipated charges for depreciation and impairment of non-current assets to the HRA.

Capital financing costs - (£0.260m)

Lower than anticipated borrowing costs to the HRA.

Other minor variances - £0.077m

Other minor variances net to a non material cost to the HRA.