

**Council Cabinet
14 February 2024**



Report sponsors:

Councillor Baggy Shanker Leader of the Council and Cabinet Member for Strategy, Governance and Finance

Alison Parkin, Director of Finance

Report author: Toni Nash, Head of Finance

ITEM 13

2023/24 Quarter 3 Financial Monitoring

Purpose

- 1.1 The Council continues to face significant financial challenges with evidence of financial strain on the sector growing. Continued high levels of inflation, the cost of living crisis and increasing demand have all had a financial impact on the Council's finances. There continues to be a surge of Council's issuing S114 notices as they struggle with financial sustainability.
- 1.2 Derby City Council is not exempt from these challenges and have taken effective remedial action at the first signs of overspends emerging, the Qtr. 1 position was forecasting an overspend of £6.091m. With responsible action, including mitigating over £3m of unfunded pay award pressures and delivery of 96% of savings targets the Qtr. 3 forecast is an overspend of £2.386m and efforts will be made to reduce this further in the final quarter of the financial year.
- 1.3 To summarise the Council's forecasted financial outturn position at 31 December 2023
 - a) **Revenue Budget:** The Council is currently forecasting a pressure of £2.386m against the current budget of £284.993m before use of reserves to mitigate. This is a decrease of £4.174m from the Qtr.2 position of 6.560m

There has been continued focus on controlling spend in order to reduce the forecasted overspend. This includes the continuation of spending panels, spending moratoriums and vacancy control all of which will help ensure the Council delivers a balanced position and reduces any use of the Budget Risk Reserve or the General Reserve

£15.573m of the Council's in year savings target of £16.196m for 2023/24 is currently forecast to be achieved either permanently or with one off mitigation. This represents 96% of the total. Work is ongoing throughout the final quarter of the year to achieve the shortfall of £0.623m. Further detail is outlined in 4.2.
 - b) **Capital budget:** Capital expenditure to date is £129.121m and our forecast is estimated at £209.572m against an approved capital budget of £226.213m. Further detail is outlined in 4.5

- c) **Reserves:** The General Reserve has a current year forecast balance of £8.303m (This includes apportioning £0.670m of Qtr.3 forecast overspend).
 - d) The Budget Risk reserve has current year forecast balance of £0.500m and a future years' forecast balance of £0.252m (This includes apportioning £1.756m of Qtr.3 forecast overspend).
- These apportionments have been done as an illustration of the impact of the current forecast overspend.
- e) **Housing Revenue Account (HRA):** The full year forecast projects a planned use of the HRA reserve of £3.098m is outlined in 4.7
 - f) **Dedicated Schools Grant (DSG):** The total grant of £307.529m has been allocated to schools and retained educational services. There is an overspend forecast for 2023/24 on the High Needs Block of the DSG of £9.338m taking the cumulative deficit to £13.781m as outlined in 4.8
 - g) **Collection Rates:** Council Tax billed for the 2023/24 financial year is £145.658m of which £116.850m or 79.74% has been collected. Business Rates billed for the 2023/24 financial year is £86.353m of which £70.660m or 79.91% has been collected as outlined in 4.9

Recommendations

2.1 To note:

- a) The revenue projected outturn and key budget variances are set out in the report in section 4.2 with a detailed analysis in Appendix 7 and the savings to be delivered in the year outlined in section 4.2.
- b) The Council's reserves position, as set out in section 4.4 and Appendix 1
- c) The capital programme forecast, and actual capital expenditure incurred during the quarter summarised in section 4.5
- d) The changes already approved under scheme of delegation to the capital programme detailed in Appendix 4
- e) The Treasury Management and Capital Prudential indicators as at Qtr. 3 as set out in Appendix 5
- f) The Housing Revenue Account performance and projected outturn as set out in section 4.7
- g) The forecast Dedicated Schools Grant position summarised in section 4.8
- h) The Council Tax and Business Rates Collection performance as set out in section 4.9
- i) £1.142m of Direct Revenue Financing for Parks and Open Spaces & Vehicles, Plant and Equipment as detailed in section 4.5.10.

2.2 To approve changes including additions to the 2023/24 capital programme outlined in section 4.5. and detailed in Appendix 3.

2.3 To approve the transfer to the Collection Fund smoothing reserve as outlined in section 4.9.

Reasons

- 3.1 To provide assurance that the budgets approved by Council in February 2023 are being effectively monitored and any significant variances reported to Cabinet on a regular basis and to update cabinet on the latest estimated reserves position.

Supporting information

- 4.1 The following provides the national context and also an analysis and explanation of key variances for each element of the forecast financial outturn for the Council.

4.1.1 **Revenue Budget**

The overall general fund revenue position at 31 December 2023 is a £2.386m overspend.

4.1.2 **Context**

Councils are legally responsible for funding some of the most critical services: children's social care for vulnerable children and their families and children in the care of the local authority, social care for older and disabled adults and housing and homelessness for those with the greatest need.

- 4.1.3 Local Government Finances have been under pressure for over a decade and Derby City Council has made £226m savings over the last 14 years. The Local Government Sector continues to lobby Government to commit to the Review of Relative Needs and Resources, the Fair Funding Review, and the finance settlement for 2024/25 financial year is the sixth one year settlement in a row for councils which continues to hamper financial planning and financial sustainability.

- 4.1.4 Factors affecting local government are outlined in detail in these recent cabinet reports and within the budget setting report included on this agenda.

[Medium Term Financial Strategy](#)

[Budget Consultation Report](#)

- 4.1.5 These factors continue to impact on the current in year revenue forecast and the Medium-Term Financial Plan. The result of these issues impacts on the Councils ability to forecast expenditure aligned with the budget envelope.

4.2 The summary 2023/24 forecast revenue budget variance estimated at December 31, 2023, is outlined below:

Directorate	Current Budget	Full Year Forecast Spend	Qtr.3 Forecast Out-turn Variance	Qtr. 2 Variance	Difference between Qtr.2 and Qtr.3
	£m	£m	£m	£m	£m
Peoples	187.643	190.986	3.343	2.672	0.671
Comms and Place	44.801	46.270	1.469	1.898	(0.429)
Chief Executive's	52.548	53.122	0.574	0.762	(0.188)
Council-wide Unachieved Savings	-	-	-	1.228	(1.228)
Budgeted forecast out-turn position	284.992	290.378	5.386	6.560	1.174
Budgeted Reserves	0.286	0.286	-	-	
Additional NNDR Funding	-	(3.000)	(3.000)	-	(3.000)
Sub Total	285.278	287.664	2.386	6.560	(4.174)
<u>Mitigation illustration</u>					
Use of Reserves:					
Budget Risk Reserve		(1.756)	(1.756)	(2.256)	0.500
General Fund Reserve		(0.630)	(0.630)	(4.304)	3.674
TOTAL	285.278	285.278	-	-	-

- 4.2.1 The Councils approved revenue budget has a forecast net overspend of £2.386m at Qtr.3 before mitigation through reserves. As set out in the table above, the use of reserves facilitates a balanced position, but this is not without risk.
- 4.2.2 The above use of reserves (which has been outlined to illustrate one method of balancing the forecast position) would take the Budget Risk Reserve to £0.500m balance at 31 March 2024, whilst the forecast General Fund Reserve balance at 31st March 2024 would reduce to £8.303m, which would represent around 2.91% of the current revenue budget. This would take the General Fund Reserve below the current recommended range of 3-5% which is a risk to the financial sustainability of the Council.
- 4.2.3 There will be continued focus throughout the remainder of the year on spending panels, spending moratoriums, vacancy control and funding review which will help ensure the Council delivers a balanced position and reduce the use of reserves. There continues to be a use of reserves check and challenge to limit use and free up resources to fund any final out-turn pressure.
- 4.2.4 The main areas of the forecast out-turn position for the Council wide revenue budget is outlined in the below summary and narrative with further detail at Appendix 6.

4.2.5

Forecast Out-turn 2023/24 position without mitigation at Qtr.3			
Area	Forecast Qtr. 3 £m	Forecast Qtr. 2 £m	Difference £m
Pay award pressure	3.423	3.423	-
Pay award mitigations	(3.003)	(2.683)	(0.320)
Other Pay Pressures/Savings	(1.819)	(0.801)	(1.018)
Net Income Position	(4.591)	(4.368)	(0.223)
Unbudgeted pressure	13.794	11.373	2.421
Underspends	(3.041)	(2.156)	(0.885)
Unachieved Savings	0.623	1.772	(1.149)
SUB TOTAL	5.386	6.560	(1.174)
Additional NNDR Funding	(3.000)	-	(3.000)
TOTAL	2.386	6.560	(4.174)

- 4.2.6 The two main inflationary pressures are in the table below however the impact of inflation will be present in all areas of revenue spend.

Description	Forecast Qtr. 3 £m	Forecast Qtr. 2 £m	Difference £m
Pay award pressure	3.423	3.423	-
Energy	0.541	0.270	0.271
TOTAL	3.964	3.693	0.271

- 4.2.7 The narrative below outlines a summary of each section and Appendix 6 outlines further detailed analysis:

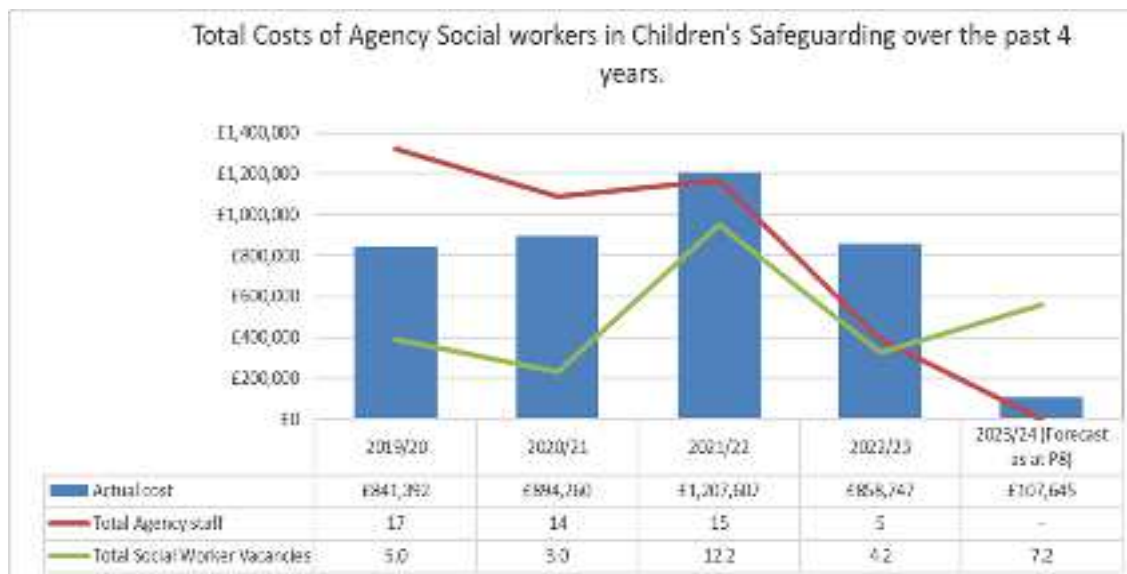
4.2.8 **Pay award pressure £3.423m and mitigations (£3.003m)**

There is a gross estimated pay pressure of £3.423m, however, mitigations of (£3.003m) have been identified leaving a net pressure of £0.420m. This is modelling of the pressure of an increase of £1,925 on all NJC pay points 1 and above. This pressure is above the 3% which was included in the base budget and has been mitigated mainly through careful vacancy control where possible and safe to do so to reduce pressures both in year and in the medium term.

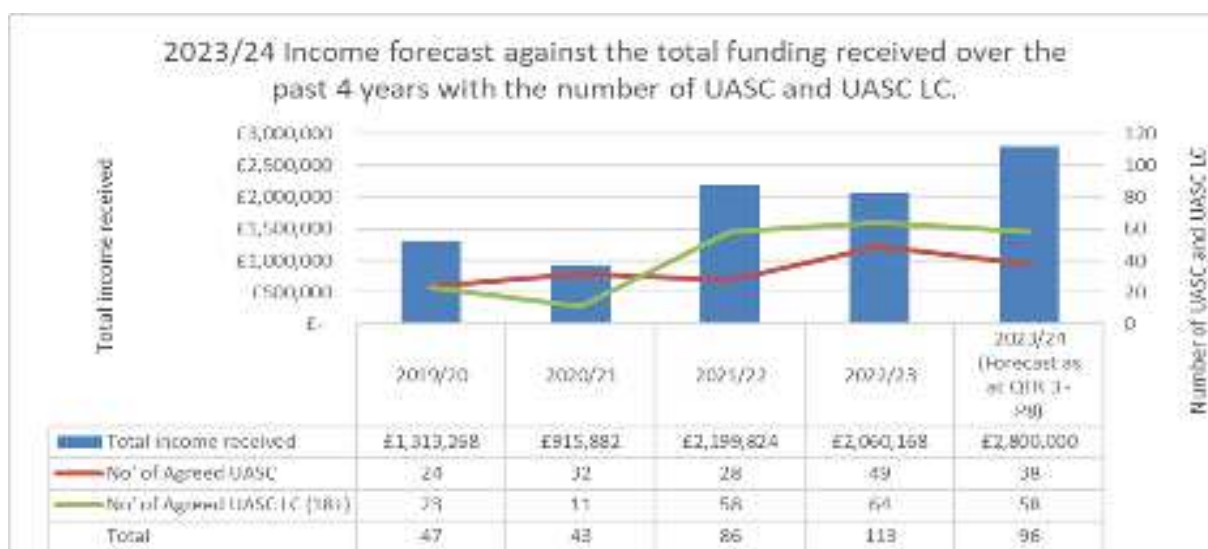
4.2.9 **Other Pay Pressures/Savings (£1.819m)**

Peoples – Staffing pressures across people’s services are offset with vacancies leaving a net underspend forecast to be (£2.140m). The staffing pressures are due to staff at the top of scale and unfunded posts £0.984m, plus agency staff within educational services £0.436m and agency staff within the inhouse children’s residential homes £0.461m. A successful recruitment and retention strategy for our social work professionals means that these pressures are being offset with underspends on agency social worker budgets (£0.510m). Other general staffing underspends are also contributing £3.511m)

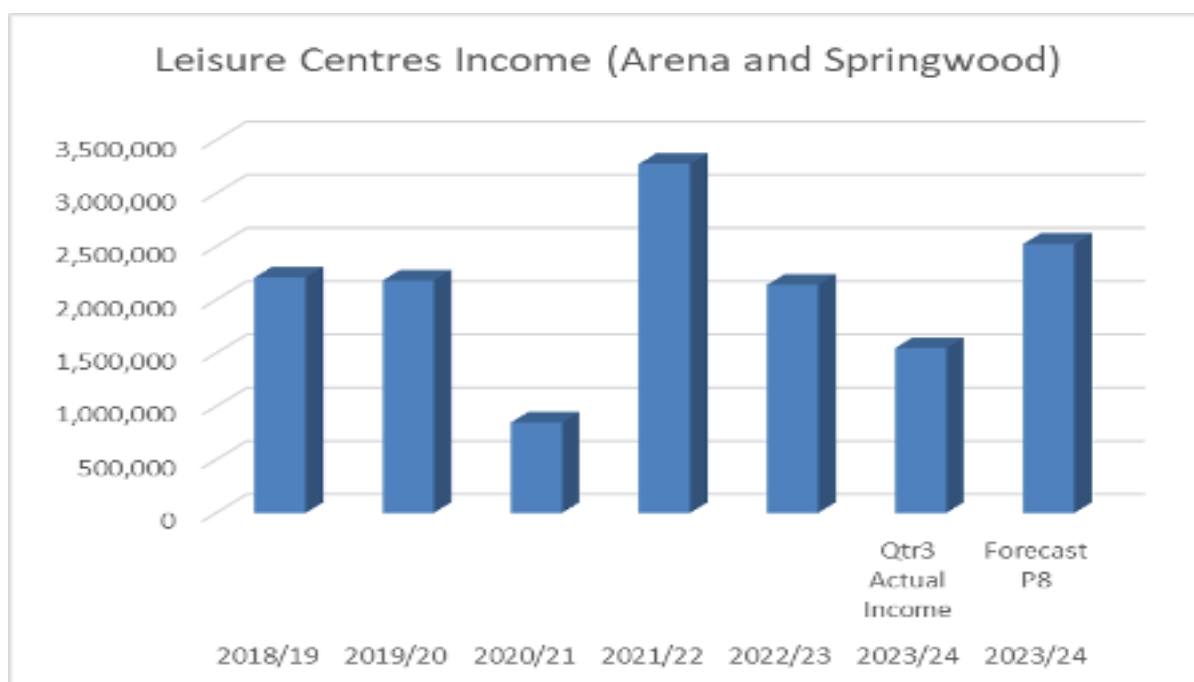
- 4.2.10 As At Qtr. 3, there are no agency social workers within children's safeguarding, with no plan to recruit any by the end of the financial year
- 4.2.11 The graph below shows the cost of agency social workers within children's safeguarding over the last 4 years and the number of agency social workers employed
- 4.2.12



- 4.2.13 Communities & Place – has salary overspends totalling £0.420m. This is made up of staffing pressures across the service mostly due to staff being at top of scale and the minimal opportunity for turnover savings. These pressures are predominantly within important front line services of Refuse Collection and Traffic & Transportation.
- 4.2.14 Chief Executive's - has salary underspends totalling (£0.099m). This is made up of staffing pressure across corporate management and Legal services. Within corporate management staffing budgets rely on income generation and full cost recovery to projects, the current forecast includes a variance due to some staff costs not being eligible for full recovery. These pressures are being offset with underspends in financial services and procurement due to vacant posts .
- 4.2.15 **Net Income position (£4.591m)**
 Peoples - The forecast includes grant income being claimed in 2023/24 for the unaccompanied asylum-seeking children (UASC) and totalling (£2.644m). This income will offset the costs of this cohort which is recorded elsewhere within the service. The increased forecast accounts for the rapid increase of UASC cases within the past month through the National Transfer Scheme and as a result of children presenting through the adult asylum system in Derby.



- 4.2.16 Unachievable income within the learning and skills service of £0.324m is due to the service no longer having the capacity to offer a paid service to schools for additional school improvement activities due to staff vacancies.
- 4.2.17 Education Welfare services are forecasting an overachievement of income of (£0.173m) based on services sold to schools and the income generated through truancy fines.
- 4.2.18 Across Childrens services various income and small grants have increased income by (£0.389m). Small grants across the services include Learning and Skills, Youth Offending and Early Help.
- 4.2.19 Communities & Place -Additional income is being forecast in Qtr.3 of (£0.380m) across City Sustainability including Highways maintenance and engineering teams. This income is mostly recharges. A revised price framework has been implemented from September 2023 to ensure costs are being recovered fully.
- 4.2.20 An overachievement of income is currently being forecast within leisure services of (£0.089m), the underachievement of income within Derby Arena due to track works is being offset with additional income generation at Springwood leisure centre from increased memberships and bookings.



- 4.2.21 Additional rental income of (£0.107m) is forecast within Strategic Housing due to increased occupancy at Milestone House, and above-forecast rental income at Shelton Lock and the Imari Park sites. There is also an over-achievement of Decent and Safe Homes (DASH) Service income due to take up of accreditation and training courses. The in-year underspend on the OCOR revenue budget due to additional income from staff recharged direct to the capital project is (£0.050m).
- 4.2.22 Chief Executive's – Chief Executives are forecasting additional income totalling (£1.083m) this is outlined below.
- 4.2.23 There is additional income generation forecast in registration services of (£0.023m) and increased income from advertising (£0.122m). Increased court fee income in Council Tax and unbudgeted new burdens income within Housing Benefit service totals (£0.497m). Facilities Management has one-off additional rental income of (£0.174m) from DWP and the NHS for inflation and service charges, respectively. There is DWP income of (£0.208m).received for a claim covering costs that were incurred back in 2021/22. and increased income generation through recharges of (£0.059m) within the Legal and democracy services.
- 4.2.24 **Unbudgeted Pressure £13.794m**
Peoples - The majority of the emerging pressures across Peoples is due to the cost of placements in social care, which is a position seen nationally. There is a £4.755m pressure in adult social care due to increased costs in Mental Health services and for the younger adults due to the rising costs of complex placements transitioning from children's social care.
- 4.2.25 Within the Mental Health service average weekly costs of clients accessing residential and nursing care has increased by 5% when compared to Qtr. 3 last year. And for clients accessing community support the weekly costs have increased by 14% from the same period last year.

- 4.2.26 Costs for younger adults supported in the community have seen an increase in the average cost from this time last year of 48% - demand has also increased by 4%. Costs for residential and nursing packages has increased by 14% compared with the same time last year.
- 4.2.27 Childrens placement costs pressure totals £4.362m, this is partially offset with the UASC income detailed above. Whilst numbers of children in care are reducing compared to the same period last year, the costs of externally commissioned placements, together with the use of unregulated placements for looked after children where a regulated placement cannot be found, continues to place significant pressure on the placements budget. The net cost of the most complex 10 placements is £5.9m.
- 4.2.28 This is not a unique issue for Derby, and is a national problem, due to the broken market for children's care placements. Steps are being taken nationally and locally to address the children's placement market.
- 4.2.29 Other pressures include the cost of travel £0.163m – the level of travel activity is returning to pre-covid activity with the associated costs, however budgets across the council were reduced to reflect the change of working patterns as part of the MTFP savings. This is generating an emerging pressure.
- 4.2.30 Communities & Place - The cost of electricity for the street lighting is currently forecasting a pressure of £0.541m due to inflationary pressure against a total budget of £0.987m.
- 4.2.31 Within Leisure a pressure of £0.143m due to the non-domestic rates charges exceeding the budget.
- 4.2.32 Across communities services are pressures totalling £0.794m. This is made up of the depot workshop costs £0.504m relating to the maintenance of the aging fleet and the increased costs of parts, an overspend of £0.171m within Bereavement services on unplanned unbudgeted repairs, Trade waste £0.166m which is a pressure relating to the transfer of the waste contract to Nottingham City Council which had an expectation that it would be offset by a return from the agreement, however this is not expected to materialise in 2023/24. and other minor variances of (£0.047m) across the service.
- 4.2.33 Parking services & Traffic and Transport are reporting pressure of £0.290m. This is mostly due to contract costs, which have increased in Parking services and overspends across various expenditure lines within Traffic and Transportation teams.
- 4.2.34 A net pressure within City Growth and Vibrancy of £0.068m is mostly due to staffing cost pressures and an additional unbudgeted payment to the museums to cover additional pension costs.
- 4.2.35 Inflationary impacts and the increase in the number of hotel placements have created a £0.226m pressure in the Strategic Housing service.
- 4.2.36 Chief Executive's - Unbudgeted and emerging pressures across corporate resources total £2.452m. This is outlined below.

- 4.2.37 The pressure on housing benefit subsidy and discretionary payments is £2.147m. Over the last 3 years there has been a dramatic increase in discretionary payments due to the economic crisis, meaning more families are forced to leave their homes due to rent arrears caused by high rents and increasing bills. Subsidy losses occur from the use of temporary board and lodgings for people that are homeless and supported accommodation for those customers who require additional support. The government formula for repaying councils for supported accommodation and homeless accommodation creates a significant pressure for the council. In addition, there are Coroners pressures of £0.158m because of increased charges specifically in relation to coroner staff absence which has led to increased recharges and fees from Derbyshire County Council.
- 4.2.38 There are also pressures in Property Services of £0.044m for a shortfall in rental income, a reduction in capital fees within Estates of £0.048m due to reduced capital programme activity, property rationalisation storage review costs of £0.040m and minor net variances of £0.015m.
- 4.2.39 **Underspends (£3.041m)**
- 4.2.40 Peoples - Across Peoples services are emerging underspends due to Home to School Transport of (£0.761m) based on the current levels of spend, due to the implementation of new contracts, non-essential spend savings of (£0.057m) in Adult Social Care services and (£0.200m) in Childrens and Young People services – these underspends are mitigating pressures across the service.
- 4.2.41 Communities & Place - Across the service are emerging underspends due to concessionary fares (£0.532m) because of reduced expenditure based on journey information, residual budgets across leisure including balances of residual budgets in Moorways and Queens leisure centre totalling (£0.295m) these underspends are mitigating pressures in the service and further underspends of (£0.141m) due to non-essential spend slippage across the directorate management budgets
- 4.2.42 Chief Executive's - Across the service are emerging one off underspend due to contracts in IT infrastructure – due to adjusting the implementation timescales of projects (£0.575m), and minor underspend of (£0.103m) which is made up of service underspends.
- 4.2.43 Corporate budgets have a minor net underspend of (£0.093) and an underspend on the Opportunity Fund of (£0.103m) and a contingency underspend of (£0.181m) due to continued spend moratoriums to mitigate overspends.
- 4.2.44 **Forecast Unachieved Savings £0.623m**
- 4.2.45 The Councils revenue budget for 2023/24 includes savings targets for each directorate in order to support a balanced budget position. The Qtr.3 forecast achievement of these savings is outlined below:

4.2.46

Directorate	Budget Savings Targets £m	Forecast Full year effect of savings delivered £m	Variance £m	Forecast % Achieved
Peoples Services	(6.262)	(6.159)	0.103	98 %
Communities and Place	(5.067)	(4.886)	0.181	96 %
Chief Executive's	(4.617)	(4.278)	0.339	93 %
Council Wide	(0.250)	(0.250)	-	-
Subtotal for 2023/24 Savings	(16.196)	(15.573)	0.623	96%
Previous Years savings				
2022/23 Council-wide	(0.978)	(0.978)	-	-
Total	(17.174)	(16.551)	0.623	96%

4.2.47 The Council is forecast to achieve 96% of the total saving target for 2023/24. Below is an outline for each directorate.

4.2.48 The Peoples Services Directorate is forecast to achieve 98% of its savings requirement, there is currently forecast unachievable savings of £0.103m.

4.2.49 There is £0.043m unachieved saving in Quality Standards and Performance in the learning and skills team due to delays in the restructure impacting on the ability to deliver sold services.

4.2.50 There is a £0.060m pressure in premises costs at Ashtree House and Stanley Road because the plan to move teams into the council house has been delayed allowing for prioritisation of maximising council house rental income opportunities.

4.2.51 The Communities and Place Directorate is forecast to achieve 96% of its savings requirement, there is currently forecast unachievable savings of £0.181m.

4.2.52 Strategic Housing have an unachieved saving of £0.026m against a planned £0.062m saving for optimisation of capitalisation across Strategic Housing posts due to higher than forecast staff costs ineligible for capitalisation.

4.2.53 Economic growth has an unachieved saving of £0.020m because of a strategic decision after the budget was set to continue with the Council's annual subscription in 2023/24 to the Midlands Engine Partnership.

4.2.54 There is an unachieved saving in Refuse due to a delay in reducing an FTE in the supervisory team of £0.045m due to long term sickness absence. A further review of the service is being carried out.

4.2.55 Energy pressures – following a review of options to reduce pressure on energy costs by £0.060m for street lighting, the legal and liability risks raised were assessed as not value for money for the small level of saving that might be achieved.

4.2.56 There is a £0.030m unachieved saving due to the delayed staffing restructure within Derby Live for the delivery of events because of the delayed senior management restructure.

- 4.2.57 **The Chief Executive's Directorate** is forecast to achieve 93% of its savings requirement, there is currently a forecast unachievable savings of £0.339m.
- 4.2.58 There is an unachievable property rationalisation saving of £0.100m. Current resource and progress for 2023/24 requires further input to identify properties and associated revenue savings from the disposal of these properties. This saving will slip and be achieved in 2024/25.
- 4.2.59 From the £0.5m saving target in the MTFP to deliver a review of admin and finance functions across the council, it is currently forecast that £0.150m will be unachievable in 2023/24 because of competing priorities to implement the new finance system and integration of teams following the senior management restructure, but this is forecast to be achieved in 2024/25.
- 4.2.60 There is an unachievable saving of £0.040m to reduce the Central Midlands Audit Partnership - CMAP support for the council, this was an additional saving which is not included in the SLA.
- 4.2.61 There is an unachievable saving of £0.049m for the increase of legal income from renewed tenancy agreements, however after further review this is not going to be feasible. This is mostly mitigated from other income generation within legal services.
- 4.2.62 All other savings have been achieved through either alternative savings or one-off mitigations that will be addressed in the ongoing MTFP process.

4.3 Mitigations

In order to remain within budget and reduce/negate the need to utilise reserves all overspending budgets will require service mitigation plans. There will be continued focus for the final quarter of the year on spending panels, spending moratoriums and vacancy control which will help ensure the Council delivers a balanced position to reduce any potential use of reserves. There will also be an ongoing use of reserves to check and challenge of use and commitments to potentially free up resources to fund any final out-turn pressure. Below outlines the current position per directorate and current plans for mitigations.

4.3.1 Peoples Services Directorate

Area	Current Budget	Full Year Forecast Spend	Q3 Forecast Outturn Variance	Q2 Forecast Outturn Variance	Movement
	£m	£m	£m	£m	£m
Peoples	187.643	190.986	3.343	2.672	0.671

The Peoples directorate outturn position is forecast outturn position is a £3.343m an increased overspend of £0.671m from Qtr.2.

4.3.2 The differences between Qtr.2 monitoring and Qtr.3 for Peoples Services:

Area	£m
Reduction to Pay Award net pressure	(0.287)
Increase to Other Pay Savings	(0.862)
Increase to Net Income Position	(0.149)
Increase to Underspends	(0.717)
Increase to Unbudgeted pressures	2.686
Total	0.671

4.3.3 Mitigation Plans for Peoples services

4.3.4 Children's Services:

- Complete a review on the running costs and arrangements of all the Council run children's homes to ensure the Council is effectively challenging and responding to cost pressures and developing arrangements that secure value for money and improve outcomes for children
- Continue to successfully build on recruiting specialist foster carers for specific schemes, Friends and Family, Supported Lodgings and the Fostering Plus Scheme launched in which aims to step down children from residential settings to specialist foster carers
- Ensure the D2N2 Recruitment and Retention Fostering Hub funded by Department for Education to develop a fostering service across the four authorities is ready to roll out from April 2024 with Derby acting as the host; this would result in pump priming for Derby to host on behalf of D2N2
- Work with East Midlands Councils and the Home Office to ensure that all UASC cases are reviewed in quarter 4 in order to maximise income to offset pressures
- Maintain targeted and purposeful prevention of children coming into care and thereby avoiding future cost remains critical. The Staying Together team continues to work with families to appropriately and safely prevent children coming into care and has resulted in considerable cost avoidance in 23/24
- Mobilisation of further SMART contract opportunities for home to school transport following successful implementation of initial contract in September and consider whether any further efficiencies can be realised by year end
- Continued use of alternative qualified workers to maintain zero level of agency social workers in children's social care fieldwork teams

4.3.5 Adult Social Care:

- Corporately as part of implementing the senior management restructure we are prioritising income maximisation and debt collection thus ensuring that income due to the Council is appropriately managed
- Reviewing community packages to ensure the appropriate size package has been embedded into the social care process and work to reduce new allocations through adult social care panel processes
- Strengthening the role of the Commissioning Team in revisiting and reviewing packages with providers in a more systematic way to try and secure efficiencies
- Within the Preparing for Adulthood Service senior leaders to work proactively with health on a cohort of cases to maximise the health contribution to packages of care
- Continue to maximise all government grants including any underspends or uncommitted funding to offset pressures

4.3.6 Communities and Place Directorate

Area	Current Budget	Full Year Forecast Spend	Q3 Forecast Outturn Variance	Q2 Forecast Outturn Variance	Movement
	£m	£m	£m	£m	£m
Comms & Place	44.801	46.270	1.469	1.898	(0.429)

The Communities and Place directorate forecast outturn position is a £1.469m a reduction in the overspend of (£0.429m) from Qtr.2.

4.3.7 The differences between Qtr. 2 monitoring and Qtr.3 for Communities and Place:

Area	£m
Reduction to Pay Award net pressure	(0.033)
Increase to Underspends	(0.083)
Decrease to Unbudgeted pressures	(0.439)
Increase to Other Pay Pressures	0.073
Decrease to Net Income Position	0.053
Total	(0.429)

4.3.8 Mitigation plans for Communities and Place

4.3.9 Within Streetpride services, front line resource is required to be operating at full capacity in order to complete all scheduled rounds. A full review of the operating model and collection rounds is planned to identify opportunities for efficiencies.

4.3.10 Chief Executive's Directorate

Area	Current Budget	Full Year Forecast Spend	Q3 Forecast Outturn Variance	Q2 Forecast Outturn Variance	Movement
	£m	£m	£m	£m	£m
Chief Executives	52.548	53.122	0.574	0.762	(0.188)
Total					

The Chief Executive's directorate forecast outturn position is a £0.574m a reduction in the overspend position of (£0.188m).

The differences between Qtr.2 monitoring and Qtr.3 for Chief Executive's:

Area	£m
Increase to Other Pay Savings	(0.229)
Increase to Net Income Position	(0.127)
Increase to Underspends	(0.085)
Increase to unachieved savings	0.079
Increase to Unbudgeted pressures	0.174
Total	(0.188)

4.3.11 Mitigation plans for the Chief Executive's

4.3.12 Chief Executives budgets are typically staff based and the continued focus on staffing expenditure and turnover through either a moratorium on spend in these areas as appropriate or review at spending panel. This will continue for the remainder of the year in order to reduce spend and help mitigate overspends.

4.3.13 There will be a focus on essential spend only in other areas of Chief Executives including Property services and a focus on increasing income where possible for example through rental of spaces.

4.4 Reserves

4.4.1 **General Fund Balance:** At 31 December 2023, the General Fund Balance is £8.933m. This is in line with the councils reserves expected percentage of budget being at 3.14% of the 2023/24 net budget requirement. However due to the Qtr.3 forecast overspend a commitment of £0.630m has been allocated to this reserve, which has resulted in a current year forecast remaining balance of £8.303m (2.91%).

However, there is a proposal in the budget paper on this agenda which replenishes the General Fund Balance in the medium term.

Year	Proposed Replenishment £m	Forecast Balance £m	*Percentage of budget
2023/24	-	8.303	2.91%
2024/25	2.640	10.943	3.57%
2025/26	2.640	13.583	4.14%

*Based on budgets in consultation document as an estimate

This brings us back in line with the target reserve position of 3-5% of net budget.

- 4.4.2 **Budget Risk Reserve:** This has a forecast balance of £0.500m in 2023/24 after apportioning £1.756m of the current forecast Qtr.3 overspend and a future year's forecast balance of £0.252m. The future years balance is reliant upon planned replenishment including £1m in 2024/25 and £1m in 2025/26 outlined in the budget consultation document and proposed budget setting report on this agenda.
- 4.4.3 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. Forecast School balances as at 31 December 2023 for the 36 remaining LA maintained schools are £7.930m.
- 4.4.4 For context, the reserves balances are reliant on assumptions in the proposed MTFP that reserves will be replenished by £10.827m as follows:

Year	Per Feb 2023 Budget setting assumptions £m	Now £m	Reserve
2024/25	2.640	2.640	To General Fund
	2.000	*1.000	To Budget Risk
	1.000	**0.547	To PFI
Sub total	5.640	4.187	
2025/26	2.640	2.640	To General Fund
	1.000	1.000	To Budget Risk
	1.000	1.000	To PFI
Sub total	4.640	4.640	
2026/27	2.000	2.000	To PFI
Sub total	2.000	2.000	
TOTAL	12.280	10.827	

*Reduced replenishment due to pressure on Budget risk reserve reducing and the need to balance the MTFP in year 1.

**The replenishment of the MTFP to the PFI has been reduced in the model because it has not been required for the cost of change reserve therefore £0.453m has been transferred back from the cost of change reserve to PFI reserve and therefore only £0.547m required in this MTFP iteration.

In addition, the Council has used further income due to them (The successful Vat claim of £0.969m) and unused earmarked reserves of £1.431m to facilitate a balanced position in year 1 of the MTFP)

4.5 Capital Monitoring

4.5.1 The capital expenditure forecast for 2023/24 has been reviewed and the updated full year forecast is now £209.572m. There is a forecast variance of (£16.641m) against the original approved budget of £226.213m agreed by Full Council in February 2023.

4.5.2 The table below analyses the main variances by service area:

2023/24 Capital Programme by Service Area	Original Approved Capital Budget	Outturn Slippage approved June 2022	Revised Approved Budget	Actual Spend	Full year forecast/ Revised Budget	Forecast Variance to Original Approved Budget
	£m	£m	£m	£m	£m	£m
Schools	29.494	2.015	31.509	11.201	18.938	(10.556)
Housing General Fund	5.807	2.913	8.720	4.086	7.967	2.160
Property Improvement	19.031	0.505	19.536	13.113	18.749	(0.282)
Flood Defence	0.436	0.182	0.618	0.013	0.205	(0.231)
Highways & Transport	59.299	12.321	71.620	17.287	40.681	(18.617)
Vehicles Plant & Equipment	7.038	0.017	7.055	38.567	44.349	37.311
Regeneration	65.684	10.290	75.974	22.692	43.537	(22.147)
Information and Communication Technologies (ICT)	4.144	1.033	5.177	3.701	6.817	2.673
Housing Revenue Account (HRA)	33.469	1.118	34.587	19.212	26.852	(6.617)
Corporate	1.811	16.488	18.299	(0.750)	1.476	(0.335)
Total	226.213	46.882	273.095	129.121	209.572	(16.641)

4.5.3 There has been a total of (£16.641m) changes from the original budget. There have been net changes of £7.193m* previously reported and new changes this quarter £0.078m delegated changes and changes which require approval of (£23.912m). Appendix 2 details major programme variances, with further minor changes requiring approval in Appendix 3 and delegated approvals in Appendix 4. The overall variance from original to forecast outturn is made up as follows:

4.5.4

Programme variance	
Reason for variance	Amount £m
Outturn slippage detailed and approved in the 2022/23 Outturn Report	46.882
Qtr. 1 changes	(47.157)
Qtr. 2 changes	7.468
Qtr.1, 2 and 2022/23 Outturn Slippage Previously Reported Net Changes:	*7.193
Qtr. 3 changes:	
Changes requiring approval this Qtr. (Appendix 2 & 3)	(23.912)
Pre-Qtr.3 Cabinet & Delegated Approvals (Appendix 4)	0.078
Qtr. 3 Reported Net Changes:	(23.834)
Total Net Programme Variance	(16.641)

4.5.5 Capital Programme - Main Outturn Variances

A breakdown of the Qtr. 3 changes by strategy area and classification of changes are outlined in the table below:

4.5.6

Strategy Area	Variance £m	Slippage to future years £m	Budget bfwd from 2024/25 £m	Additions £m	Others (reallocations / increases and reductions) £m
Schools	(2.798)	(3.565)	0.178	0.590	-
Housing General Fund	(0.030)	(0.349)	-	0.584	(0.265)
Flood Defence	(0.030)	(0.030)	-	-	-
Property Improvement	(0.624)	(0.843)	0.208	0.071	(0.060)
Highways & Transport	(7.128)	(12.495)	5.175	0.352	(0.160)
Vehicles Plant & Equipment	(2.002)	(2.268)	0.341	-	(0.075)
Regeneration	(12.776)	(15.199)	3.900	-	(1.477)
Housing Revenue Account (HRA)	1.553	1.140	0.233	0.931	(0.751)
Corporate	-	(0.647)	-	-	0.647
TOTAL	(23.834)	(34.257)	10.034	2.529	(2.140)

4.5.7 Section 106 Contributions

Current S106 balances are £22.407m. The table below shows these balances and commitments for S106 contributions. For a detailed list of S106 contributions contact Head of Finance at Toni.nash@derby.gov.uk:

4.5.8	Position	£m
	Opening balance as at 01/4/23	19.439
	Received to date	2.968
	Total Available	22.407
	Committed	(6.870)
	Balance Remaining	15.537

4.5.9 **Direct Revenue Financing**

Public Protection & Street pride uses a mixture of service finance borrowing, capital receipts and direct revenue financing from revenue budget to purchase vehicle, plant, and equipment. In addition, Parks & Open Spaces require the use of direct revenue financing from the Neighbourhood Board approvals. In 2023/24 the following direct revenue financing is required for approval up to the totals below to fund the capital programme:

4.5.10	Scheme	£m
	Refuse Vehicles & Plant	0.689
	Street Cleaning Equipment	0.121
	Grounds Plant & Equipment	0.297
	Highways Plant & Equipment	0.028
	Chellaston Neighbourhood Board	0.007
	Total	1.142

4.6 **Treasury Management**

4.6.1 The Treasury Management forecast outturn for 2023/24 is a net balanced position as at 30 December 2023.

4.6.2 The 2023/24 revenue budget includes £0.670m use of TM reserves to provide an appropriate budget for the forecast requirement.

- 4.6.3 As at the 31 December 2023, the total debt portfolio of the Council (including HRA debt) is £502.041m offset by investments of £29.579m resulting in an overall net debt position of £472.462m.

External Borrowing	As at 31/03/23 £m	As at 30/09/23 £m
Fixed Rate PWLB	283.752	315.064
Fixed Rate Market	20.000	20
Other Local Authorities	55.000	95
Other Loans	0.697	0.535
Other Long-term Liabilities:	-	-
- Transferred Debt from other Local Authorities	0.193	0.193
- PFI Financing	70.228	70.228
- Finance Lease Liabilities	1.021	1.021
Total Gross External Debt	430.891	502.041
Investments	(16.697)	(29.579)
Total Net External Debt	414.194	472.462

- 4.6.4 The Council is in a need to borrow position. The cost of this borrowing is being forecast and is built into the Treasury Management -TM budget and will require use of TM reserve. Due to current high interest rates, cashflow is being managed by short-term to medium term borrowing to avoid being tied into longer term costly rates, this is being reviewed regularly. Any further impact above budgeted estimates will be mitigated from the TM reserve in the first instance.
- 4.6.5 At this point in time with interest rates remaining high the strategy is to borrow in the short term to alleviate any cash flow requirements – whilst monitoring and taking advantage of longer term borrowing when rates are favourable.
- 4.6.6 The 2021 Treasury Management Code introduced a new requirement for monitoring of the treasury management and capital expenditure indicators from 2023/24. These are set out in Appendix 5.

4.7 Housing Revenue Account – HRA

The Housing Revenue Account (HRA) update on the management of the Council's housing stock.

- 4.7.1

HRA position as at 31st December 2023	Original Budget (annual) £m	Full year forecast £m	Forecast Variance £m
HRA	3.098	3.098	-

- 4.7.2 As part of the 30- year HRA Business Plan, the HRA is budgeted to use £3.098m from the HRA reserve in 2023/24. It is currently forecast on target to use £3.098m from the reserve for business- as-usual activity.

4.8 Dedicated Schools Grant – DSG

The Dedicated Schools Grant (DSG) 2023/24 allocation for Derby is £307.529m and is split into four blocks: -

- Schools Block £228.23m
- Central School Services Block £2.65m
- High Needs Block £56.649m
- Early Years Block £20m

- 4.8.1 The current in-year pressure being reported on the Dedicated Schools Grant is forecast at £9.338m against an initial unmitigated deficit budget set of £12.225m.
- 4.8.2 The High Needs Block set an unmitigated deficit budget for 2023/24 of £12.225. This included a contingency for growth and demand of £5.514m. The high needs deficit is reporting £9.185m at quarter 3 signalling that the extent of the contingency required is lower than expected.
- 4.8.3 Top up Funding - The budget for additional support to children in mainstream schools across the city ('Top up Funding') was set at £10.208m for 2023/24. This is currently showing a pressure of £3.165m due to an increase in EHCP funding supporting mainstream schools additional to School's basic notional SEN allocations. There are currently circa 152 requests built into the forecast that have yet to be processed for payment, any variation to the final number of approvals will alter this forecast.
- 4.8.4 Special schools are currently showing an underspend against the original budget of £0.474m due to:
- lower than predicted numbers in the personalised programmes between April to August 23,
 - currently circa 52 places are occupied by other authorities, however, such a take up of space is highly likely to result in City children having to be placed out of authority at a much higher cost due to lack of in City spaces.
- 4.8.5 Enhanced resource units are currently forecasting a pressure of £0.159m based on increased demand and local agreements for those placed in the schools.
- Independent out of authority specialist placements - The 2023/24 budget for Independent and out of authority specialist placements was increased by a further £0.8m to a budget of £18.75m. The full year forecast of £19.28m as of November 2023 does include provision for a further 7 independent places not yet confirmed. It needs to be noted that with the number of assessments still coming into the Authority this forecast could change. This is leaving a pressure of £0.534m.
- 4.8.6 Current records show that in November 2023 there are 442 out of area placements this is an increase from August 2023 of 37 placements.
- 4.8.7 The annual average placement fee has increased by 20.25% for out of area Maintained and Academy schools and 10.23% for independent schools from 2022/23.

4.9 The Collection Fund – Council Tax and Business Rates

4.9.1 Collection Fund accounting is based on estimates and actuals and is determined by statutory regulations. To avoid budgeting uncertainty only amounts estimated are transferred in year; therefore, the amounts recognised in 2023/24 will be the amounts determined in January 2023 for Council Tax and in the NNDR1 return completed in February 2023 for Business Rates. Therefore, the analysis below does not impact 2023/24 revenue budget.

4.9.2 **Council Tax**

At Qtr.3 the council are currently forecasting an overall Council Tax surplus of (£0.999m) with the Council's share of this being (£0.824m). This forecast is subject to change throughout the year

4.9.3 **Business Rates**

At Qtr.3 the council are forecasting a Business Rates surplus of (£3.948m) with Derby City Council's share of this being (£1.934m). This forecast is draft and subject to further monitoring as appeals and bad debts are unpredictable and therefore difficult to forecast.

4.9.4 **Impact of the Collection fund forecast on 2024/25**

Forecast changes to assumptions in Medium Term financial plan at Qtr.3

Analysis	2024/25
Council Tax	
Surplus forecast Jan 2023	(0.345)
Business Rates	
Gross deficit forecast Jan 2023 (including Fixed exceptional balance to be recognized in 2023/24)	0.835
Total deficit recognized in 23/24 based on Jan 23 budget setting purposes	0.490
Updated estimates at 31/12/23	
Council tax estimated surplus	(0.824)
Business Rate surplus	(1.934)
Total surplus calculated	(2.758)

The overall in year surplus on the Collection Fund is mainly due to one-off changes in Appeals provisions relating to Business Rates. However, given the volatility of the Collection Fund, it is recommended to transfer the surplus into the Collection Fund Smoothing reserve to manage the volatility in the medium term.

4.9.5 **Collection comparison**

As of 31st December 2023, the amount of Council Tax billed for the 2023/24 financial year is £145.658m, of which £116.850m or 79.74% has been collected. This compares with 79.63% at the same time last year.

4.9.6 As at 31st December 2023 the amount of Business Rates billed for the 2023/24 financial year is £86.353m of which £70.660m or 81.37 has been collected. This compares with 79.91% at the same time last year.

Public/stakeholder engagement

- 5.1 None directly arising – however suitable engagement will be actioned for all applicable expenditure.

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 The financial implications are set out in the report.

Legal implications

- 8.1 Under Section 28 of the Local Government Act 2003 the Council must review its performance against budget.
- 8.2 The report confirms that the Council can meet its statutory requirement to deliver a plan for a balanced out-turn for 2023/24. At this point it can use reserves – however the intention is to continue to look for alternative solutions as use of reserves is not without risk and impacts on the future financial resilience of the Council.

Climate implications

- 9.1 Non directly arising – however suitable engagement will be actioned for all applicable expenditure.

Other significant implications

- 9.2 **Equality implications**
Equality impact assessments are produced when setting the Council's budget and these are scrutinised by an EIA Scrutiny Panel consisting of members from our Equality Hubs and Employee Networks.

Socio Economic implications

- 10.2 As outlined in the body of the report, but also referred to in our Equality Impact Assessments.

This report has been approved by the following people:

Role	Name	Date of sign-off
Legal	Olu Idowu – Head of Legal Services	17/01/2024
Finance	Toni Nash – Head of Finance	24/01/2024
Service Director(s)	-	
Report sponsor	Alison Parkin – Director of Finance	24/01/2024
Other(s)	Ann Webster - Lead on Equality & Diversity	17/01/2024
For more information contact: Background papers: List of appendices:	Toni Nash: Toni.Nash@derby.gov.uk None Appendix 1 – Statement of reserves Appendix 2 – Capital – Main out-turn variances over £0.2m Appendix 3 – Capital – Further changes requiring approval under £0.2m Appendix 4 – Changes to Capital Programme made under Delegation Appendix 5 – Treasury and Capital Prudential Indicators Appendix 6 – Detailed analysis of Revenue Out-turn Variance	

Appendix 1

Statement of Reserves	2023/24 Opening Balance £m	In Year Movement £m	2023/24 Commitments £m	2023/24 Closing Balance £m	Future Years Commitment s £m	Ringfenced £m	Future Years Closing Balance £m
General Fund							
Unallocated General Fund Balance	(8.933)	-	0.630	(8.303)	(5.280)	-	(13.583)
Balances Held By Schools	(9.324)	(0.106)	1.500	(7.930)	1.500	6.430	-
Budget Risk Reserve	(5.070)	0.712	3.858	(0.500)	0.248	-	(0.252)
TOTAL	(23.327)	0.606	5.988	(16.733)	(3.532)	6.430	(13.835)
Revenue Earmarked Reserves							
General Insurance Reserve	(2.804)	-	-	(2.804)	-	-	(2.804)
Year-end grants with restrictions	(4.392)	0.692	3.508	(0.192)	0.092	-	(0.100)
DEGF Interest Reserve	(0.252)	-	0.022	(0.230)	0.230	-	-
Regeneration Fund Reserve	(0.615)	-	0.318	(0.297)	0.297	-	-
Assembly Rooms Reserve	(1.930)	-	1.930	-	-	-	-
Delivering Change Reserve	(0.050)	-	0.038	(0.012)	-	-	(0.012)
Business Rate Pilot Reserve	(0.001)	-	0.001	-	-	-	-
Collection fund deficit smoothing reserve	(0.580)	-	-	(0.580)	0.580	-	-
Treasury Management Reserve	(4.207)	-	(0.983)	(5.190)	5.190	-	-
Public Health Reserve	(3.777)	-	-	(3.777)	-	3.777	-
Adult Social Care Reserve	(1.839)	-	0.726	(1.113)	-	1.113	-
Capital Feasibility Reserve	(0.479)	-	0.473	(0.006)	-	-	(0.006)
Cost of Change Reserve	(4.000)	-	1.500	(2.500)	2.500	-	-
VAT Reserve	-	-	(0.969)	(0.969)	0.969	-	-
Other Service Reserves	(10.320)	(0.310)	4.152	(6.478)	3.064	2.002	(1.412)
PFI Reserves	(25.576)	-	(1.594)	(27.170)	27.170	-	-
Earmarked Reserves to support the capital programme	(3.565)	-	-	(3.565)	-	3.223	(0.342)
TOTAL	(64.387)	0.383	9.121	(54.883)	40.092	10.115	(4.676)

Statement of Reserves	2023/24 Opening Balance £m	In Year Movement £m	2023/24 Commitments £m	2023/24 Closing Balance £m	Future Years Commitme nts £m	Ringfenced £m	Future Years Closing Balance
Housing Revenue Account							
Housing Revenue Account	(42.351)	-	3.098	(39.253)		-	(39.253)
Major Repairs Reserve	-	-	-	-	-	-	-
Other Earmarked HRA Reserves	-	-	-	-	-	-	-
TOTAL	(42.351)	-	3.098	(39.253)	-	-	(39.253)

Capital – Main out-turn variances over £0.2m

Strategy Area and Scheme	Total Variance £m		Slippage £m	Under/Overspend £m	Reallocation	Additional Spend Backed by Funding £m	Spend Brought Forward £m	Explanation of variances over £200k
Chief Executives								
MTFP provision for Future Investment	-		(0.647)		0.647			Project Assemble budget was originally allocated from the Future Investment Fund. Budget is to be transferred back from Project Assemble and slipped in to 2024/25 pending potential future approval of any replacement theatre scheme proposals to utilise Levelling Up Fund (LUF) funding.
Chief Executives Total	-		(0.647)	-	0.647	-	-	
Highways & Transport								
The Bus Service Improvement Plan	(0.273)		(0.273)					Slippage required to reprofile budget due to a delayed start to the project and Department of Transport (DfT) decision to extend the project by 6 months to September 2025, which has led to a delay in the delivery programme.
Air Quality Improvement Plan	(1.176)		(1.176)					Project completed below the original grant allocation. As the project was required under Ministerial mandate an 'Exit Plan' proposal is a legal requirement for the Authority to be discharged from its obligations. The proposal will now be considered by the funding body which will determine use of the remaining grant. A decision is expected at the end of March.
TCF Tranche 2 - Interchange Hubs	(1.698)			(0.740)	(0.958)			Net £2.9m slippage across all TCF schemes having satisfied conditions required for stage-gate approval from funding body Department for Transport DfT before schemes can progress. Schemes affected are 6.3b Derby bus partnership corridor improvements (Derby Road Scheme) 6.10 Pentagon Island – Spondon (Nottingham Rd) cycleway. Reallocations within the TCF programme are the result of target costs coming in under budget or, in the case of scheme Demand Responsive Travel, a decision to halt the scheme altogether. In either case, funding body the DfT allows for funding to be re-purposed within the TCF programme on new schemes or existing scheme enhancements, so long as costs overall costs are contained within the budget envelope. The DfT retains overall control over the design and delivery of TCF schemes, and so stage-gate approval is sought to add or modify schemes under the programme. Changes have been approved to the budget and timing of delivery of existing schemes across the whole programme but materially to the Derby bus partnership corridor improvements (Derby Road Scheme) and Pentagon Island – Spondon (Nottingham Rd) cycleway schemes.
TCF Tranche 2 - Public Realm	0.719		(0.107)		0.826			
TCF Tranche 2 - Cycle Expressway	(0.031)				(0.031)			
TCF Tranche 2 - Bus Priority	(0.034)				(0.034)			
TCF Tranche 2 - Bus & Rapid Transit Links	(0.002)				(0.002)			
TCF Tranche 2 - Bus & Rapid Transit Links	(1.455)				(1.455)			
TCF Tranche 2 – LCWIP	(2.029)		(2.783)		0.754			
Derby Bus Station: NPIF	0.900				0.900			
Future Transport Zone	(0.389)		(0.389)					Scheme slipped following the late commercial withdrawal of the campus e-Mobility Partner, requiring a redesign of the associated scheme and approval for the change through the funding body's governance process.
Highways & Transport Total	(5.468)		(4.728)	(0.740)	-	-	-	
Housing General Fund								
Children's Services - Properties	(0.265)			(0.265)				Funding had been identified for the appropriation of a property, to be used as a small children's home, into the Housing General Fund. Childrens Services undertook a review of the service model's available, and an alternative procurement route was agreed and approved so the funding from this budget is no longer required.
Housing General Fund Total	(0.265)		-	(0.265)	-	-	-	

Strategy Area and Scheme	Total Variance £m		Slippage £m	Under/Overspend £m	Reallocation	Additional Spend Backed by Funding £m	Spend Brought Forward £m	Explanation of variances over £200k
Housing Revenue Account (HRA)								
Kitchens and Bathrooms	(0.200)				(0.200)			Budget Reallocated to New and Replacement Central Heating Scheme below due to delays in securing a contractor. Spend will be reprofiled in new year budget setting.
New & Replacement Central Heating	0.200				0.200			Additional spend on replacement boilers reaching end of operational life funded from a reallocation of underspent budgets above from the kitchens and bathrooms scheme.
New Build and Acquisitions	0.310				0.310			Further acquisitions have been identified and are now in conveyance. Funded from a reallocation of underspent budgets in the Pre-Development Costs scheme.
Emergency call system replacement	(0.434)		(0.434)					Slippage in the programme has occurred because it has taken longer than initially expected to establish a way forward on the installation of the next batch of equipment. This has now been confirmed and the next batch of works will commence in 2024/25.
Chesapeake	0.397			0.397				Additional budget required due to changes to drainage design and additional costs from onsite vandalism resulting in increased security provision. Additional spend will be funded from the Major Repairs and Capital Receipts Reserves.
Former Council House - Acquisitions	0.940				0.630		0.310	£0.310m budget has been brought forward from 2024/25 and (£0.310m) has been reallocated to the New Builds and Acquisitions scheme to ensure the increased Single Acquisitions target is met. Acquisitions of former Council House properties are difficult to forecast as it is not possible predict the market for the year ahead. We set a target at the start of the year and review in year against the market. The additional spend has been funded from a £0.940m budget reallocation from the Pre-Development Costs scheme.
Pre-Development Costs	(0.735)				(1.000)		0.265	£0.060m budget has been reallocated to a new Halbrook Park Scheme to purchase 4 discounted S106 homes for affordable rent via Bellway Homes. £0.675m has been reallocated to the Former Council House Acquisitions Scheme for further acquisitions identified which are now in conveyance. £0.265m budget has been brought forward from 2024/25 and (£0.265m) has been reallocated to the Former Council House Acquisitions scheme.
Holbrook Park Bellway	0.060				0.060			£0.060m budget has been reallocated from Pre-Development Costs to purchase 4 discounted S106 homes for affordable rent via Bellway Homes.
HRA Total	0.538		(0.434)	0.397	-	-	0.575	
Property								
Kedleston Road Heating System	0.208						0.208	Previously work required on the roof was thought to be unwise to complete during winter due to adverse weather conditions however an element of this work has been identified that can be completed this financial year and funding previously slipped is required to be brought forward to fund this.
Darley Park Rangers Centre - Roof Replacement	(0.248)		(0.248)					Budget is still required for Health and safety of the building however works have been put on hold and require slipping until the outcome of the Property Rationalisation strategy is considered.
Property Total	(0.040)		(0.248)	-	-	-	0.208	

Strategy Area and Scheme	Total Variance £m		Slippage £m	Under/Overspend £m	Reallocation	Additional Spend Backed by Funding £m	Spend Brought Forward £m	Explanation of variances over £200k
Regeneration								
iHub Plot Preparation	(0.365)		(0.365)					The land acquisition is now expected to complete early in 2024/25 due to outstanding legal matters to be finalised with the seller.
Assembly Rooms Demolition	(3.682)		(3.682)					Options for demolishing the Assembly Rooms building as soon as possible are being actively explored and will be included in early discussions with our selected Developer Partner for Council owned sites in the city centre. Works will commence next financial year therefore the budget on the capital programme requires reprofiling to 2024/25.
Carbon Reduction Fund	(1.600)		(1.600)					The Climate Change Fund has a very healthy pipeline of projects. A number of smaller applications are being progressed for the remainder of 2023/24, but more time is needed to work up several large applications relating to the installation of LED lighting replacements in several Council building including the Council House; therefore, slippage is required to 2024/25 for these larger projects.
New Becketwell Performance Venue	3.800						3.800	Becketwell Performance Venue is a developer led delivery model. The latest developer cashflow informed by good progress made on site to date and the latest planned construction programme for the remainder of the works has informed the latest forecast spend profile and the need to bring forward £3.8m of spend into 2023/24. This is subject to no adverse weather conditions that could impact delivery.
Assemble Learning Theatre	(0.647)				(0.647)			Budget to be transferred back to the MTFP Future Investment Pot and slipped in to 2024/25 pending potential approval of any replacement theatre scheme proposals to utilise Levelling Up Fund (LUF) funding.
Our City Our River - Package 2	(9.552)		(9.552)					Latest reprofiled budget for Derby Riverside reflecting updated forecast target cost and timing of project infrastructure and land purchase due to delays to negotiations to acquire land for the project. Final budget will be subject to future Cabinet approval.
Regeneration Total	(12.046)		(15.199)	-	(0.647)	-	3.800	
Schools								
Brackensdale Infant and Junior – Expansion Des	(0.374)		(0.374)					Following completion of the initial works necessary for the expansion of Brackensdale Primary School it is necessary to reassess the final proposed works in line with the s106 agreement for the provision of additional places. The Multi Academy Trust have approached the Council regarding a proposed final phase of works, which needs to be examined carefully to ensure it complies with the Council's s106 obligations. Subject to final agreement, remaining works therefore are not likely to be confirmed and delivered until 2025/26, which is later than initially programmed.
Chellaston Secondary School - Homeleigh Way Contribution	(0.457)		(0.457)					Following commencement of works on site it has been necessary for the Academy to revise the programme to ensure proposed works can be phased to better align with school timetabling and organisation, including a minor extension of time on site. It is now anticipated that final works will be delivered directly by the Academy will be received in the early part of 2024/25.
St Clares Expansion	(2.734)		(2.734)					It is necessary to reprofile the current St Clare's expansion scheme and unallocated SEND Strategy Capital funding whilst the Council develops the SEND Strategy in consultation with Schools, Multi Academy Trusts, and stakeholders. Capital funding will be prioritised to create additional places and to make improvements to existing SEND provision, with priority proposals to be brought forward for approval at a future Cabinet once they are confirmed. The funding for this scheme needs to be rephased whilst the Council reviews the SEND capital strategy.
Schools Total	(3.565)		(3.565)	-	-	-	-	
Vehicle, Plant & Equipment								
Grounds Plant & Equipment	(0.205)		(0.205)					Slippage required due to supplier issues, causing delays to Vehicle build lead time.
Refuse Vehicles & Plant	(1.071)		(1.071)					Slippage required due to supplier issues, causing delays to Vehicle build lead time.
Derby Homes Vehicles	(0.660)		(0.660)					Slippage required due to supplier issues, causing delays to Vehicle build lead time.
Vehicle, Plant & Equipment Total	(1.936)		(1.936)	-	-	-	-	
Total Major Variance	(22.782)		(26.757)	(0.608)	-	-	4.583	
Other Variances								
Variance less than £200k	(1.130)		(1.533)	(0.312)	-	0.041	0.674	See Appendix 3 which outlines all changes requiring approving this Qtr.

Delegated approval changes plus outturn slippage	0.078		(2.682)	(0.798)	-	3.380	0.178	See Appendix 4 which outlines all changes requiring approving this Qtr.
Other Variances Total	(1.052)		(4.215)	(1.110)	-	3.421	0.852	
TOTAL	(23.834)		(30.972)	(1.718)	-	3.421	5.435	

Capital – Further changes requiring approval under £0.2m

Summary of Further Changes to the Capital Programme 2023/2024	Latest Approved Capital Programme Budget 2023/24 £m	Revised Capital Programme Budget 2023/24 £m	Change £m	Category
Housing General Fund				
Empty Property Assistance	0.230	0.080	(0.150)	EC
Home Upgrade Grant - Phase 2	0.400	0.201	(0.199)	GG
Total Changes Housing General Fund	0.630	0.281	(0.349)	
HRA Programme				
Estates Pride - General	0.379	0.340	(0.039)	MRA
One-off Mods/Major Refurbishments	1.059	0.900	(0.159)	MRA
Barlow Street	0.050	0.130	0.080	MRA/CR
Oakland Avenue	0.108	0.050	(0.058)	MRA/CR
Crompton Street	0.120	0.020	(0.100)	MRA/CR
The Grange	0.035	0.080	0.045	MRA/CR
Elmwood	0.040	0.070	0.030	MRA/CR
Drewry Lane	0.322	0.323	0.001	MRA
Cricklewood Road	0.060	0.138	0.078	MRA/CR
Snelsmoor Grange	0.060	0.057	(0.003)	MRA/CR
Total Changes HRA	2.233	2.108	(0.125)	
Property				
Chellaston Park	0.064	0.090	0.026	S106 - 0.016m DRF - 0.007m EC - 0.004m
South Avenue Park	0.087	0.102	0.015	EC
Tennis Court Improvements	0.063	0.019	(0.044)	EC
Guildhall - Roof Covering	0.156	0.050	(0.106)	UBC
Energy Projects	0.585	0.408	(0.177)	UBC
2 Stanley Road - Window Replacement	0.058	0.004	(0.054)	UBC
Ashtree House - Window Replacement	0.058	0.004	(0.054)	UBC
Multi-Cultural Education Centre - Upgrades	0.371	0.227	(0.144)	UBC
Moorways Stadium Store	0.230	0.214	(0.016)	UBC
Total Changes to the Property Programme	1.672	1.118	(0.554)	
Regeneration				
Becketwell Regeneration Contingency	0.000	0.100	0.100	UBC
Our City Our River	0.474	0.402	(0.072)	GG
Our City Our River - Package 1	0.668	0.548	(0.120)	GG
Our City Our River - Munio	0.113	0.095	(0.018)	GG
Total Changes to the Regeneration Programme	1.255	1.145	(0.110)	

Summary of Further Changes to the Capital Programme 2023/2024	Latest Approved Capital Programme Budget 2023/24 £m	Revised Capital Programme Budget 2023/24 £m	Change £m	Category
Vehicles, Plant & Equipment				
Street Cleaning Equipment	0.611	0.659	0.047	UBSF - 0.072m UBC - 0.198m CRES - (0.213m) CR - 0.002m DRF - (0.012m)
Highways Vehicle, Plant & Equipment	0.137	0.030	(0.108)	UBSF - (0.087m) CRES - (0.021m)
Flood Risk Management Vehicles	-	0.068	0.068	UBC
Total Changes to the VPE Programme	0.748	0.757	0.009	
TOTAL CHANGES TO PROGRAMME	6.538	5.409	(1.130)	

Key of Categories	Category
Additional schemes from new funding secured	A
Scheme increase funded by previous years' reserves income	A1
Re-phasing	S
Profiling of New additional spend approved	P
Other Adjustments - Scheme Reductions/Increases	R1
Re-allocated Within Departments Programme	R2
Re-allocated To Different Departments Programme	R3

Changes to Capital Programme made under Delegation

Strategy Area and Scheme	Latest Approved Capital Programme Budget 2023/24 £m	Revised Capital Programme Budget 2023/24 £m	Change £m	Category
Flood Defence				
Local flood alleviation scheme	0.050	0.030	(0.020)	UBC
Oakwood Flood Study	0.070	0.060	(0.010)	UBC
Total Delegated to Flood Defence	0.120	0.090	(0.030)	
Highways & Transport Programme				
Derby Bus Station: NPIF	-	0.684	0.684	GG - 0.132m UBC - 0.552m
Asset Management - Highways Maintenance	5.793	5.893	0.100	UBC - (0.252m) GG - 0.352m
Asset Management - Structures Maintenance	1.268	1.028	(0.240)	UBC
Asset Management - ITS Network Management Maintenance	1.006	0.826	(0.180)	UBC - (0.105m) UBSF - (0.075m)
Network Management - Strategic Network Management	0.432	0.328	(0.104)	S106 - (0.003m) GG - (0.101m)
MULTIPLE - Network Management - Local Traffic Management	1.082	0.623	(0.459)	SCE C - (0.014m) UBC - (0.371m) S106 - (0.074m)
Network Management - Casualty Reduction	0.580	0.034	(0.546)	UBC - (0.095m) GG - (0.451m)
Active Travel - Cycle Derby	0.405	-	(0.405)	UBC - (0.013m) S106 - (0.392m)
A52 Strategic Transport Scheme	0.355	0.351	(0.004)	UBC
Asset Management - Land Drainage & Flood Defence	1.052	0.851	(0.201)	SCE C
S31 - Emergency Active Travel Fund	0.476	0.312	(0.164)	GG
Highways Trees	0.214	0.073	(0.141)	UBC
Total Changes Highways & Transport	12.663	11.003	(1.660)	
Housing General Fund				
Fuel Poverty Scheme	-	0.584	0.584	GG
Total Changes Housing General Fund	-	0.584	0.584	
ICT				
Direct A.I. Capital Works	-	1.140	1.140	CR
Total Changes ICT	-	1.140	1.140	
Property				
Sinfin Library Works	-	0.030	0.030	S106
Arboretum Park	0.037	0.005	(0.032)	UBC
Stockbrook Street Recreation Ground	0.034	0.006	(0.028)	UBC
Total Delegated Property Total	0.071	0.041	(0.030)	
Regeneration				
FHSF Eastern Gateway	5.007	5.247	0.240	CR
Regeneration Capital Loans	1.240	1.000	(0.240)	CR
Carbon Reduction Fund	1.743	1.705	(0.038)	SCE C
Castleward Enhancement of Public Square - CPO	3.138	2.557	(0.581)	CR
Total Delegated to Regeneration	11.128	10.509	(0.619)	
Schools				
St Alban's Catholic Voluntary Academy	-	0.100	0.100	SCE C HNP
Rosehill Infant and Nursery School - Ceiling Works	-	0.078	0.078	SCE C SCA
Peartree/Walbrook Nursery Works	-	0.590	0.590	DRF
Total Delegated to Schools	-	0.768	0.768	
Vehicle, Plant & Equipment				
Replacement of Leased Vehicles	0.075	-	(0.075)	UBC
Total Delegated to Vehicle, Plant & Equipment	0.075	-	(0.075)	
Total Delegated Changes	24.057	24.135	0.078	

Capital and Treasury Prudential Indicators Qtr. 3 2023/24

1 Prudential Indicators

- 1.1 The 2021 Treasury Management Code introduced a new requirement that monitoring of the Treasury Management and Capital indicators from 2023/24 should be reported quarterly (along with the other prudential indicators) as part of the Authority's general revenue and capital monitoring.

This report includes the new requirement in the 2021 Code, mandatory from 1 April 2023, of quarterly reporting of treasury management and Capital prudential indicators.

2 Capital Prudential Indicators

- 2.1 The Council measures and manages its capital expenditure, borrowing and commercial and service investments (if applicable) with references to the following indicators.

2.2 Capital Programme 2023/24 to 2025/26

A summary of actual and future years planned capital programme is shown in the table below:

2.3

Capital Programme by Service Area	Qtr. 3 Actuals	2023/24 Forecast	2024/25 Forecast	2025/26 Forecast	Total
	£m	£m	£m	£m	£m
Schools	11.201	18.938	12.674	14.618	46.230
HGF	4.086	7.967	3.979	2.788	14.734
Property	13.113	18.749	8.052	7.126	33.927
Flood Defence	0.013	0.205	0.411	0.250	0.866
H&T	17.286	40.681	37.451	9.469	87.601
VPE	38.567	44.349	3.191	0.731	48.271
Regeneration	22.692	43.537	97.140	43.246	183.923
ICT	3.701	6.817	3.011	0.915	10.743
Corporate	(0.750)	1.476	3.205	7.746	12.427
Total General Fund	109.909	182.719	169.114	86.889	438.722
HRA	19.212	26.852	43.454	43.672	113.978
Total	129.121	209.571	212.567	130.562	552.700

- 2.4 The 3 year capital programme in the table above includes the following planned spend for the major schemes:

General Fund 2023/24 to 2025/26 Budgets of £438.7m include:

- Our City Our River £85.8m
- Transforming Cities Fund (TCF) £57.5m
- Becketwell Performance Venue £41m
- Schools – New Builds/extensions £35m
- Highways and Transport £30m
- Planned Property Maintenance £21.2m
- Market Hall Phase 2 £18m
- Football Foundation Hub £11.1m
- Disabled Facilities Grant £7.6m

HRA Capital expenditure of £114m includes funding for:

- The building of an estimated 332 new homes over the forecast period.

2.5 Capital Financing Requirement:

The Councils cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with minimum revenue payments (MRP) and other financing sources used to replace debt, such as capital receipts and grant funding.

- 2.6 The actual CFR is calculated on an annual basis.

The Table below shows the updated CFR forecast at 31 December 2023.

CFR	31/03/2023 Actual £m	31/03/2024 Forecast £m	31/03/2025 Budget £m	31/03/2026 Budget £m
General Fund Services	520.594	596.599	647.109	666.103
Council Housing (HRA)	208.272	208.272	208.272	208.272
Total CFR	728.866	804.871	855.382	874.375

**31/03/2024 forecast is based on Qtr. 3 forecast position*

***HRA forecast CFR as at 2022/23 as dependent on year-end adjustments to finalise figure.*

2.7 Gross Debt and the Capital Financing Requirement

Statutory guidance is that debt should remain below the capital financing requirement, except in the short term. The Council has complied and expects to continue to comply with this requirement in the medium term as is shown in the table below:

Gross Debt and CFR	31/03/2023 Actual £m	31/03/2024 Forecast £m	31/03/2025 Budget £m	31/03/2026 Budget £m	Debt as at 30/12/2023 £m
Debt (inc. PFI & Leases)	430.891	519.819	572.151	603.116	502.041
CFR	728.865	804.871	855.382	874.375	

2.8 Proportion of Financing Costs to Net Revenue Stream:

Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP / loans fund repayments are charged to revenue.

The net annual charge is known as financing costs; this is compared to the net revenue stream i.e., the amount funded from Council Tax, business rates and general government grants.

Proportion of Financing Costs to Net Revenue Stream	2022/23 Actual	2023/24 Forecast	2024/25 Budget	2025/26 Budget
Financing Costs £m	8.246	16.732	17.848	22.974
Proportion of net revenue stream	3%	6%	6%	8%

3 Treasury Management Prudential Indicators

- 3.1 Treasury Management advice to the Council up to 31 December 2023 has been provided by Arlingclose. Their services include economic and interest rate forecasting, advice on strategy, portfolio structure, debt restructuring, investment policy and credit ratings and technical assistance on treasury matters as and when required.
- 3.2 The Bank of England (BoE) increased Bank Rate to 5.25% in August 2023, before maintaining this level for the rest of 2023. In December 2023, members of the BoE's Monetary Policy Committee voted 6-3 in favour of keeping Bank Rate at 5.25%.

3.3 Local Context

- 3.4 On 31 December, the Council had forecast net borrowing of £444.022m, arising from its revenue and capital income and expenditure. 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 are summarised in Table 1 below.

Table 1: Balance Sheet Summary

Balance Sheet Summary	31-Mar-23 Actual £m	2023/24 Qtr. 3 Forecast £m
General Fund CFR	520.594	596.599
HRA CFR	208.272	208.272
Total CFR	728.866	804.871
Less: Other debt liabilities *	(76.118)	(71.215)
Borrowing CFR	652.748	733.656
Less: Usable reserves	(212.518)	(188.213)
Less: Working capital	(97.478)	(101.421)
Net borrowing Requirement**	342.752	444.022

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

**2023/24 Net borrowing position includes forecast borrowing requirement as per Q3 Capital programme.

- 3.5 The Council's strategy is to maintain borrowing and investments below their underlying levels, known as internal borrowing. This reduces risk by keeping interest costs low. This policy is consistent with the Council's Treasury Management Strategy

- 3.6 The Treasury Management actual position at the 31 December 2023 and the change during the period is shown in Table 2 below.

Table 2: Treasury Management Summary

TM Summary	31-Mar-23 Balance £m	Movement £m	31-Dec-23 Balance £m
Long-term borrowing	325.450	24.273	349.723
Short-term borrowing	33.999	46.877	80.876
Total borrowing	359.449	71.150	430.599
Long-term investments	-	-	-
Short-term investments	(14.455)	(13.180)	(27.635)
Cash and cash equivalents	(2.242)	0.298	(1.944)
Total investments	(16.697)	(12.882)	(29.579)
Net Borrowing Position*	342.752	58.268	401.020

*31 Dec 23 Balance is the actual position at that point and does not include any forecast borrowing requirements as required as per the capital programme.

- 3.7 Actual total borrowing increased by £71.150m during the last 9 months. Table 2 above shows:

Long term borrowing increased by a net £24.273m due to additional long term PWLB borrowing of £10m and General fund borrowing of **£25m** and a net movement of **(£10.727m)** due to £0.149m principal repayments and (£10.876m) of loans moved to short term due to principal repayments falling due within one year.

Short-term borrowing had a net increase of £46.877m, this is due to new loans arranged of £90m offset by repayment of short-term loans taken out during closedown period 2022/23 (**£33.999m**) and net balance of short term loans taken out in year of **£70m**, **£10.876m** transfer of balance of repayment of principal falling due within one year. This is in line with our current strategy to use short to medium term borrow to manage cash flows to avoid being tied into longer term costly rates in the current economic climate.

- 3.8 Available investment balances are generally low at the end of the financial year, this is as a result of profiling/utilising of income from government grants and local taxes. Council tax and Business rates is in the main paid over the first ten months of the year resulting in a reduction of cash at the end of the financial year, which can be further impacted due to the timing of large invoices processed for capital schemes in the last financial quarter.
- 3.9 Total investments between March 2023 and December 2023 increased from £16.697m in March 2023 to £29.579m in December, and thus represents a movement of £12.882m.

3.10 **Borrowing**

- 3.11 CIPFA's 2021 Prudential Code is clear that local authorities must not borrow to invest primarily for financial return and that it is not prudent for local authorities to make any investment or spending decision that will increase the capital financing requirement and so may lead to new borrowing, unless directly and primarily related to the functions of the Authority. PWLB loans are not available to local authorities planning to buy investment assets primarily for yield unless these loans are for refinancing purposes.

The Council has not invested in assets primarily for financial return or that are not primarily related to the functions of the Council. It has no plans to do so in future.

3.12 **Borrowing strategy and activity**

- 3.13 As outlined in the treasury strategy, the Council's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Council's long-term plans change being a secondary objective. The Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio.
- 3.14 There has been a substantial rise in the cost of both short- and long-term borrowing over the last 21 months. In this quarter, Bank Rate rose from 4.25% at the beginning of April to 5.25% at the end of the quarter and was also significantly higher than its level of 1.25% at the end of June 2022.

- 3.15 At the 31 December 2023, the total external debt portfolio of the Council (including HRA debt and other long- term liabilities) was £502.041m. The analysis of external debt outstanding as at 31 December 2023 is shown in the Table 3 below:

Table 3: Treasury Borrowing Summary

External Borrowing	As at 31/03/23 £m	Movement	As at 31/12/23 £m
Borrowing:			
Fixed Rate PWLB	283.751	31.313	315.064
Fixed Rate Market	20.000	-	20.000
Local Authorities - Long Term	25.000	-	25.000
Local Authorities - Short Term	30.000	40.000	70.000
SALIX Energy Efficiency	0.231	(0.163)	0.068
University of Derby	0.467	-	0.467
Total Borrowing	359.449	71.150	430.599
Other Long-term Liabilities:			
- Transferred Debt from other Local Authorities	0.193	-	0.193
- PFI Financing	70.228	-	70.228
- Finance Lease Liabilities	1.021	-	1.021
Total Other Long-term Liabilities	71.442	-	71.442
Total Gross External Debt	430.891	71.150	502.041

- 3.16 The Councils short-term borrowing cost has continued to increase with the persistent rise in Bank Rate and short-dated market rates. The average rate on the Councils' short-term loans at 31 December 2023 of £70m was 5.76%, this compares with 4.2% on £30m loans 8/9 months ago.
- 3.17 Short to medium term borrowing is still a favourable position with interest rates remaining high the strategy is to borrow in the short to medium term to alleviate any cash flow requirements – whilst monitoring and taking advantage of longer term borrowing when rates are favourable.
- 3.18 The Council's borrowing decisions are not predicated on any one outcome for interest rates and are a balanced portfolio of short, medium, and long-term borrowing and will be maintained.
- 3.19 **Treasury Investment Activity**
- 3.20 The CIPFA Treasury Management Code now defines treasury management investments as those investments which arise from the Council's cash flows or treasury risk management activity that ultimately represents balances that need to be invested until the cash is required for use in the course of business.

- 3.21 The Council holds invested funds, representing income received in advance of expenditure plus balances and reserves held. During the nine-month period to 31 December 2023, the Council's daily investment balance ranged between £15.311m and £79.310m due to timing differences between income and expenditure. The investment position is shown in Table 4 below.

Table 4: Treasury Investment Summary

Counterparty	30/03/23 Balance £m	Net Movement £m	31/12/23 Balance £m
Banks & building societies (unsecured)	5.375	(0.298)	5.077
Local authorities	-	-	-
Money Market Funds	8.822	2.680	11.502
Debt Management Office	2.500	10.500	13.000
Total investments	16.697	12.882	29.579

- 3.22 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 treasury investments before seeking the optimum 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.
- 3.23 As demonstrated by the liability benchmark in this report section 3.37, the Council expects to be a long-term borrower and new treasury investments are therefore primarily made to manage day-to-day cash flows using short-term low risk instruments. The existing portfolio of strategic pooled funds will be maintained to diversify risk into different asset classes and boost investment income.

- 3.24 The investment activity to the 31 December 2023 together with a comparison for the previous year is summarised in Table 5 below:

Table 5: Treasury Investment Activity

Treasury Investment Activity	2022/23	31/12/2023 Up to Q3
Number of fixed-term deposits made	42	64
Number of instant access and money market accounts used	13	11
Number of deposits from money market funds/ call accounts	297	269
Number of withdrawals from money market funds/ call accounts	238	253
Value of deposits/ investments held	£14.455m	£24.502m
Average size of deposit/ investment portfolio	£43.147m	£39.673m
Average size of Lloyds Balance (operational)	£2.425m	£2.252m
Total interest earned on deposits/ investments (including Lloyds)	£0.729m	£1.250m
Average Return on deposits/ investment portfolio	3.49%	4.59%

- 3.25 The total interest earned on deposits/investment up to Qtr.3 shows an increase compared to last year due to economic conditions which have increased interest rates globally.
- 3.26 The credit risk and return metrics for the Council's investments extracted from Arlingclose's quarterly investment benchmarking is shown in Table 6.

Table 6: Investment Benchmarking

Investment Benchmarking	Credit Score*	Credit Rating	Bail-in Exposure	WAM** (days)	Rate of Return
31/03/2023	4.85	A+	82%	1	3.69%
31/12/2023	4.29	AA-	52%	1	4.96%
Similar LAs	4.91	A+	59%	42	4.51%
All LAs	4.80	A+	60%	11	4.95%

** Weighted Average Maturity

3.27 The benchmarking shows that the Council's Weighted Average Maturity (WAM) for investments remained at an average on 1 day between 31 March 2023 and 31 December 2023. This is because the Council has moved into its planned borrowing position and new treasury investments are therefore primarily made to manage day-to-day cash flows using short-term low risk instruments.

3.28 Non-Treasury Investments

3.29 The definition of investments in the Treasury Management Code now covers all the financial assets of the Council as well as other non-financial assets which the Council holds primarily for financial return. This is replicated in MHCLG's Investment Guidance, in which the definition of investments is further broadened to also include all such assets held partially for financial return. The Council's Non-Treasury Investments are shown in Table 7:

Table 7: Non-Treasury Investments as at 31 December 2023

Type of investment	Investment value £m	Return £m	Rate of Return %
Directly owned investment property*	1.23	0.179	14.55%
Loans to local businesses	2.431	0.121	4.98%
Loans to subsidiaries (Derby Homes) **	2.733	0.147	5.38%
Total	6.394	0.447	6.99%

* Investment value and return taken from the 2022/23 statement of accounts as an indication of 2023/24.

**Interest repaid as at Qtr.3.

*** This is the full year position as an annual interest is charged.

3.30 Treasury Performance

3.31 The Council measures the financial performance of its treasury management activities both in terms of its impact on the revenue budget and its relationship to benchmark interest rates, as shown in table 8 below.

Table 8: s

Performance	Actual £m	Budget £m	Over/ (under)	Actual Average Interest Rate %	Benchmark Budgeted Interest Rate %	Over/under Budget
Total borrowing	430.599	453.201	(22.602)	5%	4%	1% worse
Total treasury investments	29.579	30.000	(0.421)	5%	3%	2% better

3.32 Compliance Report

- 3.33 A number of Treasury Management Prudential Indicators are prescribed under the Council's Treasury Management Strategy 2023/24 which was approved by Full Council Cabinet on 15th February 2023, and within CIPFA's Prudential Code for Capital Finance in Local Authorities. All Treasury Management activities have been satisfied as at the 30 September 2023.

Compliance with specific investment limits is demonstrated in Table 9 below:

Table 9: Investment Limits

Investment Limits	2023/24 Maximum to date	31/12/23 Actual	2023/24 Limit	Complied
The Councils Banking Provider – Lloyds	£4m	£1.9m	£4m	✓
Any single organisation, except the UK Central Government (excluding the operational bank)	£7m	£0m	£7m	✓
Any group of pooled funds under the same management	£14m	£0.090m	£20m	✓
Money Market Funds (MMF)	£7m	£4m	£7m	✓

- 3.34 Compliance with the authorised limit and operational boundary for external debt is demonstrated in Table 10 below.

Table 10: Debt Limits

Debt Limits	2023/24 Maximum £m	31/12/23 Actual £m	2023/24 Operational Boundary £m*	2023/24 Authorised Limit £m	Complied
Borrowing	509.1	430.6	779.6	862.2	✓
PFI & finance leases	80.6	71.2	74.7	82.1	✓
Total debt	589.7	501.8	854.3	944.3	✓

*Since the operational boundary is a management tool for in-year monitoring, it is not significant if the operational boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure.

3.35 Treasury Management Indicators

- 3.36 The Council measures and manages its exposures to treasury management risks using the following indicators.

3.37 Liability Benchmark:

This new indicator compares the Councils actual existing borrowing against a liability benchmark that has been calculated to show the lowest risk level of borrowing. The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. It represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level of £15m required to manage day-to-day cash flow.

3.38 **Table 11: Liability Benchmark**

Liability Benchmark	31/03/23 Actual £m	31/03/24 Forecast £m	31/03/25 Forecast £m	31/03/26 Forecast £m	31/03/27 Forecast £m	31/03/28 Forecast £m
Loans CFR	652.7	733.7	783.0	812.9	820.5	833.5
External borrowing	(359.4)	(410.3)	(349.2)	(348.3)	(343.6)	(341.9)
Internal (over) borrowing	293.3	323.4	433.9	464.6	476.9	491.6
Balance sheet resources	(304.7)	(280.4)	(272.5)	(266.2)	(257.8)	(219.9)
Investments (new borrowing)*	11.4	(43.0)	(161.4)	(198.4)	(219.1)	(271.7)
Treasury Investments	11.4	15.0	15.0	15.0	15.0	15.0
New borrowing	-	58.0	176.4	213.4	234.1	286.7
Net loans requirement	348.1	453.3	510.5	546.7	562.7	613.6

3.39 The benchmark assumes the following from 2023/24 to 2025/26:

- Capital Expenditure funded by borrowing of £181.2m as reported to Cabinet on 21 November in the Qtr. 3 Outturn Report, a forecast is also included in future years for rolling programme schemes only
- Minimum Revenue Provision on new capital expenditure based on the Council's MRP policy
- Forecast Decrease in internal resources of £84.8m
- Net loans movement of (£17m) due to new long term loans of £35m and existing loans of (£52m) being repaid.

3.40 Maturity Structure of Borrowing:

This indicator is set to control the Council's exposure to refinancing risk. The indicator is calculated as the amount of projected borrowing that is maturing in each period expressed as a percentage of total projected borrowing. For each maturity period, an upper and lower limit is set.

The actual maturity structure of borrowing as at 31 December 2023 has been compared to the loan maturity limit profile that was approved in the Treasury Management Strategy 2023/24. Table 11 below shows that this all, but one indicator has been met as follows:

3.41 **Table 12: Maturity Structure of Borrowing**

Number of Years to Maturity	Upper limit per 2023/24 Strategy	Actual position for 31/12/2023	Complied
	%	%	
Up to 1 year	10	18.66%	✗
Up to 2 years	20	0%	✓
Up to 5 years	30	2.36%	✓
Up to 10 years	50	17.81%	✓
Up to 20 years	70	8.11%	✓
Up to 30 years	80	24.26%	✓
Up to 40 years	95	28.57%	✓
Up to 50 years	100	0.24%	✓

As previously reported in the Treasury Management Mid-Year Report the Up to 1 year limit was exceeded due to our need to borrow short term to avoid being tied into higher long term interest rates, this limit will be reviewed in the next TMS to ensure it reflects our current requirements in line with the current economic outlook.

3.42 Principal Sums Invested for Periods Longer than 365 days:

The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end were:

Table 13: Principal Sums Invested for Periods Longer than 365 days

Principal sums invested longer than 354 days	2023/24 £m
Actual principal invested for longer than 364 days	0
Limit on principal invested for longer than 364 days	20
Complied?	✓

The Council does not currently have any long-term investments.

3.43 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.

3.44 Local Authorities are unrated, therefore fixed term deposits with Local Authorities must 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 linked to its covenant strength.

3.45 Table 14 shows the target for the portfolio average credit score and the actual to 31 December 2023/24:

Table 14: Security Indicator - Portfolio average credit score

Security Indicator	Target	Actual
Portfolio average credit score	3	0.98

3.46 The actual credit score is below the target showing the exposure to credit risk for the year to date has been lower than the target set, due to higher credit quality investment being used over lower credit quality investment. This is as a result of investing at least 50% of total investments with the DMO and high credit quality Money Market Funds (MMF's).

3.47 Liquidity:

The Council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available in a rolling one-month period to meet unexpected payments each day, without additional borrowing.

Compliance with the daily cash available limit is demonstrated in the table below.

Table 15: Liquidity Risk Indicator

Liquidity risk indicator	2023/24 Target	31/12/23 Actual £m	Complied
Total cash available within one month	>£15m	£30.4m	✓

3.48 **Table 16: Treasury Risks**

Current Risk	Actions to reduce risks
That external borrowing might not be undertaken at the most advantageous rate	Treasury officers maintain regular contact with the Council's advisors Arlingclose, who monitors movements in interest rates on our behalf. The aim is to drawdown loans when interest rates are at the most advantageous rate, the Council's current strategy is to secure short-term borrowing to manage daily cash flows
Credit Risk - the risk that other parties may fail to pay amounts due, e.g., deposits with banks etc.	The Annual Investment Strategy sets the criteria through which the Council decides with whom it may invest. The lending list is updated regularly to reflect changes in credit ratings.
Liquidity Risk - the Council might not have sufficient funds to meet its commitments	Daily monitoring of cash flow balances. Access to instant access accounts such as MMF's to cover any short-term cash shortfall.
Refinancing and Maturity Risk - the risk that the Council might need to renew a loan or investment at a disadvantageous interest rate	Monitoring of the maturing profile of debt to make sure that loans do not mature all in the same period. Monitoring the maturity profile investments to ensure there is sufficient liquidity to meet day to day cash flow needs.
Market Risk - losses may arise because of changes in interest rates	Maximum limits are set for exposure to fixed and variable interest rates. The Finance Team will monitor interest rates to limit exposure. All of the Council's loans are fixed term loans to eliminate the risk of interest rate increases.

Area	Pay					Income															
	Gross Pay Award	Mitigations	Turnover	Agency	Unfunded posts	Unaccompanied Asylum Seekers	Learning and skills sold service	Education Welfare Officers sold service income	Other generated income and small grants across CYP	Corporate Management Increased income (inc. Advertising, Policy & HR)	Registrations income	Increased Council Tax Court Costs & Housing Benefit Bad Debt Collection	Backdated DWP income	Increased democracy income	City Sustainability - inc. Highways Maintenance & Engineering	C& P Unachieved income inc. Derby Arena (offset by Springwood)	FM - Additional one off rental income	Strategic Housing - over achieved rents/income	In-year underspend OCOR project	Additional Business Rates Cap Compoensation	
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Peoples Adults and Public Health	0.470	-0.470	-2.035																		
Peoples CYP	0.895	-0.895	-0.813	0.387	0.321	-2.644	0.324	-0.173	-0.389												
Comms & Place	1.021	-0.621	0.420																		
Comms & Place - Major Projects	0.033	-0.033																			
Corporate - Property	0.286	-0.266																			
Corporate																					
Corporate Resources - Service support	0.718	-0.718	-0.099							-0.122	-0.023	-0.497	-0.208	-0.059							
TOTALS	3.423	-3.003	-2.527	0.387	0.321	-2.644	0.324	-0.173	-0.389	-0.122	-0.023	-0.497	-0.208	-0.059	-0.380	-0.089	-0.174	-0.107	-0.050	0.000	
					-1.399													Total Income		-4.591	

Area	Previous Year Savings				Current Year Savings												Emerging Underspends												
	Contract Saving	Revs & Bens Restructure	Corporate Resources historic savings	Customer Management -Front Door	Contract Savings	Estates Property Rationalisation	Services review	Internal Audit - reduced SLA	Legal Services - unahieved recharge income (Connect	Quality standards Performance	Ashtree & Stanley road premises	Strategic Housing Capitalisation Target	Economic Growth restructure saving	Refuse - Reduction in supervisory team within refuse collection by 1FTE	Engineering - ENERGY SAVING: Switch off/Dim street lights on major routes	Derby Live - Review staffing for the delivery of events	Corporate Minor Underspends	Opportunity Fund Underspend	Corporate Contingency Underspend	CR Other	One off underspends on contracts (IT)	CYP Transport underspends (HTST, CIC) offsetting travel pressures in Safeguarding	CYP savings to off set pressure	Small underspends across ASC non staffing & non care budgets	City Sustainability - Concessionary Fares	City Growth & Vibrancy inc. Leisure (Residual budgets for Queens & Moorways)	C&P Other (Directorate budgets)	Underspend on HR (TU duties and other services)	
Peoples Adults and Public Health	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Peoples CYP										0.043	0.060				0.060	0.030													
Comms & Place - Major Projects												0.026	0.020																
Corporate - Property						0.100											-0.093	-0.103	-0.181	-0.024	-0.575								
Corporate																													
Corporate Resources - Service support							0.150	0.040	0.049	0.043	0.060	0.026	0.020	0.045	0.060	0.030	-0.093	-0.103	-0.181	-0.024	-0.575	-0.761	-0.200	-0.057	-0.532	-0.295	-0.141	-0.073	
TOTALS	0.000	0.000	0.000	0.000	0.000	0.100	0.150	0.040	0.049	0.043	0.060	0.026	0.020	0.045	0.060	0.030	-0.093	-0.103	-0.181	-0.024	-0.575	-0.761	-0.200	-0.057	-0.532	-0.295	-0.141	-0.073	
															Total Savings:	0.623												-3.041	

