

Report sponsor: Simon Riley, Director of  
Financial Services  
Report author: Toni Nash, Head of Finance  
Corporate Resources

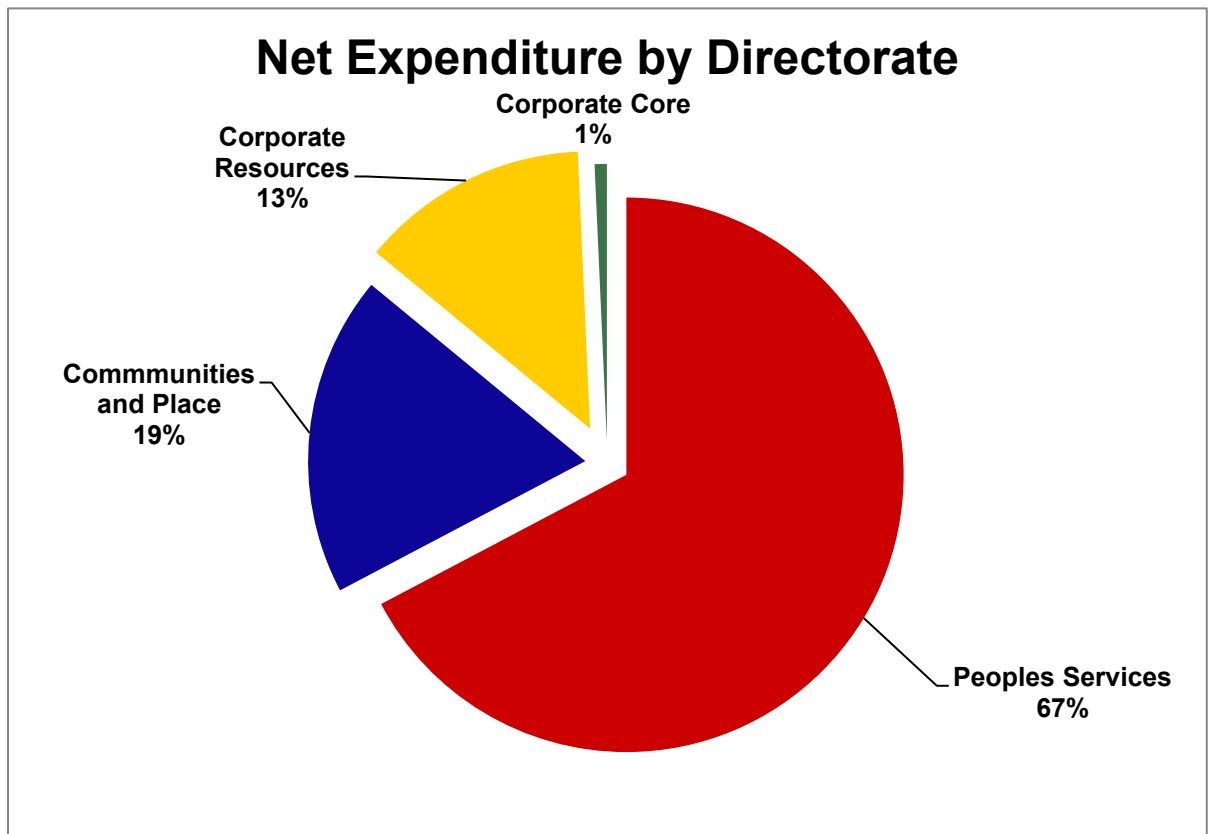
## Final Accounts – 2019/20 Outturn Report for General Fund, Capital Programme, Treasury Management, Housing Revenue Account, Dedicated Schools Grant and Collection Fund.

### Purpose

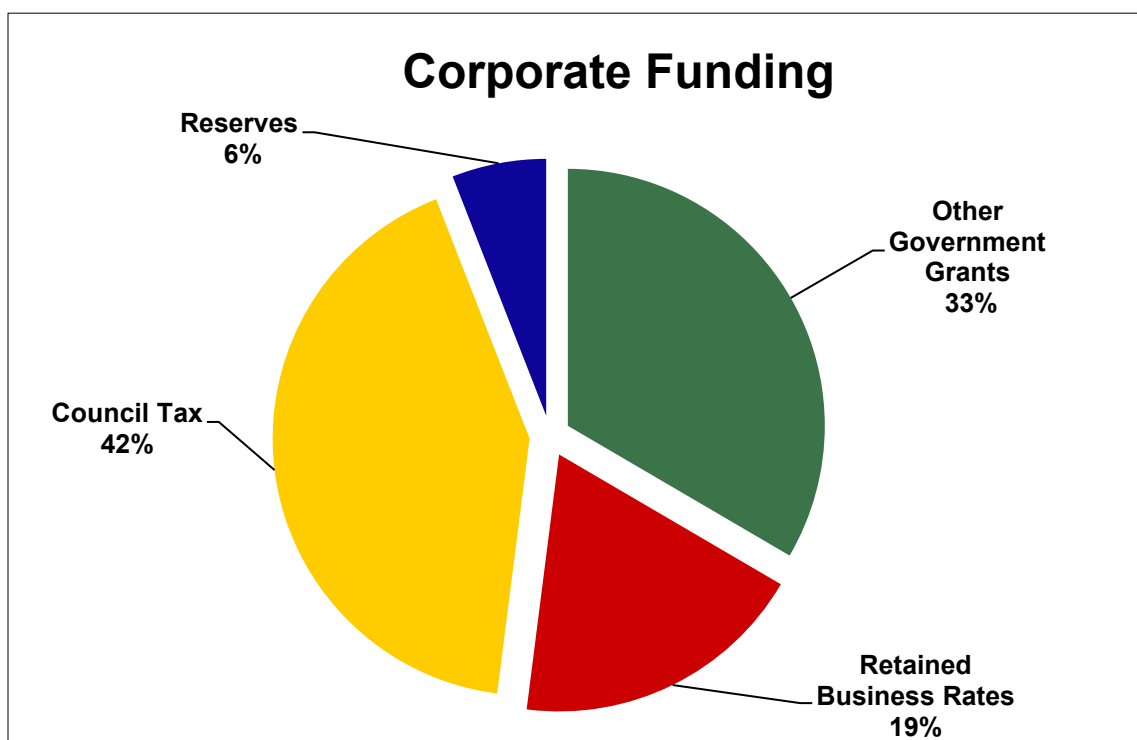
- 1.1 To summarise the overall Council's final outturn position, subject to external audit opinion, for the 2019/20 financial year. The report describes the main variances against the revised budgets for 2019/20 and sets out issues to note and requiring approval. In summary the outturn is as follows:
- a) **Revenue Budget:** The General Fund revenue outturn position is a balanced position when compared to the Revenue Budget for 2019/20. The balanced position is achieved after use of the Budget Risk reserve of £6.195m, as detailed in section 4.1. The Council's £7.813m savings target for 2019/20 has been delivered
  - b) **Capital Budget:** The capital programme outlines the delivery of 82.55% of the latest approved £107.248m capital programme. Details of the capital outturn for 2019/20 totalling £88.530m for work completed and an analysis of the £14.349m slippage against the final approved capital programme is set out in section 4.6
  - c) **Treasury Management:** Total debt for the Council is £446.672m and total investments are £76.873m compared to £443.176m and £67.838m as at 31 March 2019, as detailed in section 4.7
  - d) **Housing Revenue Account (HRA):** The HRA revenue outturn position shows a net deficit of £0.682m compared to a budgeted net shortfall of £4.507m. The overall HRA balances at 31 March 2020 are detailed in section 4.8
  - e) **Dedicated Schools Grant:** The Dedicated Schools Grant closed with a deficit of £0.250m on the central non-delegated items and individual school balances are £5.866m, as detailed in section 4.9
  - f) **Collection Fund:** The Council's share of the Collection Fund outturn is a deficit of £3.193m as detailed in section 4.10.

### 1.2 General Fund

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



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



## Recommendations

### 2.1 To note:

- a) The overall General Fund revenue budget outturn position for 2019/20 (subject to external audit) and budget variances at 31 March 2020 as set out in section 4.1.5
- b) The savings achieved in 2019/20 as summarised in section 4.1.7
- c) The Capital outturn and the Capital expenditure incurred during the year as summarised in section 4.6.2
- d) The addition of the A52 Artwork scheme of £0.100m funded from Highways and Transport underspends detailed in section 4.6.31
- e) The compliant prudential indicators in respect of the Treasury Management outturn, as outlined in section 4.7
- f) The overall Dedicated Schools Budget position for 2019/20 as set out in section 4.9
- g) The Council's share of the Collection Fund is a deficit of £3.193m as set out in section 4.10.

### 2.2 To approve:

- a) The final required movements in revenue reserves set out in section 4.1.3
- b) The creation of a COVID 19 reserve for the balance of the initial allocation of government grant for COVID 19 after use of £0.527m to fund eligible expenditure in 2019/2020 as outlined in section 4.1.4
- c) To delegate authority to the Director of Financial Services any further transfers to and from the COVID reserve as appropriate
- d) The transfer from the Budget risk reserves of £6.195m as set out in section 4.1.6 to achieve a balanced out-turn position
- e) The addition of net £13.414m budget (slippage £14.349m and spend brought forward (£0.935m)) to the 2020/21 capital programme as detailed in Appendix 2

- f) The use of the Assembly Rooms service reserve to fund £1.287m abortive costs on the Enhanced assembly rooms scheme detailed in section 4.6.40
- g) The capitalisation of the rectification costs for the waste treatment plant costs of £2.140m to be funded from reserves as detailed in section 4.6.34
- h) The use of underspend (£0.330m) from the vehicles plant and equipment programme to fund electric vehicles and the addition of these vehicles to the 2020/21 capital programme as detailed in section 4.6.33
- i) The HRA outturn net deficit of £0.682m as set out in section 4.8 and Appendix 4
- j) The 2019/20 Private Finance Initiative Reserve movements as set out in Appendix 3.

## 2.3 To authorise:

The Section 151 Officer to adjust the Council's Reserves if the Council or its External Auditors (Ernst Young) require any adjustments to the Final Accounts for 2019/20 that alter the overall Council's position.

## Reasons

- 3.1 Under the Local Government Act 2003, the Council has a legal obligation to achieve an annual balanced budget position.
- 3.2 The Medium-Term Financial Plan (MTFP) sets the funding for the Council for the financial year and the use of those funds is then monitored throughout the year to ensure delivery of Council priorities. The outturn report indicates how the Council's resources have been used to support the delivery of budgetary decisions.
- 3.3 The Council's Financial Procedure Rules requires amendments to the capital programme to be reported to Cabinet.
- 3.4 In accordance with CIPFA Code of Practice for Treasury Management in Public Services (the "CIPFA TM Code"), members should approve the annual report for Treasury Management activity in 2019/20 which forms part of this document.
- 3.5 Under CIPFA's Prudential Code for Capital Finance in Local Authorities, members have a statutory duty to adopt a set of annual indicators relating to capital expenditure and Treasury Management.
- 3.6 The HRA Business Plan 2020 to 2050 sets out the forecasted funding and the use of those funds is then monitored throughout the year to ensure delivery of HRA priorities. The outturn report indicates how the resources have been used to support the delivery of budgetary decisions.

## Supporting information

- 4.1 The following provides further analysis and explanations of key variances for each element of the actual financial outturn, subject to external audit opinion.

### 4.1.2 Revenue Budget

The overall general fund revenue position at 31 March 2020 is a balanced position. However, this includes use of the Budget risk reserve of £6.195m to balance.

### 4.1.3 Use of Revenue Reserves

In establishing the Council's final outturn position several additional movements in reserves require appropriate approval as per the Council's Financial Procedure Rules. Approval is therefore requested for the movements in reserves as set out below. The net movement in reserves requiring approval is £6.328m.

Directorate	£	Reserve	Description
Cross Directorate	1,000,656	Budget Risk	Use of reserves for redundancies linked to Medium Term Financial Plan savings
Corporate	(319,976)	Budget Risk	Transfer to reserves the estimated overpayment of pension contributions for 2018/19 and 2019/20 pending the outcome of an actuarial review to confirm final figures
Corporate	(33,881)	Budget Risk	Transfer to reserve unallocated suspense account items to be investigated and allocated as appropriate
Corporate	(7,141,871)	COVID 19	Transfer to reserve the balance of the initial allocation of government grant (£7.669m) for COVID 19 after use of £0.527m to fund eligible expenditure in 2019/2020
Peoples – Adults	(937,741)	Better Care Fund	Transfer to reserve Better Care Fund of additional grant income received in year
Peoples – Public Health	314,138	Public Health	Use of Public Health reserve for Livewell
Communities & Place	790,990	Budget Risk	Use of reserves to contribute towards the City's share of the fees in relation to the Waste Treatment Facility.
<b>TOTAL</b>	<b>(6,327,685)</b>		

### 4.1.4 COVID 19 Grant Allocation

A £1.6 billion direct COVID un-ringfenced grant was provided to Councils in March 2020 of which Derby City Council's allocation was £7.669m. There has been £0.527m application of this grant in 2019/20 for eligible expenditure. This was mainly in the Communities and Place directorate; however there was a minor application of £0.027m in the Corporate Resources directorate. A second allocation took place on 2020/21 and is not included in this report.

4.1.5 The summary revenue budget variance is shown below:

Directorate	Restated Budget £m	In Year Movements £m	Current Budget £m	2019/20 Spend £m	2019/20 Final Outturn Variance £m	Qtr.3 Forecast Outturn Variance £m
Adult Services	75.423	0.735	76.158	75.943	(0.215)	(0.500)
Children Services	56.424	(1.047)	55.377	63.365	7.988	7.700
Public Health	15.435	0.540	15.975	15.975	-	-
<b>Peoples Total</b>	<b>147.282</b>	<b>0.228</b>	<b>147.510</b>	<b>155.283</b>	<b>7.773</b>	<b>7.200</b>
Communities and Place	38.734	3.481	42.215	43.124	0.909	0.756
Corporate Resources	32.535	1.444	33.979	33.331	(0.648)	-
Corporate*	9.550	(8.652)	0.898	(0.941)	(1.839)	(1.511)
<b>Sub Total</b>	<b>228.101</b>	<b>3.499</b>	<b>224.602</b>	<b>230.797</b>	<b>6.195</b>	<b>6.445</b>
Original approved use of reserves	(7.492)					
Use of Budget risk reserve to balance					(6.195)	(6.445)
<b>TOTAL</b>	<b>220.609</b>				<b>0</b>	<b>0</b>

\*Corporate movements also include £7.142m Covid funding transferred to reserve

The outturn was a £0.250m improvement on the position reported in Quarter 3.

4.1.6 The Council's Revenue budget was net overspend at year end of £6.195m and required the use of the budget risk reserve to achieve a balanced position.

4.1.7 The Council's Revenue budget for 2019/20 included savings targets for each directorate in order to support a balanced budget position. The achievement of these savings has been included within the overall budget outturn position.

Directorate	Budget Savings Targets 2019/20 £m	Full year effect of savings delivered £m	Year End Variance £m	% Achieved
Peoples Services	4.549	4.549	-	100%
Communities and Place	1.696	1.696	-	100%
Corporate Resources	0.938	0.938	-	100%
<b>Total</b>	<b>7.183</b>	<b>7.183</b>	<b>-</b>	<b>100%</b>

All savings were achieved; however some of them were one off alternative savings.

## 4.2 Peoples Services Directorate

Directorate	Restated Budget £m	In Year Movements £m	Current Budget £m	2019/20 Spend £m	2019/20 Final Outturn Variance £m	Qtr.3 Forecast Outturn Variance £m
Adults	75.423	0.735	76.158	75.943	(0.215)	(0.500)
Children's	56.424	(1.047)	55.377	63.365	7.988	7.700
Public Health	15.435	0.540	15.975	15.975	-	-
<b>Total</b>	<b>147.282</b>	<b>0.228</b>	<b>147.510</b>	<b>155.283</b>	<b>7.773</b>	<b>7.200</b>

The Peoples directorate outturn position is a net overspend of £7.773m, the forecast at Qtr.3 was an overspend of £7.2m, there has been an increase of £0.573m. The increase from Qtr.3 is outlined below.

Please click on the link below for Qtr.3 narrative variances reported to 12<sup>th</sup> February 2020 Cabinet:

[Quarter 3 Financial Monitoring Cabinet Report](#)

### 4.2.1 Adult Services

The final outturn position is an underspend of (£0.215m), a £0.285m movement from the (£0.5m) forecast underspend at Qtr.3. The reason for the movement is an increase in the bad debt provision made at the end of the year to ensure that the provision is adequate to cover the outstanding debt for the service.

### 4.2.2 Children's Services

The final outturn position is an overspend of £7.988m, a £0.288m movement from the £7.7m forecast overspend at Qtr3, this increase is due to the temporary closure of the Council's children's homes which resulted in an increase of placements purchased from the private sector.

## 4.3 Communities and Place Directorate

Directorate	Restated Budget £m	In Year Movements £m	Current Budget £m	2019/20 Spend £m	2019/20 Final Outturn Variance £m	Qtr.3 Forecast Outturn Variance £m
Communities and Place	38.734	3.481	42.215	43.124	0.909	0.756
<b>Total</b>	<b>38.734</b>	<b>3.481</b>	<b>42.215</b>	<b>43.124</b>	<b>0.909</b>	<b>0.756</b>

The Communities and Place directorate outturn position is a net overspend of £0.909m. The forecast at Qtr.3 was an overspend of £0.756m, there has been an increase of £0.153m. The increase from Qtr.3 is outlined below.

Please click on the link below for Qtr.3 narrative variances reported to 12<sup>th</sup> February 2020 Cabinet:

[Quarter 3 Financial Monitoring Cabinet Report](#)

- 4.3.1 As passenger numbers continued to reduce beyond expected trends, further saving of (£0.266m) on Concessionary Fares expenditure has materialised.
- 4.3.2 Unrecovered Market Hall service charge income has produced a pressure of £0.280m (£0.173m) accrued from 2018/19 and (£0.107m) in 2019/20. A further £0.086m is a combination of minor pressures on income targets and promotional events expenditure and the delayed closure of Allenton Market.
- 4.3.3 Other minor variance across the department net to a pressure of £0.053m.

#### 4.4 Corporate Resources Directorate

Directorate	Restated Budget £m	In Year Movements £m	Current Budget £m	2019/20 Spend £m	2019/20 Final Outturn Variance £m	Qtr.3 Forecast Outturn Variance £m
Corporate Resources	32.535	1.444	33.979	33.331	(0.648)	-
Corporate	9.550	(8.652)	0.898	(0.941)	(1.839)	(1.511)
<b>Total</b>	<b>42.085</b>	<b>(7.208)</b>	<b>34.877</b>	<b>32.390</b>	<b>(2.487)</b>	<b>(1.511)</b>

The Corporate Resources directorate outturn position is a net underspend of (£2.487m), the forecast at Qtr.3 was a forecast underspend of (£1.511m). There has been an increased underspend of (£0.976m). The main reasons for the increased underspend from Qtr.3 are outlined below.

Please click on the link below for Qtr.3 narrative variances reported to 12<sup>th</sup> February 2020 Cabinet:

[Quarter 3 Financial Monitoring Cabinet Report](#)

##### 4.4.1 Corporate Resources

The final outturn position is an underspend of (£0.648m) a (£0.648m) movement from the balanced position forecast at Qtr.3. The main differences include (£0.274m) income from the Housing Revenue Account for legal services and cost recovery. Further income of (£0.165m) for additional court fee income. The boiler replacement and maintenance programme was lower than anticipated and underspent by a net (£0.185m) and there are other net minor cost variations across the service of (£0.024m).

##### 4.4.2 Corporate Budgets

The final outturn position is an underspend of (£1.839m), a movement of (£0.328m) compared to the forecast at Qtr.3. This is due to the write back of an historical provision for uncashed cheques that is no longer required (£0.250m), the write back of historical accounts payable invoices (£0.058m) and minor underspends across the corporate budgets (£0.020m).

##### 4.5 Analysis of Reserves, including School Balances and Dedicated Schools Grant

The Council's main revenue reserve for general purposes is the General Fund Balance. This is set aside to support the management of risks in the Revenue Budget.



- 4.5.1 At 31 March 2020 the General Fund Balance is £10.933m.
- 4.5.2 The Council also holds several revenue earmarked reserves to fund specific projects included within the Council's budget and priorities, such as the Council's regeneration fund programme. As at 31 March 2020 revenue earmarked reserves held by the Council total £84.827m. A review of all revenue earmarked reserves is carried out on an annual basis as part of the Medium-Term Financial Strategy planning process in line with the adequacy of reserves review. Further details of the Council's revenue earmarked reserves are provided at Appendix 1.
- 4.5.3 Included within corporate earmarked reserves is a budget risk reserve of £13.046m at 31 March 2020. The Budget Risk Reserve is held to support future budget planning risks and unforeseen in-year budget pressures.
- 4.5.4 Each individual Council-controlled school in Derby has its own financial reserve, collectively known as 'School Balances'. School balances are delegated directly to schools and are not available to the Council for general use. The use of any surplus balances is defined within the local Scheme for Funding Schools.
- 4.5.5 School balances as at 31 March 2020 are £5.866m compared to £8.049m in 2018/19. Non delegated DSG balances are currently £2.582m.
- 4.6 **Capital**
- 4.6.1 **The Capital Programme**  
The final capital expenditure outturn for 2019/20 is £88.530m, £92.501m below the original approved budget of £181.031m. During the year, the capital programme has been revised to reflect slippage in key projects including the waste management plant, regeneration schemes, housing and flood defence resulting in a planned level of Capital expenditure of £107.248m.

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

**Final Outturn Capital:**

2019/20 Capital Programme by Service Area	Original Approved Capital Budget	Actual Spend	(Under)/ Overspend on Original budget		Final Adjusted Approved Original Capital Programme	Actual Spend	Outturn variance Actual to Adjusted
	£m	£m	£m		£m	£m	£m
Schools	13.627	9.731	(3.896)		10.212	9.731	(0.481)
Housing General Fund	6.587	3.330	(3.257)		3.379	3.330	(0.049)
Property Improvement	16.015	7.417	(8.598)		9.221	7.417	(1.804)
Flood Defence	0.250	0.222	(0.028)		1.480	0.222	(1.258)
Highways & Transport	25.868	21.711	(4.157)		27.756	21.711	(6.045)
Vehicles Plant & Equipment	32.032	5.564	(26.468)		5.791	5.564	(0.227)
Regeneration	60.061	15.481	(44.580)		19.341	15.481	(3.860)
Information and Communication Technologies (ICT)	2.198	2.480	0.282		3.061	2.480	(0.581)
Housing Revenue Account (HRA)	24.393	22.594	(1.799)		27.007	22.594	(4.413)
<b>Total</b>	<b>181.031</b>	<b>88.530</b>	<b>(92.501)</b>		<b>107.248</b>	<b>88.530</b>	<b>(18.718)</b>

- 4.6.3 The net variance against the final adjusted approved capital programme includes the addition of the 2018/19 outturn slippage of £9.316m plus further changes reported and approved at Cabinet throughout the year. The net programme variance is analysed in table below:

<b>Programme Variance</b>	
<b>Reason for Variance</b>	<b>Amount £m</b>
Slippage	(14.349)
Spend Brought Forward	0.935
<b>Net Slippage</b>	<b>(13.414)</b>
Net underspends	(7.656)
Additional Spend Backed by Funding	2.352
<b>Total Programme Variance</b>	<b>(18.718)</b>

4.6.4 **Explanation of Programme Variances**

4.6.5 **Slippage**

The programme variance includes slippage of (£14.349m). Approval is sought to add this slippage to the 2020/21 capital programme. Details of slippage requests are listed in Appendix 2. Progress in 2020/21 will be reported as part of the planned monitoring to Cabinet.

#### 4.6.6 **Net Scheme Underspends**

The net underspend of (£7.656m) is predominantly due to underspends within the Housing Revenue Account, Regeneration and Vehicles Plant and Equipment programmes. The main areas are explained in the body of the report and include:

- I. HRA underspend of (£3.702m)
- II. Regeneration underspend (£1.706m)
- III. VPE underspend (£2.073m).

#### 4.6.7 **Additional Spend Backed by Funding**

£2.352m additional spend supported by associated funding has arisen. This additional spend is mainly due to the late addition of the waste treatment plant rectification costs of £2.140m.

#### 4.6.8 **Spend Brought Forward**

There is £0.935m spend brought forward from 2020/21. This has been necessary mainly due to schemes originally programmed for 2020/21 within the HRA, Property and Schools programmes being delivered earlier than anticipated. Main areas include:

- I. £0.133m for the Regeneration programme
- II. £0.216m for the Schools programme
- III. £0.277m for Property Improvement programme
- IV. £0.300m for the HRA programme.

A total list of all schemes requiring spend brought forward is detailed in Appendix 2.

#### 4.6.9 **Capital Programme - Main Outturn Variances**

4.6.10 The main variances between actual capital expenditure and the final adjusted approved budget are outlined by area below:

##### 4.6.11 **Schools**

The schools net outturn variance is (£0.482m). Significant variances are detailed below:

4.6.12 There is £0.347m net underspend for capital works delivered by schools devolved formula and healthy pupils capital funding. This is expenditure incurred and paid for by individual schools. Although included within the Schools capital programme the level of expenditure is not controlled or influenced by the Council.

##### 4.6.13 **Housing General Fund**

The Housing General Fund net outturn variance is (£0.049m). There are no significant variances.

##### 4.6.14 **Property Development (including Parks and open Spaces)**

The property improvement net outturn variance is (£1.804m). Significant variances are detailed below:

4.6.15 There is (£0.281m) slippage on the Guildhall roof covering scheme. This is due to survey findings as the original work to the roof progressed. Further intrusive survey work is now required to identify the full extent of the repairs. This will take the work into the next financial year.

- 4.6.16 There is (£0.215m) slippage on the Children's Homes – Enhanced Care Provision (ECP) building at Moorfields. The project is proceeding with the refurbishment and extension to the ECP Building. Delays have occurred due to the procurement of the contractor. Construction works have started on site with ground investigations and ground testing being carried out ready for sub structure.
- 4.6.17 The Oakwood Community Centre Refurbishment project has slipped by (£0.203m). Capacity within the Property Design and Maintenance (PDM) Team has meant the project started later than originally planned. A project manager has now been appointed.
- 4.6.18 **Flood Defence**  
The flood defence net outturn variance is (£1.258m). Significant variances are detailed below:
- 4.6.19 There is slippage of (£1.098m) on the Cuttlebrook flood alleviation scheme. Construction which was planned for Qtr.4 has been delayed due to the securing a ratified delivery agreement (external legal approval of the contract) with the preferred supplier. Design is now complete and stakeholder engagement is about to commence. Stakeholder engagement will influence any required adjustments to the design and ensure a smooth construction period on site. Budget has been retained to allow tree clearance works to take place during the optimum time, to comply with bird nesting season.
- 4.6.20 **Highways and Transport**  
The Highways and Transport net outturn variance is (£6.045m). Significant variances are detailed below:
- 4.6.21 There is (£1.822m) slippage on Highway Maintenance Schemes. This is due to the following:  
  
Inclement weather conditions are responsible for (£1m) of the slippage. There is (£0.201m) for the Lexington Rd scheme which was delayed due to flooding in Qtr.4. There is further slippage of (£0.371m) for surfacing/dressing as the planned programme of surface dressing was reduced in 2019/20 due to issues with the contractor. Although resolved this type of work has a narrow seasonal window, and there was insufficient time to work on the outstanding locations. In addition, it was decided to defer the installation of safety fencing at locations, where anti-skid surfacing is also required and do both elements simultaneously. This results in cost savings and less impact on highway users. There is (£0.250m) further road surfacing slippage due to a material specification issue, contractor availability and road permit delays.
- 4.6.22 There is a (£0.231m) variance on the Structure's Maintenance programme comprising (£0.183m) slippage and (£0.049m) underspend. The slippage is due to a combination of delays to the scheme caused by, third party access, flooding, insurance and compensation events together with the merging with 2020/21 schemes for efficiencies. The underspend refers to the programme of principal bridge inspections. The Council was unable to complete all scheduled inspections for 2019/20 because of access restrictions and weather conditions.
- 4.6.23 There is (£1.171m) variance (slippage £1.155m and underspend £0.017m) on the Strategic Network Management Programme. This is outlined below:

- 4.6.24 There is (£0.109m) slippage due to requirements to update the tender document for locations for the Traffic Signal Remote Monitoring tender linked to the Nitrogen Oxide (NO<sub>2</sub>) project. The Cleaner Taxis scheme has (£0.595m) slippage because it is on hold pending discussions between Joint Air Quality Unit, part of the Department for Transport (DfT) (JAQU) & DCC around implementation date of compliance targets.
- 4.6.25 There is (£0.090m) slippage on the Manor Road/Constable Lane scheme which requires a redesign due to the 40mph speed limit on the outer ring road and the proposed location of the controlled crossing. This means that greater visibility extents are required in order to meet design standards. The revised design will require more civil engineering works and the cost of delivering the scheme will increase considerably which will be met from the Highways and Transport programme in 2020/21.
- 4.6.26 There is (£0.119m) Cleaner Bus Fund slippage. This funding was passported to bus operator partners to enable them to retrofit their vehicle fleet to ensure compliance with Air Quality Standards, Arriva had a delay to completing their works, therefore the Council has reprofiled the funding provision accordingly.
- 4.6.27 There is (£0.242m) slippage for the HGV Retrofit scheme. The Council is in talks with the Department for the Environment and Food and Rural Affairs (DEFRA) over changes to the scheme. The technology that the grant was originally for is now obsolete. The Council would like to re-purpose this funding rather than return it.
- 4.6.28 The Smarter Choices programme has a variance of (£0.208m). This comprises of (£0.203m) slippage and (£0.005m) minor underspend across the programme. The slippage consists of (£0.15m) for the Littleover Priority scheme delayed due to the withdrawal of the Cycle Hire scheme. The scheme was withdrawn following a significant spate of thefts and vandalism to the bikes, this decision was reached following extensive discussions with Derbyshire Police, the operator and council colleagues. (£0.188m) slippage due to Local Growth Funded (LGF) grant schemes due to adverse weather, planning consents and 3rd party issues.
- 4.6.29 The A52 Transport Improvement scheme has slippage of (£1.036m). This is due to the February works (£0.928m) which were less than forecast because of a delay in surfacing caused by wet and cold weather and a delay in the works to install the attenuation tanks due to protracted design certification. The budget for the speed cameras (£0.108m) has been slipped because the installation programme has been re-arranged around other site activities.
- 4.6.30 There is (£1.125m) slippage on the Transforming Cities scheme. (£0.950m) due to the grant funded project which has been delayed. Several projects have proved more difficult to deliver due to problems with third party landowners and there have been changes in scope to other projects which has increased their complexity. Preliminary works were scheduled to start on site in Qtr.4 and work is taking place to finalise funding agreements with Derbyshire County Council on complimentary public transport improvements.
- 4.6.31 A52 artwork scheme (£0.100m). It was agreed under delegated approval by the Chief Executive and the Leader in February that a scheme to affix plaques to the A52 bridge would be added to the programme and funded through Highways and Transport underspends. This scheme has been added to the capital programme.

#### 4.6.32 **Vehicles Plant and Equipment**

The vehicles plant and equipment net outturn variance is (£0.227m). Significant variances are detailed below:

- 4.6.33 The replacement refuse vehicle programme has underspent by (£1.584m). The underspend is due to the Zero carbon omission strategy Clean Air Zone - (CAZ Funding) being halted. The original purpose of this funding was to replace corporate vehicles earlier than planned if a Clean Air Zone with a charging zone was introduced, this would enable the corporate vehicle fleet to achieve compliance with air quality standards. Unfortunately, a charging zone was not pursued, and the replacement of vehicles did not need escalating. However, following the adoption of the clean vehicle strategy, the council would seek to use this funding to part fund the implementation of that strategy. £0.330m slippage is required to fund electric vehicles.
- 4.6.34 The capital programme includes spend of (£2.140m) for the Waste Treatment Plant (WTP). This is the capitalisation of 2019/20 costs linked to the WTP project assessment and rectification being allowable under capitalisation guidance.
- 4.6.35 There is a (£0.377m) variance on the reintroduction of the Garden Waste Scheme. This comprises (£0.158m) slippage and (£0.219m) underspend. The slippage is as a result of insufficient brown bin storage capacity within the council and the need to drive the public to sign up to the brown bin scheme. The underspend is due to the price reduction for the vehicle purchases.
- 4.6.36 **Regeneration**  
The regeneration programme net outturn variance is (£3.86m). Significant variances are detailed below:
- 4.6.37 There is (£0.495m) slippage for the initial Infinity Park Derby (IPD) infrastructure scheme. The variance relates to the payment of utilities work at IPD which was anticipated to conclude before the end of 2019/20. This matter has been delayed due to finalising the contractors claim and will be concluded in early 2020/21 and a final payment made to the supplier then.
- 4.6.38 There is (£0.483m) slippage for the lhub plot preparation scheme. The completion on the purchase of land at IPD had been programmed in for 2019/20. However, the Council were unable to complete on the purchase before the end of the financial year due to prioritisation of resources to secure further development at IPD. It will now conclude in early 2020/21.
- 4.6.39 The Brook realignment scheme has a total scheme cost variation of (£0.393m). This is due to the spend on this scheme having to be treated as revenue rather than as capital as it relates to feasibility design and planning application costs prior to any scheme being fully defined to deliver the brook realignment. Of the total variance, £0.164m is a capital underspend resulting from actual spend in 2019/20 moved to revenue as it could not be treated as capital and required a revenue/capital switch with another capital scheme to provide the necessary revenue funding for this scheme, and slippage of £0.229m which will be required for a future revenue/capital switch.

- 4.6.40 There is a (£1.260m) capital variance for the refurbished Assembly rooms scheme. Following the decision by the Council in January to cease the scheme to refurbish the Assembly Rooms, a proportion of the costs incurred which directly related to the delivery of structural and internal enhancement works on the building have moved to revenue as abortive costs therefore reducing the need for the capital budget. Abortive costs for the scheme amounted to £1.287m which have been transferred to revenue. The scheme was part funded from revenue reserves and therefore the abortive costs can be met from these resources. Approval is sought to use the Assembly Rooms reserves for the abortive costs. The remaining Assembly Rooms enhancement budget is not being removed from the capital programme at this stage.
- 4.6.41 There is (£0.316m) slippage on the Derbyshire Business Support Grant scheme (DBSG). There has been a significant and unexpected delay between the signing of Grant Agreements with recipients and receiving claims from those businesses for grant payments to be made. This is due to businesses taking longer than expected to start their projects and waiting until the end of their project to submit one consolidated claim.
- 4.6.42 Additional spend of £0.278m has been incurred on the Our City Our River (OCOR) Package 2 (PK2) scheme. The budget did not include unforeseen costs associated to the delivery of the European Regional Development Fund (ERDF) Munio project. The most significant was the muck shifting exercise in the Riverlights site. The Munio project was aware of a significant amount of spoil on the Riverlights site but had envisaged being able to work around it. This was not the case and as the costs for this work are not eligible under ERDF regulations, the costs were attributed to the PK2 code (non -Munio) instead.
- 4.6.43 There is a (£0.462m) variance on the OCOR Munio scheme comprising (£0.184m) slippage and (£0.278m) underspend.
- 4.6.44 The (£0.184m) slippage is as a result of incumbent weather conditions and remaining reinstatement, landscape and environmental works such as planting and seeding that could not be delivered by the end of March 2020. These works are now planned to take place before the end of the summer 2020, subject to final agreement of requirements for the contractor for Covid 19 safe working conditions.
- 4.6.45 The (£0.278m) underspend is due to the original Munio forecast including the costs for the muck shift requirements at the Riverlights site, was not eligible for inclusion in the Munio ERDF activities. The costs for muck shift were subsequently met from the OCOR package 2 as part of the overarching capital costs for OCOR.
- 4.6.46 **ICT**  
The ICT net outturn variance is (£0.581m) variance. Significant variances over are detailed below:

- 4.6.47 ICT has (£0.460m) slippage on the Major IT Hardware Developments scheme. The roll-out of Windows 10 as part of the Digital Workforce programme has been delayed slightly to ensure the devices are robust and secure. Therefore, there are several elements to slip into 20/21:
- I. Collaborative Enablement of Council House (Skype Meeting Facilities)
  - II. End User Device Refresh Programme
  - III. Extending the appointed Packaging engineer by 2 months to help the Council move to Windows 10.
- 4.6.48 **HRA – Capital Programme**  
The HRA net outturn variance is (£4.413m). Significant variances are detailed below:
- 4.6.49 There is a (£0.466m) underspend on the replacement kitchens and bathrooms scheme. The numbers of kitchen and bathrooms replaced were in line with expectations, but a higher number of adapted wet rooms were funded from the Disabled Adaptations budget which has led to the underspend.
- 4.6.50 There is a (£0.503m) underspend on the reroofing scheme due to delays in setting up a Derby Homes based contract. Additionally, bad weather in Qtr.4 has delayed some of the programmed catch up works.
- 4.6.51 There is a (£0.445m) underspend on the new and replacement central heating programme. Fewer numbers (approx. 275) of replacement boilers were fitted as the team spent more time than expected on completion of air source heating works, hence delaying gas boiler replacements.
- 4.6.52 The emergency call replacement system scheme has slippage of (£0.250m). The project was initially scoped to procure a supply and fit contract for up to 2400 plug and play telecare kits, compatible with the Council's telecare mainframe system. This was subsequently expanded by the joint working group to include the removal of obsolete units, installation of additional electric sockets, supply and fit of compatible smoke alarms, and logistical and infrastructure support to roll out the scheme, which delayed delivery.
- 4.6.53 Prior to 23 March 2020, the Council were anticipating being able to place the order for the supply of the new emergency call systems and commence the upgrade in existing homes. The Service are currently evaluating when it will be appropriate to place this order, this will be based on the supplier's ability to deliver and safely install the units in customers' homes. As most of these customers are likely to be in the shield and protect groups, there is an anticipated delay of at least three months before this work can commence.
- 4.6.54 There is a (£2.644m) variance on the New Build and acquisitions programme comprising (£0.546m) slippage, (£2.398m) underspend and £0.300m spend brought forward:



- 4.6.55 The underspend of (£2.398m) occurred as the purchase of a development of 14 new homes for £2m neared completion, prior to contract being signed, the developer chose to sell the properties on the open market. In addition, there was an expected underspend on acquisitions for Qtr.4. The properties had been identified and were in the conveyance process, but the council were unable to complete the purchase prior to the commencement of the lockdown due to Covid 19.
- 4.6.56 Slippage has occurred across several sites. There have been some delays on site works due to weather which has resulted in properties not being completed within the original build programme. In addition, some works have not commenced due to a delay with service disconnection. The Council are also accessing a framework for tenders that we have not used before. This framework uses several standard contract clauses and we have had to work through the contract document to ensure their relevance to the service requirements. This due diligence has resulted in a delay.
- 4.6.57 Spend brought forward of £0.300m was necessary as the original start on site for the Parliament Street development was delayed but the developer has subsequently been able to accelerate the build programme. The overall cost has not increased.

#### 4.7 **Treasury Management**

All Treasury Management activities in Qtr.3 were in accordance with the Treasury Management Strategy 2019/20, approved by Full Council Cabinet on 13<sup>th</sup> February 2019 and are within CIPFA's Prudential Code for Capital Finance in Local Authorities.

- 4.7.1 The Treasury Management outturn shows a net underspend for 2019/20 of (£0.3m). This compares to the forecast underspend of (£0.8m) previously reported at quarter 3. The underspend for 2019/20 was mainly achieved due to:
- I. Minimum Revenue Provision (MRP) is less than originally forecast due to reduced unsupported borrowing in 2018/19, as a result of slippage in the capital expenditure in 2018/19. (£0.7m) saving
  - II. The historic split between debt charges allocated to the General Fund and HRA has been amended to reflect the application of capital receipts for the redemption of debt. £0.7m general fund pressure
  - III. Higher investment balances and higher interest rates than forecast, in part due to slippage in the capital programme. (£0.3m) saving.

The Treasury Management underspend has been transferred to the Treasury Management Reserve.

- 4.7.2 The Council continues to have a prudent approach to Treasury Management in that it does not borrow more than it needs, due to the cost of carry where interest rates on loans is significantly higher than the return the Council would receive on cash investments. It only lends to approved financial institutions, and this discipline is enforced by reviewing the approved list of counterparties, which is regularly updated in consultation with the Council's treasury advisors and the Director of Financial Services.
- 4.7.3 For 2019/20 all prudential indicators and limits as have been adhered to (apart from breaching the maximum balance to be held with Lloyds, our main bank, on one occasion). Details are included in the body of the report.

#### 4.7.4 **The Financial Markets During 2019/20**

The information relating to the overall global position of the UK financial markets in 2019/20 was provided by our treasury advisors, who continue to update the Council with on-going market activity and interest rates.

4.7.5 The UK's exit from the European Union and future trading arrangements, had remained one of major influences on the UK economy and sentiment during 2019/20. Politics played a major role in financial markets over the period as the UK's tenuous progress negotiating its exit from the European Union together with its future trading arrangements drove volatility, particularly in foreign exchange markets. The outcome of December's General Election removed a lot of the uncertainty and looked set to provide a 'bounce' to confidence and activity.

4.7.6 Coronavirus swiftly changed everything. COVID-19, which reportedly first appeared in China in December 2019, started spreading across the globe causing falls in financial markets.

4.7.7 In response to the spread of the virus and sharp increase in those infected, the government enforced lockdowns, central banks and governments around the world cut interest rates and introduced massive stimulus packages to reduce some of the negative economic impact to domestic and global growth.

4.7.8 The Bank of England, which had held policy rates steady at 0.75% through most of 2019/20, moved in March to cut rates to 0.25% from 0.75% and then swiftly thereafter brought them down further to the record low of 0.1%. In conjunction with these cuts, the UK government introduced several measures to help businesses and households impacted by a series of ever-tightening social restrictions, culminating in pretty much the entire lockdown of the UK.

4.7.9 After starting positively in 2020, the FTSE 100 fell over 30% at its worst point with stock markets in other countries seeing similar huge falls. In March sterling touched its lowest level against the dollar since 1985. The measures implemented by central banks and governments helped restore some confidence and financial markets have rebounded in recent weeks but remain extremely volatile.

#### 4.7.10 **Local Context**

On 31st March 2020, the Council had net borrowing of £282.053m a decrease on 31 March 2019 of £2.080m. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. These factors and the year-on-year change are summarised in table 1 below.

#### 4.7.11 **Table 1: Balance Sheet Summary**

	<b>31/03/19 Actual £m</b>	<b>2019/20 Movement £m</b>	<b>31/03/20 Actual £m</b>
General Fund CFR	400.841	34.464	435.305
HRA CFR	233.878	(19.059)	214.819
<b>Total CFR</b>	<b>634.719</b>	<b>15.405</b>	<b>650.124</b>
Less: Other debt liabilities *	(91.245)	(2.523)	(88.722)
<b>Borrowing CFR</b>	<b>543.474</b>	<b>17.928</b>	<b>561.402</b>
Less: Usable reserves	(222.483)	(11.824)	(210.659)
Less: Working capital	(36.858)	31.832	(68.690)
<b>Net borrowing</b>	<b>284.133</b>	<b>(2.080)</b>	<b>282.053</b>

\*finances leases, PFI liabilities and transferred debt form part of the Councils total debt

- 4.7.12 Net borrowing is very similar between 2018/19 and 2019/20. Although the CFR has increased between the two years, so has the working capital held by the council.
- 4.7.13 The Council's strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing, in order to reduce risk and keep interest costs low. The treasury management position as at 31st March 2020 and the year-on-year change is shown in table 2 below.

#### 4.7.14 **Table 2: Treasury Management Summary**

	<b>31/03/19 Balance £m</b>	<b>2019/20 Movement £m</b>	<b>31/03/20 Balance £m</b>
Long-term borrowing	340.070	(2.353)	337.717
Short-term borrowing	11.901	9.308	21.209
<b>Total borrowing</b>	<b>351.971</b>	<b>6.955</b>	<b>358.926</b>
Long-term investments	0.000	0.000	0.000
Short-term investments	20.000	9.000	29.000
Cash and cash equivalents	47.838	0.035	47.873
<b>Total investments</b>	<b>67.838</b>	<b>9.035</b>	<b>76.873</b>
<b>Net borrowing</b>	<b>284.133</b>	<b>(2.080)</b>	<b>282.053</b>

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

- 4.7.15 Total borrowing has increased between 2018/19 and 2019/20, meaning that we have taken out more new loans than those the council have repaid. This increase in borrowing has led to higher cash balances which have been invested on a short-term basis.

#### 4.7.16 Investment Activity

The Council holds invested funds, representing income received in advance of expenditure plus balances and reserves held. During 2019/20, the Council's investment balance ranged between £44.873m and £109.255m due to timing differences between income and expenditure. The year-end investment position and the year-on-year change is shown in table 3 below.

#### 4.7.17 **Table 3: Treasury Investment Summary**

Counterparty	31/03/19 Balance £m	2019/20 Movement £m	31/03/20 Balance £m
Banks & building societies (unsecured)	1.373	(0.626)	0.747
Local Authorities	43.000	(14.000)	29.000
Money Market Funds	23.465	(10.339)	12.126
Local Government (DMO)	0.000	34.000	34.000
<b>Total investments</b>	<b>67.838</b>	<b>9.035</b>	<b>76.873</b>

The increase in investment in the DMO is linked to a decision by the Director of Financial Services to prioritise security over return in February/March linked to the global pandemic

4.7.18 The investment activity in 2019/20 together with a comparison for the previous year is summarised in table 4 below:

#### **Table 4: Treasury Investment Activity**

	2018/19	2019/20
Number of fixed-term deposits made	41	51
Number of instant access and money market accounts used	11	10
Number of deposits/withdrawals from money market funds/call accounts	72	112
Value of deposits/investments held at 31 March	£67.838m	£76.873m
Average size of deposit/investment portfolio	£93.098m	£86.594m
Average size of Lloyds Balance (operational)	£8.999m	£9.879m
Total interest earned on deposits/investments (including Lloyds)	£0.661m	£0.695m
Average Return on deposits/investment portfolio	0.57%	0.73%

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

- 4.7.20 To continue these objectives and given the increasing risk and low returns from short-term unsecured bank investments, the Council has continued to keep the use of these to a minimum. It has continued to use fixed term deposits with other Local Authorities as these are more secure. The interest rates for instant access for Money Market Funds (MMF) remained attractive and the Council have continued to make good use of this type of investment. During March the Council have elected to place some funds in the safe haven that is the DMO. This is due to market uncertainty amid COVID-19.
- 4.7.21 The credit risk and return metrics for the Council investments extracted from our treasury management adviser's quarterly investment benchmarking is shown in table 5.

**Table 5: Investment Benchmarking**

	Credit Score*	Credit Rating	Bail-in Exposure	WAM** (days)	Rate of Return
30.09.2019	4.05	AA-	43%	40	0.76%
31.12.2019	4.04	AA-	42%	51	0.72%
31.03.2020	3.70	AA-	15%	54	0.47%
<b>Similar LA's</b>	4.26	AA-	62%	52	1.31%
<b>All LAs</b>	4.03	AA-	56%	20	1.23%

\*The lower the credit score the lower risk

\*\* Weighted Average Maturity

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

#### 4.7.22 **Borrowing Activity 2019/20**

As at the 31 March 2020 the total external debt portfolio of the Council (including HRA debt and other long- term liabilities) was £446.672m, this is a result of the strategy for funding previous years' capital programme. The analysis of external debt outstanding at 31 March 2020 is shown in the table 6 below:

**Table 6: External Debt at 31 March 2019 and 2020**

	£m	£m
	As at 31 March 2019	As at 31 March 2020
<b>External Borrowing:</b>		
- Fixed Rate PWLB	303.288	312.926
- Fixed Rate Market	20.000	20.000
- Other Local Authorities	25.000	25.000
- Local Enterprise Partnership (LEP)	1.417	0.000
- SALIX Energy Efficiency	1.532	1.207
University of Derby	0.733	0.666
<b>Total External Borrowing as at 31 March</b>	<b>351.970</b>	<b>358.927</b>
<b>Other Long-term Liabilities:</b>		
- Transferred Debt from other Local Authorities	0.405	0.318
- PFI Financing	90.801	87.427
<b>Total Gross External Debt at 31 March</b>	<b>443.176</b>	<b>446.672</b>

- 4.7.23 In March 2020 new borrowing of £20m was taken from PWLB for a period of one year. This was to take advantage of the current favorable interest rates and to reduce the element of the capital programme funded from internal resources. In turn this increased our cash balances and gave us more flexibility to meet the cashflow requirements of dealing with COVID-19.
- 4.7.24 Our Local Enterprise Partnership (LEP) loans have been repaid in full, with no early settlement charge. These were at a higher interest rate than the council are now able to borrow and repaying them has generated a revenue saving.
- 4.7.25 During 2019/20 The Royal Bank of Scotland sold our Lender's Option Borrower's Option (LOBO) loans to another institution. On transfer these converted to standard fixed interest rate loans, meaning that there is no longer a risk to the authority that the interest rate attached to these loans will increase in the future.
- 4.7.26 **Compliance Report**  
All but one treasury management activity undertaken up to 31<sup>st</sup> March 2020 complied fully with the approved Treasury Management Strategy. On one specific date, the council breached the £15m limit by £0.104m to be held with our bank, Lloyds. This is because the council received more than £1m of unexpected income via CHAP's after the daily dealing had been completed. Compliance with specific investment limits are demonstrated in Table 7 below.

**Table 7: Investment Limits**

	2019/20 Maximum	2019/20 Limit	Complied
The Councils Banking Provider – Lloyds	£15.1m	£15m	x
Any single organisation, except the UK Central Government (excluding the operational bank)	£10m	£10m	✓
Any group of pooled funds under the same management	£16m	£20m	✓
Money Market Funds (MMF)	£8m	£8m	✓

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

**Table 8: Debt Limits**

	2019/20 Maximum £m	31/03/19 Actual £m	2018/19 Operational Boundary £m	2018/19 Authorised Limit £m	Complied
<b>Total borrowing and long-term liabilities</b>	<b>447.6</b>	<b>447.6</b>	<b>673.1</b>	<b>832.7</b>	✓

#### 4.7.28 **Treasury Management Indicators**

The authority measures and manages its exposures to treasury management risks using the following indicators.

- 4.7.29 Security: The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit score of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk
- 4.7.30 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.
- 4.7.31 Table 9 shows the target for the portfolio average credit score and the actual for 2019/20:

**Table 9: Security Indicator - Portfolio average credit score**

	Target	Actual
Portfolio average credit score	3.00	2.37

- 4.7.32 The actual credit score is below the target showing the exposure to credit risk in the year to date achieved has been lower than the target set this is due to higher credit quality investment being used over lower credit quality investment. This is because of the use of fixed term deposits with Local Authorities, the Debt Management Office and high credit quality MMF's.
- 4.7.33 **Interest rate exposure indicator**  
A further locally set prudential indicator relates to interest rate exposure and measures the extent to which the authority is exposed to changes in interest rates. It shows the split of borrowing and investments between fixed and variable rates, and the maturity profile of long-term loans. Fixed investments and borrowings are those where the rate of interest is fixed for the whole financial year or from the transaction date if later. Instruments that mature during the following financial year are classed as variable rate.
- 4.7.34 The upper limits on the one-year revenue impact of a 1% rise or fall in interest rates as at 31 March 2020 are shown in Table 10 below:

**Table 10: Interest Rate Exposure**

will be:

Interest rate risk indicator	Limit	Complied
Upper limit on one-year revenue impact of a 1% rise in interest rates	<b>£145,000</b>	✓
Upper limit on one-year revenue impact of a 1% fall in interest rates	<b>£500,000</b>	✓

- 4.7.35 These figures show that the Council has not exceeded any limits for the fixed and variable rate borrowing.
- 4.7.36 **Maturity Structure of Borrowing** - The actual maturity structure of borrowing as at 31 March 2020 has been compared to the loan maturity limit profile that was approved in the Treasury Management Strategy 2019/20. Table 11 below shows that this indicator has been met as follows:

**Table 11: Maturity Structure of Borrowing**

Number of Years to Maturity	Borrowing Profile Set per the 2019/20 Strategy	Actual Profile of Borrowing at 31 March 2020
	%	%
Up to 1 year	10	6
Up to 2 years	20	6
Up to 5 years	30	12
Up to 10 years	50	16
Up to 20 years	70	33
Up to 30 years	80	45
Up to 40 years	90	81
Up to 50 years	100	100

- 4.7.37 The final Treasury Management indicator required relates to the limit at any one time on investments with a period to maturity of more than 365 days. Investments made in 2019/20 were in accordance with this criterion and no investment made was greater than 365 days.

#### 4.8 Housing Revenue Account

The summary Housing Revenue Account budget variance is shown below:

Directorate position Outturn 2019/20	Original Budget	In Year Movements	Current Budget	Actual Expenditure	Percentage of Current Budget	Outturn Variance to Current Budget
	£m	£m	£m	£m	%	£m
Housing Revenue Account	4.507	0.000	4.507	0.682	15	(3.825)

- 4.8.1 The Housing Revenue Account includes only income and expenditure relating to the City's council 12,691 housing stock. It does not include Local Authority expenditure on other Housing services, for example support for Registered Social Landlords or Housing Benefit Payments. The purpose of the HRA is to separately identify the services that council tenants pay for through their rents as opposed to their Council Tax. It includes expenditure on Management and Maintenance of Council Housing and how these costs are met by Rents, Charges, Grants and other income.



- 4.8.2 The HRA shows an outturn deficit of £0.682m against a planned shortfall of £4.507m, this is a positive variance of £3.825m. The outturn deficit represents 1.16% of the total income generated of circa £58.974m across the HRA. It contributes to a reduction to HRA balances, including the Major Repairs Reserve, from £54.582m to £50.196m for 2019/20.
- 4.8.3 The main reasons for the variance includes overachievement of income against dwelling rents and other income, alongside lower than budgeted capital financing costs. A summary and supporting explanation of the key variances are provided at Appendix 4. The reserve is managed annually as part of the 30-year HRA Business Plan.
- 4.9 **Dedicated Schools Grant (DSG)**  
The final outturn position of the DSG is an overspend of £0.250m; this is a much favourable position than that forecast at Qtr.3. The Qtr.3 position reported the variance on the High Needs Block element only whereas some other areas of the non-delegated element of the DSG did produce an underspend.
- 4.9.1 Pressures within the High Needs Block continued as forecast with a final overspend of £2.1m compared to £2.6m as forecasted at Qtr.3. A favourable national increase in grant for High Needs in 2020/21 will hopefully help mitigate some of those pressures going forward but will still some system redesign and a transformational work programme to ensure that demand, which continues to rise, does not exceed the funding allocations. Reducing the pressure on the High Needs Block was an underspend in the Specialist Teaching Teams of (£0.24m) relating to a restructure and additional income generated.
- 4.9.2 The Early Years Block underspent by (£0.7m) however this will be adjusted in the 2020/21 DSG allocation as the High Needs Block is the only element of the DSG that is calculated on a participation basis (actual activity affects the grant allocation the following financial year). An in year DSG adjustment relating to the previous year's Early Years Block and adjustments made for cross boundary placements resulted in a one off (£0.6m) underspend.
- 4.9.3 Other variances amounting to an underspend of (£0.3m), predominantly business rates, reduced the overall overspend.
- 4.10 **Collection Fund**  
The Collection Fund is a separate account that the Council has a statutory duty to maintain outside of the General Fund. The Collection Fund Statement shows the transactions of the billing authority in relation to collection of Council Tax and Non-Domestic Rates and the redistribution to its preceptors.
- 4.10.1 The Collection Fund is intended to break-even but is dependent largely on the robustness of the estimates and recovery levels of the amount of Council Tax and Non-Domestic Rates collected. It involves forecasting the income due from all properties including the effect of exemptions and discounts across the City. Surpluses and deficits declared on the collection fund are apportioned to the relevant precepting bodies in subsequent years.

#### 4.10.2 Council Tax

The actual deficit on Council Tax at 31 March 2020 is £1.477m. This is an increase of £0.341m from the position reported at Qtr.3 This is mainly due to write-offs in Qtr.4 of £0.319m.

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

Derby City Council	£1.224m	82.9%
Derbyshire Police and Crime Commissioner	£0.187m	12.6%
Derbyshire Fire and Rescue	£0.066m	4.5%
	<b>£1.477m</b>	

#### 4.10.4 Non-Domestic Rates

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

#### 4.10.5 The actual deficit for Business Rates at 31 March 2020 is £4.223m. The forecast deficit at Qtr.3 was £3.584m; the main reason for this increase is due to write-offs of £0.739m in the last quarter.

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

Derby City Council	£1.969m*	49.0%
Central Government	£2.211m*	50.0%
Derbyshire Fire and Rescue	<u>£0.043m*</u>	1.0%
	<b>£4.223m</b>	

\* Due to the participation in the pilot scheme in 2018/19 Central Government do not receive a share of the difference between the estimated and actual 2018/19 NNDR deficit however they do still receive a share of the current year deficit calculated.

#### 4.10.7 The total deficit of the two collection funds of £3.193m (£1.969m NDR + £1.224m Council Tax) which relates to the City Council will be transferred from the collection fund from 2019/20 and planned into future financial forecasts accordingly.

### Public/stakeholder engagement

#### 5.1 None directly arising.

### Other options

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

## Financial and value for money issues

7.1 The financial and value for money 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 has met its statutory requirement to deliver a plan for a balanced budget.

## Other significant implications

### 9.1 Environmental Sustainability

The report sets out the implications of the capital programme.

### 9.2 Risk Management and Safeguarding

The report demonstrates it has the resources available to deliver the Council's Services.

### 9.3 Corporate objectives and priorities for change

The budget provides the financial resources to deliver key objectives and priorities.

### 9.4 Equality implications

Equality impact assessments are produced when setting the Councils budget.

This report has been approved by the following people:

Role	Name	Date of sign-off
<b>Legal</b>	Olu Idowu – Head of Legal Services	25/06/2020
<b>Finance</b>	Toni Nash – Head of Finance	25/06/2020
<b>Service Director(s)</b>		
<b>Report sponsor</b>	Simon Riley – Director of Financial Services	22/06/2020
<b>Other(s)</b>	Ann Webster - Lead on Equality & Diversity	25/06/2020
	Liz Moore – Head of HR	25/06/2020
For more information contact:	Toni Nash: <a href="mailto:Toni.Nash@derby.gov.uk">Toni.Nash@derby.gov.uk</a>	
Background papers:	None	
List of appendices:	Appendix 1 – Statement of reserves Appendix 2 – Capital Programme slippage/spend brought forward requests Appendix 3 – PFI reserve movements Appendix 4 – Housing Revenue Account – Outturn Analysis	

## Statement of Reserves

Statement of Reserves	2019/20 Opening Balance £m	In Year Movement £m	2019/20 Closing Balance £m
<b>General Fund</b>			
Unallocated General Fund Balance	(10,933)	0	<b>(10,933)</b>
Balances Held By Schools	(8,049)	2,183	<b>(5,866)</b>
<b>TOTAL</b>	<b>(18,982)</b>	<b>2,183</b>	<b>(16,799)</b>
<b>Revenue Earmarked Reserves</b>			
Budget Risk Reserve	(23,904)	10,858	<b>(13,046)</b>
Covid 19 Impact Reserve	0	(7,142)	<b>(7,142)</b>
Central Schools Budget Reserve	(2,836)	254	<b>(2,582)</b>
General Insurance Reserve	(2,580)	(88)	<b>(2,667)</b>
Trading Services Reserve	(173)	56	<b>(117)</b>
Year-end grants with restrictions	(5,786)	1,912	<b>(3,874)</b>
DEGF Interest Reserve	(1,064)	347	<b>(717)</b>
Regeneration Fund Reserve	(1,988)	494	<b>(1,493)</b>
Assembly Rooms Reserve	(5,511)	3,481	<b>(2,030)</b>
CT Base Uplift Reserve	0	0	<b>0</b>
MTFP Specific Reserve	0	0	<b>0</b>
Delivering Change Reserve	(2,363)	326	<b>(2,036)</b>
Better Care Fund Reserve	(2,422)	1,483	<b>(939)</b>
Business Rate Pilot Reserve	(2,947)	41	<b>(2,906)</b>
Business Rates Smoothing Reserve	(6,995)	5,443	<b>(1,552)</b>
Treasury Management Reserve	(685)	(1,303)	<b>(1,987)</b>
Public Health Reserve	0	0	<b>0</b>
Adult Social Care Reserve	(421)	156	<b>(265)</b>
Capital Feasibility Reserve	(1,000)	81	<b>(919)</b>
Other Service Reserves	(10,348)	1,076	<b>(9,271)</b>
PFI Reserves	(27,716)	(1,313)	<b>(29,029)</b>
Earmarked Reserves to support the capital programme	(3,172)	918	<b>(2,254)</b>
<b>TOTAL</b>	<b>(101,908)</b>	<b>17,081</b>	<b>(84,827)</b>
<b>Housing Revenue Account (Ringfenced)</b>			
Housing Revenue Account (Ringfenced)	(47,993)	682	<b>(47,311)</b>
Major Repairs Reserve	(6,589)	3,704	<b>(2,885)</b>
<b>TOTAL</b>	<b>(54,582)</b>	<b>4,386</b>	<b>(50,196)</b>

# Capital Slippage to 2020/21 and Spend Brought Forward from 2020/21

## Appendix 2

Strategy area	Scheme	Amount	Funded By
		<b>Slippage</b>	
Schools	Devolved formula Capital	475,526	SCEC
Schools	Noel Baker BSF Scheme - agreed PFI contribution	16,000	GG
Schools	Markeaton Primary Capital Programme Scheme	19,375	UCB
Schools	School Access Initiative Projects	20,000	SCEC
Schools	Fire Risk Assessment Works	35,885	UCB
Schools	Ashgate Primary School- Final Phase Refurbishment	1,705	SCEC SCF
Schools	Derby Moor – 170 Place School Expansion	7,246	SCEC BN
Schools	Murray Park – 550 place school expansion	1,615	SCEC BN
Schools	Hackwood Farm Primary School - New School	27,511	SCEC BN
Schools	Mickleover Primary School - Fire Risk Mitigation Works	350	SCEC SCF
Schools	New Castleward School	28,313	GG
Schools	St Clare's Special School - Redevelopment	162	GG
H&T	Asset Management - Highways Maintenance	1,822,227	S106/UCB
H&T	Asset Management - Structures Maintenance	182,560	UCB
H&T	Air Quality Improvement Project	188,843	GG
H&T	Network Management - Strategic Network Management	1,154,500	UCB/GG/S106
H&T	Network Management - Local Traffic Management	72,439	UCB/S106
H&T	Active Travel - Smarter Choices	202,985	GG/UCB
H&T	Transforming Cities	1,124,599	GG
H&T	Public Transport - Public Transport	70,475	GG/UCB
H&T	A52 Strategic Transport Scheme	1,036,208	UCB
H&T	A52 Artwork	93,069	UCB
Property Improvement	Guildhall Roof Coverings	281,000	SCE (C)
Property Improvement	Stores Road Tram Shed Demolition	84,245	UCB
Property Improvement	Children's Homes - ECP Building at Moorfields	215,000	UCB
Property Improvement	Springwood Leisure Centre-Roof Repairs	44,200	UCB
Property Improvement	Pickford House Museum	80,000	UCB
Property Improvement	Central Library conversion to Museum	34,597	UCB
Property Improvement	Demolition works at Normanton Park	50,000	UCB
Property Improvement	2 Stanley Road - Roof Repairs	41,650	UCB
Property Improvement	Council House - Toilet Flushing Mechanism Replacement	15,000	UCB
Property Improvement	Council House - High Voltage Enclosure	10,000	UCB
Property Improvement	Council House - Replacement of CCTV	75,000	UCB
Property Improvement	Queens Leisure Centre - Emergency lighting upgrade	60,000	UCB

Strategy area	Scheme	Amount	Funded By
Property Improvement	Moorways Stadium - Structural repairs	130,000	UCB
Property Improvement	Lift Replacement/Maintenance	119,000	SCE (C)
Property Improvement	55 Coronation Avenue - Fire Precaution works	30,000	UCB
Property Improvement	Moorfield Rosewood - Fire Door Replacement	30,000	UCB
Property Improvement	Blagreaves Library - Replacement of Heating and Boiler System	118,000	UCB
Property Improvement	Friar Gate Studios - relocation of air conditioning unit	15,681	UCB
Property Improvement	Wisgreaves Pupil Referral Unit (PRU) - Boiler replacement	45,000	UCB
Property Improvement	Moorways Stadium - Replacement of boiler and associated equipment	100,000	UCB
Property Improvement	Property Rationalisation 2	10,000	UCB
Property Improvement	Arboretum Park	88,038	S106
Property Improvement	Darley Park Improvement	34,833	S106
Property Improvement	Chellaston Park	15,237	S106
Property Improvement	Roe Farm Play Area	7,044	S106
Property Improvement	Chellaston Brickwork Improvements	9,085	S106
Property Improvement	Local Authority Parks Improvement - HMCLG	14,261	GG
Property Improvement	Oakwood Park Improvements	67,000	S106
Property Improvement	Oakwood Community Centre Refurbishment	203,000	S106
Flood Defence	Cotton Brook Flood Alleviation Scheme	2,318	UBC
Flood Defence	Shardlow Road Drainage	6,879	UBC
Flood Defence	Cuttlebrook Flood Alleviation Scheme	1,097,993	UBC/GG
Flood Defence	Markeaton Brook Dredging	132,045	GG
Flood Defence	Markeaton Lane Phase 3	15,311	UBC
Regeneration	Our City Our River	12,373	UBC
Regeneration	Our City Our River - Package 1	76,426	UBC
Regeneration	Our City Our River - Munio	184,298	GG
Regeneration	Building Frontage Enhancement Scheme	44,185	UCB
Regeneration	City Centre Accelerated Development	30,000	UCB
Regeneration	T12 Phase 2	36,743	UCB
Regeneration	Marble Hall	7,090	EC
Regeneration	Darley Abbey Mills	17,762	SCEC
Regeneration	Derby Enterprise Growth Fund - Recycled	175,750	CR
Regeneration	IPD Wayfinding	60,668	GG
Regeneration	Ihub capital works AMRC	7,284	CR
Regeneration	Castleward Compulsory Purchase Orders (CPO)	129,881	GG/UBC
Regeneration	Victory Road Re-alignment	70,419	EC
Regeneration	Derbyshire Business Support Grants	316,440	RR
Regeneration	Cathedral Green	76,077	USFB
Regeneration	Project Mulberry	35,010	USFB
Regeneration	DE Carbonise	26,802	GG
Strategy area	Scheme	Amount	Funded By

Regeneration	Becket Well	38,126	CR
Regeneration	Infinity Park Derby (IPD) – Initial Infrastructure	495,235	UCB/SCEC
Regeneration	iHub plot preparation	483,479	SR/UCB/GG
HGF	Empty Property Assistance	36,626	EC
HGF	London Road refurbishment works	85,077	EC
HGF	Acquisition of Temporary Accommodation	27,799	EC
HGF	CPO Property - 20 Carson Road	9,331	EC
HGF	Disabled Facilities Grant 96 Act	113,122	GG
HRA	PVCU Windows & Doors	134,164	MRA
HRA	Emergency Call System replacement	250,000	MRA
HRA	Rewiring/Electrical Upgrades	30,446	MRA
HRA	Rivermead Refurbishment	30,000	MRA/CR
HRA	HRA Shops	20,000	MRA/CR
HRA	Riverview Site	48,497	MRA/CR
HRA	Berwick Avenue	50,000	MRA/CR
HRA	The Knoll New Build	49,478	MRA/CR
HRA	Gerard Street	19,239	MRA/CR
HRA	Carson Street	24,180	MRA/CR
HRA	Bracknell	60,006	MRA/CR
HRA	Hatfield Road	70,657	MRA/CR
HRA	Bridge Street	50,000	MRA/CR
HRA	Beaufort Business Centre	96,800	MRA/CR
HRA	Aida Bliss	77,336	MRA/CR
ICT	Major IT hardware Developments	460,201	SCEC
ICT	Replacement/ Retender Council Tax system	5,090	SCEC
ICT	Major IT Systems Developments	20,196	SCEC
ICT	DMC Scanners	100,000	SCEC
VPE	New Vehicle Fleet	135,356	UBCSF
VPE	Reintroduction of Garden Waste Scheme	158,498	SR/UBCSF
	<b>Total Slippage</b>	<b>14,349,155</b>	
		<b>Spend Brought forward</b>	
Schools	Design works for schemes to be completed in 2020/21	(36,465)	SCEC SCF
Schools	Capital works delivered by schools	(3,202)	SCEC SCF
Schools	Brackensdale Infant and Junior – Expansion Design	(56,493)	S106
Schools	Primary Phase Specialist Enhanced Resources Unit Alterations	(625)	SCEC SCF
Schools	Woodlands Lane Chellaston Secondary s106	(4,744)	S106
Schools	Fellows Lands Way Primary s106	(110,143)	SCEC BN
Schools	The Bemrose School - Special Educational Needs (SEN) Unit	(4,860)	SCE C BN
Property Improvement	Swimming Pool New Build	(190,226)	USB
Property Improvement	Planned Maintenance	(86,534)	UBC
Flood Defence	Wilmore Road Rain Gardens	(4,389)	UBC
Regeneration	Market Hall Refurbishments	(64,686)	CR
Regeneration	Access Osmaston	(41,027)	CR/GG
Regeneration	Performance Venue	(26,870)	SR
HRA	Parliament Street	(300,214)	MRA/CR
ICT	People Services IG Improvements	(4,436)	
	<b>Total Spend Brought Forward</b>	<b>(934,914)</b>	
	<b>Net Slippage/Spend Bfwd</b>	<b>13,414,241</b>	

#### Key of Funding Sources

Supported Capital Expenditure Capital	SCE C
---------------------------------------	-------

Supported Capital Expenditure Capital - Basic Need	SCE C BN
Supported Capital Expenditure Capital – School Condition Funding	SCE C SCF
Major Repairs Allowance	MRA
Capital Receipts	CR
Government Grants	GG
External Contributions	EC
Unsupported Borrowing corporate	UBC
Unsupported Borrowing Service Financed	UBCSF
Section 106 contributions	S106
Service Reserves	SR



## 2019/20 Private Finance Initiative Reserve Movements

For all PFI schemes PFI credits are received in year from the government departments to support the PFI business models and contractual commitments any surplus at the end of the year is transferred to a PFI reserve and any deficit is met from the accumulated surplus PFI credits held in the PFI reserves. The transfers to and from the PFI reserves in 2019/20 are detailed in the table below and are required to be approved.

<b>Transfer to Reserves</b>	<b>£m</b>
Building Schools for the Future (BSF) PFI Reserve	0.804
Grouped Schools PFI Reserve	0.594
Housing PFI reserve	0.150
<b>Transfer from Reserve</b>	<b>£m</b>
Street Lighting Reserve	0.220
Facilities Management Reserve for Grouped Schools PFI	0.014

## Housing Revenue Account – Outturn Analysis

The outturn position for 2019/2020 shows cumulative resources of £50.196m, a reduction of £4.386m on the previous year's position. The table below shows the variations at outturn.

	£m
Estimated outturn in 2019/20	4.507
Variations at outturn:	
Overachievement of rents / service charges	(2.541)
Reduced provision for bad debts	(0.704)
Lower capital financing costs	(1.189)
Higher than budgeted accommodation costs	0.385
Other minor variances	0.224
Use of HRA general reserves 2019/20	0.682
Use of Major Repairs Reserve	3.704
Total reduction in HRA resources	4.386
Total reserves 2018/19	(54.582)
Total reserves 2019/20	(50.196)
Of which:	
Major repairs reserve	(2.885)
General reserves, including contingency	(47.311)
Total reserves 31 March 2020	(50.196)