

## South Holland District Council

### Financial Report for the quarter ending September 2015

#### Revenue Budget

#### General Fund

Total Budget requirement for the year is £12,403,000 as approved by Council on 20<sup>th</sup> February 2015.

Forecast out turn for 2015/16 is £12,227,000 (98.4%) which is £176,000 lower than budget and is analysed in Table 1

**Table 1 –Revenue forecast Outturn**

Significant Variances	Expenditure	Income	Total	Comments
	£'000	£'000	£'000	
<b>Corporate Contingency</b>	24	(55)	(31)	<b>Brought forward from Q1</b>
<b>Recurring</b>				
HRA Service review		(384)	(384)	Review of HRA services & costs
Recurring variances exercise	(60)	(18)	(78)	Agreed with Budget Holders
Homelessness grants budget	(28)		(28)	Commitments review based on demand
lease mowers	(25)		(25)	New Lease planned savings achieved
Members Pensions	(29)		(29)	Pension scheme ceased.
CPBS contract inflation	(39)		(39)	1% contract inflation not agreed
<b>Sub Total recurring savings</b>	<b>(181)</b>	<b>(402)</b>	<b>(583)</b>	
<b>One off</b>				
Statutory Accounting Adjustments	1,213		1,213	Accelerated funding of 2014/15 Waste vehicles
ICT - Invest to Save	35		35	Oracle licences. £20k p.a.Savings going forward
Transfer from Ear marked reserves		(389)	(389)	Council Tax reserve
Capital Expenditure Financed from Revenue		(164)	(164)	Application of Useable Capital Receipts
Investment Income		(25)	(25)	Improved investment returns
Legal services	(38)	(26)	(64)	Demand led service / 2014/15 surplus
<b>Sub Total One off adjustments</b>	<b>1,210</b>	<b>(604)</b>	<b>606</b>	
<b>Total Corporate contingency</b>	<b>1,053</b>	<b>(1,061)</b>	<b>(8)</b>	
Funding - NNDR Baseline Income		(139)	(139)	Subject to latest appeals data
Funding - New Homes Bonus		(10)	(10)	Final Determination
Funding - New Burdens		(19)	(19)	DCLG Grant
<b>Sub Total Funding adjustments</b>		<b>(168)</b>	<b>(168)</b>	
<b>Total Forecast budget savings</b>	<b>1,053</b>	<b>(1,229)</b>	<b>(176)</b>	<b>Total Savings forecast</b>

**HRA & Other Recurring Savings (£583,000)**

## **Housing Revenue Account (HRA) Service Review (£384,000)**

A review of all services provided to the HRA has been completed as part of the Medium Term Financial Plan for 2016-17 to 2019-20

Compass Point Business Services activities in respect of: Rent income; rent accounting; responsive repairs & maintenance and Capital Programme accounting were examined as additional management activity is present in all these areas. Apportionment of costs was further examined as our partner Authority (East Lindsey District Council) no longer has an active HRA. Additional costs of approximately £150k were identified and the cost allocation model adjusted accordingly.

Treasury management, including debt management is an integral part of the function of the HRA. This was identified separately under the Housing Subsidy Regime but was omitted from the budget and Business plan approved under self financing regulations. Cost of £75k including treasury advisory service has been identified (£43k in 2011 before additional borrowing of £67m) and this is now being correctly charged to the HRA.

Corporate & Democratic core costs have not been reviewed since the inception of self-financing and have been charged at £335k without adjustment. Corporate management budgets and Members activities & costs have been reorganised during this time and an additional £75k approx. is to be charged to the HRA based on an officer assessment of management & member time required for strategic management of the service.

Member's budgets for Area wide improvements are currently funded entirely from the General fund and a £19k contribution from the HRA based on good Landlord practise has been identified.

Landlord services within the HRA are also being examined in respect of core / non-core activities. Life-line alarms are classified as non-core and therefore management of the function is to be transferred to Community Development. As part of this transfer £65k of income from services to private residents has been identified which will be subject to commercialisation in the future and accordingly will be accounted for in the Community Development Budget. Other potential community assets are currently being examined for inclusion in future commercialisation projects including garages / car parking spaces for rent.

## **Other Recurring Savings (£199,000)**

All budgets are subject to a rolling review and additional savings have been identified, and agreed with budget holders, during the current budget setting phase of the Medium term Financial Plan.

The Members Pension scheme has been closed with no new members being admitted in accordance with the Local Government Pension Scheme (Transitional Provision, Savings and Amendment) Regulations 2014 which came into effect on 1 April 2014. Regulation 26 revoked the previous councillor provisions. Budget reduction is in respect of new council contributions no longer necessary.

CPBS contract inflation applied in the 2015/16 Budget has been deleted as it has been agreed that this can be financed from efficiency savings in the contract.

## **Statutory Accounting Adjustments £606,000**

In 2014/15 Waste collection vehicles were replaced. Lease funding was used previously but this replacement programme was funded from cash balances rather than external financing. The use of these funds however constitutes internal borrowing which is reflected in a charge to the revenue budget based on the Minimum Revenue Provision (MRP) policy. This policy was changed in 2014/15, in line with central government guidelines, with the charge to revenue being based on the useful life of the asset rather than a 4% flat charge as per previous guidelines. Net cost of replacement vehicles was £1,507k (after Grant funding of approx. £500k) and the useful life of the vehicles is set at 7 years for Depreciation & MRP purposes giving an annual charge to the revenue budget of approx. £215k. This charge

contributed to the shortfall identified in the Medium Term Financial Plan and a change to Financing is recommended to avoid future pressure in the budget from this acquisition is as set out in table 2.

**Table 2 – Waste vehicles refinancing**

Area	£ 000's	£ 000's	Comment
<b>Acquisition cost</b>	<b>1,507</b>		
MRP in 2015/16 Budget	(294)		
<b>Net Balance to be Financed</b>		<b>1,213</b>	
In Year Savings	(707)		Corporate contingency
Useable Capital Receipts	(164)		Right to buy sales
Council Tax Reserve	(342)	(1,213)	One off charge
<b>Net Balance to be Financed</b>		<b>0</b>	

**NB:** Treatment of technical adjustments in the annual statement of accounts has been provisionally agreed with the external Auditors using voluntary MRP.

Due to invigorated Right to buy regulations annual sales of dwellings have increased to 20 from 7 assumed in the HRA Business plan. A portion of the receipts from these sales is available for capital expenditure in the Authority in respect of affordable housing or any other purpose as defined in s11 of the Local Government Act 2003 (as amended). It is recommended that the policy of the council be confirmed in accordance with the provisions of the act i.e. useable capital receipts can be applied to any legitimate capital purpose.

The council tax reserve is able to bear this one off charge without any additional pressure on the revenue budget or the reserve position in respect of risks going forward.

### **Funding (£168,000)**

Additional income in this area is likely to be moved to earmarked reserves at the end of the financial year.

National Non Domestic Rates income is forecast £139k over budget. However the position in respect of appeals from 2005 & 2010 rateable valuation adjustments is not yet secure.

New Homes bonus is held in the council tax reserve and does not support the base budget, with in year income being moved to reserves except for £262k agreed as part of the budget setting process and £24k to fund of an empty homes officer post.

Revenues & Benefits expenditure is being closely monitored following the additional burden placed on the budget in 2014/15 from LA error and the subsequent loss of subsidy. Current performance is forecast to achieve budget in 2015/16. Revised monitoring reports are in progress and a full analysis of the area will be presented as part of the Quarter 3 monitoring report. New Burdens Grant will support CPBS activities as necessary in 2015/16 or 2016/17.

### **Members Budgets**

Members have a budget of £15,000 for the term of office (£111k p.a. in the budget). These are closely monitored and reported on in the course of the year. To date £28,400 has been spent. Any amount under or over spent will be transferred to / from an earmarked reserve at the end of the financial year.

## Housing Revenue Account

Total Budget requirement for the year is £391,000, £147,000 as approved by Council on 20<sup>th</sup> February 2015 and £244,000 of capital expenditure carried forward from the 2014/15 programme approved by council on 24<sup>th</sup> June 2015.

Forecast out turn for 2015/16 is nil and main variances are analysed in Table 3

**Table 3: HRA Major Variances**

	Expenditure £'000	Income £'001	Total £'002	Comments
Approved HRA net expenditure	147		147	
C/F of capital budgets from 14-15	244		244	Capital programme 14-15 c/f into 15-16 (approved Q4)
<b>Revised budget</b>	<b>391</b>		<b>391</b>	
Service Charges	52	747	799	Recharges deleted
Supervision & Management	150		150	Revised Central services costs
Revised Corporate & Democratic Core costs	75		75	in line with management & members changes since 2011/12.
Contribution to Members Budgets	19		19	Contribution to area wide improvements
Debt Management	75		75	Treasury Activity including investments
Supervision & Management	(37)		(37)	Vacncy management
Property maintenance	(973)		(973)	Revised Position in line with 2014/15 Out turn and informed by a mid year review of all work streams
Bad debt provision	(273)		(273)	Revised provision in line with 2014/15 Out turn and informed by a mid year review of collection performance
Revenue contributions to Capital Expenditure	(166)		(166)	Revised capital programme & Future investment
London Consortium share		(75)	(75)	Framework agreement for Capital Expenditure
Financing Charges	(52)	(9)	(61)	HRA share of additional investment income & Revised Borrowing costs
Rent Income - Non Dwellings		(24)	(24)	Improved usage of assets
Rent Income - Dwellings		100	100	Impact of increased RTB sales in 2014/15 & 2015/16 (20 unite per year).
			0	
<b>Forecast Outturn</b>	<b>(739)</b>	<b>739</b>	<b>0</b>	
<b>Forecast Variance to revised budget</b>	<b>(1,130)</b>	<b>739</b>	<b>(391)</b>	

Treatment of expenditure and income in the HRA are prescribed by statute and the annual statement of accounts is compiled on the basis that each item is identified separately. No amalgamation of items or netting off is permissible and the management accounts have been compiled on this basis for consistency

The annual budget was compiled using the 30 year business plan as a reference. However some planning assumptions whilst valid over a 30 year period are not valid on an annual basis. Several areas of the budget were set this way and the forecast resets the position back to normal operating parameters.

Property maintenance costs in the budget include costs of services provided to clients other than the HRA. Priority road offices responsive repairs are an example. The use of recharges in the Budget has led to confusion and this position has now been regulated.

The statutory accounts presentation is shown in Table 4 to clarify the position in respect of individual costs & incomes. Repairs & Maintenance costs for example are £973k below budget but are £363k higher than the 2014/15 actual cost. Asbestos management costs (£373k) have been included in the 2015/16 forecast but were shown as capital expenditure in the 2014/15 accounts giving an overall reduction in 2015/16 costs of £10k when compared to previous actual costs.

**Table 4: HRA Statutory Accounts Comparison**

	2014-15	2015-16		
	Actual	Budget	Forecast	Variance
	£ 000's	£ 000's	£ 000's	£ 000's
Rent Income - Dwellings	(15,490)	(15,562)	(15,462)	100
Rent Income - Non Dwellings	(156)	(132)	(156)	(24)
Charges for Services & Facilities	(1,085)	(1,204)	(934)	270
Contributions to Expenditure	(149)	(569)	(89)	480
Other income	(25)	0	(78)	(78)
<b>Total Income</b>	<b>(16,905)</b>	<b>(17,467)</b>	<b>(16,719)</b>	<b>748</b>
Repairs & Maintenance	2,670	4,006	3,033	(973)
Supervision & Management	2,492	2,542	2,824	282
Service charge costs	1,343	1,173	1,225	52
Depreciation (MRA)	1,595	1,596	1,595	(1)
Provision for Doubtful Debts	106	393	120	(273)
<b>Total Expenditure</b>	<b>8,206</b>	<b>9,710</b>	<b>8,797</b>	<b>(913)</b>
<b>Contribution from Operations</b>	<b>(8,699)</b>	<b>(7,757)</b>	<b>(7,922)</b>	<b>(165)</b>
Financing charges	2,298	2,370	2,310	(60)
Revenue Contributions (RCCO)	4,268	5,778	5,612	(166)
<b>Net operating (Surplus) / Deficit</b>	<b>(2,133)</b>	<b>391</b>	<b>0</b>	<b>(391)</b>

Rent income Dwellings reduction of £100k is due to the cumulative effect of additional right to buy sales since the regulations were reinvigorated in 2012 and discounts offered to tenants increased.

Charges for services variance to 2014/15 is a reduction of £151k which reflects the life-line service being transferred to Community Development.

The Contributions to Expenditure budget includes recharges in respect of property maintenance as explained above and charges in respect of life-line services (£64k) to private residents that has been transferred to Community Development.

Other income includes a surplus distribution from the London Consortium framework agreement which regulates the contracts for capital expenditure. This is a medium term settlement for 2014/15 and prior years and is not expected to be repeated in the near future.

Supervision & Management includes the revised charges for services explained on page 2 (£319k) and a reduction in employee costs of £37k due to vacancy management.

Service charge costs in 2014/15 included £488k in respect of sewage treatment management costs and the 2015/16 forecast is set at £490k. However the Budget was set at £152k due to confusion in respect of recharges which has been resolved for the revised Medium Term Financial Plan. The total overspend in this budget area is £52k reflecting sewage treatment costs offset by reductions in Life-line costs due to the transfer of the function to Community Development.

Recovery of Sewage Treatment costs is approx. 58% due to limitations on charges present in Right to buy sales conveyancing documents from the 1980's and early 1990's. Various alternatives are being examined to find a solution to this annual shortfall of £205k which is charged to the HRA.

Provision for doubtful debts in the budget is based on 2.5% of total income including recharges. As this income has been adjusted the provision forecast of £120k is based on current collection rates (0.72% of £16,719k).

Revenue contributions to Capital Outlay are based on financing the annual Capital programme after applying any usable capital receipts and any balance in the Major Repairs Reserve (MRR). In 2015/16 it is likely that the transfer from the MRR will not fully extinguish the balance and it is estimated £2,409k will remain at year end. This will be notionally assigned to the proposed revised Affordable Housing programme which will need additional funds for financing purposes due to the medium term nature of the activity. Specifically 1 for 1 replacement funds applied at 30% of the build cost can only be used on completion of the unit (or completion of purchase).. Dwellings in progress at each year end will then need to be financed and the balance in the MRR will be used. These funds will also allow flexibility between purchases of units and new build to mitigate potential repayment of the 1 for 1 fund to central government.

## Spalding Special Expenses

Expenditure relating to Spalding Special expenses forms part of the Council's General Fund budget and is included in Table 1 above. The approved budget for 2015-16 is £218,650 of which £195,000 is funded by Spalding Taxpayers and the remainder by council tax support grant and reserve. The Band D charge for the financial year being £23.10. This is detailed in table 6 below.

Spalding Special Expenses Draft forecast outturn is £218,650. At this stage there have been no indications that this budget will over spend.

A review of Christmas Decorations for the Town Centre has been carried out. A small committee has been formed to look at an annual agreement with a new supplier, now that the SLA with the Chamber of Commerce has ended.

**Table 5: Spalding Special Expenses**

Budget Area	2015-16		
	Budget	Forecast	Variance
	£	£	£
Spalding Cemetery	54,160	49,360	(4,800)
Spalding Allotments	2,500	2,500	0
Playing Fields at:-			0
Ayscoughfee (excluding gardens)	11,510	11,510	0
Halley Stewart	48,400	48,400	0
Thames Road	13,480	13,480	0
Fulney Road	10,320	10,320	0
Monkshouse Lane	37,710	34,910	(2,800)
Contribution to Voluntary Car Scheme	8,500	8,500	0
Christmas Decorations	13,200	7,400	(5,800)

Churchyard Maintenance	750	750	0
Administrative Support	4,000	4,000	0
Bus Shelter maintenance	370	370	0
Contribution to play areas	1,000	1,000	0
Spalding Town Centre Promotion	1,500	1,500	0
Crime prevention	7,700	7,700	0
Chairman's contingency	750	750	0
Contribution to Capital Reserve	2,800	16,200	13,400
<b>Total Expenditure</b>	<b>218,650</b>	<b>218,650</b>	<b>0</b>
<b>Funding</b>			
Total Expenditure	218,650	218,650	
<b>use of reserve</b>			
Council Tax Support Grant	(6,650)	(6,650)	
Capital reserve	(17,000)	(17,000)	
<b>Charged</b>	<b>195,000</b>	<b>195,000</b>	
Tax Base	<b>8,443</b>	<b>8,443</b>	
Band D equivalent	23.10	23.10	

There are no major variances to report. All variances in table 5 refer to notional depreciation which is transferred to Reserves at the end of the year.

### **Christmas Decorations**

The 3 year service level agreement with the Chamber of Commerce has come to an end and options are in the process of being reviewed with officers and members of the Forum

## Balance Sheet

### General Fund Reserve Balances

Balances are monitored in year by the S151 Officer and interim chief accountant and a review of all balances is in progress. A full report on this activity will be included in the next monitoring report.

Budget Managers have been asked to confirm their intended use of earmarked reserves during 2015-16 and any non-statutory earmarked reserves are being specifically examined for purpose.

The current projection of balances in reserve as at 31<sup>st</sup> March 2016 is shown in Table 6

The balances within the table are funds that can be used to finance both revenue and capital expenditure.

**Table 6: Projection of Reserve Balances**

<b>Reserve Description</b>	<b>Balance 31.3.16 £'000</b>
Affordable Housing Reserve	118
Capital Reserve	155
Climate Change Reserve	47
Council Tax Reserve	4,592
Emergency Planning Reserve	10
Insurance Reserve	257
Organisational Development Reserve	1,101
Planning Reserve	292
Replacement and Refurbishment Reserve	83
Community Cohesion	-
Property Aquisition Reserve	1,000
Section 106 earmarked reserve	40
<b>Sub total</b>	<b>7,695</b>
General Fund	2,023
<b>Reserve Forecast Outturn</b>	<b>9,718</b>

**NB:** The projected reserves do not include any movements recommended in this report.

The council tax reserve balance of £4.592m includes the new homes bonus grant of £2.493m, which has accumulated in this reserve since the new homes bonus scheme was introduced in 2011.

Management restructure approved from the Organisational Development reserve, £179k and a further £15k has been drawn from reserves in Quarter two is included in the above table.

### Council Tax Collection

At the end of September 2015, the collection rate for council tax was 58.51% against a collectable debit of £39m.

Table 7 below, compares the collection rate against last financial year

**Table 7: 2015 / 16 Collection Performance**

	July	August	September
<b>Year</b>	<b>% Collected</b>	<b>% Collected</b>	<b>% Collected</b>
<b>2015-16</b>	<b>39.70%</b>	<b>48.80%</b>	<b>58.51%</b>
<b>2014-15</b>	<b>39.71%</b>	<b>48.91%</b>	<b>58.45%</b>

**Business Rates Collection**

At the end of September 2015 the collection rate was 57.16% against a collectable debit of £27.6m.

This is the second year businesses have been able to choose to pay their business rates over 12 monthly instalments, rather than the usual statutory 10 months. Due to a number of ratepayers, with large rateable assessments, opting to do this impacted on the cash flow and monthly collection rates. This is reflected in the performance in the following table.

**Table 8: 2015 / 16 Collection Performance**

	July	August	September
<b>Year</b>	<b>% Collected</b>	<b>% Collected</b>	<b>% Collected</b>
<b>2015-16</b>	<b>41.09%</b>	<b>48.42%</b>	<b>57.16%</b>
<b>2014-15</b>	<b>41.63%</b>	<b>49.91%</b>	<b>58.23%</b>

**HRA Reserve Balances**

The HRA General reserve can be used for revenue or capital purposes and the MRR can be used for capital purposes including repayment of debt.

The current projection of balances in reserve as at 31<sup>st</sup> March 2016 is shown in Table 9

**Table 9: Projection of Reserve Balances**

<b>Housing Revenue Account Reserves</b>	<b>Total £000's</b>
Cumulative Working Balance	8,968
Budget 2015-16	(147)
Rollover of capital programme from 2014-15 approved	(244)
<b>Forecast outturn variance</b>	<b>391</b>
<b>Forecast balance on the HRA at 31.3.16</b>	<b>8,968</b>
Insurance Reserve	200
Major Repairs Reserve	2,409
<b>Total HRA reserves at 31.3.16</b>	<b>11,577</b>

## Housing Rent Collection (HRA)

At the end of September 2015 the collection rate was 97.2% against a collectable debit of £10.1m.

**Table 10: Rent collection performance**

Key performance Indicator	Collection performance 2014-15 Week26	Collection performance 2015-16 Week 26
% of income collected	99.08%	97.2%
Bad Debt write off	£7,160	£11,291

Average collection in the first half of the year over the last 4 years is 97.5%. 2014/15 performance was improved by a 53rd week in the rent system which was carried over from 2013/14.

## Spalding Special Reserve Balance

The Council maintains an earmarked reserve relating to Spalding Special Expenses. The unspent budget at the year end is transferred into the reserve which can then be used to meet expenditure arising from unexpected events and to cover any future deficit or special projects which may arise.

Depreciation is notionally charged to Spalding Special Expenses against the relevant service headings and then as part of the accounting treatment is transferred to the capital reserve. £13,400 from the individual budget headings will be transferred to the earmarked reserve at the end of the year.

**Table 11: Spalding Special Reserve Balance**  
**Spalding Special Expenses 2015-16**

	2015-16	
	Budget	Forecast
	£	£
<b>Balance Brought Forward</b>	<b>(153,823)</b>	<b>(153,823)</b>
<b>Funded From Reserves</b>		
Halley Stewart Gates	17,000	17,000
Contribution to SSE reserve in year 15 16 (earn	(2,800)	(16,200)
<b>Balance Carried Forward</b>	<b>(139,623)</b>	<b>(153,023)</b>
Earmarked crime prevention	4,381	4,381
Earmarked Christmas Decorations-underspend	0	0
Agreed minimum balance 5% expenditure for c	9,750	9,750
Earmarked capital expenditure	73,635	73,635
<b>Available Balance Carried Forward</b>	<b>(51,857)</b>	<b>(65,257)</b>

## Capital Budget

All programmes are currently under review and a revised position statement will be issued in the next monitoring report.

**Table 12 – Quarter 2 expenditure against 2015-16 approved capital programme**

	Original Budget	Latest Approved Budget	Quarter 2	Forecast	Variance (Under)/over Spend
	2015-16	2015-16	Actuals	2015-16	
	£	£	£	£	£
<b>Commissioning</b>					
Priory Road					
Assets and Property - Other	99,000	60,000	8,470	60,000	0
ICT Schemes	330,000	359,000	3,999	359,000	0
Housing - Gypsy and Travellers Sites	550,000	550,000	50,538	550,000	0
Private Sector Housing	451,000	400,000	96,638	400,000	0
Environmental Services	49,000	49,000	0	64,000	15,000
Environmental Health Planning	30,000	83,000	0	83,000	0
<b>Total Commissioning</b>	<b>1,509,000</b>	<b>1,501,000</b>	<b>159,645</b>	<b>1,516,000</b>	<b>15,000</b>
<b>Place and Governance</b>					
Community Development - Leisure	40,000	50,000	0	50,000	0
Community Development -CCTV		10,000	0	10,000	0
Economic Development	607,000	667,000	0	647,000	(20,000)
<b>Total Place and Governance</b>	<b>647,000</b>	<b>727,000</b>	<b>0</b>	<b>707,000</b>	<b>(20,000)</b>
<b>Total General Fund</b>	<b>2,156,000</b>	<b>2,228,000</b>	<b>0</b>	<b>2,223,000</b>	<b>(5,000)</b>

**Table 12: Capital Financing**

Source of Financing	Latest Approved £'000	2015-16 Outturn £'000	2015-16 Variance £'000
Use of Capital Receipts	489	484	(5)
Capital Grants and Contributions	990	990	0
Direct Revenue Funding/Use of Reserves	749	749	0
Borrowing			0
<b>Total</b>	<b>2,228</b>	<b>2,223</b>	<b>(5)</b>

NB: This position is before recommended actions in respect of Waste Vehicles

### Explanation of variance to original budget

The table below identifies the schemes approved at Quarter 4, carried forward into 2015-16. These have been added to the approved budget.

- Fulney Field Skate Park anticipated to be spent during 2015-16
- The Environmental Health shared project with SHDC and Breckland is progressing and projected to be completed during 2015-16.
- Crease Drove project not commenced as soon as originally expected
- CCTV new scheme approved Feb 14 Cabinet
- ICT Strategy Projects committed spend but projects not commenced yet
- PAYE/MOTO final payment due in 2015-16
- Construction of off street parking areas delayed due to development issues
- Purchase of Housing Related IAM software system being procured

## HRA Capital Programme

All works to stock activities have been examined and accounting treatment between revenue and capital redefined in line with component accounting regulations.

Planned maintenance is funded directly from revenue and includes items such as External Painting & Gas Servicing. Asbestos management was previously classified as capital expenditure but as no asset creation is present this has been re-classified as planned maintenance.

The Decent Homes replacement activities are based on information from the HRA Codeman asset management system. The system includes representative useful asset life assumptions and this in turn generates a forecast for replacement. The system has become unstable due to lack of support and a new system is currently being installed.

The current budget is based on this forecast data but the actual management system includes a further step which is to determine condition of the component.

In order to ensure that only assets that require replacement due to failure are actioned in the programme a change in useful life criteria is proposed. This will extend the replacement time for existing records which will allow individual component condition to be determined before replacement action is considered. The change will also reflect actual experience of asset life since the inception of self-financing to the HRA.

The projection shown in table 13 is after examining all existing Codeman forecast records in respect of condition to ensure that only assets that require replacement based on this criteria are in the programme.

**Table 13: Projected out Turn 2015/16**

	2015/16		
	Budget	Forecast	Variance
	£ 000's	£ 000's	£ 000's
<b>Planned Maintenance</b>	<b>1,673</b>	<b>1,265</b>	<b>(408)</b>
Decent Homes - Component Replacements	5,190	3,837	(1,353)
Major Area Works	358	358	0
IT / System Works	113	103	(10)
Aids & Adaptations	466	450	(16)
<b>Total Improvement Programme</b>	<b>6,127</b>	<b>4,748</b>	<b>(1,379)</b>
Affordable Housing	900	50	(850)
<b>Total Capital Programme</b>	<b>7,027</b>	<b>4,798</b>	<b>(2,229)</b>

**Table 13: Capital Funding**

Major Repairs Reserve	(1,596)	(1,595)	1
Capital Receipts - 1 for 1 fund	(126)	0	126
RCCO	(5,061)	(3,203)	1,858
Use of Reserves	(244)		244
<b>Total Capital Programme</b>	<b>(7,027)</b>	<b>(4,798)</b>	<b>2,229</b>
Revenue Budget	(1,673)	(1,265)	408
<b>Total Works to Stock</b>	<b>(8,700)</b>	<b>(6,063)</b>	<b>2,637</b>

Useful Life data for all Dwelling components was approved by Council in 2012 and it is recommended that the changes identified in Table 14 are adopted for all future programme replacements.

**Table 14: Useful life Criteria – HRA Dwelling components**

Component	Existing Useful Life	Proposed Useful Life	Comments
Roof	60	<b>72</b>	Concrete tiles
Kitchen	20	<b>25</b>	As near neighbour
Bathroom	25	<b>30</b>	As near neighbour

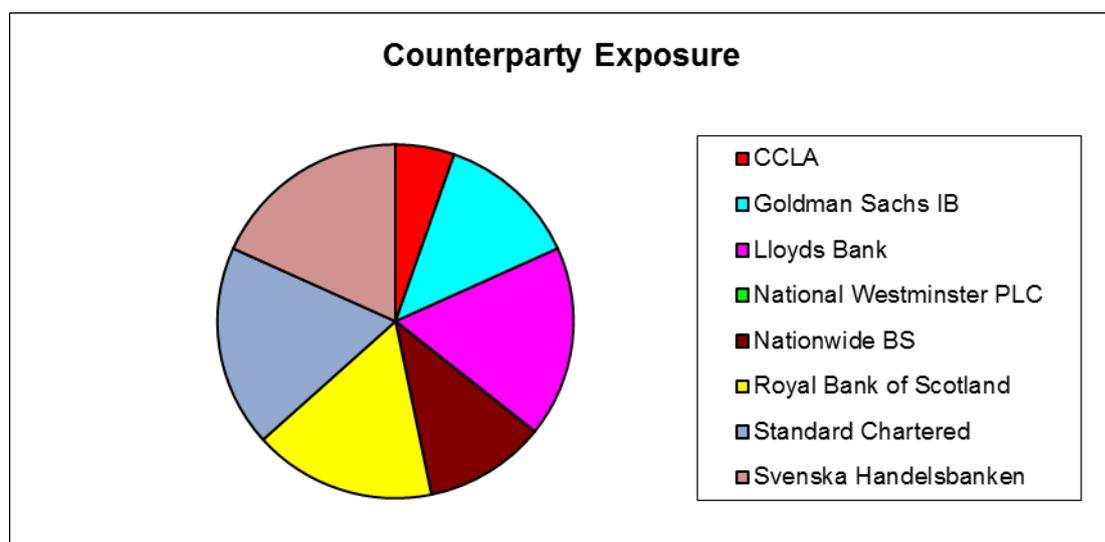
Further changes to life cycles may be necessary due to changes in technology in respect of Central Heating systems which are currently being examined.

## Treasury

### Security

The Council has not adopted any formal benchmarks for the management of risk as Officers believe that decisions on counterparties and maximum investment levels are adequate to monitor the current and trend positions and amend the operational strategy to manage risk as conditions change. The Council uses the creditworthiness service provided by Capita Asset Services which provides a maximum duration for investments depending on the colour rating calculated for each financial institution. All investments held by the Council are within the recommended maximum duration.

The chart below shows how the Council's funds are spread between differing counterparties.

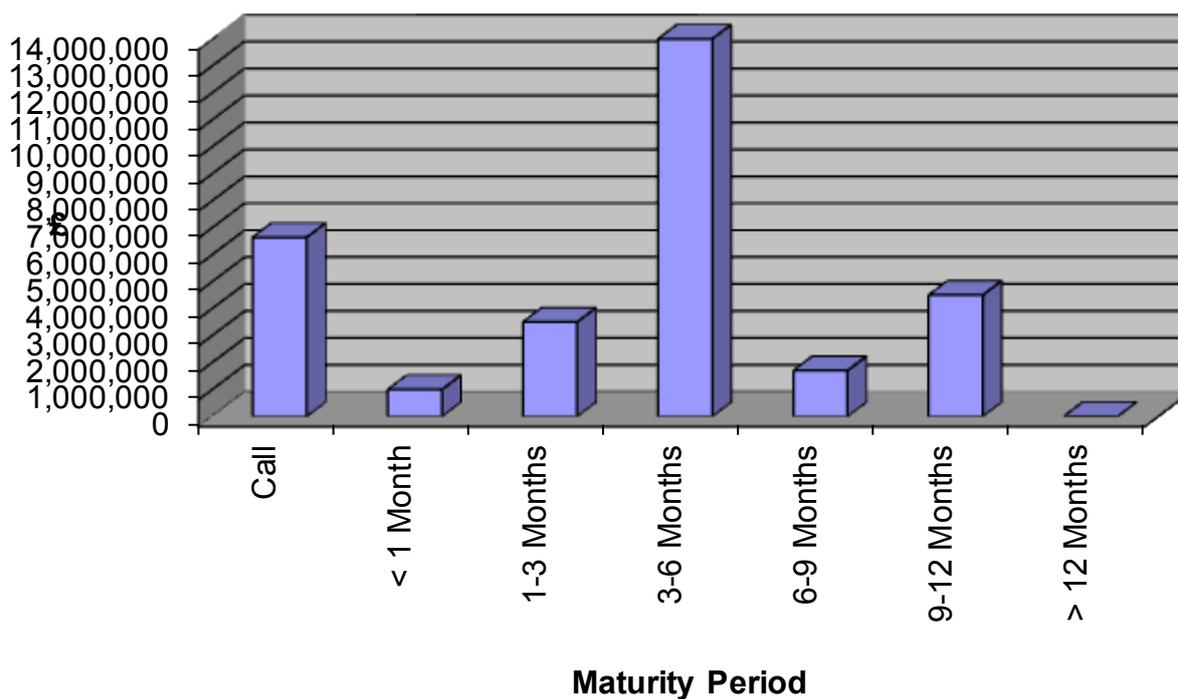


## Liquidity

### Cash

The Council's average level of deposits at the end of Quarter 2 was £30.9m. As at 30 September the Council had £6.6m instant access cash available to meet cash flow requirements. The table below shows the amounts held in relation to the remaining period to maturity.

## Maturity Structure of Investments



## Yield

Budget Interest 2015-16	£154,800 (£126k General Fund and £28.8k HRA.)
Actual Interest achieved to 30/9/15	£106,321
Estimated Outturn for 2015-16 HRA.)	£200,000 (£162.6k General Fund and £37.4k

Target yield (Average 3 month LIBID)	0.43%
Actual Yield achieved to 30/9/15	0.685%
Actual Yield in 2014-15	0.645%
Actual Yield as at Q2 2014-15	0.620%

## External Borrowing

The Council borrowed £67.456m from the PWLB on 28<sup>th</sup> March 2012 to meet its obligations under the Housing Revenue Finance Reforms. This was borrowed for a period of 50 years on a maturity basis at a rate of 3.48%. No new borrowing has been undertaken during the financial year.