



**2018/19**

**Third Quarter  
Financial  
Review**

## 1. Background and Introduction

- 1.1. In accordance with the Council's Financial Procedure Rules and recommended good practice, a quarterly financial report is presented to members. This is the third such report for 2018/19.
- 1.2. The report summarises overall financial performance for 2018/19 with particular emphasis on the key sources of financial risk to the Council. Specific considerations are as follows:
  - **General Fund Revenue Account (Section 2)** – considers budgetary performance on the General Account by looking at variations in income and expenditure and the funding received by the Council.
  - **Pavilion Gardens (Section 3)** – highlights the financial performance of this key Council trading activity.
  - **Alliance Environmental Services (Section 4)** – highlights the performance of the Council's Joint Venture Company providing Waste and Fleet services.
  - **Efficiency and Rationalisation Programme (Section 5)** – considers progress in achieving the efficiency and rationalisation savings forecast.
  - **Housing Revenue Account (Section 6)** – highlights the budgetary position in respect of the operation of the Council's housing stock.
  - **General Fund Capital Programme (Section 7)** – provides an update to Members on progress against the Council's General Fund capital plans.
  - **HRA Capital Programme (Section 8)** – provides an update to Members on progress against the Council's HRA capital plans.
  - **Treasury Management (Section 9)** – sets out the key statistics in terms of investments and borrowings.
  - **Revenue Collection (Section 10)** – considers progress-to-date in collecting the Council Tax, Business Rates and Sundry Debts.

## 2. General Fund Revenue Account

2.1. This section of the report considers the financial performance of the General Fund Revenue Account against budget by looking at variations in income and expenditure and funding received by the Council.

Service	2018/19 Budget	Projected Outturn 2018/19	Variance
	£	£	£
Alliance Management Team	65,800	59,000	(6,800)
Audit	10,240	8,240	(2,000)
ICT	585,740	493,020	(92,720)
Human Resources	72,480	71,480	(1,000)
Member Services	196,190	173,190	(23,000)
Property Services	1,307,300	1,472,180	164,880
Benefits	(221,910)	(229,910)	(8,000)
Planning Applications	(427,890)	(417,940)	9,950
Building Control	35,840	14,710	(21,130)
Customer Services	144,390	128,390	(16,000)
Legal Services	30,510	28,510	(2,000)
Electoral Services	96,470	59,970	(36,500)
Licensing and Land Charges	(336,520)	(319,160)	17,360
Regeneration	197,530	245,160	47,630
Communities and Cultural	266,080	260,130	(5,950)
Housing Strategy	80,040	(14,470)	(94,510)
Transformation	21,250	21,250	-
Community Safety and Enforcement	136,350	122,350	(14,000)
Finance, Income and Procurement	(43,930)	(43,130)	800
Corporate Finance*	6,100,770	6,218,620	117,850
Waste Collection	1,925,840	1,972,810	46,970
Street Scene	120,530	156,700	36,170
Leisure Services	433,870	376,560	(57,310)
Horticulture	(663,100)	(691,170)	(28,070)
Visitor Services	(1,256,650)	(1,074,940)	181,710
Environmental Health	(4,540)	(20,700)	(16,160)
Housing **	-	-	-
<b>Net Total of Services</b>	<b>8,872,680</b>	<b>9,070,850</b>	<b>198,170</b>
Net Interest	1,554,560	1,537,570	(16,990)
	<b>10,427,240</b>	<b>10,608,420</b>	<b>181,180</b>
Funding: external	(8,616,150)	(9,515,890)	(899,740)
: reserves - contribution/(use)	(1,811,090)	(1,781,130)	29,960
<b>Projected (Surplus)/Deficit</b>	<b>-</b>	<b>(688,600)</b>	<b>(688,600)</b>

\* Staff budgets are currently budgeted within Corporate Finance (except for Pavilion Gardens and Building Control staff budgets which for operational reasons are included within the Service).

\*\* The Council's Housing management costs are charged to the Housing Revenue Account

2.2. A revenue budget of £10,427,240 was set for 2018/19. The table above shows how this budget has been allocated to services.

2.3. The Q3 projected outturn on the General Fund Revenue Account for 2018/19 is £9,738,640. This represents a projected surplus for the year of £688,600 at this stage in the year.

2.4. There are three service areas with a projected significant overspend:

- Property (£164,880 overspend) - The temporary arrangements put in place while the Alliance's property management contract is being procured have been extended. This is to allow detailed negotiations to take place that ensure the long term viability and economy of the contract. As a result the in-year maintenance budget is forecast to be exceeded.
- Corporate Finance (£117,850 overspend) - Corporate Finance records the Council's performance against its efficiency savings target and the consolidation of savings against corporate budgets such as for employee costs. Section 5 below is forecasting a £172,750 shortfall against the in-year efficiency target. However this is forecast to be partially offset by savings accruing against corporate staff and inflation contingency budgets as well as some £25,000 better than anticipated water franchise income.
- Visitor Services (£181,710 overspend) - Income streams at Pavilion Gardens have been impacted by the delayed re-opening of the Octagon, contributing to a projected £165,000 overspend against the budget. This operating deficit - net of savings in the facilities property based budgets - gives rise to the trading deficit reported in Section 3. Markets are heading for a £47,000 overspend primarily owing to occupancy levels at Glossop Market. Car Parks income is now forecast to be back on track after a fall earlier in the year and is expected to generate a £30,000 surplus against budget.

2.5. There are three services with a projected significant underspend:

- ICT (£92,720 underspend) - Significant savings are emerging across a number of corporate costs (Internet, support, security, digital portal, wide area network and telephony) following on from system upgrades and reconfigurations in recent years. Some of which will be allocated against the Efficiency Programme.
- Housing Strategy (£94,510 underspend) - The housing needs function of this service area can benefit from third party funding of varying but sometimes substantial amounts to be targeted at Homelessness initiatives in the Borough. The unpredictable nature of these grants and the extended timeframe of the various initiatives often require the use of earmarked reserves to match funding to costs. At this stage therefore some £51,510 of the projected underspend has been earmarked to move into reserves.
- Leisure Services (£57,310 underspend) - Under the current contract with Places for People (PfP) the authority received a pension rebate paid a year in

arrears. As this contract is ending on 31st March 2019, the current financial year will be credited with two year's of rebate generating a surplus of some £50,000 in 2018/19.

- 2.6. The £49,350 underspend on net interest costs is detailed in section 9.
- 2.7. The level of funding anticipated for the year is £869,780 above that budgeted due to the following:

***External Funding (£899,740):***

**Business Rates Retention (£899,740)**

- As a member of the Derbyshire 100% Business Rates Pilot in 2018/19, the contribution payable for the strategic growth fund (as part of the pilot terms) is lower compared to the levy payable under the previous 50% pooling arrangement upon which the budget was set. This is forecast to achieve £376,540 in additional retention for the Council.
- Forecast S31 grants for business rates are expected to be £523,200 greater than the budget:
  - The majority of this is because the Council is entitled to a greater share of S31 grants under the pilot (50% instead of 40%) where the budget prudently assumed no change.
  - In addition, following a technical consultation by the Ministry of Housing, Communities and Local Government (MHCLG), the methodology for calculating compensation due to local authorities for Small Business Rates Relief threshold changes has been refined. This will generate a windfall for the Council of £41,890 relating to 2017/18 and also increase the compensation due for the current year.
- Fluctuations in business rates retention continue to be monitored in relation to the provision for appeals and rateable value reductions.

***Use of Earmarked Reserves £29,960:***

At this time a £29,960 additional net movement in to earmarked reserves is predicted, the most significant elements of which are:

- Electoral Services £40,000 contribution: this is a budgeted annual contribution in to a reserve earmarked to spread the cost of the Borough's elections over the term of a council.
- Corporate Finance £5,350 use: the Authority occasionally suffers a charge arising from its historical liability with Municipal Mutual Insurance. The Authority's Insurance Reserve is used to fund these irregular charges.
- Property Services £17,220 use: the cost of resolving urgent health and safety works at the Council's properties is to be covered out of an earmarked reserve.
- Regeneration Services £47,000 use: An earmarked reserve that exists to support regeneration projects within the Borough is being applied to support housing delivery initiatives within the year.

- Housing Strategy £51,510 contribution: Third party funds received in-year are being set aside to support homelessness initiatives that will run into future years.
- Leisure Services £8,020 contribution: a number of grants and contributions received in year are being placed into reserve to be applied to specific sport and leisure related projects in the future.

### 3. Pavilion Gardens

3.1. This section of the report details the financial performance of the trading activity at Pavilion Gardens. The Pavilion Gardens trading results are included in the General Fund Revenue Account.

3.2. In the Medium Term Financial Plan, part of the 2016/17 growth item (which was included to reflect the closure of the Octagon) was reversed in the 2018/19 budget amounting to £56,000. The 2018/19 budget was also reduced by £70,000 due to removal of the Marquee, making the budget a net cost of £182,460. As from 1st February Pavilion Gardens will transfer to Parkwood, this has been reflected in the projected overspend of £103,330. The main reason for the overspend is the delayed reopening of the Octagon and the impact on income levels.

3.3. The table below summarises the financial performance of the six separate trading activities – Pavilion Café, Coffee Area, Tourist Information Centre (TIC) & Retail Area, Events, Outside Areas and Functions – in the Pavilion Garden.

Description	Projected Outturn 2018/19						Projected Outturn	2018/19 Budget	Variance
	Pavilion Café	Coffee Area	TIC & Retail	Events	Outside	Function			
Income	(461,070)	(118,990)	(143,920)	(108,200)	(39,970)	(111,420)	(983,570)	(1,250,220)	266,650
Expenditure	547,080	222,790	213,990	119,050	47,340	119,110	1,269,360	1,432,680	(163,320)
<b>Net Cost / (Contribution)</b>	<b>86,010</b>	<b>103,800</b>	<b>70,070</b>	<b>10,850</b>	<b>7,370</b>	<b>20,010</b>	<b>285,790</b>	<b>182,460</b>	<b>103,330</b>

Description	Outturn 2017/18						Outturn	2017/18 Budget	Variance
	Pavilion Café	Coffee Area	TIC & Retail	Events	Outside	Function			
Income	(534,960)	(143,600)	(155,140)	(197,540)	(41,800)	(134,120)	(1,207,160)	(1,454,030)	246,870
Expenditure	627,760	261,220	218,850	227,620	46,120	143,630	1,525,200	1,747,730	(222,530)
<b>Net Cost / (Contribution)</b>	<b>92,800</b>	<b>117,620</b>	<b>63,710</b>	<b>30,080</b>	<b>4,320</b>	<b>9,510</b>	<b>318,040</b>	<b>293,700</b>	<b>24,340</b>

3.4. The following should be noted:

- Pavilion Café – Trading activity derives from the Café during the normal opening hours of the business between 9.30am and 5pm (and later during the Festival Season in July and August)
- Coffee Area – Trading Activity driven from the Coffee Bar.
- Tourist Information Centre (TIC) and Retail Area – Trading activity driven from the Retail area (including gallery Rental and artists' commission) and the Tourist Information Centre)
- Events – Trading activity driven from room hire bookings in-house events and fairs
- Outside - Trading activity driven from the miniature train and Lakeside Kiosk.
- Functions – Trading activity in respect of food and drink driven from private bookings.

#### 4. Alliance Environmental Services

- 4.1. Alliance Environmental Services (AES) is a company created with a vision to deliver waste, street cleansing and grounds maintenance services in the High Peak and Staffordshire Moorlands areas. The company has three shareholders: High Peak Borough Council, Staffordshire Moorlands District Council and Ansa, which is a wholly owned subsidiary of Cheshire East Council. This section of the report considers the financial performance of the company and contribution to the Council's Efficiency and Rationalisation Programme in 2018/19.
- 4.2. Phase 1 of the transfer of services commenced on 7th August 2017 to deliver High Peak Borough Council Waste services. This followed the end of the previous contract with Veolia Environmental Services. Phase 2 began on 1st July 2018 to deliver waste services to Staffordshire Moorlands District Council and fleet management services to the Alliance as a whole.
- 4.3. The AES forecast management accounts for 2018/19 include a budgeted profit of £111,830 - including phase 1 and 2 services delivered to both Councils. AES has provided management accounts as at the end of November 2018 to forecast the outturn for 2018/19 and is predicting a profit of £187,010 against the budget of £111,830. The anticipated surplus of £75,180 is related to a reduction in staffing costs compared to the budget, and some savings on transport repairs and maintenance; which are in part offset by reductions in risk items payable by the Council.

2018-19	Budget	Q3 Forecast	Variance
	£	£	£
Turnover	(6,805,840)	(6,652,800)	153,040
Cost of sales	6,099,890	5,853,380	(246,510)
<b>Gross profit</b>	<b>(705,950)</b>	<b>(799,420)</b>	<b>(93,470)</b>
Administrative Expenses	594,120	612,410	18,290
<b>Forecast (Profit)/ Loss</b>	<b>(111,830)</b>	<b>(187,010)</b>	<b>(75,180)</b>

- 4.4. The 2018/19 Efficiency Targets relating to AES services are £242,850: £169,370 allocated to AES and £73,480 to be achieved from the Councils retained budgets. The efficiency savings achieved by AES are payable to the Councils at the end of the year and will be apportioned between High Peak Borough Council and Staffordshire Moorlands District Council as appropriate to the areas where it has been achieved.
- 4.5. At quarter 3, AES are reporting that the company is forecast to achieve its budgeted profit to improve the company's reserves position in line with its original business case. The forecast surplus profits of £75,180 will be allocated to the efficiency target. At this stage the company is predicting that the further savings will be made in order to achieve the two Councils' efficiency targets.

#### *Impact on the Council's budgets*

- 4.6. The impact of the company's activities on the Council's budget is set out in the table below:



2018-19	General Fund	HRA	Total
	£	£	£
<b>Budget</b>	<b>2,703,290</b>	<b>75,950</b>	<b>2,779,240</b>
Annual management fee (incl. Vehicle premium)	2,894,050	75,950	2,970,000
Crystallised risk items	94,300	19,480	113,780
<b>Variance</b>	<b>285,060</b>	<b>19,480</b>	<b>304,540</b>
Offset by:			
Contract hire savings	(129,380)	-	(129,380)
Allocation of Joint Operation Profit	(20,770)	(2,830)	(23,600)
Other wider waste service savings	(82,700)	-	(82,700)
<b>Net Variance</b>	<b>52,210</b>	<b>16,650</b>	<b>68,860</b>

- 4.7. An amount of £92,420 is included in the management fee paid by the Council on account to AES to recognise the additional costs associated with temporary hire of vehicles pending the completion of a procurement exercise. Should efficiencies/ savings be realised above the target plan, a repayment will be made to the Council in respect of this amount.
- 4.8. Within the AES Business Plan a number of items are recognised initially as 'risk items' which may or may not crystallise into actual costs/ payments or may be absorbed into the existing management fee paid on account. At quarter 3, the risk payments applicable by the Council are forecast at £113,780 (£94,300 General Fund, £19,480 HRA) relating to pension pressures and other support service overheads.
- 4.9. Under accounting standards, AES's financial performance is incorporated in to the Councils' single entity statements as a 'Joint Operation' as opposed to separate group accounts being reported. The profit is therefore apportioned between the two Councils and the respective services in line with the input of original budgeted resources from each department.
- 4.10. The total of the annual management fee payable and the crystallised risk items is partially offset savings on the Council's contract hire budgets as a result of the purchase of vehicles earlier in the year from SFS (the Council's former provider of contract hire vehicles), pending vehicle procurement; by the allocation of AES's profit outturn under Joint Operation accounting; and by savings anticipated in the wider waste service not related to AES, which include improved domestic recycling income and reduced trade waste disposal costs.
- 4.11. AES is undergoing the process of confirming admitted body status in the Derbyshire Pension Fund (DPF). This involves 'pooling' the staff transferred to AES, with the remaining Council employees in the High Peak portion of the DPF. This effectively removes pension risk from the company, whilst at the same time offering greater budget certainty and putting the Council in the same risk position that it would have been if services were to be delivered in-house.

## 5. Efficiency and Rationalisation Programme

- 5.1. This section of the report considers the financial performance of the Council's Efficiency and Rationalisation Programme in 2018/19.
- 5.2. The Council's Medium-Term Financial Plan (approved in February 2018) included a new four-year (2017/18 – 2020/21) Efficiency and Rationalisation Strategy targeting savings of £2.1 million. This was required to balance the forecast budget deficit position of £1.7m and also the carry forward of unachieved efficiencies from 2016/17 of £0.4m.
- 5.3. The Efficiency and Rationalisation Strategy has the effect of both reducing expenditure and increasing income. The need to grow income is now more of a priority as the Council moves more towards being self-financing. The strategy has been developed with the underlying principles of protecting frontline service delivery. It is also intended that the strategy is a tool to enable the Council to ensure that its service spending is determined by the established priorities set out in the Corporate Plan.
- 5.4. The Efficiency and Rationalisation Strategy has five areas of focus:
  - **Major Procurements** - There is the opportunity to focus attention on a number of large service functions which are currently provided by an external contractor / supplier. A number of significant contracts are coming to an end. This will also allow a fundamental review of these services with proper consideration of the current financial constraints. The contract commitments have sometimes restricted the opportunity to align services across the alliance with High Peak. The individual projects will focus on Waste Collection & Environment Services, Leisure Management and Facilities Management
  - **Asset Management Plan** – continuation of the existing priority of rationalising the Council's asset base with a focus around priorities in order to allow for the necessary capital investment
  - **Growth** – development of a clear focus upon housing and economic growth based upon the established Local Plan.
  - **Income Generation** – focus on increasing the yield from existing sources on income and a drive towards identifying new sources of income
  - **Rationalisation** – a commitment to reducing expenditure on non-priority areas of spend e.g. management arrangements, channel shift, non-statutory services
- 5.5. The 2018/19 budget provides for the achievement of £581,000 of such savings in year – with a significant focus on income generation and savings arising out of major procurements, particularly the waste collection Alliance Environmental Services joint arrangement.
- 5.6. At the end of Quarter Three, £376,350 has been taken against the overall efficiency programme. A further £31,900 of growth related savings were also delivered at budget-setting time, arising out of New Homes Bonus funding forecasts. Savings achieved in the third quarter primarily relate to the deletion from the Establishment of a number of long-term vacant posts.

- 5.7. This leaves £172,750 of savings to be achieved over the remaining part of the year. Therefore, there may be a potential shortfall against the in-year target, mainly down to some slippage in the profile of savings assumed in the Efficiency Programme.
- 5.8. A review of historically underspent budgets has been taking place over the last 6 months to identify areas of excess budget provision. This exercise has yielded £185,000 in savings to date and will continue during the Fourth Quarter in an effort to reduce any shortfall.
- 5.9. The efficiency shortfall is being partially offset by one-off vacancy savings in the establishment. Whilst this plugs the in-year savings gap; it does not necessarily provide for on-going budget savings. Consequently, any shortfall in efficiency savings at year-end will need to be rolled forward into 2019/20 or re-profiled into later years. An exercise to re-profile the current Efficiency & Rationalisation Plan is being undertaken as part of the 2019/20 budget setting process.
- 5.10. The Authority carries a reserve of £100,000 earmarked to support the Strategy which can be drawn on to offset one-off costs of delivering the efficiency programme, such as redundancy costs. This reserve may be drawn on at year-end to meet some of these costs.

## 6. Housing Revenue Account (HRA)

- 6.1. This section of the report considers the financial performance of the Council's Housing Revenue Account and highlights the budgetary position in respect of the operation of the Council's housing stock.
- 6.2. The 2018/19 Housing Revenue Account budget as updated and approved by the Executive on 9th August 2018 was set at £147,140.
- 6.3. Projected expenditure on the Housing Revenue Account for 2018/19, at the Third Quarter stage, is £14,007,460 with estimated income at £14,884,390. This represents an estimated surplus for the year of £876,930 (i.e. £1,024,070 below budget).

Housing Revenue Account	2018-19 Revised Budget	2018-19 Q3 Changes	2018-19 Revised Budget	2018-19 Expected Outturn	2018-19 Variance
	£	£	£	£	£
<b>INCOME</b>					
Dwellings Rents	(14,230,620)	-	(14,230,620)	(14,229,530)	1,090
Non - Dwelling Rents Etc	(617,730)	-	(617,730)	(654,860)	(37,130)
<b>Sub-total income</b>	<b>(14,848,350)</b>	<b>-</b>	<b>(14,848,350)</b>	<b>(14,884,390)</b>	<b>(36,040)</b>
<b>EXPENDITURE</b>					
Repairs & Maintenance	4,404,400	-	4,404,400	4,424,370	19,970
Supervision & Management	3,104,400	(69,730)	3,034,670	2,817,810	(216,860)
Rents, rates, taxes etc.	105,260	-	105,260	128,260	23,000
Savings Realised	-	69,730	69,730	-	(69,730)
Other Operating Expenditure	712,110	-	712,110	676,520	(35,590)
Depreciation & Impairment	2,099,030	-	2,099,030	2,099,030	-
Interest & Debt Management	2,904,200	-	2,904,200	2,871,840	(32,360)
Contribution to Capital	1,666,090	-	1,666,090	989,630	(676,460)
<b>Sub-total expenditure</b>	<b>14,995,490</b>	<b>-</b>	<b>14,995,490</b>	<b>14,007,460</b>	<b>(988,030)</b>
<b>(Surplus) / Deficit</b>	<b>147,140</b>	<b>-</b>	<b>147,140</b>	<b>(876,930)</b>	<b>(1,024,070)</b>

- 6.4. The Council has a duty, in accordance with Part VI (Section 74) of the Local Government and Housing Act 1989, to maintain a "Housing Revenue Account" (HRA). By "ring -fencing" the Housing Revenue Account, the Council ensures that the management and maintenance of the Council's housing stock is funded from the income generated by rents and other related sources. The Council is required under Part VI (Section 76) to prevent a debit balance each year on the HRA by setting the appropriate budget and monitoring progress against that budget throughout the financial year. The surplus balance predicted by the Council at this third quarter stage will be transferred to reserves within the Housing Revenue Account.
- 6.5. There are no significant overspends and three significant (>£50,000) underspends to be noted at this stage:
- Supervision and Management (£216,860) – A large proportion of this under

spend (£145,000) reflects savings in salary costs, transport costs and general employee related expenditure. The remainder is related to lower than expected inflationary costs across a number of spend areas within the HRA.

- Savings Realised (£69,730) – A number of administrative savings have been realised ahead of the HRA Financial Improvement Plan.
- Contribution to Capital (£676,460) – This underspend relates to delays in commencement and completion of a number of Capital Schemes and is reflective of the changes to the Capital programme detailed in Section 8 below.

## 7. General Fund Capital Programme

7.1. This section of the report provides an update on the Council's General Fund Programme.

7.2. The table below shows a high level (service) summary of the General Fund Capital Programme position at 31st December 2018. Further detail on a scheme-by-scheme basis is contained in Annex A.

	2018/19 Approved Budget	Q3 Changes	2018/19 Revised Budget	Expected Outturn 2018/19	Expected Variance 2018/19
	£	£	£	£	£
Housing	301,050	-	301,050	178,000	(123,050)
Housing Standards	615,650	32,280	647,930	383,370	(264,560)
Property Services	3,480,790	-	3,480,790	2,545,680	(935,110)
ICT	9,640	-	9,640	-	(9,640)
Fleet Management	2,547,070	-	2,547,070	1,007,410	(1,539,660)
Leisure Services	-	122,560	122,560	122,560	-
Regeneration	318,190	341,560	659,750	370,650	(289,100)
Horticulture	110,560	-	110,560	10,000	(100,560)
	<b>7,382,950</b>	<b>496,400</b>	<b>7,879,350</b>	<b>4,617,670</b>	<b>(3,261,680)</b>
External Contributions	615,650	32,280	647,930	383,370	(264,560)
Capital					
Receipts/Reserves	1,109,520	-	1,109,520	1,331,690	222,170
General Fund Balances	387,710	-	387,710	387,710	-
Borrowing	5,270,070	464,120	5,734,190	2,514,900	(3,219,290)
	<b>7,382,950</b>	<b>496,400</b>	<b>7,879,350</b>	<b>4,617,670</b>	<b>(3,261,680)</b>

7.3. The 2018/19 General Fund Capital Budget as updated and approved by the Executive on 6th December 2018 was set at £7,382,950. During the third quarter, budget increases of £496,400 have been included; resulting in a revised 2018-19 budget of £7,879,350

7.4. The changes made to the programme are listed below:

- Housing Standards – Disabled Facilities Grants (DFGs) - **Increased budget £32,280** the level of funds awarded annually by Central Government to support the grants programme was higher than anticipated; See below - this funding however is not expected to be utilised in the current financial year.
- Leisure Services – Equipment - **Increased budget £122,560** – This provision is necessary to cover the costs of acquiring gym equipment installed by the current service provider in the Council's Leisure facilities. The management of the facilities is subject to a new contract commencing on the 1st April 2019.
- Regeneration – Buxton Crescent Hotel and Thermal Spa Project - **Increased budget £341,560** – Members approved additional funding towards the project

via Individual Executive decision on 12th & 24th October 2018, and Full Council on 12th December 2018. The approval includes the provision of a repayable loan.

7.5 There are six significant capital programme variances to report at this stage:

- **Housing (£123,050 underspend)** - The level of one to one capital receipts expected to be applied in the year is lower than the original budget due to the re-profiling of spend against an affordable housing scheme at Thomas Fields Brown Edge. The Council has funded the project in return for nomination rights. The majority of the grant funding was paid out earlier than expected in 2017-18.
- **Housing Standards (£264,560 underspend)** - the level of Disabled Facilities Grant (DFGs) approvals in 2018-19 is expected to be lower than forecast. However, it is anticipated that the budget will be fully committed by the end of the year and therefore any underspend will be carried forward to be spent in 2019/20.
- **Property (£935,110 underspend)** - A number of projects have been re-profiled into future years following the on-going review and prioritisation of works contained within the Asset Management Plan. It should be noted that although the major structural works carried out to the Octagon are now complete; total costs are still being finalised, at this point it is assumed that the project will be within budget.
- **Fleet Management (£1,539,660 underspend)** Following transfer of the waste collection service to Alliance Environmental Services (AES), new fleet management arrangements have been agreed. Existing contract hire agreements have been terminated and vehicles have been directly purchased. The underspend reflects the revised timing of acquisitions of further fleet which will now take place in 2019/20
- **Regeneration (£289,100 underspend)** - Buxton Crescent Hotel & Spa project continues to progress, with scheduled completion in Autumn 2019; the loan referred to in 7.4 above will be paid in the current financial year; the balance of available budget made up of project management and capital costs has been re-profiled to reflect the anticipated timing of the final payments with £289,100 carried forward into 2019/20
- **Horticulture (£100,000 underspend)** - this provision is to support play facility improvement projects; no expenditure is anticipated in the current financial year but funding has been approved for two new projects; £10,000 Bench Road for improvements to play area and £13,000 Manor Park for the purchase of accessible play equipment. The underspend will therefore be carried forward to fund these and any other new schemes going forward.

7.6. Consequently, capital funding which will be applied to the 2018/19 Capital Programme is lower than forecast, reflecting the revised timing of capital spend.

## 8. Housing Revenue Account Capital Programme

- 8.1. This section of the report provides an update on the Council's HRA capital spending.
- 8.2. The table below shows a high level summary of the HRA Capital Programme position at 31st December 2018. Further detail on a scheme-by-scheme basis is contained in Annex B.

Scheme	2018/19 Revised Budget	Q3 Changes	2018-19 Revised Budget	Q3 Actual Spend	2018-19 Expected Outturn	2018-19 Expected Variance
	£	£	£	£	£	£
Asset Management Works	3,469,000	-	3,469,000	1,709,221	2,805,360	<b>(663,640)</b>
Repairs Team Capital Works	295,000	-	295,000	170,479	293,450	<b>(1,550)</b>
Commissioning Fees	100,000	-	100,000	-	100,000	-
Vehicle Purchasing	208,480	-	208,480	-	197,200	<b>(11,280)</b>
	<b>4,072,480</b>	-	<b>4,072,480</b>	<b>1,879,700</b>	<b>3,396,010</b>	<b>(676,470)</b>
<b>Funding:</b>						
Major Repairs Reserve	2,099,030	-	2,099,030	1,572,340	2,099,030	-
Capital Receipts Applied	307,360	-	307,360	307,360	307,360	-
HRA Contribution	1,666,090	-	1,666,090	-	989,620	<b>(676,470)</b>
	<b>4,072,480</b>	-	<b>4,072,480</b>	<b>1,879,700</b>	<b>3,396,010</b>	<b>(676,470)</b>

- 8.3. The 2018/19 HRA Capital Budget as updated and approved by the Executive on 6th December 2018 was set at £4,072,480.
- 8.4. During the third quarter, £1,879,700 has been incurred on HRA Capital Schemes principally on kitchen and bathroom replacements, central heating boiler replacements, electrical works and roofing schemes.
- 8.5. There is just one significant underspend to note at this stage relating to Asset Management Works (£663,640). The underspend relates to three areas in particular:
- Roofing Works including Queens Court Roofing (£350,000) – Queens Court Roof replacement (£250,000) is currently within the procurement process and therefore will not be delivered until 2019/20. The remaining £100,000 underspend is from general roofing works completed at lower than anticipated cost.
  - Electrical Works (£170,000) – The contract to electrically test approximately 800 properties each year did not begin until mid-year, following an extensive procurement exercise. The delayed start means that the completion of the project will be in 2019/20.
  - Health & Safety Works (£150,000) – This budget relates to three properties



with potential structural issues. The project is in the early stages with the focus being on gathering information from surveys in order to provide information to inform the extent of the works needed and future costs. It is therefore anticipated that the works will not complete until 2019/20.

- 8.6. Capital funding expected to be applied during 2018/19 is lower than forecast due to the variances noted above.

## **9. Treasury Management**

- 9.1. This section of the report sets out the key treasury management statistics in relation to the Council's investments and borrowings. This report comprises a high level treasury management summary. The Audit and Regulatory Committee receives detailed operational updates on treasury management.

### *Investments*

- 9.2. Cash Investments held on the 31st December 2018 totalled £22.9 million. The average level of funds available for investment up to the end of the third quarter totalled £20 million and £105,660 interest was earned.
- 9.3. The Council has budgeted to receive £139,940 in investment income in 2018/19. The budget was set with the potential for one Bank of England base rate rise of 0.25% during 2018/19. This occurred on 2nd August 2018, which was slightly earlier than the original forecast of November 2018, therefore the interest income target is expected to be overachieved by £10,000.

### *Borrowing*

- 9.4. Outstanding borrowing at 31st December 2018 totalled £66.8 million. The Council's general fund and HRA have budgeted to incur £1,694,500 and £1,891,470 respectively in interest charges and other financing costs in 2018/19. This was based on existing external debt and new external debt to fund the borrowing requirements arising from the 2017/18 and 2018/19 general fund capital programmes plus the refinancing of a portion of maturing debt in December 2018.
- 9.5. No 'new' borrowing or refinancing has occurred during the year. The budget is forecast to be £39,350 underspent overall: £6,990 to the general fund relating to reduced MRP from the 2017/18 borrowing requirement; and £32,360 to the HRA owing to improved investment income (netted off the borrowing costs) from HRA reserves available for investment and the improved average investment rate. The treasury team continue to monitor opportunities for new borrowing considering the actual borrowing requirement and the cost of carry of any borrowings taken.

## 10. Revenue Collection

10.1. The collection rate outturn for Quarter 3 2018/19 was as follows:

- Council Tax – 84.9% of Council Tax was collected by 31st December 2018, compared to 85.2% for the same period last year.
- Business Rates – 83.2% of Business Rates was collected by 31st December 2018, compared with 81.9% for the same period last year. The 2018/19 current collection rate is skewed by a company that has paid their 2018/19 in full at the beginning of the year (whereas paying in 12 monthly instalments in 2017/18). Removing this impact from the figures would result in a difference of 0.13% overall.
- Sundry Debts - The value of sundry debts over 60 days old at the end of Quarter 3 was £171,072, which compares with £266,422 at 31st December 2017.

**General Fund Capital Programme Update 31<sup>st</sup> December 2018**

Scheme	2018/19 Approved Budget	Q3 Changes	2018/19 Revised Budget	Expected Outturn 2018/19	Expected Variance 2018/19
	£	£	£	£	£
<b>Housing &amp; Housing Standards</b>					
Affordable Housing Project	301,050	-	301,050	178,000	(123,050)
Disabled Facilities Grants	541,920	32,280	574,200	309,640	(264,560)
Landlord Accreditation Grant Scheme	73,730	-	73,730	73,730	-
	<b>916,700</b>	<b>32,280</b>	<b>948,980</b>	<b>561,370</b>	<b>(387,610)</b>
<b>Property Services</b>					
Asset Management Programme	3,480,790	-	3,480,790	2,545,680	(935,110)
	<b>3,480,790</b>	<b>-</b>	<b>3,480,790</b>	<b>2,545,680</b>	<b>(935,110)</b>
<b>ICT</b>	9,640	-	9,640	0	(9,640)
	<b>9,640</b>	<b>-</b>	<b>9,640</b>	<b>0</b>	<b>(9,640)</b>
<b>Fleet Management</b>					
Vehicle/Equipment Acquisition	2,547,070	-	2,547,070	1,007,410	(1,539,660)
	<b>2,547,070</b>	<b>-</b>	<b>2,547,070</b>	<b>1,007,410</b>	<b>(1,539,660)</b>
<b>Leisure Services</b>					
Leisure Facilities - Gym Equipment	-	122,560	122,560	122,560	-
	<b>-</b>	<b>122,560</b>	<b>122,560</b>	<b>122,560</b>	<b>-</b>
<b>Regeneration</b>					
Growth Fund Projects Provision	-	-	-	-	-
Heritage Regeneration Grants	45,000	-	45,000	45,000	-
Buxton Crescent & Spa	273,190	341,560	614,750	325,650	(289,100)
	<b>318,190</b>	<b>341,560</b>	<b>659,750</b>	<b>370,650</b>	<b>(289,100)</b>
<b>Horticulture</b>					
Cemeteries /Parks	10,560	-	10,560	10,000	(560)
Play Facilities	100,000	-	100,000	-	(100,000)
	<b>110,560</b>	<b>-</b>	<b>110,560</b>	<b>10,000</b>	<b>(100,560)</b>
<b>Total General Fund</b>	<b>7,382,950</b>	<b>496,400</b>	<b>7,879,350</b>	<b>4,617,670</b>	<b>(3,261,680)</b>

### Housing Revenue Account Capital Programme Update 31<sup>st</sup> December 2018

Scheme	Revised Budget 2018/19	Q3 Changes	Revised Budget 2018/19	Q3 Actual Spend	18/19 Expected Outturn	18/19 Expected Variance
<b>ASSET MANAGEMENT WORKS:</b>	£	£	£	£	£	£
Roofing & External Works	602,000	0	602,000	219,807	253,307	(348,693)
Kitchens	625,000	0	625,000	407,988	618,193	(6,807)
Bathrooms	150,000	0	150,000	46,627	183,627	33,627
Central Heating	223,000	0	223,000	211,671	231,671	8,671
Central Heating - One Offs	76,000	0	76,000	5,777	15,777	(60,223)
Electrical Works	468,000	0	468,000	131,396	301,833	(166,167)
Health & Safety Works	100,000	0	100,000	0	0	(100,000)
Aids & Adaptations	350,000	0	350,000	170,213	393,213	43,213
Unity Walk & Quarry Close Railing	30,000	0	30,000	36,228	36,228	6,228
Cross Street Structural	50,000	0	50,000	0	0	(50,000)
Commercial Heating Renewal (Marian)	127,000	0	127,000	107,080	107,080	(19,920)
Corbar Road Roofing Works	35,000	0	35,000	41,130	43,130	8,130
Communal Rewires	220,000	0	220,000	165,438	255,440	35,440
Major Voids (2)	118,000	0	118,000	29,665	104,665	(13,335)
Scooter Stores	75,000	0	75,000	65,085	65,085	(9,915)
Lightning Protection	40,000	0	40,000	23,349	43,349	3,349
Commercial Heating Renewal (Cromford Court)	80,000	0	80,000	41,590	61,590	(18,410)
Electrical Works (Marian)	100,000	0	100,000	6,177	91,177	(8,823)
	3,469,000	0	3,469,000	1,709,221	2,805,365	(663,635)
<b>REPAIRS TEAM CAPITAL WORKS</b>						
Void Rewires	35,000	0	35,000	46,776	70,164	35,164
Void Kitchens	200,000	0	200,000	85,603	160,015	(39,985)
Void Bathrooms	60,000	0	60,000	38,100	63,270	3,270
	295,000	0	295,000	170,479	293,449	(1,551)
<b>STAFFING &amp; PROFESSIONAL FEES</b>						
Staffing Recharges/ Commissioning Costs	100,000	0	100,000	0	100,000	0
	100,000	0	100,000	0	100,000	0
<b>VEHICLE PURCHASING</b>						
Vehicle Purchases	208,480	0	208,480	0	197,204	(11,276)
	208,480	0	208,480	0	197,204	(11,276)
<b>TOTAL SPEND</b>	4,072,480	0	4,072,480	1,879,700	3,396,018	(676,462)