



2018/19

**Fourth Quarter
(Provisional
Outturn)
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 fourth (and final) 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 in providing waste collection and fleet management 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 on progress against the Council's General Fund capital plans.
 - **HRA Capital Programme (Section 8)** – provides an update 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 (with staff)	2018/19 Budget	Provisional Outturn 2018/19	Variance	(Contribution to) / Use of Earmarked Reserves
	£	£	£	£
Alliance Leadership Team	538,470	513,934	(24,536)	-
Audit	94,980	95,396	416	-
ICT	585,740	537,472	(48,268)	147
Human Resources	72,480	60,649	(11,831)	-
Member Services	196,190	160,498	(35,692)	-
Property Services+	427,280	409,261	(18,019)	17,224
Benefits	134,480	6,852	(127,628)	(15,695)
Planning Applications	(65,600)	(17,001)	48,599	-
Building Control	35,840	26,130	(9,710)	-
Customer Services	506,830	453,464	(53,366)	-
Legal Services	190,000	244,801	54,801	-
Electoral Services	96,470	30,454	(66,016)	(33,880)
Licensing and Land Charges	(336,520)	(314,836)	21,684	-
Regeneration+	378,720	427,378	48,658	-
Communities and Cultural	455,510	450,233	(5,277)	6,596
Housing Strategy	80,040	(70,904)	(150,944)	(158,459)
Transformation	213,340	215,393	2,053	-
Community Safety and Enforcement	136,350	93,621	(42,729)	-
Finance Income & Procurement	425,650	412,004	(13,646)	-
Corporate Finance	925,790	768,697	(157,093)	(12,104)
Waste Collection	2,570,200	2,422,456	(147,744)	-
Street Scene	175,090	186,205	11,115	60
Leisure Services+	419,360	522,388	103,028	(5,438)
Horticulture	198,180	189,848	(8,332)	2,030
Environmental Health	421,600	392,775	(28,825)	-
Net Total of Services	8,876,470	8,217,168	(659,302)	(199,520)
Net Interest	1,550,770	1,493,472	(57,298)	
	10,427,240	9,710,640	(716,600)	
Funding - external	(8,616,150)	(9,487,609)	(871,459)	
Funding - reserves contribution to/(from)	(1,811,090)	(1,605,020)	206,070	
Projected (Surplus)/Deficit	-	(1,381,989)	(1,381,989)	

* In previous quarters Staff costs were budgeted and recorded in Finance & Procurement. They were considered a corporate resource to be the main source of savings realised by the Authority's Efficiency and Rationalisation Programme, However to show the true use of resources by individual services it is necessary to include the actual staff costs incurred. Therefore the Quarter Four provisional outturn position includes the actual staff costs (and matching budgets) at the service level.

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

+The Visitor Services function has now been split between three service areas: 'Car Parks' with Property Services, 'Tourism and Markets' within Regeneration, and the 'client responsibility for the Pavilion Gardens' within Leisure Services

- 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 projected outturn on the General Fund Revenue Account for 2018/19 is £9,045,251. This represents a projected surplus for the year of £1,381,989.
- 2.4. There are two service areas with a projected significant overspend (>£50,000):
- **Legal Services (£54,801 overspend)**; the overspend resulted equally from external professional services required in relation to three contracts, Leisure Management, Facilities Management and Pavilion Gardens.
 - **Leisure Services (£103,028 overspend)**; Income streams at Pavilion Gardens were impacted by the delayed re-opening of the Octagon, contributing to a projected £207,269 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. Changes to the Leisure Centre management contract part way through the year generated savings of some £86,000. While £16,000 of this related to a repairs budget, the majority arose from credits that had accrued against the old contract in regard to pension contributions.
- 2.5. There are six services with a projected significant underspend:
- **Benefits (£127,628 underspend)** - Where overpaid benefits can not be reclaimed from on-going payments the recipients are invoiced individually. The income is credited to the service in the year that the invoice is raised irrespective of when the cash is actually received. In acknowledgement that not all invoices will be paid the service is charged a bad debts provision. In 2018/19 the amount of historic overpayments identified and pursued by raising invoices were some £106,000 above expectations. This was partially offset by a £37,000 bad debts provision. The remaining £59,000 underspend was predominantly as a result of grant funding, received in year to support administrative initiatives, exceeding the actual direct cost impact on the service. As reported at 2.7 below £15,695 of this funding has been moved into an earmarked reserve for use in future years.
 - **Customer Services (£53,366 underspend)** - Small savings across a number of budget heads generated around £19,000 of the underspend. Savings of £13,000 were made against both the postage and photocopier budget heads. The underspend was further boosted by the receipt of £9,000 from Derbyshire County Council to fund the Borough's administration of their gold card service.
 - **Electoral Services (£66,016 underspend)** - Each year the service budgets to underspend so that a contribution of £40,000 can be made into a reserve earmarked to spread the cost of the Borough's elections over the term of a council. Also this year additional savings were made against the service budget as a result of grants received to support the implementation of Individual Electoral Registration.

- **Housing Strategy (£150,944 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. As reported below (section 2.7) 2018/19 has seen some £158,000 excess funding received in the year being placed in earmarked reserves.
- **Corporate Finance (£157,093 underspend)** - £13,000 of the Corporate Finance underspend is subject to a carry forward request (section 2.13) relating to risk management work around the safeguarding of the Buxton spring water source. This work, which was signed off by the Risk Management Group, was due to be carried out in 2018 funded by a corporate risk management budget. The work will now take place in 2019.

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 has generated a windfall for the Council of £41,889 which has been credited to corporate finance as it relates to previous years.

MHCLG announced as part of the local government finance settlement 2019 to 2020 that authorities would benefit from increased growth in business rates income which has generated a surplus in the government's business rates levy account since the introduction of the retention scheme; £35,743 has been received by the Council in 2018/19 from this distribution.

A net £70,000 underspend is reported against the corporate contract hire budget reflecting an in-year change in the way the Authority's operational fleet requirements are satisfied. As part of the business plan for Alliance Environmental Services the practice of hiring sweepers and refuse vehicles etc. has been replaced by purchase and in-house maintenance. This in effect moved the financing element from contract hire to within the overall costs of treasury management (borrowing costs)

- **Waste Collection (£147,744 underspend)** - Section 4.6 shows how the Authority's trading relationship with Alliance Environmental Services generated £58,000 more surplus than originally anticipated. Trade Waste activities contributed £114,000 to the underspend through a combination of higher demand and reduced costs. Income from recycling credits however was £25,000 below expectations.

2.6. The £57,298 underspend on net interest costs is detailed in section 9.

2.7. The level of funding anticipated for the year is £665,389 above that budgeted due to the following:

External Funding (£871,459):

Business Rates Retention (£871,459)

- 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; an additional £407,027 retention has been achieved.
- S31 grants for business rates are £464,432 greater than the budget 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.

Use of Reserves £206,070:

- The original budget for 2018/19 assumed the use of £1,804,540 in contingency and £6,550 in earmarked reserves.
- The outturn reported in table 2.1 assumes that the £1,804,540 drawdown of contingency reserves included in the 2018/19 budget was used. In practice however owing to the general fund surplus (of £1,381,989) generated in the year the actual use of these reserves was only £422,551.
- The £206,070 variance in reserve usage reported in table 2.1 reflects that instead of using the £6,550 in earmarked reserves the Borough was actually able to contribute £199,520 in to them.

Earmarked:

- Electoral Services £33,880 contribution: there is a budgeted annual contribution of £40,000 in to a reserve earmarked to spread the cost of the Borough's elections over the term of a Council. In 2018/19 this has been offset by the crediting to the service of the £6,120 balance of funding received in 2017/18 to support the implementation of individual electoral registration.
- Corporate Finance £12,104 contribution: 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 which in 2018/19 totalled £5,350.

During 2018/19 the Borough, along with all similar sized councils, received a Government grant of £17,484 towards Local Authority costs associated with exiting the European Union. These monies have been set to one side to meet such future liabilities should they arise.

- Property Services £17,224 use: the cost of resolving urgent health and safety works at the Council's properties is to be covered out of an earmarked reserve.
- Communities & Culture £6,596 use; Monies reserved to fund activities around community engagement in regard to Glossop Hall were applied in year.

- Benefits £15,695 contribution; New Burdens (NB) grant, received in the year to support the impact on the Council of Government initiatives to reform the Benefits system, that was not applied in year has been earmarked for future use.
- Housing Strategy £158,459 contribution: Each year a grant is received from Derbyshire County Council, in relation to council tax earned on second homes, that is used to address homelessness issues in the Borough. At the end of 2018/19, £70,000 remained unspent and has been placed in reserve for future use. In addition some £85,000 of Flexible Homeless Support Grant received in-year has been set aside to support homelessness initiatives that will run into future years.
- Leisure Services £5,438 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.
- Horticulture £2,030 use; Works on Parks and Open Spaces are part funded each year by drawing down on Section 106 monies previously received from Developers as part of their planning obligations.

General Fund Revenue Reserves:

- 2.8. The provisional outturn for the year on the General Fund Revenue Account was a £1,381,989 surplus.
- 2.9. The surplus generated is calculated inclusive of the £1,804,540 use of general reserves budgeted for 2018/19. Therefore, the Authority's contingency reserves have decreased overall by £422,551.
- 2.10. The Authority's calculated minimum for its contingency reserve is £1,300,000. A review of the Authority's reserves has been performed to identify areas where earmarking for future projects was considered prudent while maintaining a satisfactory level for contingency. As a result the following moves into earmarked reserves are proposed;
- £816,000 added to an earmarked reserve set aside to fund capital expenditure and reduce the overall cost of borrowing. It is anticipated that this will be applied to acquiring vehicles and equipment for Alliance Environmental Services Limited.
 - £100,000 added to the reserve earmarked to support the Borough's Efficiency and Rationalisation programme bringing it to £200,000.
 - £12,000 set aside to provide funds to support the 'Keep Britain Tidy' campaign.
 - £40,000 put into a reserve established to fund a review of the condition of the Council's buildings to inform capital expenditure requirements.
- 2.11. In addition a balance of £19,000 has been returned to Contingency following closure of two earmarked reserves, staff conference and WW1 commemorations,

where spend was or could be covered from existing budgets.

- 2.12. The effect of these changes results in a balance on general fund reserves as at 31st March 2019 of £2.005 million – which is £0.7 million above minimum contingency. The current Medium Term Financial Plan, expects to contribute a net £0.48million to general contingency reserves over the next four years 2019/20 – 2022/23. This is however dependent on the realisation of the Efficiency Plan.

Carry Forward Request:

- 2.13. There is a request from Corporate Finance to carry forward £13,000 of unused budget in the General Fund Account, relating to risk management work around the safeguarding of the Buxton Spring Water source. This work, which was signed off by the Risk Management Group, was due to be carried out in 2018 funded by a corporate risk management budget. The work will now take place in 2019.

It is recommended that this request be approved.

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.
- 3.3. As from 1st February, the Pavilion Gardens transferred to Parkwood Leisure - which has been reflected in the overspend of £204,610. The main reason for the overspend is the delayed reopening of the Octagon and the impact on income levels.
- 3.4. 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	Outturn 2018/19						Outturn	2018/19 Budget	Variance
	Pavilion Café	Coffee Area	TIC & Retail	Events	Outside	Function			
Income	(461,210)	(120,900)	(144,680)	(112,720)	(39,970)	(115,040)	(994,520)	(1,250,220)	255,700
Expenditure	579,040	245,320	230,480	142,170	57,100	127,480	1,381,590	1,432,680	(51,090)
Net Cost / (Contribution)	117,830	124,420	85,800	29,450	17,130	12,440	387,070	182,460	204,610

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)
Net Cost / (Contribution)	92,800	117,620	63,710	30,080	4,320	9,510	318,040	293,700	24,340

3.5. 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 Ltd (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.

Alliance Environmental Service's financial performance

- 4.3. The AES business plan for all services delivered to both Councils included an anticipated operating profit of £111,830. The draft outturn provided at 31st March 2019 shows that a profit of £109,160 was achieved during the year; showing a small shortfall of £2,670 against the budget. The outturn includes both the crystallised risk items payable by the Councils (£363,340); and the reimbursement of the planned efficiency target payable by (AES £169,730).

2018-19	Budget	Draft Outturn	Variance
	£	£	£
Turnover	(6,495,840)	(6,073,480)	422,360
Cost of sales	5,789,890	5,417,080	(372,810)
Gross profit	(705,950)	(656,400)	49,550
Administrative & Other Expenses	594,120	547,240	(46,880)
(Profit)/ Loss	(111,830)	(109,160)	2,670

Impact on the Council's budgets

- 4.4. This table shows in more detail the outturn on the AES contract included in the General Fund Revenue Account and HRA:

2018-19	General Fund	HRA	Total
	£	£	£
Contract budget	2,713,280	75,950	2,789,230
Transfer of contract hire budget	122,420	-	122,420
Net budget	2,835,700	75,950	2,911,650
Management fee (incl. vehicle premium)	2,817,480	76,770	2,894,250
Crystallised in-year risk items	74,940	17,390	92,330
Allocation of AES efficiency	(91,460)	(1,690)	(93,150)
Net management fee payable	2,800,960	92,470	2,893,430
Allocation of Joint Operation Profit	(23,120)	(3,410)	(26,530)
Net total payable	2,777,840	89,060	2,866,900
Variance to Budget	(57,860)	13,110	(44,750)

- 4.5. In addition to the service budgets for the management fee (contract budget), it has been recognised that savings on former contract hire vehicle budgets have been achieved as a direct result of the change in vehicle provision upon cessation of the SFS contract (the Council's former provider of contract hire vehicles). Therefore these savings of £122,420 have been transferred to support the vehicle premium and crystallised fleet risk items.
- 4.6. The management fee payable includes an additional £92,420 (the vehicle premium) to recognise the additional costs associated with temporary hire of waste vehicles pending the completion of a procurement exercise. The contract states that any profits realised in excess of the budget would be used to offset this amount. This did not occur in 2018/19 as there was no excess profit achieved.
- 4.7. The AES Business Plan also includes forecast expenditure 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. The draft outturn shows that £92,330 (£74,940 general fund, £17,390 HRA) of these risk items have crystallised, the majority of which relate to fleet costs. This is £72,560 less than the original forecast risk items (£68,590 general fund, £3,970 HRA) largely related to additional People's Pension costs which did not occur.
- 4.8. The Council's share of the total AES efficiency achieved is £93,150 (£91,460 general fund, £1,690 HRA). This is repayable to the Council and is allocated against the management fee costs.
- 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. £26,530 (£23,120 general fund, £3,410 HRA) is offset against the management fee costs.

Efficiencies

- 4.10. The total 2018/19 efficiency target relating to AES services is £242,850. This is made up of the £169,370 allocated to AES and £73,480 to be achieved from the retained budgets of both Councils. This has been achieved during the year.

Pensions

- 4.11. AES is continuing the process of confirming admitted body status in the Derbyshire Pension Fund (DPF). The employees transferred to AES have been 'pooled' 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 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** - a fundamental review of a number of large services where long-term contract commitments have ended. The contract commitments have sometimes restricted the opportunity to align services across the alliance with Staffordshire Moorlands. 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 provided 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 Four, £492,357 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.
- 5.7. This leaves a £56,743 shortfall against target due to slippage in the profile of savings. The efficiency shortfall is being partially offset by one-off vacancy savings in the establishment as well as other corporate in year savings. 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 to be achieved in future years.

- 5.8. An exercise was undertaken as part of the 2019/20 budget setting process to review and re-profile the Efficiency & Rationalisation Plan – which anticipated a small shortfall against target in 2018/19.
- 5.9. The Authority carries a reserve of £100,000 earmarked to support the Efficiency Strategy which can be drawn on to offset one-off costs of delivering the efficiency programme, such as redundancy costs (this has now been increased to £200,000 – see 2.10). It has not been necessary to draw on this reserve in 2018/19 so it remains intact to underwrite performance against future savings targets in the Efficiency Programme.

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. Provisional outturn expenditure on the Housing Revenue Account for 2018/19 is £13,704,312 with provisional outturn income of £14,966,951. This represents a surplus for the year of £1,262,639 (i.e. £1,409,779 below budget).

Housing Revenue Account	2018-19 Revised Budget	2018-19 Provisional Outturn	2018-19 Variance
	£	£	£
INCOME			
Dwellings Rents	(14,230,620)	(14,270,918)	(40,298)
Non - Dwelling Rents Etc	(617,730)	(696,033)	(78,303)
Sub-total income	(14,848,350)	(14,966,951)	(118,601)
EXPENDITURE			
Repairs & Maintenance	4,404,400	4,622,464	218,064
Supervision & Management	3,034,670	2,420,685	(613,985)
Rents, rates, taxes Etc	105,260	141,072	35,812
Savings Realised	69,730	-	(69,730)
Other Operating Expenditure	712,110	579,592	(132,518)
Depreciation & Impairment	2,099,030	2,062,396	(36,634)
Interest & Debt Management	2,904,200	2,869,548	(34,652)
Contribution to Capital	1,666,090	1,008,555	(657,535)
Sub-total expenditure	14,995,490	13,704,312	(1,291,178)
Surplus(-)/Deficit	147,140	(1,262,639)	(1,409,779)

- 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 Council comfortably maintained a credit balance on the Housing Revenue Account in 2018/19. The surplus balance will be transferred to reserves within the Housing Revenue Account.
- 6.5. There is just one significant (>£50,000) overspend on the HRA:
- Repairs and Maintenance (£218,064) – There are a number of small variances contributing to this overspend, however the two most significant relate to:
 - the costs associated to component repairs including doors and windows which was much higher than expected creating an overspend of £180,000;

- increases in other general material spend resulting in a £130,000 overspend; and
- offsetting this, trade waste spend was lower than expecting providing an underspend of £70,000.

6.6. There are five significant (>£50,000) underspends to be noted at this stage.

- Income (118,601) – improvements to void turnarounds and increased income from service charges have been responsible for this positive variance.
- Supervision and Management (£613,985) – there are numerous underspends across a large number of budget areas contributing to this underspend however, a large proportion of this variance relates to savings in salary costs from vacancies and staff turnover.
- Savings Realised (£69,730) – A number of administrative savings have been realised ahead of the HRA Financial Improvement Plan.
- Other Operating Expenditure (£132,518) - this variance is due to the lower than expected contribution needed to the bad debts reserve.
- Contribution to Capital (£657,535) – 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 The General Fund Capital Programme approved by members in February 2019 was set at £4,617,670
- 7.2 The 2018/19 provisional outturn at 31st March 2019 is summarised in the table below, with further detail provided at Annex A

General Fund Capital Outturn 2018/19			
Service	Revised Budget	Outturn	Variance
	£	£	£
Housing	178,000	140,408	(37,592)
Housing Standards	383,370	285,382	(97,988)
Property Services	2,545,680	2,464,171	(81,509)
Fleet Management	1,007,410	709,418	(297,992)
Leisure Services	122,560	122,256	(304)
Regeneration	370,650	254,232	(116,418)
Horticulture	10,000	13,430	3,430
	4,617,670	3,989,297	(628,373)
External Contributions	383,370	285,382	(97,988)
Earmarked Reserves	1,086,400	831,674	(254,726)
Capital Receipts	633,000	246,081	(386,919)
Borrowing	2,514,900	2,626,161	111,261
	4,617,670	3,989,297	(628,373)

- 6.7. The Council incurred capital expenditure of £3,989,297 during the year against a revised budget of £4,617,670 - this represents an underspend of £628,373. The underspend reflects the net impact of Capital Programme projects which are either behind schedule or have progressed quicker than expected with the most significant variances being:

- Housing Standards (£97,988 underspend) – this variance resulted from less spending in the year than forecast against disabled facilities and landlord accreditation grants. The under spend has been carried forward to 2019/20 to cover grant applications approved and committed at the end of March
- Property Services (£81,509 underspend) – The variance is made up of an overspend of £593,770 on the refurbishment works to the Octagon, Pavilion Gardens (the final contract sum is subject to on-going negotiations). This is offset by underspends of £678,679 against a number of in-progress property projects where expenditure was below or higher than forecast. These variances will be carried forward into 2019/20
- Fleet Management Vehicle & Plant Acquisitions (£297,992 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 vehicles which will now take place in 2019/20

- Regeneration (£116,418 under spend) - expenditure on the Buxton Crescent Hotel & Spa project was £88,613 lower than forecast; the project continues to progress and the unused budget has been carried forward to support ongoing commitments. Also, there was an underspend of £27,805 against the release of Heritage Regeneration Grants; the scheme has now ceased.

7.5 Consequently, capital funding applied to the 2018/19 Capital Programme is lower than forecast, reflecting the incidence and timing of capital spend.

7.6 As a result of the variances detailed above, approval is sought to increase / decrease the capital budgets for 2019/20 as shown in the table below:

Capital Programme 'Carry Forwards' (2018/19 to 2019/20)			
Service	Variance	Carry Forward to 2019/20 Over/(Under) Spend	Over/ (Under) spend Completed Projects
	£	£	£
Housing	(135,580)	(97,988)	(37,592)
Property	(81,509)	(678,679)	597,170
Fleet Management	(297,992)	(297,992)	-
Leisure Services	(304)	-	(304)
Regeneration	(116,418)	(88,613)	(27,805)
Horticulture	3,430	3,430	-
	(628,373)	(1,159,842)	531,469

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 HRA Capital Programme approved in February 2019 was set at £4,072,480.

8.3 The table below shows a high level summary of the HRA Capital Programme provisional outturn at 31st March 2019. Further detail on a scheme by scheme basis is contained in Annex B.

Scheme	2018-19 Revised Budget	2018-19 Provisional Outturn	2018-19 Variance
	£	£	£
Asset Management Works	3,469,000	2,797,543	(671,457)
Repairs Team Capital Works	295,000	287,868	(7,132)
Commissioning Fees	100,000	97,066	(2,934)
Vehicle Purchasing	208,480	197,204	(11,276)
	4,072,480	3,379,681	(692,799)
Funding:			
Major Repairs Reserve	2,099,030	2,062,396	(36,634)
Capital Receipts Applied	307,360	308,730	1,370
HRA Contribution	1,666,090	1,008,555	(657,535)
	4,072,480	3,379,681	(692,799)

8.4 The Council incurred capital expenditure of £3,379,681 during the year against a revised budget of £4,072,480; this represents an under spend of £692,799. Of this underspend, a request to carry forward £50,000 is made to continue the works associated with a large disabled adaptation following delays in planning consent. The remaining underspend reflects the net impact of the Capital Programme projects which are either behind schedule or have progressed quicker than expected with the most significant variances being:

- Roofing Works (£295,687) – the majority of this underspend relates to the Queens Court Roof replacement (£250,000) which has been rolled forward into the 2019/20 capital programme following a delay in procurement.
- Electrical Works (£166,405) – The project to electrically test approximately 800 properties each year did not begin until mid year, following an extensive procurement exercise. Although more than half have been completed, the delayed start means that the remainder will not be completed until 2019/20.
- Health & Safety Works (£150,000) – This budget refers 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. The project has

therefore been rolled forward into 2019/20.

- 8.5 The HRA capital programme outturn is lower than anticipated and this is reflected in the reduced funding direct from the HRA and associated capital reserves. Apart from the HRA contribution, the largest variance relates to the major repairs reserve which is lower than expected reflecting the impact of changes in asset valuations.

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 March 2019 totalled £14.4 million. The average level of funds available for investment up to the end of the year totalled £19.8million and £145,410 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 a surplus interest income of £5,470 was achieved.

Borrowing

- 9.4 Outstanding borrowing at 31st March 2019 totalled £66.8 million. The Council's general fund and HRA 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 None of this 'new' borrowing or refinancing activity occurred during the year, therefore budget is forecast to be £86,490 underspent overall: £51,830 to the general fund; and £34,660 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.

10 Revenue Collection

10.1 The collection rate outturn for Quarter 4 2018/19 was as follows:

- Council Tax – 98.43% of Council Tax was collected by 31st March 2019, compared to 98.35% for the same period last year.
- Business Rates – 99.09% of Business Rates was collected by 31st March 2019, compared with 98.74% for the same period last year.
- Sundry Debts - The value of sundry debts over 60 days old at the end of Quarter 4 was £184,465 which compares with £182,066 at 31st March 2018. One significant overdue invoice was subsequently paid in early April 2019.

General Fund Capital Programme Update - 31st March 2019

Scheme	2018/19 Approved Budget Feb 2019	Outturn 2018/19	Variance	Carry Forward to 2019/20	(Over)/Under Spend
	£	£	£	£	£
Housing & Housing Standards					
Affordable Housing Project	178,000	140,408	37,592	-	37,592
Disabled Facilities Grants	309,640	279,382	30,258	30,258	-
Landlord Accreditation	73,730	6,000	67,730	67,730	-
	561,370	425,790	135,580	97,988	37,592
Property					
Asset Management Programme	2,545,680	2,464,171	81,509	678,679	(597,170)
	2,545,680	2,464,171	81,509	678,679	(597,170)
Fleet Management					
Vehicles Plant & Equipment	1,007,410	709,418	297,992	297,992	-
	1,007,410	709,418	297,992	297,992	-
Leisure Services					
Gym Equipment Purchase	122,560	122,256	304	-	304
	122,560	122,256	304	-	304
Regeneration					
Heritage Grants	45,000	17,195	27,805	-	27,805
Buxton Crescent & Spa	325,650	237,037	88,613	88,613	-
	370,650	254,232	116,418	88,613	27,805
Horticulture					
Cemeteries/Parks	10,000	13,430	(3,430)	(3,430)	-
	10,000	13,430	(3,430)	(3,430)	-
Total General Fund	4,617,670	3,989,297	628,373	1,159,842	(531,469)

Asset Management Programme

2,545,680

2,464,171

81,509

678,679

(597,170)

Housing Revenue Account Capital Programme Update - 31st March 2019

Scheme	Approved Budget 2018/19	18/19 Provisional Outturn	18/19 Variance	C/fwd to 2019/20	Over / (Under) Spend
	£	£	£	£	£
ASSET MANAGEMENT WORKS:					
Roofing & External Works	602,000	306,313	(295,687)	-	(295,687)
Kitchens	625,000	577,670	(47,330)	-	(47,330)
Bathrooms	150,000	190,003	40,003	-	40,003
Central Heating	223,000	214,599	(8,401)	-	(8,401)
Central Heating - One Offs	76,000	34,205	(41,795)	-	(41,795)
Electrical Works	468,000	301,595	(166,405)	-	(166,405)
Health & Safety Works	100,000	-	(100,000)	-	(100,000)
Aids & Adaptations	350,000	451,236	101,236	50,000	151,236
Unity Walk & Quarry Close Railing	30,000	40,458	10,458	-	10,458
Cross Street Structural	50,000	-	(50,000)	-	(50,000)
Commercial Heating Renewal (Marian)	127,000	107,080	(19,920)	-	(19,920)
Corbar Road Roofing Works	35,000	13,764	(21,236)	-	(21,236)
Communal Rewires	220,000	208,438	(11,562)	-	(11,562)
Major Voids (2)	118,000	109,673	(8,327)	-	(8,327)
Scooter Stores	75,000	65,085	(9,915)	-	(9,915)
Lightning Protection	40,000	23,349	(16,651)	-	(16,651)
Commercial Heating Renewal (Cromford Court)	80,000	58,138	(21,862)	-	(21,862)
Electrical Works (Marian)	100,000	95,935	(4,065)	-	(4,065)
	3,469,000	2,797,543	(671,457)	50,000	(621,457)
REPAIRS TEAM CAPITAL WORKS					
Void Rewires	35,000	68,215	33,215	-	33,215
Void Kitchens	200,000	147,418	(52,582)	-	(52,582)
Void Bathrooms	60,000	72,235	12,235	-	12,235
	295,000	287,868	(7,132)	-	(7,132)
STAFFING & PROFESSIONAL FEES					
Staffing Recharges/ Commissioning Costs	100,000	97,066	(2,934)	-	(2,934)
	100,000	97,066	(2,934)	-	(2,934)
VEHICLE PURCHASING					
Vehicle Purchases	208,480	197,204	(11,276)	-	(11,276)
	208,480	197,204	(11,276)	-	(11,276)
TOTAL SPEND	4,072,480	3,379,681	(692,799)	50,000	(642,799)