



**2019/20**

**Second 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 Second such report for 2019/20.
- 1.2. The report summarises overall financial performance for 2019/20 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.
  - **Alliance Environmental Services (Section 3)** – highlights the performance of the Council's Joint Venture Company providing Waste and Fleet services.
  - **Efficiency and Rationalisation Programme (Section 4)** – considers progress in achieving the efficiency and rationalisation savings forecast.
  - **Housing Revenue Account (Section 5)** – highlights the budgetary position in respect of the operation of the Council's housing stock.
  - **General Fund Capital Programme (Section 6)** – provides an update to Members on progress against the Council's General Fund capital plans.
  - **HRA Capital Programme (Section 7)** – provides an update to Members on progress against the Council's HRA capital plans.
  - **Treasury Management (Section 8)** – sets out the key statistics in terms of investments and borrowings.
  - **Revenue Collection (Section 9)** – 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)	2019/20 Budget	Expected Outturn 2019/20	Variance	Use of / (Contribution to) Earmarked Reserves
	£	£	£	£
Alliance Leadership Team	58,290	58,290	-	-
Audit	10,240	8,240	(2,000)	-
ICT	581,980	541,980	(40,000)	-
Human Resources	72,480	60,480	(12,000)	-
Member Services	195,220	190,920	(4,300)	-
Property Services	23,050	240,170	217,120	52,000
Benefits	(198,470)	(206,970)	(8,500)	4,000
Planning Applications	(470,930)	(495,520)	(24,590)	1,030
Building Control	38,270	18,270	(20,000)	-
Customer Services	141,890	133,890	(8,000)	-
Legal Services	30,510	30,510	-	-
Electoral Services	81,470	166,470	85,000	115,000
Licensing and Land Charges	(316,480)	(327,920)	(11,440)	-
Regeneration	112,560	206,450	93,890	52,850
Communities and Cultural	283,030	296,460	13,430	17,430
Housing Strategy	67,930	36,920	(31,010)	(23,000)
Transformation	21,250	23,750	2,500	-
Community Safety and Enforcement	118,080	109,580	(8,500)	-
Finance Income & Procurement	(26,130)	(51,880)	(25,750)	-
Corporate Finance*	6,461,360	6,127,360	(334,000)	-
Waste Collection	2,066,860	2,033,600	(33,260)	2,000
Street Scene	(33,520)	130	33,650	12,000
Leisure Services	206,200	219,210	13,010	3,820
Horticulture	(809,750)	(811,490)	(1,740)	840
Environmental Health	(31,710)	(30,710)	1,000	-
<b>Net Total of Services</b>	<b>8,683,680</b>	<b>8,578,190</b>	<b>(105,490)</b>	<b>237,970</b>
Net Interest	1,569,370	1,548,870	(20,500)	
	10,253,050	10,127,060	(125,990)	
<b>Funding - external</b>	<b>(10,248,040)</b>	<b>(10,143,500)</b>	<b>104,540</b>	
<b>Funding - reserves contribution to/(from)</b>	<b>(5,010)</b>	<b>(236,430)</b>	<b>(231,420)</b>	
<b>Projected (Surplus)/Deficit</b>	<b>-</b>	<b>(252,870)</b>	<b>(252,870)</b>	

\* Staff budgets are currently budgeted within Corporate Finance (except for the staff budget of the Carelink service within Housing Strategy 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 £10,253,060 was set for 2019/20. The table above shows how this budget has been allocated to services.

2.3. The Q2 projected outturn on the General Fund Revenue Account for 2019/20 is £10,000,180. This represents a projected underspend for the year of £252,870.

2.4. There are three service areas with a projected significant overspend (>£50,000):

- **Property (£217,120 overspend);** the running costs of the Council's buildings are expected to be some £165,000 above budget. Exceptional costs of £70,000 relate to remedial works undertaken at the leisure sites and Pavilion Gardens as part of the commencement of the new contracts with Parkwood Leisure. A combination of the Council's liability for the business rates on vacant industrial properties, loss of income on Glossop Arcade units and industrial units is resulting in a forecast £30,000 overspend. The Car Parks budget is forecast to be some £14,000 overspent owing to a reduction in income being generated by Buxton town centre car parks. On top of this a £40,000 overspend on general property maintenance is expected as a result of the interim Facilities Management arrangements currently in place. Savings across a small number of other budgets are slightly offsetting the above overspends. As set out in Section 2.7 below a £52,000 use of earmarked reserves has been identified as a further mitigation of the exceptional budget pressures on the Borough's leisure sites.
- **Electoral Services (£85,000 overspend);** May 2019 saw the Borough's local elections, at a cost of some £140,000. The Authority budgets to make annual contributions into a reserve earmarked to cover these costs. As set out in 2.7 below there will be a net £115,000 drawdown on this reserve in 2019/20. Other than the impact of the above election, spend of the service against its operational Individual Electoral Registration budget is predicted to be in surplus by £30,000 owing to Government funding exceeding expected spend.
- **Regeneration (£93,890 overspend);** A £40,000 deficit on the Markets budget is reflecting pressures on the indoor and outdoor markets at Glossop. A £52,850 overspend is also predicted as a result of the Borough incurring revenue fees facilitating asset sales in advance of what will be capital receipts. As set out in 2.7 below there will be a drawdown of £52,850 of earmarked to offset this overspend.

2.5. There is one service with a projected significant underspend (<£50,000).

- **Corporate Finance (£334,000 underspend);** savings arising out of the Efficiency and Rationalisation Programme, ahead of expectation, have given rise to an in-year underspend. This is generating a £313,000 annual saving and is discussed more fully in section 4 (below). A further £21,000 surplus is accruing across a number of other corporate budgets.

2.6. The £20,500 underspend on net interest costs is detailed in section 8.

2.7. The level of funding anticipated for the year is currently forecast £126,880 above that budgeted due to the following:

***External Funding (£104,540 reduction):***

Business Rates Retention £104,540 net shortfall made up of:

- Additional retention of £288,430:

- £274,020: After the 100% pilot ended, the 2019/20 budget included a conservative estimate of levy payment savings anticipated from the Council's membership of the Derbyshire business rates pool based on the previous pool arrangements – this is estimated to be exceeded.
- £14,410: The Business Rates income forecast has reduced since the budget was set due to increased Small Business Rate Relief being awarded; this has the effect of reducing the 'levy' payable on the business rates growth.
- Offset by *Reduced* retention of £392,970:
  - Section 31 grants due to the authority are anticipated to be lower than at budget setting, this relates particularly to Retail discount which was estimated on the basis of government criteria for the relief at budget setting, but is lower in practice due to State Aid implications. The shortfall on the general fund from the reduced grant will be offset over time by a larger surplus on the collection fund from the reduced relief awarded, which will be distributed in future years.

***Use of Reserves £231,420 increase:***

At this time, a £231,420 additional net movement out of earmarked reserves is predicted, the most significant elements of which are;

- **Property Services £52,000 use:** this represents the use of funds set aside to support remedial works on a number of the Borough's leisure sites.
- **Electoral Services £115,000 use:** this is the drawdown to help cover the costs of the quadrennial election held in May. It is the mechanism that spreads the cost of the Borough's elections over the term of a Council.
- **Regeneration £52,850 use:** New Burdens monies reserved in previous years is to be used to fund the in year revenue costs incurred facilitating asset sales.
- **Communities and Cultural £17,430 use:** New Burdens grant received in relation to assets of community value is to be applied to fund survey costs in relation to Victoria Hall.
- **Housing Strategy £23,000 contribution:** Monies received in year to fund Homelessness reduction projects are to be earmarked for future use.
- **Street Scene £12,000 use:** Monies set aside last year to fund a Keep Britain Tidy campaign are to be utilised in 2019/20.

### 3. Alliance Environmental Services

- 3.1. 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 2019/20.
- 3.2. 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*

- 3.3. The AES business plan for all services delivered to both Councils included an anticipated operating profit of £127,185 in 2019/20. The draft outturn provided at the end of the second quarter shows that a profit of £76,652 is anticipated by the end of the year; resulting in a shortfall of £50,533 against the budget. The outturn includes the forecast risk items payable by the Councils (£423,443); and the reimbursement of the planned efficiency target payable by (AES £178,750).

2019-2020	Budget	Draft outturn	Variance
	£	£	£
Turnover	(7,676,264)	(7,983,677)	(307,413)
Cost of sales	6,873,073	7,194,296	321,223
<b>Gross profit</b>	<b>(803,191)</b>	<b>(789,381)</b>	<b>(13,810)</b>
Administrative & Other Expenses	676,006	712,729	36,723
<b>(Profit)/ Loss</b>	<b>(127,185)</b>	<b>(76,652)</b>	<b>50,533</b>

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

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

2019-20	General Fund	HRA	Total
	£	£	£
AES Contract budget	2,746,520	103,390	2,849,910
Former vehicle contract hire budget	22,130	-	22,130
<b>Available budget</b>	<b>2,768,650</b>	<b>103,390</b>	<b>2,872,040</b>
Management fee (incl. vehicle premium)	2,824,373	109,804	2,934,177
Forecast in-year risk items	86,589	18,897	105,486
HSE notice of change	27,294	-	27,294
Allocation of AES efficiency	(81,624)	(3,113)	(84,737)
<b>Total management fee payable</b>	<b>2,856,632</b>	<b>125,588</b>	<b>2,982,220</b>
Allocation of Joint Operation Profit	(35,002)	(1,335)	(36,367)
<b>Net total</b>	<b>2,821,630</b>	<b>124,253</b>	<b>2,945,883</b>
<b>Net Variance to budget</b>	<b>52,980</b>	<b>20,863</b>	<b>73,843</b>
Other waste savings	(52,980)	-	(52,980)
<b>Total variance to budget</b>	<b>-</b>	<b>20,863</b>	<b>20,863</b>

- 3.5. 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, savings of £22,130 have been utilised to support the forecast waste vehicle and other fleet 'risk items'.
- 3.6. Following the procurement of new waste vehicles, in year savings are being forecast relating to the cessation of lease financing costs of hire vehicles. A refund against the management fee is anticipated during the year of £55,000. The management fee shown in the table above includes this reduction. This is a preliminary estimate and will be reviewed at quarter 3.
- 3.7. 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 current forecast anticipates that £105,486 (£86,589 general fund, £18,897 HRA) of these risk items will crystallise. £67,717 of these risk items relates to fleet costs including grounds maintenance equipment which falls under the 'Fleet' group. The remaining £37,769 relates to contract pressures forecast by AES on increasing costs of waste disposal and reducing income on recycle. These are currently forecast by AES on a prudent risk based approach, but the company is working to negotiate on prices or offset with savings in other areas. This will be reviewed at quarter 3.
- 3.8. A Health & Safety Executive (HSE) enforcement notice has required a change in the operational way in which AES collect bulky items. This was not anticipated at the time of budget setting, therefore has resulted in additional costs. These are forecast for the year at £27,294, made up of £9,747 for vehicle hire costs and £17,547 for agency costs.

- 3.9. The Council's share of the total AES efficiency to be achieved is £84,737 (£81,624 general fund, £3,113 HRA). This is repayable to the Council and is allocated against the management fee costs.
- 3.10. 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. The Council's share of the forecast profit at the end of quarter 2 is £36,367 (£35,002 general fund, £1,335 HRA) and is offset against the management fee costs.
- 3.11. The remaining overspend resulting from crystallised risk items is further offset by savings anticipated in the wider waste service of £52,980 not related to AES, which relate largely to improved trade waste income.

#### *Efficiencies*

- 3.12. The total 2019/20 efficiency target relating to AES services is £420,640. This is made up of the £178,750 allocated to AES for both Councils and £241,890 to be achieved from the retained budgets of both Councils. This will be monitored during the year taking into account the timing of phase 3 (the transfer of street cleansing and grounds maintenance services).



## 4. Efficiency and Rationalisation Programme

- 4.1. This section of the report considers the financial performance of the Council's Efficiency and Rationalisation Programme in 2019/20.
- 4.2. 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.
- 4.3. 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 was 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.
- 4.4. The Efficiency and Rationalisation Strategy has five areas of focus:
- **Major Procurements** - 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
- 4.5. The 2019/20 budget provided for the achievement of £657,000 of new savings in year (being £430,000 from the original strategy plus £227,000 of reprofiled savings from 2021/22). In addition to this a further £132,000 of savings were brought forward as a result of anticipated shortfalls in 2018/19 (assumed as at the point the budget was being proposed) – bringing the target to £789,000. However, £75,000 of these savings was actually achieved by the end of 2018/19, making the savings requirement for 2019/20 a total of £714,000. The major focus of the savings programme in 2019/20 being on growth, income generation and procurements.
- 4.6. At the end of Quarter Two, £900,000 has been taken against the overall efficiency programme, which includes sizeable savings arising out of the retendering of the Council's contract for insurance services; the AES joint arrangement; the changed Pavilion Gardens arrangements; and the procurement of a new leisure management contract. The saving from the last of these has been realised 12 months earlier than anticipated in the original Efficiency Programme (where it was expected to be realised in 2020/21). A further £144,000 of growth related savings were also delivered at budget-setting time, arising out of New Homes Bonus and Business Rates funding forecasts.

- 4.7. Although this gives a healthy look to the 2019/20 savings position and offsets the shortfall from 2018/19, there remains a savings target to achieve in 2020/21. It is therefore important that the remainder of this year is used to focus on some of the income-related savings, included in the early years of the Efficiency Programme, which have not been fully realised.
- 4.8. The Council carries a longstanding reserve 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. The reserve currently stands at £200,000. It has not been necessary to draw on this reserve in previous years so it remains intact to underwrite performance against future savings targets in the Efficiency Programme.

## 5. Housing Revenue Account (HRA)

- 5.1. 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.
- 5.2. The 2019/20 Housing Revenue Account budget was originally set to produce a surplus of £261,660. The Chief Financial Officer has, in accordance with Financial Procedure Rules, authorised the roll forward of £150,000 in unused budgets from 2018/19 to facilitate delayed capital works to complete a major disabled adaptation (£50,000) and to replace the boiler at ALMA Square (£100,000). Additionally in August 2019, the Executive approved an increase to the rolling three year HRA kitchen programme resulting in a further £171,170 HRA contribution to Capital. This brought the 2019/20 budget to a deficit of £59,510.
- 5.3. Provisional outturn expenditure on the Housing Revenue Account at the second quarter stage is £13,646,110 with estimated income of £15,053,700. This represents a surplus for the year of £1,407,590 (i.e. £1,467,100 below budget).

Housing Revenue Account	2019-20 Approved Budget £	Q2 Changes £	2019-20 Revised Budget £	2019-20 Expected Outturn £	Variance £
<b>INCOME</b>					
Dwellings Rents	(14,325,340)	-	(14,325,340)	(14,337,190)	(11,850)
Non - Dwelling Rents Etc	(622,090)	-	(622,090)	(716,510)	(94,420)
<b>Sub-total income</b>	<b>(14,947,430)</b>	<b>-</b>	<b>(14,947,430)</b>	<b>(15,053,700)</b>	<b>(106,270)</b>
<b>EXPENDITURE</b>					
Repairs & Maintenance	3,860,920	530,070	4,390,990	4,781,990	391,000
Supervision & Management	3,166,590	(537,840)	2,628,750	2,471,100	(157,650)
Rents, rates, taxes Etc	105,260	7,770	113,030	128,030	15,000
Other Operating Expenditure	736,450	-	736,450	646,200	(90,250)
Depreciation & Impairment	2,099,030	-	2,099,030	2,099,030	-
Interest & Debt Management	2,783,310	-	2,783,310	2,747,880	(35,430)
Contribution to Capital	2,255,380	-	2,255,380	771,880	(1,483,500)
<b>Sub-total expenditure</b>	<b>15,006,940</b>	<b>-</b>	<b>15,006,940</b>	<b>13,646,110</b>	<b>(1,360,830)</b>
<b>Surplus(-)/Deficit</b>	<b>59,510</b>	<b>-</b>	<b>59,510</b>	<b>(1,407,590)</b>	<b>(1,467,100)</b>

- 5.4. 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 second quarter stage will be transferred to reserves within the Housing Revenue Account.
- 5.5. There is just one significant (>£50,000) overspend on the HRA:
- Repairs and Maintenance (£391,000) – There are a number of variances

contributing to this overspend; the most significant are as follows:

- A further £338,000 spend is required to continue the scheme that commenced in 2018/19 to replace loft insulation within a number of council dwellings. This was intended to be funded from HRA Reserves (i.e. utilising part of the underspend achieved in 2018/19), however with savings forecast elsewhere within the HRA (i.e. reduction in the amount required to be contributed to fund capital expenditure) this will be offset by savings generated in 2019/20.
- Spend within the operational property services budget is expected to be higher than anticipated in a number of areas including the purchase of tools and materials (£65,000) and the increased use of subcontractors (£80,000). These spending pressures are compensated by a number of smaller underspends across a mix of budget areas thereby resulting in a net overspend of £53,000

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

- Income - Non-Dwelling Rents (94,420) – improvements to void turnarounds and increased income from service charges have been responsible for this positive variance.
- Supervision and Management (£157,650) – there are numerous small underspends across a large number of budget areas contributing to this underspend including savings made following the recent insurance tender. However, the largest proportion of this variance relates to savings in salary costs from vacancies and staff turnover.
- Other Operating Expenditure (£90,250) – this variance is due to the lower than expected contribution needed to the bad debts reserve.
- Contribution to Capital (£1,483,500) – 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 7 below.

## 6. General Fund Capital Programme

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

6.2. The table below shows a high level (service) summary of the General Fund Capital Programme position at 30th September 2019. Further detail on a scheme by scheme basis is contained in Annex A.

	2019/20 Approved Budget £	Q2 Changes £	2019/20 Revised Budget £	Expected Outturn 2019/20 £	Expected Variance 2019/20 £
Housing	597,000	-	597,000	27,000	(570,000)
Housing Standards	783,550	-	783,550	556,840	(226,710)
Property Services	2,542,180	186,570	2,728,750	2,384,300	(344,450)
ICT	255,800	-	255,800	135,000	(120,800)
Fleet /CCTV	3,052,960	-	3,052,960	2,517,010	(535,950)
Regeneration	382,780	-	382,780	337,780	(45,000)
Horticulture	289,570	(96,570)	193,000	193,000	-
<b>Total</b>	<b>7,903,840</b>	<b>90,000</b>	<b>7,993,840</b>	<b>6,150,930</b>	<b>(1,842,910)</b>
Planning Obligations	-	33,000	33,000	33,000	-
External Contributions	873,350	(226,710)	646,640	646,640	-
Capital Receipts	979,320	67,770	1,047,090	1,047,090	-
Capital Receipts(one for one)	597,000	(570,000)	27,000	27,000	-
Capital Reserves	75,310	424,690	500,000	500,000	-
Earmarked Reserves	-	64,450	64,450	64,450	-
Borrowing	5,378,860	296,800	5,675,660	3,832,750	(1,842,910)
<b>Total</b>	<b>7,903,840</b>	<b>90,000</b>	<b>7,993,840</b>	<b>6,150,930</b>	<b>(1,842,910)</b>

6.3. The 2019/20 General Fund Capital Budget as updated and approved by Members on 10th October was set at £7,903,840. During the second quarter budget increases of £90,000 have been included; resulting in a revised 2019-20 budget of £7,993,840

6.4. The changes made to the capital programme in Quarter 2

- **Horticulture Whitfield Play Area - Increased budget £90,000** – Members through delegated decision on 10th September 2019, approved a project to fully refurbish the site with new play equipment for both toddlers and juniors. The project is part funded by section 106 monies; application of a Government Grant awarded towards play schemes and the current Play provision capital budget.

6.5 There are five significant capital programme variances to report:-

- **Housing (£570,000 underspend)** - The use of one for one housing capital receipts is restricted by time limits imposed on when the receipts have to be

spent and also on rules regarding eligibility of projects. There is one payment expected in this year which meets the criteria which is retention owing of £27,000 against an affordable housing project at Thomas Field Brown Edge. The Council has funded the project in return for nomination rights.

- **Housing Standards (£226,710 underspend)** - the level of Disabled Facilities Grant (DFGs) approvals in 2019-20 is expected to be lower than forecast. The payment of these mandatory grants is currently met from funding the Borough receives annually through the Better Care Fund; the above change brings the balance of unallocated funding to £376,929
- **Property (£344,450 underspend)** - A number of projects have been re-profiled into future years and some, including car park resurfacing, have been brought forward into the current year following the on-going review and prioritisation of works contained within the Asset Management Plan.
- **ICT (£120,800 underspend)** – the anticipated underspend is due to a number of changes made to requirements for new and upgrades to existing ICT systems. The underspend will be carried forward into 2020/21 to meet commitments which primarily relate to the implementation of a new system to aid waste collection processes and the migration of the cash receipting system.
- **Fleet Management (£535,950 underspend)** - following transfer of the waste collection service to Alliance Environmental Services (AES), new fleet management arrangements are in place, with vehicles now directly purchased by the Council. The underspend reflects the revised timing of acquisitions of fleet vehicles which will take place over the next four years

6.6 The significant changes to the funding requirements are set out below:-

- Disabled Facilities Grants – as reported above the spend and consequently the application of external contributions is expected to be £226,710 lower than budgeted
- Capital receipts reserves and planning obligations have been increased by a net £19,910 to reflect the latest anticipated levels of funding available;
- As a consequence of the above and the revised timing of capital spend, the borrowing requirement is anticipated to be £1,842,910 lower than the revised borrowing budget.

## 7. Housing Revenue Account Capital Programme

- 7.1. This section of the report provides an update to Members on the Council's HRA capital spending.
- 7.2. The table below shows a high level summary of the HRA Capital Programme at 30th September 2019. Further detail on a scheme by scheme basis is contained in Annex B.

Scheme	2019-20 Approved Budget	Q2 Changes	2019-20 Revised Budget	2019/20 Expected Outturn	2019/20 Variance
	£	£	£	£	£
Asset Management Works	3,777,910	-	3,777,910	2,536,910	(1,241,000)
Repairs Team Capital Works	295,000	-	295,000	295,000	-
Commissioning Fees	100,000	-	100,000	100,000	-
Vehicle Purchasing	242,500	-	242,500	0	(242,500)
	<b>4,415,410</b>	<b>-</b>	<b>4,415,410</b>	<b>2,931,910</b>	<b>(1,483,500)</b>
<b>Funding:</b>					
Major Repairs Reserve	2,099,030	-	2,099,030	2,099,030	-
Capital Receipts Applied	61,000	-	61,000	61,000	-
HRA Contribution	2,255,380	-	2,255,380	771,880	(1,483,500)
	<b>4,415,410</b>	<b>-</b>	<b>4,415,410</b>	<b>2,931,910</b>	<b>(1,483,500)</b>

- 7.3. The 2019/20 HRA Capital budget of £4,094,240 was approved by members in February 2019 as part of the MTFP.
- 7.4. The Chief Financial Officer has, in accordance with Financial Procedure Rules, authorised the roll forward of £150,000 in unused budgets from 2018/19 to facilitate delayed capital works to complete a major disabled adaptation (£50,000) and to replace the boiler at Alma Square (£100,000). Further to this, in August 2019 the Executive approved an increase to the three year kitchen programme budget resulting in an additional £171,170 being added to the 19/20 HRA Capital programme. This brings the total HRA Capital Programme to £4,415,410.
- 7.5. During the second quarter, £1,002,007 has been incurred on HRA Capital Schemes principally on central heating boiler replacements, electrical works and aids and adaptation schemes.
- 7.6. Much of the HRA spend is scheduled to commence in late autumn, however there are four significant capital variance to note at this stage relating to asset management works:
- Window Replacement (£600,000) – Although this scheme has been recently tendered, there has been little interest in the contract and no responses to the tender process. A further procurement exercise is underway; tenders have been returned and are currently being evaluated meaning that the start date for this particular project is likely to be much later than expected. Any underspend this year will be re-profiled into 2020/21 and updated within the

next Medium Term Financial Plan.

- Door Replacement (£221,000) – This scheme was also part of the Window Replacement tender and has suffered the same delay. Underspends from this year will also be re-profiled into 2020/21 and updated within the Medium Term Financial Plan
- Roofing and External Work (£220,000) – The next phase of roofing works covering predominantly Glossop and New Mills was due to commence in late Autumn, however due to resource pressures, the procurement process has been put back until after the winter months. Although some roofing work may commence in the spring, weather permitting, the majority of spend has been re-profiled into 2020/21 and updated within the next Medium Term Financial Plan.
- Vehicle Purchases (£242,500) – This underspend relates to the provision of new vehicles for the repairs Team; however the service is currently under review and therefore this spend has been re-profiled into 2020/21 and updated within the Medium Term Financial Plan.

7.7. Capital funding expected to be applied during 2019/20 is lower than forecast due to the variances noted above.



## **8. Treasury Management**

- 8.1. 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 summary as the Audit and Regulatory Committee receives detailed operational updates on Treasury Management.

### *Investments*

- 8.2. Cash Investments held on the 30th September 2019 totalled £21.0 million. The average level of funds available for investment up to the end of the quarter totalled £17.9 million and £73,740 interest was earned.
- 8.3. The Council has budgeted to receive £225,260 in investment income in 2019/20. A shortfall of £47,000 is anticipated against this budget due to the continuation of internal borrowing which reduces the levels of funds available for investment and lower interest rates than forecast.
- 8.4. The loan to the Buxton Crescent Heritage Trust has now been fully drawn to the value of £250,000: drawdowns in quarter 1 were £60,000 on 25th April and £50,000 on 25th May. Interest is charged at 6% which amounts to £14,360 during 2019/20. This was not anticipated in the budget, therefore will partially offset the interest income shortfall above.

### *Borrowing*

- 8.5. Outstanding borrowing at 30th September 2019 totalled £66.8 million. The Council's general fund and HRA budgeted to incur £1,794,630 and £1,783,310 respectively in interest charges and other financing costs in 2019/20. This was based on existing external debt and new external debt to fund the borrowing requirements arising from general fund capital programmes.
- 8.6. No 'new' borrowing or refinancing activity has occurred by the end of quarter 2, therefore the budget is forecast to be £88,570 underspent overall: split £53,140 to the general fund and £35,430 to the HRA.

## **9. Revenue Collection**

9.1. The collection rate outturn for Quarter 2 2019/20 was as follows:

- Council Tax – 56.79% of Council Tax was collected by 30th September 2019, compared to 57.10% for the same period last year.
- Business Rates – 59.11% of Business Rates was collected by 30th September 2019, compared with 60.25% for the same period last year. 1.23% of this year-on-year shortfall in performance is attributed to variations on payment plans of some large hereditaments and are not anticipated to continue to create a shortfall by year end.
- Sundry Debts - The value of sundry debts over 60 days old at the end of Quarter 2 was £165,340 which compares with £156,120 at 30th September 2018.

## ANNEX A

## General Fund Capital Programme Update – 30th September 2019

Scheme	2019/20 Approved Budget	Q2 Changes	2019/20 Revised Budget	Expected Outturn 2019/20	Expected Variance 2019/20
	£	£	£	£	£
<b>Housing &amp; Housing Standards</b>					
Affordable Housing Project	597,000	-	597,000	27,000	(570,000)
Disabled Facilities Grants	715,820	-	715,820	489,110	(226,710)
Landlord Accreditation Grant Scheme	67,730	-	67,730	67,730	-
	<b>1,380,550</b>	<b>-</b>	<b>1,380,550</b>	<b>583,840</b>	<b>(796,710)</b>
<b>Property Services</b>					
Asset Management Programme	2,542,180	186,570	2,728,750	2,384,300	(344,450)
	<b>2,542,180</b>	<b>186,570</b>	<b>2,728,750</b>	<b>2,384,300</b>	<b>(344,450)</b>
<b>ICT</b>	255,800	-	255,800	135,000	(120,800)
	<b>255,800</b>	<b>-</b>	<b>255,800</b>	<b>135,000</b>	<b>(120,800)</b>
<b>Fleet Management</b>					
Vehicle Acquisition	3,002,960	-	3,002,960	2,467,010	(535,950)
CCTV	50,000	-	50,000	50,000	-
	<b>3,052,960</b>	<b>-</b>	<b>3,052,960</b>	<b>2,517,010</b>	<b>(535,950)</b>
<b>Regeneration</b>					
Heritage Regeneration Grants	45,000	-	45,000	-	(45,000)
Buxton Crescent & Spa	337,780	-	337,780	337,780	-
	<b>382,780</b>	<b>-</b>	<b>382,780</b>	<b>337,780</b>	<b>(45,000)</b>
<b>Horticulture</b>					
Glossop Cemetery Extension	186,570	(186,570)	-	-	-
Play Facilities	103,000	90,000	193,000	193,000	-
	<b>289,570</b>	<b>(96,570)</b>	<b>193,000</b>	<b>193,000</b>	<b>-</b>
<b>Total General Fund</b>	<b>7,903,840</b>	<b>90,000</b>	<b>7,993,840</b>	<b>6,150,930</b>	<b>(1,842,910)</b>

## Housing Revenue Account Capital Programme Update - 30th September 2019

Scheme	Approved Budget 2019/20	Q2 Changes	2019/20 Revised Budget	2019/20 Expected Outturn	Over / (Under) Spend
<b>ASSET MANAGEMENT WORKS:</b>	£	£	£	£	£
Roofing & External Works	495,000	-	495,000	75,000	(420,000)
Kitchens	554,170	-	554,170	554,170	-
Bathrooms	266,000	-	266,000	266,000	-
Central Heating	276,500	-	276,500	276,500	-
Electrical Works	424,000	-	424,000	424,000	-
Aids & Adaptations	295,000	-	295,000	305,500	10,500
Aids & Adaptations (Sherwood Road)	50,000	-	50,000	50,000	-
Aids & Adaptations (Lyne Avenue)	36,240	-	36,240	36,240	-
Structural Works (Various)	150,000	116,000	266,000	261,500	(4,500)
Lift Replacements	100,000	-	100,000	100,000	-
ALMA Square – Boiler Replacement	100,000	-	100,000	94,000	(6,000)
Works to Communal Areas	150,000	(116,000)	34,000	34,000	-
Window Replacement Programme	660,000	-	660,000	60,000	(600,000)
Door Replacement Programme	221,000	-	221,000	-	(221,000)
	<b>3,777,910</b>	<b>-</b>	<b>3,777,910</b>	<b>2,536,910</b>	<b>(1,241,000)</b>
<b>REPAIRS TEAM CAPITAL WORKS</b>					
Void Rewires	35,000	35,000	70,000	70,000	-
Void Kitchens	200,000	(45,000)	155,000	155,000	-
Void Bathrooms	60,000	10,000	70,000	70,000	-
	<b>295,000</b>	<b>-</b>	<b>295,000</b>	<b>295,000</b>	<b>-</b>
<b>STAFFING &amp; PROFESSIONAL FEES</b>					
Staffing Recharges/ Commissioning Costs	100,000	-	100,000	100,000	-
	<b>100,000</b>	<b>-</b>	<b>100,000</b>	<b>100,000</b>	<b>-</b>
<b>VEHICLE PURCHASING</b>					
Vehicle Purchases	242,500	-	242,500	-	(242,500)
	<b>242,500</b>	<b>-</b>	<b>242,500</b>	<b>-</b>	<b>(242,500)</b>
<b>TOTAL SPEND</b>	<b>4,415,410</b>	<b>-</b>	<b>4,415,410</b>	<b>2,931,910</b>	<b>(1,483,500)</b>