



2021/22

**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 2021/22.
- 1.2. The report summarises overall financial performance for 2021/22 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*)	2021/22 Budget	Expected Outturn 2021/22	Variance	Contribution to / (Use of) Earmarked Reserves	Net Variance
	£	£	£	£	£
Alliance Leadership Team	58,290	38,060	(20,230)	-	(20,230)
Audit	10,240	6,830	(3,410)	-	(3,410)
ICT	573,210	595,330	22,120	-	22,120
Human Resources	69,480	48,540	(20,940)	-	(20,940)
Member Services	249,990	214,980	(35,010)	-	(35,010)
Property Services	92,720	125,720	33,000	-	33,000
Benefits	(183,520)	(176,760)	6,760	-	6,760
Planning Applications	(404,180)	(360,050)	44,130	-	44,130
Building Control	56,140	86,140	30,000	-	30,000
Customer Services	144,390	120,390	(24,000)	-	(24,000)
Legal Services	30,510	27,510	(3,000)	-	(3,000)
Electoral Services	59,470	41,470	(18,000)	3,000	(15,000)
Licensing and Land Charges	(317,750)	(307,750)	10,000	-	10,000
Regeneration	162,980	165,820	2,840	-	2,840
Communities and Cultural	272,270	261,010	(11,260)	(3,750)	(15,010)
Housing Strategy**	27,250	(18,260)	(45,510)	-	(45,510)
Transformation	21,250	18,680	(2,570)	-	(2,570)
Community Safety and Enforcement	109,580	88,180	(21,400)	-	(21,400)
Finance & Procurement	170,820	154,670	(16,150)	-	(16,150)
Revenues	(292,750)	(226,240)	66,510	-	66,510
Corporate Finance*	5,472,380	5,557,380	85,000	(50,000)	35,000
Waste Collection	2,013,320	1,488,620	(524,700)	-	(524,700)
Street Scene	449,480	487,710	38,230	(60)	38,170
Leisure Services	729,540	443,250	(286,290)	(51,330)	(337,620)
Horticulture	342,090	358,810	16,720	(780)	15,940
Environmental Health	(30,440)	(41,120)	(10,680)	-	(10,680)
Net Total of Services	9,886,760	9,198,920	(687,840)	-	(790,760)
Net Interest	1,784,050	1,752,050	(32,000)		(32,000)
	11,670,810	10,950,970	(719,840)	(102,920)	(822,760)
Funding:					
- external	(7,358,540)	(8,861,640)	(1,503,100)		(1,503,100)
- reserves contribution to/(from)					
general contingency	(4,285,760)	(4,285,760)	-	-	-
use of carry forward from 20/21 earmarked	(26,510)	(26,510)	-	-	-
				102,920	102,920
Projected (Surplus)/Deficit	-	(2,222,940)	(2,222,940)	-	(2,222,940)

* 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 £11,644,300 was set for 2021/22. In accordance with Financial Procedure Rules, the roll forward of £26,510 in unused budgets from 2020/21 has been authorised.

Communities (£20,000): unspent budget in regard to development of Victoria Hall.

Member Services (£4,010): in respect of Councillor Initiative grants not issued in 2020/21.

Customer Services (£2,500): unspent budget for staff uniforms pending re-opening of receptions..

This brings the 2021/22 budget to £11,670,810.

2.3. The table above shows how this budget has been allocated to services.

2.4. The Quarter Two projected outturn on the General Fund Revenue Account for 2021/22 is £9,447,870. This represents a projected surplus for the year of £2,222,940.

2.5. There are two service areas with projected significant underspend (>£50,000):

- **Waste Collection (£524,700 underspend);** The service has received a £330,000 net credit rebate of recycling income arising out of an increase in value of the recyclate collected. Increased income of some £120,000 is predicted from Domestic recycling and Trade waste activities while disposal costs are forecast to be £80,000 less than budgeted. These savings may be eroded by the continuing cost pressure Covid-19 has placed on the contractor.
- **Leisure Services (£337,620 underspend);** The MTFP included £432,000 in anticipated leisure facility Covid-19 support in 2021/22. Costs at Quarter Two are forecast to be £270,000 below that level for the year. The service is also anticipated to make a net £51,000 call on reserves, including Government grant of £60,000 received in 2020/21 and placed into an earmarked reserve to be applied in 2021/22 against Covid pressures.

2.6. There is one service area with a projected significant overspend (>£50,000).

- **Revenues (£66,510 overspend);** The impact of Covid-19 on the Recovery service was initially predicted to be significant. However the income generated from summons activity is now running only £25,000 below original expectations. Further budget pressure in the region of £40,000 is predicted in local taxation from the level of spending on external services to support billing processes and address backlogs arising out of Covid.

2.7. The net interest costs, as detailed in section 8, are currently forecast to be in surplus by £32,000.

2.8. The level of external funding anticipated for the year is currently forecast £1,503,1000 above that budgeted due to the following:

Business Rates (£1,503,100):

- The Council expects to receive £1,674,710 in additional S31 grants in the year due to the continuation of Extended Retail Relief and Nursery Discount to respond to the covid-19 situation – at the time of budget setting central government had not confirmed these reliefs. Accounting practice dictates that these grants are treated as general fund revenue in the year. However, the extended reliefs impact the Collection Fund by increasing the deficit in the year, which will need to be distributed in future years, therefore this additional funding needs to be earmarked to accommodate this and cannot be used to support other services.
- An increase of £70,480 on the net levy payable on growth to the Derbyshire Business Rates Pool is currently forecast compared to the budgeted amount though this is likely to change as it is dependent on the performance of all members of the pool.
The pool has now advised the draft final amount due for the previous year (subject to complete of external audits), this is £101,130 greater than the accrued amount – which will offset the surplus Business Rates Retention in the current year.

The following reserve usage is anticipated:

Use of Reserves £102,920:

- Earmarked Reserves (£102,920 additional usage):
 - Earmarked reserves are created to match available funding with future projects and activities. Often it is not possible to anticipate when eligible spend will occur and so as the year progresses services will identify projects and schemes where earmarked reserves can be applied. To date across the authority usage amounts to £102,920 more than nominally anticipated at the beginning of the year.

3. Alliance Environmental Services

- 3.1. Alliance Environmental Services Ltd (AES) delivers waste, fleet, street cleansing and grounds maintenance services to both High Peak Borough and Staffordshire Moorlands District Councils. The Councils are shareholders of the company along with Ansa, which is a wholly owned subsidiary of Cheshire East Council.
- 3.2. AES's financial performance and impact on this Council's budget is summarised below:

2021-22	General Fund	HRA	Total
	£	£	£
AES Contract budget	4,393,990	207,140	4,601,130
Management fee	4,514,130	211,794	4,725,924
Allocation of AES efficiency	(27,946)	(333)	(28,279)
Net additional claim/ (rebate)	(316,531)	3,195	(313,336)
Covid-19 costs	17,954	0	17,954
Total management fee payable	4,187,607	214,656	4,402,263
Allocation of Joint Operation Profit	(55,251)	(2,591)	(57,842)
Net total	4,132,356	212,065	4,344,421
Variance to budget	(261,634)	4,925	(256,709)

- 3.3. The AES business plan for all services being delivered to the Council during 2021/22 includes a budgeted management fee of £4,725,924. The Council's share of the total AES forecast efficiency target for 2021/22, £28,279, is repayable to the Council at the end of the year and is allocated against the management fee costs.
- 3.4. Additional pressures on the pay award compared to the budgeted amount and on the gully cleansing contract are forecast to be offset by an anticipated rebate on recycling contracts income following an improvement on the basket of goods rates. Whilst markets continue to fluctuate this is subject to change, but is currently forecast at a net benefit of £313,336.
- 3.5. Some additional costs relating to Covid-19, such as additional cleaning products, PPE and additional agency costs are forecast at £17,954.
- 3.6. Under accounting standards, AES's financial performance is consolidated 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 budgeted resources from each department. The Council's share of the profit based on the forecast outturn is £57,842 and is offset against the management fee costs.

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 2021/22.
- 4.2. The Council's Medium-Term Financial Plan (approved in February 2017) included the four-year (2017/18 – 2020/21) Efficiency and Rationalisation Strategy targeting savings of £2.1 million.
- 4.3. The Efficiency and Rationalisation Strategy is premised on the need to both reduce expenditure and increase 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 Corporate Plan.
- 4.4. The 2021/22 budget was set in February 2021 with the assumption of £95,000 of savings in the year. Unachieved efficiencies of £6,560 were brought forward from 2020/21, an improvement on the £47,000 anticipated in the MTFP, making a revised target to be achieved in 2021/22 of £101,560.
- 4.5. At the end of Quarter Two, £67,870 savings have been taken against the 21/22 efficiency target, largely relating to the removal of surplus leasing budget. It is expected that the remaining savings requirement (£33,690) will be realised by year-end.
- 4.6. The Authority 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 2021/22 Housing Revenue Account budget was revised at Quarter One to produce a deficit of £2,754,580 supported by reserves. In addition, two further adjustments have been made to the capital programme in Quarter Two (detailed in 7.4 below) reducing the HRA funding contribution by £232,000. This reduced the 2021/22 budget to a deficit of £2,522,580 and will be supported by reserves.
- 5.3. Provisional outturn expenditure on the Housing Revenue Account at the second quarter stage is £17,795,990 with estimated income of £15,229,420. This represents a deficit for the year of £2,566,570 (i.e. £43,990 over budget – meaning more reserves are required to fund HRA activities in year).

Housing Revenue Account	2021-22 Approved Budget £	Q2 Changes £	2021-22 Revised Budget £	2021-22 Expected Outturn £	Variance £
INCOME					
Dwellings Rents	(14,483,110)	-	(14,483,110)	(14,444,496)	38,614
Non - Dwelling Rents Etc	(671,660)	-	(671,660)	(784,924)	(113,264)
Sub-total income	(15,154,770)	-	(15,154,770)	(15,229,420)	(74,650)
EXPENDITURE					
Repairs & Maintenance	4,409,480	-	4,409,480	4,744,480	335,000
Supervision & Management	2,739,230	-	2,739,230	2,544,230	(195,000)
Rents, rates, taxes Etc.	109,130	-	109,130	104,630	(4,500)
Other Operating Expenditure	782,430	-	782,430	735,600	(46,830)
Depreciation & Impairment	2,099,030	-	2,099,030	2,129,000	29,970
Interest & Debt Management	2,693,060	-	2,693,060	2,693,060	-
Contribution to Capital	5,076,990	(232,000)	4,844,990	4,844,990	-
Sub-total expenditure	17,909,350	(232,000)	17,677,350	17,795,990	118,640
Surplus(-)/Deficit	2,754,580	(232,000)	2,522,580	2,566,570	43,990
Use of Reserves	(2,754,580)	232,000	(2,522,580)	(2,566,570)	(43,990)
Balance	-	-	-	-	-

- 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 deficit balance predicted by the Council at this second quarter stage will be funded by a transfer from reserves within the Housing Revenue Account.
- 5.5. There is one significant (>£50,000) overspend to report at this stage.
- Repairs and Maintenance (£335,000) – Increased subcontractor costs of £134,000; increased materials costs of £124,000; and increased disrepair and other costs of £77,000

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

- Income - Non-Dwelling Rents (£113,264) – increased income from service charges has been responsible for the majority of this positive variance.
- Supervision and Management (£195,000) – there are numerous small underspends across a large number of budget areas contributing to this underspend however, a large proportion of this variance reflects savings in salary costs, transport costs and general employee related expenditure.

6. General Fund Capital Programme

6.1. This section of the report provides an update to Members 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 2021. Further detail on a scheme by scheme basis is contained in Annex A.

	2021/22 Approved Budget £	Q2 Changes £	2021/22 Revised Budget £	Expected Outturn 2021/22 £	Expected Variance 2021/22 £
Housing	374,000	-	374,000	374,000	-
Housing Standards	519,110	-	519,110	519,110	-
Property Services	3,746,570	780,090	4,526,660	4,526,660	-
ICT	79,310	-	79,310	79,310	-
Fleet /CCTV	1,584,120	-	1,584,120	1,584,120	-
Leisure Services	60,000	-	60,000	60,000	-
Regeneration	1,985,360	-	1,985,360	615,120	(1,370,240)
Horticulture	94,040	-	94,040	94,040	-
Total	8,442,510	780,090	9,222,600	7,852,360	(1,370,240)
Funding:-					
External Contributions	3,470,220	-	3,470,220	3,470,220	-
External Contributions	51,000	-	51,000	51,000	-
Capital Receipts(Land)	250,000	-	250,000	250,000	-
Capital Receipts(one for one)	374,000	-	374,000	374,000	-
Capital Receipts(vehicles)	12,500	-	12,500	12,500	-
Earmarked Reserves	50,000	-	50,000	50,000	-
Borrowing	4,234,790	780,090	5,014,880	3,644,640	(1,370,240)
Total	8,442,510	780,090	9,222,600	7,852,360	(1,370,240)

6.3. The 2021/22 General Fund Capital Budget as updated and approved by Members on 7th October 2021 was set at £8,422,510, Additional budget £780,090 has been added in Quarter 2. The overall approved budget now stands at £9,222,600.

6.4. The changes made to the capital programme in quarter 2 are as follows:-

- (£780,090 increase) Executive approved additional budget; 1st April & 1st July Pavilion Gardens refurbishment £230,000; Glossop Market Halls £550,090, following identification of increased costs and additional works.

6.5 There is one significant capital variance to report

- Regeneration (£1,370,240 - underspend) Fairfield roundabout
The delivery of the roundabout has been delayed due to protracted discussions with the developers of both housing sites and seeking Homes England approval to amend the terms of the Grant Funding Agreement

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 2021. Further detail on a scheme by scheme basis is contained in Annex B.

Scheme	2021-22 Approved Budget	Q2 Re-Profiling	2021-22 Revised Budget	2021-22 Expected Outturn	2021-22 Variance
	£		£	£	£
Asset Management Works	6,798,570	(232,800)	6,565,770	6,565,770	-
Repairs Team Capital Works	295,000	-	295,000	295,000	-
Commissioning Fees	100,000	-	100,000	100,000	-
Vehicle Purchasing	379,500	-	379,500	379,500	-
Housing IT Systems	88,000	-	88,000	88,000	-
New Build/Asset Purchases	217,610		217,610	217,610	-
	7,878,680	(232,800)	7,645,880	7,645,880	-
Funding:					
Major Repairs Reserve	2,099,030	-	2,099,030	2,099,030	-
HRA Contribution	5,076,990	(232,800)	4,844,190	4,844,190	-
Capital Receipts (1-4-1)	87,040	-	87,040	87,040	-
Capital Receipts (Other)	130,570	-	130,570	130,570	-
Grant – MEH LAD 2	485,050	-	485,050	485,050	-
	7,878,680	(232,800)	7,645,880	7,645,880	-

7.3. The 2021/22 HRA Capital Budget as updated and approved by Members on 7th

October 2021 was set at £7,878,680. During Quarter 2 an overall reduction of £232,800 has been made resulting in a revised budget of £7,645,880

7.4. Changes made to the capital programme during quarter 2

- (£232,800 net budget reduction) relates to a number of projects that are either behind or head of schedule and have been reprofiled accordingly;

(£497,590) has been carried forward into 2022/23; re bathroom, lift, one off central heating, replacements and Gamesley cladding

£264,790 additional works brought forward into 2021/22; re Window replacements and external rendering

7.5. During the second quarter, £3,704,409 has been incurred on HRA Capital Schemes principally on window and door replacements and cladding works.

7.6. Capital funding expected to be applied during 2021/22 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 Treasury Management summary. The Audit and Regulatory Committee receives detailed operational updates on Treasury Management.

Investments

8.2. Cash Investments held on the 30th September 2021 totalled £34.4million. The average level of funds available for investment up to the end of the quarter totalled £30.3million and £32,870 interest was earned.

8.3. The Council has budgeted to receive £40,290 in investment income in 2021/22. Interest rates are currently as expected at the time of budget setting, therefore the forecast outturn remains on target against the budget. Additional income of £15,000 is being earned from the loan to Buxton Crescent Heritage Trust.

Borrowing

8.4. Outstanding borrowing at 30th September 2021 totalled £66.8 million. The Council's general fund and HRA budgeted to incur £1,824,340 and £1,693,060 respectively in interest charges and other financing costs in 2021/22. This was based on existing external debt funding previous capital purchases.

8.5. No 'new' borrowing or refinancing activity has occurred during the year. The forecast outturn shows a favourable variance on the general fund of £17,000, partly due to a £9,000 smaller MRP charge than predicted and partly due to an additional charge to the HRA of £8,000 for its share of net borrowing costs due to the change in share of the pool.

9. Revenue Collection

9.1. The collection rate outturn for Quarter 2 2021/22 was as follows:

- **Council Tax** – 56.04% of Council Tax was collected by 30th September 2021, compared to 55.72% for the same period in 2020/21, and 56.79% in 2019/20.
- **Business Rates** – 55.95% of Business Rates was collected by 30th September 2021, compared with 52.63% for the same period in 2020/21, and 59.11% in 2019/20.
 - The longer term effects of Covid-19 on collection rates continue to be monitored. Timings of payments have also been affected by the change to the amount of Extended Retail discount by central government.
- **Sundry Debts** - The value of sundry debts over 60 days old at the end of Quarter Two was £233,390 which compares with £238,850 at 30th September 2020. The level of arrears is still being impacted by effects of the pandemic. For context the level of arrears was £165,640 at the end of September 2019.

General Fund Capital Programme Update 30th September 2021

Scheme	2021/22 Approved Budget	Q2 Changes	2021/22 Revised Budget	Expected Outturn 2021/22	Expected Variance 2021/22
	£	£	£	£	£
Housing & Housing Standards					
Affordable Housing Project	374,000	-	374,000	374,000	-
Disabled Facilities Grants	489,110	-	489,110	489,110	-
Private Sector Housing Renewal	30,000	-	30,000	30,000	-
	893,110	-	893,110	893,110	-
Property Services					
Asset Management Programme	3,746,570	780,090	4,526,660	4,526,660	-
	3,746,570	780,090	4,526,660	4,526,660	-
ICT	79,310	-	79,310	79,310	-
	79,310	-	79,310	79,310	-
Fleet Management					
Vehicle/Plant Acquisitions	1,524,330	-	1,524,330	1,524,330	-
CCTV	59,790	-	59,790	59,790	-
	1,584,120	-	1,584,120	1,584,120	-
Leisure Services					
Outdoor Sports Facilities Fund	60,000	-	60,000	60,000	-
	60,000	-	60,000	60,000	-
Regeneration					
Fairfield Roundabout & Buxton Crescent	1,985,360	-	1,985,360	615,120	(1,370,240)
	1,985,360	-	1,985,360	615,120	(1,370,240)
Horticulture					
Park Play Area Improvements	85,000	-	85,000	85,000	-
Play Facilities Fund	9,040	-	9,040	9,040	-
	94,040	-	94,040	94,040	-
Total General Fund	8,442,510	780,090	9,222,600	7,852,360	(1,370,240)

Housing Revenue Account Capital Programme Update 30th September 2021

Scheme	Approved Budget 2021/22	Q2 Re-Profiling	2021/22 Revised Budget	2021/22 Expected Outturn	Over / (Under) Spend
ASSET MANAGEMENT WORKS:	£	£	£	£	
Roofing & External Works	230,000		230,000	230,000	-
Gamesley Cladding Works	550,000	(100,000)	450,000	450,000	-
Bathroom Programme	506,590	(106,590)	400,000	400,000	-
Kitchen Programme	1,224,180		1,224,180	1,224,180	-
Electrical Works	549,250		549,250	549,250	-
Central Heating Works	134,590	(45,000)	89,590	89,590	-
Windows and Doors Programme	1,320,000	209,790	1,529,790	1,529,790	-
Aids & Adaptations	345,000	-	345,000	345,000	-
Structural Works (Various)	309,000		309,000	309,000	-
Lift Replacements	246,000	(246,000)	-	-	-
Fairfield View Project	20,000	-	20,000	20,000	-
Sheltered Fire Alarm Upgrades	140,000	-	140,000	140,000	-
Rendering Works	500,000	55,000	555,000	555,000	-
Energy Efficiency Project Works (Grant)	723,960		723,960	723,960	-
	6,798,570	(232,800)	6,565,770	6,565,770	-
REPAIRS TEAM CAPITAL WORKS					
Void Rewires	70,000	-	70,000	70,000	-
Void Kitchens	155,000	-	155,000	155,000	-
Void Bathrooms	70,000	-	70,000	70,000	-
	295,000	-	295,000	295,000	-
STAFFING & PROFESSIONAL FEES					
Staffing Recharges/ Commissioning Costs	100,000	-	100,000	100,000	-
	100,000	-	100,000	100,000	-
VEHICLE PURCHASING					
Vehicle Purchases	379,500	-	379,500	379,500	-
	379,500	-	379,500	379,500	-
IT PURCHASING					
Housing Systems	88,000	-	88,000	88,000	-
	88,000	-	88,000	88,000	-
NEW HOUSING					
House (Stock) Purchases	217,610	-	217,610	217,610	-
	217,610	-	217,610	217,610	-
TOTAL	7,878,680	(232,800)	7,645,880	7,645,880	-