



2017/18

**First Quarter
Financial
Review**

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 first such report for 2017/18.

1.2 The report summarises overall financial performance for 2017/18 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.
- **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	2017/18 Budget	Projected Outturn 2017/18	Variance
	£	£	£
Alliance Management Team	67,020	62,000	(5,020)
Audit	10,240	7,490	(2,750)
ICT	609,790	619,540	9,750
Human Resources	91,980	91,980	-
Member Services	202,650	202,650	-
Property Services	1,212,760	1,202,760	(10,000)
Revenue and Benefits	(92,890)	(94,270)	(1,380)
Planning Applications	(336,900)	(360,900)	(24,000)
Building Control	(76,720)	(76,720)	-
Customer Services	147,170	145,920	(1,250)
Legal Services	29,310	29,310	-
Electoral Services	97,670	77,670	(20,000)
Licensing and Land Charges	(333,530)	(337,100)	(3,570)
Regeneration	197,530	262,790	65,260
Communities and Cultural	265,320	260,570	(4,750)
Housing Strategy	137,550	137,550	-
Transformation	21,750	21,750	-
Community Safety and Enforcement	137,360	136,680	(680)
Finance, Income and Procurement	(146,800)	(137,800)	9,000
Corporate Finance*	6,282,070	6,288,570	6,500
Waste Collection	1,795,410	1,691,070	(104,340)
Street Scene	(9,170)	7,310	16,480
Leisure Services	475,150	470,190	(4,960)
Horticulture	(519,780)	(504,550)	15,230
Visitor Services	(1,133,510)	(1,133,710)	(200)
Environmental Health	(6,070)	(8,570)	(2,500)
Housing **	-	-	-
Net Total of Services	9,125,360	9,062,180	(63,180)
Net Interest	1,360,510	1,205,510	(155,000)
	10,485,870	10,267,690	(218,180)
Funding : external	(9,932,300)	(10,062,820)	(130,520)
: reserves - contribution/(use)	(553,570)	(583,570)	(30,000)
Projected (Surplus)/Deficit	-	(378,700)	(378,700)

* Staff budgets are currently budgeted within Corporate Finance (except for Pavilion Gardens staff which for operational reasons is included within Visitor Services). Staff budgets/actuals are to be redistributed to Services in preparation for the Quarter 2 report.

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

2.2 A revenue budget of £10,485,870 was set for 2017/18. The table above shows how this budget has been allocated to services and also reflects:-

- The combination of the former Chief Executive and Executive Director services under the Alliance Management Team heading.
 - The creation of a Corporate Finance service to record those budgets formerly included within Finance, Income and Procurement but not under the direct control of that service – for example the efficiency programme targets.
 - That Corporate Finance currently includes budgeted staff costs, though the intention is that they will be allocated to services during the course of the year.
- 2.3 The Q1 projected outturn on the General Fund Revenue Account for 2017/18 is £10,107,170. This represents a projected surplus for the year of £378,700.
- 2.4 There is one service are with a projected significant overspend;
- Regeneration (£65,260 overspend); Initiatives to support the development of housing within the Borough are to be pursued above and beyond the budgeted annual provision. The resulting overspend of some £70,000 is to be funded out of reserves previously earmarked by the authority to support projects of this nature.
- 2.5 There is one service with a projected significant underspend;
- Waste Collection (£104,340 underspend): Additional income is now anticipated of £34,000 from improved recycling trends in both domestic and trade waste and £22,000 from the introduction of charges for replacement bins. Trade waste disposal costs are also anticipated to be £43,000 under budget. The joint venture company 'Alliance Environment Services' will take over the operation of the High Peak waste collection service in August 2017. The forecast underspend relates to expenditure and income that will remain with the Council. However, the underspend will potentially be utilised to cover the short-term/one-off costs associated with the establishment of the joint venture arrangement.
- 2.6 The £155,000 underspend on net interest costs is detailed in section 8.
- 2.7 The level of funding anticipated for the year is £160,520 above that budgeted due to the following:

External Funding:

- Business Rates Retention (£130,520) – an increase in the level of retained business rates is anticipated at the first quarter owing to increases in income prudently not assumed in the budget because of uncertainties surrounding the 2017 revaluation and appeals provision. This variance is subject to change over the coming periods with fluctuations in appeals as the 2010 outstanding appeals are heard and the level of 2017 appeals becomes apparent

It should be further noted that this forecast outturn assumes that the budgeted £200,000 of business rates income retained as a result of being part of the Derbyshire Business Rates Pool will be achieved. The forecasts for the pool continue to be monitored by the pool lead; Derby City Council. The actual outturn will depend upon the performance of every member of the Pool.

Therefore this element of the business rates retention income is subject to change.

Use of Earmarked Reserves:

- Electoral Services £40,000 contribution: this is a budgeted annual contribution in to a reserve earmarked to spread the cost of the District's elections over the term of a council.
- Regeneration Services £70,000 use: An earmarked reserve that exists to support regeneration projects within the Borough is being applied to support housing delivery initiatives within the year.

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 reflected the closure of the Octagon) was reversed in the 2017/18 budget. The 2017/18 budget was reduced by £56,000 to stand at a net cost of £293,692. At the end of the first quarter the projected outturn on the Pavilion Gardens Trading Statement for the year is a net cost of £282,196

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

Description	Projected Outturn 2017/18						Projected Outturn	2017/18 Budget	Variance
	Pavilion Café	Coffee Area	TIC & Retail	Events	Outside	Function			
Income	(619,238)	(235,959)	(175,455)	(213,962)	(55,126)	(136,554)	(1,436,294)	(1,454,034)	17,740
Expenditure	700,077	313,708	240,581	259,667	56,366	148,091	1,718,490	1,747,727	(29,236)
Net Cost / (Contribution)	80,839	77,749	65,126	45,705	1,240	11,537	282,196	293,692	(11,496)

Description	Outturn 2016/17						Outturn	2016/17 Budget	Variance
	Pavilion Café	Coffee Area	TIC & Retail	Events	Outside	Function			
Income	(667,730)	(185,260)	(172,840)	(225,720)	(44,820)	(105,700)	(1,402,070)	(1,290,550)	(111,520)
Expenditure	744,280	289,620	240,460	270,710	94,770	124,310	1,764,150	1,652,500	111,650
Net Cost / (Contribution)	76,550	104,360	67,620	44,990	49,950	18,610	362,080	361,950	130

3.4 The following should be noted:

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

4. Efficiency and Rationalisation Programme

- 4.1 This section of the report considers the financial performance of the Council's Efficiency and Rationalisation Programme in 2017/18.
- 4.2 The Council's Medium-Term Financial Plan (approved in February 2017) included a new four-year (2017/18 – 2020/21) Efficiency and Rationalisation Strategy targeting savings of £2.1 million. This is 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 new Efficiency and Rationalisation Strategy will have 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.
- 4.4 It is intended that there will be five areas of focus:-
- Major Procurements - There is the opportunity to focus attention on a number of large service functions which are currently provided by an external contractor / supplier. A number of significant contracts are coming to an end. This will also allow a fundamental review of these services with proper consideration of the current financial constraints. The contract commitments have sometimes restricted the opportunity to align services across the alliance with High Peak. The individual projects will focus on Waste Collection & Environment Services, Leisure Management and Facilities Management
 - Asset Management Plan – continuation of the existing priority of rationalising the Council's asset base with a focus around priorities in order to allow for the necessary capital investment
 - Growth – development of a clear focus upon housing and economic growth based upon the established Local Plan.
 - Income Generation – focus on increasing the yield from existing sources on income and a drive towards identifying new sources of income
 - Rationalisation – a commitment to reducing expenditure on non-priority areas of spend e.g. management arrangements, channel shift, non-statutory services
- 4.5 The 2017/18 budget provides for the achievement of £310,000 of such savings in year – with a significant focus on income generation, major procurements and management structure review.
- 4.6 At the end of Quarter 1, £46,980 has been taken against the overall Efficiency programme. In addition there are a number of vacant staff posts to be reviewed (in line with the service review process and as a result of other efficiency projects) which will potentially contribute to the overall efficiency programme. Therefore, at this stage, the Council remains on target to meet the overall savings requirements for the year.
- 4.7 The Authority carries a reserve of £100,000 earmarked to support the Strategy which can be drawn on to offset any remaining one-off and short term costs from the service review process and consequent shortfall against the 2017/18 efficient target. This requirement will be monitored throughout the year.

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 2017/18 Housing Revenue Account budget was originally set to produce a surplus of £57,000. The Chief Financial Officer has, in accordance with Financial Procedure Rules, authorised the roll forward of £211,200 in unused budgets from 2016/17 to facilitate delayed capital works to complete a retaining wall at Alma Street and replace a commercial boiler in Hartington Gardens. This brought the 2017/18 budget to £154,200.
- 5.3 Projected expenditure on the Housing Revenue Account for 2017/18, at the First Quarter stage, is £15,062,610 with estimated income at £15,126,880. This represents a surplus for the year of £64,270 (i.e. £218,470 below budget).

Housing Revenue	2017-18 Estimate	Q1 Change	2017-18 Revised	2017-18 Expected Out-Turn	2017-18 Variance
	£	£	£	£	£
INCOME					
Dwellings Rents	(14,495,540)	-	(14,495,540)	(14,501,260)	(5,720)
Non - Dwelling Rents Etc	(617,730)	-	(617,730)	(625,620)	(7,890)
Sub-total income	(15,113,270)	-	(15,113,270)	(15,126,880)	(13,610)
EXPENDITURE					
Repairs & Maintenance	3,932,800	-	3,932,800	3,832,800	(100,000)
Supervision & Management	3,383,090	-	3,383,090	3,133,090	(250,000)
Rents, rates, taxes Etc	119,390	-	119,390	105,700	(13,690)
Other Operating Expenditure	692,360	-	692,360	690,230	(2,130)
Depreciation & Impairment	1,550,000	549,030	2,099,030	2,099,030	-
Interest & Debt Management	3,381,630	-	3,381,630	3,542,590	160,960
Contribution to Capital	1,997,000	(337,830)	1,659,170	1,659,170	-
Sub-total expenditure	15,056,270	211,200	15,267,470	15,062,610	(204,860)
Surplus(-)/Deficit	(57,000)	211,200	154,200	(64,270)	(218,470)

- 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 first quarter stage will be transferred to reserves within the Housing Revenue Account.
- 5.5 There is just one significant over spend at this stage to be noted:

- Interest and Debt Management Recharges (£160,960) – This overspend

reflects the share of interest payable compared to those originally anticipated in the HRA business plan – see section 8 for more detail)

5.6 There are two significant underspends to report at this stage.

- Repairs and Maintenance (£100,000) – the forecast savings relate to salary costs following service reviews – this will be reviewed during 2017/18 to ensure it is sustainable and future year budgets will be reduced accordingly.
- Supervision and Management (£250,000) – The majority of this forecast underspend relates to savings in salary costs following service reviews – this will be reviewed during 2017/18 to ensure it is sustainable and future year budgets will be reduced accordingly.

6. General Fund Capital Programme

- 6.1 This section of the report provides an update on the Council's General Fund Capital Programme.
- 6.2 The table below shows a high level (service) summary of the General Fund Capital Programme position at 30th June 2017. Further detail on a scheme by scheme basis is contained in Annex A.

	2017/18 Approved Budget £	Q1 Changes £	2017/18 Revised Budget £	Expected Outturn 2017/18 £	Expected Variance 2017/18 £
Housing	142,000	-	142,000	142,000	-
Housing Standards	414,700	40,540	455,240	455,240	-
Property Services	4,953,780	189,030	5,142,810	5,142,810	-
ICT	50,000	(48,650)	1,350	1,350	-
Regeneration	244,130	58,810	302,940	302,940	-
Horticulture	60,000	18,920	78,920	78,920	-
Total	5,864,610	258,650	6,123,260	6,123,260	-
Planning Obligations	10,000	-	10,000	10,000	-
External Contributions	460,700	56,060	516,760	516,760	-
Capital Receipts	642,000	-	642,000	642,000	-
Borrowing	4,751,910	202,590	4,954,500	4,954,500	-
Total	5,864,610	258,650	6,123,260	6,123,260	-

- 6.3 The 2017/18 General Fund Capital Budget was approved by Members in February (£5,864,610 the MTFP) and June (£258,650 the carry forward of capital funding from 2016/17 as detailed in the Quarter 4 report).
- 6.4 There are no capital expenditure variances forecast at this early stage. Members should note that the final out turn of the capital programme is dependant on the progress of a number of schemes still to be developed; including significant investment in Public Buildings.

7. Housing Revenue Account Capital Programme

7.1 This section of the report provides an update on the Council's HRA capital spending.

7.2 The table below shows a high level summary of the HRA Capital Programme position at 30th June 2017. Further detail on a scheme by scheme basis is contained in Annex B.

Scheme	2017/18 Approved Budget per MTFP	Q1 Changes	2017-18 Revised Budget	Q1 Actual Spend	2017-18 Expected Outturn	2016/17 Expected Variance
	£	£	£	£	£	£
Asset Management Works	3,386,000	211,200	3,597,200	97,717	3,597,200	-
Repairs Team Capital Works	395,000	-	395,000	-	395,000	-
Commissioning Fees	155,000	-	155,000	-	155,000	-
Total	3,936,000	211,200	4,147,200	97,717	4,147,200	-
Funding:						
Major Repairs Reserve	1,550,000	549,030	2,099,030	-	2,099,030	-
Capital Receipts Applied	389,000	-	389,000	-	389,000	-
HRA Contribution	1,997,000	(337,830)	1,659,170	-	1,659,170	-
	3,936,000	211,200	4,147,200	-	4,417,200	-

7.3 The 2017/18 HRA Capital Budget of £3,936,000 was approved by Members in February (as part of the MTFP). The Chief Financial Officer has, in accordance with Financial Procedure Rules, authorised the roll forward of £211,200 in unused budgets from 2016/17 to facilitate delayed capital works to complete a retaining wall at Alma street and replace a commercial boiler in Hartington Gardens. This brings the HRA Capital Budget to £4,147,200.

7.4 During the first quarter, £97,717 has been incurred on HRA Capital Schemes principally on central heating boiler replacements and electrical works. Much of the HRA spend is scheduled to commence in late autumn. The Council remains on target, at quarter 1 stage, to spend £4,147,200 on capital works by the end of the year.

7.5 There are no significant capital underspends or capital overspends at this stage.

7.6 There is just one funding change to note. The change to the regional discount factor applied to the Council's housing stock valuation has increased the depreciation charge made to the HRA by £549,030. An equivalent amount must be set aside into the Major Repairs Reserve which will be used to fund the current HRA capital programme; thereby reducing direct revenue contributions. There is no overall affect on the HRA.

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 June 2017 totalled £14.9 million. £18,025 interest was earned on these investments during the first quarter. The average level of funds available for investment during quarter 1 totalled £16.5 million.
- 8.3 The Council has budgeted to receive £64,720 in investment income in 2017/18. The budget was set with the expectation that the low interest environment would continue, however the rates available on fixed investment opportunities are reducing further still. Therefore a shortfall of £10,000 is anticipated against the budget.

Borrowing

- 8.4 Outstanding borrowing at 30th June 2017 totalled £72.2 million, including £411,000 which relates to finance lease facilities.
- 8.5 The Council's General Fund and HRA has budgeted to incur £1,425,230 and £3,381,630 respectively in interest charges and other financing costs in 2017/18. The interest costs on external borrowing are expected to be to budget overall. However, under the 'one pool' approach to borrowing which the Council adopts, the share of interest attributable to the general fund is £165,000 lower than budgeted; with a corresponding overspend on the HRA. This is due to the repayment of loans during 2016/17, which has taken the Council into an under-borrowed position. The HRA has benefited in previous years from a reduction in borrowing costs payable as a result of making an annual £1.2m voluntary minimum revenue provision. The repayment of £9.7m maturing loans during 2016/17 has now enabled the general fund to share the benefit of a reduction in overall borrowing costs.
- 8.6 The budget includes external borrowing mid-year to support a General Fund borrowing requirement of £4.7million. No new borrowing has occurred to date. The treasury team continue to monitor opportunities for new borrowing for this considering the actual borrowing requirement and the cost of carry of any borrowings taken.

9. Revenue Collection

9.1 This section of the report details progress to date in collecting the Council Tax, Business Rates and Sundry Debt.

9.2 The collection rate outturn for Quarter 1 2017/18 was as follows:

- Council Tax – 29.6% of Council Tax was collected by 30th June 2017, compared to 29.6% for the same period last year.
- Business Rates – 30.3% of Business Rates was collected by 30th June 2017, compared with 28.0% for the same period last year.
 - *NB: A particularly large ratepayer paid the 2017/18 liability in full in May 2017, but during 2016/17 payments were made in accordance with the 10 month instalment plan. This has affected the comparative collection rate by 2.2%.*
- Sundry Debts - The value of sundry debts over 60 days old at the end of Quarter 1 was £263,936 which compares with £256,375 at 30th June 2016.

General Fund Capital Programme Update 30th June 2017

Scheme	2017/18 Approved Budget	Q1 Changes	2017/18 Revised Budget	Expected Outturn 2017/18	Expected Variance 2017/18
	£	£	£	£	£
Housing & Housing Standards					
Affordable Housing Project	142,000	-	142,000	142,000	-
Disabled Facilities Grants	389,000	38,510	427,510	427,510	-
Landlord Accreditation Grant Scheme	25,700	2,030	27,730	27,730	-
	556,700	40,540	597,240	597,240	-
Property Services					
Asset Management Programme	4,953,780	189,030	5,142,810	5,142,810	-
	4,953,780	189,030	5,142,810	5,142,810	-
ICT	50,000	(48,650)	1,350	1,350	-
	50,000	(48,650)	1,350	1,350	-
Regeneration					
Heritage Regeneration Grants	45,000	13,610	58,610	58,610	-
Buxton Crescent & Spa	199,130	45,200	244,330	244,330	-
	244,130	58,810	302,940	302,940	-
Horticulture					
Whaley Bridge Memorial Park	-	18,920	18,920	18,920	-
Play Areas	60,000	-	60,000	60,000	-
	60,000	18,920	78,920	78,920	-
Total General Fund	5,864,610	258,650	6,123,260	6,123,260	-

Housing Revenue Account Capital Programme Update 30th June 2017

Scheme	Original Budget 2017/18	Carry Forwards	Q1 Changes	Revised Budget 2017/18	Q1 Actual Spend	17/18 Expected Outturn	17/18 Expected Variance
ASSET MANAGEMENT WORKS:	£	£	£	£	£	£	£
Roofing & External Works	228,000	-	-	228,000	-	228,000	-
Kitchens	350,000	-	-	350,000	(981)	350,000	-
Bathrooms	100,000	-	-	100,000	-	100,000	-
Central Heating	800,000	-	(20,000)	780,000	(12,102)	780,000	-
Central heating - One Offs	380,000	-	-	380,000	89,606	380,000	-
Electrical Works	788,000	-	(40,000)	748,000	11,391	748,000	-
Health & Safety	125,000	-	(40,000)	85,000	-	85,000	-
Aids & Adaptations	350,000	-	-	350,000	(13,850)	350,000	-
Unity Walk & Quarry Close Railing	35,000	-	-	35,000	-	35,000	-
Cross Street Structural	65,000	-	(10,000)	55,000	-	55,000	-
Corbar Road Roofing Works	40,000	-	-	40,000	-	40,000	-
Scooter Stores	75,000	-	-	75,000	-	75,000	-
Commercial Boiler Renewal	-	178,000	20,000	198,000	-	198,000	-
ALMA Wall	-	33,200	-	33,200	23,653	33,200	-
Lightning Protection	-	-	40,000	40,000	-	40,000	-
Gladstone Street Works	-	-	40,000	40,000	-	40,000	-
Shop Works	-	-	10,000	10,000	-	10,000	-
	3,386,000	211,200	-	3,597,200	97,717	3,597,200	-
REPAIRS TEAM CAPITAL WORKS							
Major Voids	100,000	-	-	100,000	-	100,000	-
Void Rewires	35,000	-	-	35,000	-	35,000	-
Void Kitchens	200,000	-	-	200,000	-	200,000	-
Void Bathrooms	60,000	-	-	60,000	-	60,000	-
	395,000	-	-	395,000	-	395,000	-
STAFFING & PROFESSIONAL FEES							
Staffing Recharges/ Commissioning Costs	155,000	-	-	155,000	-	155,000	-
	155,000	-	-	155,000	-	155,000	-
TOTAL SPEND	3,936,000	211,200	-	4,147,200	97,717	4,147,200	-