



2017/18

**First 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 first 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.
- **Efficiency and Rationalisation Programme (Section 3)** – considers progress in achieving the efficiency and rationalisation savings forecast for 2017/18.
- **Capital Programme (Section 4)** – provides an update to Members on progress against the Council's capital plan
- **Treasury Management (Section 5)** – sets out the key statistics in terms of investments and borrowings;
- **Revenue Collection (Section 6)** – considers progress-to-date in collecting the Council Tax and Business Rates; and

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 setting out variations in income and expenditure and funding received by the Council.

Service	2017/18 Budget	Expected Outturn 2017/18	Variance
	£	£	£
Alliance Management Team	65,010	59,880	(5,130)
Audit	9,940	9,940	-
ICT	688,110	688,110	-
Human Resources	66,250	66,250	-
Member Services	312,100	310,820	(1,280)
Property Services	960,810	950,810	(10,000)
Revenues and Benefits	(273,800)	(276,300)	(2,500)
Planning Applications	(395,960)	(395,960)	-
Building Control	(104,360)	(104,360)	-
Customer Services	111,820	110,570	(1,250)
Legal Services	64,520	64,520	-
Electoral Services	84,470	64,470	(20,000)
Licensing and Land Charges	(219,300)	(219,300)	-
Regeneration	188,870	215,390	26,520
Communities and Cultural	163,300	160,800	(2,500)
Housing Strategy	44,590	44,590	-
Transformation	6,870	6,870	-
Community Safety and Enforcement	177,360	177,360	-
Finance, Income and Procurement	(207,390)	(187,390)	20,000
Corporate Finance*	6,546,650	7,936,150	1,389,500
Waste Collection	1,405,560	1,273,490	(132,070)
Street Scene	309,900	309,230	(670)
Leisure Services	610,710	613,330	2,620
Horticulture	583,290	575,840	(7,450)
Visitor Services	(551,000)	(565,070)	(14,070)
Environmental Health	(11,020)	(11,020)	-
Net Total of Services	10,637,300	11,879,020	1,241,720
Net Interest	(357,870)	(357,870)	-
	10,279,430	11,521,150	1,241,720
Funding : external	(9,751,040)	(9,925,550)	(174,510)
: reserves - contribution/(use)	(528,390)	(1,910,710)	(1,382,320)
Projected (Surplus)/Deficit	-	(315,110)	(315,110)

* Staff budgets are currently budgeted within Corporate Finance. Staff budgets/actuals are to be redistributed to Services in preparation for the Quarter 2 report.

2.2 A revenue budget of £10,279,430 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.
- 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 the year is £9,964,320. This represents a projected surplus for the year of £315,110

2.4 There is one area of significant underspend projected on the General Fund Revenue Account:

- Waste Collection (£132,070 underspend) – Additional income is now anticipated of £34k from improved recycling trends in both domestic and trade waste, and £24k from the introduction of charges for replacement bins. Savings against the staff budget off set by increased vehicle hire costs account for the remaining underspend.

2.5 There is one area of significant overspend projected on the General Fund Revenue Account:

- Corporate Finance (£1,389,500 overspend) - The Authority budgets to make an annual contribution towards reducing its share of the deficit on the Local Government Pension Scheme as administered by Staffordshire County Council. The annual level of contribution is set by the Scheme's Actuary for the three years following each triennial valuation. After recent valuations authorities have been offered the option of making their annual contributions in one lump sum at the beginning of the three year period in return for a cash discount. The level of the District's cash backed contingency reserves was considered sufficiently high for the council to take advantage of this offer and thereby gain a £100,000 discount on the £2m payable (reserves would still be £650,000 above the required level of contingency at the end of 2017/18). The actual payment of £1.9m has resulted in a £1,383,000 overspend above the £517,000 budgeted. This overspend will be met out of the District's contingency reserves at the year end. These reserves will be replenished by the following two years' budgeted contributions that will not now be paid over to the Staffordshire Pension Fund.

2.6 The level of funding anticipated for the year is £1,556,830 above that budgeted due to the following:

External Funding: (£174,510)

- Business Rates Retention (£174,510) – an increase in the level of retained business rates is anticipated at the first quarter owing to increases in NDR 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 the fluctuations in NDR appeals as the 2010 outstanding appeals are heard and the level of 2017 appeals becomes apparent.

Use of Reserves: (£1,382,320)

Earmarked;

- Electoral Services £26,680 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 £26,000 use: An earmarked reserve that exists to support regeneration projects is to be applied to the year's activities.

Contingency;

- The £1,389,500 additional contribution arising within Corporate Finance (2.5 above) has created a demand on the Authority's resources that will be met out of contingency reserves at the year-end.

3. Efficiency and Rationalisation Programme

3.1 This section of the report considers the financial performance of the Council's Efficiency and Rationalisation Programme in 2017/18.

3.2 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 £3.14 million. This is required to balance the forecast budget deficit position of £2.7m and also the carry forward of unachieved efficiencies from 2016/17 of £0.4m

3.3 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.

3.4 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

3.5 The 2017/18 budget provides for the achievement of £661,000 of such savings in year – with a significant focus on income generation and management structure review.

3.6 At the end of Quarter 1, £116,500 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.

- 3.7 The Authority carries a reserve of £493,000 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.

4. Capital Programme

4.1 This section of the report provides an update to members on the Council's Capital Programme

4.2 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:

Service	2017/18 Approved Budget	Q1 Changes	2017/18 Revised Budget	Expected Outturn 2017/18	Expected Variance 2017/18
	£	£	£	£	£
Housing Standards	1,008,000	31,630	1,039,630	531,630	(508,000)
Property Services	1,452,270	28,290	1,480,560	1,480,560	-
ICT	50,000	(48,760)	1,240	1,240	-
Leisure Services	-	20,960	20,960	20,960	-
Regeneration	744,500	7,260	751,760	751,760	-
Horticulture	22,000	54,000	76,000	76,000	-
Total	3,276,770	93,380	3,370,150	2,862,150	(508,000)
Funding:-					
External Contributions	1,085,810	180,250	1,266,060	758,060	(508,000)
Capital Reserve	417,120	5,380	422,500	422,500	-
Planning obligations	22,000	-	22,000	22,000	-
Borrowing	1,751,840	(92,250)	1,659,590	1,659,590	-
Total	3,276,770	93,380	3,370,150	2,862,150	(508,000)

4.3 The 2017/18 General Fund Capital Budget was approved by members in February (£3,276,770 in the MTFP) and June (£93,380 the carry forward from 2016/17).

4.4 There is one capital spend variance to note at this stage:

- Housing Standards: Disabled Facilities Grants (DFGs) (£508,000 underspend) - Based on the latest level of demand for mandatory grants towards disabled adaptations of properties, the forecast of DFGs to be completed in 2017-18 is £500,000 against a budget of £1,008,000. Since the change in the funding mechanism for DFGs in 2015-16 the level of support from Central Government has increased significantly but presently this isn't being matched by the value of DFG's being approved. A county-wide review of the approval process is currently being undertaken including the commissioning of new home improvement agency arrangements. This will facilitate improvements in the processes in order that completions can be

achieved to ensure that grants are approved at the new higher level of resources available. A separate report was originally due to be presented at this meeting of the Panel. This will now be presented at the next meeting when further detail on the funding allocation arrangements for DFG's is ascertained following the completion of the first elements of the county review.

- 4.5 Members should note that the final outturn of the capital programme is dependant on the progress of a number of schemes still to be developed. This includes the use of £700,000 from the Growth Fund budget to support schemes.

5. Treasury Management

- 5.1 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 Accounts Committee receives detailed operational updates on treasury management.

Investments

- 5.2 Cash Investments held on the 30th June 2017 totalled £6.2 million. Interest earned on these investments during Quarter 1 totalled £6,630. The average level of funds available for investment during Quarter 1 was £7.6million.
- 5.3 The Council has budgeted to receive £39,000 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.

Ascent Joint Venture

- 5.4 Ascent (the joint venture company set up to deliver affordable housing across the District) had drawn the full £5 million Debenture facility by the end of 2014/15. Interest is charged at 2%, therefore the budgeted interest income for the year is £100,000; this is on target.
- 5.5 The balance on the loan facility to Ascent remains at £14 million. There have been no further drawdowns of the loan during 2017/18, nor are any anticipated. Interest charged is based on the 5-year PWLB rate on the date of the drawdown plus a 1.25% risk premium. The budget of interest income related to the loan was set at £474,270 – this included £373,660 due from the original loan drawdowns and £100,610 relating to the potential continuation of the first tranche of the loan, which is due for repayment in October 2017. Discussions are ongoing with regards on refinancing of the first tranche of loans. The budget is anticipated to be on target at Quarter 1.

Borrowing

- 5.6 Total debt outstanding as at 30th June 2017 totalled £13.2 million. £12 million has been used to fund the Ascent Loan, the remaining £1.2 million relates to finance leases.
- 5.7 The Council has budgeted to incur £255,400 in interest charges in 2017/18. This was based on the existing Ascent Loan Balance of £14million and a £1.7 million General Fund borrowing requirement in the current year capital programme.
- 5.8 The refinancing of a maturing debt of £2 million in 2016/17 has been delayed, instead being funded internally in the first quarter of 2017/18; this is estimated to produce savings of £10,000. Opportunities for new borrowing for this and the £1.7 million general fund requirement will be monitored during the year

considering the actual borrowing requirement and the cost of carry of any borrowings taken.

6 Revenue Collection

- 6.1 This section of the report details progress to date in collecting the Council Tax, Business Rates and Sundry Debt.
- 6.2 The Q1 collection rate outturn for the year 2017/18 was as follows:
- Council Tax – 29.7% of Council Tax was collected by 30 June 2017, compared to 29.8% for the same period last year.
 - Business Rates – 28.9% of Business Rates was collected by 30 June 2017, compared with 28.8% for the same period last year.
- 6.3 At the end of Quarter One the value of sundry debt that was over 60 days old was £151,780 which compares with £272,230 at 30th June 2016.

ANNEX A**Capital Programme Update 30th June 2017**

Capital Schemes	2017/18 Approved Budget	Q1 Changes	2017/18 Revised Budget	Expected Outturn 2017/18	Expected Variance 2017/18
	£	£	£	£	£
<u>Housing Standards</u>					
Private Sector Grants	1,008,000	1,630	1,009,630	501,630	(508,000)
Landlord Accreditation Scheme	-	30,000	30,000	30,000	-
Total Environmental Health	1,008,000	31,630	1,039,630	531,630	(508,000)
<u>Property Services</u>					
Asset Management Plan	1,452,270	28,290	1,480,560	1,480,560	-
Total Property	1,452,270	28,290	1,480,560	1,480,560	-
<u>ICT</u>	50,000	(48,760)	1,240	1,240	-
Total ICT	50,000	(48,760)	1,240	1,240	-
<u>Leisure Services</u>					
Sports - Small Schemes	-	20,960	20,960	20,960	-
Total Leisure Services	-	20,960	20,960	20,960	-
<u>Regeneration</u>					
Moorlands Partnership Grants	44,500	7,260	51,760	51,760	-
Growth Fund Provision	700,000	-	700,000	700,000	-
Total Regeneration	744,500	7,260	751,760	751,760	-
<u>Horticulture</u>					
Play - Projects	22,000	54,000	76,000	76,000	-
Total Horticulture	22,000	54,000	76,000	76,000	-
Total Programme	3,276,770	93,380	3,370,150	2,862,150	(508,000)