



**2017/18**

**Third 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 third 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.
- **Alliance Environmental Services (Section 4)** – highlights the performance of the Council's Joint Venture Company providing Waste services.
- **Efficiency and Rationalisation Programme (Section 5)** – considers progress in achieving the efficiency and rationalisation savings forecast.
- **Housing Revenue Account (Section 6)** – highlights the budgetary position in respect of the operation of the Council's housing stock.
- **General Fund Capital Programme (Section 7)** – provides an update on progress against the Council's General Fund capital plans.
- **HRA Capital Programme (Section 8)** – provides an update on progress against the Council's HRA capital plans.
- **Treasury Management (Section 9)** – sets out the key statistics in terms of investments and borrowings.
- **Revenue Collection (Section 10)** – considers progress-to-date in collecting the Council Tax, Business Rates and Sundry Debts.

## 2. General Fund Revenue Account

2.1 This section of the report considers the financial performance of the General Fund Revenue Account against budget by looking at variations in income and expenditure and funding received by the Council.

Service	2017/18 Budget	Projected Outturn 2017/18	Variance
	£	£	£
Alliance Management Team	67,020	59,000	(8,020)
Audit	10,240	10,240	-
ICT	610,790	610,790	-
Human Resources	91,980	74,980	(17,000)
Member Services	201,830	177,650	(24,180)
Property Services	1,202,110	1,391,120	189,010
Benefits	(169,590)	(190,590)	(21,000)
Planning Applications	(377,890)	(490,230)	(112,340)
Building Control	(85,730)	(133,730)	(48,000)
Customer Services	148,890	123,890	(25,000)
Legal Services	30,510	15,510	(15,000)
Electoral Services	96,470	36,470	(60,000)
Licensing and Land Charges	(336,520)	(335,370)	1,150
Regeneration	197,530	207,640	10,110
Communities and Cultural	263,640	336,960	73,320
Housing Strategy	212,530	120,640	(91,890)
Transformation	21,750	23,580	1,830
Community Safety and Enforcement	137,360	122,360	(15,000)
Finance, Income and Procurement	(146,800)	(103,300)	43,500
Corporate Finance*	6,364,420	6,021,260	(343,160)
Waste Collection	1,803,580	1,820,470	16,890
Street Scene	(9,170)	(39,580)	(30,410)
Leisure Services	461,000	421,210	(39,790)
Horticulture	(519,780)	(482,770)	37,010
Visitor Services	(1,147,730)	(1,070,060)	77,670
Environmental Health	(3,080)	(10,320)	(7,240)
Housing **	-	-	-
<b>Net Total of Services</b>	<b>9,125,360</b>	<b>8,712,820</b>	<b>(407,540)</b>
Net Interest	1,360,510	1,377,510	17,000
	<b>10,485,870</b>	<b>10,095,330</b>	<b>(390,540)</b>
Funding : external	(9,932,300)	(10,739,700)	(807,400)
: reserves - contribution/(use)	(553,570)	(616,390)	(62,820)
<b>Projected (Surplus)/Deficit</b>	<b>-</b>	<b>(1,260,760)</b>	<b>(1,260,760)</b>

\* 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 from 2018/19

\*\* 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 Quarter Three projected outturn on the General Fund Revenue Account for 2017/18 is £9,225,110. This represents a projected surplus for the year of £1,260,760.

2.4 There are three services with a projected significant overspend:

- Property (£189,010 overspend); A £10,000 saving on utility costs is more than offset by a series of budgetary pressures. The national revaluation of non-domestic rateable values saw the Council's business rates bill increase by £30,000. A review of the rent paid by the Authority for the Waterswallows depot has resulted in an in-year increase of £10,000 plus a backdated charge of the same amount. Income from industrial units is depressed by £15,000 owing to tenant vacancies. The most significant pressure on the service budgets is a projected £134,000 overspend on repairs. However owing to the nature of some of the repairs it is proposed that the Authority's earmarked Health and Safety reserve is used to meet the additional costs to the value of some £83,000.
- Communities and Cultural (£73,320 overspend); A significant element of service activity relates to projects that cover a number of years and are supported and part funded by third parties. 2017/18 has seen activity on a number of projects where funding was received in previous years and held in earmarked reserves. Some £85,000 of these reserves have been identified as available to fund in year activities.
- Visitor (£77,670 overspend); The car parking service is generating a £15,000 surplus mainly from increased usage. Other areas however are suffering increased budgetary pressures. Poor occupancy levels at Glossop Market are expected to result in a £28,000 overspend. As reported at Section 3 below, a £68,000 overspend is projected for Pavilion Gardens. This is down in equal part to reduced room hire, with the closure of the Octagon, and an overall reduction in trading activity.

2.5 There are four services with a projected significant underspend;

- Planning Applications (£112,340 underspend): Robust income levels are outstripping some smaller areas of budgetary pressure. The positive position is driven by a relatively small number of applications received for significantly large development sites.

- Electoral Services (£60,000 underspend): The service budgets to make an annual contribution in to an earmarked reserve in order to smooth the costs of the council's elections over the term of the administration. The budgeted underspend to fund this contribution for 2017/18 is £40,000. A further £20,000 underspend is anticipated as a result of the costs relating to individual elector registration currently being below the level of funding received from central government in the form of specific grant.
- Housing Strategy (£91,890 underspent): Some £94,000 in Government grants have been received in year to support actions to be taken by the Authority in response to the Homelessness Reduction Act. The majority of initiatives identified under the Authority's Homelessness Strategy will take place next year. It will be necessary therefore to carry forward a significant proportion of this funding as an earmarked reserve.
- Corporate Finance (£343,160 underspend): Corporate Finance records the Authority's performance against its efficiency savings target and the consolidation of savings against corporate budgets such as for employee costs. This "cashing-up" exercise is currently predicting a £349,000 underspend.

2.6 There is a predicted £17,000 overspend on net interest costs which is detailed in section 9.

2.7 The level of funding anticipated for the year is above that budgeted due to the following:

***External Funding:***

Funding from local taxpayers and government grants was budgeted at £9,932,300 for 2017/18. The amount now anticipated to be credited to the year is £807,400 greater:

**Business Rates Retention (£807,400):**

- An increase of £130,520 in the level of retained business rates is anticipated owing to increases in business rates income. This was not assumed in the budget because of uncertainties surrounding the 2017 revaluation and appeals provision.
- Following new information provided by the Valuation Office Agency, the DCLG has adjusted the tariff payable on business rates for the year for all Councils. This has had a negative effect for this Council and decreases the level of retained business rates by £19,200.
- An increase of £513,900 is anticipated resulting from S31 grants to fund the new reliefs not known at the budget setting stage for Local Discretionary Relief, Supporting Small Businesses, Pub Relief and the change in thresholds on Small Business Rate Relief. These grants are credited to the General Fund in the year but the associated reliefs have the opposite effect of increasing the Collection Fund deficit to be distributed in the following year.

- The levy payable, on business rates retention, to the pool is expected to be reduced by £282,180. In addition to the effect of awarding additional reliefs as described above, the level of business rates income collectable has fallen following the resolution of appeals relating to purpose built doctors surgeries; and an increase in the level of provision required overall for both the existing appeals and the assumed reduction in RV on current year liabilities which will result from appeals in future years.
- The overall variance in Business Rates Retention continues to be subject to change over the remaining periods with fluctuations in business rates appeals as the 2010 outstanding appeals are heard.
- Owing to the reduction in NNDR income in the year, the forecast gain as a member of the Derbyshire Business Rates Pool has been reduced from £200,000 to £100,000. This assumes that all other members of the pool have no changes to their expected contributions. 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 pool member. Therefore this element of the business rates retention income is subject to change.

**In line with the Medium Term Financial Plan requirements, any surplus against budget will need to be earmarked to support the increased deficit in 2018/19 as a result of accounting for business rates appeals and reliefs.**

#### ***Use of Earmarked Reserves:***

At the third quarter stage the Authority is anticipating its net use of reserves for the year to be £62,820 above the £553,570 originally budgeted;

- **Property Services £83,410 use:** the cost of resolving urgent health and safety works at the Council's properties is to be covered out of this reserve
- **Electoral Services £40,000 contribution:** this is a budgeted annual contribution in to a reserve earmarked to spread the cost of the Borough's elections over the term of a council.
- **Communities and Cultural Services £85,570 use:** To facilitate the fact that many of the service's projects take place in a different year to when the funding is received, earmarked reserve are used to carry funds between years. The use of these reserves reflects the activities being progressed by the service in 2017/18.
- **Housing Strategy £82,890 contribution:** The Authority has received significant funding from Central Government towards the cost of satisfying the requirements of the Homelessness Reduction Act. As the majority of actions will only come into effect after the financial year end an earmarked reserve is to be used to carry the funding forward to future years.
- **Finance, Income and Procurement / Customer Services £35,000 use:** the cost of using an external agency to clear a backlog of council tax work items and benefit applications is to be funded out of a reserve created from Government funding received in prior years.
- **Leisure Services £13,810 contribution:** a number of grants and contributions received in the year will be placed into reserve for future specific sport and leisure related projects.
- **Horticulture £4,460 reduced use:** works on recreation grounds and open spaces are part funded each year by drawing down on Section 106 monies previously received from Developers as part of their planning obligations. Only £2,090 of the £6,550 originally budgeted is now likely to be applied in 2017/18.

### 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 The 2017/18 budget is a net cost of £293,700. At the end of the second quarter the projected outturn on the Pavilion Gardens Trading Statement is £68,040 in excess of budget. This reflects a £33,040 downturn in trading income in the year to date plus a £35,000 loss against room hire revenues.

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	(563,210)	(199,270)	(163,290)	(190,020)	(46,010)	(146,710)	(1,308,510)	(1,454,030)	145,520
Expenditure	678,550	305,610	234,000	239,320	54,630	158,140	1,670,250	1,747,730	(77,480)
<b>Net Cost / (Contribution)</b>	<b>115,340</b>	<b>106,340</b>	<b>70,710</b>	<b>49,300</b>	<b>8,620</b>	<b>11,430</b>	<b>361,740</b>	<b>293,700</b>	<b>68,040</b>

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
<b>Net Cost / (Contribution)</b>	<b>76,550</b>	<b>104,360</b>	<b>67,620</b>	<b>44,990</b>	<b>49,950</b>	<b>18,610</b>	<b>362,080</b>	<b>361,950</b>	<b>130</b>

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 Alliance Environmental Services

- 4.1 Alliance Environmental Services (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.
- 4.2 Phase 1 of the transfer of services commenced on 7th August 2017 to deliver High Peak Borough Council waste collection services. This followed the end of the previous contract with Veolia Environmental Services.
- 4.3 AES has provided management accounts as at 31st December 2017 to forecast the outturn for 2017/18, which includes the period from the commencement of the company on 7th August to 31st March 2018. The company is reporting a forecast profit of £134,827 before year 1 savings payable to HPBC, which is an improved position of £96,693 against the budget. A summary of the performance and the variances against the budget is shown in the table below:

2017-18	Budget	Forecast Outturn	Variance	
Contract Fee	(£1,818,854)	(£1,818,854)	-	Payable by HPBC
Risk Plan	(£127,000)	(£83,535)	£43,465	Reduction in anticipated Risk Items payable on contract fee: lower pension costs and reduced use of spare vehicles; partially offset by potential increase in Pension Risk
Other Income	(£325,907)	(£381,156)	(£55,249)	Net £44k from improved recycling income; Net £6k additional workshop income (offset by reduction in fuel rechargeable to HPBC); £5k additional contribution to setup costs incurred by AES, chargeable to Ansa.
<b>Turnover</b>	<b>(£2,271,761)</b>	<b>(£2,283,545)</b>	<b>(£11,784)</b>	
Cost of Sales	£1,940,875	£1,855,286	(£85,589)	£80k reduction resulting from removal of Round K4 plus spare vehicle. £21k reduction in haulage costs - improved payload on recycling disposal; £7k net increase in salary/ pension costs; £9k increased PPE and bin stock costs
Charges levied by Ansa	£74,345	£77,018	£2,673	£2.5k reduction on Ansa charges on vehicle overheads; £5k increased costs on external support (management/ admin/ HR).
Administrative Expenses	£218,407	£216,414	(£1,993)	£6k net saving on vacant admin post covered by Ansa admin support; £2k additional payroll bureau costs – delayed migration to monthly payroll originally expected November 2017, now January 2018; £2k other miscellaneous increased expenditure.
<b>(Profit)/ Loss</b>	<b>(£38,134)</b>	<b>(£134,827)</b>	<b>(£96,693)</b>	
Y1 pro-rata savings payable to HPBC	£64,930	£64,930	-	
<b>Net (Profit)/ Loss</b>	<b>£26,796</b>	<b>(£68,987)</b>	<b>(96,693)</b>	



- 4.4 The contract fee payable by HPBC of £1,818,854 has increased from the original estimate by £140,474 largely due to additional costs for short-term vehicle hire to deliver the Waste Service – which are offset in 2017/18 by savings developing from the wider waste service (see 4.7). There is a commitment from all parties to commence procurement of the vehicles for a more long-term cost effective solution.
- 4.5 In addition to the contract fee, 'risk items' of £127,000 were added to recognise that there were several areas of potential cost increases arising from the company set-up. These included the need to cover vacancies; the provision of spare vehicles; fuel cost; and additional pension costs. These are being monitored during the year and will only be payable if the additional costs come to fruition. The current forecast shows that at this stage £83,535 of these risk items remain: this includes an increased risk in pension costs of £23,500 arising from information from the actuary regarding an increase in the rate of the employer cost of LGPS.
- 4.6 The savings plan for year one of the AES joint venture partnership included £100,000 comprising £65,000 from waste operating efficiencies and £35,000 from waste management savings. The pro-rata amount of these savings applicable from August 2017 to March 2018 is £64,930. This is to be paid to the Council at the end of the year.
- 4.7 The net additional costs, after the reimbursement of savings as a contribution to the efficiencies programme, are largely offset by other underspends in the wider waste service not related to AES. These include improved domestic recycling income and reduced trade waste disposal costs.

## 5 Efficiency and Rationalisation Programme

- 5.1 This section of the report considers the financial performance of the Council's Efficiency and Rationalisation Programme in 2017/18.
- 5.2 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.
- 5.3 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.
- 5.4 The programme has 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
- 5.5 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.
- 5.6 At the end of Quarter 3, £225,250 has been taken against the overall Efficiency programme relating to management savings, the impact of channel shift, additional income, procurement savings and postage and print savings. The Council is on course to meet the overall savings requirements for the year.

- 5.7 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 (see section 2.5). This review may give rise to over-achievement of the in-year efficiency target.
- 5.8 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.

*HRA – Financial Improvement Plan*

- 5.9 The HRA Improvement Plan was presented alongside the MTFP in February 2017, and identified £1.2m in savings to be achieved over a four year period in order to address the budget shortfall of £770,000 by 2020/21 and ensure the HRA 30-year business plan is financial sustainable.
- 5.10 The 2017/18 savings target was set at £625,000. At the Quarter 3 stage, approximately £659,310 in ongoing savings have been realised, with other in-year underspends resulting in an overall projected surplus of £1,014,989 (see section 6).

## 6 Housing Revenue Account (HRA)

- 6.1 This section of the report considers the financial performance of the Council's Housing Revenue Account and highlights the budgetary position in respect of the operation of the Council's housing stock.
- 6.2 The 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.
- 6.3 Projected expenditure on the Housing Revenue Account for 2017/18, at the third Quarter stage, is £14,097,780 with estimated income at £15,112,770. This represents a surplus for the year of £1,014,990 (i.e. £1,169,190 below budget).

Housing Revenue Account	2017-18 Revised Budget	2017-18 Expected Outturn	2017-18 Variance
	£	£	£
<b>INCOME</b>			
Dwellings Rents	(14,495,540)	(14,473,990)	21,550
Non - Dwelling Rents & Other Income	(617,730)	(638,780)	(21,050)
	<b>(15,113,270)</b>	<b>(15,112,770)</b>	<b>500</b>
<b>EXPENDITURE</b>			
Repairs & Maintenance	3,912,300	3,829,980	(82,320)
Supervision & Management	2,757,970	2,752,010	(5,960)
Rents, rates, taxes and other charges	105,700	105,700	-
Savings Realised	659,310	-	(659,310)
Other Operating Expenditure	692,360	689,960	(2,400)
Depreciation & Impairment	2,099,030	2,099,030	-
Interest & Debt Management	3,381,630	3,302,600	(79,030)
Contribution to Capital	1,659,170	1,318,500	(340,670)
	<b>15,267,470</b>	<b>14,097,780</b>	<b>(1,169,690)</b>
<b>Surplus(-)/Deficit</b>	<b>154,200</b>	<b>(1,014,990)</b>	<b>(1,169,190)</b>

- 6.4 The Council has a duty, in accordance with Part VI (Section 74) of the Local Government and Housing Act 1989, to maintain a "Housing Revenue Account" (HRA). By "ring -fencing" the HRA, 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 third quarter stage will be transferred to reserves within the Housing Revenue Account.
- 6.5 There are no significant overspends to be noted at this stage.

6.6 There are four significant underspends to report at this stage.

- Repairs and Maintenance (£82,320) – this variance relates predominantly to lower than expected cyclical spend particularly related to ad hoc central heating repairs.
- Interest and Debt Management (£79,030) – This underspend relates to a lower than anticipated borrowing charge following changes to profiled capital spend during the year; further details can be found in Section 9 below.
- Contribution to Capital (£340,669) – This underspend is relates to delays in commencement and completion of a number of Capital Schemes and is reflective of the changes to the Capital programme detailed in Section 8 below.
- Savings Achieved (£659,310) – The HRA Financial Improvement Plan included expected savings during 2017/18 of £625,000 - the actual savings to date have exceeded this target by £34,310. Savings have been achieved from salary costs following the service review process, the impact of channel shift, a review of tenancy arrangements, postage, print and stationery costs.

## 7 General Fund Capital Programme

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

7.2 The table below shows a high level (service) summary of the General Fund Capital Programme position at 31st December 2017. Further detail on a scheme by scheme basis is contained in Annex A.

	2017/18 Approved Budget	Q3 Changes	2017/18 Revised Budget	Expected Outturn 2017/18	Expected Variance 2017/18
	£	£	£	£	£
<b><i>Expenditure</i></b>					
Housing	142,000	-	142,000	142,000	-
Housing Standards	455,240	-	455,240	443,510	(11,730)
Property Services	5,142,810	-	5,142,810	3,221,360	(1,921,450)
ICT	1,350	-	1,350	104,310	102,960
Regeneration	302,940	-	302,940	195,570	(107,370)
Horticulture	78,920	-	78,920	68,900	(10,020)
<b>Total</b>	<b>6,123,260</b>	<b>-</b>	<b>6,123,260</b>	<b>4,175,650</b>	<b>(1,947,610)</b>
<b><i>Funding</i></b>					
Planning Obligations	10,000	-	10,000	-	(10,000)
External Contributions	520,720	-	520,720	508,990	(11,730)
Capital Receipts	642,000	-	642,000	142,000	(500,000)
Borrowing	4,950,540	-	4,950,540	3,524,660	(1,425,880)
<b>Total</b>	<b>6,123,260</b>	<b>-</b>	<b>6,123,260</b>	<b>4,175,650</b>	<b>(1,947,610)</b>

7.3 The 2017/18 General Fund Capital Budget as updated and approved by the Executive on 7th December 2017 was set at £6,123,260.

7.4 There are three significant projected capital spend variance to note at this stage:

- Property Services (£1,921,450 underspend) - A number of projects have been re-profiled into future years following the on-going review and prioritisation of works contained within the Asset Management Plan
- ICT (£102,960 overspend) –The implementation of the ICT Strategy has been accelerated resulting in a forecast overspend of £102,960 in 2017-18. As previously reported the costs are being met from re-profiling the overall ICT provision within the latest approved 4 year Capital Programme. This is the final stage of the IT infrastructure upgrade; the programme objectives are to ensure the infrastructure is fit for purpose to support the Alliance's future business priorities. The proposed timeframe of works is 18 weeks with the works scheduled to be completed in this financial year to ensure ongoing PSN (Public Sector Network) compliance
- Regeneration (£107,370 underspend) Buxton Crescent & Spa project continues to progress well with a scheduled completion of 2019; £107,370

budget has been re-profiled into 2018/19 to reflect the anticipated timing of the final payments.

- 7.5 Capital funding expected to be applied in 2017/18 is lower than forecast due to the variances listed above.

## 8 Housing Revenue Account Capital Programme

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

8.2 The table below shows a high level summary of the HRA Capital Programme position at 31 December 2017. Further detail on a scheme by scheme basis is contained in Annex B.

Scheme	2017/18 Approved Budget per MTFP	Q3 Changes	2017-18 Revised Budget	Q3 Actual Spend	2017-18 Expected Outturn	2017/18 Expected Variance
	£	£	£	£	£	£
Asset Management Works	3,697,200	-	3,697,200	1,628,980	3,403,820	<b>(293,380)</b>
Repairs Team Capital Works	295,000	-	295,000	241,050	302,710	<b>7,710</b>
Commissioning Fees	155,000	-	155,000	-	100,000	<b>(55,000)</b>
<b>Total</b>	<b>4,147,200</b>	<b>-</b>	<b>4,147,200</b>	<b>1,870,030</b>	<b>3,806,530</b>	<b>(340,670)</b>
<b>Funding:</b>						
Major Repairs Reserve	2,099,030	-	2,099,030	1,870,030	2,099,030	-
Capital Receipts Applied	389,000	-	389,000	-	389,000	-
HRA Contribution	1,659,170	-	1,659,170	-	1,318,500	<b>(340,670)</b>
	<b>4,147,200</b>	<b>-</b>	<b>4,147,200</b>	<b>1,870,030</b>	<b>3,806,530</b>	<b>(340,670)</b>

8.3 The 2017/18 HRA Capital Budget as updated and approved by the Executive on the 7th December 2017 was set at £4,147,200.

8.4 During the third quarter, £1,870,030 has been incurred on HRA Capital Schemes principally on central heating boiler replacements, electrical works, kitchen replacements and roofing works.

8.5 There are just two significant projected capital variance to note at this stage

- Asset Management Works (£293,380 underspend) – The majority of this variance is related to two areas. Firstly, there is an underspend of £148,000 from electrical works following delays in procurement and poor responses from contractors on the framework. This work will be re-profiled into 2018/19 and is expected to be completed during the first quarter. Secondly, three further schemes amounting to £130,000 have encountered delays and will now be completed during 2018/19. These are works at Corbar Road (£40,000); Unity Walk and Quarry Close Railings (£35,000) and Cross Street Structural Works (£55,000)
- Commissioning Fees (£55,000 underspend) – This underspend relates to a reduction in the internal recharge of staff costs associated with delivery of the annual capital programme



8.6 Capital funding expected to be applied during 2017/18 is lower than forecast due to the variances noted above.

## **9 Treasury Management**

- 9.1 This section of the report sets out the key treasury management statistics in relation to the Council's investments and borrowings. This report comprises a high level summary as the Audit and Regulatory Committee receives detailed operational updates on treasury management.

### *Investments*

- 9.1 Cash investments held on the 31st December 2017 totalled £21.9 million. £64,700 of interest was earned on these investments up to the end of the third quarter. The average level of funds available for investment during this period was £18.3 million.
- 9.2 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 interest rates have increased since the Bank of England base rate increase on 2nd November, therefore a surplus of £20,000 is expected against the budget.

### *Borrowing*

- 9.3 Outstanding borrowing at 31st December 2017 totalled £72.2 million, including £411,000 which relates to finance lease facilities.
- 9.4 The Council's general fund and HRA have budgeted to incur £1,425,230 and £3,381,630 respectively in interest charges and other financing costs in 2017/18. This included external borrowing mid-year to support a general fund borrowing requirement of £4.7 million. This has been reduced to a forecast £3.5 million and due to changes in the profile of the cash flow relating to this expenditure there has been no requirement for this 'new' borrowing to date. Therefore, an underspend of £46,000 is anticipated on external borrowing costs.
- 9.5 However this is offset in the general fund under the 'one pool' approach to borrowing which the Council adopts. The share of interest charged to the HRA has reduced by £83,000 in line with the split of the CFR between the general fund and HRA. Borrowing costs to the general fund are therefore anticipated to be a net £37,000 over budget.
- 9.6 The treasury team continue to monitor opportunities for new borrowing, considering the forecast borrowing requirement, interest rates, opportunities for internal borrowing and the cost of carry of any borrowings taken.

## 10 Revenue Collection

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

10.2 The collection rate outturn for quarter 3 2017/18 was as follows:

- Council Tax – 85.2% of Council Tax was collected by 31st December 2017, compared to 85.6% for the same period last year.
- Business Rates – 81.9% of Business Rates was collected by 31st December 2017, compared with 83.0% for the same period last year.
  - *NB: There has been a change in liable person on a particularly large hereditament during the year which has delayed the payment of business until later in year*
- Sundry Debts - The value of sundry debts over 60 days old at the end of Quarter 3 was £266,422 which compares with £273,073 at 31<sup>st</sup> December 2017.

**General Fund Capital Programme Update – 31st December 2017**

Scheme	2017/18 Approved Budget	Q3 Changes	2017/18 Revised Budget	Expected Outturn 2017/18	Expected Variance 2017/18
	£	£	£	£	£
<b>Housing &amp; Housing Standards</b>					
Affordable Housing Project	142,000	-	142,000	142,000	-
Disabled Facilities Grants	427,510	-	427,510	427,510	-
Landlord Accreditation Grant Scheme	27,730	-	27,730	16,000	(11,730)
	<b>597,240</b>	<b>-</b>	<b>597,240</b>	<b>585,510</b>	<b>(11,730)</b>
<b>Property Services</b>					
Asset Management Programme	5,142,810	-	5,142,810	3,221,360	(1,921,450)
	<b>5,142,810</b>	<b>-</b>	<b>5,142,810</b>	<b>3,221,360</b>	<b>(1,921,450)</b>
<b>ICT</b>	1,350	-	1,350	104,310	102,960
	<b>1,350</b>	<b>-</b>	<b>1,350</b>	<b>104,310</b>	<b>102,960</b>
<b>Regeneration</b>					
Heritage Regeneration Grants	58,610	-	58,610	58,610	-
Buxton Crescent & Spa	244,330	-	244,330	136,960	(107,370)
	<b>302,940</b>	<b>-</b>	<b>302,940</b>	<b>195,570</b>	<b>(107,370)</b>
<b>Horticulture</b>					
Whaley Bridge Memorial Park	18,920	-	18,920	8,900	(10,020)
Play Areas	60,000	-	60,000	60,000	-
	<b>78,920</b>	<b>-</b>	<b>78,920</b>	<b>68,900</b>	<b>(10,020)</b>
<b>Total General Fund</b>	<b>6,123,260</b>	<b>-</b>	<b>6,123,260</b>	<b>4,175,650</b>	<b>(1,947,610)</b>

**ANNEX B****Housing Revenue Account Capital Programme Update – 31st December 2017**

Scheme	Original Budget 2017/18	Q3 Changes	Revised Budget 2017/18	Q3 Actual Spend	17/18 Expected Outturn	17/18 Expected Variance
<b>ASSET MANAGEMENT WORKS:</b>	£	£	£	£	£	£
Roofing & External Works	228,000	-	228,000	165,457	228,000	-
Kitchens	500,000	-	500,000	244,406	500,000	-
Bathrooms	100,000	-	100,000	28,722	100,000	-
Central Heating	730,000	(250,000)	480,000	89,230	449,230	(30,770)
Central heating - One Offs	430,000	250,000	680,000	510,065	680,000	-
Electrical Works	748,000	-	748,000	199,121	600,000	(148,000)
Health & Safety	8,000	-	8,000	-	-	(8,000)
Aids & Adaptations	350,000	-	350,000	125,655	333,000	(17,000)
Unity Walk & Quarry Close Railing	35,000	-	35,000	-	-	(35,000)
Cross Street Structural	55,000	-	55,000	-	-	(55,000)
Commercial Boiler Renewal - Eccles Fold	77,000	-	77,000	4,695	77,000	-
Corbar Road Works	40,000	-	40,000	-	-	(40,000)
Scooter Stores	75,000	-	75,000	3,923	64,000	(11,000)
Commercial Boiler Renewal – Hartington Gardens	198,000	-	198,000	175,028	214,000	16,000
ALMA Wall	33,200	-	33,200	33,850	33,850	650
Lightning Protection	40,000	-	40,000	4,084	40,000	-
Gladstone Street Works	40,000	-	40,000	-	40,000	-
Shop Works	10,000	-	10,000	44,740	44,740	34,740
	<b>3,697,200</b>	<b>-</b>	<b>3,697,200</b>	<b>1,628,977</b>	<b>3,403,820</b>	<b>(293,380)</b>
<b>REPAIRS TEAM CAPITAL WORKS</b>						
Major Voids	-	-	-	-	-	-
Void Rewires	35,000	-	35,000	41,915	55,000	20,000
Void Kitchens	200,000	-	200,000	137,120	164,000	(36,000)
Void Bathrooms	60,000	-	60,000	62,014	83,710	23,710
	<b>295,000</b>	<b>-</b>	<b>295,000</b>	<b>241,049</b>	<b>302,710</b>	<b>7,710</b>
<b>STAFFING &amp; PROFESSIONAL FEES</b>						
Staffing Recharges/ Commissioning Costs	155,000	-	155,000	-	100,000	(55,000)
	<b>155,000</b>	<b>-</b>	<b>155,000</b>	<b>-</b>	<b>100,000</b>	<b>(55,000)</b>
<b>TOTAL SPEND</b>	<b>4,147,200</b>	<b>-</b>	<b>4,147,200</b>	<b>1,870,026</b>	<b>3,806,530</b>	<b>(340,670)</b>