



**2017/18**

**Fourth 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 final 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 to Members on progress against the Council's General Fund capital plans.
- **HRA Capital Programme (Section 8)** – provides an update to Members 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	Use of Earmarked Reserves
	£	£	£	£
Alliance Management Team	499,130	493,172	(5,958)	-
Audit	96,160	93,056	(3,104)	-
ICT	610,790	545,233	(65,557)	-
Human Resources	91,980	53,394	(38,586)	-
Member Services	201,830	164,007	(37,823)	-
Property Services	1,474,850	1,524,690	49,840	37,377
Benefits	102,240	213,259	111,019	-
Planning Applications	(7,190)	(129,951)	(122,761)	-
Building Control	(51,760)	(32,395)	19,365	-
Customer Services	519,510	461,086	(58,424)	-
Legal Services	191,670	190,848	(822)	-
Electoral Services	96,470	35,834	(60,636)	(46,120)
Licensing and Land Charges	(336,520)	(329,909)	6,611	-
Regeneration	444,070	424,398	(19,672)	(35,485)
Communities and Cultural	419,550	465,177	45,627	85,654
Housing Strategy	150,880	52,021	(98,859)	(81,040)
Transformation	206,300	200,237	(6,063)	-
Community Safety and Enforcement	137,360	105,276	(32,084)	-
Finance, Income and Procurement	407,740	434,691	26,951	35,000
Corporate Finance*	1,151,320	1,003,600	(147,720)	-
Waste Collection	2,312,010	2,255,920	(56,090)	-
Street Scene	259,830	215,999	(43,831)	-
Leisure Services	461,000	411,596	(49,404)	(11,857)
Horticulture	273,200	213,051	(60,149)	2,090
Visitor Services	(1,026,190)	(920,214)	105,976	-
Environmental Health	439,130	408,237	(30,893)	-
Housing **	-	-	-	-
<b>Net Total of Services</b>	<b>9,125,360</b>	<b>8,552,311</b>	<b>(573,049)</b>	<b>(14,382)</b>
Net Interest	1,360,510	1,362,812	2,302	-
	<b>10,485,870</b>	<b>9,915,122</b>	<b>(570,748)</b>	
Funding : external	(9,932,300)	(10,953,638)	(1,021,338)	-
: reserves - contribution/(use)	(553,570)	(533,104)	20,466	-
<b>Projected (Surplus)/Deficit</b>	<b>-</b>	<b>(1,571,620)</b>	<b>(1,571,620)</b>	<b>(14,382)</b>

\* In previous quarters Staff costs were budgeted and recorded in Finance & Procurement. They were considered a corporate resource to be the main source of savings realised by the Authority's Efficiency and Rationalisation Programme, However to show the true use of resources by individual services it is necessary to include the actual staff costs incurred. Therefore the Quarter Four provisional outturn position includes the actual staff costs (and matching budgets) at the service level.

\*\* 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.

2.3 The provisional outturn on the General Fund Revenue Account for 2017/18 is £8,914,250. This represents a projected surplus for the year of £1,571,620.

2.4 There were four significant **overspends** on the General Fund Revenue Account:

- Property (£49,840 overspend); the most significant pressure on the service budgets was an overspend on repairs. However owing to the nature of the repairs £37,377 of the Authority's earmarked Health and Safety reserve has been used to meet the additional costs (see 2.6).
- Benefits (£111,019 overspend); the administrative costs of the service were some £43,000 below budget owing to savings on spend and receipt of £42,000 in grants towards implementing government initiatives and process changes. These savings were more than offset by the amount by which the payment of actual benefits exceeded the budget. Some £90,000 arose from the Council not being able to claim back from Government benefits paid to Charitable Organisations who are able to set rents above the cap that applies to other landlords. A review of the level overpayments and likelihood of them not being recovered from claimants has resulted in a £69,000 charge to the bad debts provision in the year.
- Communities and Cultural (£45,627 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. £85,654 of these reserves have been applied to fund in year activities (see 2.6)
- Visitor (£105,976 overspend); Car park income streams were impacted by the bad weather in the last quarter resulting in the service being £14,230 overspent for the year. Markets were £31,250 over budget primarily owing to poor occupancy levels at Glossop Market where income was £25,000 below expectations. As reported at Section 3 below, Pavilion Gardens has overspent by £60,000. 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 were nine significant **underspends** on the General Fund Revenue Account:

- ICT (£65,557 underspend); savings have accrued from lower than expected spend across a range of service activities (telephony, system upgrades, consultancy, ad-hoc projects).
- Planning Applications (£122,761 underspend): Robust income levels outstripped some smaller areas of budgetary pressure. The positive position was driven by a relatively small number of applications received for significantly large development sites.
- Customer Services (£58,424 underspend); Spend against budgets across the service were below expectations. Highlights were savings of £24,000 and £14,000 respectively against the outgoing post and photocopier budgets.

- Electoral Services (£60,636 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 (see 2.6). A further £20,000 underspend resulted from the costs relating to individual elector registration being below the level of funding received from central government in the form of Section 31 grant.
- Housing Strategy (£98,859 underspend): Some £94,000 in Government grants were received in year to support actions to be taken by the Authority in response to the Homelessness Reduction Act. As the majority of initiatives identified under the Authority's Homeless Strategy could not progress in 2017/18 it was necessary to carry forward a significant proportion of this funding as an earmarked reserve (see 2.6).
- Corporate Finance (£147,720 underspend): Revenue from the Borough's spring water franchise was some £27,000 below expectations owing to a reported fall in demand for bottled water. The Authority however benefited from a £15,000 reduction in external audit fees. 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 has been completed and as reported at section 5 below, the saving target for the year was achieved. In addition significant savings have accrued against corporate staff and inflation contingency budgets. The net impact of staff turnover and vacancies has contributed £102,000 while a saving of £55,000 has accrued from lower than anticipated inflationary pressures.
- Waste Collection (£56,090 underspend); the main drivers behind a £129,000 underspend were better than expected revenues against income streams like bin sales and trade waste, combined with reduced costs in areas such as disposal charges. This was offset by a net £59,000 overspend against the budgeted costs relating to Alliance Environmental Services (AES). Spend pressures of some £98,000 in regard to additional vehicle costs and contingency items arising during the initiation phase of AES are offset by a £39,000 credit accruing to the Council from this joint operation's trading performance in year. (see Section 4)
- Leisure Services (£49,404 underspend); Leisure Centres have achieved a £16,000 underspend on their repairs budget as well as benefiting from an £8,000 under accrual of income to a prior year. A further £16,000 saving was contributed as a result of the finalisation of the Authority's Leisure Development Delivery Strategy in July being too late for many of the initiatives therein to be progressed in 2017/18.
- Horticulture (£60,149 underspend); Robust levels of income from internments, and grave space sales gave rise to a net £40,000 surplus for Cemeteries after additional repair costs had been taken into account. A further £15,000 contribution to Horticulture's overall underspend arose out of the tree works budget. Spend has been postponed because of the relevant contractors building up s backlog of work.

- 2.6 The actual level of Funding achieved in the year was £1,000,872 above the original estimate owing to variances across the following income streams;

**External Funding: (£1,021,338)**

Grants (£36,372):

- The Council benefited from a receipt of £36,372 in Transition Grant that had not been anticipated for the year. This Government grant was towards meeting shortfalls in income arising as Councils moved from a regime of central funding to raising the majority of their income locally.

Business Rates Retention (£984,970):

- 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 £19,190.
- An increase of £527,030 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 £193,480. 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 expected gain as a member of the Derbyshire Business Rates Pool has been increased from £200,000 to £353,130. This amount is dependent each year upon the performance of every pool member. Therefore this is still a draft figure until each member has certified their NNDR3 returns at the end of July 2018.

**In line with the Medium Term Financial Plan requirements the increased deficit in 2018/19, as a result of accounting for business rates appeals and reliefs, will need to be accommodated by the use of the Authority's reserves (see 2.11).**

*Use of Reserves: (£20,466)*

- There was a £547,020 drawdown of general fund reserves included in the 2017/18 budget. As detailed in 2.8 instead of a use of reserves they were actually increased by £1,024,600.

- In addition, £6,550 was budgeted to be drawn from earmarked reserves. As shown in table 2.1 there was actually a net contribution into these reserves in 2017/18 of £14,382:-

### ***Earmarked Reserves:***

- **Property Services £37,377 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 £46,120 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.
- **Regeneration £35,485 contribution:** the Council received New Burden grants to support its costs in administering Government initiatives regarding Custom Build and also the development of Brown field sites. As the costs are not year specific the balance of grant has been transferred to earmarked reserves.
- **Communities and Cultural Services £85,654 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 reflected the activities progressed by the service in 2017/18.
- **Housing Strategy £81,040 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 were only to come into effect after the financial year end an earmarked reserve has been 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 has been funded out of a reserve created from Government funding received in prior years.
- **Leisure Services £11,857 contribution:** a number of grants and contributions received in the year have been placed into reserve for future specific sport and leisure related projects.
- **Horticulture £2,090 use:** works on recreation grounds and open spaces were part funded by drawing down on Section 106 monies previously received from Developers as part of their planning obligations.

### ***General Fund Revenue Reserves***

- 2.7 The provisional outturn for the year on the General Fund Revenue Account was a £1,571,620 surplus.
- 2.8 The surplus generated is calculated inclusive of the £547,020 nominal use of general reserves budgeted for in 2017/18. If this budgeted contribution is excluded the £1,024,600 that remains represents the amount by which the Authority's contingency reserves have increased.

2.9 The Authority's calculated minimum for its contingency reserve is £1,300,000. A review of the Authority's reserves has been performed to identify areas where earmarking for future projects was considered prudent while maintaining a satisfactory level for contingency. As a result the following move into earmarked reserves is proposed;

- £750,000 added to an earmarked reserve set aside to fund capital expenditure and reduce the overall cost of borrowing. It is anticipated that this will be applied to acquiring vehicles and equipment for Alliance Environmental Services Limited.

2.10 In addition the balances on two earmarked reserves have been returned to Contingency.

- The £70,000 balance remaining on the Growth earmarked reserve has been returned to Contingency. This reserve was not considered necessary as the business promotion activities it was created to fund can be supported out of existing revenue budgets.
- £96,000 has been moved out of the IT support earmarked reserve. This leaves a balance of £100,000 on the reserve, which is considered adequate to support future initiatives.

2.11 The effect of these changes results in a General Fund Reserve balance at 31<sup>st</sup> March 2018 of £3.273million - £1.973 million above minimum contingency. The current Medium Term Financial Plan, which accommodates the £0.527million deficit on the Collection Fund (see 2.6), anticipates a £1.8 million use of general contingency reserves in 2018/19.



### 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 2017/18, the Pavilion Gardens Trading Statement is £35,260 in excess of budget. This reflects an increase in trading deficit of £60,000 due to closure of the Octagon, but partly offset by a saving on Property costs of £25,000.

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	(516,900)	(161,660)	(155,140)	(197,540)	(41,800)	(134,120)	(1,207,160)	(1,454,030)	246,870
Expenditure	626,170	270,990	219,390	228,850	46,310	144,410	1,536,120	1,747,730	(211,610)
<b>Net Cost / (Contribution)</b>	<b>109,270</b>	<b>109,330</b>	<b>64,250</b>	<b>31,310</b>	<b>4,510</b>	<b>10,290</b>	<b>328,960</b>	<b>293,700</b>	<b>35,260</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 services. This followed the end of the previous contract with Veolia Environmental Services.
- 4.3 AES has provided draft management accounts for the year ended 31st March 2018, which includes the period from the commencement of the company on 7th August to 31st March 2018. The company is reporting a profit of £38,134 which is equal to the budget – this has been achieved after taking account of year 1 savings payable to HPBC and includes crystallised risk items net of additional efficiencies made in the year. A summary of the performance and the variances against the budget is shown in the table below:

2017-18	Budget	Draft Outturn	Variance	
Contract Fee	(£1,818,854)	(£1,818,854)	-	Payable by HPBC
Risk Plan	(£127,000)	(£41,524)	£85,476	Crystallised risk items on vacancies and pensions offset by additional efficiencies made by the company in excess of the budgeted surplus.
Other Income	(£325,907)	(£394,941)	(£69,034)	Net £47k from improved recycling income; Net £17k 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>(£2,255,319)</b>	<b>£16,442</b>	
Cost of Sales	£1,940,875	£1,846,359	(£94,516)	£60k reduction resulting from removal of one Round, plus spare vehicle. £20k reduction in haulage costs - improved payload on recycling disposal; £18k net reduction in salary/ pension costs; £3k 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 & Corporation Tax	£218,407	£229,418	£11,011	£4k net saving on vacant admin post covered by Ansa admin support; £16k additional payroll bureau costs – delayed migration to monthly payroll originally expected November 2017.
<b>(Profit)/ Loss</b>	<b>(£38,134)</b>	<b>(£102,524)</b>	<b>(£64,390)</b>	
Y1 pro-rata savings payable to HPBC		£64,390	£64,390	
<b>Net (Profit)/ Loss</b>	<b>(£38,134)</b>	<b>(£38,134)</b>	<b>£0</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 from the wider waste service (see 4.8). 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. The vacancy and pension costs crystallised during the year to the value of £80,555, however these have been partially offset by additional efficiencies made by the company in excess of the efficiency plan for the first year of £39,031, bringing the additional net cost to £41,524.
- 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 payable to the Council at the end of the year.
- 4.7 Under the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom, the relationship between AES and the Council is determined to be a joint operation. Therefore the financial performance of the company is incorporated into the Council's single entity financial statements in the proportion of the service delivered to the Council, being 100% during the year, as opposed to group accounts being presented separately. Therefore the company's reported profit of £38,134 is incorporated into the financial statements and is also reflected in the general fund revenue account.
- 4.8 The net additional costs of delivering the service, after the reimbursement of savings as a contribution to the efficiencies programme and incorporation of the company's profit, are 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 Staffordshire Moorlands. 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 provided 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 4, £310,000 has been taken against the overall Efficiency programme thus achieving the savings target for the year. This total relates to management review savings; the impact of channel shift; corporate staffing budget savings; additional income; procurement savings; and postage and print savings.
- 5.7 The authority carries a reserve of £100,000 earmarked to support the strategy which can be drawn on to offset any one-off and short term costs from the service

review process and consequent shortfall against the efficiency target. . It has not been necessary to draw on this reserve in 2017/18 so it remains intact to underwrite performance against future savings targets in the Efficiency Programme.

*HRA – Financial Improvement Plan*

- 5.8 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.
- 5.9 The 2017/18 savings target was set at £625,000. At the year end, approximately £659,310 in ongoing savings have been realised, with other in-year underspends resulting in an overall projected surplus of £1,908,255 (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 Provisional outturn expenditure on the Housing Revenue Account for 2017/18 is £13,248,170 with provisional outturn income of £15,156,425. This represents a surplus for the year of £1,908,255 (i.e. £2,062,455 below budget).

Housing Revenue Account	2017-18 Revised Budget	2017-18 Provisional Outturn	2017-18 Variance
	£	£	£
<b>INCOME</b>			
Dwellings Rents	(14,495,540)	(14,486,446)	9,094
Non - Dwelling Rents & Other Income	(617,730)	(669,979)	(52,249)
	<b>(15,113,270)</b>	<b>(15,156,425)</b>	<b>(43,155)</b>
<b>EXPENDITURE</b>			
Repairs & Maintenance	3,912,300	3,829,733	(82,567)
Supervision & Management	2,757,970	2,655,275	(102,695)
Rents, rates, taxes and other charges	105,700	136,075	30,375
Savings Realised	659,310	-	(659,310)
Other Operating Expenditure	692,360	584,596	(107,764)
Depreciation & Impairment	2,099,030	2,019,174	(79,856)
Interest & Debt Management	3,381,630	3,306,612	(75,018)
Contribution to Capital	1,659,170	716,705	(942,465)
	<b>15,267,470</b>	<b>13,248,170</b>	<b>(2,019,300)</b>
<b>Surplus(-)/Deficit</b>	<b>154,200</b>	<b>(1,908,255)</b>	<b>(2,062,455)</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 Council comfortably maintained a credit balance on the Housing Revenue Account in 2017/18. The surplus balance 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 seven significant underspends to report at this stage.

- Repairs and Maintenance (£82,567) – this variance relates predominantly to lower than expected cyclical spend particularly related to ad hoc central heating repairs.
- Supervision and Management (£102,695) – the majority of this variance relates to savings in salary costs from vacancies and staff turnover.
- Other Operating Expenditure (£107,764) – this variance is due to the lower than expected contribution needed to the bad debts reserve.
- Depreciation and Impairment (£79,856) – this variance is due to a lower depreciation charge following asset revaluations, than originally anticipated.
- Interest and Debt Management (£75,018) – 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 (£942,465) – 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 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 General Fund Capital Programme approved by members in February 2018 was set at £4,175,650.

7.3 The 2017/18 provisional outturn at 31<sup>st</sup> March 2018 is summarised in the table below, with further detail provided at Annex A

<b>General Fund Capital Out-Turn 2017-2018</b>			
<b>Service</b>	<b>Revised Budget 2017/18</b>	<b>Outturn 2017/18</b>	<b>Variance</b>
	£	£	£
Housing	142,000	252,370	110,370
Housing Standards	443,510	310,592	(132,918)
Property Services	3,221,360	2,465,051	(756,309)
ICT	104,310	104,303	(7)
Operational	-	19,000	19,000
Leisure Services	-	-	-
Regeneration	195,570	128,135	(67,435)
Horticulture	68,900	68,345	(555)
	<b>4,175,650</b>	<b>3,347,796</b>	<b>(827,854)</b>
External Contributions	508,990	376,176	(132,814)
Capital Reserves	-	37,588	37,588
Capital Receipts	142,000	326,944	184,944
Borrowing	3,524,660	2,607,088	(917,572)
	<b>4,175,650</b>	<b>3,347,796</b>	<b>(827,854)</b>

7.4 The Council incurred capital expenditure of £3,347,796 during the year against a revised budget of £4,175,650 - this represents under spend of £827,854. The underspend reflects the net impact of Capital Programme projects which are either behind schedule or have progressed quicker than expected with the most significant variances being:

- Housing (£110,370 overspend) – The level of one to one capital receipts applied was greater than originally forecast following approval of an affordable housing scheme which the Council was able to grant fund in return for nomination rights (Thomas Fields, Brown Edge).
- Housing Standards (£132,918 underspend) - this variance resulted from less spending in the year than forecast against disabled facilities and landlord accreditation grants. The underspend has been carried forward to 2018/19 to



cover grant applications approved at the end of March but where the eligible works had not been completed.

- Property Services (£756,309 underspend) – The variance is made up of a £13,966 underspend on projects completed in year and the balance relates to a number of in progress projects where expenditure was below or higher than forecast. These variances will be carried forward into 2018/19.
- Regeneration (£67,435 under spend) - Expenditure on the Buxton Crescent & Spa project was £21,813 lower than forecast; the project continues to progress and the unused budget has been carried forward to support ongoing commitments. Also, there was an underspend of £45,622 against the release of Heritage Regeneration Grants - the scheme has now ceased, but there is still outstanding grant offers and there is sufficient budget profiled into 2018/19 to cover these commitments.

7.5 Consequently, capital funding applied to the 2017/18 Capital Programme is lower than forecast, reflecting the of incidence and timing of capital spend

7.6 As a result of the variances detailed above, approval is sought to increase the capital budgets for 2018/19 as shown in the table below:-

<b>Capital Programme 'Carry Forwards' (2017/18 to 2018/19)</b>			
<b>Service</b>	<b>Variance</b>	<b>Carry Forward to 2018/19 Over/(Under) Spend</b>	<b>Over/(Under) spend Completed Projects</b>
	£	£	£
Housing	(22,548)	(132,918)	110,370
Property	(756,309)	(742,343)	(13,966)
ICT	(7)	-	(7)
Operational	19,000	-	19,000
Regeneration	(67,435)	(21,813)	(45,622)
Horticulture	(555)	(555)	-
	<b>(827,854)</b>	<b>(897,629)</b>	<b>69,775</b>

## 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 revised Housing Revenue Account Capital Programme approved by members in February 2018 (MTFP) was £4,147,200
- 8.3 The table below shows a high level summary of the HRA Capital Programme position at 31st March 2018. Further detail on a scheme by scheme basis is contained in Annex B.

Scheme	2017/18 Approved Budget per MTFP	2017-18 Outturn	2017/18 Variance
	£	£	£
Asset Management Works	3,697,200	2,691,280	(1,005,920)
Repairs Team Capital Works	295,000	335,536	40,536
Commissioning Fees	155,000	98,063	(56,937)
	<b>4,147,200</b>	<b>3,124,879</b>	<b>(1,022,321)</b>
<b>Funding:</b>			
Major Repairs Reserve	2,099,030	2,019,174	(79,856)
Capital Receipts Applied	389,000	389,000	-
HRA Contribution	1,659,170	716,705	(942,465)
	<b>4,147,200</b>	<b>3,124,879</b>	<b>(1,022,321)</b>

- 8.4 The Council incurred capital expenditure of £3,124,879 during the year against a revised budget of £4,147,200; this represents an under spend of £1,022,321. Approval is sought to carry forward to 2018/19 two of the HRA capital projects on the basis that the procurement has now been completed. These are Scooter Stores (£75,000) and Lightning Protection Works (40,000). The remaining under spend reflects the net impact of the Capital Programme projects which are either behind schedule or have progressed quicker than expected with the most significant variances being:

- Asset Management Works (£1,005,920 underspend) – Of this underspend, £115,000 is proposed to carry forward into 2018/19. A further £115,000 for three projects, (Corbar Road Windows and Roofing, Unity Walk Railings and Cross Street Structural), have already been re-profiled into 2018/19. The remainder of the under spend relates to capital projects that have been delayed including Electrical Works (£480,000), Central Heating (£184,000), Aids and Adaptations (£55,000) and Kitchens (£55,000).
- Commissioning Fees (£56,937 underspend) – This underspend relates to a reduction in the internal recharge of staff costs associated with delivery of the annual capital programme

- 8.5 The HRA Capital programme outturn is lower than anticipated and this is reflected in the reduced funding direct from the HRA and associated capital reserves. Apart from the HRA contribution, the largest variance relates to the Major Repairs Reserve which is lower than expected reflecting the impact of changes in asset valuations.

## 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*

- 9.2 Cash investments held on the 31<sup>st</sup> March 2018 totalled £13.7million. £92,249 of interest was earned on these investments up to the end of the fourth quarter. The average level of funds available for investment during this period was £18.7million.
- 9.3 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 interest rates have increased since the Bank of England base rate increase on 2<sup>nd</sup> November, therefore a surplus of £27,529 is reported against the budget.

### *Borrowing*

- 9.4 Outstanding borrowing at 31<sup>st</sup> March 2018 totalled £72.1 million, including £286,000 which relates to finance lease facilities.
- 9.5 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. There was no new external borrowing undertaken in the year, therefore an underspend of £45,000 has been achieved against the external borrowing costs budget.
- 9.6 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 £75,000 in line with the split of the CFR between the general fund and HRA. Borrowing costs to the general fund are therefore reported as net £30,000 over budget.

## **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 4 2017/18 was as follows:

- Council Tax – 98.4% of Council Tax was collected by 31<sup>st</sup> March 2018, compared to 98.4% for the same period last year.
- Business Rates – 98.7% of Business Rates was collected by 31<sup>st</sup> March 2018, compared with 98.5% for the same period last year.
- Sundry Debts - The value of sundry debts over 60 days old at the end of Quarter 4 was £182,066 which compares with £252,905 at 31<sup>st</sup> March 2018.

**2017-2018 General Fund Capital Provisional Outturn**

Scheme	2017/18 Approved Budget Feb 18	Out-Turn 2017/18	Variance	C/Fwd to 2018/2019	Over/(Under) Spend
<b>Housing &amp; Housing Standards</b>					
Affordable Housing Project	142,000	252,370	110,370	-	110,370
Disabled Facilities Grants	427,510	306,592	(120,918)	(120,918)	-
Landlord Accreditation	16,000	4,000	(12,000)	(12,000)	-
	<b>585,510</b>	<b>562,962</b>	<b>(22,548)</b>	<b>(132,918)</b>	<b>110,370</b>
<b>Property Services</b>					
Asset Management Programme	3,221,360	2,465,051	(756,309)	(742,343)	(13,966)
	<b>3,221,360</b>	<b>2,465,051</b>	<b>(756,309)</b>	<b>(742,343)</b>	<b>(13,966)</b>
<b>ICT</b>	104,310	104,303	(7)	-	(7)
	<b>104,310</b>	<b>104,303</b>	<b>(7)</b>	<b>-</b>	<b>(7)</b>
<b>Operational Services</b>					
Vehicles Plant & Equipment	-	19,000	19,000	-	19,000
	<b>-</b>	<b>19,000</b>	<b>19,000</b>	<b>-</b>	<b>19,000</b>
<b>Regeneration</b>					
Heritage Grants	58,610	12,988	(45,622)	-	(45,622)
Buxton Crescent & Spa	136,960	115,147	(21,813)	(21,813)	-
	<b>195,570</b>	<b>128,135</b>	<b>(67,435)</b>	<b>(21,813)</b>	<b>(45,622)</b>
<b>Horticulture</b>					
Memorial Park	8,900	8,345	(555)	(555)	-
Play Areas	60,000	60,000	-	-	-
	<b>68,900</b>	<b>68,345</b>	<b>(555)</b>	<b>(555)</b>	<b>-</b>
<b>Total General Fund</b>	<b>4,175,650</b>	<b>3,347,796</b>	<b>(827,854)</b>	<b>(897,629)</b>	<b>69,775</b>

### Housing Revenue Account Capital Programme Update – 31st March 2018

Scheme	Approved Budget 2017/18	Provisional Outturn 2017/18	Variance 2017/18	C/Fwd to 2018/19	Over / (Under) Spend
<b>ASSET MANAGEMENT WORKS:</b>	£	£	£	£	£
Roofing & External Works	228,000	220,614	(7,386)	-	(7,386)
Kitchens	500,000	444,861	(55,139)	-	(55,139)
Bathrooms	100,000	82,405	(17,595)	-	(17,595)
Central Heating	480,000	362,762	(117,238)	-	(117,238)
Central heating - One Offs	680,000	613,174	(66,826)	-	(66,826)
Electrical Works	748,000	267,389	(480,611)	-	(480,611)
Health & Safety	8,000	-	(8,000)	-	(8,000)
Aids & Adaptations	350,000	294,849	(55,151)	-	(55,151)
Unity Walk & Quarry Close Railing	35,000	-	-	-	(35,000)
Cross Street Structural	55,000	-	-	-	(55,000)
Commercial Boiler Renewal - Eccles Fold	77,000	75,054	(1,946)	-	(1,946)
Corbar Road Works	40,000	-	-	-	(40,000)
Scooter Stores	75,000	-	(75,000)	75,000	-
Commercial Boiler Renewal – Hartington Gardens	198,000	209,481	11,481	-	11,481
ALMA Wall	33,200	33,052	(148)	-	(48)
Lightning Protection	40,000	-	(40,000)	40,000	-
Gladstone Street Works	40,000	40,119	119	-	119
Shop Works	10,000	47,519	37,519	-	37,519
	<b>3,697,200</b>	<b>2,691,279</b>	<b>(1,005,921)</b>	<b>115,000</b>	<b>(890,921)</b>
<b>REPAIRS TEAM CAPITAL WORKS</b>					
Major Voids	-	-	-	-	-
Void Rewires	35,000	59,130	24,130	-	24,130
Void Kitchens	200,000	193,722	(6,278)	-	(6,278)
Void Bathrooms	60,000	82,684	22,684	-	22,684
	<b>295,000</b>	<b>335,536</b>	<b>40,536</b>	<b>-</b>	<b>40,536</b>
<b>STAFFING &amp; PROFESSIONAL FEES</b>					
Staffing Recharges/ Commissioning Costs	155,000	98,064	(56,936)	-	(56,936)
	<b>155,000</b>	<b>98,064</b>	<b>(56,936)</b>	<b>-</b>	<b>(56,936)</b>
<b>TOTAL SPEND</b>	<b>4,147,200</b>	<b>3,124,879</b>	<b>(1,022,321)</b>	<b>115,000</b>	<b>(907,321)</b>