



**2017/18**

**Fourth Quarter  
(Provisional Outturn)  
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 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	Projected Outturn 2017/18	Variance	Use of Earmarked Reserves
	£	£	£	£
Alliance Management Team	500,990	481,379	(19,611)	-
Audit	95,860	93,592	(2,268)	-
ICT	708,010	629,136	(78,874)	-
Human Resources	65,860	52,756	(13,104)	-
Member Services	309,800	260,775	(49,025)	-
Property Services	1,157,710	1,273,451	115,741	75,321
Benefits	900	(109,348)	(110,248)	-
Planning Applications	(24,310)	(114,323)	(90,013)	-
Building Control	(79,790)	(16,364)	63,426	-
Customer Services	584,800	543,469	(41,331)	-
Legal Services	225,670	191,637	(34,033)	-
Electoral Services	84,470	24,658	(59,812)	(26,680)
Licensing and Land Charges	(221,710)	(225,179)	(3,469)	-
Regeneration	435,500	449,909	14,409	(35,485)
Communities and Cultural	427,400	442,262	14,862	60,775
Housing Strategy	58,650	(33,802)	(92,452)	(80,533)
Transformation	191,810	191,531	(279)	-
Community Safety and Enforcement	175,600	145,627	(29,973)	-
Finance, Income and Procurement	387,560	465,009	77,449	23,505
Corporate Finance*	1,962,970	1,572,452	(390,518)	2,537
Waste Collection	1,976,750	2,056,251	79,501	-
Street Scene	358,150	337,223	(20,927)	-
Leisure Services	640,890	586,487	(54,403)	-
Horticulture	583,290	542,537	(40,753)	6,615
Visitor Services	(409,490)	(361,572)	47,918	-
Environmental Health	439,960	440,909	949	-
<b>Net Total of Services</b>	<b>10,637,300</b>	<b>9,920,462</b>	<b>(716,838)</b>	<b>26,055</b>
<b>Net Interest</b>	<b>(357,870)</b>	<b>(393,583)</b>	<b>(35,713)</b>	
	<b>10,279,430</b>	<b>9,526,879</b>	<b>(752,551)</b>	
<b>Funding : external</b>	<b>(9,751,040)</b>	<b>(10,481,690)</b>	<b>(730,650)</b>	
<b>: reserves - contribution/(use)</b>	<b>(528,390)</b>	<b>(542,265)</b>	<b>(13,875)</b>	
<b>Projected (Surplus)/Deficit</b>	<b>-</b>	<b>(1,497,076)</b>	<b>(1,497,076)</b>	<b>26,055</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.

- 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.
- 2.3 The provisional outturn on the General Fund Revenue Account for the year is £8,782,354. This represents a projected surplus for the year of £1,497,076.
- 2.4 There were five significant overspends on the General Fund Revenue Account:
- Property (£115,741 overspend) – The most significant pressure on the service budgets was an overspend of some £208,000 on repairs and maintenance. However owing to the nature of the repairs £75,321 of the Authority’s earmarked Health and Safety reserve has been used to meet the additional costs (see 2.6). Savings against Non-Domestic Rates and Utility budgets reduced the overall overspend.
  - Building Control (£63,426 overspend) – while operational costs were reduced by some £52,000 this could not offset the larger decrease in income suffered by the service.
  - Finance, Income and Procurement (£77,449 overspend) - The Recovery function is around £60,000 over budget owing to lower than expected summons income due to the changes implemented on the calculation of summons/liability order costs. System modifications implemented in Local Taxation, in line with changes to Non-Domestic Rates legislation, have taken the service £19,000 over budget. The additional costs, of around £23,500, have been funded out of an existing earmarked reserve at the year end (see 2.6).
  - Waste Collection (£79,501 overspend) - While income from container hire was some £15,000 above budget this was more than offset by overspends elsewhere. Repair costs of the ageing vehicle fleet were £15,000 above expectations and gate fees were £16,000 above budget. But the largest single factor was a reduction in the income generated by paper recycling. This reflected both a reduction in the tonnages collected and the price earned.
  - Visitor Services (£47,918 overspend) – Museum running costs were some £14,000 above budget. There were also overspends within the market service amounting to around £30,000. The initiative at Cheadle accounted for £4,000 of this but the rest was down to overspends on Leek markets’ running costs such as repairs and refuse disposal.
- 2.5 There were eight significant underspends on the General Fund Revenue Account:
- ICT (£78,874 underspend) – savings have accrued from lower than expected spend across a range of service activities (telephony, system upgrades, consultancy, ad-hoc projects).
  - Member Services (£49,025 underspend) – A £10,000 grant from the Police and Crime Commissioner contributed to an overall surplus for the year. However the majority of the underspend arose from savings against member allowance and subsistence costs.
  - Benefits (£110,248 underspend) – the administrative costs of the service were some £43,000 below budget owing to savings on spend and receipt of £37,000 in grants towards implementing government initiatives and process changes. The year also saw an emphasis on the pursuit of overpaid

benefits by means of raising invoices to claimants. The act of raising invoices results in the service being credited as if they were all paid on issue. As realistically not all invoices will be paid the income accruing to the service was offset by a substantial bad debts provision.

- Planning Applications (£90,013 underspend) – the majority of the underspend relates to additional planning fee income (planning fees were increased nationally in January 2018)
- Electoral Services (£59,812 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 £26,680 (see 2.6)  
A further £20,000 underspend resulted from the in-year 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 (£92,452 underspend) - Some £85,000 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 did not take place in 2017/18 this funding has been carried forward as an earmarked reserve (see 2.6).
- Corporate Finance (£390,518 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 has been completed and as reported at section 3 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 £300,000 while a saving of £60,000 has accrued from lower than anticipated inflationary pressures.
- Leisure Services (£54,403 underspend) – A new leisure development strategy was finalised in July. The full roll out of its programmes was not completed in 2017/18 generating an underspend of some £18,000. There were further underspends across a number of service budgets including some £13,000 saved against the Leisure Centre repairs budget

2.6 The actual level of funding achieved in the year was £744,525 above the original estimate owing to variances across the following income streams;

*External Funding: (£730,650)*

- Business Rates Retention (£725,220):
  - An increase of £174,510 in the level of retained business rates is anticipated owing to increases in business rates income prudently 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 positive effect for this Council and increases the level of retained business rates by £114,510.
  - An increase of £412,200 is anticipated resulting from additional 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 and the associated reliefs have the opposite effect of increasing the Collection Fund deficit to be distributed the following year.

- The resulting reduction in NNDR income from these additional reliefs also has the effect of reducing the net levy payable to the Staffordshire Pool, which improves the Council's retention by £24,000.

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: (£13,875)*

- There was a £516,210 drawdown of reserves included in the 2017/18 budget. As detailed in 2.8 instead of a use of reserves they were actually increased by £980,866.
- In addition, £12,180 was budgeted to be drawn from earmarked reserves – the actual amount drawn from earmarked reserves in 2017/18 was £26,055 (as shown in the table in 2.1)

#### *Earmarked:*

- Property Services £75,321 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 £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 £35,485 contribution: relating to New Burdens monies received in 2017/18 which will be applied in 2018/19
- Communities and Cultural £60,775 use: To facilitate the fact that Local Strategic Partnership projects often take place in a different year to when the funding is received an earmarked reserve is used to carry funds between years. The use of this reserve reflects the level of such activities being progressed by the service in 2017/18.
- Housing Strategy £80,533 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 £23,505 use: the cost of updating the Business Rates software following legislative changes has been part funded out of a reserve created from Government funding received in prior years.
- Corporate Finance £2,537 use: the Authority occasionally suffers a charge arising from its historical liability with Municipal Mutual Insurance. The Authority's Insurance Reserve is used to fund these irregular charges.
- Horticulture £6,615 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.

### *General Fund Revenue Reserves*

- 2.7 The provisional outturn for the year on the General Fund Revenue Account was a £1,497,076 surplus.
- 2.8 The surplus generated is calculated inclusive of the £516,210 use of general reserves budgeted for 2017/18. If this budgeted contribution is excluded the £980,866 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 £1,000,000. 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 moves into earmarked reserves are proposed;
- £1,500,000 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.
  - £57,000 added to the Authority's earmarked Elections reserve which exists to spread the cost of the Authority's quadrennial election over the life of a council.
- 2.10 In addition the balance of £60,000 on the Growth earmarked reserve has been returned to Contingency. The reserve was not considered necessary as the business promotion activities it was created to fund can be supported out of existing revenue budgets.
- 2.11 The effect of these changes results in a balance on general fund reserves as at 31st March 2018 of £3.108 million – which is £2.108 million above minimum contingency. The current Medium Term Financial Plan, which accommodates the £0.412m deficit on the Collection Fund (see 2.6), expects to utilise a net £0.3m (£793,000 drawdown required 2018/9) of general contingency reserves to support the revenue budget over the next four years 2018/19 – 2021/22. This is however dependent on the realisation of the Efficiency Plan.

### **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 was 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 There are 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 emerging 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 4, £661,000 has been taken against the overall Efficiency programme, thus achieving the savings target for the year. This total relates to management review savings, additional income from car parking and recycling, channel shift project savings, corporate staffing budget savings, the result of agency / vacancy reviews within Operational Services, and a reduction in postage and printing costs.

3.7 The Authority carries a reserve of £492,000 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.

#### 4. Capital Programme

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

4.2 The revised General Fund Capital Programme for 2017/18, as updated and approved in February, was set at £1,712,470

4.3 The 2017/18 provisional outturn at March 2018 is summarised in the table below, with further detail provided at Annex A.

Service	2017/18 Approved Budget	2017/18 Outturn	Variance
	£	£	£
Housing Standards	501,630	517,824	16,194
Property Services	932,840	770,830	(162,010)
ICT	104,310	104,303	(8)
Leisure Services	14,000	12,498	(1,502)
Regeneration	51,760	36,041	(15,719)
Horticulture	107,930	107,929	(1)
<b>Total Spending</b>	<b>1,712,470</b>	<b>1,549,424</b>	<b>(163,046)</b>
Grants External Contributions	775,850	850,779	74,929
Capital Receipts	-	38,051	38,051
Capital Reserve	420,000	7,511	(412,489)
Planning obligations	16,700	16,710	10
Borrowing	499,920	636,373	136,453
<b>Total Funding</b>	<b>1,712,470</b>	<b>1,549,424</b>	<b>(163,046)</b>

4.4 The Council incurred Capital Expenditure of £1,549,424 during the year against the revised budget of £1,712,470. This represents an under spend of £163,046. The majority of the underspend reflects the impact of Capital Programme projects which are either behind schedule or have progressed quicker than expected with the most significant variance being:

- Property Services (£162,010 underspend) caused primarily by delays in progress of a number of asset management projects where expenditure in the year was below or ahead of forecast. These variances will be carried forward into 2018/19 to fund those projects. Also included in the variance is a (£58,127 underspend) recorded against roofing works at Biddulph Valley Leisure Centre. The project was completed in the year and the works required were less than originally anticipated.

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

4.6 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 2017/18 Over/(Under) Spend</b>	<b>Over/ (Under)spend Completed Projects</b>
	£	£	£
Housing	16,194	16,194	-
Property Services	(162,010)	(103,883)	(58,127)
ICT	(8)	-	(8)
Leisure Services	(1,502)	-	(1,502)
Regeneration	(15,719)	(5,524)	(10,195)
Horticulture	(1)	-	(1)
<b>Total</b>	<b>(163,046)</b>	<b>(93,213)</b>	<b>(69,833)</b>

## **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 31st March 2018 totalled £5.6 million. Interest earned on these investments to the end of Quarter 4 totalled £37,331. The average level of funds available for investment to the end of Quarter 4 was £9.8 million.
- 5.3 The Council 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 reduced further still in the first half of the year and internal borrowing is reducing balances available for investment. The effects of these factors were largely offset by increasing interest rates following the increase in the Bank of England base rate on 2nd November. Therefore only a small shortfall of £1,669 is reported 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 has been achieved.
- 5.5 The balance on the loan facility to Ascent remains at £14 million. There were no further drawdowns of the loan during 2017/18. The first tranche of the loan (£7m) was due for repayment on 11th October 2017, the fifth anniversary of the original drawdown. This was refinanced for a period of 1 year whilst the Ascent LLP business plan is reviewed.
- 5.6 Interest charged is based on the 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 continuation of the first tranche of the loan. The refinanced loan is charged interest at 2.61%, which is lower than the original drawdowns in this tranche (average 3.53%) due to the shorter period; therefore there a shortfall of £15,000 reported against the budget.

### *Borrowing*

- 5.7 Total debt outstanding as at 31st March 2018 stood at £12.9 million. £12 million has been used to fund the Ascent Loan, the remaining £0.9 million relates to finance leases.
- 5.8 The Council has budgeted to incur £255,400 in interest charges in 2017/18. This was based on the existing Ascent Loan Balance of £14 million and a £1.7

million general fund borrowing requirement in the current year capital programme.

- 5.9 The refinancing of a maturing debt of £2 million relating to the Ascent Loan in 2016/17 has been delayed, instead being funded internally for the duration of this year. In addition to this, no 'new' external borrowing has taken place during the year. The delayed borrowing has achieved savings on total borrowing costs of £52,000.

## **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 Quarter 4 collection rate outturn for the year 2017/18 was as follows:

- Council Tax – 98.6% of Council Tax was collected by 31<sup>st</sup> March 2018 (target achieved), compared to 98.7% for the same period last year.
- Business Rates – 98.5% of Business Rates was collected by 31<sup>st</sup> March 2018 (target achieved), compared with 98.8% for the same period last year.

6.3 At the end of Quarter Four the value of sundry debt that was over 60 days old was £110,423 which compares with £127,221 at 31st March 2017.

**ANNEX A**

<b>Capital Programme Out-Turn 2017-2018</b>					
<b>Capital Schemes</b>	<b>2017/18 Approved Budget</b>	<b>2017/18 Outturn</b>	<b>Variance</b>	<b>C/fwd to 2018/19</b>	<b>Over / (Underspend) Completed Projects</b>
	£	£	£	£	£
<b><u>Housing Standards</u></b>					
Private Sector Grants	501,630	517,824	16,194	16,194	-
	<b>501,630</b>	<b>517,824</b>	<b>16,194</b>	<b>16,194</b>	<b>-</b>
<b><u>Property Services</u></b>					
Asset Management Plan	932,840	770,830	(162,010)	(103,883)	(58,127)
	<b>932,840</b>	<b>770,830</b>	<b>(162,010)</b>	<b>(103,883)</b>	<b>(58,127)</b>
<b><u>ICT</u></b>					
	104,310	104,303	(8)	-	(8)
	<b>104,310</b>	<b>104,303</b>	<b>(8)</b>	<b>-</b>	<b>(8)</b>
<b><u>Leisure Services</u></b>					
Sports - Small Schemes	14,000	12,498	(1,502)	-	(1,502)
	<b>14,000</b>	<b>12,498</b>	<b>(1,502)</b>	<b>-</b>	<b>(1,502)</b>
<b><u>Regeneration</u></b>					
Moorlands Partnership Grants	51,760	36,041	(15,719)	(5,524)	(10,195)
	<b>51,760</b>	<b>36,041</b>	<b>(15,719)</b>	<b>(5,524)</b>	<b>(10,195)</b>
<b><u>Horticulture</u></b>					
Play - Projects	107,930	107,929	(1)	-	(1)
	<b>107,930</b>	<b>107,929</b>	<b>(1)</b>	<b>-</b>	<b>(1)</b>
<b>Total Programme</b>	<b>1,712,470</b>	<b>1,549,424</b>	<b>(163,046)</b>	<b>(93,213)</b>	<b>(69,833)</b>