



2018/19

**First Quarter
Financial
Review**

1. Background and Introduction

- 1.1. In accordance with the Council's Financial Procedure Rules and recommended good practice, a quarterly financial report is presented to members. This is the first report for 2018/19.
- 1.2. The report summarises overall financial performance for 2018/19 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 2018/19.
 - **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.

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	2018/19 Budget	Expected Outturn 2018/19	Variance
	£	£	£
Alliance Management Team	65,010	55,880	(9,130)
Audit	9,940	8,940	(1,000)
ICT	708,010	700,110	(7,900)
Human Resources	65,860	53,860	(12,000)
Member Services	309,800	307,320	(2,480)
Property Services	954,080	954,080	-
Benefits	(338,580)	(283,770)	54,810
Planning Applications	(458,310)	(458,310)	-
Building Control	16,210	16,210	-
Customer Services	115,800	103,800	(12,000)
Legal Services	64,520	17,220	(47,300)
Electoral Services	84,470	43,790	(40,680)
Licensing and Land Charges	(221,710)	(221,710)	-
Regeneration	195,300	390,090	194,790
Communities and Cultural	166,380	158,640	(7,740)
Housing Strategy	43,110	(34,890)	(78,000)
Transformation	7,260	7,570	310
Community Safety and Enforcement	175,050	171,900	(3,150)
Finance, Income and Procurement	(99,780)	(81,780)	18,000
Corporate Finance*	6,281,610	6,223,610	(58,000)
Waste Collection	1,216,320	1,236,330	20,010
Street Scene	330,510	337,940	7,430
Leisure Services	640,890	641,090	200
Horticulture	583,290	561,600	(21,690)
Visitor Services	(547,650)	(545,040)	2,610
Environmental Health	(8,060)	(8,060)	-
Net Total of Services	10,359,330	10,356,420	(2,910)
Net Interest	(347,520)	(347,520)	-
	10,011,810	10,008,900	(2,910)
Funding : external	(9,210,760)	(9,220,080)	(9,320)
: reserves - contribution/(use)	(801,050)	(826,530)	(25,480)
Projected (Surplus)/Deficit	-	(37,710)	(37,710)

* Staff budgets are currently budgeted within Corporate Finance.

- 2.2. A revenue budget of £10,011,810 was set for 2018/19. The table above shows how this budget has been allocated to services.
- 2.3. The Q1 projected outturn on the General Fund Revenue Account for the year is £9,974,100. This represents a projected surplus for the year of £37,710.
- 2.4. There are two areas of significant underspend projected on the General Fund Revenue Account:
- Housing Strategy (£78,000 underspend) - The housing needs function of this service area can benefit from third party funding of varying but sometimes substantial amounts to be targeted at homelessness initiatives in the district. The unpredictable nature of these grants and the extended timeframe of the various initiatives often require the use of earmarked reserves to match funding to costs. At this stage therefore some £58,000 of the projected underspend has been earmarked to move into reserves.
 - Corporate Finance (£58,000 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, as reported at section 3 below, is forecasting that the planned in-year efficiency savings will be delivered plus a small £4,000 surplus.
A further £54,000 underspend is anticipated as a result of the transfer of the Fairer Charging and Welfare Benefits Team to Staffordshire County Council. As all staff budgets are recorded in Corporate Finance the saving against transferring staff is shown here. The transfer is however resulting in a similar overspend on the Benefits Service (below) as a result of a loss of third party funding.
- 2.5. There are two areas of significant overspend projected on the General Fund Revenue Account:
- Benefits (£54,810 overspend) - As reported in Corporate Finance (above) the Fairer Charging and Welfare Benefits Team is transferring to Staffordshire County Council. Prior to transfer the County made contributions to the Benefits Service to support the Team's activities. With the transfer these contributions cease giving rise to the projected overspend.
 - Regeneration (£194,790 overspend) - The service is facing significant in year cost pressures around both the creation of the Local Plan and various initiatives to support the development of the District. To some degree these pressures were anticipated by the creation in prior years of earmarked reserves. At this stage some £105,130 of these reserves are to be drawn down against the overspend.
- 2.6. The level of funding anticipated for the year is £34,800 above that budgeted due to the following:

External Funding: (£9,320)

- Business Rates Retention (£9,320) – no significant variance to the level of retained business rates is anticipated at the first quarter. This will continue to be monitored over the coming periods with particularity in relation to fluctuations in the provision for appeals and rateable value reductions.

Use of Earmarked Reserves: (£25,480)

- 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.
- Housing Strategy £58,000 contribution: Third party funds received in-year are being set aside to support homelessness initiatives that will run into future years.
- Regeneration Services £105,130 use: The £40,000 Local Development Framework Reserve is to be applied to support in-year overspend on the Local Plan. Other activities of the Service are to be funded by a draw down of £65,130 of New Burdens Grants received in prior years and earmarked to support regeneration projects in the District.
- Horticulture £5,030 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.

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 2018/19.
- 3.2. The Council's Medium-Term Financial Plan (approved in February 2018) included the 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 Efficiency and Rationalisation Strategy is premised on the need to both reduce expenditure and increase 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. The Strategy has five main areas of focus:
 - Major Procurements - There is the opportunity to focus attention on a number of large service functions which are currently provided by an external contractor / supplier. A number of significant contracts are coming to an end. This will also allow a fundamental review of these services with proper consideration of the current financial constraints. The contract commitments have sometimes restricted the opportunity to align services across the alliance with High Peak. The individual projects will focus on Waste Collection & Environment Services, Leisure Management and Facilities Management
 - Asset Management Plan – continuation of the existing priority of rationalising the Council's asset base with a focus around priorities in order to allow for the necessary capital investment
 - Growth – development of a clear focus upon housing and economic growth based upon the established Local Plan.
 - Income Generation – focus on increasing the yield from existing sources on income and a drive towards identifying new sources of income
 - Rationalisation – a commitment to reducing expenditure on non-priority areas of spend e.g. management arrangements, channel shift, non-statutory services
- 3.5. The 2018/19 budget provides for the achievement of £830,000 of such savings in year – with a significant focus on growth, income generation and major procurements, particularly the waste collection joint arrangement involving Alliance Environmental Services (AES).
- 3.6. At the end of Quarter One, £83,370 has been taken against the overall Efficiency programme. A further £92,000 of income related savings were also delivered at budget-setting time, including income arising out of revised New Homes Bonus funding forecasts. This leaves £654,630 of savings to be

achieved over the remaining three quarters. At this early stage, it is forecast that the savings target in the Efficiency Plan will be delivered by the end of the financial year.

- 3.7. The Authority carries a reserve of £493,000 earmarked to support the Strategy which can be drawn on to offset any remaining one-off and short term costs of delivering the efficiency programme and any shortfall against the 2018/19 efficiency target. At this stage there is no requirement to draw on this reserve during the year. This requirement will be monitored throughout the year.

4. Capital Programme

- 4.1. This section of the report provides an update to members on the Council's Capital Programme.
- 4.2. The table below shows a high level (service) summary of the General Fund Capital Programme position at 30th June 2018. Further detail – on a scheme by scheme basis – is contained in Annex A:

Service	2018/19 Approved Budget	Q1 Changes	2018/19 Revised Budget	Expected Outturn 2018/19	Expected Variance 2018/19
	£	£	£	£	£
<i>Expenditure</i>					
Housing Standards	1,241,000	650	1,241,650	1,241,650	-
Property Services	1,749,570	103,870	1,853,440	1,853,440	-
ICT	19,390	-	19,390	19,390	-
Other	-	2,084,890	2,084,890	2,084,890	-
Regeneration	100,000	5,520	105,520	105,520	-
Horticulture	500,000	-	500,000	500,000	-
	3,609,960	2,194,930	5,804,890	5,804,890	-
<i>Funding</i>					
External Contributions	1,241,000	(2,610)	1,238,390	1,238,390	-
Capital Receipts	21,000	(3,000)	18,000	18,000	-
Reserves	-	1,373,680	1,373,680	,373,680	-
Planning obligations	114,000	-	114,000	114,000	-
Borrowing	2,233,960	826,860	3,060,820	3,060,820	-
	3,609,960	2,194,930	5,804,890	5,804,890	-

- 4.3. The 2018/19 General Fund Capital Budget was approved by Council in February 2018 (£3,609,960 within the MTFP); May (£5,694,850 revised programme incorporating vehicle purchases) and June (£93,210 the carry forward from 2017/18). A budget adjustment of £16,830 has also been included in Quarter One resulting in a revised 2018/19 budget of £5,804,890.
- 4.4. The changes made to the capital programme since approval in February are as follows:
- (£2,084,890 increase) The capital programme was revised in May 2018 to include provision for fleet vehicle acquisitions. Following transfer of the waste collection service to Alliance and Environmental Services (AES) new fleet management arrangements have been agreed. Existing contract hire agreements have been terminated and the vehicles have been directly purchased
 - (£93,210 increase) The carry forward of 2017/18 capital budget variances as a result of projects which were either behind schedule or had progressed quicker than expected in the year.

- (£16,830 increase) A budget adjustment to cancel the carry forward of overspend from 2017/18 against Disabled Facilities Grants (DFGs) - the additional DFGs processed in 2017/18 were funded from external grants. The proposed reduction to the current year's budget is therefore no longer required

4.5. There are no capital expenditure variances forecast at this early stage. Members should note that the final out turn of the capital programme is dependant on the progress of a number of schemes still to be developed; including significant investment in Public Buildings.

5. Treasury Management

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

Investments

- 5.2. Cash Investments held on the 30th June 2018 totalled £5.7 million. Interest earned on these investments during quarter 1 totalled £12,875. The average level of funds available for investment during quarter 1 was £8.7 million.
- 5.3. The Council has budgeted to receive £73,590 in investment income in 2018/19. The budget was set with the potential for one Bank of England base rate rise of 0.25% during 2018/19. Pending the outcome of this, current investment income levels are on target to meet the budget.

Ascent Joint Venture

- 5.4. Ascent (the joint venture company set up to deliver affordable housing across the district) had drawn the full £5 million debenture facility by the end of 2014/15. Interest is charged at 2%, therefore the budgeted interest income for the year is £100,000; this is on target.
- 5.5. The balance on the £20 million loan facility to Ascent remains at £14 million. There have been no further drawdowns of the loan since the 2015/16 year. Interest charged is based on the 5 year PWLB rate on the date of the drawdown plus a 1.25% risk premium. The refinanced tranche 1 of £7 million matures in October 2018. The income budget of £446,690 is currently reported to be on target pending the outcome of the Ascent LLP business plan review.

Borrowing

- 5.6. Total debt outstanding as at 30th June 2018 totalled £12.9 million. £12 million has been used to fund the Ascent loan, the remaining £0.9 million relates to finance leases.
- 5.7. The Council has budgeted to incur £272,760 in interest charges in 2018/19. This was based on externally funding the full existing Ascent Loan Balance of £14 million and a £2.2 million general fund borrowing requirement in the current year capital programme.
- 5.8. The general fund borrowing requirement has been revised to £2.9 million; and £2 million of the Ascent loan balance continues to be funded internally. These savings from internal borrowing are forecast to offset the additional borrowing costs resulting from the higher borrowing requirement and the budget is anticipated to be on target. Opportunities for new borrowing will be monitored

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

6. Revenue Collection

- 6.1. This section of the report details progress to date in collecting the Council Tax, Business Rates and Sundry Debt.
- 6.2. The Q1 collection rate outturn for the year 2018/19 was as follows:
 - Council Tax – 29.6% of Council Tax was collected by 30 June 2018, compared to 29.7% for the same period last year.
 - Business Rates – 29.0% of Business Rates was collected by 30 June 2018, compared with 28.9% for the same period last year.
- 6.3. At the end of Quarter One the value of sundry debt that was over 60 days old was £82,560 which compares with £151,780 at 30th June 2017. While over half of the reduction reflects a fall in the level of outstanding debt the rest is down to a change in classification. The debt outstanding on a number of historic invoices, raised to recover the overpayment of housing benefit, has been transferred back to the benefits system. It will be recovered where possible against on-going payments of benefit.

Capital Programme Update 30th June 2018

Capital Schemes	2018/19 Approved Budget	Q1 Changes	2018/19 Revised Budget	Expected Outturn 2018/19	Expected Variance 2018/19
	£	£	£	£	£
<u>Housing Standards</u>					
Private Sector Grants	1,211,000	650	1,211,650	1,211,650	-
Landlord Accreditation Scheme	30,000	-	30,000	30,000	-
Total Environmental Health	1,241,000	650	1,241,650	1,241,650	-
<u>Property Services</u>					
Asset Management Plan	1,749,570	103,870	1,853,440	1,853,440	-
Total Property	1,749,570	103,870	1,853,440	1,853,440	-
<u>ICT</u>	19,390		19,390	19,390	-
Total ICT	19,390	-	19,390	19,390	-
<u>Other Schemes</u>					
Vehicle & Plant Purchase	-	2,084,890	2,084,890	2,084,890	-
Total Other Schemes	-	2,084,890	2,084,890	2,084,890	-
<u>Regeneration</u>					
Moorlands Partnership Grants	50,000	5,520	55,520	55,520	-
Butter Market	50,000	-	50,000	50,000	-
Total Regeneration	100,000	5,520	105,520	105,520	-
<u>Horticulture</u>					
Play - Projects	500,000	-	500,000	500,000	-
Total Horticulture	500,000	-	500,000	500,000	-
Total Programme	3,609,960	2,194,930	5,804,890	5,804,890	-