



2022/23

**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 such report for 2022/23.
- 1.2. The report summarises overall financial performance for 2022/23 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.
 - **Alliance Environmental Services (Section 3)** – highlights the performance of the Council's Joint Venture Company providing Waste, Fleet, Street Cleansing and Grounds Maintenance services.
 - **Efficiency and Rationalisation Programme (Section 4)** – considers progress in achieving the efficiency and rationalisation savings forecast.
 - **Housing Revenue Account (Section 5)** – highlights the budgetary position in respect of the operation of the Council's housing stock.
 - **General Fund Capital Programme (Section 6)** – provides an update to Members on progress against the Council's General Fund capital plans.
 - **HRA Capital Programme (Section 7)** – provides an update to Members on progress against the Council's HRA capital plans.
 - **Treasury Management (Section 8)** – sets out the key statistics in terms of investments and borrowings.
 - **Revenue Collection (Section 9)** – 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	2022/23 Budget	Provisional Outturn 2022/23	Variance	Contribution to (Use of) Earmarked Reserves	Net Variance
	£	£	£	£	£
Alliance Leadership Team	58,290	46,790	(11,500)	-	(11,500)
Audit	10,240	8,740	(1,500)	-	(1,500)
ICT	584,210	584,210	-	-	-
Human Resources	69,480	69,480	-	-	-
Member Services	260,730	250,730	(10,000)	-	(10,000)
Property Services	182,580	403,580	221,000	-	221,000
Benefits	(194,020)	(194,020)	-	-	-
Planning Applications	(344,180)	(324,180)	20,000	(1,250)	18,750
Building Control	56,140	56,140	-	-	-
Customer Services	144,390	140,390	(4,000)	-	(4,000)
Legal Services	30,510	70,510	40,000	-	40,000
Electoral Services	59,470	59,470	-	(2,950)	(2,950)
Licensing and Land Charges	(317,750)	(275,750)	42,000	-	42,000
Regeneration	172,630	200,130	27,500	-	27,500
Communities and Cultural	297,270	292,270	(5,000)	-	(5,000)
Housing Strategy**	37,750	37,750	-	-	-
Transformation	21,250	20,750	(500)	-	(500)
Community Safety and Enforcement	109,580	99,580	(10,000)	-	(10,000)
Finance & Procurement	177,650	176,250	(1,400)	-	(1,400)
Revenues	(293,750)	(293,750)	-	-	-
Corporate Finance*	6,047,540	6,179,340	131,800	(1,300)	130,500
Waste Collection	2,132,750	1,993,570	(139,180)	-	(139,180)
Street Scene	467,920	467,920	-	(60)	(60)
Leisure Services	149,940	181,630	31,690	(12,000)	19,690
Horticulture	358,500	312,020	(46,480)	(380)	(46,860)
Environmental Health	(30,440)	(20,100)	10,340	-	10,340
Net Total of Services	10,248,680	10,543,450	294,770	(17,940)	276,830
Net Interest	1,608,280	1,180,410	(427,870)	-	(427,870)
	11,856,960	11,723,860	(133,100)	(17,940)	(151,040)
Funding:					
- external	(11,396,310)	(11,337,280)	59,030	-	59,030
- reserves contribution to/(from):					
general contingency	118,160	118,160	-	-	-
use of carry forward from 21/22	(21,830)	(21,830)	-	-	-
Earmarked - business rates	(555,340)	(555,340)	-	-	-
Earmarked - general	(1,640)	(23,880)	(22,240)	17,940	(4,300)
Projected (Surplus)/Deficit	-	(96,310)	(96,310)	-	(96,310)

* Staff budgets are currently budgeted within Corporate Finance (except for the staff budget of the Carelink service within Housing Strategy which for operational reasons are included within the Service).

** The Council's Housing management costs are charged to the Housing Revenue Account

2.2. A revenue budget of £11,835,130 was set for 2022/23. In accordance with Financial Procedure Rules, the roll forward of £21,830 in unused budgets from 2021/22 has been authorised:

- **Planning Policy (£10,000):** unspent budget in regard to Glossop Gateway project.
- **Member Services (£4,000):** in respect of Initiatives to increase community engagement.
- **Financial Services (£7,830):** unspent budget in regard to initiatives to manage risk.

This brings the 2022/23 budget to £11,856,960.

2.3. The table above shows how this budget has been allocated to services.

2.4. The quarter one projected outturn on the General Fund Revenue Account for 2022/23 is £11,760,650. This represents a projected underspend for the year of £96,310.

2.5. There is one service area with projected significant underspend (>£50,000):

- **Waste Collection (£139,180 underspend)** – surplus income and reduced disposal costs are forecast on Trade Waste. The crystallisation of emerging issues experienced by AES (see paragraph 3) may offset or compound this.

2.6. There are two service areas with a projected significant overspends (>£50,000).

- **Property Services (£221,000 overspend)** – the impact of Glossop Market Arcade being closed (£45,000). Impact of the first Quarter of cleaning & caretaking being taken over by Norse before the contract start date of 4th July (£76,000). A significant impact on utilities with electricity prices expected to increase by 80% from 1st October (£100,000)
- **Corporate Finance (£131,800 overspend)** – relates to a shortfall on the provision in the MTFP for the 2022/23 pay award.

2.7. The net interest costs, as detailed in section 8, are currently forecast to be in surplus by £427,870.

2.8. The level of funding anticipated for the year is currently forecast £36,790 below that budgeted due to the following:

External Funding: (£59,030 reduction)

- **Business Rates Retention (£59,030 reduction in funding):** It is anticipated that the net levy payable to the Derbyshire Business Rates Pool after Pool savings will be greater than anticipated due to improved NNDR income in comparison

to the budgeted figure. However, this is subject to change as the levy savings are partially dependent on the performance of the Pool as a whole.

Movement of Reserves: (£22,240 use)

- Other Earmarked Reserves (£22,240 additional usage): These reserves exist to match available funding with future projects and activities. Often it is not possible to anticipate when eligible spend will occur and so as the year progresses services will identify projects and schemes where earmarked reserves can be applied. To date across the authority net usage of these reserves amounts to £22,240 more than nominally anticipated at the beginning of the year.

3. Alliance Environmental Services

- 3.1. Alliance Environmental Services Ltd (AES) delivers waste, fleet, street cleansing and grounds maintenance services to both High Peak Borough and Staffordshire Moorlands District Councils. The Councils are shareholders of the company along with Ansa, which is a wholly owned subsidiary of Cheshire East Council.
- 3.2. AES's management fee and impact on this Council's budget is summarised below:

2022-23	General Fund	HRA	Total
	£	£	£
AES base management fee	4,676,600	217,310	4,893,910
Efficiency Rebate	(23,880)	(1,120)	(25,000)
Allocation of Joint Operation profit	tbc	tbc	tbc
Contract pressures/ (savings)	tbc	tbc	tbc
Total management fee payable	4,652,720	216,190	4,868,910

- 3.3. The AES business plan for all services being delivered to the Council during 2022/23 includes a budgeted management fee of £4,893,910. The Council will also take a share of the total AES forecast efficiency target which is repayable to the Council at the end of the year and is allocated against the management fee costs.
- 3.4. Under accounting standards, AES's financial performance is consolidated in to the Councils' single entity statements as a 'Joint Operation' as opposed to separate group accounts being reported. The profit is therefore apportioned between the two Councils and the respective services in line with the input of original budgeted resources from each department and is offset against the management fee costs.
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department and is offset against the management fee costs.

4. Efficiency and Rationalisation Programme

- 4.1. This section of the report considers the financial performance of the Council's Efficiency and Rationalisation Programme in 2022/23.
- 4.2. The current Efficiency and Rationalisation Strategy was approved by Members in February 2017 and finished in 2021/22. It had 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 (that is, not reliant on direct government funding such as revenue support grant).
- 4.3. The strategy was 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. It focused primarily on major procurements, the asset management plan, growth, income generation and rationalisation.
- 4.4. No assumptions in respect of any 'new' efficiency programme were incorporated into the MTFP approved in February 2022. However, work is underway on a Programme to address any challenges faced by the Council in the next budget setting process.
- 4.5. The Authority carries a longstanding reserve earmarked to support the Efficiency Strategy which can be drawn on to offset one-off costs of delivering the efficiency programme, such as redundancy costs. The reserve currently stands at £200,000. It has not been necessary to draw on this reserve in previous years so it remains intact to underwrite performance against future savings targets in the Efficiency Programme.

5. Housing Revenue Account (HRA)

- 5.1. 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.
- 5.2. The 2022/23 Housing Revenue Account budget was originally set to produce a deficit of £1,894,070 supported by reserves. The Chief Financial Officer has, in accordance with Financial Procedure Rules, authorised the roll forward of £160,900 in unused budgets from 2021/22 to facilitate completion of capital component works. This brought the 2022/23 budget to a deficit of £2,054,970 and will be supported by reserves.
- 5.3. Provisional outturn expenditure on the Housing Revenue Account at the first quarter stage is £18,602,480 with estimated income of £15,437,950. This represents a deficit for the year of £6,164,532 (i.e. £1,109,560 over budget –

meaning more reserves are required to fund HRA activities in year).

Housing Revenue Account	2022/23 Projection	Quarter 1 Changes	2022/23 Revised Budget	2022/23 Expected Outturn	Variance
	£				
Repairs & Maintenance	4,664,260		4,664,260	5,088,400	424,140
Supervision & Management	2,804,230		2,804,230	2,831,090	26,860
Rates, Rents, Taxes, Other Charges	109,130		109,130	109,130	0
Other Operating Expenditure	806,290		806,290	806,290	0
Depreciation & Impairment Charges	2,099,030		2,099,030	2,183,000	83,970
Interest & Debt Management Charges	2,264,210		2,264,210	2,491,030	226,820
HRA Contribution to Capital Programme	4,543,790	160,900	4,704,690	5,093,540	388,850
			0		0
Total Expenditure	17,290,940	160,900	17,451,840	18,602,480	1,150,640
Dwellings Rents	(14,714,840)		(14,714,840)	(14,697,800)	17,040
Non - Dwelling Rents & Other Income	(682,030)		(682,030)	(740,150)	(58,120)
			0		0
Total Income	(15,396,870)	0	(15,396,870)	(15,437,950)	(41,080)
			0		0
(Surplus) / Deficit for year	1,894,070	160,900	2,054,970	3,164,530	1,109,560
Use of Reserves	(1,894,070)	(160,900)	(2,054,970)	(3,164,530)	(1,109,560)
In Year Deficit (Surplus)	0	0	0	0	0

5.4. 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 Housing Revenue Account, 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 deficit balance predicted by the Council at this second quarter stage will be funded by a transfer from reserves within the Housing Revenue Account.

- 5.5. There is are four significant (>£50,000) overspend to report at this stage.
- Repairs and Maintenance (£424,140) – Increased staffing costs due to forecast pay award shortfall (£52,140), utility service charge income down due to estimated cost 21/22 (£41,000), increase in repair costs (£300,000), expected increase in utilities (£31,000)
 - Depreciation Charge (£83,970) – based on latest forecasts.

- Interest & Debt Management Charges (£226,820) - additional income receivable by the HRA from increased interest rates is offset by a larger share of the interest payable per the current share of the pool, following the reduction in Voluntary Revenue Provision,
- Contribution to HRA capital programme (£388,850) – as detailed in section 7 below

5.6. There is one significant (>£50,000) underspends to be noted at this stage.

- Income - Non-Dwelling Rents (£58,120) – increased income from service charges has been responsible for the majority of this positive variance.

6. General Fund Capital Programme

6.1. This section of the report provides an update to Members on the Council's General Fund Programme.

6.2. The table below shows a high level (service) summary of the General Fund Capital Programme position at 30th June 2022:

	2022/23 Approved Budget	Q1 Changes (per Q4 21/22 carry forwards	2022/23 Revised Budget	Expected Outturn 2022/23	Expected Variance 2022/23
	£	£	£	£	£
Housing	374,000	-	374,000	374,000	-
Housing Standards	489,110	30,000	519,110	519,110	-
Property Asset Management Programme	6,513,570	(54,540)	6,459,030	6,459,030	-
ICT	20,000	22,150	42,150	42,150	-
Fleet	1,354,270	(10,840)	1,343,430	1,343,430	-
Leisure Services Outdoor Sports	40,000	1,500	41,500	41,500	-
Regeneration – Fairfield Roundabout	2,359,280	345,340	2,704,620	2,704,620	-
Regeneration - Buxton	7,779,000	-	7,779,000	7,779,000	-
Horticulture Play Facilities	243,000	220	243,220	243,220	-
Total	19,172,230	333,830	19,506,060	19,506,060	-
Funding:-					
External Contributions	8,737,220	-	8,737,220	8,737,220	-
S106 Planning Obligations	243,000	-	243,000	243,000	-
Capital Receipts(Land)	2,900,000	-	2,900,000	2,900,000	-
Capital Receipts(one for one)	374,000	-	374,000	374,000	-
Capital Receipts(vehicles)	50,250	-	50,250	50,250	-
Revenue Reserves	-	-	-	-	-
Earmarked Reserves	-	-	-	-	-
Borrowing	6,867,760	333,830	7,201,590	7,201,590	-
Total	19,172,230	333,830	19,506,060	19,506,060	-

6.3. The 2022/23 General Fund Capital Budget was approved by Members in February 2022 as part of the Medium Term Financial Plan (£19,172,230); and then updated in the Quarter 4 2021/22 provisional outturn report £333,830 – regarding carry forwards from 2021/22, resulting in a revised overall capital programme of £19,506,060, no changes have been made at this early forecast in the year.

7. Housing Revenue Account Capital Programme

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

7.2. The table below shows a high level summary of the HRA Capital Programme at 30th June 2022. Further detail on a scheme by scheme basis is contained in Annex A.

Scheme	2022-23 Approved Budget	Quarter 1 Changes	2022-23 Revised Budget	2022-23 Expected Out-turn	2022-23 Expected Variance
	£	£	£	£	£
Asset Management works	5,543,820	-	5,543,820	6,093,570	549,750
Repairs Team Capital works	279,000	-	279,000	279,000	-
Commissioning Costs	100,000	-	100,000	100,000	-
Asset Purchases	500,000	-	500,000	500,000	-
ICT Strategy	100,000	-	100,000	100,000	-
Repurchase Dwellings	200,000	-	200,000	200,000	-
2021-22 Net Underspend	-	160,900	160,900	-	(160,900)
Total Programme	6,722,820	160,900	6,883,720	7,272,570	388,850
Major Repairs Reserve	2,099,030	-	2,099,030	2,099,030	-
HRA Contribution	4,543,790	160,900	4,704,690	5,093,540	388,850
Capital Receipts	80,000	-	80,000	80,000	-
Total Financing	6,722,820	160,900	6,883,720	7,272,570	388,850

7.3. The 2022/23 HRA Capital Budget was approved by Members in February 2022 as part of the Medium Term Financial Plan (£6,722,820); and then updated in August 2022 (£160,900 increase carry forward of 2021/22 under-spend, as a contingency towards project cost increases); This has resulted in a revised overall HRA capital programme of £6,883,720

7.4. The total variance (over-spend £388,850) includes cost increases on projects which have been tendered; and anticipated further spend on additional numbers of roofing, kitchen/ window/ and door replacements now forecast to be completed in year.

8. Treasury Management

- 8.1. 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 Regulatory Committee receives detailed operational updates on Treasury Management.

Investments

- 8.2. Cash Investments held on the 30th June 2022 totalled £31.2million. The average level of funds available for investment up to the end of the quarter totalled £31.9million and £62,620 interest was earned.
- 8.3. The Council has budgeted to receive £103,670 in investment income in 2022/23 under the expectation that the Bank of England base rate would only reach 0.75% by the end of the financial year. However, interest rates have increased during the year following the base rate rise to 1.00% (from 0.75%) in May 2022, to 1.25% in June, and again to 1.75% in August, therefore a surplus of £246,000 is currently anticipated against the budget.

Borrowing

- 8.4. Outstanding borrowing at 30th June 2022 totalled £63 million. The Council's general fund and HRA budgeted to incur £1,711,950 and £1,629,210 respectively in interest charges and other financing costs in 2022/23. This was based on existing external debt and new borrowing of £6.8m mid-year to fund the general fund capital programme.
- 8.5. No 'new' borrowing or refinancing activity has occurred during the year. The share of charges to the HRA is forecast to be a net £226,830 greater per the current share of the pool following the reduction in the Voluntary Revenue Provision; and external borrowing costs are forecast to be £64,270 depending on when borrowing takes place and interest rates at the time. Including a smaller than anticipated Minimum Revenue Provision (MRP) charge in the year, overall underspend on general fund borrowing costs is forecast to be £181,870.

9. Revenue Collection

- 9.1. The collection rate outturn for Quarter 1 2022/23 was as follows:
- **Council Tax** – 28.34% of Council Tax was collected by 30th June 2022, compared to 28.78% for the same period in 2021/22, and 28.47% in 2020/21.
 - **Business Rates** – 31.15% of Business Rates was collected by 30th June 2022, compared with 29.10% for the same period in 2021/22, and 22.51% in 2020/21.
 - **Sundry Debts** - The value of sundry debts over 60 days old at the end of Quarter One was £145,240 which compares with £252,450 at 30th June 2021.

Housing Revenue Account Capital Programme Update 30th June 2022

Scheme	2022-23 Approved Budget	Quarter 1 Changes	2022-23 Revised Budget	2022-23 Expected Out-turn	2022-23 Expected Variance
	£				
Asset Management					
Roofing	169,600	-	169,600	277,500	107,900
Gladstone St Walkways	21,000	-	21,000	21,000	-
Lift Replacements	769,000	-	769,000	769,000	-
Bathroom Programme	498,570	-	498,570	498,570	-
Kitchen Programme	600,000	-	600,000	750,000	150,000
Electrical Works	500,000	-	500,000	500,000	-
Aids & Adaptations	440,000	-	440,000	440,000	-
Windows & Doors Programme	500,000	-	500,000	900,000	400,000
Central Heating Works	230,000	-	230,000	230,000	-
Queens Court Boiler	200,000	-	200,000	200,000	-
Gamesley Car Park/Hardstanding	250,000	-	250,000	282,000	32,000
Watford Lodge Refit	70,000	-	70,000	70,000	-
CCTV & Aerials	100,000	-	100,000	100,000	-
Structural & Other Works	290,650	-	290,650	-	(290,650)
Rendering	445,000	-	445,000	527,000	82,000
Fairfield View	20,000	-	20,000	20,000	-
Sheltered Fire Alarm	140,000	-	140,000	208,500	68,500
Hartington Gardens Footbridge	200,000	-	200,000	200,000	-
Energy Efficiency Works	100,000	-	100,000	100,000	-
	5,543,820	-	5,543,820	6,093,570	549,750
Repairs Capital					
Void Rewires	70,000	-	70,000	70,000	-
Void Kitchens	139,000	-	139,000	139,000	-
Void Bathrooms	70,000	-	70,000	70,000	-
	279,000	-	279,000	279,000	-
Staffing					
Staffing/Commissioning	100,000	-	100,000	100,000	-
	100,000	-	100,000	100,000	-
Asset Purchases					
Vehicle Replacement	500,000	-	500,000	500,000	-
Re-Purchase Dwellings	200,000	-	200,000	200,000	-
ICT Housing System	100,000	-	100,000	100,000	-
	800,000	-	800,000	800,000	-
2021-22 Net Under-spend		160,900	160,900	-	(160,900)
Total	6,722,820	160,900	6,883,720	7,272,570	388,850

