



2021/22

**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 2021/22.
- 1.2. The report summarises overall financial performance for 2021/22 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 2021/22.
 - **Alliance Environmental Services (Section 4)** – highlights the performance of the Council's Joint Venture Company providing Waste and Fleet services.
 - **Capital Programme (Section 5)** – provides an update to Members on progress against the Council's capital plan
 - **Treasury Management (Section 6)** – sets out the key statistics in terms of investments and borrowings;
 - **Revenue Collection (Section 7)** – 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 setting out variations in income and expenditure and funding received by the Council.

Service (with staff*)	2021/22 Budget	Expected Outturn 2021/22	Variance	Contribution to / (Use of) Earmarked Reserves	Net Variance
	£	£	£	£	£
Alliance Leadership Team	51,780	51,780	-	-	-
Audit	9,940	9,940	-	-	-
ICT	702,760	702,760	-	-	-
Human Resources	52,360	51,690	(670)	-	(670)
Member Services	360,310	328,300	(32,010)	-	(32,010)
Property Services	640,970	716,970	76,000	-	76,000
Benefits	(218,610)	(243,610)	(25,000)	-	(25,000)
Planning Applications	(357,460)	(388,680)	(31,220)	-	(31,220)
Building Control	36,510	36,510	-	-	-
Customer Services	132,280	84,180	(48,100)	-	(48,100)
Legal Services	64,520	60,520	(4,000)	-	(4,000)
Electoral Services	97,790	57,790	(40,000)	40,000	-
Licensing and Land Charges	(210,970)	(220,970)	(10,000)	-	(10,000)
Regeneration	59,020	78,780	19,760	-	19,760
Communities and Cultural	128,830	119,830	(9,000)	-	(9,000)
Housing Strategy	110	13,530	13,420	(13,380)	40
Transformation	6,760	2,200	(4,560)	-	(4,560)
Community Safety and Enforcement	151,050	146,050	(5,000)	-	(5,000)
Finance & Procurement	143,910	132,310	(11,600)	-	(11,600)
Revenues	(303,120)	(170,770)	132,350	-	132,350
Corporate Finance*	5,923,840	6,053,170	129,330	-	129,330
Waste Collection	1,936,010	1,920,350	(15,660)	-	(15,660)
Street Scene	386,930	386,930	-	-	-
Leisure Services	455,970	408,560	(47,410)	(95,140)	(142,550)
Horticulture	539,400	516,790	(22,610)	(5,200)	(27,810)
Environmental Health	(24,660)	(33,700)	(9,040)	-	(9,040)
Net Total of Services	10,766,230	10,821,210	54,980		(18,740)
Net Interest	(319,010)	(319,010)	-		-
	10,447,220	10,502,200	54,980	(73,720)	(18,740)
Funding					
- external	(6,179,940)	(7,668,930)	(1,488,990)	-	(1,488,990)
- reserves contribution to/(from)					
general contingency	(4,253,120)	(4,253,120)	-	-	-
use of carry forward from 20/21	(14,160)	(14,160)	-	-	-
earmarked	-	-	-	73,720	73,720
Projected (Surplus)/Deficit	-	(1,434,010)	(1,434,010)	-	(1,434,010)

* Staff budgets are currently budgeted within Corporate Finance.

- 2.2. A revenue budget of £10,433,060 was set for 2021/22. In accordance with Financial Procedure Rules, the roll forward of £14,160 in unused budgets from 2020/21 has been authorised.

Planning (£5,500): in respect of the development of the Local Plan in 2021/22
Member Services (£8,660): in respect of Member Initiative funds to applied in 2021/22.

This brings the 2021/22 budget to £10,447,220

- 2.3. The table above shows how this budget has been allocated to services.
- 2.4. The Q1 projected outturn on the General Fund Revenue Account for the year is £9,013,210. This represents a projected surplus for the year of £1,434,010.
- 2.5. There is one area of significant underspend (>£50,000):
- **Leisure Services (£142,550 underspend);** There is scope to make operational savings of some £50,000 that owing to Covid-19 could not be taken in 20/21. The service will also benefit from the application of some £95,000 of earmarked reserves.
- 2.6. There are three areas of significant overspend (>£50,000):
- **Property (£76,000 overspend);** Covid-19 has impacted this service significantly. Firstly car parking, where a £56,000 reduction in income is forecast and Public Conveniences with additional cleaning costs resulting in a £20,000 overspend.
 - **Revenues (£132,350 overspend);** Covid-19 has significantly impacted the Recovery service with income generated from summons activity predicted to be some £58,000 below original expectations. Further budget pressure in the region of £74,000 is predicted in local taxation from the level of spending on external services to support billing processes.
 - **Corporate Finance (£129,330 overspend);** At this stage of the year the impact of Covid-19 on the Authority's ability to achieve its efficiency targets is predicted to result in a £100,000 shortfall in budgeted savings. Further pressure across a number of Corporate budget heads could add a further £30,000 to this overspend.
- 2.7. Net interest costs, as detailed in section 6, are currently running to budget.
- 2.8. The level of funding anticipated for the year is £1,562,710 above that budgeted due to the following:

External Funding: (£1,488,990)

- Business Rates Retention (£1,488,990 additional funding):

- The Council expects to receive £1,779,810 in additional S31 grants in the year due to continuation of Extended Retail Relief and Nursery Discount to respond to the covid-19 situation – at the time of budget setting central government had not confirmed these reliefs. Accounting practice dictates that these grants are treated as general fund revenue in the year. However, the extended reliefs impact the Collection Fund by increasing the deficit in the year, which will need to be distributed in future years, therefore this additional funding needs to be earmarked to accommodate this and cannot be used to support other services.
- This increase in Business Rates Retention Funding is forecast to be offset in part by an increase in net levy payable on growth to the Staffordshire Business Rates Pool of £234,510 compared to the budgeted amount. This is due to fluctuations in the level of growth affected by the provision for appeals. In additional part of the levy payment savings achieved as member of the pool are dependent on the performance of the whole pool which could only be estimated at year end. The pool has now advised the draft final amount due (subject to complete of external audits) which is £56,310 greater than the accrued amount – this will offset the surplus Business Rates Retention in the current year.

Use of Reserves: (£73,720)

- Earmarked Reserves (£73,720 additional usage):
 - Earmarked reserves are created 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 usage amounts to £73,720 more than nominally anticipated at the beginning of the year.

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 2021/22.
- 3.2. The Council's Medium-Term Financial Plan (approved in February 2019) 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 2021/22 budget was set in February 2021 with the assumption of £448,000 of savings in the year. Unachieved efficiencies of £382,400 were brought forward from 2020/21 in line with the MTFP, making an in-year target for 2021/22 of £830,430. A large part of this savings requirement is focussed on the removal of surplus budgets no longer needed.
- 3.5. The major focus of the savings programme in 2021/22 being on growth, income generation and major procurements.
- 3.6. At the end of Quarter One, £568,000 savings have been taken against the 21/22 efficiency target. These relate to the removal of surplus leasing budgets (£369,660); removal of underspent budgets within the Environmental services (£53,000); and savings in the AES contract (£145,180)
- 3.7. There is a significant risk that not all of the current year savings will be achieved in the year, particularly those relating to growing fees and charges and income generation. At this stage it is assumed that £177,000 in savings will remain unachieved at year-end. This will continue to be monitored over the rest of the year and further savings opportunities explored to make up the shortfall.
- 3.8. The longer term need for a new Efficiency Programme will be considered as part of the revision of the 2022/23 Medium Term Financial Plan.
- 3.9. 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 £493,000. 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.

4. Alliance Environmental Services

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

2021-21	£
AES Contract budget	4,565,970
Management fee	4,683,331
Allocation of AES efficiency	(21,721)

Covid-19 costs	TBC
Total management fee payable	4,661,610
Allocation of Joint Operation profit	(95,630)
Net total	4,565,980
<i>Variance to budget</i>	10

- 4.3. The AES business plan for all services being delivered to the Council during 2021/22 includes a budgeted management fee of £4,683,331. The Council's share of the total AES forecast efficiency target for 2021/22, £21,721, is repayable to the Council at the end of the year and is allocated against the management fee costs.
- 4.4. Some additional costs relating to Covid-19, such as additional cleaning products, PPE and additional agency costs are anticipated, but no forecast figure is available at this time, this will continue to be monitored.
- 4.5. Under accounting standards, AES's financial performance is incorporated 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. The Council's share of the forecast profit based on the forecast outturn is £95,630 and is offset against the management fee costs.

5. Capital Programme

- 5.1. This section of the report provides an update to members on the Council's Capital Programme.
- 5.2. The table below shows a high level (service) summary of the General Fund Capital Programme position at 30th June 2021. Further detail – on a scheme by scheme basis – is contained in Annex A:

	2021/22 Approved Budget	Q1 Changes	2021/22 Revised Budget	Expected Outturn 2021/22	Expected Variance 2021/22
	£	£	£	£	£
Housing Standards	1,515,650	7,550	1,523,200	1,523,200	-
Property Services	663,160	47,850	711,010	711,010	-
ICT	141,900	1,660	143,560	143,560	-
Leisure Services	150,000		150,000	150,000	-
Fleet Management	1,716,940	(4,410)	1,712,530	1,712,530	-
CCTV		85,650	85,650	85,650	-
Community	200,000		200,000	200,000	-
Regeneration	50,000	3,520	53,520	53,520	-
Horticulture	251,920	(200)	251,720	251,720	-
Total	4,689,570	141,620	4,831,190	4,831,190	-
Funding:-					
External Contributions	1,512,390	7,550	1,519,940	1,519,940	-
Capital Receipts	25,000	-	25,000	25,000	-
Earmarked Reserves	-	88,500	88,500	88,500	-

Borrowing	3,152,180	45,570	3,197,750	3,197,750	-
Total	4,689,570	141,620	4,831,190	4,831,190	-

5.3. The 2021/22 General Fund Capital Budget was approved by Members in February 2021 as part of the Medium Term Financial Plan (£4,689,570); and then updated in Aug (£141,620 – relating to carry forwards from 2020/21) resulting in a revised 2019-20 budget of £4,831,190

5.4 The changes made to the capital programme since approval in February are as follows:-

- The carry forward of 2020-21 capital budget variances as a result of projects which were either behind schedule or had progressed quicker than expected in the year

5.5 At this stage there are no significant capital variances to report.

6. Treasury Management

6.1. 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

6.2. Cash Investments held on the 30th June 2021 totalled £19million. Interest earned on these investments during the first quarter totalled £8,815 and the average level of funds available for investment was £18.9million.

6.3. The Council budgeted to receive £20,710 in investment income in 2021/22. As interest rates are currently as expected at the time of budget setting, the outturn against the budget is forecast to be on target at this early point in the year.

Ascent Joint Venture

6.4. The Council has a debenture of £5million paying 2% and loan of £14million paying an average 3.02% with Ascent, the joint venture company established to deliver affordable housing across the District.

6.5. A report was submitted to Cabinet on 18th June 2019 (exempt by the virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972) reviewing the Ascent Business Plan and Delivery Model. Following this report the current expectation is that the original Loan and Debenture will be returned to the Council from Ascent and a new Loan arrangement direct to Your Housing is proposed.

6.6. The investment income budget was based on the original investments continuing: £100,000 income from the debenture and £422,880 from the loan.

The current interest income forecast does not assume any variance to this until more is confirmed about the timing of any potential repayments and reinvestments.

Borrowing

- 6.7. Total debt outstanding as at 30th June 2021 totalled £13million; this funds the Ascent loan. The Council budgeted to incur £224,580 in interest charges in 2021/22. This was based on externally funding the full existing Ascent loan balance of £14million and a £1million general fund borrowing requirement. £1million of the Ascent loan is internally funded at the end of quarter 1 and there has been no 'new' borrowing undertaken for the general fund. Refinancing and new borrowing will be kept under review during the year as the capital programme is carried out, and if any changes to the Ascent loan relationship occur, alongside views about cash flow and opportunities to take borrowing at cheap levels vs internal borrowing in the low interest income environment. Therefore the borrowing cost budget is currently forecast on target.

7. Revenue Collection

- 7.1. This section of the report details progress to date in collecting the Council Tax, Business Rates and Sundry Debt.
- 7.2. The Q1 collection rate was as follows:
- Council Tax – 29.34% of Council Tax was collected by 30th June 2021, compared to 28.76% for the same period in 2020/21, and 29.38% in 2019/20.
 - Business Rates – 32.33% of Business Rates was collected by 30th June 2021, compared to 22.30% for the same period om 2020/21, and 28.62% in 2019/20.
 - The longer term effects of Covid-19 on collection rates continue to be monitored.
- 7.3 At the end of Quarter One the value of sundry debt that was over 60 days old was £65,050 which compares with £97,390 at 30th June 2020.

Capital Programme Update 30th June 2021

Capital Schemes	2021/22 Approved Budget	Q1 Changes	2021/22 Revised Budget	2021/22 Revised Budget	Expected Variance 2021/22
	£	£	£	£	£
<u>Housing Standards</u>					
Private Sector Grants	1,515,650	7,550	1,523,200	1,523,200	-
Total Environmental Health	1,515,650	7,550	1,523,200	1,523,200	-
<u>Property Services</u>					
Asset Management Plan	663,160	47,850	711,010	711,010	-
Total Property	663,160	47,850	711,010	711,010	-
<u>ICT</u>	141,900	1,660	143,560	143,560	-
Total ICT	141,900	1,660	143,560	143,560	-
Vehicle & Plant Purchase	1,716,940	(4,410)	1,712,530	1,712,530	-
Fleet Management	1,716,940	(4,410)	1,712,530	1,712,530	-
CCTV - Upgrade		85,650	85,650	85,650	-
CCTV	-	85,650	85,650	85,650	-
<u>Regeneration</u>					
Moorlands Partnership Grants	50,000	3,520	53,520	53,520	-
Total Regeneration	50,000	3,520	53,520	53,520	-
<u>Community</u>					
Forsbrook Community Facilities	200,000	-	200,000	200,000	-
Total Community	200,000	-	200,000	200,000	-
<u>Horticulture</u>					
Brough Park Improvements	251,920	(200)	251,720	251,720	-
Total Horticulture	251,920	(200)	251,720	251,720	-
<u>Leisure</u>					
Sports Clubs Facilities	150,000	-	150,000	150,000	-
Total Leisure	150,000	-	150,000	150,000	-
Total Programme	4,689,570	141,620	4,831,190	4,831,190	-