



2021/22

**Third 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 third 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	34,350	(17,430)	-	(17,430)
Audit	9,940	6,880	(3,060)	-	(3,060)
ICT	702,760	736,600	33,840	-	33,840
Human Resources	52,360	61,770	9,410	-	9,410
Member Services	360,310	299,200	(61,110)	-	(61,110)
Property Services	640,970	758,120	117,150	(22,350)	94,800
Benefits	(243,160)	(237,390)	5,770	-	5,770
Planning Applications	(357,460)	(462,000)	(104,540)	-	(104,540)
Building Control	54,510	50,000	(4,510)	-	(4,510)
Customer Services	132,280	86,140	(46,140)	-	(46,140)
Legal Services	64,520	28,500	(36,020)	-	(36,020)
Electoral Services	97,790	50,000	(47,790)	40,000	(7,790)
Licensing and Land Charges	(210,970)	(214,970)	(4,000)	-	(4,000)
Regeneration	59,020	(115,230)	(174,250)	210,000	35,750
Communities and Cultural	128,830	124,920	(3,910)	-	(3,910)
Housing Strategy	24,660	33,080	8,420	(13,380)	(4,960)
Transformation	6,760	2,570	(4,190)	-	(4,190)
Community Safety and Enforcement	151,050	76,150	(74,900)	-	(74,900)
Finance & Procurement	129,410	135,510	6,100	-	6,100
Revenues	(303,120)	(231,180)	71,940	-	71,940
Corporate Finance*	5,920,340	6,031,340	111,000	-	111,000
Waste Collection	1,936,010	1,701,470	(234,540)	-	(234,540)
Street Scene	386,930	402,520	15,590	-	15,590
Leisure Services	455,970	352,330	(103,640)	(95,490)	(199,130)
Horticulture	539,400	563,150	23,750	(5,200)	18,550
Environmental Health	(24,660)	(42,700)	(18,040)	-	(18,040)
Net Total of Services	10,766,230	10,231,130	(535,100)		(421,520)
Net Interest	(319,010)	(321,140)	(2,130)		(2,130)
	10,447,220	9,909,990	(537,230)	113,580	(423,650)
Funding					
- external	(6,179,940)	(7,887,120)	(1,707,180)	-	(1,707,180)
- reserves contribution to/(from)					
general contingency	(256,080)	(256,080)	-	-	-
use of carry forward from 20/21	(14,160)	(14,160)	-	-	-
Earmarked – business rates	(3,989,340)	(3,615,420)	373,920		373,920
Earmarked – general	(7,700)	113,580	121,280	(113,580)	7,700
Projected (Surplus)/Deficit	-	(1,749,210)	(1,749,210)	-	(1,749,210)

* 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 Q3 projected outturn on the General Fund Revenue Account for the year is £8,698,010. This represents a projected surplus for the year of £1,749,210.
- 2.5. There are five areas of significant underspend (>£50,000):

- **Member Services (£61,110 underspend);** Savings across a number of budget heads such as policy consultations, civic transport, councillor expenses and initiatives.
- **Planning Applications (£104,540 underspend);** Savings of some £24,000 are accruing against policy and other budget heads. Application fee income is projected to exceed expectations by £80,000.
- **Community Safety and Enforcement (£74,900 underspend);** To date grant monies received towards community initiatives are exceeding anticipated in-year spend by some £34,000. A further £38,000 underspend is accruing against the CCTV equipment budgets, both purchase and repair.
- **Waste Collection (£234,540 underspend);** £20,000 of the underspend is as result of asset sales being credited to the service. The remainder arises from an anticipated rebate of the AES management fee as a result of improved recycling basket of goods prices achieved. This more than offsets other budgetary pressures such as increased disposal costs.
- **Leisure Services (£199,130 underspend);** There is scope to make operational savings of some £104,000 mainly against the Covid-19 support budget put in place to fund the cost-plus arrangement with the leisure contractor. The service will also benefit from the application of some £95,490 of earmarked reserves arising out of Government support earmarked at the end of 2020/21.

- 2.6. There are three areas of significant overspend (>£50,000):

- **Property (£94,800 overspend);** Covid-19 has impacted this service significantly. Firstly car parking, where a £95,000 reduction in income is forecast. Secondly, the on-going cost pressures deriving from the facilities management arrangements are currently forecast to result in a £20,000 overspend, mainly in respect of additional building and public convenience

cleaning costs. These latter costs are however offset by savings against building repair and maintenance budgets. Similarly the additional £22,000 cost of an energy audit is being funded out of the earmarked climate change reserve.

- **Revenues (£71,940 overspend);** The impact of Covid-19 on the Recovery service was initially predicted to be significant. However the income generated from summons activity is now running only £4,000 below original expectations. Further budget pressure in the region of £70,000 is predicted in local taxation from the level of spending on external services to support billing processes and address backlogs arising out of Covid.
- **Corporate Finance (£111,000 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 £160,000 shortfall in budgeted savings offset in part by predicted net savings of £77,000 in the establishment. Further pressure across a number of Corporate budget heads could add a further £28,000 to this overspend.

2.7. Net interest costs, as detailed in section 6, are currently expected to generate £2,130 more income than budgeted.

2.8. The level of funding anticipated for the year is £1,211,980 above that budgeted due to the following:

External Funding: (£1,707,180)

- Business Rates Retention (£1,707,180 additional funding):
 - The Council expects to receive **£2,111,770** in additional S31 grants in the year due to continuation of Extended Retail and Nursery Discounts to respond to the covid-19 situation as well as the Covid-19 Additional Relief Fund – 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.
 - The Council's share of the business rates collection fund deficit to be distributed in 2022/23 is £906,580; this amount of the s31 funding will be put in to reserves at the end of this year to be drawn down in 2022/23 to smooth the effect between years.
 - An increase of **£348,280** in the net levy payable on growth to the Staffordshire Business Rates Pool is currently forecast compared to the budgeted amount. This is due to fluctuations in the level of growth affected by the provision for appeals. Part of the levy payment savings achieved as member of the pool are dependent on the performance of the whole pool so could only be estimated at year end. The pool has now advised the draft final

amount due for the previous year (subject to completion of external audits), this is **£56,310** greater than the accrued amount, which will offset the surplus Business Rates Retention in the current year.

Movement of Reserves: (£495,200 contribution)

- Earmarked Reserves (£495,200 additional contribution):
 - Business Rates (£373,920 contribution); The 21/22 budgeted use of reserves included a £3,989,340 use of the earmarked Business Rates reserve to offset the collection fund deficit brought forward from 20/21. This has left a balance of £532,660 on the reserve. As reported in the Business Rates Retention section above a deficit of £906,580 is anticipated to be funded out of this earmarked reserve in 2022/23. Therefore an additional contribution of £373,920 is required.
 - Other Earmarked (£121,280 additional contribution); 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 contribution into these reserves amounts to £121,280 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 Three, £633,060 in savings have been taken against the 2021/22 efficiency target. These relate to the removal of surplus leasing budgets (£419,660); removal of underspent budgets within the Environmental services (£53,220) and insurance services (£15,000); 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 £160,000 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:

2021-22	£
AES Contract budget	4,565,970
Management fee	4,683,331
Net additional claim/rebate	(250,495)
Allocation of AES efficiency	(21,721)
Covid-19 costs	16,305
Total management fee payable	4,427,420
Allocation of Joint Operation profit	(45,717)
Net total	4,381,703
Variance to budget	(184,267)

- 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 £21,721 share of the total AES forecast efficiency target for 2021/22 is repayable to the Council at the end of the year and is allocated against the management fee costs.
- 4.4. An additional pressure on the Pay Award compared to the budgeted amount is forecast to be offset by an anticipated rebate on recycling contracts income following an improvement on the basket of goods rates. Whilst markets continue to fluctuate this is subject to change, but is currently forecast at a net benefit of £250,495.
- 4.5. Some additional costs relating to Covid-19, such as additional cleaning products, PPE and additional agency costs are forecast at £16,305.
- 4.6. 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 £45,717 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 31st December 2021. Further detail – on a scheme by scheme basis – is contained in Annex A:

	2021/22 Approved Budget	Q3 Changes	2021/22 Revised Budget	Expected Outturn 2021/22	Expected Variance 2021/22
	£	£	£	£	£
Housing	-	-	-	10,000,000	10,000,000
Housing Standards	1,523,200	-	1,523,200	1,523,200	-
Property Services	711,010	-	711,010	508,660	(202,350)
ICT	143,560	-	143,560	122,000	(21,560)
Leisure Services	150,000	-	150,000	150,000	-
Fleet Management	1,712,530	-	1,712,530	1,062,630	(649,900)
CCTV	85,650	-	85,650	85,650	-
Community	200,000	-	200,000	200,000	-
Regeneration	53,520	-	53,520	53,520	-
Horticulture	251,720	-	251,720	251,720	-
Total	4,831,190	-	4,831,190	13,957,380	9,126,190
Funding:-					
External Contributions	1,519,940	-	1,519,940	1,519,940	-
Capital Receipts	25,000	-	25,000	3,215,750	3,190,750
Revenue Reserves	-	-	-	1,200,000	1,200,000
Earmarked Reserves	88,500	-	88,500	1,185,650	1,097,150
Borrowing	3,197,750	-	3,197,750	6,836,040	3,638,290
Total	4,831,190	-	4,831,190	13,957,380	9,126,190

- 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 Sept (£141,620 – relating to carry forwards from 2020/21 resulting in a revised overall capital programme of £4,831,190, no changes have been made during quarter three.
- 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 The General fund capital programme is currently forecast to record an overall net overspend position of £9,126,190, significant variances are:-

- Housing £10,000,000 Following the return of the Ascent loan (reported at 6.5) a capital loan of £10million is being made to Your Housing Group for the maintenance of and provision of affordable housing within the Staffordshire Moorlands District. This is anticipated at the end of January 2022.
- (Property Services £202,350 under-spend) & (Fleet Purchases £649,900 under-spend) caused by the revised timing of capital spend against Asset Management Projects and vehicle purchases, which have been reprofiled into the latest update of the 5 year rolling capital programme,

5.6 Consequently overall capital funding which is anticipated to be applied to the 2021/22 Capital Programme is higher than forecast, reflecting the revised timing of capital spend and repayment of Ascent loan and funding of the Your Housing Group Loan

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 31st December 2021 totalled £18.7million. Interest earned on these investments up to the end of the third quarter totalled £20,960 and the average level of funds available for investment was £19.7million.

6.3. The Council budgeted to receive £20,710 in investment income in 2021/22. As interest rates have improved slightly since the time of budget setting following the increase in the Bank of England base rate in December to 0.25%; a small surplus of £6,450 is anticipated against the budget.

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. These are expected to be returned to the council at the end of January upon the cessation of Ascent Housing LLP: £14million loan and £3.15million impaired debenture.
- 6.6. The investment income budget was based on the original investments continuing for the full year: £100,000 income from the debenture and £422,880 from the loan. Therefore there will be a shortfall against the budget of £12,000 for the debenture and £81,870 for the loan.

Borrowing

- 6.7. External borrowing outstanding as at 31st December 2021 was £8million following the repayment of £7m of Local Authority loans during the year.
- 6.8. The Council has agreed a £10million capital loan to a housing company, Your Housing Limited, as part of the current year capital programme. Costs associated with this are offset by income resulting in a net income of £40,020.
- 6.9. The Council budgeted to incur £224,580 in net interest charges in 2021/22. This was based on externally funding the full Ascent loan balance of £14million and a £1million general fund borrowing requirement. Including the net income above, there is an overall underspend of £89,550 forecast against the borrowing costs budget.

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 Quarter 3 collection rate was as follows:
 - Council Tax – 83.07% of Council Tax was collected by 31st December 2021, compared to 83.03% for the same period in 2020/21, and 83.92% in 2019/20.
 - Business Rates – 76.34% of Business Rates was collected by 31st December 2021, compared to 80.61% for the same period in 2020/21, and 80.45% in 2019/20.
 - The longer term effects of Covid-19 on collection rates continue to be monitored. Timings of payments have also been affected

by the change to the amount of Extended Retail discount by central government.

- 7.3 At the end of Quarter Three the value of sundry debt that was over 60 days old was £46,727 which compares with £71,620 at 31st December 2020.

ANNEX A

Capital Programme Update 31st December 2021

Capital Schemes	2021/22 Approved Budget	Q3 Changes	2021/22 Revised Budget	2021/22 Expected Out-Turn	Expected Variance 2021/22
	£	£	£	£	£
<u>Housing Strategy</u>					
Other Housing	-	-	-	10,000,000	10,000,000
Total Housing Strategy	-	-	-	10,000,000	10,000,000
<u>Housing Standards</u>					
Private Sector Grants	1,523,200	-	1,523,200	1,523,200	-
Total Environmental Health	1,523,200	-	1,523,200	1,523,200	-
<u>Property Services</u>					
Asset Management Plan	711,010	-	711,010	508,660	(202,350)
Total Property	711,010	-	711,010	508,660	(202,350)
<u>ICT</u>					
	143,560	-	143,560	122,000	(21,560)
Total ICT	143,560	-	143,560	122,000	(21,560)
Vehicle & Plant Purchase	1,712,530	-	1,712,530	1,062,630	(649,900)
Fleet Management	1,712,530	-	1,712,530	1,062,630	(649,900)
CCTV - Upgrade	85,650	-	85,650	85,650	-
CCTV	85,650	-	85,650	85,650	-
<u>Regeneration</u>					
Moorlands Partnership Grants	53,520	-	53,520	53,520	-
Total Regeneration	53,520	-	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	251,720	-	251,720	251,720	-
Total Horticulture	251,720	-	251,720	251,720	-
<u>Leisure</u>					
Sports Clubs Facilities	150,000	-	150,000	150,000	-
Total Horticulture	150,000	-	150,000	150,000	-
Total Programme	4,831,190	-	4,831,190	13,957,380	9,126,190