



**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 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.
  - **Efficiency and Rationalisation Programme (Section 3)** – considers progress in achieving the efficiency and rationalisation savings forecast for 2022/23.
  - **Alliance Environmental Services (Section 4)** – highlights the performance of the Council's Joint Venture Company providing Waste, Fleet, Street Cleansing and Grounds Maintenance 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	2022/23 Budget	Projected Outturn 2022/23	Variance	Contribution to (Use of) Earmarked Reserves	Net Variance
	£	£	£	£	£
Alliance Leadership Team	51,780	50,380	(1,400)	-	(1,400)
Audit	9,940	9,940	-	-	-
ICT	713,760	713,760	-	-	-
Human Resources	52,360	52,360	-	-	-
Member Services	354,980	339,480	(15,500)	-	(15,500)
Property Services	662,690	832,690	170,000	-	170,000
Benefits	(243,160)	(243,160)	-	-	-
Planning Applications	(386,310)	(440,310)	(54,000)	-	(54,000)
Building Control	54,510	49,510	(5,000)	-	(5,000)
Customer Services	134,780	121,780	(13,000)	-	(13,000)
Legal Services	64,520	64,520	-	-	-
Electoral Services	82,790	82,790	-	16,060	16,060
Licensing and Land Charges	(210,970)	(170,970)	40,000	-	40,000
Regeneration	65,450	75,450	10,000	-	10,000
Communities and Cultural	153,830	153,830	-	-	-
Housing Strategy	24,660	24,660	-	-	-
Transformation	6,760	6,760	-	-	-
Community Safety and Enforcement	151,050	151,050	-	-	-
Finance & Procurement	133,610	133,210	(400)	-	(400)
Revenues	(303,120)	(303,120)	-	-	-
Corporate Finance*	6,540,640	6,767,700	227,060	(89,060)	138,000
Waste Collection	1,789,630	1,809,000	19,370	-	19,370
Street Scene	397,050	397,050	-	-	-
Leisure Services	186,220	187,980	1,760	(10,000)	(8,240)
Horticulture	554,620	538,390	(16,230)	(7,700)	(23,930)
Environmental Health	(24,660)	(34,660)	(10,000)	-	(10,000)
<b>Net Total of Services</b>	<b>11,017,410</b>	<b>11,370,070</b>	<b>352,660</b>	<b>(90,700)</b>	<b>261,960</b>
<b>Net Interest</b>	<b>(202,340)</b>	<b>(367,340)</b>	<b>(165,000)</b>	<b>-</b>	<b>(165,000)</b>
	<b>10,815,070</b>	<b>11,002,730</b>	<b>187,660</b>	<b>(90,700)</b>	<b>96,960</b>
<b>Funding:</b>					
- external	(9,998,840)	(10,026,470)	(27,630)	-	(27,630)
- reserves contribution to/(from)					
general contingency	98,050	98,050	-	-	-
earmarked - business rates	(906,580)	(906,580)	-	-	-
earmarked - general	(7,700)	(90,700)	(83,000)	90,700	7,700
<b>Projected (Surplus)/Deficit</b>	<b>0</b>	<b>77,030</b>	<b>77,030</b>	<b>-</b>	<b>77,030</b>

\* Staff budgets are currently budgeted within Corporate Finance.

2.2. A revenue budget of £10,792,890 was set for 2022/23. In accordance with Financial Procedure Rules, the roll forward of £22,180 in unused budgets from 2021/22 has been authorised. This was made up of:

- **Planning (£14,650)**: in respect of the development of the Local Plan in 2021/22
- **Policy (£3,330)**
- **Risk Management (£4,200)**: in respect of Member Initiative funds to applied in 2021/22.

This brings the 2022/23 budget to £10,815,070

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 £11,002,730. This represents a projected overspend for the year of £77,030.

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

- **Planning Applications (£54,000 underspend)** – Application fee income is projected to exceed expectations by £50,000.

2.6. There is two areas of significant overspend (>£50,000):

- **Property (£170,000 overspend)** – Impact of utility cost going up from 1<sup>st</sup> October £100,000 impact of cost of cleaning before the Norse contract starts from 4<sup>th</sup> July £70,000
- **Corporate Finance (£227,060 overspend)** – relates to shortfall on the provision in the MTFP for the 2022/23 pay award (£138,000) plus repayment of Additional Restriction Grant Funding (£89,060) further described in paragraph 2.9.

2.7. Inflationary pressures across all other services, including partner organisations, are being monitored and will be reported in future quarterly reports should these crystallise into significant overspends during the remainder of the year.

2.8. Net interest costs, as detailed in section 6, are currently expected to generate £165,000 more income than budgeted.

2.9. The level of funding anticipated for the year is £110,630 above that budgeted due to the following:

*External Funding: (£27,630)*

- Business Rates Retention (£27,630 additional funding) due to a greater levy payment saving than anticipated at budget setting through being a member of the Staffordshire Business Rates pool. This is subject to change as an element of the levy saving is dependent on all members of the pool.

*Movement of Reserves: (£83,000)*

- Additional Restriction Grant Funding of £89,060 is due to be returned to central government as this was not allocated in the various schemes in operation prior to 31<sup>st</sup> March 2022.
- Other Earmarked (net £6,060 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 £6,060 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 2022/23.
- 3.2. The current Efficiency and Rationalisation Strategy was approved by Members in February 2017 and was due to finish 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).
- 3.3. 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.
- 3.4. The current strategy is now largely delivered with no new savings target in 2022/23. The shortfall in savings brought forward from 2021/22 is expected to be delivered in the course of the year.
- 3.5. A savings target of £100k has been incorporated into Year 4 of the 2022/23 MTFP approved in February. These savings, largely reflecting good housekeeping around new procurements and recommissioning and delivery is not scheduled for delivery until 2025/26. However, work is underway on a Programme to address any challenges faced by the Council in the next budget setting process.
- 3.6. 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.
- 3.7. 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 management fee and impact on this Council's budget is summarised below:

2022-23	£
<b>AES base management fee</b>	<b>4,566,990</b>
Efficiency Rebate	(£25,000)
Allocation of Joint Operation profit	tbc
Contract pressures/ (savings)	tbc
<b>Net total</b>	<b>4,541,990</b>

- 4.3. The AES business plan for all services being delivered to the Council during 2022/23 includes a budgeted management fee of £4,566,990. 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.
- 4.4. 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 and is offset against the management fee costs.
- 4.5. AES have recognised some emerging issues at this early stage in the year, which will be built in to future forecasts as these begin to crystalise. These include: recycling income improvements, offset by new bin cost pressures and covid legacy costs as well as pay award reconciliations and the potential inflationary pressures of fuel and some contract inflation changes.

## 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 30<sup>th</sup> 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
	£	£	£	£	£
<b>Housing Standards</b>	1,500,000	21,200	1,521,200	1,521,200	-
<b>Property Services</b>	734,260	28,290	762,550	762,550	-
<b>ICT</b>	20,000	28,050	48,050	48,050	-
<b>Leisure Services</b>	50,000	27,800	77,800	77,800	-
<b>Fleet Management</b>	774,070	(82,850)	691,220	691,220	-
<b>Regeneration</b>	423,000	-	423,000	423,000	-
<b>Community</b>	-	200,000	200,000	200,000	-
<b>Horticulture</b>	-	182,840	182,840	182,840	-
<b>CCTV</b>	-	56,140	56,140	56,140	-
<b>Total</b>	<b>3,501,330</b>	<b>495,500</b>	<b>3,996,830</b>	<b>3,996,830</b>	-
<b>Funding:-</b>					
<b>External Contributions</b>	1,500,000	21,200	1,521,200	1,521,200	-
<b>Capital Receipts</b>	71,000	-	71,000	71,000	-
<b>Revenue Reserves</b>	-	-	-	-	-
<b>Earmarked Reserves</b>	-	-	-	-	-
<b>Borrowing</b>	1,930,330	474,300	2,404,630	2,404,630	-
<b>Total</b>	<b>3,501,330</b>	<b>495,200</b>	<b>3,996,830</b>	<b>3,996,830</b>	-

- 5.3. The 2022/23 General Fund Capital Budget was approved by Members in February 2022 as part of the Medium Term Financial Plan (£3,501,330); and then updated in the Quarter 4 2021/22 provisional outturn report (£495,200 – regarding carry forwards from 2021/22 resulting in a revised overall capital programme of £3,996,830, no changes have been made at this early forecast in the year.

## 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 30<sup>th</sup> June 2022 totalled £24million. Interest earned on these investments up to the end of the first quarter totalled £48,290 and the average level of funds available for investment was £25.4million.
- 6.3. The Council budgeted to receive £79,390 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 £166,000 is currently anticipated against the budget.

#### *Capital loan (Service investment – Housing)*

- 6.4. The Council has made a £10million capital loan (service investment – housing) to Your Housing Limited to support the maintenance of and provision of affordable housing within the Staffordshire Moorlands District. The loan has a maturity of 10 years (due February 2032). Interest is chargeable at 3.07% (including a 0.80% risk premium), therefore £307,000 is receivable in the year. This is a small shortfall of £1,000 against the budget. Borrowing costs of £214,350 to support this are included in the borrowing costs forecast outturn below.

#### *Borrowing*

- 6.5. External borrowing outstanding as at 30<sup>th</sup> June 2022 was £11.1million following the repayment of £1.5m of Local Authority loans.
- 6.6. The Council budgeted to incur £407,310 in net interest charges in 2022/23. This included new borrowing of £2.5million mid-year to fund the capital programme. Borrowing costs are currently forecast to be on target pending decisions on external borrowing and interest rates.

## **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 1 collection rate was as follows:
- Council Tax – 28.88% of Council Tax was collected by 30<sup>th</sup> June 2022, compared to 29.34% for the same period in 2021/22, and 28.76% in 2020/21.
  - Business Rates – 29.10% of Business Rates was collected by 30<sup>th</sup> June 2022, compared to 32.33% for the same period in 2021/22, and 22.30% in 2020/21.
    - This is caused by the fluctuation in payment plans for large RV hereditaments in receipt of changing levels of relief between the years. This is expected to equalise in the coming months.
- 7.3. At the end of Quarter 1 the value of sundry debt that was over 60 days old was £23,180 which compares with £65,050 at 30<sup>th</sup> June 2021.