



**2022/23**

**Second 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 second 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.
  - **Collaborative arrangements (Section 4)** – highlights the performance of the Council's Joint Venture companies: Alliance Environmental Services Ltd and Alliance Norse Ltd.
  - **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	40,770	(11,010)	-	(11,010)
Audit	9,940	9,940	-	-	-
ICT	713,760	766,640	52,880	(10,000)	42,880
Human Resources	52,360	54,400	2,040	-	2,040
Member Services	354,980	335,980	(19,000)	-	(19,000)
Property Services	738,540	1,028,540	290,000	-	290,000
Benefits	(243,160)	(33,290)	209,870	-	209,870
Planning Applications	(386,310)	(448,070)	(61,760)	-	(61,760)
Building Control	54,510	44,510	(10,000)	-	(10,000)
Customer Services	134,780	84,590	(50,190)	-	(50,190)
Legal Services	64,520	64,520	-	-	-
Electoral Services	82,790	82,790	-	9,390	9,390
Licensing and Land Charges	(210,970)	(222,370)	(11,400)	-	(11,400)
Regeneration	65,450	63,950	(1,500)	-	(1,500)
Communities and Cultural	153,830	150,830	(3,000)	-	(3,000)
Housing Strategy	24,660	24,660	-	-	-
Transformation	6,760	19,890	13,130	-	13,130
Community Safety and Enforcement	151,050	131,050	(20,000)	-	(20,000)
Finance & Procurement	133,610	132,060	(1,550)	-	(1,550)
Revenues	(303,120)	(282,910)	20,210	-	20,210
Corporate Finance*	6,202,630	6,549,690	347,060	(89,060)	258,000
Waste Collection	1,816,590	1,798,640	(17,950)	-	(17,950)
Street Scene	399,620	441,990	42,370	-	42,370
Leisure Services	186,220	169,020	(17,200)	(10,000)	(27,200)
Horticulture	563,990	602,280	38,290	(7,700)	30,590
Environmental Health	(24,660)	(26,190)	(1,530)	-	(1,530)
<b>Net Total of Services</b>	<b>10,794,150</b>	<b>11,583,910</b>	<b>789,760</b>	<b>(107,370)</b>	<b>682,390</b>
<b>Net Interest</b>	20,920	(209,180)	(230,100)		(230,100)
	<b>10,815,070</b>	<b>11,374,730</b>	<b>559,660</b>	<b>(107,370)</b>	<b>452,290</b>
<b>Funding:</b>					
- external	(9,998,840)	(10,219,980)	(221,140)		(221,140)
- reserves contribution to/(from):					
general contingency	98,050	98,050	-		-
earmarked - business rates	(906,580)	(762,060)	144,520	-	144,520
earmarked - general	(7,700)	(107,370)	(99,670)	107,370	7,700
<b>Projected (Surplus)/Deficit</b>		<b>383,370</b>	<b>383,370</b>	-	<b>383,370</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 Q2 projected outturn on the General Fund Revenue Account for the year is £11,198,440. This represents a projected overspend for the year of £383,370.

2.5. There are two areas of significant underspend (>£50,000):

- **Planning Applications (£61,760 underspend)** – Application fee income is projected to exceed expectations.
- **Customer Services (£50,190 underspend)** – sustainable savings on postage and printing are being realised following improved working practices compounded by the natural effect of agile working.

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

- **Property (£290,000 overspend)** – Impact of increased utility costs from 1<sup>st</sup> October (£90,000); increased cleaning and caretaking costs arising before the start of the Norse contract (£70,000); shortfall on car park income due to change in parking behaviour (£130,000).
- **Benefits (£209,870 overspend)** – In the previous year there was an increase in the contribution to the Council's provision against not recovering benefits retrospectively judged to have been overpaid to claimants; a similar level is forecast this year due to the current economic climate (£140,000). This is compounded by the levels of subsidy accruing against benefits paid during the year (£69,870).
- **Corporate Finance (£258,000 overspend)** – Additional employee costs (£238,000) including shortfall on the provision in the MTFP for the 2022/23 pay award and other staffing costs; 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 £230,100 more income than budgeted.

- 2.9. The level of funding anticipated for the year is £176,290 above that budgeted due to the following:

*External Funding: (£76,620)*

- Business Rates Retention:
  - The levy payment saving is £76,620 greater 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.
  - £144,520 additional s31 grants are expected to be received to compensate for the cost of the Covid Additional Relief Fund Grants to businesses awarded during the year in relation to the 2021-22 financial year. This will be put aside in to reserves at the end of the year to offset the impact on the collection fund deficit next year.

*Movement of Reserves: (£99,670)*

- 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 £10,610 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 £10,610 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. Collaborative Arrangements

##### *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 contract budget</b>	<b>4,484,540</b>
<b>AES base management fee</b>	<b>4,566,990</b>
Efficiency Rebate	(25,000)
Allocation of Joint Operation profit	(32,340)
Contract pressures/ (savings):	
- Pay award tbc	182,000
- Fuel inflation	131,500
- Recycling Rebate tbc	(293,000)
<b>Net contract cost</b>	<b>4,530,150</b>
<b>Variance</b>	<b>45,610</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. The forecast outturn now includes various contract pressures and savings: the pay award was estimated in line with the Council's expectations at budget setting, this has now been updated to an additional cost of £182,000 pending the final confirmation; the impact of inflation on fuel and red diesel is forecast as £131,500 additional cost; these are offset by the current estimate of a rebate (£293,000) of improved recycling income due to an increased basket of goods rate in the market.

#### **Alliance Norse Limited**

- 4.6. A Joint Venture has been created between Norse Commercial Services Limited (a trading arm of the Norse Group which is wholly owned by Norfolk County Council) (75% ownership), Staffordshire Moorlands District Council (12.5% ownership) and High Peak Borough Council (12.5% ownership) to deliver housing repairs, capital investment and facilities management services across the Councils' property assets. Phase 1 of the project to deliver corporate cleaning and caretaking service went live on 1st April 2022; and phase 2 for the delivery of the remainder of the services on 4th July 2022.
- 4.7. The Service Agreement for the company contains a 9 month budget for the first pro-rata financial year for both phases from July 2022 to March 2023. These figures are included in the revenue and capital outturns within this report.

<b>SMDC</b>	<b>£</b>
General fund repairs	118,153
General fund capital	685,100*
Cleaning and caretaking	463,515
Overheads	73,579
<b>Total</b>	<b>1,340,347</b>

\*tbc based on revaluation of capital works at the date of transfer.

- 4.8. More detail around the performance of the company and the impact on the financial outturns will be included in future reports.

## 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> September 2022; further detail – on a scheme by scheme basis – is contained in Annex A:

	2022/23 Approved Budget	Q2 Changes	2022/23 Revised Budget	2022/23 Expected Out-Turn	2022-23 Expected Variance
	£	£	£	£	£
<b>Housing Standards</b>	1,521,200	-	1,521,200	1,521,200	-
<b>Property Services</b>	762,550	82,000	844,550	275,490	(569,060)
<b>ICT</b>	48,050	-	48,050	48,050	-
<b>Leisure Services</b>	260,640	168,000	428,640	115,030	(313,610)
<b>Fleet Management</b>	691,220	-	691,220	691,220	-
<b>CCTV</b>	56,140	-	56,140	56,140	-
<b>Community</b>	200,000	-	200,000	200,000	-
<b>Regeneration</b>	457,030	435,000	892,030	457,030	(435,000)
<b>Total</b>	<b>3,996,830</b>	<b>685,000</b>	<b>4,681,830</b>	<b>3,364,160</b>	<b>(1,317,670)</b>
<b>Funding:-</b>					
<b>External Contributions</b>	1,521,200	(3,260)	1,517,940	1,519,940	2,000
<b>Capital Receipts</b>	71,000	-	71,000	4,000	(67,000)
<b>Earmarked Reserves</b>	-	56,140	56,140	-	(56,140)
<b>Borrowing</b>	2,404,630	632,120	3,036,750	1,840,220	(1,196,530)
<b>Total</b>	<b>3,996,830</b>	<b>685,000</b>	<b>4,681,830</b>	<b>3,364,160</b>	<b>(1,317,670)</b>

- 5.3. The 2022/23 General Fund Capital Budget as updated and approved by Members on 4<sup>th</sup> October 2022 was set at £3,996,830; changes of £685,000 identified below have been made during Quarter 2, resulting in a revised overall capital programme of £4,681,830.

- 5.4. The changes made to the capital programme since February 2022:-

- Cabinet 29<sup>th</sup> March 2022 approved two new capital projects  
 (£435,000 increase) investment in Leek Market Hall – This project is currently subject to further review including awaiting the outcome of Levelling Up Funding Application &  
 (£250,000 increase) funding of a new “Birchall Sports Village”
- Cabinet Delegated Decision 5th September approved allocation of funds from within the existing approved Outdoor Sport Facilities Capital Fund :-  
 Hot Lane Biddulph (Multi Use Games Area) - £35,000 &  
 Knypersley Knights Football Club £8,530



- A budget virement of £82,000 from Leisure Services to the Asset Management Plan – to support Brough Park footpath resurfacing works- this project is being delivered by the Assets Team.
- 5.5 The overall net underspending variance forecast of £1,317,670 is due to revised timing of capital spend; reprofiling of works within the Asset Management Plan (£569,060 under spend); re-scheduling delivery of Birchall & Brough Park Leisure projects (£313,610 under spend ) and per 5.4 further review of Leek Market Hall Investment ( £435,000 – Under - spend)
- 5.6 Consequently overall capital funding which is expected to be applied to the 2022/23 Capital Programme is lower than forecast, reflecting the revised timing of capital spend, resulting in a reduced **borrowing requirement** of £1,196,530 against the revised budget.

## 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> September 2022 totalled £21.9million. Interest earned on these investments up to the end of the second quarter totalled £130,460 and the average level of funds available for investment was £24.5million.
- 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, to 1.75% in August, and again to 2.25% in September, therefore a surplus of £216,100 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> September 2022 was £9.6million following the repayment of £3million 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. This may now take place during quarter 3. Borrowing costs are currently forecast to be on underspend by £15,000 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 Two collection rate was as follows:
  - Council Tax – 55.27% of Council Tax was collected by 30<sup>th</sup> September 2022, compared to 55.88% for the same period in 2021/22, and 55.60% in 2020/21.
  - Business Rates – 56.53% of Business Rates was collected by 30<sup>th</sup> September 2022, compared to 44.95% for the same period in 2021/22, and 50.32% 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 Two the value of sundry debt that was over 60 days old was £14,920 which compares with £53,157 at 30<sup>th</sup> September 2021.

## Annex A

Capital Schemes	2022/23 Approved Budget	Q2 Changes	2022/23 Revised Budget	2022/23 Expected Out-Turn	2022-23 Expected Variance
	£	£	£	£	£
<b><u>Housing Standards</u></b>					
Private Sector Grants	1,521,200	-	1,521,200	1,521,200	-
<b>Total Environmental Health</b>	<b>1,521,200</b>	<b>-</b>	<b>1,521,200</b>	<b>1,521,200</b>	<b>-</b>
<b><u>Property Services</u></b>					
Asset Management Plan	762,550	82,000	844,550	275,490	(569,060)
<b>Total Property</b>	<b>762,550</b>	<b>82,000</b>	<b>844,550</b>	<b>275,490</b>	<b>(569,060)</b>
ICT	48,050	-	48,050	48,050	-
<b>Total ICT</b>	<b>48,050</b>	<b>-</b>	<b>48,050</b>	<b>48,050</b>	<b>-</b>
Vehicle & Plant Purchase	691,220	-	691,220	691,220	-
<b>Fleet Mangement</b>	<b>691,220</b>	<b>-</b>	<b>691,220</b>	<b>691,220</b>	<b>-</b>
CCTV - Upgrade	56,140	-	56,140	56,140	-
<b>CCTV</b>	<b>56,140</b>	<b>-</b>	<b>56,140</b>	<b>56,140</b>	<b>-</b>
<b><u>Regeneration</u></b>					
Moorlands Partnership Grants	84,030	-	84,030	84,030	-
Leek Market Hall Refurbishment	-	435,000	435,000	-	(435,000)
Cheadle Market Hall	373,000	-	373,000	373,000	-
<b>Total Regeneration</b>	<b>457,030</b>	<b>435,000</b>	<b>892,030</b>	<b>457,030</b>	<b>(435,000)</b>
<b><u>Community</u></b>					
Forsbrook Community Facilities	200,000	-	200,000	200,000	-
<b>Total Community</b>	<b>200,000</b>	<b>-</b>	<b>200,000</b>	<b>200,000</b>	<b>-</b>
<b><u>Leisure Services</u></b>					
Sports Club Facilities Grants	77,800	(35,000)	42,800	8,530	(34,270)
Hot Lane MUGA	-	35,000	35,000	35,000	-
Birchall Sports Village	-	250,000	250,000	46,500	(203,500)
Brough Park Improvements	182,840	(82,000)	100,840	25,000	(75,840)
<b>Total Leisure</b>	<b>260,640</b>	<b>168,000</b>	<b>428,640</b>	<b>115,030</b>	<b>(313,610)</b>
<b>Total Programme</b>	<b>3,996,830</b>	<b>685,000</b>	<b>4,681,830</b>	<b>3,364,160</b>	<b>(1,317,670)</b>