



2022/23

**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 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)	0	(11,010)
Audit	9,940	9,940	0	0	0
ICT	713,760	751,710	37,950	(2,700)	35,250
Human Resources	52,360	165,700	113,340	(50,000)	63,340
Member Services	354,980	331,980	(23,000)	0	(23,000)
Property Services	738,540	969,850	231,310	0	231,310
Benefits	(243,160)	(100,970)	142,190	0	142,190
Planning Applications	(386,310)	(682,630)	(296,320)	0	(296,320)
Building Control	54,510	47,010	(7,500)	0	(7,500)
Customer Services	134,780	64,130	(70,650)	0	(70,650)
Legal Services	64,520	99,520	35,000	0	35,000
Electoral Services	82,790	67,790	(15,000)	9,390	(5,610)
Licensing and Land Charges	(210,970)	(207,650)	3,320	0	3,320
Regeneration	65,450	90,450	25,000	0	25,000
Communities and Cultural	153,830	148,830	(5,000)	(32,000)	(37,000)
Housing Strategy	24,660	24,660	0	0	0
Transformation	6,760	41,710	34,950	0	34,950
Community Safety and Enforcement	151,050	143,050	(8,000)	0	(8,000)
Finance & Procurement	133,610	132,060	(1,550)	0	(1,550)
Revenues	(303,120)	(265,140)	37,980	0	37,980
Corporate Finance*	6,203,630	6,550,690	347,060	(89,060)	258,000
Waste Collection	1,816,590	1,956,520	139,930	0	139,930
Street Scene	399,620	448,700	49,080	0	49,080
Leisure Services	186,220	167,400	(18,820)	(10,000)	(28,820)
Horticulture	563,990	602,150	38,160	(7,700)	30,460
Environmental Health	(24,660)	(22,200)	2,460	0	2,460
Net Total of Services	10,795,150	11,576,030	780,880		598,810
Net Interest	19,920	(357,510)	(377,430)		(377,430)
	10,815,070	11,218,520	403,450	(182,070)	221,380
Funding:					
- external	(9,998,840)	(10,240,650)	(241,810)		(241,810)
- reserves contribution to/(from):					
general contingency	98,050	98,050	0		
earmarked - business rates	(906,580)	(906,580)	0		
earmarked - general	(7,700)	(189,770)	(182,070)	182,070	0
Projected (Surplus)/Deficit	0	(20,430)	(20,430)		(20,430)

* Staff budgets are budgeted within Corporate Finance currently.

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 Q3 projected outturn on the General Fund Revenue Account for the year is £11,218,520. This represents a projected overspend for the year of £403,450. However, £182,070 is funded from the use of earmarked reserves, reducing the overspend to £221,380.

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

- **Planning Applications (£296,320 underspend)** – Application fee income is projected to exceed expectations.
- **Customer Services (£70,650 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 five areas of significant overspend (>£50,000):

- **Human Resources (HR) (£63,340 overspend)** – one-off spend of £75,000 and ongoing spend of £50,000 on consultancy for HR and Organisational Development (OD) strategies to be part funded by the drawdown of a £50,000 reserve held for OD strategy; partially offset by a small underspend on training.
- **Property (£231,310 overspend)** – Impact of increased utility costs from 1st October (£35,000); increased cleaning and caretaking costs arising before the start of the Norse contract (£70,000); underspend on DCC repairs for first quarter (£20,000) shortfall on car park income due to change in parking behaviour (£130,000).
- **Benefits (£142,190 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 (£100,000). This is compounded by the levels of subsidy accruing against benefits paid during the year (£42,190).
- **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.

- **Waste Collection (£139,930 overspend)** – this is a combination of trade waste net overspend of £20,000; domestic recycling credit shortfall of £16,000; AES pay award and fuel inflation, partially offset by a recycling income rebate, net overspend of £130,000; offset by de minimus vehicle sales of an aggregate £26,000 which will be set aside to fund future vehicle purchases.
- 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 expected to generate £377,430 more income than budgeted.
- 2.9. The level of funding anticipated for the year is £423,880 above that budgeted due to the following:

External Funding: (£241,810)

- Business Rates Retention:
 - The levy payment saving is £95,410 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.
 - £146,100 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. As there is no overall deficit on the Business Rates Collection Fund forecast at the end of 2022-23, there is no requirement to put this aside in to reserves at the end of the year.

Movement of Reserves: (£189,770)

- 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 31st March 2022.
- Other Earmarked (net £100,710 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 £100,710 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. Whilst the strategy was largely delivered, 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.
- 3.5. In conjunction with stakeholders, the outputs of an 'Ideas Lab' exercise undertaken during the Autumn of 2022 are being developed and early expectations of the outputs of this to produce a new strategy are being incorporated into the MTFP to be approved in February 2023.
- 3.6. 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 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	£
AES contract budget	4,484,540
AES base management fee	4,566,990
Efficiency Rebate	(25,000)
Allocation of Joint Operation loss	24,620
Contract pressures/ (savings):	
- Pay award	158,000
- Fuel inflation	149,000
- Recycling Rebate	(222,000)
- Other (Fleet and Bins equipment)	61,000

2022-23	£
Net contract cost	4,712,610
Variance	228,070

- 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 loss 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 £158,000; the impact of inflation on fuel and red diesel is forecast as £149,000 additional cost; plus other increases related to fleet and bin provision of £61,000; these are offset by the current estimate of a rebate (£222,000) 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 Councils are paying on account under the Service Agreement 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. These amounts will be reconciled at year end against the actual payments due and the Councils' share of profits from the arrangement.

SMDC	£
General fund capital including overheads	782,270
General fund repairs	118,153
Cleaning and caretaking	463,515
Overheads	33,779

SMDC	£
Total	1,397,717

- 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 31st December 2022; further detail – on a scheme by scheme basis – is contained in Annex A:

	2022/23 Approved Budget	Q3 Changes	2022/23 Revised Budget	2022/23 Expected Out-Turn	2022-23 Expected Variance
	£	£	£	£	£
Housing Standards	1,521,200	-	1,521,200	1,121,200	(400,000)
Property Services	844,550	-	844,550	275,490	(569,060)
ICT	48,050	-	48,050	68,040	19,990
Leisure Services	428,640	-	428,640	155,870	(272,770)
Fleet Management	691,220	-	691,220	451,190	(240,030)
CCTV	56,140	-	56,140	56,140	-
Community	200,000	-	200,000	200,000	(240,030)
Regeneration	892,030	-	892,030	84,030	(808,000)
Total	4,681,830	-	4,681,830	2,411,960	(2,269,870)
Funding:-					
External Contributions	1,517,940	-	1,517,940	1,117,940	(400,000)
Capital Receipts	71,000	-	71,000	69,000	(2,000)
Revenue Reserves	-	-	-	65,000	65,000
Earmarked Reserves	56,140	-	56,140	56,140	-
Borrowing	3,036,750	-	3,036,750	1,103,880	(1,932,870)
Total	4,681,830	-	4,681,830	2,411,960	(2,269,870)

- 5.3. The 2022/23 General Fund Capital Budget as updated and approved by Members on 23rd November 2022 was set at £4,681,830; no changes have been made during quarter three.
- 5.4. As part of the update of the Medium Term Financial Plan the Capital Programme has been reviewed, re-profiled and updated to reflect the latest position in terms of capital projections to 31st March 2027. As a result, the current year's programme is anticipated to record an underspend of £2,269,870. This is due to a number of projects which are behind schedule which have now been reprofiled into future years these include works within the Asset Management Plan (£569,060); re-scheduling of delivery of Birchall Leisure projects (£313,610); regeneration of Cheadle & Leek Markets (£808,000); and the timing of Fleet purchases (£240,030).
- 5.5. 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 £1,932,870 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 31st December 2022 totalled £23.8million. Interest earned on these investments up to the end of the second quarter totalled £271,820 and the average level of funds available for investment was £23.9million.
- 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, to 2.25% in September, to 3.00% in November, and again to 3.50% in December, therefore a surplus of £329,430 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 31st December 2022 was £7.6million following the repayment of £5million 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. No new borrowing is now expected to take place during the year, therefore borrowing costs are currently forecast to be underspent by £49,000.

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 Three collection rate was as follows:
- Council Tax – 82.62% of Council Tax was collected by 31st December 2022, compared to 83.07% for the same period in 2021/22, and 83.03% in 2020/21.
 - Business Rates – 81.42% of Business Rates was collected by 31st December 2022, compared to 76.34% for the same period in 2021/22, and 80.61% 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 three the value of sundry debt that was over 60 days old was £13,796 which compares with £46,727 at 31st December 2021.

Annex A

Capital Schemes	2022/23 Approved Budget	Q3 Changes	2022/23 Revised Budget	2022/23 Expected Out-Turn	2022-23 Expected Variance
	£	£	£	£	£
<u>Housing Standards</u>					
Private Sector Grants	1,521,200	-	1,521,200	1,121,200	(400,000)
Total Environmental Health	1,521,200	-	1,521,200	1,121,200	(400,000)
<u>Property Services</u>					
Asset Management Plan	844,550	-	844,550	275,490	(569,060)
Total Property	844,550	-	844,550	275,490	(569,060)
<u>ICT</u>					
	48,050	-	48,050	68,040	19,990
Total ICT	48,050	-	48,050	68,040	19,990
Vehicle & Plant Purchase	691,220	-	691,220	451,190	(240,030)
Fleet Management	691,220	-	691,220	451,190	(240,030)
CCTV - Upgrade	56,140	-	56,140	56,140	-
CCTV	56,140	-	56,140	56,140	-
<u>Regeneration</u>					
Moorlands Partnership Grants	84,030	-	84,030	84,030	-
Buttermarket Refurbishment	435,000	-	435,000	-	(435,000)
Cheadle Market Hall	373,000	-	373,000	-	(373,000)
Total Regeneration	892,030	-	892,030	84,030	(808,000)
<u>Community</u>					
Forsbrook Community Facilities	200,000	-	200,000	200,000	-
Total Community	200,000	-	200,000	200,000	-
<u>Leisure Services</u>					
Sports Club Facilities Grants	42,800	-	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	100,840	-	100,840	100,840	-
Total Leisure	428,640	-	428,640	155,870	(272,770)
Total Programme	4,681,830	-	4,681,830	2,411,960	(2,269,870)