



2022/23

**Fourth Quarter
(Provisional Outturn)
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 fourth and final 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 (with staff)	2022/23 Budget	Provisional Outturn 2022/23	Variance	Use of (Contribution to) Earmarked Reserves	Net Variance
	£	£	£	£	£
Alliance Leadership Team	396,350	358,389	(37,961)	-	(37,961)
Audit	94,600	92,020	(2,580)	-	(2,580)
ICT	713,760	812,753	98,993	(8,074)	90,919
Human Resources	52,360	55,659	3,299	-	3,299
Member Services	475,410	442,698	(32,712)	-	(32,712)
Property Services	942,080	1,201,763	259,683	-	259,683
Benefits	(151,390)	13,873	165,263	-	165,263
Planning Applications	183,340	36,565	(146,775)	-	(146,775)
Building Control	54,510	38,991	(15,519)	-	(15,519)
Customer Services	600,620	566,155	(34,465)	-	(34,465)
Legal Services	256,320	246,900	(9,420)	-	(9,420)
Electoral Services	82,790	40,967	(41,823)	28,273	(13,549)
Licensing and Land Charges	(210,970)	(236,146)	(25,176)	-	(25,176)
Regeneration	318,150	504,968	186,818	(125,000)	61,818
Communities and Cultural	350,570	345,819	(4,751)	(33,193)	(37,944)
Housing Strategy	174,280	119,873	(54,407)	33,282	(21,126)
Transformation	203,160	259,938	56,778	(50,000)	6,778
Community Safety and Enforcement	151,050	124,120	(26,930)	-	(26,930)
Finance & Procurement	388,980	367,022	(21,958)	-	(21,958)
Revenues	176,340	115,890	(60,450)	139,377	78,927
Corporate Finance	1,749,670	1,718,658	(31,012)	(249,885)	(280,896)
Waste Collection	2,105,860	2,306,300	200,440	-	200,440
Street Scene	399,620	453,086	53,466	-	53,466
Leisure Services	199,040	176,665	(22,375)	(10,000)	(32,375)
Horticulture	563,990	613,150	49,160	(4,284)	44,876
Environmental Health	524,660	484,193	(40,467)	26,710	(13,757)
Net Total of Services	10,795,150	11,260,269	465,119		212,325
Net Interest	19,920	(406,908)	(426,828)	-	(426,828)
Funding	10,815,070	10,853,361	38,291	(252,794)	(214,503)
- external	(9,998,840)	(10,472,040)	(473,200)		(473,200)
- reserves contribution to/(from);					
general contingency	98,050	98,050			
earmarked Business Rates	(906,580)	(790,170)	116,410		116,410
earmarked	(7,700)	(252,794)	(245,094)	252,794	7,700
Projected (Surplus)/Deficit	-	(563,593)	(563,593)		(563,593)

* In previous quarters Staff costs were budgeted and recorded in Finance & Procurement. They were considered a corporate resource to be the main source of savings realised by the Authority's Efficiency and Rationalisation Programme, However to show the true use of resources by individual services it is necessary to include the actual staff costs incurred. Therefore the Quarter Four provisional outturn position includes the actual staff costs (and matching budgets) at the service level.

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 provisional outturn on the General Fund Revenue Account for the year is £10,251,477 This represents a projected underspend for the year of £563,593

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

- **Planning Applications (£146,775 underspend) –** £302,000 surplus income from application fees following receipt of a number of significant development requests; offset by resultant agency costs incurred to support the service; £10,000 in surplus income from street naming fees; offset by £12,000 of unbudgeted planning enquiry costs.
- **Housing Strategy (£54,407 underspend) –** due to receiving various Homelessness grants in year, part of which has been put into an earmarked reserve to be drawn as costs emerge.
- **Revenues (£60,450 underspend) –** a net underspend of £131,000 in the year from receipt of a New Burdens Grant received in year, the balance of which has been put into an earmarked reserve to be drawn as costs emerge. This is offset by a shortfall on recovery income of £69,000.

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

- **ICT (£98,993 overspend) –** relating to various project and upgrade overspends against the budget. These have been reviewed and realigned for the coming financial year. £8,000 spend on professional fees relating to the development of the ICT strategy has been funded by the related earmarked reserve.
- **Property (£259,683 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 (£140,000)
- **Benefits (£165,263 overspend) –** attributable to the increase in the provision for bad debt against overpaid benefits to bring this to prudent levels. These aged debts are to be reviewed in the coming financial year.
- **Regeneration (£186,818 overspend) –** shortfall on market rental income (£37,000), increase in stall set up costs (£13,000); (£188,000) spend on Levelling Up bid professional fees partially offset by using the reserve set aside for this (£125,000).

- **Transformation (£56,778 overspend)** – due to professional fees relating to the development of the HR and Organisational Development (OD) strategies. This is part funded by the drawdown of a £50,000 reserve held for OD strategy.
- **Waste Collection (£200,440 overspend)** – this is a combination of domestic recycling credit shortfall of £84,000 due to reducing tonnages; a £145,000 net overspend on AES Waste & Fleet due to pay award and fuel inflation including red diesel and HVO, partially offset by a recycling income rebate, further described in the Collaborative Arrangements section below; offset by de minimus vehicle sales of an aggregate £34,000 which will be set aside to fund future vehicle purchases.
- **Street Scene (£53,466 overspend)** – due to the impact of the pay award and fuel inflations within AES.

- 2.7. Inflationary pressures across all other services, including partner organisations, continue to be monitored.
- 2.8. The provisional outturn on net interest costs, as detailed in section 6, shows £426,828 surplus income compared to the budgeted amount.
- 2.9. The level of funding anticipated for the year is £601,884 above that budgeted due to the following:

External Funding (£473,200):

- Business Rates Retention (£470,489):
 - The draft outturn on the net levy payable to the Staffordshire Business Rates pool after pool savings is £287,224 less than anticipated due to decreased NNDR income in comparison to the budgeted figure. This is subject to change as an element of the levy saving is dependent on all members of the pool.
 - Following updates to the draft outturns of members of the Pool a refund of £44,862 was received from levy payments made for 2020/21 and 2021/22.
 - A levy surplus distribution of £21,993 has been received from central government.
 - £116,410 additional s31 grants are receivable to compensate for the cost of additional reliefs awarded to businesses during the year as instructed by Central Government.
- Other government grants (£2,711)

Movement of Reserves:

- The original budget for 2022/23 assumed a contribution of £120,230 to general fund contingency which was reduced to £98,050 following approval to use £22,180 carried forward from 2022/23.
- In accordance with the budget, the £906,580 Business rates earmarked reserve was used to support the Collection Fund income derived from Business Rates. The £116,410 additional Business Rates surplus s31 grants received during the year will be put aside in reserves to partially fund the Council's share of the overall deficit on the Business Rates Collection Fund forecast at the end of 2022/23.
- Other Earmarked Reserves (£252,794 additional usage): 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 may need to be applied. Provisionally, net usage of these reserves amounts to £245,094 more than nominally anticipated at the beginning of the year.

	Contribution to (Use of) Earmarked Reserves
	£
ICT	
- Use of IT Strategy Reserve to fund Consultancy costs	(8,074)
Electoral Services	
- Use of Elections Reserve for Elections	(15,613)
- Contribution to Elections reserve	25,000
- Electoral Integrity Programme Grant received and allocated to Reserve for future use	18,886
Regeneration	
- Use of Levelling up Grant to fund consultancy work	(125,000)
Communities & Cultural	
- Use of Climate Control Reserve to fund overspend on Costs associated to project	(60,000)
- S31 Biodiversity Grant received and allocated to Reserve for future use	26,807
Housing Strategy	
- Use of Homelessness Support Grant to fund overspend on Costs associated to project	(10,841)
- Supported Housing Improvement Programme (SHIP) Grant received and allocated to Reserve for future use	19,231
- New Burdens Domestic Abuse Grant received and allocated to Reserve for future use	24,891
Transformation	
- Use of Organisational Development (OD) Earmarked Reserve to fund Consultancy costs	(50,000)
Revenues	
- New Burdens Council Tax rebate Grant received and allocated to Reserve for future use	120,649

- New Burdens Business Rates Relief Grant received and allocated to Reserve for future use	18,730
Finance	
- Use of Covid 19 Grant reserve to fund energy rebate	(249,885)
Leisure	
- Use of Leisure – Staffordshire and Stoke-On-Trent Grant funding for staff post	(10,000)
Horticulture	
- Use of Section 106 Monies	(7,700)
- Contribution into Bowling Green sinking fund	2,500
- Stewardship grant	915
Environmental Health	
- New Burdens Air Quality Grant received and allocated to Reserve for future use	26,710
Total	(252,794)

General Fund Revenue Reserves

- 2.10. The provisional outturn for the year on the General Fund Revenue Account was a £563,593 surplus.
- 2.11. The surplus generated is calculated inclusive of the £98,050 contribution to general reserves budgeted for in 2022/23. Therefore, the Authority's contingency reserves have increased overall by £661,643
- 2.12. The Authority's calculated minimum for its contingency reserve is £1,480,000. A review of the Authority's reserves has been performed to identify areas where earmarking for future projects was considered prudent while maintaining a satisfactory level for contingency. As a result, various moves into earmarked reserves will be considered during the closure of accounts process including: Future Leisure Provision, IT Strategy, Organisational Development Strategy, Inflation, Tree Safety, and Capital Funding. These will be reported for consideration in the next quarterly finance report.

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 was incorporated into Year 4 of the 2022/23 MTFP approved in February 2022. This saving has subsequently been rolled into the following review of the strategy.
- 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 were incorporated into a new strategy in the MTFP approved in February 2023. A total of £690,000 is included in the plan, profiled across 2023/24 £0, 2024/25 £200,000, 2025/26 £240,000, and 2026/27 £250,000.
- 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 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	£
AES contract budget	4,484,540
AES base management fee	4,566,990
Efficiency Rebate	(25,000)
Allocation of Joint Operation profit	(28,115)
Contract pressures/ (savings):	
- Pay award	158,910
- Fuel inflation inc. HVO	238,785
- Recycling Rebate	(205,353)
- Other (Fleet and Bins equipment)	25,524
Net contract cost	4,731,741
Variance	247,201

- 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 provisional 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; the impact of inflation on fuel including red diesel and HVO; plus other increases related to parks, fleet and bin provision; these are offset by a rebate for 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 pay on account for the revenue services delivered by Norse. At the end of the year a discount is repayable to the Councils of 1% of the trading profit/loss. Under accounting standards, Alliance Norse's financial performance is consolidated in to the Councils' single entity statements as a 'Joint Operation' as opposed to separate group accounts being reported. The profit/ (loss) is therefore offset against the payment on account.

SMDC	£
Norse Payment on Account	870,292
Contract profit/ loss discount	(80,435)
Allocation of Joint Operation (profit)/ loss	(113,611)
Net contract cost	676,246

5. Capital Programme

- 5.1. This section of the report provides an update to members on the Council's Capital Programme.
- 5.2. The revised General Fund Capital Programme for 2022/23, as updated and approved in February, was set at £2,411,960
- 5.3. The 2022/23 provisional outturn at March 2023 is summarised in the table below, with further detail provided at Annex A.

Service	2022/23 Approved Budget	Out-Turn 2022/23	Variance
	£	£	£
Housing Standards	1,121,200	804,425	(316,775)
Property Services	275,490	157,510	(117,980)
ICT	68,040	65,349	(2,691)
Leisure Services	155,870	171,398	15,528
Fleet Management	451,190	385,619	(65,571)
CCTV	56,140	-	(56,140)
Community	200,000	-	(200,000)
Regeneration	84,030	39,196	(44,834)
Total	2,411,960	1,623,497	(788,463)
Funding:-			
External Contributions	1,117,940	804,425	(313,515)
S106 Contributions	-	120,600	120,600
Capital Receipts	69,000	25,000	(44,000)
Revenue Reserves	65,000	65,000	-
Earmarked Reserves	56,140	-	(56,140)
Borrowing	1,103,880	608,472	(495,408)
Total	2,411,960	1,623,497	(788,463)

- 5.4. The 2022/23 The Council incurred Capital Expenditure of £1,623,497 during the year against the revised budget of £2,411,960 representing an underspend of £788,463. This is made up of a number of variances which reflects the impact of Capital Programme projects which are either behind schedule or have progressed quicker than expected with the most significant variance being:

- Housing Standards (£316,775 underspend) Disabled Facilities grants completed in the final quarter were below the revised forecast. Overall delivery of the grant programme is below the annual Government support of £1.7m received against expenditure of £0.8m. The funding is ringfenced and therefore no adjustment of carry forward is required. An underspend of £20,384 against the Home Repairs grants budget will be carried forward .
- Property Services (£117,980 underspend) resulting from several variances in cost and timing of projects within the Asset Plan, the balance on uncompleted projects will be carried forward

- Fleet Management (£65,571 underspend) replacement of vehicles and plant, the timetable has been re-evaluated in line with requirements and availability of vehicles.
 - CCTV (underspend £56,140) the replacement of CCTV cameras, the budget has been carried forward as contingency for any outstanding works.
 - Community-(£200,000 underspend) – budget allocated to support Forsbrook Community projects is being rolled forward
- 5.5. Consequently, capital funding applied to the 2022/23 Capital programme is lower than forecast, reflecting the incidence of timing of capital spend.
- 5.6. As a result of the variances detailed above, approval is sought to increase the capital budgets for 2023/24 as shown in the table below:-

Capital Programme 'Carry Forwards' (2022/23 to 2023/24)			
Service	Variance	Carry Forward to 2023/24	Over/(Underspend) Completed Projects
	£	Over/(Underspend)	£
		£	
Housing Standards	(316,775)	(20,384)	(296,391)
Property Services	(117,980)	(118,009)	325
ICT	(2,691)	(2,053)	(638)
Fleet Management	(65,571)	(65,571)	-
CCTV	(56,140)	(56,140)	-
Regeneration	(44,834)	(44,834)	-
Community	(200,000)	(200,000)	-
Leisure	15,528	15,528	-
Total	(788,463)	(491,463)	(296,704)

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 March 2023 totalled £16.4million. Interest of £458,272 was earned on these investments during the year. The average level of funds available for investment was £23.3million.

- 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, the base rate increased during the year from 0.75% to 4.25%. As interest rates on investment opportunities followed this same path, a surplus of £378,882 is reported against the budget.

Capital loan (Service investment – Housing)

- 6.4. Interest is received on the £10million capital loan (service investment – housing) made to Your Housing Limited in 2021/22 to support the maintenance of and provision of affordable housing within the Staffordshire Moorlands District at a fixed rate of 3.07% (including a 0.80% risk premium). The budget was set at £308,000 just shortly before the rate was finalised, therefore there is a small shortfall of £1,000. The loan has a term of 10 years to maturity.

Borrowing

- 6.5. External borrowing outstanding as at 31st March 2023 was £7.6million following the repayment of £5million of Local Authority loans.
- 6.6. The cost of borrowing in the year was £358,364. The budget for the year was set at £407,310 with an anticipation of a greater borrowing requirement and associated costs, therefore an underspend of £48,946 is reported.

7. Revenue Collection

- 7.1. The collection rate outturn for 2022/23 was as follows:
- **Council Tax** – 98.3% of Council Tax was collected during 2022/23, compared to 98.46% in 2021/22, and 98.17% in 2020/21.
 - **Business Rates** – 98.8% of Business Rates was collected during 2022/23, compared to 99.01% in 2021/22, and 97.35% in 2020/21.
 - **Sundry Debts** – the value of sundry debts over 60 days old at 31st March 2023 was £29,808, compared with £15,962 at 31st March 2022. The increase is due to a single invoice of £13,896 which is being pursued.

Annex A

Capital Schemes	2022/23 Approved Budget	Out-Turn 2022-23	Variance	C/fwd to 2023/24 Over/(Undersp end)	Over/(Undersp end) Completed Projects
	£	£	£	£	£
<u>Housing Standards</u>					
Private Sector Grants	1,121,200	804,425	(316,775)	(20,384)	(296,391)
Total Environmental Health	1,121,200	804,425	(316,775)	(20,384)	(296,391)
<u>Property Services</u>					
Asset Management Plan	275,490	157,510	(117,980)	(118,009)	325
Total Property	275,490	157,510	(117,980)	(118,009)	325
<u>ICT</u>	68,040	65,349	(2,691)	(2,053)	(638)
Total ICT	68,040	65,349	(2,691)	(2,053)	(638)
Vehicle & Plant Purchase	451,190	385,619	(65,571)	(65,571)	-
Fleet Mangement	451,190	385,619	(65,571)	(65,571)	-
CCTV - Upgrade	56,140		(56,140)	(56,140)	-
CCTV	56,140	-	(56,140)	(56,140)	-
<u>Regeneration</u>					
Moorlands Partnership Grants	84,030	39,196	(44,834)	(44,834)	-
Total Regeneration	84,030	39,196	(44,834)	(44,834)	-
<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	8,530	15,990	7,460	7,460	-
Birchall Sports Village	46,500	28,056	(18,444)	(18,444)	-
Brough Park Improvements	100,840	127,352	26,512	26,512	-
Total Leisure	155,870	171,398	15,528	15,528	-
Total Programme	2,411,960	1,623,497	(788,463)	(491,463)	(296,704)