

## **Staffordshire Moorlands Statement of Accounts 2022/23 – Chief Finance Officer Review**

- 1. Please provide the most significant reasons for the 2022/23 operating surplus of £625,365.**

The £0.625m surplus is identified on page 4 of the Narrative Statement. Funding levels received were £0.473m above expectations; this was primarily due to an increase of funding received through Business Rates Retention, made up of a smaller levy payable to the Business Rates Pool, a surplus levy distribution from central government, and additional s31 grants to compensate the Council for the cost of additional business rates reliefs awarded.

Actual spend on activities during 2022/23 was £0.023m less than anticipated.

Further explanations for the variances contributing to the overall underspend were reported within the Quarter Four (Provisional Outturn) Financial Report reported to Finance & Performance Committee on 25th July 2023.

- 2. Please explain the movement between years on the following lines on the Balance Sheet (highlighted yellow):**

31st March 2022	Balance Sheet	31st March 2023	Major Variances (2022/23 compared to 2021/23)
31,089	Property, Plant & Equipment	34,515	3,426
584	Heritage Assets	584	0
4,081	Investment Properties	4,228	147
226	Intangible Assets	236	10
10,053	Long-term Debtors	10,052	(1)
<b>46,033</b>	<b>TOTAL LONG TERM ASSETS</b>	<b>49,615</b>	<b>3,582</b>
14,544	Short-term Investments	7,465	(7,079)
79	Inventories	79	0
4,078	Short Term Debtors	3,383	(695)
14,023	Cash & Cash Equivalents	9,658	(4,365)
<b>32,724</b>	<b>TOTAL CURRENT ASSETS</b>	<b>20,585</b>	<b>(12,139)</b>
0	Cash & Cash Equivalents	0	0
(5,065)	Short-term Borrowings	(3,038)	2,027
(16,088)	Short-term Creditors	(6,641)	9,447
(496)	Provisions	(758)	(262)
<b>(21,649)</b>	<b>TOTAL CURRENT LIABILITIES</b>	<b>(10,437)</b>	<b>11,212</b>
(7,604)	Long-term Borrowing	(4,604)	3,000
(28,410)	Pensions Liability	(7,357)	21,053
0	Other Long-term Liabilities	(48)	(48)
(444)	Grant Receipts in Advance - Capital	(999)	(555)
<b>(36,458)</b>	<b>TOTAL LONG TERM LIABILITIES</b>	<b>(13,008)</b>	<b>23,450</b>
<b>20,650</b>	<b>TOTAL NET ASSETS</b>	<b>46,755</b>	<b>26,105</b>
15,137	Useable Reserves	15,737	600
5,513	Unusable Reserves	31,018	25,505
<b>20,650</b>	<b>TOTAL RESERVES</b>	<b>46,755</b>	<b>26,105</b>

### ***Property, Plant and Equipment (£3.426m)***

This reflects the increase in the revaluation of the Council's assets.

### ***Short-term Investment (£7.079m)***

Change of no significance as it represents the impact of operational TM cash flow requirements at and around the balance sheet date.

### ***Cash & Cash Equivalents (£4.365m)***

This reflects the influx of cash received from Central Government to support the local authority, businesses and individuals, but not as yet applied at 31st March.

### ***Short-term Borrowings (£2.027m)***

Treasury Management strategy and transaction timings has seen a shift to long term borrowing and away from short term borrowing.

### ***Short-term Creditors (£9.447m)***

The main reason for the variance is in 21/22 there was a £6.27m creditor for Covid 19 Support, which has since reduced to £0.5m.

### ***Long-term Borrowing (£3m)***

As noted above, Treasury Management actions and transaction timings has seen a shift to long term borrowing and away from short term borrowing.

## Pensions Liability (£21.053m)

The decrease in pension liability arises from the year end valuations performed by the Scheme Actuary which this year have been impacted by an increase in the yield from Corporate Bonds which is an integral measure used in the valuation of the fund.

## Unusable Reserves

The decrease in unusable reserves primarily reflects a £21.053m decrease in pension liability arising from the year end valuations performed by the Scheme Actuary. There is also a £3.9m change on the Revaluation Reserve.

2021-22			2022-23			Variance >£400k			
Gross Expenditure	Gross Income	Net Expenditure	CIES Variance Analysis	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000	£000	£000	£000
547	0	547	Alliance Leadership Team	501	0	501	(46)	0	(46)
140	0	140	Audit	132	0	132	(8)	0	(8)
797	(2)	795	ICT	890	(1)	889	93	1	94
60	0	60	Human Resources	57	0	57	(3)	0	(3)
379	0	379	Member Services	419	0	419	40	0	40
2,112	(853)	1,259	Property Services	2,454	(870)	1,584	342	(17)	325
10,742	(10,731)	11	Benefits	10,108	(10,094)	14	(634)	637	3
733	(378)	355	Revenues	738	(485)	253	5	(107)	(102)
809	(623)	186	Planning Applications	950	(802)	148	141	(179)	(38)
90	(40)	50	Building Control	40	0	40	(50)	40	(10)
615	(3)	612	Customer Services	606	(3)	603	(9)	0	(9)
302	(45)	257	Legal Services	282	(14)	268	(20)	31	11
48	(2)	46	Electoral Services	62	(21)	41	14	(19)	(5)
40	(256)	(216)	Licensing & Land Charges	1	(237)	(236)	(39)	19	(20)
704	(378)	326	Regeneration	834	(171)	663	130	207	337
413	(13)	400	Communities & Cultural	446	(27)	419	33	(14)	19
288	(235)	53	Housing Strategy	405	(280)	125	117	(45)	72
232	0	232	Transformation	267	0	267	35	0	35
151	(29)	122	Community Safety & Enforcement	161	(20)	141	10	9	19
450	0	450	Finance & Procurement	445	0	445	(5)	0	(5)
2,395	(1,413)	982	Corporate Finance	662	(120)	542	(1,733)	1,293	(440)
5,479	(2,745)	2,734	Waste Collection	5,769	(2,539)	3,230	290	206	496
801	(375)	426	Street Scene	870	(371)	499	69	4	73
1,545	0	1,545	Leisure Services	1,113	(123)	990	(432)	(123)	(555)
894	(328)	566	Horticulture	944	(273)	671	50	55	105
1,903	(2,189)	(286)	Environmental Health	1,535	(1,906)	(371)	(368)	283	(85)
<b>32,669</b>	<b>(20,638)</b>	<b>12,031</b>	<b>Cost Of Services</b>	<b>30,691</b>	<b>(18,357)</b>	<b>12,334</b>	<b>(1,978)</b>	<b>2,281</b>	<b>303</b>
1,942	0	1,942	Other Operating Expenditure	1,511	(21)	1,490	(431)	(21)	(452)
1,148	(2,794)	(1,646)	Financing & Investment Income & Exp	782	(1,046)	(264)	(366)	1,748	1,382
	(12,518)	(12,518)	Taxation & non-specific Grant		(12,187)	(12,187)	0	331	331
			<b>(191) (Surplus) or Deficit on Provision of Services</b>			<b>1,373</b>			<b>1,564</b>
			(2,018) (Surplus) or Deficit on Revaluation of Property, Plant and Equipment Ass			(4,504)			(2,486)
			(14,565) Remeasurement of the net defined pension benefit liability			(22,974)			(8,409)
			<b>(16,583)</b>			<b>(27,478)</b>			<b>(10,895)</b>
			<b>(16,774)</b>			<b>(26,105)</b>			<b>(9,331)</b>

### 3. Can you please provide an explanation for the decrease in gross expenditure and income for the Benefits service?

This reflects lower benefits being paid out, as entitlement is reduced. As income reclaimed is based on expenditure incurred (that is, the majority is claimed back from Government), it too has reduced by a similar amount, leaving the net cost fluctuating by a far lesser amount between the two years.

### 4. Please explain the considerable differences in both gross expenditure and gross income for the Corporate Finance service?

This is Distorted by the change in the level of Discretionary C19 support grant income received and paid to businesses and individuals between years. Income 21/22 £1.3m 22/23 £0m ; Spend 21/22 £2.09m 22/23 £0.17m.

### 5. Please explain the decrease in gross expenditure for Leisure service?

This reflects a decrease in Capital charges from 2021/22 to 2022/23.

**6. Please explain the Other Expenditure change in figures from 2021/22 to 2022/23?**

In 2021/22 there was £0.498 impairment on the debenture.

**7. Please explain the Financing & Investment Income & Expenditure change in figures from 2021/22 to 2022/23?**

This is mainly due to the extinguishment of a soft loan in 2021/22: when soft loans are made, a loss is recorded in the CIES (charged to the appropriate revenue service) for the present value of the interest that will be foregone over the life of the instrument. Interest is then credited to the financing and investment income and expenditure line in the CIES at the higher effective rate of interest (i.e. what would be chargeable had it not been a 'soft' loan) In 2021/22 there was a £1.9m charge (Note 14b).

**8. Please explain the “(Surplus) or Deficit on Revaluation of Property, Plant and Equipment Assets” change in figures from 2021/22 to 2022/23?**

The note in the Statement of Accounts on the Revaluation Reserve (Note 13a) on provides more detail, where the effect of last year's downward revaluation of assets reflects the Valuer's use of the Modern Equivalent Assets methodology as part of the DRC (depreciated replacement cost) valuations.

**9. Can you explain the following major variations (highlighted in yellow) on the Collection Fund?**

2021/22			2022/23			Major Variances		
Council Tax	Business Rates	Total	Council Tax	Business Rates	Total	Council Tax	Business Rates	Total
£000	£000	£000	£000	£000	£000	£000	£000	£000
	(16,364)			(18,792)			(2,428)	
	(296)			5			301	
(63,611)			(66,230)			(2,619)		
(77)						77		
<b>(63,688)</b>	<b>(16,660)</b>	<b>(80,348)</b>	<b>(66,230)</b>	<b>(18,787)</b>	<b>(85,017)</b>	<b>(2,542)</b>	<b>(2,127)</b>	<b>(4,669)</b>
	10,003			9,724			(279)	
45,254	1,800		46,958	1,750		1,704	- 50	
7,935			8,330			395	-	
2,620	200		2,693	194		73	- 6	
7,065	8,003		7,359	7,780		294	- 223	
	<b>82,880</b>			<b>84,788</b>				<b>1,908</b>
	(5,293)			(1,133)			4,160	
(454)	(591)		392	(204)		846	387	
(79)			69			148	0	
(27)	(100)		22	(23)		49	77	
(72)	(3,989)		62	(906)		134	3,083	
	<b>(10,605)</b>			<b>(1,721)</b>				<b>8,884</b>
188	250		120	75		(68)	(175)	
50	(334)		646	135		596	469	
	(1,860)			(336)			1,524	
	302			990			688	
	113			113			0	
	<b>(1,291)</b>			<b>1,743</b>				<b>3,034</b>
<b>62,480</b>	<b>8,504</b>	<b>70,984</b>	<b>66,651</b>	<b>18,159</b>	<b>84,810</b>			

### *Income due from Business Rates Payers (£2.428m)*

This continues to show the impact of the pandemic with measures put in place to support businesses now winding down and tax take increasing. The majority of the difference relates to the retail relief awarded which started at 100% in 2021/22 reducing part way through the year, compared with a 75% scheme throughout 2022/23.

### *Income due from Council Tax Payers (£2.619m)*

This relates to the Growth in the Council tax collectable between years reflecting both expansion of the taxbase plus an average 3.14% increase in the individual charges made. The increase is the composite of the precepting Authorities, not just the Staffordshire Moorlands element of the council tax bill.

### *Preceptor Staffordshire County Council (Council Tax £1.704m)*

The growth in the Council tax precept between years reflects both expansion of the taxbase plus the 2.99% increase in the individual charges levied by the County Council.

### *Distribution of Previous Year Surplus/ (Deficit) - Central Government (£4.16m)*

A smaller deficit on the business rates collection fund was forecast at January 2022 reducing the distribution requirement for 2022/23 compared to the previous year, this was in part due to more knowledge around available reliefs at budget setting time.

Distribution of Previous Year Surplus/ (Deficit) – Staffordshire County Council (£0.846m Council Tax)

The forecast collection fund balance for council tax at January 2022 reverted to a surplus position as the council tax income increased, this was distributed in 2022/23.

*Distribution of Previous Year Surplus/ (Deficit) – Staffordshire Moorlands DC (£3.083m)*

A smaller deficit on the business rates collection fund was forecast at January 2022 reducing the distribution requirement for 2022/23 compared to the previous year, this was in part due to more knowledge around available reliefs at budget setting time.

*Increase in Impairment Allowance (£0.596m Council Tax and £0.469m Business Rates)*

*There was a larger change to the collection fund impairment allowances following a review of the aged debt to allow for a prudent provision in the accounts.*

*Change to Business Rates Appeals provision (£1.524m + £0.688m)*

There was an overall reduction in the level of provision required for business rates appeals as the 2017 valuation list reaches the end of its life, with a new list being in place from 1 April 2023.

**10. Are there any major risks to the authority indicated in the accounts? If so, how are these being dealt with?**

*Narrative Report:* this goes into some detail about potential impact on the financial standing of the council in the medium to long term. It also touches upon the level of funding that is now raised and retained locally as opposed to being provided by Central Government. These two issues make the Council more vulnerable to both national and local economic factors (but also more open to benefiting from above average economic growth too).

To manage these risks, there is robust budgetary control (evidenced by the in-year underspend, despite considerable Covid-19 pressures) and the maintenance of adequate reserves - both those that are earmarked to support particular activities and as a contingency against unplanned changes in income and expenditure. At the end of 2022/23, the general revenue reserve stood at £2.9 million, which is £1.4 million above the minimum contingency level.

*Balance Sheet and Capital Notes (primarily Note 6):* these list the extensive assets of the Council. Assets such as these can become individual or collective liabilities if they are not adequately maintained. This risk is mitigated by the Council's Asset Management Plan (AMP), which ensures that capital resources are focused on maintaining the structural integrity and value of property assets. The AMP is in the process of being refreshed, with a particular emphasis on obtaining up to date site assessments.

*Pension Notes (primarily Note 4):* this highlights the pension liability of £7.357m, valuation of which is based primarily on the value of Corporate Bonds. This risk to the medium / long term viability of the Council is countered by measures adopted by local government pension schemes to increase contributions and reduce

entitlements over the medium to long term. Future contribution rates (combined with investment strategies) are designed to ensure that the Fund is in balance over the longer term.

*Financial Instrument Notes:* This includes a comprehensive analysis of the various risks around the value of all financial assets including cash, receivables and investments. This risk is managed through the Council's budgetary control and treasury management strategy / procedures. Realistic budgeting is supported by robust risk adverse borrowing and investment strategies.

*Contingent Liabilities:* Highlights a number of areas where there may be a future call on the Council's resources if certain actions or events materialise. These items are monitored and managed as part of the Authority's financial planning process. Future budgets can, if necessary, be amended in response to any liability materialising. There are operating reserves available to ameliorate the impact on other services in any particular year.