

# APPENDIX A

## 2024/25 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 2024/25.

1.2. The report summarises overall financial performance for 2024/25 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 Fund Account by considering variations in income and expenditure and the funding received by the Council.
- **Efficiency Programme (Section 3)** considers progress in achieving the efficiency savings forecast and the content of a new programme.
- **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 plans.
- **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 looking at variations in income and expenditure and funding received by the Council. The table includes the comparative information for the previous year.

2023/24 Budget	Draft Outturn 2023/24	Service	2024/25 Budget	Projected Outturn 2024/25	Variance	Contribution to (Use of) Earmarked Reserves	Net Variance
£	£		£	£	£	£	£
377,060	394,568	Leadership Team	375,880	343,530	(32,350)	-	(32,350)
107,710	98,653	Audit	112,070	110,780	(1,290)	-	(1,290)
820,360	1,055,421	ICT	1,104,520	1,306,430	201,910	(187,500)	14,410
52,360	56,933	Human Resources	53,870	64,230	10,360	-	10,360
538,500	643,803	Member Services	712,260	694,430	(17,830)	-	(17,830)
918,500	1,089,943	Property Services	877,240	1,010,560	133,320	-	133,320
(243,160)	(146,868)	Benefits	(243,160)	(241,120)	2,040	-	2,040
337,940	84,380	Development Services	263,820	386,140	122,320	(100,900)	21,420
54,500	57,987	Building Control	54,500	54,500	-	-	-
616,470	620,096	Customer Services	692,980	654,680	(38,300)	-	(38,300)
292,230	243,784	Legal Services	301,960	271,960	(30,000)	-	(30,000)
96,390	163,887	Electoral Services	96,390	60,000	(36,390)	28,000	(8,390)
(127,250)	(131,647)	Licensing	(127,250)	(127,250)	-	-	-
345,720	190,002	Regeneration	367,580	306,760	(60,820)	-	(60,820)
371,540	382,034	Communities and Cultural	465,800	476,250	10,450	(15,000)	(4,550)
186,200	122,567	Housing Strategy	152,180	170,180	18,000	-	18,000
278,650	340,200	Transformation	393,480	365,570	(27,910)	(5,380)	(33,290)
171,050	166,851	Community Safety and Enforcement	151,050	148,900	(2,150)	-	(2,150)
416,160	424,795	Finance	447,030	445,430	(1,600)	-	(1,600)
395,170	526,598	Revenues	415,320	393,610	(21,710)	-	(21,710)
1,809,680	1,497,750	Corporate Finance	688,170	1,294,730	606,560	-	606,560
2,610,610	3,571,314	Waste Collection	3,386,820	3,321,080	(65,740)	-	(65,740)
451,100	483,875	Street Scene	500,940	508,100	7,160	-	7,160
197,810	208,619	Leisure Services	714,240	714,240	-	-	-
620,670	662,400	Horticulture	741,920	748,940	7,020	(7,700)	(680)
552,600	538,294	Environmental Health	644,910	744,120	99,210	(97,140)	2,070
<b>12,248,570</b>	<b>13,346,239</b>	<b>Net total of services</b>	<b>13,344,520</b>	<b>14,226,780</b>	<b>882,260</b>		<b>496,640</b>
(553,930)	(796,577)	Net Interest	(631,120)	(598,620)	32,500		32,500
<b>11,694,640</b>	<b>12,549,662</b>	<b>Net total</b>	<b>12,713,400</b>	<b>13,628,160</b>	<b>914,760</b>	<b>(385,620)</b>	<b>529,140</b>
		<b>Funding:</b>					
(11,689,510)	(11,805,910)	External	(11,553,550)	(11,900,780)	(347,230)		(347,230)
602,570	602,570	General contingency	(1,152,150)	(1,152,150)	-		-
(607,700)	(813,647)	Earmarked general	(7,700)	(385,620)	(377,920)	385,620	7,700
	(116,410)	Earmarked business rates	-	-	-		-
<b>0</b>	<b>416,265</b>	<b>Projected (Surplus)/Deficit</b>	<b>-</b>	<b>189,610</b>	<b>189,610</b>	<b>-</b>	<b>189,610</b>

2.2. A revenue budget of £12,713,400 was set for 2024/25. There is no carry forward of budgets requested from the previous year under Financial Procedure Rules. The table above shows how the budget has been allocated to services.

2.3. The first quarter projected outturn for the General Fund Revenue Account for 2024/25 is £13,628,160, which is an overspend against the budget of £914,760. It is anticipated that £385,620 of earmarked reserves will be applied, giving an overall forecast overspend to £529,140.

2.4. There are two service areas with projected significant underspend (>£50,000):

- **Regeneration £60,820:** £35,000 underspend in salaries arising from vacant posts, £95,000 underspend from projects not taken place; offset by £72,000 shortfall in income, and costs relating to the market projects.
- **Waste Collection £65,740:** Emerging information from recycling markets indicates that there will be an increase to the anticipated recycling income, therefore a rebate of £139,000 is anticipated from the AES contract. This is partially offset by the anticipated pay award being in excess of the budgeted amount. In addition, there is a small saving on short term staff vacancies of £11,000 and £16,000 of de minimus fleet sales which will be used to fund current purchases.

2.5. There are five service areas with projected significant overspends (>£50,000):

- **ICT £201,910:** inflation and modernising IT equipment are forecast at a total overspend of £89,000. Consultancy spend of £112,000 is forecast related development and delivery of the ICT strategy. It is anticipated that £187,500 will be drawn from the earmarked reserve to offset some of these costs, reducing the overspend to £14,410.
- **Property services £133,320:** due to a shortfall on Car Park income compounded by an increase in transaction costs.
- **Development services £122,320:** due to a shortfall on fees of £17,000 and an overspend of £100,000 on planning appeals. It is anticipated that £100,900 will be drawn from the earmarked reserve to offset these costs, reducing the overspend to £21,420.
- **Corporate Finance £606,560:** on the assumption that the in-year efficiency programme target of £250,000 can be met, additional pressures on inflation are forecast to cause an overspend of £570,000. This forecast will continue to be monitored and refined during the rest of the year. A small additional pressure of £39,000 is anticipated on pay award and establishment costs.

- **Environmental Health £99,210:** Expenditure is taking place in year to utilise grant funding received in the previous year which was held in an earmarked reserve. After this reserve is applied the overspend will be reduced to £2,070.

2.6. There is a shortfall of £32,500 in net interest income, as detailed in section 6.

2.7. The provisional outturn on funding for the year is forecast to be £725,150 more than that budgeted made up of the following:

**External Funding (£347,230 increase)**

- **Business Rates Retention** £250,060 increase in external funding:
  - The net levy payable to the Staffordshire Business Rates Pool after Pool savings is estimated to be £164,730 less than anticipated. However, this is subject to change as the levy savings are partially dependent on the performance of the Pool as a whole, which will not be confirmed until the completion of the audit of accounts for all members.
  - S31 grants associated with Small Business Rate Relief and Retail Discount are forecast to be £75,120 more than the budgeted figure due to fluctuations in awards over time. This is a general fund grant, so in the event that the collection fund is in deficit at year end, this will be put into an earmarked reserve to fund future year deficit distribution.
  - A net increase of £10,210 due to a tariff adjustment offset by a levy surplus distribution from central government.
- **Other external funding:** a £97,170 increase in funding from central government grants compared to the provisional local government finance settlement included in the medium term financial plan.

**Other movements in reserves (£377,920 increase):**

- **Contingency reserves:** The budget for 2024/25 assumed a use of £1,152,150 to general fund contingency; this remains in the forecast.
- **Other Earmarked Reserves:** These reserves exist to match available funding with future projects and activities. It is not always 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. A net use of £385,620 is anticipated compared to the £7,700 included at budget setting.

### 3. Efficiency Programme

3.1. The 2024/25 to 2027/28 Medium Term Financial Plan (MTFP) was balanced with the inclusion of an efficiency requirement of £890,000:

£000	2024/25	2025/26	2026/27	2027/28	Total
SMDC Efficiency requirement	250	250	300	90	<b>890</b>
<b>Cumulative</b>	<b>250</b>	<b>500</b>	<b>800</b>	<b>890</b>	

3.2. Themed areas to achieve this programme include: Asset Management Plan, Income and Charges, Project Management, Recruitment and Retention, and Council Controlled Companies. Work to identify the detail of where these savings can be achieved continues in all areas and there is a Head of Service lead for each stream.

3.3. Under the Income and Charges stream the cost of providing services is being reviewed in order to ensure that fees and charges remain at the appropriate level to cover costs, have only intentional subsidy, or make a return as applicable in appropriate areas. This review has started with an initial focus on pest control and cemetery service charges. A review of the Council's approach to off-street car parking across the district is also being undertaken which will include consultation with all council members – noting that the car park income budget is already under pressure.

3.4. Under the Council Controlled Companies stream, financing cost saving have been identified relating to a review of pavement sweepers, additional income to the council has been created through new customers for organic recycling, commercial waste and recycling, and bulky waste services. The part year effect is c. £42,000.

3.5. A long standing earmarked reserve of £492,210 was increased to £500,210 in the closure of accounts for 2023/24 – this is available to support the implementation of the Efficiency Programme.

#### **4. Collaborative Arrangements**

##### **Alliance Environmental Services Ltd (AES)**

4.1. AES delivers waste, fleet, street cleansing and grounds maintenance services to both Staffordshire Moorlands District Council and High Peak Borough Council. 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:

2024-25	£
<b>AES contract budget</b>	<b>5,463,240</b>
AES base management fee	5,502,540
Allocation of Joint Operation profit	(35,000)
Contract pressures/ (savings):	
Pay award and Pension	54,000
Leek Transfer Station Closure	79,820
Fuel price savings	(62,000)
Vehicle parts and insurances	39,000
Recycling income improvement	(139,000)
<b>Net contract cost</b>	<b>5,439,360</b>
<b>Variance</b>	<b>(23,880)</b>

4.3. The AES business plan for all services being delivered to the Council during 2024/25 includes a budgeted management fee of £5,502,540. Under accounting standards, AES's financial performance is incorporated into the Councils' single entity statements as a 'Joint Operation' as opposed to separate group accounts being reported. The profit or 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 or in addition to the management fee costs. The company has reported a provisional outturn profit for the year, with £35,000 attributable to the Council's accounts.

4.4. The provisional outturn for the Council includes various contract pressures and savings:

- The pay award was estimated in line with the Council's expectations at budget setting, the provisional outturn includes an additional cost of £54,000 as the company anticipates the pay award will be greater than the budgeted amount.
- There was a temporary closure of Leek Transfer Station by Staffordshire County Council spanning the end of the previous financial year and into the current year, the financial impact of this to the Council was £79,820 in this financial year.
- Fuel costs are anticipated to be £62,000 lower due to a reducing price per litre than was forecast in the budget although it should be noted that fuel costs vary throughout the year.

- Further inflation pressure of £39,000 is anticipated on vehicle parts.
- A rebate of £139,000 is anticipated due to improvements in income in recycling markets – though at this early stage in the year, this is subject to change in the volatile environment.

### **Alliance Norse Limited (ANL)**

4.5. ANL delivers facilities management services, capital investment, and disabled facilities grants across the Councils' property assets to both Staffordshire Moorlands District Council and High Peak Borough Council. The Councils are shareholders of the company along with Norse Commercial Services Limited, which is a trading arm of the Norse Group which is wholly owned by Norfolk County Council.

4.6. The 2024/25 revenue budget has been rolled forward from 2023/24 levels with appropriate crystalised inflation applied for pay award, utilities, and material prices. These are shown below along with the forecast outturn and variance to budget. There are small surpluses forecast which are included in the general fund revenue forecast outturn in table 2.1.

<b>2024/25</b>	<b>Cleaning &amp; Caretaking</b>	<b>GF Repairs</b>
	£	£
Budget	742,020	214,740
Forecast outturn	719,760	208,250
Variance	(22,260)	(6,490)

4.7. The Councils pay a core charge as agreed in the Business Plan for the revenue services delivered by Norse. At the end of the year, a discount is repayable to the Councils of one third of the actual trading profit. Under accounting standards, Norse's financial performance is consolidated into the Councils' single entity statements as a 'Joint Operation' as opposed to separate group accounts being reported. The remaining profit/ (loss) is therefore part of the outturn for the Councils. The forecast of this discount and profit allocation, where applicable, will be included in subsequent quarterly reports as the forecasts firm up.

## **5. Capital Programme**

5.1. This section of the report provides an update to Members on the Council's capital programme. The table below shows a high level summary of the capital programme at 30 June 2024; further detail is provided at Annex A.

	2024/25 Approved Budget	Q1 Changes	2024/25 Revised Budget	2024/25 Expected Out-Turn	2024-25 Expected Variance
	£	£	£	£	£
Housing Standards	2,220,390	(4,000)	2,216,390	2,216,390	-
Property Services	1,038,610	401,190	1,439,800	1,439,800	-
ICT	161,570	-	161,570	161,570	-
Leisure Services	793,440	454,530	1,247,970	1,247,970	-
Fleet Management	678,250	-	678,250	678,250	-
Community	-	(128,000)	(128,000)	(128,000)	-
Regeneration	443,000	65,640	508,640	508,640	-
Levelling Up Schemes	17,991,710	(132,660)	17,859,050	17,859,050	-
<b>Total</b>	<b>23,326,970</b>	<b>656,700</b>	<b>23,983,670</b>	<b>23,983,670</b>	<b>-</b>
Funding:-					
External Contributions	2,217,120	161,000	2,378,120	2,378,120	
Levelling Up Funding (LUF)	15,784,530	(132,650)	15,651,880	15,651,880	-
Planning Obligations	25,000	-	25,000	25,000	-
Revenue Reserves	16,500	-	16,500	16,500	-
Borrowing	5,283,820	628,350	5,912,170	5,912,170	-
<b>Total</b>	<b>23,326,970</b>	<b>656,700</b>	<b>23,983,670</b>	<b>23,983,670</b>	<b>-</b>

5.2. The 2024/25 capital programme was approved by Members in February 2024 as part of the Medium Term Financial Plan (£23,326,970) and then updated in the Quarter 4 provisional outturn report; £441,700; regarding carry forwards from 2023/24. In addition as identified below, further budget changes of £215,000 have been incorporated, giving a revised budget of £23,983,670.

Changes to Capital Budgets (new projects):

- Biddulph Valley Leisure Centre Energy Efficiency (£165,000) following a successful bid to the Sport England Swimming Pool Support Fund for the upgrade of the leisure centre's air handling unit.
- Leek Old Cemetery (£50,000) 28 May 2024 members approved funding for the removal, refurbishment and replacement of perimeter railings and gates at Leek Cemetery, Junction Road.

5.3. There are no further changes to report at this stage; the programme will be reviewed and reprofiled as part of the Medium Term Financial Plan update.

## 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 at the end of quarter 1 totalled £15.99million. The average level of funds available for investment in the period totalled £15.96million and £199,000 interest was earned.

6.3. The Council has budgeted to receive £912,140 in investment income in 2024/25 based on the improved investment return opportunities while the Bank of England base rate remains high. A shortfall of £82,500 is forecast against this budget as the average portfolio size is smaller than anticipated partly due to continued internally borrowing as well as other cash flow fluctuations.

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

6.4. There is a capital loan (service investment – housing) of £10million 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.

## **Borrowing**

6.5. External borrowing outstanding as at 31 March 2024 was £7.6million. A £3million local authority loan with an interest rate of 5.70% matures at the end of July. New short term borrowing of £3.5million commences in May for three months at a rate of 5.20%.

6.6. The Council budgeted to incur £588,020 in net interest charges in 2024/25, which included new and refinanced borrowing. An underspend of £50,000 is forecast owing to a smaller MRP charge in the year due to a reduced borrowing requirement in the previous year.

## **7. Revenue Collection**

7.1. The collection rate outturn for the first quarter in 2024/25 was as follows:

- Council Tax – 28.66% of Council Tax collected by the end of the quarter, compared to 28.80% in 2023/24, and 28.88% in 2022/23.
- Business Rates – 29.02% of Business Rates collected by the end of the quarter, compared to 29.53% in 2023/24, and 29.10% in 2022/23.

- Sundry Debts - The value of sundry debts over 60 days old at the end of the quarter was £32,030, compared to £536,773 (including one single large invoice at £513,008) at the same point during 2023/24.

## Annex A

### Capital Programme Update 30 June 2024

Capital Schemes	2024/25 Approved Budget	Q1 Changes	2024/25 Revised Budget	2024/25 Expected Out-Turn	2024/25 Expected Variance
	£	£	£	£	£
<b>Housing Standards</b>					
Private Sector Grants	2,220,390	(4,000)	2,216,390	2,216,390	-
	<b>2,220,390</b>	<b>(4,000)</b>	<b>2,216,390</b>	<b>2,216,390</b>	-
<b>Property Services</b>					
Asset Management Plan	1,038,610	401,190	1,439,800	1,439,800	-
	<b>1,038,610</b>	401,190	1,439,800	<b>1,439,800</b>	-
<b>ICT</b>	<b>161,570</b>	-	<b>161,570</b>	<b>161,570</b>	-
<b>Vehicle &amp; Plant Purchase</b>	<b>678,250</b>	-	<b>678,250</b>	<b>678,250</b>	-
<b>Regeneration</b>					
Moorlands Partnership Grants	70,000	65,640	135,640	135,640	-
Cheadle Market	373,000	-	373,000	373,000	-
	<b>443,000</b>	<b>65,640</b>	<b>508,640</b>	<b>508,640</b>	-
<b>Community</b>					
Forsbrook Community Facilities	-	(128,000)	(128,000)	(128,000)	-
	-	<b>(128,000)</b>	<b>(128,000)</b>	<b>(128,000)</b>	-
<b>Leisure Services</b>					
Sports Club Facilities Grants	115,240	-	115,240	115,240	-
Cheadle Cricket Club	25,000	-	25,000	25,000	-
Hot Lane MUGA	-	8,700	8,700	8,700	-
Biddulph Valley LC (Energy Efficiency)	291,880	230,830	522,710	522,710	-
Biddulph Valley LC (Air Handling Units)	-	165,000	165,000	165,000	-
Birchall Sports Village	105,230	-	105,230	105,230	-
Brough Park Improvements	76,090	-	76,090	76,090	-
Glebeville Leek Play Area	70,000	-	70,000	70,000	-
Church Road Biddulph Play Area	60,000	-	60,000	60,000	-
Church Road Biddulph MUGA	50,000	-	50,000	50,000	-
Leek Old Cemetery – Railings/Gates	-	50,000	50,000	50,000	-
	<b>793,440</b>	<b>454,530</b>	<b>1,247,970</b>	<b>1,247,970</b>	-
<b>Levelling Up Fund (LUF)</b>					
Nicolson Institute(LUF)	3,670,530	43,310	3,713,840	3,713,840	-
Brough Park Leisure Centre(LUF)	11,286,740	93,200	11,379,940	11,379,940	-
Leek Markets (LUF)	3,034,440	(269,170)	2,765,270	2,765,270	-
	<b>17,991,710</b>	<b>(132,660)</b>	<b>17,859,050</b>	<b>17,859,050</b>	-
<b>Total Programme</b>	<b>23,326,970</b>	<b>656,700</b>	<b>23,983,670</b>	<b>23,983,670</b>	-