



2023/24

**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 2023/24.
- 1.2. The report summarises overall financial performance for 2023/24 to date 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	2023/24 Budget	Projected Outturn 2023/24	Variance	Contribution to (Use of) Earmarked Reserves	Net Variance
	£	£	£	£	£
Alliance Leadership Team	51,780	42,420	(9,360)	-	(9,360)
Audit	9,940	7,170	(2,770)	-	(2,770)
ICT	815,360	903,480	88,120	(69,700)	18,420
Human Resources	52,360	52,340	(20)	-	(20)
Member Services	351,650	399,650	48,000	-	48,000
Property Services	576,900	874,660	297,760	-	297,760
Benefits	(243,160)	(253,160)	(10,000)	-	(10,000)
Planning Applications	(365,960)	(355,720)	10,240	-	10,240
Building Control	54,510	39,000	(15,510)	-	(15,510)
Customer Services	132,280	109,760	(22,520)	-	(22,520)
Legal Services	64,520	76,520	12,000	-	12,000
Electoral Services	97,790	87,790	(10,000)	-	(10,000)
Licensing and Land Charges	(210,970)	(202,250)	8,720	-	8,720
Regeneration	65,170	48,870	(16,300)	-	(16,300)
Communities and Cultural	128,830	130,830	2,000	-	2,000
Housing Strategy	24,660	24,660	-	-	-
Transformation	56,760	55,290	(1,470)	-	(1,470)
Community Safety and Enforcement	171,050	170,050	(1,000)	-	(1,000)
Finance & Procurement	129,410	117,750	(11,660)	-	(11,660)
Revenues	(209,320)	(207,570)	1,750	-	1,750
Corporate Finance*	6,901,730	6,802,180	(99,550)	-	(99,550)
Waste Collection	2,332,560	3,162,090	829,530	-	829,530
Street Scene	451,100	493,440	42,340	-	42,340
Leisure Services	196,510	216,510	20,000	(50,000)	(30,000)
Horticulture	637,770	655,310	17,540	-	17,540
Environmental Health	(24,660)	(10,740)	13,920	(15,800)	(1,880)
Net Total of Services	12,248,570	13,440,330	1,191,760		1,056,260
Net Interest	(553,930)	(675,170)	(121,240)		(121,240)
	11,694,640	12,765,160	1,070,520	(135,500)	935,020
Funding:					
- external	(11,689,510)	(11,668,850)	20,660		20,660
- reserves contribution to/(from):					
general contingency	602,570	602,570	-		-
earmarked - general	(607,700)	(743,200)	(135,500)	135,500	-
earmarked - business					
rates	-	(116,410)	(116,410)		(116,410)
Projected (Surplus)/Deficit	-	839,270	839,270	-	839,270

* Staff budgets are currently budgeted within Corporate Finance.

- 2.2. A revenue budget of £11,694,640 was set for 2023/24. There were no roll forwards 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 quarter 1 projected outturn on the General Fund Revenue Account for the year is £12,795,160. This represents a projected overspend for the year of £1,070,520, however, £135,500 is forecast to be funded from earmarked reserves reducing the overspend to £935,020.
- 2.4. There is one area of significant underspend (>£50,000):
- **Corporate Finance £99,550**: this is subject to change pending the outcome of the Pay Award when settled, and the impact of crystallising inflation as budgets are allocated to services areas.
- 2.5. There are three areas of significant overspend (>£50,000):
- **ICT (£88,120)**: overspends are predicted on hardware, as well as consultancy on the Digital Strategy, which is forecast to be funded by reserves of £69,700.
 - **Property Services (£297,760)**: £200,000 of forecast increased utilities costs, which will be subject to a review for crystallisation for allocation from inflation budget pots; and £100,000 shortfall forecast on carpark income forecast, which will be reviewed and updated as seasonal variations emerge.
 - **Waste Collection (£829,530)**: AES has forecast a £534,000 shortfall on recycling income compounded by a reduction in tonnage; £65,000 waste contract increases; a £125,000 pay award pressure; and a £147,000 share in the forecast Joint Operation loss compared to a £26,000 profit included in the budget; offset by £48,000 reduction in fuel costs from reducing diesel prices. This is offset further by £21,000 forecast surplus income from waste recycling credits and trade waste income.
- 2.6. Net interest costs, as detailed in section 6, are expected to generate £121,240 more income than budgeted.
- 2.7. The level of funding anticipated for the year is £95,750 above that budgeted due to the following:
- External Funding*
- Business Rates Retention £20,660 reduction in external funding:
 - The levy payment saving is £115,760 more 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.
 - S31 grants associated with Small Business Rate Relief and Retail Discount are forecast to be £136,420 lower than forecast at budget setting due to fluctuations in awards following the introduction of the 2023 valuation list.
 - Use of Business Rates Reserve £116,410: use of the reserve allocated to smooth the impact of general fund movements in the prior year and distribution of collection fund deficit in the current year.

Other movements in Reserves

- Other Earmarked Reserves £135,500 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 can be applied. To date, across the Council net usage of these reserves amounts to £135,5000 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 2023/24.
- 3.2. In conjunction with stakeholders, the outputs of an 'Ideas Lab' exercise undertaken during the Autumn of 2022 continue to be developed and expectations of the outputs of this to produce a new strategy were incorporated into 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. This has further evolved following consultation with Councillors and the themes from this are contained within this report. Two key criteria were established for the efficiency programme from the very outset:
 - The programme should not be detrimental to the delivery of front-line services.
 - Any reduction in staffing should be minimised; the programme includes no expected staffing reductions.
- 3.3. Five themes that have been established for the programme are:
 - Asset Management Plan
 - Council Controlled Companies
 - Income and charges
 - Recruitment and retention
 - Project Management
- 3.4. The Council 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 professional fees. 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.
- 3.5. To balance the MTFP will require the delivery of at least £690k of efficiencies over its lifetime. The Council has a strong track record of delivering efficiency targets and has strong governance, project management and control mechanisms to ensure delivery. However, the volatile economic environment and that efficiency programmes developed from previous iterations tend to be more difficult to achieve (it is natural that aspects more difficult to deliver and carrying more risks will be left until later) mean that it is essential to

assess risk, take mitigating actions and programme to over-deliver and so building in a level of contingency.

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:

2023-24	£
AES contract budget	5,133,190
AES base management fee	5,195,040
Efficiency Rebate	(25,000)
Allocation of Joint Operation loss	202,330
Contract pressures/ (savings):	
- Pay award	173,370
- Fuel reduction	(66,000)
- Recycling income reduction	534,000
- Waste contract increases	65,000
- Other	15,440
Net contract cost	6,094,180
Variance	960,990

- 4.3. The AES business plan for all services being delivered to the Council during 2023/24 includes a budgeted management fee of £5,133,190. 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 £173,370; recycling tonnage and associated income is forecast to be reduced by £534,000; additional waste contract costs of £65,000 are forecast; the Council's share of

the joint operation forecast loss is £202,330; partially offset by reductions in fuel costs of £66,000 from reducing diesel costs.

Alliance Norse Limited

- 4.6. Alliance Norse Limited (Norse) delivers capital investment and facilities management services across the Councils' property assets to both Staffordshire Moorlands District Council and High Peak Borough Council as well as housing repairs to 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.
- 4.7. 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, 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.
- 4.8. The 2023/24 budget has been rolled forward from 2022-23 levels – this will undergo a review during quarter 2 to apply crystallised inflation, contractual increases, and variations to job requirements from the budget pots approved as part of the 2023/24 Medium Term Financial Plan.

2023/24	£
Norse Payment on Account	834,130
Contract profit/ loss discount	(8,300)
Allocation of Joint Operation (profit)/ loss	(16,600)
Net contract cost	809,230

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 30th June 2023; further detail – on a scheme by scheme basis – is contained in Annex A:

	2023/24 Approved Budget	Q1 Changes	2023/24 Revised Budget	2023/24 Expected Out-Turn	2023-24 Expected Variance
	£	£	£	£	£
Housing Standards	1,774,000	20,390	1,794,390	1,794,390	-
Property Services	1,080,000	107,950	1,187,950	1,198,310	10,360
ICT	50,000	2,050	52,050	57,050	5,000
Leisure Services	2,980,190	233,980	3,214,170	3,208,330	(5,840)
Fleet Management	561,000	65,570	626,570	534,910	(91,660)
CCTV		56,140	56,140	56,140	-
Community		200,000	200,000	200,000	-
Regeneration	61,920	44,830	106,750	106,750	-

Levelling Up Schemes	600,000	19,012,100	19,612,100	19,612,100	-
Total	7,107,110	19,743,010	26,850,120	26,767,980	(82,140)
Funding:-					
External Contributions	3,736,420	73,260	3,809,680	3,809,680	-
Levelling Up Funding (LUF)	-	17,110,890	17,110,890	17,110,890	-
Planning Obligations	210,000	(120,600)	89,400	83,560	(5,840)
Capital Receipts	-	-	-	-	-
Revenue Reserves	25,500	-	25,500	25,500	-
General Reserves	900,000	-	900,000	900,000	-
Earmarked Reserves	-	-	-	56,140	56,140
Borrowing	2,235,190	2,679,460	4,914,650	4,782,210	(132,440)
Total	7,107,110	19,743,010	26,850,120	26,767,980	(82,140)

- The 2023/24 General Fund Capital Budget was approved by Members in February 2023 £7,107,110 as part of the Medium Term Financial Plan and then updated in the Quarter 4 provisional outturn report £491,460 – regarding carry forwards from 2022/23. Following finalisation of the accounts approval is now sought for a revised carry forward of £481,410. In addition as identified below, further budget changes of £19,261,600 have been incorporated, giving a revised 23-24 Capital programme budget of £26,850,120.

Changes to Capital Budgets :-

Levelling Up Fund –Total project Budget added - £19,012,100 The formal agreement has now been signed with the Department for Levelling Up Housing and Communities (DLUHC) accepting the grant award of £17,110, 890. (Council’s matched funding -£1,901,210) for works to Leek Markets, Brough Park Leisure Centre, and the Nicholson Institute.

Biddulph Valley Leisure Centre – Public Sector Decarbonisation Scheme - Budget Increase £249,500 – Cabinet Delegated Decision 26th July 2023, - members approved further matched funding to cover additional works and anticipated cost increases. The Council’s contribution to the overall project is now £514,500

5.3. There is one significant variance forecast at this stage

- Fleet (£91,660 – under spend)** –replacement of vehicles and plant, the timetable has been re-evaluated in line with requirements and availability of vehicles.

5.4. Consequently, overall capital funding expected to be applied to the 2023/24 Capital Programme is lower than forecast, reflecting the revised timing of capital spend, resulting in a reduced borrowing requirement of £132,440 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 30th June 2023 totalled £16.7million. Interest earned on these investments up to the end of the first quarter totalled £147,000 and the average level of funds available for investment was £14.9million.
- 6.3. The Council budgeted to receive £796,440 in investment income in 2023/24 under the expectation that the Bank of England base rate would peak at 4.50% and return to 4.00% by Spring 2024. However, the base rate has increased at the time of writing to 5.25% and is anticipated to peak at 5.50% during the year and investment income opportunities tend to follow this same trend. Investment income is forecast to be on target against the budget. This could change during the year depending on the size of the portfolio available for investment as well as actual interest rates available.

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 30th June was £7.6million with no changes during the first quarter.
- 6.6. The Council budgeted to incur £549,510 in net interest charges in 2023/24. Although interest rates have increased, external borrowing now being profiled to the latter half of the year is forecast to realise savings on borrowing costs of £121,240.

7. Revenue Collection

- 7.1. The collection rate outturn for the first quarter in 2023/24 was as follows:
- **Council Tax** – 28.80% of Council Tax was collected by the end of the quarter during 2023/24, compared to 28.88% in 2022/23, and 29.34% in 2021/22.
 - **Business Rates** – 29.53% of Council Tax was collected by the end of the quarter during 2023/24, compared to 29.10% in 2022/23, and 32.33% in 2021/22.
 - **Sundry Debts** – the value of sundry debts over 60 days old at 30th June 2023 was £536,773, compared with £23,182 at 30th June 2022. The increase is due to a single invoice of £513,008 which is being pursued with 50% measured success to date.

8. 2022/23 CFO Review of Reserves.

- 8.1. This review completes the outstanding matter from the 2022/23 provisional outturn report. It sets out the earmarking of the 2022/23 surplus into contingency and other reserves.
- 8.2. The Council's contingency reserves increased overall by £708,000 in 2022/23.
- 8.3. The Council's calculated minimum for its contingency reserve is £1,480,000. A review of the Council'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, the following moves into earmarked reserves are proposed:

	Balance at 31 March 2022	Net Movement	Balance at 31 March 2023	CFO Review	CFO Review	New Balance at 31 March 2023
	£000	£000	£000	£001	£002	£000
General Fund Contingency	3,689	0	3,689	0	(732)	2,957
Reserves for Capital schemes	0	0	0	0	1,000	1,000
Future Leisure Provision	300	0	300	0	100	400
Voluntary Sector Emergency Reserve	75	0	75	0	25	100
Vehicle & Fuel Reserve	50	0	50	(50)	0	0
IT Strategy & Infrastructure	450	(8)	442	0	308	750
Organisational Development HR Reserve	50	(50)	0	0	50	50
Inflationary Pressures	250	0	250	0	0	250
Climate Change	250	(60)	190	0	110	300
Tree Safety	0	0	0	0	60	60
Corporate Plan Support	0	0	0	0	14	14
Community Match Funding	0	0	0	0	33	33
Unused Third Party Funds	872	99	971	(210)	0	761

This includes the introduction of several new reserves:

- Tree Safety - to cover costs associated with tree safety.
- Corporate Plan Support - to cover costs associated with the Corporate Plan.
- Community Match Funding - to support community funding requirements.

Annex A

Capital Schemes	2023/24 Approved Budget	Q1 Changes	2023/24 Revised Budget	2023/24 Expected Out-Turn	2023-24 Expected Variance
	£	£	£	£	£
<u>Housing Standards</u>					
Private Sector Grants	1,774,000	20,390	1,794,390	1,794,390	-
Total Environmental Health	1,774,000	20,390	1,794,390	1,794,390	-
<u>Property Services</u>					
Asset Management Plan	1,080,000	107,950	1,187,950	1,198,310	10,360
Total Property	1,080,000	107,950	1,187,950	1,198,310	10,360
<u>ICT</u>	50,000	2,050	52,050	57,050	5,000
Total ICT	50,000	2,050	52,050	57,050	5,000
Vehicle & Plant Purchase	561,000	65,570	626,570	534,910	(91,660)
Fleet Management	561,000	65,570	626,570	534,910	(91,660)
CCTV - Upgrade	-	56,140	56,140	56,140	-
	-	56,140	56,140	56,140	-
<u>Regeneration</u>					
Moorlands Partnership Grants	61,920	44,830	106,750	106,750	-
Total Regeneration	61,920	44,830	106,750	106,750	-
<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	34,270	(7,460)	26,810	26,810	-
Hot Lane MUGA	87,420	-	87,420	87,420	-
Biddulph Valley LC	2,175,000	249,500	2,424,500	2,424,500	-
Birchall Sports Village	203,500	18,450	221,950	221,950	-
Brough Park Improvements	-	94,090	94,090	94,090	-
Jubilee Gardens Forsbrook	133,000	(44,300)	88,700	83,560	(5,140)
Draycott Sports Centre	77,000	(76,300)	700	-	(700)
Glebeville Leek Play Area	70,000	-	70,000	70,000	-
Church Road Biddulph Play Area	60,000	-	60,000	60,000	-
Tea Road Cheadle Town Council	140,000	-	140,000	140,000	-
Total Leisure	2,980,190	233,980	3,214,170	3,208,330	(5,840)
<u>Levelling Up Fund (LUF)</u>					
Nicols on Institute (LUF)	-	3,813,820	3,813,820	3,813,820	-
Brough Park Leisure Centre (LUF)	-	11,957,520	11,957,520	11,957,520	-
Leek Markets (LUF)	-	3,240,760	3,240,760	3,240,760	-
Cheadle Bid (LUF)	600,000	-	600,000	600,000	-
Total Leisure	600,000	19,012,100	19,612,100	19,612,100	-
Total Programme	7,107,110	19,743,010	26,850,120	26,767,980	(82,140)