



2023/24

**Second 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 second 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 Programme (Section 3)** – updates on the developing 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 programme.
 - **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	42,380	33,020	(9,360)	-	(9,360)
Audit	9,840	7,220	(2,620)	-	(2,620)
ICT	815,360	949,200	133,840	(59,740)	74,100
Human Resources	52,360	59,230	6,870	-	6,870
Member Services	351,710	401,500	49,790	-	49,790
Property Services	547,500	707,110	159,610	-	159,610
Benefits	(243,160)	(243,160)	-	-	-
Planning Applications	(364,890)	(351,240)	13,650	-	13,650
Building Control	54,510	39,000	(15,510)	-	(15,510)
Customer Services	131,720	113,330	(18,390)	-	(18,390)
Legal Services	63,600	69,760	6,160	-	6,160
Electoral Services	96,390	86,790	(9,600)	-	(9,600)
Licensing and Land Charges	(210,970)	(206,440)	4,530	-	4,530
Regeneration	64,760	35,960	(28,800)	-	(28,800)
Communities and Cultural	127,900	133,410	5,510	-	5,510
Housing Strategy	18,150	18,150	-	-	-
Transformation	56,230	53,220	(3,010)	-	(3,010)
Community Safety and Enforcement	171,050	170,950	(100)	-	(100)
Finance & Procurement	127,220	115,560	(11,660)	-	(11,660)
Revenues	(208,830)	(119,720)	89,110	-	89,110
Corporate Finance*	6,967,560	7,007,560	40,000	-	40,000
Waste Collection	2,333,050	3,463,920	1,130,870	-	1,130,870
Street Scene	451,100	492,900	41,800	-	41,800
Leisure Services	197,810	196,840	(970)	-	(970)
Horticulture	620,670	682,110	61,440	(7,700)	53,740
Environmental Health	(24,450)	(9,590)	14,860	(15,800)	(940)
Net Total of Services	12,248,570	13,906,590	1,658,020		1,574,780
Net Interest	(553,930)	(677,040)	(123,110)		(123,110)
	11,694,640	13,229,550	1,534,910	(83,240)	1,451,670
Funding:					
- external	(11,689,510)	(11,763,460)	(73,950)		(73,950)
- reserves contribution to/(from):					
general contingency	602,570	602,570	-		-
earmarked - general	(607,700)	(690,940)	(83,240)	83,240	-
earmarked - business rates	-	(116,410)	(116,410)		(116,410)
Projected (Surplus)/Deficit	-	1,261,310	1,261,310	-	1,261,310

* 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 2 projected outturn on the General Fund Revenue Account for the year is £13,229,550. This represents a projected overspend for the year of £1,534,910. However, £83,240 is forecast to be funded from earmarked reserves reducing the overspend to £1,451,670.
- 2.4. There are no areas of significant underspend (>£50,000).
- 2.5. There are five areas of significant overspend (>£50,000):
- **Waste Collection (£1,130,870):** AES Waste is forecast to be overspent by £1,115,550, and AES Fleet by £54,570 – these pressures are described in more detail in item 4, ‘Collaborative Arrangements’ section of this report. These overspends are partially offset by £25,000 forecast surplus income from domestic and trade waste, and £14,000 on de minimus fleet sales. Use of some reserves held for fleet will be considered for application against the overspends during the final quarters of the year
 - **Property Services (£159,610):** due to a shortfall forecast on carpark income forecast, which will be reviewed and updated as seasonal variations emerge.
 - **ICT (£133,840):** inflation and contract increases on various IT systems are currently forecast at a total of £51,000. Consultancy spend is ongoing on the ICT strategy which is expected to be funded via a reserve of £60,000. £23,000 is forecast to be spent on the development of the intranet, this is a one off which will yield savings in future years.
 - **Revenues (£89,110):** due to a one-off increase in debt recovery charges to recover an aged, corporate, sundry debt.
 - **Horticulture (£61,440):** AES Open Spaces is forecast to be overspent by £60,080 – the pressures are described in more detail in Item 4, ‘Collaborative Arrangements’ section of this report.
- 2.6. Net interest, as detailed in section 6, is expected to be in surplus by £123,110.
- 2.7. The level of funding anticipated for the year is £273,600 above that budgeted due to the following:

External Funding

- Business Rates Retention £73,950 increase in external funding:
 - The levy payment saving is £129,510 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 £55,560 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 £83,240 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 £83,240 more than nominally anticipated at the beginning of the year.

3. Efficiency Programme

- 3.1. The 2023/24 to 2026/27 Medium Term Financial Plan (MTFP) was balanced with the inclusion of an efficiency requirement of £690,000:

£000	2023/24	2024/25	2025/26	2026/27	Total
SMDC Efficiency requirement	0	200	240	250	690
Cumulative	0	200	440	690	

- 3.2. A report on the development of the Efficiency Programme throughout the life of the MTFP is being presented in the current committee cycle. The future Finance quarterly reports will monitor the progress against the targets that are set. As there is no target for the programme in 2023/24 no variance is reported during this report.

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
Allocation of Joint Operation loss	101,660
Contract pressures/ (savings):	
- Pay award and Pension	249,810
- Fuel reduction	(70,000)

- Vehicle parts and insurances	43,000
- Recycling income reduction	544,000
- Waste contract increases	54,000
- Temporary closure of Leek Waste Transfer station	268,300
- Delivery of Cemeteries service	19,390
Net contract cost	6,405,200
Variance	1,272,010

- 4.3. The AES business plan for all services being delivered to the Council during 2023/24 includes a budgeted management fee of £5,195,040. 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 is forecasting a £101,660 loss for the year currently.
- 4.4. The forecast outturn for the Council 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 £173,810; the Staffordshire Pension Fund contribution has increased from 16.6% to 22.3% therefore an extra cost for the year of £76,000 is forecast.
 - Fuel costs are anticipated to be £70,000 lower due to a reducing price per litre than was forecast in the budget.
 - Significant inflation is noted on vehicle insurance and vehicle parts including external labour – this is being kept under review, but the current forecast pressure is £43,000.
 - A shortfall on recycling income of £544,000 is forecast due to the reduction in the value of recycle in markets. Current commentary suggests price falls may have started to slow, so this position may improve during the year and is being kept under review.
 - Inflation on the organic waste contract is causing an increased cost of £54,000.
 - A temporary closure of Leek Transfer Station has been notified by Staffordshire County Council, the financial impact of this to the Council is expected to be £268,300.
 - The administrative duties of the cemeteries services are being delivered through AES from 7th August 2023 – the cost of this for the remainder of the year is £19,390.

Alliance Norse Limited

- 4.5. 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.

- 4.6. 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 into 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.
- 4.7. The 2023/24 budget has been rolled forward from 2022-23 levels with appropriate crystallised inflation applied for pay award, utilities, and material prices. Emerging contractual increases and variations to job requirements continue to be reviewed to consider allocation from the budget pots approved as part of the 2023/24 Medium Term Financial Plan.

2023/24	£
Norse Payment on Account	704,530
Contract profit/ loss discount	(7,050)
Allocation of Joint Operation (profit)/ loss	(28,760)
Net contract cost	668,720

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 (service) summary of the General Fund Capital Programme position at 30th September 2023. Further detail on a scheme by scheme basis is contained in Annex A:

	2023/24 Approved Budget £	Q2 Changes £	2023/24 Revised Budget £	2023/24 Expected Out-Turn £	2023-24 Expected Variance £
Housing Standards	1,794,390	-	1,794,390	1,794,390	-
Property Services	1,187,950	-	1,187,950	1,187,950	-
ICT	52,050	-	52,050	52,050	-
Leisure Services	3,214,170	-	3,214,170	3,208,330	(5,840)
Fleet Management	626,570	-	626,570	487,380	(139,190)
CCTV	56,140	-	56,140	56,140	-
Community	200,000	-	200,000	200,000	-
Regeneration	106,750	-	106,750	106,750	-
Levelling Up Schemes	19,612,100	-	19,612,100	1,205,490	(18,406,610)
Total	26,850,120	-	26,850,120	8,298,480	(18,551,640)
Funding:-					
External Contributions	3,809,680	-	3,809,680	3,753,540	(56,140)
Levelling Up Funding (LUF)	17,110,890	-	17,110,890	734,940	(16,375,950)
Planning Obligations	89,400	-	89,400	83,560	(5,840)
Capital Receipts	-	-	-	-	-
Revenue Reserves	25,500	-	25,500	30,500	5,000
General Reserves	900,000	-	900,000	-	(900,000)
Earmarked Reserves	-	-	-	56,140	56,140
Borrowing	4,914,650	-	4,914,650	3,639,800	(1,274,850)
Total	26,850,120	-	26,850,120	8,298,480	(18,551,640)

- 5.2. The 2023/24 General Fund Capital Budget, approved by Members on 3rd October 2023, as part of the Quarter 1 report, was set at £26,850,120. No changes have been made in this quarter
- 5.3. There are two significant variances forecast at this stage:
- **Fleet (£139,190 under spend):** the timetable for the replacement of vehicles and plant has been re-evaluated in line with requirements and availability of vehicles.
 - **Levelling Up Fund (LUF) (£18,406,610 re-profiled):** projects at Nicholson Institute, Leek Markets, and Brough Park Leisure Centre are being progressed currently. The majority of spend relating to the construction stages will be in 2026/27 and 2027/28 financial years. The budget has been profiled accordingly.
- 5.4. Reflecting the revised timing of capital spend, the overall capital funding expected to be applied to the 2023/24 Capital Programme is lower than forecast, resulting in a reduced borrowing requirement of £1,274,850 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 September 2023 totalled £15.8million. Interest earned on these investments up to the end of the second quarter totalled £358,000 and the average level of funds available for investment was £16.5million.
- 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 to 5.25% and is expected to remain at this level for the rest of the year, and investment income opportunities are following this same trend. Therefore, 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 September was £4.6million following a maturity of a £3million local authority loan with an interest rate of 1.25% at the end of July. New borrowing of £3million has been arranged to commence at the end of October for 9 months at a rate of 5.70%.
- 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 £123,110.

7. Revenue Collection

- 7.1. The collection rate outturn for the second quarter in 2023/24 was as follows:
- **Council Tax** – 55.53% of Council Tax was collected by the end of the quarter during 2023/24, compared to 55.27% in 2022/23, and 55.88% in 2021/22.
 - **Business Rates** – 55.83% of Council Tax was collected by the end of the quarter during 2023/24, compared to 56.53% in 2022/23, and 44.95% in 2021/22.
 - **Sundry Debts** – the value of sundry debts over 60 days old at 30th September 2023 was £26,796, compared with £585,554 at 31st October 2022 (this included a single invoice of £513,008 which has now been recovered).

Annex A

Capital Schemes	2023/24 Approved Budget £	Q2 Changes £	2023/24 Revised Budget £	2023/24 Expected Out-Turn £	2023-24 Expected Variance £
<u>Housing Standards</u>					
Private Sector Grants	1,794,390	-	1,794,390	1,794,390	-
Total Environmental Health	1,794,390	-	1,794,390	1,794,390	-
<u>Property Services</u>					
Asset Management Plan	1,187,950	-	1,187,950	1,187,950	-
Total Property	1,187,950	-	1,187,950	1,187,950	-
<u>ICT</u>	52,050	-	52,050	52,050	-
Total ICT	52,050	-	52,050	52,050	-
Vehicle & Plant Purchase	626,570	-	626,570	487,380	(139,190)
	626,570	-	626,570	487,380	(139,190)
CCTV - Upgrade	56,140	-	56,140	56,140	-
	56,140	-	56,140	56,140	-
<u>Regeneration</u>					
Moorlands Partnership Grants	106,750	-	106,750	106,750	-
Total Regeneration	106,750	-	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	26,810	-	26,810	26,810	-
Hot Lane MUGA	87,420	-	87,420	87,420	-
Biddulph Valley LC (Energy Efficiency)	2,424,500	-	2,424,500	2,424,500	-
Birchall Sports Village	221,950	-	221,950	221,950	-
Brough Park Improvements	94,090	-	94,090	94,090	-
Jubilee Gardens Forsbrook	88,700	-	88,700	83,560	(5,140)
Draycott Sports Centre	700	-	700	-	(700)
Glebeville Leek Play Area	70,000	-	70,000	70,000	-
Church Road Biddulph Play Area	60,000	-	60,000	60,000	-
Tean Road Cheadle Town Council	140,000	-	140,000	140,000	-
Total Leisure	3,214,170	-	3,214,170	3,208,330	(5,840)
<u>Levelling Up Fund (LUF)</u>					
Nicols on Institute (LUF)	3,813,820	-	3,813,820	381,390	(3,432,430)
Brough Park Leisure Centre (LUF)	11,957,520	-	11,957,520	500,000	(11,457,520)
Leek Markets (LUF)	3,240,760	-	3,240,760	324,100	(2,916,660)
Cheadle Bid (LUF)	600,000	-	600,000	-	(600,000)
Total Leisure	19,612,100	-	19,612,100	1,205,490	(18,406,610)
Total Programme	26,850,120	-	26,850,120	8,298,480	(18,551,640)