



2023/24

**Third 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 third 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	26,870	(15,510)	-	(15,510)
Audit	9,840	7,140	(2,700)	-	(2,700)
ICT	815,360	997,450	182,090	(57,570)	124,520
Human Resources	52,360	62,540	10,180	-	10,180
Member Services	351,710	414,360	62,650	-	62,650
Property Services	688,010	931,350	243,340	-	243,340
Benefits	(243,160)	(237,880)	5,280	-	5,280
Planning Applications	(364,890)	(418,010)	(53,120)	-	(53,120)
Building Control	54,510	57,990	3,480	-	3,480
Customer Services	131,720	110,900	(20,820)	-	(20,820)
Legal Services	63,600	70,760	7,160	-	7,160
Electoral Services	96,390	94,300	(2,090)	(50,310)	(52,400)
Licensing and Land Charges	(210,970)	(202,420)	8,550	-	8,550
Regeneration	64,760	370	(64,390)	-	(64,390)
Communities and Cultural	127,900	136,370	8,470	(18,000)	(9,530)
Housing Strategy	18,150	(10,280)	(28,430)	29,430	1,000
Transformation	56,230	78,190	21,960	-	21,960
Community Safety and Enforcement	171,050	153,520	(17,530)	-	(17,530)
Finance & Procurement	130,720	125,570	(5,150)	-	(5,150)
Revenues	(208,830)	(91,110)	117,720	-	117,720
Corporate Finance*	6,823,550	6,488,550	(335,000)	-	(335,000)
Waste Collection	2,333,050	3,412,160	1,079,110	-	1,079,110
Street Scene	451,100	494,680	43,580	-	43,580
Leisure Services	197,810	196,840	(970)	-	(970)
Horticulture	620,670	683,820	63,150	(7,700)	55,450
Environmental Health	(24,450)	(12,140)	12,310	(15,800)	(3,490)
Net Total of Services	12,248,570	13,571,890	1,323,320		1,203,370
Net Interest	(553,930)	(690,850)	(136,920)		(136,920)
	11,694,640	12,881,040	1,186,400	(119,950)	1,066,450
Funding:					
- external	(11,689,510)	(11,752,590)	(63,080)		(63,080)
- reserves contribution to/(from):					
general contingency	602,570	602,570	-		-
earmarked - general	(607,700)	(727,650)	(119,950)	119,950	0
earmarked - business					
rates	-	(116,410)	(116,410)		(116,410)
Projected (Surplus)/Deficit	-	886,960	886,960	-	886,960

* 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 three projected outturn on the General Fund Revenue Account for the year is £12,881,040. This represents a projected overspend for the year of £1,186,400. However, £119,950 is forecast to be funded from earmarked reserves reducing the overspend to £1,066,450.
- 2.4. There are three areas of significant underspend (>£50,000).
- **Regeneration (£64,390)**: arising from not delivering masterplan , due to internal resources being heavily involved in delivering externally funded projects.
 - **Planning Application (£53,120)**: due to an increase in planning income received.
 - **Corporate Finance (£335,000)**: The Authority's net efficiency and inflation budgets generated a £270,000 underspend as pressures are yet to crystalise in the service accounts; and spend on the salaries is expected to be £102,000 below budget.
- 2.5. There are six areas of significant overspend (>£50,000):
- **Waste Collection (£1,079,110)**: AES Waste is forecast to be overspent by £1,022,920, and AES Fleet by £56,190 – 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 (£243,340)**: £105,000 due to a shortfall forecast on carpark income forecast, which will be reviewed and updated as seasonal variations emerge; Alliance Norse overspend £114,000 on general repairs.
 - **ICT (£182,090)**: inflation and contract increases on various IT systems are currently forecast at a total of £90,000. Consultancy spend is ongoing on the ICT strategy which is expected to be funded via a reserve of £57,570. £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 (£117,720)**: due to a one-off increase in debt recovery charges to recover an aged, corporate, sundry debt.
 - **Horticulture (£63,150)**: AES Open Spaces is forecast to be overspent by £61,790 – the pressures are described in more detail in Item 4, 'Collaborative Arrangements' section of this report.
 - **Member Services (£62,650)**: due to review of member allowances.
- 2.6. Net interest, as detailed in section 6, is expected to be in surplus by £136,920.
- 2.7. The level of funding anticipated for the year is £299,440 above that budgeted due to the following:

External Funding

- Business Rates Retention £59,390 increase in external funding:
 - The levy payment saving is £113,850 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 £54,460 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 distribution of collection fund deficit in the current year.

Other movements in Reserves

- Other Earmarked Reserves £119,950 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 £119,950 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. The 2024/25 to 2027/28 MTFP, being presented in the current committee cycle, provides more detail on the development of the Efficiency and Rationalisation Programme which has been extended in to a fourth year (2027/28). 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	72,190
Contract pressures/ (savings):	
- Pay award and Pension	249,380
- Fuel reduction	(80,000)
- Vehicle parts and insurances	58,430
- Recycling income reduction	570,000
- Waste contract increases	50,000
- Temporary closure of Leek Waste Transfer station	269,160
- Delivery of Cemeteries service	19,390
Net contract cost	6,403,590
<i>Variance</i>	<i>1,270,400</i>

- 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 loss for the year with £72,190 attributable to the Council.
- 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 £170,380; the Staffordshire Pension Fund contribution has increased from 16.6% to 22.3% therefore an extra cost for the year of £79,000 is forecast.
 - Fuel costs are anticipated to be £80,000 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 £58,340.
 - A shortfall on recycling income of £570,000 is forecast due to the reduction in the value of recycle in markets. This is based on current commentary suggesting price falls have started to slow.
 - Inflation on the organic waste contract is causing an increased cost of £50,000.
 - 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 £269,160 in this financial year.
 - 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 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.

- 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. The variance is owing to any other net uplifts in costs not being agreed at budget setting time.

2023/24	£
Budget	809,240
Core charge	820,600
Forecast actual profit discount	0
Allocation of Joint Operation (profit)/ loss	102,950
Total cost	923,550
Variance	114,310

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 31st December 2023. Further detail on a scheme by scheme basis is contained in Annex A:

	2023/24 Approved Budget £	Q3 Changes £	2023/24 Revised Budget £	2023/24 Expected Out-Turn £	2023-24 Expected Variance £
Housing Standards	1,794,390	-	1,794,390	1,774,000	(20,390)
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	2,589,890	(624,280)
Fleet Management	626,570	-	626,570	181,600	(444,970)
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	1,326,350	(18,285,750)
Total	26,850,120	-	26,850,120	7,274,730	(19,575,390)
Funding:-					
External Contributions	3,809,680	-	3,809,680	3,736,420	(73,260)
Levelling Up Funding (LUF)	17,110,890	-	17,110,890	1,326,350	(15,784,540)
Planning Obligations	89,400	-	89,400	83,560	(5,840)
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	2,041,760	(2,872,890)
Total	26,850,120	-	26,850,120	7,274,730	(19,575,390)

- 5.2. The 2023/24 General Fund Capital Budget, approved by Members on 3rd October 2023, as part of the Quarter 2 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 (£444,970 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) (£18,285,750 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.
 - **Leisure Services (£624,280 re-profiled):** projects at Biddulph Valley Leisure Centre, Birchall playing fields, Brough Park, Glebeville and Church Road play areas are at different stages. All are now expected to be completed in 24-25, budgets have been reprofiled accordingly.
 - **Community-(£200,000 under spend) –** budget allocated to support Forsbrook Community projects is being rolled forward
- 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 £2,872,890 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 31st December 2023 totalled £20.4million. Interest earned on these investments up to the end of the quarter totalled £575,000 and the average level of funds available for investment was £18.2million.
- 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 31st December was £7.6million. During the year a local authority loan of £3million with an interest rate of 1.25% matured at the end of July; new borrowing of £3million commenced 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 end of the year is forecast to realise savings on borrowing costs of £136,920.

7. Revenue Collection

- 7.1. The collection rate outturn for the third quarter in 2023/24 was as follows:
- **Council Tax** – 82.71% of Council Tax was collected by the end of the quarter during 2023/24, compared to 82.62% in 2022/23, and 83.07% in 2021/22.
 - **Business Rates** – 81.07% of Business Rates was collected by the end of the quarter during 2023/24, compared to 81.42% in 2022/23, and 76.34% in 2021/22.
 - **Sundry Debts** – the value of sundry debts over 60 days old at 31st December 2023 was £24,769, compared with £13,796 at 31st December 2022.

Annex A

Capital Schemes	2023/24 Approved Budget £	Q3 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	1,774,000	(20,390)
Total Environmental Health	1,794,390	-	1,794,390	1,774,000	(20,390)
<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	181,600	(444,970)
Fleet Mangement	626,570	-	626,570	181,600	(444,970)
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	0	(200,000)
Total Community	200,000	-	200,000	-	(200,000)
<u>Leisure Services</u>					
Sports Club Facilities Grants	26,810	-	26,810	11,570	(15,240)
Hot Lane MUGA	87,420	-	87,420	87,420	-
Biddulph Valley LC (Energy Efficiency)	2,424,500	-	2,424,500	2,132,620	(291,880)
Birchall Sports Village	221,950	-	221,950	116,720	(105,230)
Brough Park Improvements	94,090	-	94,090	18,000	(76,090)
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	2,589,890	(624,280)
<u>Levelling Up Fund (LUF)</u>					
Nicolson Institute(LUF)	3,813,820	-	3,813,820	203,290	(3,610,530)
Brough Park Leisure Centre(LUF)	11,957,520	-	11,957,520	670,790	(11,286,730)
Leek Markets (LUF)	3,240,760	-	3,240,760	452,270	(2,788,490)
Cheadle Bid (LUF)	600,000	-	600,000	-	(600,000)
Total Leisure	19,612,100	-	19,612,100	1,326,350	(18,285,750)
Total Programme	26,850,120	-	26,850,120	7,274,730	(19,575,390)