

## APPENDIX A

### 2024/25 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 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, Alliance Norse Ltd and Alliance Leisure 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.
- **Car Park Income (Section 8)** responding to a request by members for a historical view of car parking income across the district.

## 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 identifying variations in income and expenditure and funding received by the Council. The table includes 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	382,230	344,200	(38,030)	-	(38,030)
107,710	98,653	Audit	113,520	115,600	2,080	-	2,080
820,360	1,055,421	ICT	953,680	1,175,530	221,850	(187,500)	34,350
52,360	56,933	Human Resources	53,870	79,900	26,030	-	26,030
538,500	643,803	Member Services	710,840	694,430	(16,410)	-	(16,410)
918,500	1,089,943	Property Services	890,100	1,097,900	207,800	-	207,800
(243,160)	(146,868)	Benefits	(243,160)	(241,990)	1,170	-	1,170
337,940	84,380	Development Services	201,550	386,000	184,450	(58,900)	125,550
54,500	57,987	Building Control	54,500	54,500	-	-	-
616,470	620,096	Customer Services	761,700	747,970	(13,730)	-	(13,730)
292,230	243,784	Legal Services	302,370	296,350	(6,020)	-	(6,020)
96,390	163,887	Electoral Services	96,390	68,850	(27,540)	20,000	(7,540)
(127,250)	(131,647)	Licensing	(127,250)	(122,950)	4,300	-	4,300
345,720	190,002	Regeneration	388,120	357,310	(30,810)	-	(30,810)
371,540	382,034	Communities and Cultural	412,050	416,780	4,730	(15,000)	(10,270)
186,200	122,567	Housing Strategy	134,570	128,170	(6,400)	12,480	6,080
278,650	340,200	Transformation	370,220	377,100	6,880	(5,380)	1,500
171,050	166,851	Community Safety and Enforcement	151,050	162,990	11,940	-	11,940
416,160	424,795	Finance	448,040	454,550	6,510	-	6,510
395,170	526,598	Revenues	416,830	388,230	(28,600)	-	(28,600)
1,809,680	1,497,750	Corporate Finance	825,980	1,294,730	468,750	(43,750)	425,000
2,610,610	3,571,314	Waste Collection	3,422,200	3,390,360	(31,840)	-	(31,840)
451,100	483,875	Street Scene	500,940	509,710	8,770	-	8,770
197,810	208,619	Leisure Services	714,240	714,240	-	-	-
620,670	662,400	Horticulture	766,920	750,570	(16,350)	-	(16,350)
552,600	538,294	Environmental Health	643,020	746,730	103,710	(97,140)	6,570
<b>12,248,570</b>	<b>13,346,239</b>	<b>Net total of services</b>	<b>13,344,520</b>	<b>14,387,760</b>	<b>1,043,240</b>		<b>668,050</b>
(553,930)	(796,577)	Net Interest	(631,120)	(640,010)	(8,890)		(8,890)
<b>11,694,640</b>	<b>12,549,662</b>	<b>Net total</b>	<b>12,713,400</b>	<b>13,747,750</b>	<b>1,034,350</b>	<b>(375,190)</b>	<b>659,160</b>
		<b>Funding:</b>					
(11,689,510)	(11,805,910)	External	(11,553,550)	(11,938,520)	(384,970)		(384,970)
602,570	602,570	General contingency	(1,152,150)	(1,152,150)	-		-
(607,700)	(813,647)	Earmarked general	(7,700)	(375,190)	(367,490)	375,190	7,700
	(116,410)	Earmarked business rates	-	-	-		-
<b>0</b>	<b>416,265</b>	<b>Projected (Surplus)/Deficit</b>	<b>-</b>	<b>281,890</b>	<b>281,890</b>	<b>-</b>	<b>281,890</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 through Financial Procedure Rules. The table above shows how the budget has been allocated to services.

2.3. The second quarter projected outturn for the General Fund Revenue Account for 2024/25 is £13,747,750, which is a net overspend against the budget of £1,034,350. However, £375,190 of earmarked reserves will be applied, giving an overall forecast overspend to £659,160.

2.4. There are no service areas with projected significant underspend (>£50,000).

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

- **ICT £221,850:** inflation and modernising IT equipment are forecast at a total of £109,000 more than the in-year budget. Professional services spend of £112,000 is forecast related to the development and delivery of the ICT strategy. A planned drawdown from the earmarked reserve of £187,500 will reduce overspend to £34,350.
- **Property services £207,800:** largely due to a shortfall on Car Park income compounded by an increase in transaction costs. This includes £36,000 loss of income during the closure of Silk Street car park during works.
- **Development services £184,450:** due to a shortfall on fees of c.£100,000 and an overspend of c.£31,000 on planning appeals. £90,000 spend on agency staff is to be funded by a grant from a previous year. Underspends of £32,000 on the Local Plan will be added to the earmarked reserve to smooth the profile of spend over the programme. An overall draw on reserves of £58,900 will reduce the net overspend to £125,550.
- **Corporate Finance £468,750:** on the assumption that the in-year efficiency programme target of £250,000 can be met (which carries risk-see section 3), additional pressures on inflation are forecast to cause an overspend of £469,000. This forecast will continue to be monitored and refined during the rest of the year. An anticipated draw from earmarked reserves related to salary budgets of £43,750 will reduce the overspend to £425,000.
- **Environmental Health £103,710:** Expenditure is taking place in-year to utilise grant funding received in last year that was held in an earmarked reserve. After this reserve is applied, the overspend will be reduced to £6,570.

2.6. There is a surplus of £8,890 in net interest income, as detailed in section 6.

2.7. The provisional outturn on funding for the year is forecast to be £752,460 more than that budgeted made up of the following:

### **External Funding (£384,970 increase):**

- **Business Rates Retention** £287,800 increase:
  - The net levy payable to the Staffordshire Business Rates Pool after Pool savings is estimated to be £248,760 less than anticipated. However, this is subject to change as 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 £3,430 less than the budgeted figure due to fluctuations in awards over time, which remains subject to change. This is a general fund grant, so in the event that the collection fund is in deficit at year end, any surplus 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.
  - A £32,260 windfall of distribution of pool levy savings following changes and audits of other members' previous year statements.
- **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 (£367,490 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 identify projects and schemes where earmarked reserves may need to be applied. A net use of £375,190 is anticipated compared to £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. Themed areas to achieve this programme include: Asset Management Plan, Income and Charges, Project Management, Recruitment and Retention, and Council Controlled Companies.

3.2. 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, with update presentations being made to members. Plans are in place to overachieve the efficiency targets in order to provide an in-built contingency to any challenging areas, this is shown below as a headroom to the MTFP target.

Plan	2024/25	2025/26	2026/27	2027/28	Total	Achieved 2024/25
	£'000	£'000	£'000	£'000	£'000	£'000
<i>Efficiency targets in MTFP</i>	(250,000)	(250,000)	(300,000)	(90,000)	(890,000)	
<b>Asset Management Plan</b>	(6,000)	(11,000)	(219,000)	0	(236,000)	
<b>Council Controlled Companies</b>	(256,000)	(88,000)	(213,000)	0	(557,000)	(33,000)
<b>Income &amp; Charges</b>	(60,000)	(60,000)	(60,000)	0	(180,000)	
<b>Project Management</b>	(15,000)	(15,000)	(15,000)	0	(45,000)	
<b>Recruitment &amp; Retention</b>	0	0	0	0	0	
<b>Total</b>	<b>(337,000)</b>	<b>(174,000)</b>	<b>(507,000)</b>	<b>0</b>	<b>(1,018,000)</b>	<b>(33,000)</b>
<i>(headroom)/ shortfall against MTFP target</i>	<i>(87,000)</i>	<i>76,000</i>	<i>(207,000)</i>	<i>90,000</i>	<i>(128,000)</i>	

3.3. Presentations to date show that the Asset Management Plan savings will be derived predominantly from Moorlands House and Stockwell Villas, thus timings are subject to change. On the Council Controlled Companies theme, initial small savings have been found within AES expenditure as well as additional income totalling approximately £43,000 into next year. The targeted budget savings for 2024/25 appear to be challenging based on current progress. Focus continues in the second half of the year to meet these programme saving requirements, but there is an increasing risk that these targets may not be met in the year.

3.4. 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 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	(45,000)
Contract pressures/ (savings):	
Pay award	77,000
Leek Transfer Station Closure	79,820
Fuel price savings	(89,000)
Vehicle parts and insurances	39,000
Recycling income improvement	(68,000)
<b>Net contract cost</b>	<b>5,496,360</b>
<b>Variance</b>	<b>33,120</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 £45,000 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 £77,000 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 £89,000 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 £68,000 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 for the two revenue areas along with the forecast outturn and variance to budget. As no variance to the management fee has been presented to the ANL boards, the outturn is presented to budget.

2024-25	Cleaning & Caretaking	GF Repairs
	£	£
Budget	742,020	214,740
Forecast outturn management fee	742,020	214,740
variance	0	0

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.

### Alliance Leisure Limited (ALL)

4.8. ALL delivers Leisure Centre and Wellbeing services to Staffordshire Moorlands District Council and High Peak Borough Council. The company is a private company limited by guarantee with no shareholders, thus any surplus, income and property wherever derived shall be applied solely in promoting the Company's objectives. The Councils' have equal joint significant control of the company. ALL acts as an Agent of the Councils, as Principals in the arrangement, thus collects income and makes expenditure on the Councils' behalf. The company is operating under the brand 'My Active'.

4.9. The company commenced trading on 1 October 2024. The third quarter report will include financial performance information.

## 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 September; further detail is provided at Annex A.

	2024/25 Approved Budget	Q2 Changes	2024/25 Revised Budget	2024/25 Expected Out-Turn	2024-25 Expected Variance
	£	£	£	£	£
<b>Housing Standards</b>	2,216,390	-	2,216,390	2,216,390	-
Property Services	1,439,800	-	1,439,800	1,114,680	(325,120)
ICT	161,570	-	161,570	19,250	(142,320)
Leisure Services	1,247,970	-	1,247,970	1,247,970	-
Fleet Management	678,250	-	678,250	300,000	(378,250)
Community	(128,000)	-	(128,000)	(128,000)	-
Regeneration	508,640	340,540	849,180	849,180	-
Levelling Up Schemes	17,859,050	-	17,859,050	8,519,920	(9,339,130)
<b>Total</b>	<b>23,983,670</b>	<b>340,540</b>	<b>24,324,210</b>	<b>14,139,390</b>	<b>(10,184,820)</b>
Funding:-					
External Contributions	2,217,120	340,540	2,557,660	2,553,660	(4,000)
Levelling Up Funding (LUF)	15,784,530	1,367,210	17,151,740	7,098,560	(10,053,180)
Planning Obligations	25,000	-	25,000	25,000	-
Revenue Reserves	16,500	-	16,500	16,500	-
Borrowing	5,940,520	(1,367,210)	4,573,310	4,445,670	(127,640)
<b>Total</b>	<b>23,983,670</b>	<b>340,540</b>	<b>24,324,210</b>	<b>14,139,390</b>	<b>(10,184,820)</b>

5.2. The update 2024/25 capital programme was approved by Members on 8 October 2024 as part of the Quarter 1 report as £23,983,670. Additional budget of £340,540 has been added in Quarter 2. The overall approved budget now stands at £24,324,210.



5.3. The following project has been added to the programme during this quarter:

- **Housing Energy Improvement** (£340,540 increase) members approved on 12 June 2024 the allocation of UKSPF (UK shared Prosperity Funding) to an initiative which will support vulnerable residents of Staffordshire Moorlands to combat fuel poverty by improving the energy efficiency of their homes.

5.4. There are four significant underspend variances; all are as a result of reprofiling the timing of capital spend:

- **Property Services** (£325,120) resulting from a number of timing and reprioritising of works within the Asset Management Plan.
- **ICT** (£142,320) investment in new conference communication systems within the council chamber has been deferred, until the outcome of the accommodation review.
- **Fleet** (£378,250) the timetable of replacement of vehicles and plant has been re-evaluated in line with requirements and availability of vehicles.
- **Levelling Up (LUF)** (£9,339,130) spend has been reprofiled into 2025/26 & 2026/27 in line with construction timetables of works for the Brough Park Leisure Centre and Nicholson Institute projects.

5.5. Additional funding supporting LUF projects has been secured; £1,124,000 Public Sector Decarbonisation Scheme (PSDS) to improve energy efficiency measures at Brough Park Leisure Centre and £243,210 Staffordshire County Council contribution towards Nicholson Institute refurbishment.

5.6. Overall capital funding which is expected to be applied to the 2024-25 programme is lower than revised budget approval.

## 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 the second quarter totalled £19.3million. The average level of funds available for investment in the period totalled £18.5million and £476,190 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 surplus of £13,410 is forecast against this budget.

### **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 local authority loan of £3million with an interest rate of 5.70% matured at the end of July. A new local authority loan of £3.5million at 5.20% was in place from a May to August. New local authority borrowing of £5million at 5.05% commenced at the end of July, due to mature at the end of January 2025.

6.6. The Council budgeted to incur £588,020 in net interest charges in 2024/25, which included new and refinanced borrowing. An overspend of £4,520 is forecast owing to a smaller MRP charge in the year due to a reduced borrowing requirement in the previous year offset by increased external borrowing costs in the year.

## **7. Revenue Collection**

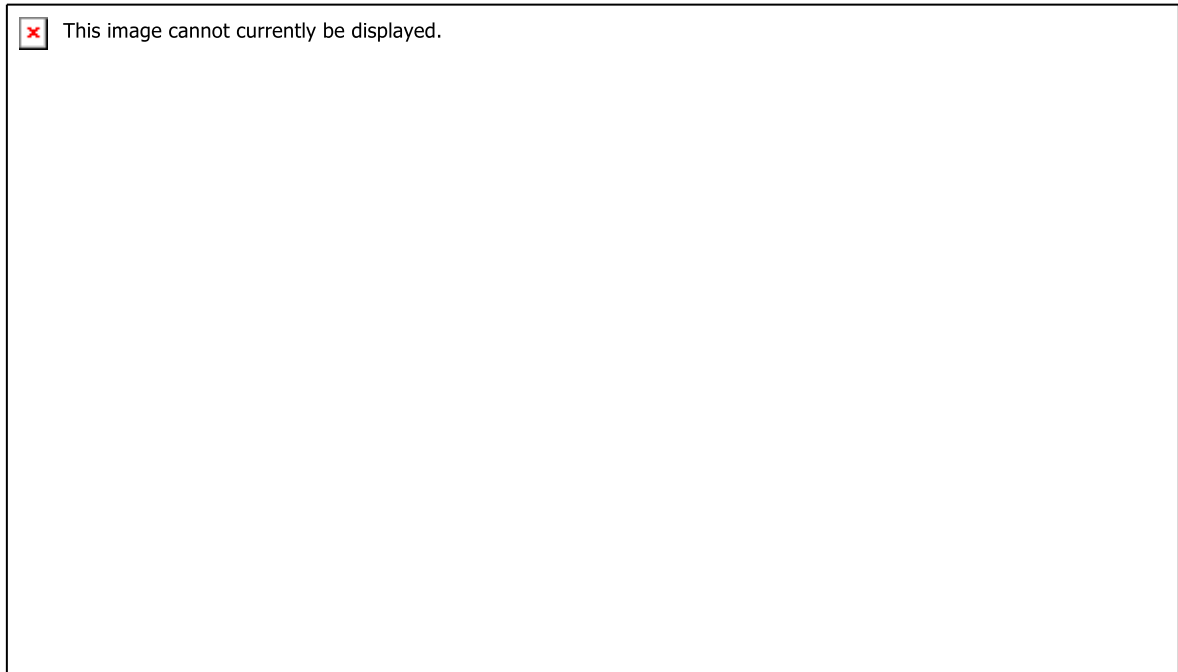
7.1. The collection rate outturn for the first quarter in 2024/25 was as follows:

- Council Tax – 56.11% of Council Tax collected by the end of the quarter, compared to 55.53% in 2023/24, and 55.27% in 2022/23.
- Business Rates – 55.62% of Business Rates collected by the end of the quarter, compared to 55.83% in 2023/24, and 56.35% in 2022/23.
- Sundry Debts - The value of sundry debts over 60 days old at the end of the quarter was £366,636, compared to £261,183 at the same point during 2023/24. The debtors team is working with services to address the increasing number of invoices outstanding.

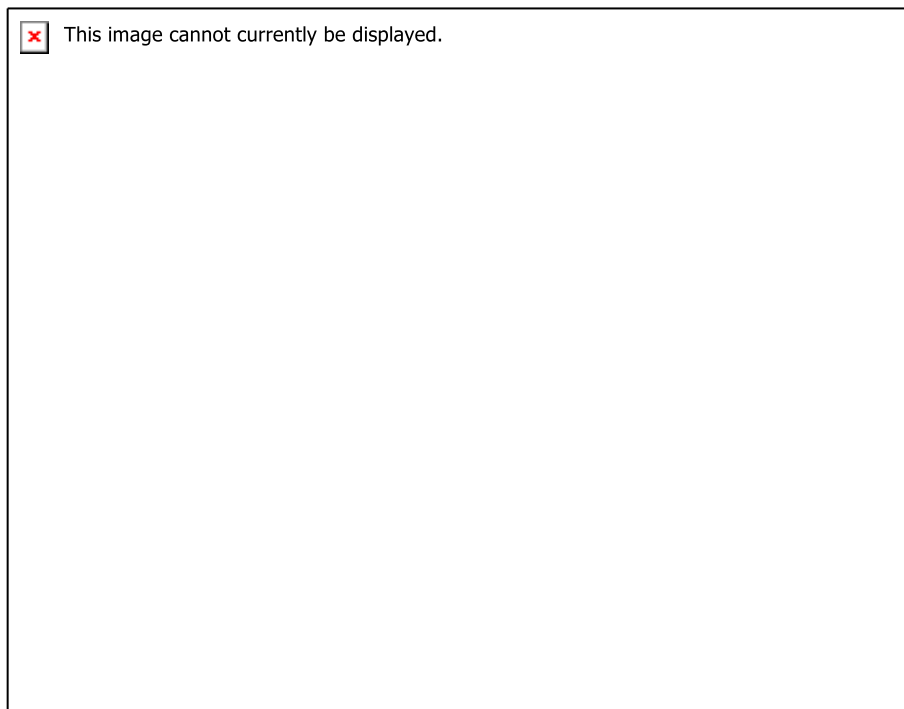
## **8. Car Parking Income**

8.1. At a recent Finance and Performance Committee meeting, Members requested an overview of historical car parking income to be included in a

forthcoming report. This chart shows the trend of car parking income over the last 14 years – showing a steady and quite significant increase over the first 10 years, interrupted by the clear impact of the Covid pandemic and the lasting change in behaviours of car park users in the years that followed.



8.2. A further chart shows how this income is distributed across the district. Noting that this is overall income rather than a per bay income, the distribution is influenced by the size of car parks as well as footfall and pricing.



## Annex A Capital Programme Update 30 September 2024

Capital Schemes	2024/25 Approved Budget	Q2 Changes	2024/25 Revised Budget	2024/25 Expected Out-Turn	2024/25 Expected Variance
	£	£	£	£	£
<b>Housing Standards</b>					
Private Sector Grants	2,216,390	-	2,216,390	2,216,390	-
	<b>2,216,390</b>	-	<b>2,216,390</b>	<b>2,216,390</b>	-
<b>Property Services</b>					
Asset Management Plan	1,439,800	-	1,439,800	1,114,680	(325,120)
	<b>1,439,800</b>	-	<b>1,439,800</b>	<b>1,114,680</b>	<b>(325,120)</b>
<b>ICT</b>	161,570	-	161,570	19,250	(142,320)
	<b>161,570</b>	-	<b>161,570</b>	<b>19,250</b>	<b>(142,320)</b>
Vehicle & Plant Purchase	678,250	-	678,250	300,000	(378,250)
	<b>678,250</b>	-	<b>678,250</b>	<b>300,000</b>	<b>(378,250)</b>
<b>Regeneration</b>					
Moorlands Partnership Grants	135,640	-	135,640	135,640	-
Cheadle Market	373,000	-	373,000	373,000	-
Staffs Warmer Homes Grants(SWH )	-	340,540	340,540	340,540	-
	<b>508,640</b>	<b>340,540</b>	<b>849,180</b>	<b>849,180</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)	522,710	(11,000)	511,710	511,710	-
Biddulph Valley LC (Air Handling Units)	165,000	11,000	176,000	176,000	-
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	50,000	-	50,000	50,000	-
	<b>1,247,970</b>	-	<b>1,247,970</b>	<b>1,247,970</b>	-
<b>Levelling Up Fund (LUF)</b>					
Nicolson Institute(LUF)	3,713,840	-	3,713,840	368,840	(3,345,000)
Brough Park Leisure Centre(LUF)	11,379,940	(1,992,000)	9,387,940	3,444,800	(5,943,140)
Brough Park Leisure Centre(PSDS)	-	1,992,000	1,992,000	1,992,000	-
Leek Markets (LUF)	2,765,270	-	2,765,270	2,714,280	(50,990)
-	<b>17,859,050</b>	-	<b>17,859,050</b>	<b>8,519,920</b>	<b>(9,339,130)</b>
<b>Total Programme</b>	<b>23,983,670</b>	<b>340,540</b>	<b>24,324,210</b>	<b>14,139,390</b>	<b>(10,184,820)</b>