

1. General Fund Revenue Budget

- 1.1 The Council approved a General Fund Revenue Budget of £15.690m on 19 February 2020. The actual position compared to this budget is continuously monitored by managers, EMT and Portfolio Holders in order to detect any significant variances of expenditure or income from the approved amounts contained in the budget.
- 1.2 The pandemic continues to have a significant impact on the Council's financial position through a mix of lost income and additional costs. To date Government funding of £1.743m has been secured (including £170k of new burdens funding to offset the costs of administering Coronavirus business support grant and hardship relief schemes), which has reduced the immediate pressure on Council finances.
- 1.3 The Council's revenue budget relies on service income from fees and charges across a wide range of services, with a significant proportion coming from J2 and car parking. The Council has been actively monitoring the impact of the lockdown and the working practices required to ensure safe practice. The Government will fund income losses above the first 5% at the rate of 75p in the pound in the current financial year, this will to a significant degree insulate the Council from income related financial risks.
- 1.4 The scheme compensates for income that local authorities generate independently which is defined as a sale, fees and charges, and is unable to be recovered – for example, car parking charges or receipts from museum charges. It does not include commercial income, such as rents. The 5% deductible will be calculated using sales, fees and charges budgets for 2020/21 as this represents what the Council expected to collect from these income sources at the start of the year. Compensation will be provided to mitigate the net budget gap which income losses have created, i.e. after the savings that the Council has made regarding the furlough scheme.
- 1.5 In the longer term, any impact on either business rates collection (due to business failure) or Council Tax collection (due to non-payment) will materialise in 2021/22. The Government have announced that they will share collection fund losses and have advised that the Council can recover any deficits over 3 years (please see 3.3).
- 1.6 The consequences of the Coronavirus on the Council's financial position will depend significantly on the continued impact of the lockdown and on the scale and timing of further Government financial support. The Council is actively lobbying our local Members of Parliament and through national networks as part of the wider public sector family, to make the case for further Government support. Particular emphasis in our lobbying has been the impact on Business rate and Council tax collection.
- 1.7 The Council continues to strongly manage budgets and spending. A number of staff, primarily from Leisure, were furloughed for part of the first 6 months of the financial year, all staff have now resumed their roles. This enabled the Council to recoup a proportion of their salary costs from the Government. Staff continued to be on full pay, and their contracts of employment remained unaffected, Furlough funding is estimated to amount to £0.197m, with Leisure facilities reopening at the end of July.
- 1.8 Careful monitoring of the financial position will be required over coming weeks and months leading to prompt corrective action where necessary to ensure that reserves are not exhausted and the Council remains in a position of being able to deliver a balanced budget position in the current financial year and beyond.

2. Revenue Budget Position

2.1 As at the end of the second quarter, the general fund budget shows an adverse variance of £0.175m. It is forecast that this variance will increase to £0.333m by the close of the financial year.

2.2 The main reasons for the overall adverse variance are:

- a. Income shortfalls from sales, fees and charges which are eligible for partial reclaim via the Income Losses Scheme total £1.603m at the end of the second quarter, it is forecast that these losses will increase to £2.292m by the close of the financial year.
- b. Additional expenditure pressures of £0.802m at the end of the second quarter (forecast to increase to £1.090m at the close of the financial year) as a result of the COVID-19 pandemic.

These include Waste and Recycling (£644k disposal costs and hire of vehicles to allow social distancing at the end of the second quarter), Homelessness (£41k provision of accommodation at the end of the second quarter),

- c. Housing Benefits – there has been a shortfall in the recovery of housing benefits overpayments when compared to the budget of £0.100m during the first half of the year, it is forecast that this will increase to £0.150m by the close of the financial year. In addition to this Housing Benefits payments made by the Council which are not fully subsidised by the Department of Works and Pensions are being incurred, mainly around the provision of accommodation for vulnerable people, it is estimated that the shortfall from this will amount to £0.313m by the close of the financial year.
- d. A top up of the general fund reserve to its minimum level regarding the 2019/20 deficit of £0.207m.

2.3 These adverse variances are partially offset by the following favourable variances:

- a. Government Funding to offset pressures that the Council has/will continue to face as a result of the COVID-19 pandemic, £1.573m had been received during the first half of the financial year.
- b. It is anticipated that the Council will be reimbursed £1.558m in relation to the Income Losses scheme for eligible sales, fees and charges income shortfalls for the year.
- c. Furlough scheme funding of £0.197m has been received.
- d. £0.170m has been paid to the Council for the administration of the COVID-19 Business grants schemes.
- e. Expenditure has been reduced wherever possible throughout the Council to ensure that only absolutely necessary spending is being incurred, this has helped to reduce the adverse variance on a service by service basis. It has been forecast, and it is absolutely imperative, that this situation continues throughout the remainder of the financial year.

2.4 Cabinet and the Executive Management Team will continue to be updated on the Council's financial position and actions taken in the forthcoming weeks and months. This will include a revised recommended level of reserves and the financial implications of this.

3. Collection Fund

3.1 Local tax income is collected by billing authorities and paid into local 'collection funds' (the Council is a billing authority). Where there is a shortfall in tax receipts (compared to expected levels), this leads to a deficit on the collection fund. Billing and major precepting authorities are usually required to meet their share of any deficit during the following financial year.

3.2 In response to forecast shortfalls in tax receipts relating to COVID-19, the government has announced that repayments to meet collection fund deficits accrued in 2020- 21 will instead be phased over a three-year period (2021-22 to 2023-24) to ease immediate pressures on budgets. The phased amount will be the entire collection fund deficit for 2020-21 as estimated on the 15 January 2021 for council tax and in the 2021-22 NNDR1 for business rates.

3.3 The current forecast shortfalls in tax receipts, and the proposed repayments under this scheme are shown below:

| Tax | Total Deficit Forecast | Council's Share | Repayable 2021/22 | Repayable 2022/23 | Repayable 2023/24 |
|---------------------------------------|-------------------------------|------------------------|--------------------------|--------------------------|--------------------------|
| Council Tax | £1.292m | £0.144m (11.8%) | £0.048m | £0.048m | £0.048m |
| Business Rates | £15.015m | £6.006m (40%) | £2.002m | £2.002m | £2.002m |
| Business Rates Section 31 Measures | (£14.358m) | (£5.631m) 40% | (£1.877m) | (£1.877m) | (£1.877m) |
| Total | £1.949m | £0.519m | £0.173m | £0.173m | £0.173m |

3.4 The Government announcement made on 2 July referred to a further apportionment between MHCLG and Local Government of irrecoverable tax losses (i.e. debts required to be written off), however there has still been no further mention of this and details of how this will operate in practice are still awaited.

4. Supplementary Estimates

4.1 £1.750m Towns Deal Funding has been received from MHCLG for regeneration projects within Newcastle Town Centre (£1m) and Kidsgrove Town Centre (£0.750m).

4.2 A one off budget virement for 2020-21 has been completed to recognise the income receivable and an allocation against each project (all within the Economic Regeneration cost centre):

- £0.500m – Zanzibar demolition
- £0.200m – Knutton property acquisition and demolition
- £0.075m – re-purposing of Lancaster Building (employment and support)
- £0.050m – E-scooter trial
- £0.145m – Safe and secure routes
- £0.030m – CCTV
- £0.525m – Kidsgrove Sports Village
- £0.225m – Leisure facilities in Kidsgrove parks

4.3 £0.125m Next Steps Accommodation Funding has been received from MHCLG for continuing to support rough sleepers during the COVID-19 response. A one off budget virement has been completed to recognise the income receivable and an allocation against the Homelessness expenditure budget.

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4.4 It is recommended that the Committee approve the supplementary estimates in order for them to be included in this year's budget.

5. Capital Programme

5.1 A Capital Programme totalling £12,454,103 was approved for 2020/21. Of this total £10,454,103 relates to the total cost of new schemes for 2020/21 together with £1,000,000 for schemes funded by external sources (Disabled Facilities Grants), £1,000,000 contingency. In addition £3,024,776, was brought forward from the 2019/20 Capital Programme, resulting in a total Capital Programme of £15,478,879 for 2020/21.

5.2 Due to the COVID-19 pandemic and the financial impact this has placed on the Council, a review of the 2020/21 Capital Programme has been completed with the assistance of Budget Holders and members of the Capital, Assets and Commercial Investment Review Group. The rationale behind this review was to establish which of the capital projects approved in the programme were essential or health and safety related, were unable to be commenced due to the pandemic, could be deferred to the following year due to resources and services available during the crisis or were no longer required.

5.3 The revised 2020/21 Capital Programme now totals £7,302,631 which includes £1,000,000 for schemes funded by external sources (Disabled Facilities Grants), £250,000 contingency to reflect the remainder of the year. A summary of these changes can be found in appendix A attached.

6. Capital Programme Position

6.1 The Capital Programme approved by Council in February 2020 has been updated to take account of amounts brought forward from 2019/20 where planned expenditure did not occur. This has been added to the budget for 2020/21 (apart from cases where costs have been reduced or expenditure will no longer be incurred). Following the completion of the Capital Programme review (referenced in section 2 of the report) as a result of the COVID-19 pandemic, the revised budget for capital projects in 2020/21 now totals £7,302,631.

6.2 The expected total capital receipts due to be received this year following the sale of assets will amount to £3,745,000. Deposits in respect of the disposal of assets totalling £150,000 have been received to date. A summary of the expected income is shown in the table below.

| Funding | Amount (£'000) |
|---|-----------------------|
| Proceeds from disposal of assets | 2,945 |
| Proceeds from Right to Buy sales | 400 |
| Proceeds from sale of old Waste Recycling Fleet | 400 |
| Total | 3,745 |

6.3 The Capital Funding required for the 2020/21 programme includes £3,436,600 of capital receipts. The remaining projects within the Capital Programme will be funded by borrowing.

6.4 £3,702,142 of the revised budget was expected to be spent by 30 September; the actual amount spent was £3,710,924 resulting in an adverse variance at the end of the second quarter of £8,782. The expenditure in the first two quarter predominately relates

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to the purchase of the new Recycling Waste Service Fleet and recycling bins.

7. Treasury Management

- 7.1 Borrowing is likely to be required during 2020/21 to fund the revised capital programme however no borrowing arrangements have been made to date.
- 7.2 The Public Works Loan Board (PWLB) has recently completed a “Future Lending Terms” consultation, which sought views from local authorities and other stakeholders. This consultation period closed on 31 July 2020 and the results are currently being analysed, however there is speculation that the outcome of this review will see the PWLB reduce its borrowing rates.
- 7.3 The PWLB is one of the borrowing options the Council is currently reviewing to fund its capital programme and will await the outcome of the consultation before securing borrowing requirements for the capital programme.

Appendix A

2020/21 Revised Capital Programme (Revised Programme shown in detail in second table)

| CAPITAL PROGRAMME | Approved 2020/21 Programme | Revised 2020/21 Programme |
|--|----------------------------------|---------------------------------|
| | £ | £ |
| Service Area - Council Modernisation | 380,000 | 254,653 |
| Total | 380,000 | 254,653 |
| Service Area - Housing Improvements | 1,070,000 | 1,071,000 |
| Service Area - Managing Property & Assets | 131,531 | 97,000 |
| Total | 1,201,531 | 1,168,000 |
| Service Area - Environmental Health | 10,000 | 10,000 |
| Service Area – Street Scene and Bereavement Services | 295,600 | 197,000 |
| Service Area - Recycling and Fleet | 3,766,000 | 3,503,703 |
| Service Area - Leisure | 3,682,000 | 1,135,000 |
| Service Area - Museum | 95,000 | 97,536 |
| Service Area - Managing Property & Assets | 55,547 | 20,000 |
| Service Area - Engineering | 165,873 | 232,873 |
| Total | 8,070,020 | 5,196,112 |
| Service Area - Managing Property & Assets | 1,702,553 | 333,866 |
| Total | 1,702,553 | 333,866 |
| CONTINGENCY/FEASIBILITY STUDIES | 1,100,000 | 350,000 |
| TOTAL | 12,454,103 | 7,302,631 |

| CAPITAL PROJECTS | Proposed Programme 2020/21 £ |
|---|---|
| PRIORITY - Local Services that work for Local People | |
| <i>Service Area - Council Modernisation</i> | |
| Mobile Technology Roll Out | 30,000 |
| Desktop Technology Refresh | 8,000 |
| Microsoft LAR Uplifts | 50,000 |
| Digital Delivery Integration Costs | 30,000 |
| Replacement of Civica APP | 30,000 |
| Replacement of Civica Financials | 30,000 |
| Implementation of SharePoint | 20,000 |
| Mobile Telephony Refresh | 10,000 |
| Pilate Gauge Replacement | 6,653 |
| Packet Shaper refresh | 20,000 |
| E-payments replacement | 20,000 |
| Total (Service Area) | 254,653 |
| Total Priority | 254,653 |
| PRIORITY - Growing our People and Places | |
| <i>Service Area - Housing Improvements</i> | |
| Disabled Facilities Grants | 1,000,000 |
| Empty Homes Grants | 6,000 |
| Carbon Management | 65,000 |
| Total (Service Area) | 1,071,000 |
| <i>Service Area - Managing Property & Assets</i> | |
| Stock Condition Survey Works | 97,000 |
| Total (Service Area) | 97,000 |
| Total Priority | 1,168,000 |
| PRIORITY - A Healthy, Active and Safe Borough | |
| <i>Service Area – Environmental Health</i> | |
| CCTV/Body worn cameras | 10,000 |
| Total (Service Area) | 10,000 |
| <i>Service Area - Streetscene & Bereavement Services</i> | |
| Footpath Repairs | 20,000 |
| Play Area Refurbishment | 30,000 |
| Railings/Structures Repairs | 15,000 |
| Britain in Bloom | 15,000 |
| Traveller Encroachment | 5,000 |
| Memorial Survey | 5,000 |
| Crematorium Monthly Gardens | 5,000 |
| Pool Dam Marshes LNR | 87,000 |
| Grounds Maintenance Invest to Save Programme | 15,000 |
| Total (Service Area) | 197,000 |
| <i>Service Area - Recycling & Fleet</i> | |
| Replacement Bins/Containers | 50,000 |
| Wheelie Bins – New Recycling Service | 870,000 |
| Paper Recycling Internal Bin Caddie | 43,703 |
| Twin Body RCV for New Recycling Service x 7 | 1,650,000 |
| New Food Waste Collection Service Vehicles x 7 | 490,000 |
| Corporate Fleet Replacement | 300,000 |

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| | |
|--|------------------|
| Transfer Station Alterations (New Recycling Service) | 100,000 |
| Total (Service Area) | 3,503,703 |
| Service Area - Leisure | |
| Aqua Sauna Refurbishment | 75,000 |
| Carbon Management | 40,000 |
| Jubilee 2 Pool Filters | 20,000 |
| Kidsgrove Sports Centre | 1,000,000 |
| Total (Service Area) | 1,135,000 |
| Service Area - Museum | |
| HLF Match Funding | 75,000 |
| CCTV Replacement/Upgrade | 20,000 |
| Museum Project | 2,536 |
| Total (Service Area) | 97,536 |
| Service Area - Managing Property & Assets | |
| Stock Condition Survey Works | 20,000 |
| Total (Service Area) | 20,000 |
| Service Area - Engineering | |
| Ryehills over Marian Platt walkway | 45,000 |
| Kidsgrove Loopline Bridge Over Walkway in Park | 37,865 |
| Road Bridge over former Railway, Audley | 30,000 |
| Car Park at Butchers Arms | 20,000 |
| St James Closed Churchyard, Newchapel | 12,008 |
| St James, Church Street, Audley | 88,000 |
| Total (Service Area) | 232,873 |
| Total Priority | 5,196,112 |
| PRIORITY - A Town Centre For All | |
| Service Area - Managing Property & Assets | |
| Stock Condition Survey Works | 274,866 |
| Midway Car Park, Newcastle | 10,000 |
| Markets | 40,000 |
| Bus Shelters | 9,000 |
| Total (Service Area) | 333,866 |
| Total Priority | 333,866 |
| CONTINGENCY | |
| | 250,000 |
| FEASIBILITY STUDIES | |
| | 100,000 |
| TOTAL | 7,302,631 |