

NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

**EXECUTIVE MANAGEMENT TEAM'S
REPORT TO**

Cabinet
09 December 2020

Report Title: Revenue and Capital Budget 2021/22 – First Draft Savings Plans

Submitted by: Portfolio Holder (Finance and Efficiency)

Portfolios: Finance and Efficiency

Ward(s) affected: All

Purpose of the Report

To present the first draft proposals being considered to balance the 2021/22 revenue budget and the proposed capital programme for 2021/22 to 2023/24.

Recommendation

Cabinet are asked to:

1. Note the first draft proposals as set out in the Appendix 1 and Appendix 2 to the report.
2. Note the amendment to the Medium Term Financial Strategy (MTFS) funding gap as a result of public sector pay freeze assumptions.
3. Refer the first draft proposals to the Finance, Assets and Performance Scrutiny Committee for their views.
4. Approve a supplementary revenue estimate of £250k for the blueprint and mobilisation phase of the “One Council” programme.

Reasons

To ensure the Council meets its statutory duty to set a balanced budget in February 2021.

1. **Background**

1.1 The Council's Draft MTFS for 2021/22 to 2025/26 was endorsed by Cabinet on 11 November 2020. It indicated that there will be a budget “gap” of £1.790m in respect of 2021/22 and that this will need to be closed in order to produce a balanced budget.

2. **Issues**

2.1 The COVID-19 pandemic has changed the position significantly creating financial challenge and uncertainty in equal measure. Most challenging is the forecast of the tax base for both Council Tax and Business Rates. The Draft MTFS provides for a gap in 2021/22 of £1.790m and over the 5 year period of the MTFS of £5.911m. The Comprehensive Spending Review announcements on 25 November 2020 and other issues detailed below reduce this gap to £1.275m in 2021/22 and to £5.047m over the 5 year period of the MTFS.

2.2 The Comprehensive Spending Review announced that a public sector pay freeze would be imposed with the exception of those employees earning below the United Kingdom's median wage of £24,000, who will be entitled to a £250 pay award.

- 2.3 If implemented within Local Government the pay freeze will reduce the gap by £0.377m in 2021/22 and the gap over the 5 year period of the MTFS by £0.425m.
 - 2.4 The spending review announced that there would be an equitable sharing of local taxation collection losses between local authorities and the Treasury. The Spending Review papers show that the government intends to use a scheme similar to the income compensation and cover 75% of local government's collection fund deficits. Whilst further detail is awaited, it is assumed that this will reduce the gap by £0.039m in 2021/22 in relation to the Council's share of the Council Tax collection fund forecast deficit and by £0.094m in 2021/22 in relation to the Council's share of the Business Rates collection fund forecast deficit. The gap over the 5 year period of the MTFS will reduce by £0.398m.
 - 2.5 It was also announced that there would be an extension to the Income Compensation Scheme for fees and charges to the end of the first quarter in 2021/22 which will help reduce the income pressure together with further funding for temporary accommodation costs.
 - 2.6 The capital programme as shown in appendix 2 and the updated financing assumptions for this expenditure have resulted in a reduction in the pressure included in the MTFS of £0.005m in 2021/22 and a reduction of £0.041m over the 5 year period of the MTFS (i.e. minimum revenue provision and interest payable)
 - 2.7 It is also proposed that in order to boost environmental sustainability within the Borough, £0.100m per annum over the life of the MTFS be ring-fenced from the Borough Growth Fund to enable such projects to be fully funded.
 - 2.8 As a result of the COVID-19 pandemic and the financial challenge the pandemic has raised, the Council has commissioned a full organisational review. This has identified a requirement to make significant changes to the way Council services are delivered, recognising both the impact of the pandemic in terms of creating more and different demands on Council services and the need to retain focus on the most vulnerable and disadvantaged in the community, whilst maximising opportunities for residents to help themselves, ensuring that they have a consistent and efficient interaction with the council when needed. A major programme of work (the One Council Programme) will be undertaken over the period 2021/22 to 2022/23 to implement the necessary changes, which will involve extensive redesign of organisational structures, processes and technology, underpinned by changes in culture, leadership and governance. The programme will be overseen by the ICT and Digital Steering Group chaired by the Leader of the Council and regular updates provided to Cabinet and FAPS.
 - 2.9 Efficiencies and savings expected to be achieved through the One Council Programme will amount to circa £0.922m over a three year period and are recurring. These savings will replace the digital delivery savings in the MTFS – currently estimated at £0.150m per annum for the next three years.
 - 2.10 In order to achieve the revenue savings set out above implementation costs of c£1m will need to be funded. This includes £250k in the current financial year for the blueprint and mobilisation phase of the programme which is due to commence in January 2021. These implementation costs consist of website development, ICT costs, staff time including enhanced HR support, external delivery partner and training costs together with programme assurance and contingency. It is proposed these costs will be funded via the flexible use of capital receipts and contributions from the Borough Growth Fund over a two year period.
3. **Proposed Savings and Funding Strategies to eliminate the Budget Gap for 2021/22**

3.1 A number of savings and funding strategies have been identified as being both feasible and sustainable, via a vigorous Financial Recovery Board process including challenge sessions for each of the Portfolios involving Cabinet Members, the Executive Management Team, Heads of Service and the Finance Manager. The proposed savings identified to date for the period of the MTFS, and the remaining funding gaps have enabled a balanced financial position to be proposed for 2021/22. Further details for 2021/22 are shown in Appendix 1.

4. **Capital**

4.1 The Capital Programme for 2021/22 to 2023/24 (Appendix 2) is based on new schemes which are vital to ensure continued service delivery and in assisting the Council to achieve its corporate and service objectives as set out in the Council Plan 2018-22. These schemes total £29.624m.

4.2 The capital programme will require to be part funded by borrowings starting in 2021/22. The total amount of borrowing over the next three years will amount to £17.589m. The associated borrowing costs have been factored into the MTFS.

4.3 It should be noted that work is currently being undertaken on the Planned Maintenance Programme which will form part of the Capital Programme when finalised. An update on this work and the costs associated will be provided in the January Cabinet Report.

5. **Timetable**

5.1 The table below sets out the key dates of the events still to take place before the budget for 2021/22 is finally approved.

Event	Body Affected	Date
Budget consultation	Proposed to run from 10 December to 10 January	
Scrutiny of draft MTFS and savings proposals	Finance, Assets and Performance Scrutiny Committee	14 December
Approval of final MTFS and consideration of draft Budget proposals	Cabinet	13 January
Scrutiny of draft budget	Finance, Assets and Performance Scrutiny Committee	January - TBC
Final budget proposals recommended for approval by Full Council	Cabinet	2 February
Full Council to approve Budget	Full Council	17 February

6. **Equality Impact Assessment**

6.1 There are no adverse equality impact identified as a consequence of this report.

7. **Financial and Resource Implications**

7.1 These are addressed in the body of the report.

7.2 As referred to in section 2.10 the Council will need to incur implementation costs to fund the blueprint and mobilisation phase of the One Council programme. These implementation costs will be funded via the flexible use of capital receipts and Borough Growth Fund.

8. **Risk Statement and Major Risks**

8.1 The assessment of the Section 151 Officer is that the draft proposals included in this report are robust and will ensure an adequate level of reserves. However, it should be noted that a number of assumptions and proposals are provisional or draft, and as such this opinion will be confirmed in the Revenue and Capital Budgets and Council Tax 2021/22 reports to Cabinet on 2 February 2021 and to Council on 17 February 2021.

9. **Key Decision Information**

9.1 Affects all wards within the Borough and monetary values involved are highly significant.

10. **Earlier Cabinet/Committee Resolutions**

10.1 Medium Term Financial Strategy 2021/22 to 2025/26 (Cabinet 11 November 2020).

11. **List of Appendices**

- 11.1 Appendix 1: 2021/22 MTFS Funding Strategy
- 11.2 Appendix 2: 2021/22 to 2023/24 Capital Programme

12. **Background Papers**

- 12.1 CIPFA Treasury Management Code of Practice (revised December 2017)
- 12.2 Council's Treasury Management Policy Statement
- 12.3 Local Government Act
- 12.4 Local Authorities (Capital Finance and Accounting) (England) Regulations
- 12.5 Ministry of Housing, Communities and Local Government's Guidance on Local Government
- 12.6 Investments
- 12.7 Statutory Guidance on the Flexible Use of Capital Receipts

2021/22 MTFS Funding Strategy

Appendix 1

Ref	Service Area	Description	£000's	Detail
Income				
I1	Recycling and Fleet	Trade Waste Income	50	Increased marketing and sales regarding the trade waste service, as agreed in the 2020/21 budget setting process
			50	
One Council				
O1	Corporate	One Council/Digital Delivery	195	Efficiencies to be generated from the continuation of prioritising digital delivery processes and services
			195	
Staffing Related Efficiencies				
S1	Revenues and Benefits/Customer Services	Restructure	131	Phase 2 of restructure of Revenues and Benefits and Customer Services
S2	Finance	Car Leasing Scheme	3	Car leases not renewed following expiry
S3	Finance	Section 151 Officer Appointment	110	Designation of Section 151 Officer role to Head of Finance
S4	Recycling and Fleet	Restructure	40	Restructure of Recycling and Fleet managerial team
S5	Operational	Grounds Maintenance	60	Saving from contract brought back in house
S6	All	Vacant Posts, Retirements, Reprioritisation	255	Vacant posts, service reprioritisation and employees retirement
			599	
Good Housekeeping/More Efficient Processes				
G1	ICT Services	Staffordshire Connects	13	Saving in partnership contribution following change of IT system
G2	Housing, Regeneration and Assets	Cash Collections	24	Saving from contract to be brought back in house
G3	Communications	Printing	9	Saving from reduced levels of printing across the Council
			46	
Alternative Sources of Finance/Other				
A1	Corporate	Council Tax Increase	187	Assumed increase of £5 per Band D equivalent property
A2	Corporate	Business Rates Reserve	31	Use of accumulated surplus from Business Rates Retention scheme to offset 2020/21 forecast business rates collection fund deficit
A3	Corporate	Alternative Financing	167	Equipment that was previously provided for via contributions to reserves from revenue will now be funded directly from capital
			385	
			Grand Total	1,275

2021/22 to 2023/24 Capital Programme

Appendix 2

CAPITAL PROGRAMME	2021/22	2022/23	2023/24	TOTAL
	£	£	£	£
PRIORITY - Local Services that work for Local People				
Service Area – ICT and Digital	649,000	110,000	102,000	861,000
Total	649,000	110,000	102,000	861,000
PRIORITY - Growing our People and Places				
Service Area - Housing Improvements	1,080,000	2,615,000	2,625,000	6,320,000
Service Area - Managing Property & Assets	318,922	410,846	14,922	744,690
Total	1,398,922	3,025,846	2,639,922	7,064,690
PRIORITY - A Healthy, Active and Safe Borough				
Service Area - Environmental Health	0	0	60,000	60,000
Service Area - Streetscene and Bereavement Services	610,450	2,210,600	1,125,600	3,946,650
Service Area - Recycling and Fleet	971,500	351,000	2,899,500	4,222,000
Service Area - Leisure	5,671,000	687,000	17,000	6,375,000
Service Area - Museum	240,000	40,000	0	280,000
Service Area - Managing Property & Assets	64,749	273,403	220,498	558,650
Service Area - Engineering	320,193	806,287	1,287,105	2,413,585
Total	7,877,892	4,368,290	5,609,703	17,855,885
PRIORITY - A Town Centre for All				
Service Area - Managing Property & Assets	1,385,586	1,177,126	279,250	2,841,962
Total	1,385,586	1,177,126	279,250	2,841,962
CONTINGENCY	1,000,000	0	0	1,000,000
TOTAL	12,311,400	8,681,262	8,630,875	29,623,537
FUNDING				
Capital Receipts	3,075,000	3,128,000	550,000	6,753,000
External Contributions	2,252,000	2,015,000	1,015,000	5,282,000
Borrowing/Leasing	6,984,400	3,538,262	7,065,875	17,588,537
TOTAL	12,311,400	8,931,262	8,630,875	29,623,537