

NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

**EXECUTIVE MANAGEMENT TEAM'S
REPORT TO**

Cabinet
01 December 2021

Report Title: Revenue and Capital Budget 2022/23 – First Draft Savings Plans

Submitted by: Head of Finance (Section 151 Officer)

Portfolios: Finance, Town Centres and Growth

Ward(s) affected: All

Purpose of the Report

To present the refreshed Medium Term Financial Strategy including the first draft proposals being considered to balance the 2022/23 revenue budget and the proposed capital programme for 2022/23 to 2024/25.

Recommendation

1. The first draft proposals as set out in Appendix A and Appendix B to the report be noted.
2. The amendment to the Medium Term Financial Strategy (MTFS) funding gap as a result of revisions to capital financing and inflationary assumptions be noted (Appendix C).
3. The refreshed Medium Term Financial Strategy (MTFS) (Appendix D) be referred to the Finance, Assets and Performance Scrutiny Committee for their views.
4. The first draft proposals be referred to the Finance, Assets and Performance Scrutiny Committee for their views.

Reasons

To ensure that the Council meets its statutory duty to set a balanced budget in February 2022.

1. **Background**

- 1.1 The funding pressure facing the Council for the period for 2022/23 to 2026/27 were presented to Cabinet on 13 October 2021. The report indicated that there would be a budget 'gap' of £1.596m in respect of 2022/23 (£4.793m over the 5 year period of the MTFS) and that this will need to be closed in order to produce a balanced budget.

2. **Issues**

- 2.1 The MTFS provides an overarching framework for the allocation of resources to the Council's key priorities as set out in the Council Plan. A mid-term review of the Council Plan was undertaken during 2020/21 and confirmed that the priorities remain unchanged.
- 2.2 After a ten year period of austerity the financial strategy will focus on the need for the Council to become self-sustaining through developing a strong and growing tax base, making best

use of its resources, promoting an “everyone’s responsibility” culture in which there is widespread ownership of the Council’s financial position, a robust financial position and a fair funding settlement for Newcastle-under-Lyme.

- 2.3 The MTFS funding gap is constantly reviewed and assumptions made are challenged and amended as circumstances dictate. Following a review of the costs of financing the capital programme (including the interest rates applicable and the timing of capital expenditure) the estimated cost of capital financing in 2022/23 has reduced by £0.141m. A revision to estimates regarding CPI inflation (Consumer Price Index) and assumptions regarding the subsidy required for leisure facilities has reduced the funding gap by a further £0.085m. A staggered reduction in the use of the flexible use of capital receipts has reduced the funding gap by a further £0.100m
- 2.4 Following the rejection of the 1.75% local government pay offer it is prudent to allow for a 2% offer, this has increased the funding gap by £0.043m. The revised budget ‘gap’ therefore amounts to £1.313m for 2022/23 and £4.265m over the 5 year period of the MTFS (Appendix C).

Proposed Savings and Funding Strategies

- 2.5 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 reached for 2022/23. Further details for 2022/23 are shown in Appendix A.

Detail	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
<i>Income</i>	58	10	-	-	-
<i>One Council</i>	601	126	-	-	-
<i>Staffing Related</i>	79	18	-	-	-
<i>Good Housekeeping</i>	120	-	-	-	-
<i>Tax Base</i>	148	210	212	215	218
<i>Council Tax Increase</i>	154	190	192	194	196
<i>Health and Social Care Levy</i>	153	-	-	-	-
TOTAL SAVINGS	1,313	554	404	409	414
UPDATED MTFS GAPS	1,313	1,182	926	457	387
REMAINING GAP	-	628	522	48	(27)

Capital

- 2.6 The Capital Programme for 2022/23 to 2024/25 (Appendix B) 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 £66.652m including major investment into the Borough via external funding in terms of the Future High Streets Fund and the Town Deals Fund for both Newcastle and Kidsgrove.
- 2.7 The capital programme will require to be part funded by borrowings. The total amount of borrowing over 3 years of the proposed Capital Programme for 2022/23 to 2024/25 will amount to £13.944m. The associated borrowing costs have been factored into the MTFS.
- 2.8 The table below sets out the key dates of the events to take place before the budget for 2022/23 is finally approved:

Event	Committee	Date
Budget consultation	Proposed to run during December	
Scrutiny of draft MTFS & draft savings proposals	FAPSC	13 December 2021
Approval of final MTFS & consideration of draft budget proposals	Cabinet	12 January 2022
Scrutiny of draft budget proposals	FAPSC	January - TBC
Final budget proposals recommended for approval by Full Council	Cabinet	2 February 2022
Full Council to approve budget	Full Council	23 February 2022

3. **Proposal**

- 3.1 That Cabinet note the funding gap of £1.313m in 2022/23 and £4.265m over the life of the MTFS.
- 3.2 That Cabinet agree the approach regarding the development of savings and income generation proposals in the medium term.
- 3.3 That Cabinet note the continued uncertainty regarding the medium term impact of local government funding and COVID-19.

4. **Reasons for Proposed Solution**

- 4.1 The Council has a statutory duty to set a balanced budget by February 2022. Best practice is for financial planning to take place over a 5 year period in the form of a Medium Term Financial Strategy that sets out how the Council plans to allocate resources to meet its objectives.

5. **Options Considered**

- 5.1 None.

6. **Legal and Statutory Implications**

- 6.1 The MTFS is not a statutory document but it is considered best practice.

7. **Equality Impact Assessment**

- 7.1 Local authorities have a responsibility to meet the Public Sector Duty of the Equality Act 2010. The Act gives people the right not to be treated less favourably due to protected characteristics. It is important to consider the potential impact on such groups and individuals when designing or delivering services and budgets. Budget proposals requiring changes or new services and policies will be subject to Equality Impact Assessments including consultation with affected people and organisations.

8. **Financial and Resource Implications**

- 8.1 These are addressed in the body of the report.

9. Major Risks

9.1 Section 25 of the Local Government Acts 2003 places a duty on the Section 151 officer to report on the robustness of the budget. The main risks to the budget include spending in excess of budget; income falling short of the budget (including capital receipts from disposal of assets); and unforeseen elements such as changes to Government funding. In the context of the COVID-19 pandemic and uncertainty regarding Government funding reforms there are significant budget risks that will need to be managed. It will be essential the Council has sufficient reserves to call on if required.

9.2 It should be noted that a number of assumptions and proposals are provisional or draft, and as such the opinion of robustness will be confirmed in the Revenue and Capital Budgets and Council Tax 2022/23 reports to Cabinet on 2 February 2022 and to Council on 23 February 2022.

10. UN Sustainable Development Goals (UNSDG)

10.1 In shaping detailed budget proposals consideration will be given to the need for investment in order to deliver the Council's Sustainable Environment Action Plan.



11. Key Decision Information

11.1 Final approval of the MTFS as part of the budget setting process will be a key decision.

12. Earlier Cabinet/Committee Resolutions

12.1 None

13. List of Appendices

13.1 Appendix A – 2022/23 MTFS Funding Strategy

13.2 Appendix B – 2022/23 to 2024/25 Capital Programme

13.3 Appendix C – MTFS 'Gaps'

13.4 Appendix D – MTFS 2022/23 to 2026/27

14. Background Papers

14.1 None

Appendix A – 2022/23 MTFS Funding Strategy

Ref	Service Area	Description	£000's	Detail
Income				
I1	Recycling and Fleet	Supply of recycling/waste bins	29	Implementation of charge to developers for the provision of recycling/waste bins
I2	Leisure and Cultural	School swimming	29	School swimming lessons are now being offered directly to schools generating additional income
			58	
Income				
O1	Corporate	One Council	601	Efficiencies to be generated from the introduction of a new Council operating model and the continued prioritisation of digital delivery
			601	
Staffing Related Efficiencies				
S1	Corporate	Terms and conditions	10	Standardisation of contracts under the One Council programme, including a review of enhancements
S2	Leisure and Cultural	Life-saving detection system	50	Introduction of a life-saving detection system leading to a reduced number of life guards being required
S3	Leisure and Cultural	Jubilee 2 reception	14	Increases use of automated kiosks and digital booking
S4	Leisure and Cultural	Virtual fitness instructors	5	Increased staffing of fitness classes using a virtual class licence
			79	
Good Housekeeping/More Efficient Processes				
G1	ICT Services	Flexi time software	4	Removal of software costs of current system
G2	ICT Services	Network circuits	10	Contract savings from current provider
G3	Recycling and Fleet	Green waste permits	24	Saving in postage costs from provider of permit stickers
G4	Leisure and Cultural	Music licence fees	10	Move to royalty free provision of music at Jubilee 2
G5	Leisure and Cultural	New Victoria Theatre	22	Reduction in grant awarded
G6	Finance	VAT (Value Added Tax)	50	Recovery of VAT on leisure facility income
			120	
Alternative Sources of Finance/Other				
A1	Corporate	Tax base – Council Tax	87	Increase in tax base based on market housing supply requirement (431 properties per year)
A2	Corporate	Tax base – Business Rates	61	Assumed increase in tax base of 1%
A3	Corporate	Health and Social Care levy	153	Reimbursement by Government of increased national insurance costs
A4	Corporate	Council Tax increase	154	Assumed increase of 1.99% per Band D property
			455	
Grand Total			1,313	



Appendix B 2022/23 to 2024/25 Capital Programme

CAPITAL PROGRAMME	2022/23	2023/24	2024/25	TOTAL
	£	£	£	£
PRIORITY - Local Services that work for Local People				
Service Area - Council Modernisation	609,820	655,000	287,000	1,551,820
Total	609,820	655,000	287,000	1,551,820
PRIORITY - Growing our People and Places				
Service Area - Housing Improvements	1,340,000	1,290,000	1,290,000	3,920,000
Service Area - Managing Property & Assets	1,885,576	1,374,991	1,084,639	4,345,206
Total	3,225,576	2,664,991	2,374,639	8,265,206
PRIORITY - A Healthy, Active and Safe Borough				
Service Area - Environmental Health	60,000	60,000	-	120,000
Service Area - Streetscene and Bereavement Services	2,438,850	950,000	1,465,000	4,853,850
Service Area - Recycling and Fleet	922,500	2,899,500	565,500	4,387,500
Service Area – Leisure and Cultural	848,000	90,000	16,000	954,000
Service Area - Engineering	590,000	1,070,000	85,000	1,745,000
Total	4,859,350	5,069,500	2,131,500	12,060,350
PRIORITY - A Town Centre for All				
Service Area - Managing Property & Assets	1,750,000	3,500,000	750,000	6,000,000
Future High Streets Fund	3,635,916	1,691,166	-	5,327,082
Town Deals – Newcastle	12,092,000	4,706,000	2,251,000	19,049,000
Town Deals - Kidsgrove	6,415,000	4,190,000	2,794,000	13,399,000
Total	23,892,916	14,087,166	5,795,000	43,775,082
CONTINGENCY	1,000,000	-	-	1,000,000
TOTAL	33,587,662	22,476,657	10,588,139	66,652,458
FUNDING				
Capital Receipts	3,128,000	500,000	8,000,000	11,628,000
External Contributions	23,377,916	11,622,166	6,080,000	41,080,082
Borrowing	7,081,747	10,354,491	(3,491,962)	13,944,376
TOTAL	33,587,663	22,476,657	10,588,139	66,652,458

Appendix C – 2022/23 to 2026/27 MTFs ‘Gaps’

Detail	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	Description
Employees:						
Increments	73	40	20	3	-	Employees due an increment
Pay awards	517	318	326	335	343	2.5% pay award assumed for all years plus 2% re. 2021/22
Superannuation increases	100	61	59	58	59	17.1% of increase in salaries
Superannuation lump sum increases	76	76	76	76	76	Contribution towards pension deficit
National Insurance	88	54	52	51	52	15.05% of increase in salaries
Health and Social Care Levy	153	-	-	-	-	1.25% increase in National Insurance contributions
Premises:						
Business Rates	23	16	16	16	17	Inflationary increase in business rates payable (per CPI)
Utilities	15	11	10	11	11	Inflationary increase in gas and electric (per CPI)
Transport:						
Fuel	13	9	9	9	9	Inflationary increase in fuel (per CPI)
Financing:						
Borrowing/leasing costs	(141)	438	464	17	17	Borrowing costs regarding the financing of capital expenditure
Elections reserve	(50)	-	-	-	-	One off contribution made in 2021/22
Flexible use of capital receipts	100	100	-	-	-	Removal of the flexible use of capital receipts to fund revenue
New Pressures:						
ICT software and maintenance	134	20	20	20	20	ICT costs re. systems maintenance and software licences
Card processing charges	20	-	-	-	-	To reflect the increase in card payments received
Kidsgrove Sports Centre	100	-	-	-	-	Subsidy regarding the operation of Kidsgrove Sports Centre
Occupational health	21	-	-	-	-	Increase in contract costs
Waste Services	4	-	-	-	-	Including contract standardisation and inflationary increases
Licensing	15	-	-	-	-	Additional staffing resources
Income:						
Fees and charges	(158)	(187)	(192)	(198)	(204)	3% increase in fees and charges
New Homes Bonus	158	192	5	-	-	Drop out of New Homes Bonus legacy payments
Government grant	12	12	12	12	12	Reduction in Housing Benefit /Council Tax Admin grant
Business Rates baseline funding level	(116)	(118)	(121)	(123)	(125)	Inflationary increase in baseline funding level (per CPI)
Tax base – Council Tax support	(30)	(30)	-	-	-	Reduction in Council Tax support claimants
Income pressures	186	170	170	170	100	Green waste recycling credits and general income shortfalls
Collection Fund deficit re. 2020/21	1,056	1,056	-	-	-	Collection fund losses incurred re. COVID-19
Transfer from Business Rates reserve	(1,056)	(1,056)	-	-	-	Government funding set aside re. collection fund losses
TOTAL GAPS	1,313	1,182	926	457	387	