

Financial Position Quarter Three 2021/22

1. General Fund Revenue Budget

- 1.1 The Council approved a General Fund Revenue Budget of £14.960m on 24 February 2021. The actual and forecast 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 It is forecast that adverse variances incurred will again be offset in total by the emergency Coronavirus funding received from the Government and by the Government income compensation scheme and that, this will enable a balanced outturn to be presented at the year end, any variance remaining will be paid into or from the general fund reserve. Close management of the financial position will continue and remains essential.
- 1.3 The Coronavirus pandemic continues to have an impact on the Council's financial position, primarily through lost income, although this is showing a marked improvement compared to the losses incurred during 2020/21. To date un-ringfenced Government funding of £1.006m has been secured (including £0.331m of new burdens funding to offset the costs of administering Coronavirus business support grants and test and trace payments) in relation to 2021/22, which has reduced the immediate pressure on additional spending on the Council finances.
- 1.4 Further specific Government funding to assist with the Council's response to the Coronavirus during 2021/22 has also been secured in relation to elections (£0.035m), outbreak control (£0.174m) and the Welcome Back fund (£0.115m).
- 1.5 The Council's revenue budget relies on service income from fees and charges of around £850k per month across a wide range of services, with a significant proportion coming from Jubilee 2 and car parking. Taking account of the current restrictions, it is forecast that income losses from fees and charges for the financial year will amount to £1.010m.
- 1.6 The Government announced that it will fund income losses, relating to irrecoverable fees and charges, above the first 5% at the rate of 75p in the pound for the quarter 1 of the current financial year, this will help to insulate the Council from income related financial risks for quarter 1 only. It is forecast that the Government's income compensation scheme will offset these income losses to the sum of £0.360m.
- 1.7 Additional expenditure pressures continue to be incurred as a result of the Coronavirus pandemic, albeit at a vastly reduced rate when compared to 2020/21 (excluding the provision of services/activity for which specific funding has been received).
- 1.8 Expenditure continues to be reduced wherever possible throughout the Council to ensure that only absolutely necessary spending is being incurred, this helps to reduce the adverse variance on a service by service basis. It has been forecast that this situation continues throughout the remainder of the financial year.
- 1.9 Further consequences of the Coronavirus on the Council's financial position will depend significantly on any future lockdown or restrictions being imposed, the recovery of income from fees and charges and on any further Government financial support that may be received.
- 1.10 Careful monitoring of the financial position will be required over coming weeks and months leading to prompt corrective action where necessary to ensure 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 third quarter, the general fund budget continues to show a balanced position. It is forecast that this position will be achieved as at the close of the financial year.
- 2.2 A number of variances from the budget are forecast, these include:
- a. Income shortfalls from sales, fees and charges which are eligible for partial reclaim via the Income Losses Scheme, it is forecast that these losses will amount to £1.010m by the close of the financial year.
 - b. Income shortfalls from commercial property rents, it is forecast that these losses will amount to £0.114m by the close of the financial year. These losses are not eligible for any partial reclaim.
 - c. Income shortfalls from the recovery of housing benefits overpayments, it is forecast that these losses will amount to £0.081m by the close of the financial year. These losses are not eligible for any partial reclaim.
- 2.3 These adverse variances are forecast to be offset in full by the following favourable variances:
- a. Un-ringfenced Government funding of £1.006m has been secured (including £0.331m of new burdens funding to offset the costs of administering Coronavirus business support grants and test and trace payments) in relation to 2021/22.
 - b. It is anticipated that the Council will be reimbursed £0.360m in relation to the Income Losses scheme for eligible sales, fees and charges income shortfalls for the year.
 - c. Expenditure continues to be reduced wherever possible throughout the Council to ensure that only absolutely necessary spending is being incurred, this helps to reduce the adverse variance on a service by service basis. It has been forecast 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 the continued impact of the Coronavirus pandemic on retail business, the government has continued its retail discount business rates relief scheme, for 2021/22. For the first quarter of 2021/22 eligible businesses were awarded a 100% reduction in the business rates liability, for the remainder of 2021/22 they have been awarded a 66% reduction (up to a total value of £2m per business).
- 3.3 This has the impact of a reduction in income that was expected to be received by the Council from business rates payers during 2021/22 which will generate a deficit on the collection fund. However, the government will award Section 31 grant to the Council to

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offset the losses incurred by this, this will be paid into the general fund and will be set aside to offset the deficit that will be incurred on the collection fund.

3.4 The Council has experienced an increase in the numbers of residents who have become eligible for Council Tax Support as a result of the COVID-19 pandemic, in 2020/21 this led to a deficit being incurred between the tax receipts initially expected and those that were received. For 2021/22 an increased amount of Council Tax Support was built into the tax base to allow for this, a small surplus is currently being forecast as a result of residents becoming ineligible for Council Tax Support due to a return to work or an increase in working hours.

3.4 The current forecast of tax receipts and Section 31 grant are shown below:

Tax	Total Forecast (Surplus)/Deficit	Council's Share
Council Tax	(£0.705m)	(£0.077m) (10.9%)
Business Rates	£7.479m	£2.992m (40%)
Business Rates Section 31 Grant	(£6.530m)	(£2.612m) 40%
Total	£0.244m	£0.303m

4. Capital Programme

4.1 A Capital Programme totalling £12.923m was approved for 2021/22. Of this total £10.923m relates to the total cost of new schemes for 2021/22 together with £1.000m for schemes funded by external sources (Disabled Facilities Grants) and £1.000m contingency. In addition £2.256m has been brought forward from the 2020/21 Capital Programme, resulting in a total Capital Programme of £15.179m for 2021/22.

4.2 A mid-year review of the capital programme has been undertaken and approved by Cabinet as part of the Efficiency Board and budget setting process for 2022/23 in order to identify any projects that may need to be re-profiled from 2021/22 into future years. The revised capital programme also includes projects for which funding has been obtained relating to 2021/22 via the Town Deals Fund (£3.246m) and the Future High Streets Fund (£5.341m).

4.3 At the close of quarter three the profiled capital budget amounts to £9.777m, actual spend for this period totals £9.798m. There are no significant variances in expected spend at this point.

4.4 A mid-year review of the capital programme is in the process of being undertaken as part of the Efficiency Board and budget setting process for 2022/23 in order to identify any projects that may need to be re-profiled from 2021-22 into future years. The results of this exercise will be reported as part of the budget setting process.

5. Capital Programme Funding Position

5.1 The expected total capital receipts due to be received this year following the sale of assets amount to £4.400m, £0.200m of this will be set aside for the flexible use of capital receipts during 2021/22. A summary of the expected income is shown in the table below.

Funding	Amount
Proceeds from disposal of assets	£3.900m
Proceeds from Right to Buy sales	£0.500m
Flexible use of capital receipts	(£0.200m)
Total	£4.200m

6. Supplementary Estimates

Revenue

- 6.1 The Council has received £127,294 from Central Government for the financial year 2021/22 to protect and vaccinate rough sleepers as part of the Government's response to the COVID-19 pandemic. £112,712 will be used to contribute to the additional accommodation costs that the Council has incurred during the current financial year and £14,581 will be used to provide vaccination programmes for rough sleepers.

7. Treasury Management

- 7.1 It is expected that borrowing will be required during 2021/22 to fund the revised capital programme however no borrowing arrangements have been made to date.
- 7.2 Although not utilised in recent years, the Council has previously considered the option of long-term borrowing from the PWLB. After the utilisation of capital receipts and internal borrowing, the Council will look to borrow short term from other local authorities in the first instance and will then review any other sources of funding if required.