

Classification: NULBC **PROTECT** Organisational
Financial Position Quarter One 2022/23

1. General Fund Revenue Budget

- 1.1 The Council approved a General Fund Revenue Budget of £15.269m on 23 February 2022. 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 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 and 2021/22. No Government funding for 2022/23 in respect of financial pressures relating to the Coronavirus pandemic (including income compensation) is likely to be received.
- 1.3 The Council's revenue budget relies on service income from fees and charges income of around £725k 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 £0.517m.
- 1.4 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.
- 1.5 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.
- 1.6 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 first quarter, the general fund budget showed an adverse variance of £0.129m. It is forecast that a balanced 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 other charges (£0.313m at quarter one), it is forecast that these losses will amount to £0.517m by the close of the financial year.
 - b. Income shortfalls from commercial rents (£0.019m at quarter one), it is forecast that these losses will amount to £0.075m by the close of the financial year.
 - c. A proposed pay award of £1,925 per full time employee, which is in excess of the amount provided for in the budget (2.5%), including national insurance and pension the additional amount is estimated to total £0.591m for the financial year.

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d. Increased fuel (£44k at quarter one), electricity (£16k at quarter one) and gas (£8k at quarter one) prices when compared to the amounts provided for in the budget, it is forecast that these variances will amount to £0.272m by the close of the financial year.

2.3 These adverse variances are forecast to be offset in full by the following favourable variances:

a. Utilisation of the Cost of Living Reserve that was established during the budget setting for 2022/23 in order to respond to any above inflationary increases in costs. It is anticipated that the £0.400m paid into this reserve will be fully used.

b. Use of £0.240m New Homes Bonus funding paid into the Budget Support Fund that was established during the budget setting for 2022/23 in order to boost the Council's financial resilience during 2022/23 as a result of the continued impact of the Coronavirus pandemic.

c. Application of £0.167m Administration grant paid to the Council and set aside during 2021/22 in relation to Coronavirus grants.

d. Expenditure continues to be reduced wherever possible throughout the Council to ensure that only absolutely necessary spending is being incurred, including staffing costs (£0.171m underspend at quarter one, forecast to amount to £0.684m for the financial year), 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 2022/23. For 2022/23 eligible businesses were awarded a 50% reduction in the business rates liability, up to a cash cap limit of £0.110m 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 2022/23 which, all things being equal, would generate a deficit on the collection fund. However, the government will award Section 31 grant to the Council to offset the losses incurred by this, this will be paid into the general fund and will be set aside to offset the reduced income that will be incurred on the collection fund.

3.4 A surplus is currently being forecast in respect of the Council Tax collection fund as a result of residents becoming ineligible for Council Tax Support due to a return to work or an increase in working hours.

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

Tax	Total Forecast (Surplus)/Deficit	Council's Share
Council Tax	(£0.352m)	(£0.041m) (10.9%)
Business Rates	(£0.300m)	(£0.120m) (40%)
Business Rates Section 31 Grant	£0.406m	£0.162m 40%
Total	(£0.246m)	£0.002m

3.6 In addition, the Council is due a reimbursement of £0.972m relating to the difference between the declared and actual business rates collection fund outturns for 2021/22, this will be repaid to the Council, and into the Business Rates Reserve, in 2023/24.

4. Capital Programme

4.1 A Capital Programme totalling £32.309m was approved for 2022/23. Of this total £30.309m relates to the total cost of new schemes for 2022/23 together with £1.000m for schemes funded by external sources (Disabled Facilities Grants) and £1.000m contingency. In addition £5.548m has been brought forward from the 2021/22 Capital Programme (including £4.017m from the Town Deals Fund and the Future High Streets Fund), resulting in a total Capital Programme of £37.841m for 2022/23.

4.2 At the close of quarter one the profiled capital budget amounts to £3.401m, actual spend for this period totals £3.433m. There are no significant variances in expected spend at this point.

4.3 A review of the capital programme is in the process of being undertaken as part of the Efficiency Board and budget setting process for 2023/24 in order to identify any projects that may need to be re-profiled from 2022-23 into future years. The results of this exercise will be reported to Cabinet in due course.

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 £0.500m, £0.100m of this will be set aside for the flexible use of capital receipts during 2022/23. A summary of the expected income is shown in the table below.

Funding	Amount
Proceeds from Right to Buy sales	£0.500m
Flexible use of capital receipts	(£0.100m)
Total	£0.400m

6. Treasury Management

6.1 It is expected that borrowing will be required during 2022/23 to fund the capital programme however no borrowing arrangements have been required to date.

6.2 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.