

Financial Position Quarter Three 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 £0.631m.
- 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 restrictions being imposed, the recovery of income from fees and changes 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 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 showed an adverse variance of £0.072m. 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 (£0.548m at quarter three), it is forecast that these losses will increase to £0.631m by the close of the financial year.
 - b. Income shortfalls from commercial rents (£0.077m at quarter three) and the recovery of housing benefit overpayments (£0.047m), it is forecast that these losses will amount to £0.197m by the close of the financial year.
 - c. A 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.
 - d. Increased fuel (£0.081m at quarter three), electricity (£0.108m at quarter three) and gas (£0.108m at quarter three) prices when compared to the amounts provided for in the budget, it is forecast that these variances will amount to £0.396m by the close of the

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financial year. Energy bills in respect of J2 are being closely monitored in respect of heating the pools.

- 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. Interest receivable on cash that the Council holds in terms of Town Deal and Future High Street funding, together with Section 31 grant and remaining Coronavirus grant funding (that are repayable to Central Government) is forecast to increase significantly following recent interest rate hikes to £0.513m for the financial year.
 - e. Expenditure continues to be reduced wherever possible throughout the Council to ensure that only absolutely necessary spending is being incurred, including staffing costs (£0.408m underspend at quarter three, forecast to amount to £0.544m 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 includes a 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, any surplus Section 31 grant received 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. Any shortfall in expected Section 31 grant will be funded via the Business Rates Reserve.

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- 3.4 A deficit is currently being forecast in respect of the Business Rates collection fund as a result of a significant change in rateable value for a large business rates payer which has been backdated by the Valuation Office to 2010.
- 3.5 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	Forecast (Surplus)/Deficit at 30.6.22	Forecast (Surplus)/Deficit at 30.9.22	Forecast (Surplus)/Deficit at 31.12.22	Council's Share
Council Tax	(£0.352m)	(£0.424m)	(£0.552m)	(£0.064m) (11.6%)
Business Rates	(£0.300m)	£0.988m	£0.996m	£0.398m 40%
Business Rates Section 31 Grant	£0.406m	£0.502m	£0.622m	£0.249m 40%
Total	(£0.246m)	£1.066m	£1.066m	£0.583m

- 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 was 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 £37.857m for 2022/23.
- 4.2 A mid-year review of the capital programme for 2022/23 has subsequently been undertaken as part of the Efficiency Board and budget setting process in order to identify any projects that may need to be re-profiled from 2022/23 into future years. The revised capital programme for 2022/23 totalling £32.977m was approved by Cabinet on 6 December 2022.
- 4.3 At the close of quarter three the profiled capital budget amounts to £5.525m, actual spend for this period totals £5.574m.
- 4.4 The variance shown above relates to additional costs (£0.028m) incurred in the refurbishment and redevelopment of Kidsgrove Sports Centre and Swimming Pool and a small number of insignificant overspends.

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 £3.713m, £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
Land sales	£3.213m
Flexible use of capital receipts	(£0.100m)
Total	£3.613m

6. Major Projects Funding

- 6.1 The Council has been awarded £4.8m over a 3 year period of UK Shared Prosperity Funding as part of the governments mission to level up opportunity and prosperity and to overcome geographical inequalities. It also aims to level up people's pride in the places they love and seeing that reflected back in empowered local leaders and communities, a stronger social fabric and better life chances. The 2022/23 allocation of £0.6m has been received and funding agreements are currently being drafted.
- 6.2 £23.6m was awarded to the Council via the Town Deals Fund for Newcastle to enable a vision to improve communications, infrastructure and connectivity in Newcastle-under-Lyme to become a reality. £12.5m has been received to date of which £0.5m has been spent.
- 6.3 £16.9m has also been awarded via the Town Deals fund for Kidsgrove to enable real and lasting economic benefits to be realised in Kidsgrove and the surrounding area. To date £7.9m has been received of which £3.6m has been spent.
- 6.4 The Council was awarded Future High Streets Fund funding in June 2021 of £11.0m to progress exciting and unique projects to help future economic growth. £7.9m has been received to date of which £5.1m has been spent.

7. Treasury Management

- 7.1 It was expected that borrowing would be required during 2022/23 to fund the capital programme however no borrowing arrangements have been required to date, primarily due to advanced monies being received in terms of Town Deals and Future High Streets funding.
- 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.
- 7.3 Advice from the Council's Treasury Management Advisors, Arlingclose, is to continue to utilise internal funding whilst it is available as opposed to borrowing whilst the interest rates are high. This approach also reduces the need to place funding in long term deposits, whilst minimising any potential investment risks.
- 7.4 Interest receivable on temporary cash receipts that the Council holds in terms of Town Deal and Future High Street funding, together with Section 31 grant and remaining Coronavirus grant funding (that are repayable to Central Government) is forecast to increase significantly following recent interest rate hikes by the Bank of England to £0.513m by the close of the financial year. For information purposes short term deposits made with the Debt Management Office attracted an interest rate of 0.55% at the start of the financial year and attracted an interest rate of 3.32% as at 24 January 2023.