

Financial Position Quarter Four 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 income losses from fees and charges for the financial year amount to circa £0.683m.
- 1.4 Expenditure has continued to be reduced wherever possible throughout the Council to ensure that only absolutely necessary spending was incurred in order to ensure a balanced outturn.

2. Revenue Budget Position

- 2.1 As at the end of the fourth quarter, the general fund budget shows a favourable variance of £0.008m against the budget.
- 2.2 The adverse variances that occurred during 2022/23 include:
 - a. Income shortfalls from sales, fees and charges which amount to £0.683m for the financial year,
 - b. A shortfall of £0.241m in Housing Benefits subsidy grant regarding accommodation for which full subsidy is not claimable,
 - 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 totalled £0.591m for the financial year,
 - d. Increased fuel (£0.139m), electricity (£0.181m) and gas (£0.222m) prices when compared to the amounts provided for in the budget.
- 2.2 These adverse variances have been 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. 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 which 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 and a further £0.111m grant received in relation to the administration of Council Tax Rebate grants received during 2022/23.
- d. A refund of £0.130m is payable to the Council in respect of Business Rates payable in relation to the Museum following a backdated revaluation in rateable value.
- e. 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) has increase significantly following recent interest rate hikes to £0.578m for the financial year. This has also eliminated the need for any in year borrowing to be undertaken saving £0.120m in interest payments.
- f. The levy payment payable to the Business Rates pool that the Council is a part of is £0.141m less than estimated for 2022/23. Additionally, the levy payable in relation to 2021/22 has been met from the Business Rates Reserve (£0.116m).

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.
- 3.4 A deficit is expected in respect of the in year 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 expected in respect of the in year 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.
- 3.6 The current forecast of tax receipts and Section 31 grant are shown below, please note that these exclude the transfers relating to the previous year's surplus or deficit so that in year performance can be clearly seen:

Classification: NULBC **PROTECT** Organisational

Tax	Forecast (Surplus)/Deficit at 30.6.22	Forecast (Surplus)/Deficit at 30.9.22	Forecast (Surplus)/Deficit at 31.12.22	Actual In Year (Surplus)/Deficit at 31.3.23	Council's Share
Council Tax	(£0.352m)	(£0.424m)	(£0.552m)	(£0.495m)	(£0.054m) (11%)
Business Rates	(£0.300m)	£0.988m	£0.996m	£0.720m	£0.288m 40%
Business Rates Section 31 Grant	£0.406m	£0.502m	£0.622m	£0.260m	£0.104m 40%
Total	(£0.246m)	£1.066m	£1.066m	£0.485m	£0.338m

3.7 When taking into account the transfers relating to the previous year's surplus or deficit, the Business Rates Collection Fund shows an overall surplus of £1.709m (Council's share is £0.713m) and the Council Tax Collection Fund shows an overall surplus of £0.273m (Council's share is £0.030m).

3.8 The surpluses per 3.7 will be repaid to the Council, and into the Business Rates Reserve, in the financial years 2023/24 and 2024/25.

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 The expenditure position at the end of the fourth quarter is expected to be as follows:

	Amount (£'000)
Budget	32,977
Actual Expenditure	(7,545)
Expenditure Funded by Flexible Use of Capital Receipts	342
Unbudgeted Expenditure Fully Funded by Grants	606
Committed orders and carry forwards for existing projects	(24,013)
Capital Contingency Reserve to be rolled forward	(691)
Disabled Facilities Grant to be utilised in future periods	(547)
Favourable Variance	1,129

It should be noted that this is the position at period 12 and further work is being completed to inform the final outturn position for the year.

4.3 The variance shown above relates to a number of projects whereby costs have been value engineered or whereby a decision has been made not to progress with the project until a future period within the capital programme.

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 £3.230m, £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	£2.730m
Flexible use of capital receipts	(£0.100m)
Total	£3.130m

6. Treasury Management

- 6.1 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.
- 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.
- 6.3 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.
- 6.4 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 circa £0.580m 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 4.05% as at 31 March 2023.

7. 2022/23 Outturn Position

- 7.1 Work is currently being completed on the final outturn position in respect of both the revenue and capital budgets. Full details on the outturn will be provided at the next meeting.