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Date: 3rd November 2022

Dear Sir/Madam,

Cabinet - 9th November, 2022

I refer to the following items below and attach the reports that were marked to follow on the agenda.

- **Agenda Item 9: Medium Term Financial Strategy (Page 2)**
- **Agenda Item 10: Q2 General Fund Budget Monitoring 2022/23 (Page 15)**
- **Agenda Item 11: Q2 Housing Revenue Account Budget Monitoring 2022/23 (Page 27)**
- **Agenda Item 12: Q2 Capital Monitoring 2022/23 (Page 36)**

Yours faithfully,

BRENT DAVIS

Chief Executive

To: Members of the Cabinet

Councillor K. Wilson (Leader of the Council and Business and Regeneration)
Councillor C. Golby (Deputy Leader and Housing and Communities)
Councillor S. Croft (Finance and Corporate)
Councillor S. Markham (Public Services)
Councillor R. Smith (Planning and Regulation)
Councillor J. Gutteridge (Health and Environment)

Observer

Councillor C. Watkins (Leader of the Main Opposition Party)

Cabinet

Report Summary Sheet

Date: 9th November 2022

Subject: Medium-Term Financial Strategy 2022 - 2027

Portfolio: Finance & Corporate (Councillor S Croft)

From: Director – Finance & Enterprise

Summary:

An update to the Medium-Term Financial Strategy. A further update will be reported to Cabinet once the final budget for 2023/24 is completed and the Local Government Finance Settlement is announced.

Recommendations:

To note the report and consider actions to mitigate the large deficits anticipated and maintain a prudent level of reserves.

To create a savings plan and implement savings into the 2023/24 budget.

That a further update be reported to Cabinet once the budget for 2023/24 is complete and the Local Government Financial Settlement for 2023/24 is announced.

Options:

To accept the report or request further information.

Reasons:

The Council must set a balanced budget annually and maintain an appropriate level of reserves.

Consultation undertaken with Members/Officers/Stakeholders

Councillor S Croft, Head of Financial Services and Chief Executive.

Subject to call-in:

Yes

Ward relevance:

None directly.

Forward plan:

Yes

Building a Better Borough Aim:

Work

Building a Better Borough Priority:

Build a strong and inclusive economy

Equalities Implications:

(Does this require an Equalities Impact Assessment? If so please append.)

None

Human resources implications:

None

Financial implications:

Included within the report.

Health Inequalities Implications:

None

Section 17 Crime & Disorder Implications:

None

Risk management implications:

The Council takes a risk based and prudent approach to budget setting.

Environmental implications:

None

Legal implications:

The Council must achieve a balanced budget each year.

Contact details:

Vicki Summerfield

Director – Finance & Enterprise

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AGENDA ITEM NO.9

NUNEATON AND BEDWORTH BOROUGH COUNCIL

Report to: Cabinet - 9th November 2022

From: Director – Finance & Enterprise

Subject: Medium-Term Financial Strategy 2022 - 2027

Portfolio: Finance & Corporate (Councillor S Croft)

Building a Better Borough Aim: Work

Building a Better Borough Priority: Build a strong and inclusive economy

1. Purpose of Report

1.1 To present a five-year financial plan for the General Fund and the strategy that the plan is based on.

2. Recommendations

2.1 To note the report and consider actions to mitigate the deficits anticipated and maintain a prudent level of reserves.

2.2 To create a savings plan and look to implement savings into the 2023/24 budget process.

2.2 That a further update be reported to Cabinet once the budget for 2023/24 is complete and the Local Government Financial Settlement for 2023/24 is announced.

3. Background

3.1 A Medium-Term Financial Strategy (MTFS) should be reviewed and updated annually as best practice to ensure the Council is financially viable. The last update to Cabinet was October 2019 due to the pandemic plus the anticipated finalisation of the Fair Funding and Business Rates Retention Reviews.

4. Body of Report

4.1 The MTFS is attached at Appendix 1 and provides the principals on which the financial plan is put together and provides information regarding the current financial position and anticipated future position.

4.2 Appendix 1 is based on there being no New Homes Bonus or Lower Tier Support Grant provided as part of the Financial Settlement (expected in December 2022) and without a full budget review for 2023/24.

4.3 The budget review for 2023/24 will include opportunities for revenue generation from fees and charges and will look to reduce the cost base of the Council. The MTFS will be updated as part of the budget round in February 2023.

5. Conclusion

5.1 There are significant financial risks facing the Council due to the lack of knowledge regarding the Government's intention with funding plus only receiving a one-year settlement for a number of years. These factors make financial planning extremely difficult.

5.2 It is clear that the Council is facing some significant challenges and the overall financial position will be further reviewed once the budget for 2023/24 is complete.

6. Appendices

6.1 Appendix 1 - Medium-Term Financial Strategy

7. Background Papers (if none, state none)

7.1 None.

NUNEATON & BEDWORTH BOROUGH COUNCIL



MEDIUM-TERM FINANCIAL STRATEGY 2022 – 2027



1. INTRODUCTION

The Medium-Term Financial Strategy (MTFS) is a rolling five-year plan that sets out the Council's commitment to provide services that meet the needs of local people with focus on value for money, working within the resources available.

In combination with the Council's objectives to Build a Better Borough as set out within the adopted Corporate Plan, the estimated financial resources required to achieve the Corporate Plan are set out within this strategy.

The MTFS covers the period from April 2022 to March 2027 but will be reviewed annually as a minimum to consider any updates to the financial environment, which is currently extremely challenging, as well as a review of the assumptions underpinning the projections. The next update to the MTFS will be in October 2023 but quarterly reporting to Cabinet of the actual position versus the strategy will be completed from February 2023.

The Council covers two elements of the core services which are funded separately: the General Fund and the Housing Revenue Account (HRA). This strategy only covers the General Fund as the HRA has a 30-year Business Plan that is due for review in 2023. The strategy considers the international and national economic influences, the influence of central government policy and strategy decisions plus local factors that influence policy within the Council.

Along with other local authorities, the Council has faced unprecedented reductions in Government funding as austerity measures were introduced to support reductions in the national deficit. The severity of the reductions in funding and the overall allocation of central government resources has led to a financial environment that continues to present significant challenges.

In addition to this, the Council is facing financial detriment as a result of the Covid-19 pandemic. The financial implications are difficult to measure with any certainty as the impact of the public's spending behaviour plus other indirectly linked factors are likely to continue to pose financial challenges. The financial impact stems from both additional cost pressures in responding to the pandemic but to a larger extent, the irrecoverable losses in income and the ongoing period of recovery.

The economic climate and inflationary pressures are having an impact on the Council but also on businesses and residents across the borough. Levels of demand on products during the recovery from the pandemic accompanied by the war in Ukraine has resulted in an increase in costs of basic commodities. The political environment has also impacted the overall economic position with inflation sitting at 10.1% and expectations that it will peak at 11% during October, well above the 2% Bank of England target.

Maintaining a secure financial position is critical to enable the Council to develop and implement budget plans and the need for robust financial management has never been more essential. To be truly effective however, planning needs to balance the service needs and pressures against longer-term financial resilience and sustainability of the Council.

2. FINANCIAL RESILIENCE

CIPFA released a Financial Resilience Index in 2019 to do a compare and contrast high level review of the financial viability of local authorities and is taken from data provided as part of the revenue outturn returns to government.

The data contained within the Index is an analytical tool to support good financial management and to gain an understanding of financial risk for the Council and how risk varies between authorities.

As the Council moves out of the pandemic and into recovery mode, as with other local authorities, the outturn position is far from normal in both 2020/21 and 2021/22 due to additional grant funding and transfers into reserves of unused grants. This has led to disparity in the comparisons. The detail included below is in a 'normal' year and is as at 2019/20 where the best comparisons can be made.

The Council against its nearest neighbours was faring well although there have been many changes and drawdowns on resources over the last two years. As local authorities adapt to the changes in ways of working and engaging with their communities after the pandemic, comparisons of this nature will give a high-level focus and ability to determine the levels of risk present.



The Council is funded mainly through Council Tax which is a lower risk item as it is the least volatile form of funding and although the level at which the Council can increase the charge is capped by the government outside a referendum, growth is not controlled by the government.

Another interesting lower risk area is the fact that our fees and charges are a large level of support to fund overall expenditure. This unfortunately during the pandemic was a higher risk as the Council was unable to generate large levels of the income previously seen. As the data becomes available once the 2022/23 outturn reports are completed, a further review of any change in perceived resilience will be made and updated.

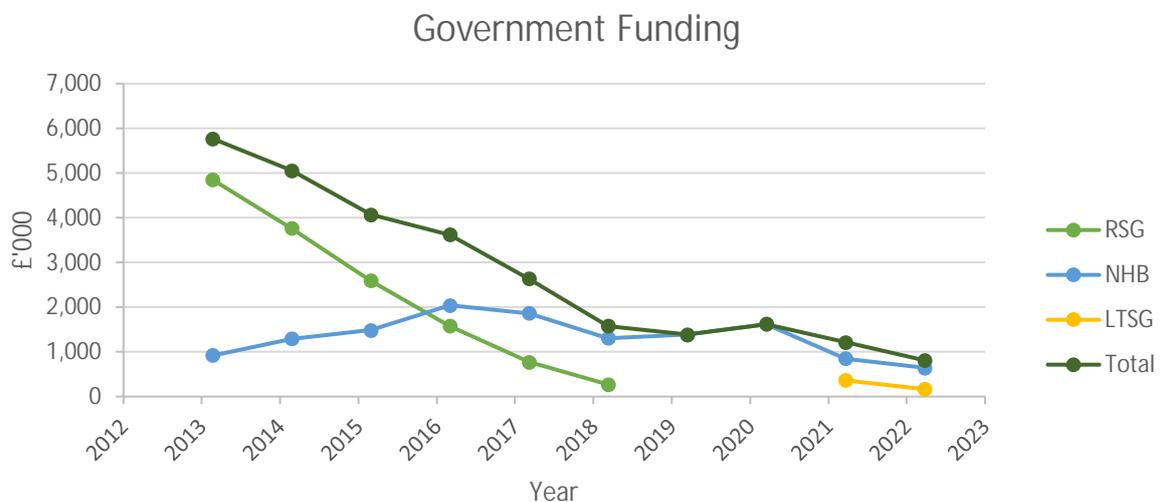
3. REVENUE RESOURCES

Background

General Fund income is generated mainly from taxation, but general government grants plus approved fees and charges also support the overall cost base. The services covered within the General Fund are both statutory and non-statutory functions. Services provided include but are not limited to Refuse, Recycling, Planning, Homelessness, Environmental Health, Grounds Maintenance, Leisure Centres and Democratic management.

Since the 2010 Comprehensive Spending Review (CSR), local government funding in England has reduced by approximately 50%. Alongside this, changes have been implemented to the way local services are funded by the localisation of business rates and abolition of council tax benefit.

Nuneaton and Bedworth has not been immune to changes in the funding system and has suffered losses in central government grants since 2013/14 totalling approximately £4.9m. The Council has benefited from increased business rates income over this period but the volatility surrounding this income stream from both a business survival perspective plus changes to government policy is largely out of the Council's control. Business rates resets and changes to reliefs granted to businesses are implemented by the Government and impact the Council directly and generally negatively from a financial footing.



Grant funding from Revenue Support Grant (RSG) and New Homes Bonus (NHB) were the main support mechanisms from the Government in 2013/14. RSG has now been phased out for the Council and NHB allocations have been altered over the years to implement a growth cap on the amount local authorities can retain plus a top slice of 20% of the fund to support adult social care.

More recently, a Lower Tier Services Grant (LTSG) has been introduced to provide additional support to local authorities during the pandemic and whilst Business Rates Retention reform and the Fair Funding Review are finalised.

Fair Funding Review: a review of the relevant needs and resources has been consulted on a number of times since 2016 with the intention to implement changes to the funding baselines of authorities by 2020. The main proposed drivers of allocation and redistribution of funding were population, deprivation and sparsity with additional drivers to be included for specific local authority services. Business rates baselines were to be reset and this review was to be undertaken in line with the Business Rates Retention reform. Specific government grants were going to be removed to prevent any overall windfall to local government.

The Business Rates Retention reform has also been consulted on with the intention to implement a new scheme in 2020. The main proposal included incentivising councils to grow business rates in their area with the aim of moving towards 75% retention. There was no further detail regarding how this would work practically and whether increased business rates income versus the reduction in specific grants would benefit the Council. A change to the funding mechanism could result in a loss of the growth experienced above the baseline since the current formula has been in place which would have a negative impact. It is yet to be seen whether after the pandemic the original proposals of both reviews will have altered.

It is expected that the LTSG will no longer be in existence and NHB will be scaled back further if not removed completely after the reviews are complete. This leaves significant uncertainty and poses huge risks to the delivery of services into the future. The draft budget for 2023/24 is assuming that these revenue streams will no longer be in existence.

Due to the pandemic, the changes to the funding system have not been implemented or confirmed and councils have been subjected to one-year settlements for four years in a row. Longer-term planning is impossible with such funding uncertainty and the political instability in 2022 is likely to result in a further one-year settlement.

Current Position

In 2022/23, the Council's main source of funding is through Council Tax £9.76m (74%) and Business Rates £2.35m (18%) with other government grants £1.06m (8%) taking the total funding outside of fees and charges to £13.17m. The approved net expenditure budget was £13.17m but this included the use of earmarked reserves of £4m. The expected earmarked reserve balance by the end of 2022/23 is £10.8m which is reducing year on year and cannot continue to be utilised at the rate currently being seen.

The Council Tax increase for 2022/23 was approved as £4.85 (1.99%) on a Band D with the maximum allowable increase being £5 without triggering a referendum. The total Band D for Nuneaton and Bedworth is £248.51.

An updated summary Medium-Term Financial Strategy (MTFS) reported in February 2022 as part of the budget considered a shortfall in 2023/24 of £1.56m which would need to be saved as a permanent ongoing solution to ensure the Council remains in a sustainable financial position. To-date, the potential forecasted overspend in

2022/23 as reported in October 2022 was £1.08m therefore the savings target has now topped over £2.5m from this original forecast.

4. PRINCIPLES UNDERPINNING THE STRATEGY

The principles that form the basis for the MTFs include the following:

- An estimate on the level of funding that can be made available for service delivery and reports the gap of which income generation, savings and efficiencies needs to address
- The Council's resources will be directed to achieve the key priorities and objectives outlined in the Corporate Plan – Build a Better Borough
- Focus on delivering value for money – managing people and money more efficiently, streamlining processes and systems whilst seeking to minimise the impact of budget savings on priority services
- Will look for opportunities to work in collaboration, partnerships and new ways of working where this supports the overall objectives of the Council. This may include different service delivery models and sourcing external funding
- Maintain unallocated reserves at a level to mitigate risks and will be reviewed annually as part of the budget setting process. Earmarked reserves for specific purposes which are consistent with achieving key priorities will also be reviewed at least annually.

5. FUTURE PLAN & ASSUMPTIONS

The budget for 2023/24 is currently in the process of compilation with a draft report to be presented to Cabinet in December 2022. This will list out the challenges and pressures but also any savings and income generation potential for consideration. At this stage, it is unlikely that the Financial Settlement will have been released and so further changes may well be required for the final report in February 2023.

Assumptions and provisions included within the MTFs are listed below:

- £5 per annum (or 1.99% whichever is higher) increase on Band D Council Tax with a 1% growth in the tax base
- No business rates reset in 2023/24 but a potential reset in 2024/25
- New Homes Bonus and Lower Tier Support Grant to have been removed over the life of the plan
- Investment interest income is expected to peak to 3% in 2023 but the plan will be capped at 2%
- An increased pay award is included for 2022/23 above the budgeted 2.5% and an increase to 3% is factored in as a provision for 2023/24 returning to a 2.5% increase from 2024/25
- The Borough Plan preparation and implementation is expected to cost more than reserves already set-aside, so a provision is included for 2023/24
- Sherbourne Recycling site is facing a shortfall on the initial expenditure budget so provision for this and the interest income generated is included

- Sherbourne Recycling facility anticipated savings is factored in from October 2023
- Tender for insurance reported in November 2022
- Electoral Commission review and increased requirement of four additional Members is included as a provision from 2024/25
- Utility cost increases of 25% based on estimations provided by ESPO the framework provider
- External audit increased fees of 150% under the PSAA agreement due to the levels of work and under resourced teams – this is after a country wide tender exercise. The final audit fee for 2020/21 has now also been issued which adds an additional £60k in provisions in 2022/23
- Benefit subsidy loss review including overpayments – provision included due to overspend in 2021/22 and predicted overspend in 2022/23
- Update to Car Parking income in 2022/23 due to footfall reduction as reported in October 2022
- Homelessness reduction grants and Administration grants received annually are not guaranteed but are likely to continue in some form and so a 20% reduction is included until notification is received, likely February 2023
- Capital contributions annually from revenue of £170k for vehicle replacements, £150k for major repairs and £100k for IT are included
- No increases to fee income or rental income are included at this stage

A summary of the MTFs is listed below.

GENERAL FUND MEDIUM-TERM FINANCIAL PLAN					
	Budget 2022.23 £'000	Forecast 2023.24 £'000	Forecast 2024.25 £'000	Forecast 2025.26 £'000	Forecast 2026.27 £'000
Portfolio Expenditure	17,390	17,985	18,395	18,676	18,969
Central Provisions	-4,212	-3,670	-4,988	-3,501	-3,887
Additional Pressures	1,124	698	647	565	583
Total Funding	-13,180	-14,243	-13,561	-14,912	-15,219
Deficit	1,122	770	494	828	445

A savings target of £500k in 2023/24, £1m in 2024/25 and each year going forward is also included within the forecast. Additional income through fees and charges and review of service structures and delivery needs to undertaken to help generate these savings.

In line with the principles set out in section 4, the Council needs to act quickly to meet the savings targets and resolve the expected deficitsto ensure the financial position remains sustainable so that core services can be provided into the future.

Member engagement is essential when reviewing opportunities for savings and income generation and this process is being undertaken during November 2022 in advance of the draft budget report for 2023/24.

Other facts that will be considered as part of the budget setting process for 2023/24 and updated within the financial plan are:

- A potential uplift in contractual costs of contracts due to expire during 2023/24
- Pension tri-annual valuation is due to be presented early November, results of which will be included in the budget for 2023/24 and future estimates
- Inflation looks set to remain high and will be considered in more detail as part of the budget setting process and in future estimates

6. CAPITAL PROGRAMME & PRUDENTIAL BORROWING

The capital programme is set by the Council and may be funded from the disposal of assets (capital receipts), external grants and contributions, directly from revenue or from borrowing. The capital budget three-year planned proposals will be reported to Cabinet in February 2023.

A Capital Strategy was approved at Council in February 2021 and a refresh will be presented in February 2024 as part of the three-year cycle.

The Treasury Strategy includes the detail of the Council's cash balances and borrowing plus capital financing requirement and forecasted MRP charges. This is reported annually to Council with the next report due in February 2023.

7. EARMARKED RESERVES

The Council's policy is to ensure a minimum working balance of £1m or 5% of net expenditure, whichever is higher, is maintained and the minimum balance currently stands at £1m.

Earmarked reserves are also held to support specific expenditure, both capital and revenue, plus risk-based issues such as an insurance reserve for items not specifically included in the Council's main insurance policy.

The earmarked reserve balance is listed in the table below and gives an estimated total balance in reserves by 2026/27. A further update will be provided once the budget for capital and revenue expenditure in 2023/24 is complete.

	B/fwd Mar-22 £'000	Forecast Mar-23 £'000	Forecast Mar-24 £'000	Forecast Mar-25 £'000	Forecast Mar-26 £'000	Forecast Mar-27 £'000
Collection Fund Timing	3,064	1,341	0	0	0	0
Financial Planning	599	599	599	0	0	0
Risk Based Reserves	3,970	3,370	1,370	1,070	1,070	1,070
General Balances	3,989	3,727	3,477	3,177	2,877	2,877
Capital	2,585	1,326	1,801	1,476	1,151	826
	14,207	10,363	7,247	5,723	5,098	4,773

Cabinet/Individual Cabinet Member Decision

Report Summary Sheet

Date: 9th November 2022

Subject: Q2 General Fund Revenue Budget Monitoring

Portfolio: Finance and Corporate (Councillor S. Croft)

From: Director – Finance & Enterprise

Summary:

To provide detail regarding the General Fund Q2 position for 2022/23.

Recommendations:

That the outturn position and key variances are noted.

That the proposed fees and charges for markets are approved.

Options:

To accept the report or request further information on the outturn position.

Reasons:

The Council is required to achieve a balanced budget each year.

Consultation undertaken with Members/Officers/Stakeholders

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Subject to call-in: Yes
Ward relevance: None directly.
Forward plan: Yes

Building a Better Borough Aim: Work
Building a Better Borough Priority: Grow a strong and inclusive economy
Relevant statutes or policy: Local Government Finance Act 1992

Equalities Implications: None
Human resources implications: None
Financial implications: Detailed in the report.
Health Inequalities Implications:

None

Section 17 Crime & Disorder Implications:

None

Risk management implications:

The Council analyses risks as part of the budget setting process and ensures an appropriate level of reserves are in place.

Environmental implications:

None

Legal implications:

To achieve a balanced budget each year.

Contact details:

Vicki Summerfield – Director of Finance & Enterprise

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AGENDA ITEM NO. 10

NUNEATON AND BEDWORTH BOROUGH COUNCIL

Report to: Cabinet - 9th November 2022

From: Director of Finance & Enterprise

Subject: Q2 General Fund Budget Monitoring

Portfolio: Finance & Corporate (Councillor S Croft)

Building a Better Borough Aim: Work

Building a Better Borough Priority: Grow a strong and inclusive economy

1. Purpose of Report

1.1 To present the forecast revenue outturn position for the General Fund as at 30th September 2022 unless otherwise stated in the report.

2. Recommendations

2.1 That the forecast outturn position for the General Fund for Q2 of 2022/23 be noted, with consideration given to key variances.

2.2 That the proposed fees and charges from 1st November for markets listed in Appendix 2 are approved.

3. Background

3.1 The General Fund and Housing Revenue Account (HRA) revenue and capital budgets for 2022/23 were approved by Cabinet and Council in February 2022. This report is a detailed update of performance against the General Fund revenue budget as at September 2022.

3.2 This report considers the spend pressures that may be coming to the forefront, whether income projections are on target and whether savings that were built into the budget are on track.

4. Body of Report

4.1 Apart from Council housing, day-to-day revenue income and expenditure for Council services is accounted for through the General Fund. The net expenditure is financed through the Council's Core Spending Power which includes Council Tax, Retained Business Rates and other general Government Grants.

- 4.2 The revenue budget for 2022/23 was set as a net expenditure of £13,178,460 with core income and reserve contributions expected of £13,180,244 resulting in a surplus of £1,784 which included assumptions for inflation and a pay award. Unfortunately, due to the current economic climate which couldn't be foreseen, these assumptions were underestimated. Inflation, although significantly higher than forecast, is not presenting major concerns but is being kept under review. The Council is currently predicting a deficit of £932,795 which results in an overall overspend of £934,579.
- 4.3 If the additional cost / reduction in income is not mitigated throughout the year, a transfer from earmarked reserves to cover the deficit will be required.
- 4.4 A summary of the Council's budget and forecasted expenditure is contained in the following table with more detail included in Appendix 1.

	Forecast £	Approved Budget £	Variance £
Business & Regeneration	1,944,435	1,426,800	517,635
Finance & Corporate	4,282,447	4,058,860	223,587
Health & Environment	3,083,926	3,015,560	68,366
Housing & Communities	1,215,132	1,177,030	38,102
Planning & Regulation	-285,176	-391,180	106,004
Public Services	7,924,177	8,103,230	-179,053
Additional Spend Pressures	159,938	0	159,938
Portfolio Total	18,324,879	17,390,300	934,579
Other Operating Costs/Income	-4,211,840	-4,211,840	0
Core Funding	-13,180,244	-13,180,244	0
Total Surplus / Deficit	932,795	-1,784	934,579

- 4.5 The key variances are included below with commentary:

	Variances £'000
Car Parking Income	440
Benefit Subsidy	325
Staffing Costs	299
Additional Spend Pressures	160
Refuse and Cleansing	135
Civic Hall	44
Cost of Collection Allowance	21
Inflation	20
Other	10
Grant Income	-98

Recycling Income	-423
Portfolio Variance	933

Spend Pressures

- 4.6 The pay award is now included within the Portfolio cost base. The cost of agency and savings through vacancies is resulting in an estimated increase in cost of approximately £299k.
- 4.7 The additional spend pressures expected over and above the overspends by service area include interim staffing support in Finance and S151 cover (£50k), savings predicted for leasing areas of the Town Hall which have not yet progressed (£35k), external audit increased costs for Benefits (£22k) and Finance (£60k), General Fund insurance charges for the last quarter after the tender exercise (£16k) with partial savings being seen by reduced hours for maternity leave within support services (£23k). These pressures will be recharged to individual Portfolios during the year.
- 4.8 Car parking income has not returned to the levels seen prior to the pandemic and with closure to Abbey Street due to the regeneration plan, car parking has not increased in other areas. A reduction has also been seen in parking fines and season passes too.
- 4.9 Small changes to Benefit subsidy can have a significant impact on the Council due to the size of the budget. Losses are mainly due to the cost of housing homeless individuals that cannot be recovered although this is currently under review and any updates will be presented to a future Cabinet meeting.
- 4.10 Expenditure has been incurred in Refuse and Cleansing for externally hired vehicles to ensure refuse rounds are maintained plus an increase in fuel prices. This is being kept under review.
- 4.11 Early termination of the lease with the NHS to utilise the Civic Hall as a vaccination centre has resulted in an expected pressure due to loss of income and overheads now transferred to the Council.
- 4.12 As noted earlier in the report, the Council did budget prudently for higher levels of inflation on contracts however due to the current economic climate, estimates are suggesting a pressure of approximately £20k.
- 4.13 Income for the cost of collection for Council Tax is included within the budget each year and is currently lower than anticipated. This is being kept under review.

Savings

4.15 Additional grant income in relation to Benefit claims in Housing and Council Tax have been received in year and is helping mitigate some of the additional cost pressures expected to be seen in this service area in year.

4.16 The kerbside recycling contract is proving beneficial in year and prudent estimates included as part of the budget process have been far surpassed. The contract profit share and reduced contract cost is resulting in a potential saving in excess of the original budget although overall performance and returns are being thoroughly reviewed with more detailed analysis to be presented to a future Cabinet.

5. Fees and Charges

5.1 As part of the budget process in February 2022, it was approved for the fees charged to market traders to be reduced until October 2022 to support with recovery after the pandemic.

5.2 The proposed amended fee to be charged is attached at Appendix 2 and has been clarified in advance with the Leader of the Council.

5.3 Proposals will still provide a small discount to licensed traders and the option to self-erect is also offered at a discounted rate.

6. Conclusion

6.1 The financial impact of the pandemic is still being felt by the Council and officers need to ensure that only necessary and essential costs are undertaken.

6.2 Spend pressures as a result of the cost of living and inflation are not set to reduce. The Council faces additional risks around the Financial Settlement, details of which will not be made clear until later in the year.

6.3 The Council is required to set a balanced budget and will not remain financially sustainable into the medium-term with predicted deficits at the level they are.

7. Appendices

7.1 Appendix 1 - General Fund Q2 Forecast 2022/23

7.2 Appendix 2 - Markets Fees and Charges Proposal

8. Background Papers

8.1 General Fund and HRA Budget Setting Report – Cabinet and Council
February 2022

GENERAL FUND BUDGET MONITORING 2022/23

	2022/23 Current Forecast £	2022/23 Current Budget £	2022/23 Forecast Variance £	Key Reason for Forecast Variance to Budget
Business & Regeneration	1,944,435	1,426,800	(517,635)	Car park income has not recovered since covid shutdowns.
Finance & Corporate	4,282,447	4,058,860	(223,587)	Net subsidy rent rebates and allowances higher than budgeted. To be reviewed in short term. High homelessness support required not fully recoverable through subsidy.
Health & Environment	3,083,926	3,015,560	(68,366)	Parks contract uplifted on September CPI and pay award additional pressure
Housing & Communities	1,215,132	1,177,030	(38,102)	Private sector service vacancies are being covered by agency at present with higher costs. New starter commencing end September.
Planning & Regulation	(285,176)	(391,180)	(106,004)	Interim agency cover of vacancies in Development & Planning leading to higher costs.
Public Services	7,924,177	8,103,230	179,053	Increase recycling income in particular new kerbside collection contract including profit share of materials.
Portfolio Subtotal	18,164,941	17,390,300	(774,641)	
Central Services (Under)/Overspend to be allocated to General Fund	159,938	0	(159,938)	Loss of income from delay in renting top floor town hall, agency and recruitment costs cover of key services plus potential pay award.
Portfolio Total	18,324,879	17,390,300	(934,579)	
Central Provisions	334,500	334,500	0	
Depreciation & Impairment	(3,096,530)	(3,096,530)	0	
Contributions To/From Reserves	(3,243,630)	(3,243,630)	0	
Financing of Capital Expenditure	1,258,700	1,258,700	0	
PWLB Premiums	21,120	21,120	0	
Investment Income	(460,000)	(460,000)	0	This is at present under review with the changing interest rates and market fluctuations.
Minimum Revenue Provision	536,000	536,000	0	
External Interest	438,000	438,000	0	
Total Council Net Expenditure	14,113,039	13,178,460	(934,579)	

Council Tax	(9,743,704)	(9,743,704)	0
New Homes Bonus	(644,430)	(644,430)	0
General Government Grants	(420,100)	(420,100)	0
Business Rates Retention	(4,077,300)	(4,077,300)	0
NDR Collection Fund (Surplus)/ Deficit	1,723,300	1,723,300	0
Council Tax Collection Fund (Surplus)/ Deficit	(18,010)	(18,010)	0
Total Funding	(13,180,244)	(13,180,244)	0
(Surplus) / Deficit	932,795	(1,784)	(934,579)

Number of Stalls	
Licensed	
Wednesday	Proposed Pricing
1	£30.00
2	£62.50
3	£76.00
4	£100.00
Saturday	
1	£34.00
2	£70.00
3	£84.00
4	£110.00
Casual	
Wednesday	
1	£36.00
2	£72.00
3	£108.00
Saturday	
1	£41.00
2	£82.00
3	£123.00
Street trader	
Wednesday	
1	£40.00
2	£80.00
Saturday	
1	£40.00
2	£80.00
Self Erect	
Wednesday	
1	£28.00

2	£50.00
3	£60.00
4	£80.00
5	£90.00
Saturday	
1	£30.00
2	£55.00
3	£65.00
4	£85.00
5	£95.00



Cabinet/Individual Cabinet Member Decision

Report Summary Sheet

Date :9th November 2022

Subject: Housing Revenue Account Budget Monitoring 2022/23

Portfolio: Finance and Corporate (Councillor S. Croft)

From: Director – Finance & Enterprise

Summary:

To give an update on the financial performance of the Housing Revenue Account and anticipated outturn position.

Recommendations:

That the forecast outturn position and key variances are noted.

Options:

To accept the report or request further information on the forecast outturn position.

Reasons:

The Council is required to achieve a balanced budget each year.

Consultation undertaken with Members/Officers/Stakeholders

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Subject to call-in: Yes
Ward relevance: None directly.
Forward plan: Yes

Building a Better Borough Aim: Work
Building a Better Borough Priority: Grow a strong and inclusive economy
Relevant statutes or policy: Local Government Finance Act 1992

Equalities Implications: None
Human resources implications: None
Financial implications: Detailed in the report.
Health Inequalities Implications:

None

Section 17 Crime & Disorder Implications:

None

Risk management implications:

The Council analyses risks as part of the budget setting process and ensures an appropriate level of reserves are in place.

Environmental implications:

None

Legal implications:

To achieve a balanced budget each year.

Contact details:

Vicki Summerfield – Director of Finance & Enterprise

Victoria.summerfield@nuneatonandbedworth.gov.uk

AGENDA ITEM NO. 11

NUNEATON AND BEDWORTH BOROUGH COUNCIL

Report to: Cabinet - 9th November 2022

From: Director of Finance & Enterprise

Subject: Q2 Housing Revenue Account Budget Monitoring

Portfolio: Finance & Corporate (Councillor S Croft)

Building a Better Borough Aim: Work

Building a Better Borough Priority: Grow a strong and inclusive economy

1. Purpose of Report

1.1 To present the forecast revenue outturn position for the Housing Revenue Account (HRA) for quarter 2 of 2022/23.

2. Recommendations

2.1 That the forecast outturn position for the HRA for 2022/23 be noted, with consideration given to key variances.

3. Background

3.1 The General Fund and HRA revenue and capital budgets for 2022/23 were approved by Cabinet and Council in February 2022. This report is a detailed update of performance against the HRA revenue budget as at September 2022.

3.2 This report considers any spend pressures and any potential risks to rental income levels.

4. Body of Report

4.1 The Council is required to account separately for income and expenditure in providing council housing.

4.2 The revenue budget for 2022/23 was set as a net expenditure of £1,286,900 which included assumptions for inflation and a pay award. Unfortunately, due to the current economic climate which couldn't be foreseen, these assumptions were underestimated. The Council is currently predicting net expenditure of £1,350,880, an overspend of £63,980.

- 4.3 A summary of the Council's budget and forecasted expenditure is contained in the following table with more detail included in Appendix 1.

	Forecast £	Approved Budget £	Variance £
Income	-26,949,520	-26,949,520	0
Supervision & Management	9,713,211	9,964,840	-251,629
Repairs & Maintenance	5,863,821	5,580,760	283,061
Capital Financing Costs	10,669,200	10,669,200	0
Appropriations	2,021,620	2,021,620	0
Other Operating Costs/Income	32,548	0	32,548
Total	1,350,880	1,286,900	63,980

- 4.5 The key variances are included below with commentary:

	Variations £'000
Materials/Contractor Costs	255
Council Tax Costs	71
Support Services	33
Refuse Collection	24
Other	-5
Consultancy Costs	-24
Cleaning Costs	-26
Staffing Costs	-264
Portfolio Variance	64

Spend Pressures

- 4.7 Support service costs consist of interim staffing support in Finance and S151 cover (£22k), savings predicted for leasing areas of the Town Hall which have not yet progressed (£17k) with partial savings being seen by reduced hours for maternity leave within support services (£6k). These pressures will be recharged to individual service areas during the year.
- 4.8 Material costs and expenditure incurred by contractors is currently at a higher level than expected due to the increased cost of materials. The impact to the HRA is being kept under close review by the Director for Housing and Regeneration.
- 4.9 Void dwellings are chargeable for Council Tax and the budget for this has not been high enough in recent years. A thorough review on turnaround times and the resultant costs for void dwellings is to be undertaken as part of the 2023/24 budget round.

- 4.10 Additional costs are being incurred after renewal of the contract for refuse collection. This is being closely monitored in line with the review of void dwellings.

Savings

- 4.15 The HRA is making significant savings on staffing and consultancy costs. There is a small level of agency support, but this is more than offset by vacancy savings.
- 4.16 Cleaning costs of voids is lower than budgeted but this is being kept under review as with the current cost of consumables, there may be a spike in expenditure during the year.

5. Conclusion

- 5.1 Spend pressures as a result of the cost of living and inflation are affecting the day-to-day operation of the HRA and are not set to reduce.
- 5.3 A review of increased costs for void dwellings and the potential loss of rent over and above that budgeted is being closely monitored.

6. Appendices

- 6.1 Appendix 1 – HRA Q” Forecast 2022/23

7. Background Papers (if none, state none)

- 7.1 None.

HRA FORECAST OUTTURN
as at end of September 2022

	2022/23 Current Forecast	2022/23 Current Budget	2022/23 Forecast Variance	Comments
	£	£	£	
HRA General Expenses	2,961,847	2,961,670	(177)	£31k increased salary costs. £21k increase in subscription costs offset by the following savings (£4k) Printing, (£22k) Legal fees, (£16k) Court Costs, (£5k) consultancy and (£5k) publicity savings.
HRA Repairs Management	1,851,547	2,060,370	208,823	(£209k) Salary savings.
Resident Involvement	59,810	59,810	0	
Debt Management Costs	135,940	135,940	0	
Increase in Bad Debt Provision	485,360	485,360	0	
HRA share of Corporate and Democratic Core	178,000	178,000	0	
HRA share of Non-Distributed Costs	57,680	57,680	0	
Housing System	107,342	113,280	5,938	(£6k) salary saving
Development Strategy	496,446	515,750	19,304	(£19k) reduced consultancy costs
SUPERVISION & MANAGEMENT - GENERAL	6,333,972	6,567,860	233,888	
HRA Special Expenses	101,940	108,250	6,310	£16k increase in council tax costs in line with last year partially offset by savings in utility costs (£10k)
Independent Living (Previously Warden Schemes)	1,946,090	1,963,520	17,430	£55k increase in council tax costs in line with last year, (£51k) salary savings, (£21k) cleaning materials & Equipment savings.
Homeless Hostels	106,566	97,880	(8,686)	£8k salary costs
Bedworth Hostel	115,960	117,090	1,130	
Other Housing Schemes (Flats)	696,205	700,820	4,615	(£19k) Salary savings, (£5k) cleaning material savings, £20k increase in council tax costs in line with last year
Grounds Maintenance	412,478	409,420	(3,058)	Estimated costs of inflation £3k - Grounds Maintenance Contract.

SUPERVISION & MANAGEMENT - SPECIAL	3,379,239	3,396,980	17,741	
Reactive Repairs	2,414,060	2,319,790	(94,270)	£172k increase due to increased cost of materials nationwide. Plus £5k external hire costs, £13k refuse disposal costs due to change of contractor, £24k increased transport costs, partly offset by (£120k) Salary savings.
Call Out	86,505	63,170	(23,335)	£20k Salary costs.
R.+ M. - Dwellings	192,550	192,550	0	
R. + M. - Estate Management	20,000	20,000	0	
Asbestos	145,000	145,000	0	
R. + M. - Homeless Hostels	4,920	4,920	0	
R. + M. - Shops & Other Co.	1,000	1,000	0	
Planned Works - Outside Contractors	1,906,470	1,852,770	(53,700)	Increased external contractor costs
Outside Contractors - Not Depot Monitored	308,710	308,710	0	
R + M - Voids	784,606	672,850	(111,756)	£69k increased contractor costs-due to increased cost of material, (£40k) Materials saving. £75k on agency staff. £7k salary costs
REPAIRS & MAINTENANCE	5,863,821	5,580,760	(283,061)	
Cost of Capital Charge		0	0	
Depreciation	8,724,000	8,724,000	0	
Interest Payable	1,945,200	1,945,200	0	
CAPITAL FINANCING COSTS	10,669,200	10,669,200	0	
Council House & Hostels-Income HRA	(24,243,690)	(24,243,690)	0	
Interest Receivable	(36,800)	(36,800)	0	
Non-Dwelling Rents	(583,510)	(583,510)	0	
Other Income - Independent Living Schemes	(1,412,610)	(1,412,610)	0	
Other Income - Services And Facilities	(650,910)	(650,910)	0	
Other Income - Rechargeable Repairs	(22,000)	(22,000)	0	
INCOME	(26,949,520)	(26,949,520)	0	
Appropriations to / (from) MRR	0	0	0	

Capital Expenditure funded by HRA (CERA)	2,296,620	2,296,620	0
Appropriations to/ (from) Revenue Reserves	(275,000)	(275,000)	0
APPROPRIATIONS	2,021,620	2,021,620	0
Support Services	32,548	0	(32,548)
Total HRA	1,350,880	1,286,900	(63,980)

AGENDA ITEM NO. 12

NUNEATON AND BEDWORTH BOROUGH COUNCIL

Report to: Cabinet – 9th November 2022

From: Director of Finance & Enterprise

Subject: Capital Monitoring Q2

Portfolio: Finance & Corporate (Councillor S Croft)

Building a Better Borough Aim: Work

Building a Better Borough Priority: Grow a Strong & Inclusive Economy

1. Purpose of Report

1.1 To update on the Council's Q2 forecasted outturn position on capital expenditure for both the General Fund and Housing Revenue Account (HRA).

2. Recommendations

2.1 To consider the Q2 forecasted capital outturn position for 2022/23 for the General Fund and HRA.

3. Background

3.1 Nuneaton and Bedworth Borough Council has a large capital programme to provide community value and improve facilities. The Q2 outturn position for 2022/23 updates on how the programme is progressing.

4. Body of Report

4.1 The Council's capital programme covers many projects for both the General Fund and Housing Revenue Account.

4.2 General Fund projects are developed in line with strategies reported to Cabinet/Council and are funded through Section 106 developer contributions, grant funding (from the Government and other external providers), internal and external borrowing plus capital receipts generated through asset sales.

4.3 HRA projects are mainly for refurbishment of council houses, disabled adaptations to council housing plus new build. They are funded from HRA reserves, capital receipts from Right to Buy plus grant income.

4.4 The capital budget for 2022/23 of £61,597,696 was approved in February 2022 at Council with an updated budget position reported of £65,305,570 to Cabinet in September 2022.

4.5 A summary of the General Fund and HRA forecasted expenditure versus budget is below alongside financing of the programme with further detail included in Appendix 1.

Expenditure	Forecast £'000	Budget £'000	Variance £'000
Business & Regeneration	44,373	49,276	4,903
Finance & Corporate	632	632	0
Housing & Communities	5,948	6,117	169
Public Services	6,824	9,014	2,190
Planning & Regulation	67	67	0
Health & Environment	0	100	100
Miscellaneous Schemes	100	100	0
	57,943	65,306	7,362
HRA	20,563	25,119	4,556
Total Expenditure	78,506	90,425	11,919

Funding	Forecast £'000	Budget £'000	Variance £'000
Earmarked Reserves / Revenue	5,251	5,641	390
Grant Income	21,908	26,841	4,933
Major Repairs Reserve	8,724	8,724	0
Capital Receipts / Grants	5,170	5,270	100
Prudential Borrowing	37,385	43,841	6,456
S106	67	107	40
Total Funding	78,506	90,425	11,919

General Fund

4.6 The budget for the capital programme was updated in September 2022 to include carry forward of underspends from 2021/22.

4.7 Projects are projected to underspend by £7.36m on the General Fund and £4.55m on the HRA. This will be monitored with carry forwards being requested if required as part of the budget round in February 2023.

4.8 The key projected underspends on the General Fund are detailed below:

- Bridge to Living – the tender exercise has now concluded and is the process of evaluation. Works on site are expected to progress more slowly than initially forecast and therefore the spend in 2022/23 will be closer to £2.80m. This is potential underspend in year of £4.90m that will need to be reprofiled into 2023/24.
- Bedworth Physical Activity Hub – a tender exercise has concluded for this project, but a value engineering process has been underway due to the cost to complete being a significant amount higher than is included within the budget. Due to this delay, it is expected that an underspend in year of £1.76m is likely but will need reprofiling into 2023/24.
- Homeless Hostel Conversion – the project has funding secured of £0.20m which will not be enough to progress, and additional funding is being source. This project is unlikely to be started during 2022/23.

4.9 The progress of all projects will be monitored during the year with further updates reported to Cabinet.

HRA

4.10 The capital budget for the HRA was approved as £22,938,120 in February 2022 but an updated budget position was reported to Cabinet in September 2022 of £25,119,120 to include carry forwards of underspends from 2022/23.

4.11 Management of the HRA capital programme is based on scheduled works and progression of new build and acquisition targets. The budget as a whole is utilised by need of the customer and the most efficient use of resources to ensure value for money and will therefore fluctuate against the initial forecasted expenditure by line in any one year.

4.11 New build and acquisition one of the main underspend areas with projects not progressing as quickly as had anticipated in year. Another area expected not to progress until 2023/24 is the replacement of vehicles. The specification is complete but the lead in time from ordering to delivery will push this into next financial year.

4.11 Detail of the capital programme is included in Appendix 2.

Capital Reserves

4.12 Reserves are held by the Council for capital purposes either generated through sales of assets, setting aside sums from underspends and receipts of grants for capital purposes.

4.13 The Council's capital reserve position at the end of March 2022 is as follows.

	2021/22 £
Capital Receipts	545,282
Capital Earmarked Sums	2,999,881
Capital Grants	5,776,950
General Fund	9,322,113
Capital Receipts	486,610
1-4-1 Receipts	1,449,507
Capital Earmarked Sums	4,062,534
Major Repairs Reserve	932
HRA	5,999,583
Capital Resources	<u>15,321,696</u>

4.14 Capital reserves are allocated against specific projects with no residual unallocated amount available. This poses risks to any movement in the projected capital expenditure as there is nothing available to cover any fluctuations in expenditure.

5. Conclusion

5.1 The capital programme is fully funded in its present form and for there is expected to be slippage on projects in 2022/23. The biggest risk to the Council at this stage is the current economic landscape with soaring inflation and price increases for building supplies. Some of the capital projects are either in the process of a tender exercise or have yet to be tendered and although contingencies are built into the projections, they may well not be high enough.

5.2 At this stage, only one of the projects is known to have resulted in a larger cost through tender than included in the budget. A value engineering process has been undertaken but conclusions to this are still under review. There is likely to be risks around the final costs of other projects, but these will be reviewed individually.

6. Appendices

6.1 Appendix 1 – Q2 Forecasted Capital Outturn 2022/23

7. Background Papers

7.1 None.

GENERAL FUND CAPITAL PROGRAMME 2022/23

	Forecast £	Budget £	Variance £	Comments
Transforming Bedworth	75,510	75,510	0	
Abbey Street Regeneration (Phase 1)	21,746,382	21,746,382	0	
Abbey Street Regeneration (Phase 2)	16,850,300	16,850,300	0	
Bridge to Living	2,800,000	7,703,240	4,903,240	Project re-profiled
Flood Alleviation	500,000	500,000	0	
Christmas Lights	4,500	4,500	0	
Towns Fund	2,247,835	2,247,835	0	
Towns Fund - Parks Revival	41,180	41,180	0	
Replacement CCTV Cameras	9,700	9,700	0	
CCTV Wireless Technology	52,957	52,957	0	
CCTV PSN Upgrade	44,408	44,410	2	
Vicarage Street	0	0	0	
Business & Regeneration	44,372,772	49,276,014	4,903,242	
ICT Strategy Programme	398,540	398,540	0	
Business Continuity	34,540	34,540	0	
Changing Places	125,000	125,000	0	
Camp Hill Regeneration Scheme	73,480	73,480	0	
Finance & Corporate	631,560	631,560	0	
HEART	4,520,000	4,520,000	0	
Empty Homes Works in Default	40,000	40,000	0	
Empty Property Loans	70,000	70,000	0	
Green Homes Phase 2	72,930	41,980	(30,950)	Project complete 100% funded by grant
Green Homes Phase 3	1,245,000	1,245,000	0	
Homeless Hostel Conversion	0	200,000	200,000	Project on hold until further funding can be identified
Housing & Communities	5,947,930	6,116,980	169,050	
Major Repairs	365,750	365,750	0	
Vehicle & Plant Replacement	20,000	410,000	390,000	The 2 vehicles ordered will not be delivered until 2023/24
Sub-Regional Materials Recycling Facility	2,065,656	2,065,656	0	
Leisure Strategy	272,380	272,380	0	
Play & Teenage Provision	24,710	24,710	0	
Bedworth Physical	3,842,000	5,602,000	1,760,000	Aligned to LUF grant profile

Activity Hub				
Nomad Cameras	89,865	90,000	135	Project complete
Fly Tipping Cameras	5,000	5,000	0	
Pauls Land Pavilion	10,500	10,500	0	
Sandon Park/ Jack Whetstone Pavilion	27,870	27,870	0	
Preliminary Works - Riversley Park Bridge	0	40,000	40,000	Project forms part of Towns Fund Parks Revival which has been delayed
Cemetery Extension	100,000	100,000	0	
Public Services	6,823,731	9,013,866	2,190,135	
Town Hall - Fire Safety Works	67,150	67,150	0	
Planning & Regulation	67,150	67,150	0	
Target Hardening Measures	0	100,000	100,000	Project needs a complete review prior to any procurement exercise as original scheme is now 3 years old
Health & Environment	0	100,000	100,000	
Miscellaneous Schemes	100,000	100,000	0	
TOTAL	57,943,143	65,305,570	7,362,427	

HRA CAPITAL PROGRAMME 2022/23

	Forecast £	Budget £	Variance £	Comments
Decent Homes	2,000,000	2,000,000	0	
Roof Coverings/Modifications	750,000	750,000	0	
Windows & Doors	700,000	700,000	0	
Door Entry Scheme	230,000	230,000	0	
New Properties (Construction)	1,300,000	1,987,510	687,510	Programme delays due to procurement and planning
Byford Court - Rebuild	630,000	1,498,610	868,610	Programme delays due to procurement and planning
Independent Living Unit - Remodelling	-	1,000,000	1,000,000	Hoping to start feasibility in the new year
Large Scale Improvement Feasibility	-	250,000	250,000	
Conversion of Homeless Hostel	50,000	50,000	0	
District Heating Works	335,000	335,000	0	
Fire Works (General Purpose)	2,875,000	2,875,000	0	
Acquisition of Properties	1,280,000	1,280,000	0	
Level Access Showers	500,000	500,000	0	
Aids & Adaptations	925,000	925,000	0	
Central Heating	900,000	900,000	0	
Slabs to Tarmac	100,000	100,000	0	
Lift Renewal Works	176,000	176,000	0	
PIR Electrical Works (Sheltered Housing & Communal)	550,000	550,000	0	
Voids	550,000	550,000	0	
Structural; Concrete Repairs/ Cladding	5,308,000	5,308,000	0	
Environmental Works	272,000	272,000	0	
Housing Management System	300,000	300,000	0	
CCTV Renewal - GP Flats	50,000	50,000	0	
Fire Damage Works	10,000	-	(10,000)	
Garages	50,000	50,000	0	
Replacement Vehicles	-	1,750,000	1,750,000	Specifications are complete and we are awaiting quotes. Orders will then be placed but there will be a lead in time which means the vehicles will not be delivered until 2023/24

Capital Salaries	572,000	572,000	0
Contingency	150,000	160,000	10,000
TOTAL	<u>20,563,000</u>	<u>25,119,120</u>	<u>4,556,120</u>