

Report of the Deputy Chief Executive

GENERAL FUND REVENUE BUDGET AMENDMENTS 2020/211. Purpose of report

To seek approval for a number of amendments to the General Fund revenue budget for 2020/21.

2. Background

Recent government announcements, particularly in response to the Covid-19 pandemic, along with detailed budget monitoring have identified a number of General Fund 2020/21 revenue budgets that need to be amended. There are also a number of other service priorities that will require amendments to the General Fund 2020/21 revenue budget. Details are set out in appendix 1.

The effect of the amendments set out in appendix 1 are summarised in appendix 2 and will be to increase the anticipated withdrawal in 2020/21 from the Council's General Fund balance by £50,850.

There will undoubtedly be a requirement for further General Fund revenue budget amendments in 2020/21, especially in response to the Covid-19 pandemic. These will include a further amendment to the management fee payable to Liberty Leisure to reflect the loss of income incurred by the Council's trading company following the closure of the leisure centres and the income received from the Government's scheme to compensate local authorities for part of the income they have lost from sales, fees and charges.

Details of further General Fund revenue budget amendments for 2020/21 will be presented to the Finance and Resources Committee for approval in due course.

Recommendation

The Committee is asked to RESOLVE that the amendments to the General Fund 2020/21 revenue budget as set out in appendices 1 and 2 be approved.

Background papers

Nil

APPENDIX 1**1. Business Support Grants – Expenditure and Income**

The Chancellor of the Exchequer announced two business grant schemes, the Small Business Grants Fund and the Retail, Hospitality and Leisure Grants Fund, on 11 March and 17 March 2020. Detailed guidance as to the eligibility for these grants was subsequently published along with details of the funding that local authorities were to receive and then distribute to eligible businesses.

The Council received funding of £17,914,000 for this and the Revenues and Benefits section in association with Finance Services processed the required payments accordingly.

The Local Authority Discretionary Grant Fund was announced on 1 May 2020, with particular emphasis on supporting small businesses that were not eligible for funding from the other two business support grant schemes and which had high fixed property related costs. The Council received funding of £634,250 to distribute for this scheme.

As directed by the Government, applications for all three schemes closed on 28 August 2020. All payments to those deemed eligible had to be made by 30 September 2020. A reconciliation process would then be undertaken. Any funding not utilised by a local authority would need to be returned and if a local authority incurred more expenditure on the schemes than funding received then it would need to meet the additional cost from its own resources.

It is presently anticipated that the Council will utilise the total funding received for all three schemes in full.

In July 2020 the Council, like most local authorities, received new burdens funding of £130,000 from the Department for Business, Energy and Industrial Strategy (BEIS) for compensate for the costs of administering the Small Business Grants Fund and the Retail, Hospitality and Leisure Grants Fund.

2. Re-Opening High Streets Safely Fund – Expenditure and Income

On 24 May 2020 the Government announced a Re-Opening High Streets Safely Fund to provide £50m of funding for English local authorities to prepare for the reopening of non-essential retail following the Covid-19 pandemic. This funding is intended to support a range of practical safety measures including new signs, street markings and temporary barriers. Local authorities are also to use this money to develop local marketing campaigns to explain the changes to the public and reassure them that their high streets and other commercial areas are safe.

The Council's Re-Opening High Street Safely Fund allocation is £101,458. The Council will be able to claim reimbursement of expenditure incurred up to this sum and it is presently anticipated that the Council's allocation will be utilised in full.

3. Liberty Leisure – Management Fee

The 2020/21 budget for the management fee payable to Liberty Leisure for the provision of leisure and cultural activities across the borough on behalf of the Council is £845,000.

Following the Covid-19 outbreak and the closure of the Council's leisure centres, Liberty Leisure placed almost all of their entire workforce on the Government's Coronavirus Job Retention ('furlough') Scheme (CJRS). This allowed most of the workforce to continue to receive their salary in full with 80% of the cost being reimbursed to Liberty Leisure by the Government.

The Chief Executive (after discussions with the Leader and Deputy Leader of the Council) agreed that the Council would meet the other 20% of the cost for the staff affected by this from April to July 2020 rather than expect Liberty Leisure to meet this cost themselves. This requires the management fee payable to Liberty Leisure for 2020/21 to increase by £134,400 from £845,000 to £979,400.

4. Additional Pay Award (April 2020)

The 2020/21 budget approved by Finance and Resources Committee on 13 February 2020 and then by Council on 4 March 2020 assumed a pay award for employees of 2.0% with effect from 1 April 2020. Following negotiations between local government employer and employee representatives, a 2.75% pay award has now been agreed.

The cost of the additional 0.75% pay award for the General Fund in 2020/21 is estimated to be £81,750.

5. Community Support Grants

Following the outbreak of the coronavirus back in March 2020, the Council made funds available to local groups to support community based work in response to the pandemic. The total sum awarded thus far amounts to £74,000 and budget provision now needs to be established for this.

Further details of the sums awarded to individual groups will be reported to Finance and Resources Committee on 10 December 2020.

6. Homelessness - Miscellaneous

The coronavirus pandemic has resulted in additional costs being incurred to address the impact upon individuals that are either homeless or at risk of becoming homeless.

The miscellaneous expenditure budget of £117,400 for 2020/21 is presently expected to overspend by £78,450. This will be met from a combination of the homelessness reserve and the receipt of various grants referred to elsewhere in this report.

7. Homelessness – Bed and Breakfast

The outbreak of the coronavirus has resulted in significant addition expenditure on bed and breakfast accommodation. The budget for 2020/21 of £60,000 is presently expected to overspend by 50% with an outturn of £90,000 currently projected for the year.

8. Monitoring Officer – Legal Advice

The recent payment of £7,500 to the Independent Person for work involved in investigating a complaint highlighted the fact that there is presently no budget for such costs.

It is therefore proposed that a permanent budget of £20,000 per annum is established from 2020/21 onwards to enable the Monitoring Officer to secure independent legal advice as and when considered necessary.

9. Finance Services – Final Accounts Work 2020/2021

Finance and Resources Committee on 12 July 2018 and 10 October 2019 agreed to include provision in the 2018/19 and 2019/20 budgets for specialist interim accounts staff to assist with the production of the final accounts for 2018/19 and 2019/20 respectively.

This worked successfully with the Council achieving the 31 May 2019 deadline under the Accounts and Audit Regulations (2015) for the production of the draft Statement of Accounts 2018/19 and achieving an unqualified audit opinion and value for money conclusion from the external auditors by the statutory 31 July 2019 deadline.

This also worked successfully with the draft Statement of Accounts 2019/20 presented to the external auditors for examination on 30 June 2020 as agreed in accordance with the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020. A report on the progress of the external audit of the Council's draft Statement of Accounts 2019/20 was presented to the Governance, Audit and Standards Committee on 21 September 2020.

The interim member of staff that was engaged led on the collation of the information required to produce the final accounts for 2018/19 and 2019/20 and was a lead contact in terms of engagement with the external auditors. This enabled other members of the team to conduct their final accounts tasks in conjunction with their other activities.

It is proposed that, given the successful outcomes in 2018/19 and 2019/20, an interim final accounts specialist is appointed to undertake a similar role with regards to the 2020/21 final accounts. As well as ensuring that all the required deadlines are met, this will also provide an opportunity to pass knowledge and skills on to existing members of staff that should allow them to undertake such a role in future. This support would be provided from mid February 2021 through to July 2021 with an anticipated cost of £11,900 in 2020/21 and £23,850 in 2021/22.

10. Local Government Re-Organisation - Consultancy

As reported to Policy and Performance Committee on 1 October 2020, Nottinghamshire County Council are looking to utilise powers expected to be announced in the forthcoming Devolution and Local Recovery White Paper to seek unitary status.

It is proposed that a budget of £30,000 be established in 2020/21 as a contribution towards various consultancy work being procured jointly by all district and borough councils in Nottinghamshire to undertake detailed evaluation of any Nottinghamshire County Council proposal and to seek to identify alternative options.

11. Department for Work and Pensions (DWP) Import File

The process of receiving files containing significant volumes of information from the Department for Work and Pensions (DWP) and their subsequent entry into the Council's financial systems has traditionally been very resource intensive.

The Council has procured a software solution costing £3,250 to allow this process to be automated. This will significantly reduce the amount of resources dedicated to this activity. A budget is therefore required to meet this one-off cost in 2020/21.

12. Covid-19 MHCLG Support

The Ministry of Housing, Communities and Local Government (MHCLG) have so far made available three separate tranches of funding for local authorities to help address financial issues in terms of increased costs and reduced income arising from the coronavirus pandemic.

The Council received an initial £51,030 followed by further sums of £1,136,335 and £165,544 totalling £1,352,909. This now needs to be reflected in the 2020/21 budget.

Further financial support should be received with compensation of 75p for each £1 of sales, fees and charges income lost as a result of the pandemic subject to the Council meeting an initial 5% of the loss when compared to the budget.

13. Interest on Investments

The budget for interest on investments in 2020/21 of £370,00 was based upon the bank rate of 0.75% that was in place during the time of budget preparation. Following the outbreak of the coronavirus pandemic and the anticipated outcome upon financial markets, the Bank of England's Monetary Policy Committee (MPC) subsequently reduced the bank rate to a record low of 0.10%.

This is expected to have a significant impact upon the income that the Council will earn on its investments in 2020/21. Whilst the Council has made a number of longer-term investments in recent years and sought to diversify into areas such as property funds, the amount of investment income received in 2020/21 is presently anticipated to be much less than the original budget and a revision to this is considered necessary.

14. Commercial Property – Rent Income

The 2020/21 budget for rent income from the Council's ownership of properties in Beeston Square is £700,000. The coronavirus pandemic has had a differing impact upon the various tenants. Some tenants were able to continue trading as normal whilst others had to close or severely restrict their operations. Unfortunately, some were forced to cease trading altogether.

The Council has responded to the impact upon tenants by offering the opportunity to defer rents where possible. However, it is inevitable that rental income for the year will be significantly less than the budget. Based upon current projection, rental income is expected to be £596,800 for 2020/21. However, this may change further as a result of the pandemic upon the economy.

In order to assist the tenants, the Council has suspended recovery action and is engaging with each tenant separately to assess their ability to pay their outstanding rent obligations and to agree a schedule of payments.

Overall commercial rents are expected to fall by £536,000.

15. Loss of Income

Planning fees, car parking fees and other fees and charges have all been affected by the Covid-19 pandemic.

Despite further financial support expected to be received from MHCLG where compensation of 75p for each £1 of sales, fees and charges income lost as a result of the pandemic, subject to the Council meeting an initial 5% of the loss when compared to the budget, income will be reduced during 2020/21. Any amendments to the income budgets will be aligned to the impact of the Government's income compensation scheme.

16. Additional Covid-19 costs

Additional resource has been required within the Refuse Collection team to enable collections to be maintained in a safe and secure manner across the borough during the Covid-19 lockdown period. Agency workers have been used to ensure service delivery has been met during this time.

The abrupt change in working practices due to the lockdown period have necessitated an increase in investment in ICT systems and processes. This has enabled the Council's staff to continue to undertake their many and varied roles with no disruption to services.

17. External legal fees for Midland Engine Devco

Members will be aware of this important project impacting on 3 district/borough in the East Midlands, of which Broxtowe is one at the Toto/Chetwynd site. This project involves detailed legal consideration and is likely to require primary legislation as well as commercial and governance advice.

The three districts, North West Leicestershire, Rushcliffe and Broxtowe have jointly instructed external legal advisers who have progressed a first phase consideration and negotiation of a joint agreement between the districts, two counties and the emerging interim development company and are sharing the costs of procuring this work. The next phase will be more detailed and involve draft legislation state aid issues and consideration of powers of the various parties.

This is one of the most complex regeneration projects involving this council in recent years and the Council's external legal fees budget will not be sufficient to finance this single major project and could impact negatively on other legal cases if that budget is exhausted on this single project. Sharing the costs 3 ways helps keep costs down. The initial phase has cost the council about £7,500, and the next phase is likely to be significantly greater, therefore a budget of £20,000 is being established.

APPENDIX 2

Budget Heading	Current Budget (£)	Proposed Budget (£)	GF Budget Change (£)
Business Support Grants - Expenditure	0	18,548,250	18,548,250
Business Support Grants - Income	0	(18,548,250)	(18,548,250)
Re-Opening High Streets Safely - Expenditure	0	101,450	101,450
Re-Opening High Streets Safely - Income	0	(101,450)	(101,450)
COVID-19			
Business Support Grants – New Burdens Funding	0	(130,000)	(130,000)
Covid-19 MHCLG Support	0	(1,352,900)	(1,352,900)
Liberty Leisure – Management Fee	845,000	979,400	134,400
Community Support Grants	0	74,000	74,000
Homelessness - Miscellaneous	117,400	195,850	78,450
Homelessness – Bed and Breakfast	60,000	90,000	30,000
Interest on Investments	(370,000)	(74,000)	296,000
Refuse Collection Agency Staff	356,000	416,000	60,000
Systems improvements	0	15,000	15,000
Planning Income estimated loss of income net of compensation	(580,000)	(494,000)	86,000
Car Park income estimated loss of income net of compensation	(258,500)	(233,500)	25,000
Other Fees and Charges estimated loss of income net of compensation	(220,860)	(202,860)	18,000
Commercial Rents	(989,160)	(453,160)	536,000
Other Changes			
Additional Pay Award (April 2020)	218,000	299,750	81,750
Monitoring Officer – Legal Advice	0	20,000	20,000
Finance Services – Final Accounts Work 2020/21	0	11,900	11,900
Local Government Re-Organisation - Consultancy	0	30,000	30,000
DWP Import File	0	3,250	3,250
External legal fees for Midlands Engine Development Corporation	0	20,000	20,000
Durban House plans – LEP bid (CE use of urgency powers Policy & Performance Committee 1/10/20)	0	5,000	5,000
Rent concessions to Beeston square traders (75% concession for 9 months 2020/21)	0	9,000	9,000
Total	(822,120)	(771,270)	50,850