

## **Report to Cabinet**

**Subject:** Quarterly Budget Monitoring and Virement Report

**Date:** 1 August 2019

**Author:** Senior Leadership Team

### **Wards Affected**

Borough Wide

### **Purpose**

- To update Cabinet on the forecast outturn for Revenue and Capital budgets for 2019/20. The budgets include all carried forward amounts from the 2018/19 financial year.
- To request approval from Cabinet for the changes to the budget as set out in this report.

### **Key Decision**

**This is a Key Decision**

#### **Recommendation(s)**

**Members are recommended:**

- 1) **To approve the General Fund Budget virements set out in Appendix 1;**
- 2) **To note the use of reserves and funds during quarter one as detailed in Appendix 2;**
- 3) **To approve the changes to the capital programme included in paragraph 2.3.**

## **1 Background**

- 1.1 The Council has made a commitment to closely align budget and performance management. This is in line with accepted good practice.

- 1.2 To deliver this commitment, systems to monitor performance against revenue and capital budgets, improvement activity and performance indicators have all been brought together and are now embedded in the way the Council works. Whilst the budget and performance information is presented in 2 separate reports, they are reported to Cabinet together and will appear on the same agenda.

## 2 **Proposal**

### 2.1 **General Fund Revenue Budget**

The following table summarises the overall financial position of the General Fund Revenue Budget and the expected total spend for the year. This information has been compiled using the best information made available to Financial Services by the relevant spending officers as at 30 June 2019. In summary the Council's General Fund outturn is projected to be in line with the approved budget of £11,676,000, including an overall contribution from reserves of £1,125,200.

#### **General Fund Revenue Budget 2019/20 – Change Analysis**

	£
<b>Net Council Budget for 2019/20 approved by Council on 4 March 2019 and Cabinet's Maximum Budget is</b>	<b>11,676,000</b>
Up to the end of June 2019 expenditure less income totalled	2,273,346
In the remaining 9 months of year we expect net expenditure to be	9,402,654
<b>Total net revenue spend for the year is currently expected to be</b>	<b>11,676,000</b>
<b>Total Projected Revenue (Under) / Overspend 2019/20</b>	0

Appendix 1 outlines how the General Fund Revenue budget is divided between the Portfolios of the Council and includes a detailed variance analysis identifying the current proposed changes for quarter one against the approved budget for each Portfolio area. Cabinet is recommended to approve these changes.

The major variances detailed in Appendix 1 include:

Expenditure:

- Community Development, Events – cost of a contractual arrangement with Nottingham City Council for the delivery of Arnold Carnival £26,000, ensuring improved safety provisions and including delivery of a robust event

- management plan, major incident plan and event control;
- Housing Needs - £85,000 additional cost of bed and breakfast accommodation due to increased demand, funded from reserves.

**Income:**

- Leisure Centres - £19,600 reduction in income at Arnold Leisure Centre due to the closure required to carry out essential structural surveys in the pool hall;
- Pet Cremation - £85,800 reduced income forecast for the year due to a lower initial take up of the service in the first quarter of operation. Budgets have been re-aligned to allow for business start-up and moderate growth in the first year, giving the revised budget a positive return marginally above breakeven point. This reduction is offset by the application of the budget reduction risk reserve;
- Public Offices – (£35,900) net additional income from rental of office space at the Civic Centre.

**Financing:**

- Reduction in minimum revenue provision – (£70,700) saving due to re-profiling of the 2018/19 capital programme.

Details of the budget virements authorising the usage of Earmarked Reserves and Revenue Budget Funds as approved by the Chief Financial Officer and relevant Corporate Director in accordance with Financial Regulations are set out in **Appendix 2**. No virements were approved by Portfolio Holders for amounts of £50,000 or less during quarter one.

## 2.2 Efficiency/Budget Reduction Programme – Progress Update

Since 2014/15 Council have approved four separate budget reduction programmes totalling £6.5m net of risk provision. Progress to date has been positive and budget reductions achieved have been in line with the profiled estimate. Of the total programme, £2.6m is still to be delivered over 2019/20 to 2022/23.

In 2019/20 the programme for the delivery of efficiencies totals £1,086,300 net of risk provision. Quarter 1 monitoring indicates the following:

<b>Movements on Efficiencies 2019/20</b>	
	<b>£</b>
<b>Approved Efficiency Programme 2019/20</b>	<b>1,086,300</b>
<b>Removal from Programme</b>	
External Audit Fees – Housing Benefit Subsidy Contract	7,300
Sale of Communications and Customer Insight Services	3,000
<b>Total Removed</b>	<b>10,300</b>
<b>Deferred/Part Deferred Projects</b>	
Pet Cremation Service	85,800
Commercial Tree Team	12,000

Street Naming and Numbering Charges	5,000
<b>Total Deferred</b>	<b>102,800</b>
<b>Offset by:</b>	
<b>Early Delivery</b>	
Property lease with new partner at Civic Centre	(35,900)
<b>Total Quarter 1 Amendments</b>	<b>77,200</b>

<b>Revised Total 2019/20</b>	<b>1,009,100</b>
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The budget impacts of these projects are included in Appendix 1 and are fully offset by application of the budget reduction risk reserve and fund budgets. Please note that if the situation improves for part deferred projects during the financial year then further adjustments will be made.

Delivery of the programme will continue to be monitored and updates provided in future reports.

## 2.3

### Capital Programme

Appendix 3 details the current projected position on the Capital Programme and its financing for 2019/20, analysed by Portfolio, and this is summarised in the table below. Cabinet is recommended to approve these changes.

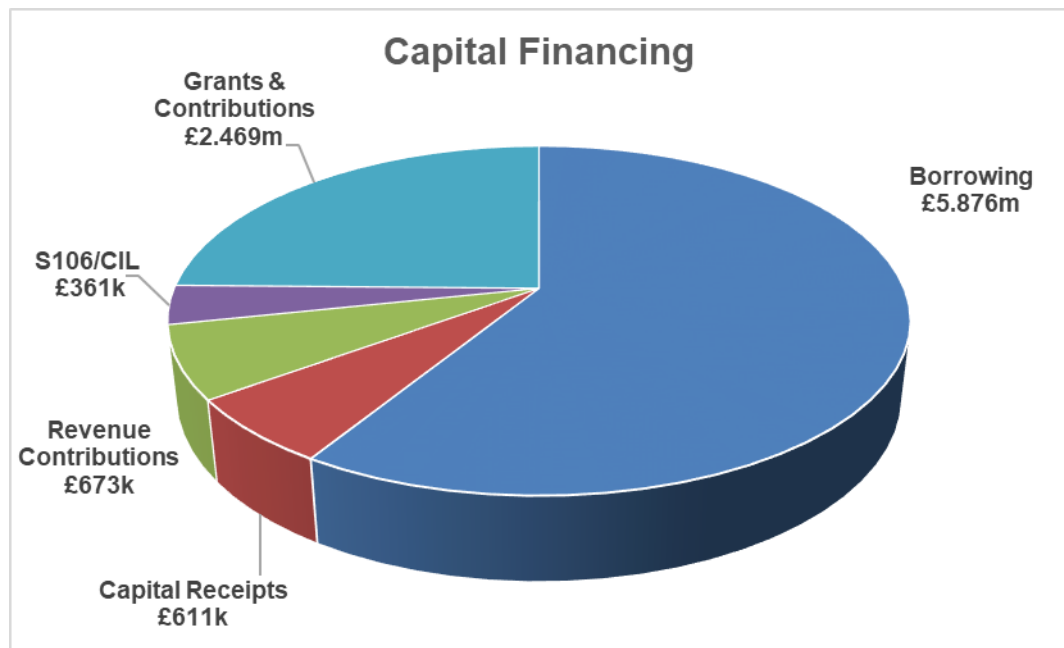
<b>Capital Budget 2019/20 - Change Analysis</b>	
	<b>£</b>
<b>Original 2019/20 budget approved by Council on 4 March 2019</b>	<b>8,943,500</b>
Approved Carry Forwards from 2018/19	901,200
Demolition of buildings on Station Road funded by Economic Development Fund	35,000
Muirfield Road Play Area funded by FCC Communities Foundation grant	100,000
<b>Current approved budget for 2019/20</b>	<b>9,979,700</b>
<b>Proposed Amendments to the Programme @ Quarter 1</b>	
<b>Additional Schemes:</b>	
Establish a community garden in Redhill fully funded by a Developer contribution.	10,000
<b>Total Proposed Amendments</b>	<b>10,000</b>
<b>Proposed Revised Capital Programme 2019/20</b>	<b>9,989,700</b>
Actual Expenditure to Quarter 1 2019/20	411,435
Estimated Expenditure Quarter 2 - 4 2019/20	9,578,265
<b>Projected Outturn</b>	<b>9,989,700</b>
<b>Projected Capital Programme Variance 2019/20</b>	<b>0</b>

Capital schemes are monitored on a quarterly basis, meetings are currently held between finance officers and service/project officers. In 2019/20 bi-monthly capital management meetings will be held, chaired by the Chief Financial Officer and attended by Service Managers, Project Officers and a Finance Business Partner.

2.4

### **Capital Programme Financing**

The projected method of financing the current capital programme requirement of £9,989,700 is detailed in Appendix 3 and summarised in the chart below.



2.5

### **Capital Receipts Monitoring**

When the Council sells General Fund assets it is permitted to use this income to fund capital expenditure. The initial capital receipts estimate for 2019/20 projects that £611,000 will be generated and used to finance the capital programme in 2019/20. There is no change to the capital receipts estimate projected at quarter 1 monitoring.

## **3 Alternative Options**

Option – Not to amend the original Council approved budgets during the year to reflect the latest projected outturn position.

Advantages:

- The final outturn position of the Council can be easily compared to its original intentions when the budget was set and areas of budget risk identified.

Disadvantages:

- Budgets not aligned to current budget pressures resulting in increased likelihood of budget overspend and emerging Council priorities not being addressed;
- Restrict the effectiveness of medium term planning process and preparation of the forward budget if pressures and areas of efficiency are not readily identifiable during budget preparation;
- Budget not reflective of latest performance information.

Reason for rejection – the option is not likely to result in the best outcomes in financial management or support delivery of priorities.

#### **4 Financial Implications**

The nature of the report is such that it has significant resource implications across the Council. The report itself demonstrates how resources are being managed.

#### **5 Appendices**

Appendix 1 – General Fund Revenue Budget 2019/20 – Budgetary Report

Appendix 2 – Use of Reserves and Revenue Fund Budgets

Appendix 3 – Capital Programme 2019/20 – Budgetary Control Report

#### **6 Background Papers**

Detailed Quarterly Budgetary Control Exception Reports

#### **7 Reason for Recommendations**

To align the budgets to the current pressures and priorities and ensure the delivery of Council objectives is supported.