

Report to Cabinet

Subject: Quarterly Budget Monitoring and Virement Report – Quarter 2 September 2019

Date: 7 November 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.
- 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 two 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 September 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 £1,456,800.

Table 1 General Fund Revenue Budget 2019/20 – Change Analysis

	£
Net Council Budget for 2019/20 approved by Council on 4 March 2019 and Cabinet's Maximum Budget is	11,676,000
Up to the end of September 2019 expenditure less income totalled	6,351,090
In the remaining 6 months of year we expect net expenditure to be	5,324,910
Total net revenue spend for the year is currently expected to be	11,676,000
Total Projected Revenue (Under) / Overspend 2019/20	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 two against the approved budget for each Portfolio area. Cabinet is recommended to approve these changes.

The major variances detailed in Appendix 1 include:

Expenditure:

- Rough Sleeping Initiative £450,000 fully funded by Government grant. Gedling Borough Council was the lead authority in a successful County wide bid to the Rough Sleeping Initiative. The project will be delivered on behalf of a range of partners across the County which will deliver street based services aimed at engaging with rough sleepers to improve their lives. This project is subject to a Service Level Agreement with Ashfield District Council who will administer the project according to the agreement.

- Amendments to the Efficiency/Budget Reduction Programme - deferral of projects to future years totalling £319,700 and removal of non-deliverable projects totalling £29,000 as set out in Table 2 below.
- Arnold Leisure Centre - £55,000 on infrastructure works funded from the Transformation Fund.
- A saving on Insurance Premiums of (£33,700) arising from the new contract procurement.

Income:

- Waste Management – (£40,000) which is due to a greater uptake of the Garden Waste scheme which is an early delivery of the efficiency proposal as detailed in Table 2 below.

Other:

- Rent Allowances – (£78,800) reduction in benefit payments offset by reduced subsidy income.
- Rent Allowances Bad Debt Provision – (£55,000) a reduction in the number of bad debts outstanding.
- Corporate Income and Expenditure – (£28,000) of additional interest received on investments.

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 two.

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. Previous progress 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. Monitoring of the whole programme has been completed and to date £120,500 has been confirmed as not deliverable which is just within the overall risk provision of £125,600 included in the Medium Term Financial Plan.

In terms of 2019/20, the original programme for the delivery of efficiencies totalled £1,086,300. Quarterly monitoring indicates the following:

Table 2 Movements on Efficiencies 2019/20	
	£
Approved Efficiency Programme 2019/20	(1,086,300)
Quarter 1 Amendments	77,200
Application of 2019/20 Risk Budget	(25,000)
Revised Total at Quarter 1	(1,034,100)
Proposed Amendments Quarter 2: Removal from Programme	
Customer Services – new work for external parties	9,000
Development Management Planning Pre Application Advice	20,000
Total Removed	29,000
Deferred/Part Deferred Projects into 2020/21	
Commercial income generation due in year (over-ambitious income targets set for the year which should be delivered in 2020/21)	129,100
Structural staffing and efficiency reviews (anticipated earlier in the year but which will be delivered by the start of 2020/21)	190,600
Total Deferred/Part Deferred	319,700
Offset by:	
Early/Additional Delivery	
Garden Waste Scheme – more bins collected than anticipated	(40,000)
Total Quarter 2 Amendments	308,700
Revised Total	(725,400)

The £308,700 quarter 2 budget impact of these projects are included in Appendix 1 and are partly offset by application of the remaining budget reduction risk reserve of £123,600. 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.

Capital Budget 2019/20 - Change Analysis	
	£
Original 2019/20 budget approved by Council on 4 March 2019	8,943,500
Approved Carry Forwards from 2018/19	901,200
Additional Schemes Approved in Quarter 1	145,000
Schemes approved by Cabinet September 2019:	
- Conway Road Recreation Ground	102,000
- Gedling Country Park Seating Area	107,800
Current approved budget for 2019/20	10,199,500
Proposed Amendments to the Programme at Quarter 2	
Additional Schemes:	
Contribution to Westdale Lane Surgery extension funded by S106 health contributions	200,000
Haywood Road Play Area – additional project cost funded by FCC Communities grant	20,000
Schemes Proposed for Deferral (see note below):	
Arnold Town Centre Development	(983,600)
Carlton Square Development	(830,000)
Calverton Enterprise Units	(1,370,000)
Total Proposed Amendments to Capital Programme	(2,963,600)
Proposed Revised Capital Programme 2019/20	7,235,900
Actual Expenditure to Quarter 2 2019/20	1,379,200
Estimated Expenditure Quarter 3 - 4 2019/20	5,856,700
Projected Outturn	7,235,900
Projected Capital Programme Variance 2019/20	0

Note: Schemes proposed for Deferral – (£3,183.6k)

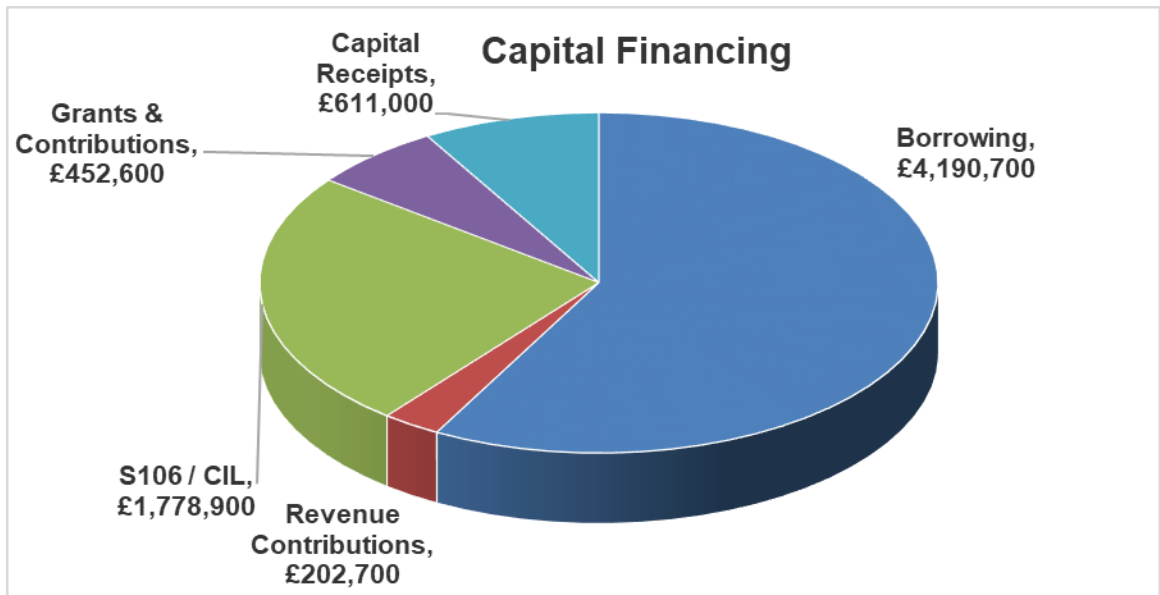
- Arnold Town Centre Development (£983.6k) – design options being finalised with majority of scheme delivery expected in 2020/21.
- Carlton Square Development (£830k) – scheme specifications, design and funding to be finalised with partners. Delivery expected in 2020/21.
- Calverton Enterprise Units (£1,370k) – conditional funding bid has now been accepted subject to planning approval. Expected to commence in April 2020.

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 are 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 £7,235,900 is set out 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 2 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.