

Report to Cabinet

Subject: Quarterly Budget Monitoring and Virement Report – Quarter 3 December 2019

Date: 30 January 2020

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 three 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 31 December 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 earmarked reserves of £1,310,700.

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 December 2019 expenditure less income totalled	9,143,264
In the remaining 3 months of year we expect net expenditure to be	2,532,736
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 three against the approved budget for each Portfolio area. Cabinet is recommended to approve these changes.

The major variances detailed in Appendix 1 include:

Expenditure:

- Employee Savings of (£170,000) across portfolios relating to vacant posts;
- Additional expenditure on Bed and Breakfast £112,500 for temporary accommodation for homelessness, this will be funded by reserves. The additional spend is largely due to an increase in the number of days people need to remain in Bed and Breakfast before finding more permanent accommodation. Work with Registered Social Landlords to improve the supply of accommodation is ongoing and the development of additional units of temporary accommodation by the Council at Station Road will reduce the need for bed and breakfast;
- Amendments to the Efficiency Programme – totalling £74,600 as set out in Table 2 below;
- Pet Crematorium - £43,700 to cover staff and operating costs due to income

levels being lower than anticipated in the first year of operation highlighting the need for further marketing;

- External Tree Team - £32,600 to cover staff and operating costs due to income levels being lower than anticipated due to partial diversion of staff onto council services.

Income:

- Redhill Leisure Centre - £43,100 lower income than anticipated due to a reduction in DNA memberships at this site, potentially due to increased competition in the area and parking issues at the site. Leisure Services are reviewing the service to improve membership numbers;
- Other Leisure Centres – (£36,300) net additional income mainly from swim school and cinema productions;
- Corporate Management - (£58,000) due to the secondment of the Corporate Director of Public Protection, Health & Wellbeing to the Police and Crime Commissioner;
- Public Protection – a successful grant funding bid of £40,000 to the Ministry of Housing, Communities & Local Government to facilitate enforcement costs for Rogue Landlords offset by additional employee expenses.

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 three.

2.2 Efficiency 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 remains to be delivered over 2019/20 to 2022/23.

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 Risk Budget	(25,000)
Quarter 2 Amendments	308,700
Revised Total at Quarter 2	(725,400)
Proposed Amendments Quarter 3: Deferred/Part Deferred Projects into 2020/21	
Digital and Wider Software Review	20,000
Tree Team	13,500
Pet Cremation Service	4,500
Sponsorship of Flower Beds	5,000
Building Control Income	10,000
Garden Waste Income	12,900
New Development Bin Sales	8,700
Total Deferred/Part Deferred	74,600
Total Quarter 3 Amendments	74,600
Revised Total	(650,800)

The £74,600 quarter 3 budget impact of these projects are included in Appendix 1 and are offset by underspends on the overall general revenue budget across portfolios.

Delivery of the 2019/20 programme will continue to be monitored and an update provided at outturn.

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
Additional Schemes Approved in Quarter 2	429,800
Schemes Approved for Deferral Quarter 2	(3,183,600)
Schemes approved by Cabinet/Leader December 2019:	
- Gedling Country Park Seating Area	120,800
Current approved budget for 2019/20	7,356,700
Proposed Amendments to the Programme at Quarter 3	
Additional Schemes:	
Depot Barriers and Signage funded by contribution from reserves	18,400
Savings on Existing Schemes:	
Replacement Vehicles	(57,400)
Cinderpath	(25,000)
Redhill Replacement Gym Equipment	(13,000)
Schemes Proposed for Deferral (see note below):	
Replacement Vehicles	(131,000)
IT Licences	(12,000)
Station Road Starter Homes	(165,300)
Burton Road - Affordable Housing	(12,000)
Replacement Theatre System	(35,000)
PASC Trees/Landscaping Equipment	(83,000)
Carlton Cemetery Expansion	(278,900)
Redhill - Community Garden	(10,000)
Gedling Country Park Seating Area	(107,800)
Lambley Lane Changing Room and Pitch Renovation	(95,000)
Customer Services Improvements	(100,000)
Commercial Property Investment	(1,600,000)
Hazleford Way Drainage	(51,000)
Total Proposed Amendments to Capital Programme	(2,758,000)
Proposed Revised Capital Programme 2019/20	4,598,700
Actual Expenditure to Quarter 3 2019/20	2,525,281
Estimated Expenditure Quarter 4 2019/20	2,073,419
Projected Outturn	4,598,700

Note: Total Schemes proposed for Deferral – (£2,681,000). Major schemes in excess of £150,000:

- Commercial Property Investment (£1,600,000) – A number of investment

opportunities were identified and due diligence has been carried out but not all have been deemed to be appropriate investments in accordance with the investment strategy. The remaining programme will be deferred to 2020/21 and opportunities will continue to be considered.

- Carlton Cemetery Expansion (£278,900) – The design of this scheme has been completed and the tender process is underway, contractors are expected to commence on site early in the new financial year.
- Station Road (£165,300) – The scheme has been redesigned to take account of the needs for affordable and temporary accommodation, in addition working with funders to agree the necessary changes has delayed the scheme to 2020/21.

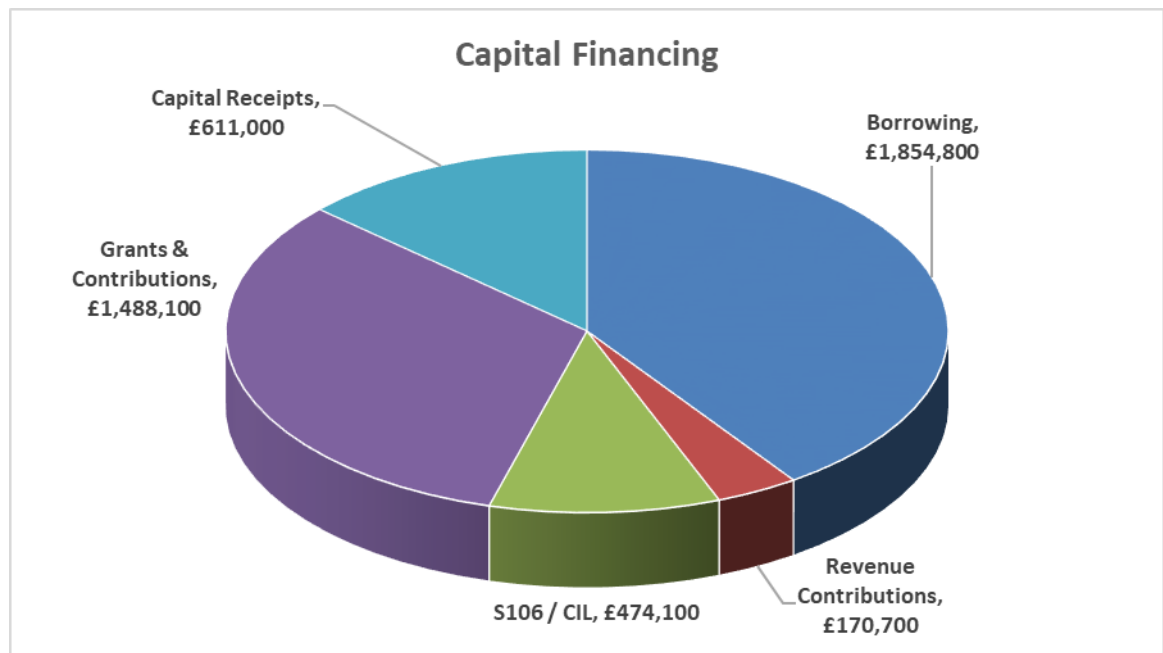
The remainder of the deferred schemes are mainly due to rescheduling of programmes of works and re-prioritisations. All of the deferred schemes are expected to be completed during 2020/21.

Capital schemes are monitored on a quarterly basis and meetings are currently held between finance officers and service/project officers.

2.4

Capital Programme Financing

The projected method of financing the current capital programme requirement of £4,598,700 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 3 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.