

Report to Cabinet

Subject: Quarterly Budget Monitoring and Virement Report – Quarter 1 June 2022

Date: 4 August 2022

Author: Senior Leadership Team

Wards Affected

Borough-wide

Purpose

- To update Cabinet on the forecast outturn for Revenue and Capital Budgets for 2022/23. The budgets include all approved carried forward amounts from the 2021/22 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 to:

- 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 2.4.**

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 Summary

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 2022.

The Council's General Fund outturn is projected to be underspent by £46,500. In order to ensure Cabinet is maintained within its maximum, it is proposed that Cabinet approve a transfer of £46,500 to the Inflationary Pressures Contingency Reserve.

General Fund Revenue Budget 2022/23 – Change Analysis

	£
Net Council Budget for 2022-23 approved by Council on 3 March 2022 and Cabinet's Maximum Budget is:	12,374,100
Up to the end of June 2022 expenditure less income totalled	3,018,383
In the remaining 9 months of year we expect net expenditure to be	9,309,217
Total net revenue spend for the year is currently expected to be	12,327,600
Total Projected Revenue (Under)/ Overspend 2022/23	(46,500)
Proposed Transfer to Earmarked Reserves For Approval	46,500
Total net revenue spend for the year is expected to be	12,374,100

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:

- Increased fuel costs for Vehicle Fleet resulting from price increases £45,700
- Increased fuel oil costs for Calverton Leisure following a 53% increase in price £21,300
- Additional cost of a Leisure Attendant post needed to support Big Wave project and to deliver swimming lessons £27,100
- Reduced business rates following recalculation of Arnold Market Place NDR bill resulting in 2 year reimbursement for overpayment (£32,000)

Income:

- Increased swim lessons income through Big Wave project (£98,500)
- Reduced DNA membership income including some members transferring to Free Armed Forces memberships £37,000
- Increase in interest rates plus additional balances available for investment (£60,000)

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.

Cost of Living - Inflationary Pressures

As highlighted above, increasing pressures arising from the cost of living crisis are affecting all organisations as well as this Council. Close attention is therefore being paid to this and attempts are being made to capture and report upon the likely impact. It is intended that a mid-year review of the Medium Term Financial Plan (MTFP) be undertaken to incorporate these and any other items that may significantly affect the Councils income and expenditure and that this be reported to a future Cabinet meeting.

Budget Impacts - Cost and Income

The cost of living crisis is going to have an impact upon staff as the rising prices impact upon disposable income. The Council has included a sum of £418,700 in the 2022/23 Revenue Budget for the April 2022 pay award based upon an assumed 3.0% increase. The Government have announced pay awards for public sector staff in areas such as health and education that are in excess of this figure with the majority being offered 5%.

On 25 July 2022 the National Employers proposed an increase of £1,925 on all NJC pay points 1 and above with effect from 1 April 2022. Assuming 380 full time equivalent employees and 30% for employers' national insurance and superannuation costs would produce additional costs in excess of £950,000. The unions will now consider this offer.

In response to the cost of living pressures, the Council has established an Inflationary Pressures Contingency Reserve. The balance at 1 April 2022 was £250,000 and it is envisaged that this will be used, as required, to address such pressures as they arise in 2022/23.

One consequence of the cost of living crisis is an increase in the base rate set by the Monetary Policy Committee (MPC) which has increased 5 times in recent months to 1.25%. This has increased the amount of investment income anticipated in 2022/23 as shown above.

Support for Residents

The Council made some provision to alleviate the impact of some cost pressures for the most financially vulnerable residents. For example, the Council has delivered £60,000 of hardship relief to council taxpayers in receipt of Council Tax Reduction Scheme (CTRS) support.

In addition to distributing almost £6.9m in mandatory energy bill rebates in accordance with the Governments scheme to pay £150 to households in council tax bands A to D, the Council has received discretionary funding of £172,800 which is being distributed in accordance with its own eligibility criteria.

The Council helps support the Household Support Fund by making referrals to Nottinghamshire County Council of vulnerable residents that may be eligible for assistance.

2.2 Efficiency programme – Progress Update

Since 2014/15 the Council has approved six separate budget reduction programmes totalling £7m net of risk provision, including the new programme of £545,000 approved during the 2022/23 budget process.

Of the total programme, £1,169,200 remains to be delivered over 2022/23 to 2024/25.

In terms of 2022/23, the programme due for delivery is £763,700 which includes project deferrals from 2021/22. As set out in 2.1 the £100,000 DNA Membership Increase efficiency for 2022/23 is not going to be achieved in full. However the Big Wave project efficiency of £250,000 scheduled for 2023/24 is being partially delivered early.

Delivery of the 2022/23 programme will continue to be monitored and an update provided in future reports.

2.3 Capital Programme

Appendix 3 details the current projected position on the Capital Programme and its financing for 2022/23, analysed by Portfolio, and this is summarised in the table below. Cabinet is recommended to approve these changes.

Quarter 1 amendments to the current capital programme of £175,000 are presented in the table below.

Capital Budget 2022/23 - Change Analysis	
	£
Original 2022/23 budget approved by Cabinet on 17 February 2022	6,460,300
Council Approved Carry Forwards from 2021/22	3,064,400
Schemes Approved by Cabinet on 17 March 2022	
Netherfield Hub – Internal works and alterations (CIL)	55,000
Footpath extension at Willow Park, Gedling (CIL)	25,000
Schemes Approved by Leader 17 March 2022	
Green Homes Scheme	891,000
Current approved budget for 2022/23	10,495,700
Proposed Amendments to the Programme at Quarter 1	
Additions to programme	
Lambley Lane Play Area Refurbishment (Grant Funded)	111,000
Bestwood Country Park Car Park Extension (S106)	36,800
Additional to existing Schemes:	
Arnold Market Place (Economic Development Reserve)	27,200
Total Proposed Amendments	175,000
Revised Capital Programme 2022/23	10,670,700
Actual Expenditure to Quarter 1 2022/23	822,758
Estimated Expenditure Quarter 2 - 4 2022/23	9,847,942
Projected Outturn	10,670,700

No schemes have been proposed for deferral at this stage. Capital schemes are monitored on a quarterly basis and meetings are currently held between finance officers and service/project officers.

The proposed financing of budgets approved since Cabinet on 17 February 2022 are as follows:

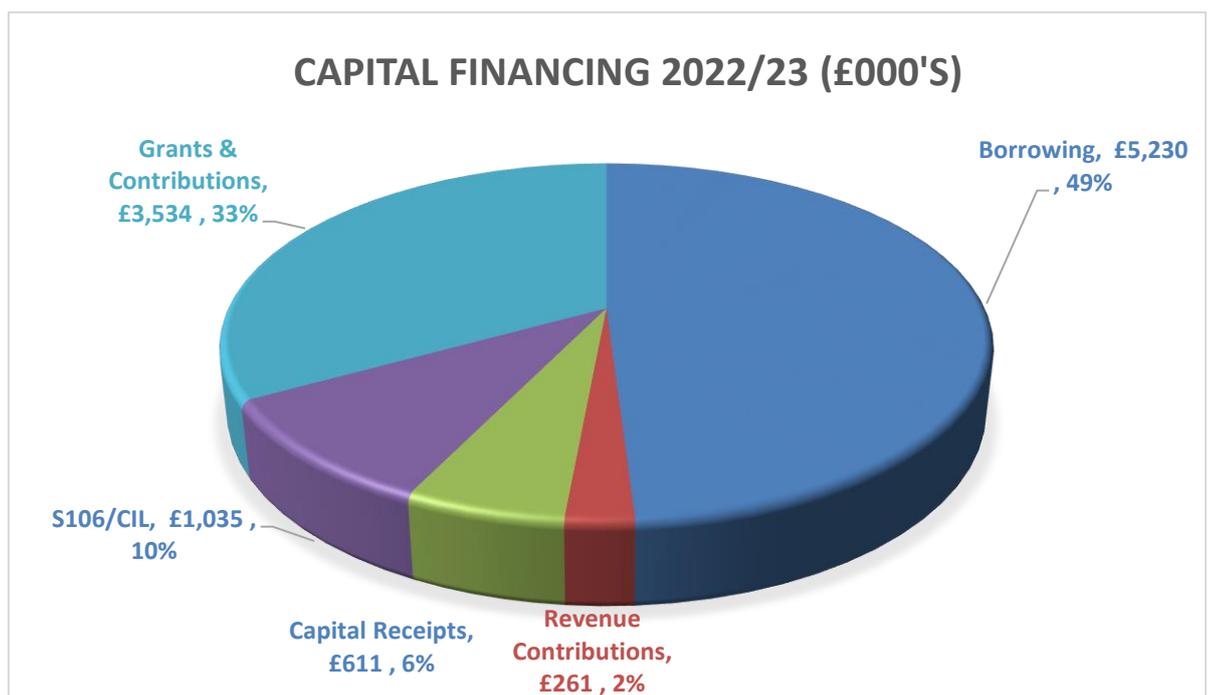
- Netherfield Hub – Internal works and alterations (£55,000) – Community Infrastructure Levy (CIL)
- Footpath extension at Willow Park, Gedling (£25,000) – CIL
- Sustainable Warmth Competition (£891,000) – Midlands Energy Hub (MEH)

The proposed amendments as set out above are as follows:

- Lambley Lane Play Area Refurbishment (£111,000) - The Council identified this as a priority in the Green Space Strategy. A bid for £100,000 has been submitted to FCC Communities and anticipated that the £11,000 will be financed from the Asset Management Reserve.
- Bestwood Country Park Car Park Extension (£36,800) – A section 106 contribution of £36,800 has been received. Following consultation with Bestwood Parish Council it is proposed that this be used to form an extension of Bestwood Country Park Car Park.
- Arnold Market Place (£27,200) – A requirement has been identified for additional budget to meet the cost of project management and quantity surveyors duties following extension of the contract to August 2022. It is proposed that these are met from the Economic Development Reserve.

2.4 Capital Programme Financing

The projected method of financing the current capital programme requirement of £10,670,700 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 2022/23 projects that £610,900 will be generated and used to finance the capital programme in 2022/23. 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**

- 4.1 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 **Legal Implications**

- 5.1 None arising directly from this report.

6 **Equalities Implications**

- 6.1 None arising directly from this report.

7 **Carbon Reduction/Environmental Sustainability Implications**

- 7.1 None arising directly from this report.

8 Appendices

Appendix 1 - General Fund Revenue Budget 2022/23 – Budgetary Control Report

Appendix 2 - Use of Reserves and Revenue Fund Budgets

Appendix 3 - Capital Programme 2022/23 – Budgetary Control Report

9 Background Papers

Detailed Quarterly Budgetary Control Exception Reports

10 Reasons for Recommendations

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

Statutory Officer Approval

Approved by: Chief Financial Officer

Date: XX

Approved by: Monitoring Officer

Date: XX