

Report to Cabinet

Subject: Quarterly Budget Monitoring and Virement Report – Quarter 2
September 2022

Date: 3 November 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 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.

- 1.3 The Financial Management system is being updated to reflect the recent changes in Portfolio Holder responsibilities. This report is based upon the previous Portfolio Holder responsibilities but future monitoring reports to Cabinet along with the 2023/24 budget reports will reflect the new arrangements.

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 September 2022.

The Council's General Fund outturn is projected to be overspent by £192,200. In order to ensure the Cabinet General Fund is maintained within its maximum, it is proposed that Cabinet approve a transfer of £192,200 from the Transformation Reserve. This will be in addition to the £76,000 transfer from the Transformation Reserve to meet the cost of the moving employees on SCP 1 to SCP 4 to a minimum SCP 5 and the £33,300 transfer to the Transformation Reserve in respect of the removal of the additional 1.25% National Insurance charge as set out in the report.

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 September 2022 expenditure less income totalled	5,542,217
In the remaining 6 months of year we expect net expenditure to be	7,024,083
Total net revenue spend for the year is currently expected to be	12,566,300
Total Projected Revenue (Under)/ Overspend 2022/23	192,200
Proposed Transfer from Earmarked Reserves For Approval	(192,200)
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 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:

- Additional estimated cost of £531,300 in respect of the April 2022 pay award offer.
- Saving of (£86,500) on Minimum Revenue Provision (MRP) to reflect borrowing on actual capital expenditure incurred in 2021/22.
- An estimated cost of £76,000 from moving employees on SCP 1 to SCP 4 to a minimum SCP 5 backdated to April 2022, funded from Transformation Reserve.
- Saving of (£33,300) from removal of the additional 1.25% national insurance charge with effect from November 2022 originally intended for the Health and Social Care Levy, transferred to Transformation Reserve.
- Cabinet on 6 October 2022 approved the closure of the Commercial Tree Service due to recruitment issues impacting upon service delivery. The net budget for 2022/23 is (£1,700). The position to September 2022 shows net expenditure of £66,500 with a forecast net expenditure of £59,800 for 2022/23.
- Additional expenditure of £41,000 on Discretionary Housing Payments.

Income:

- Increase in investment income following rise in interest rates (£130,000)
- Additional Garden Waste income (£48,700).

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.

Cost of Living - Inflationary Pressures

As highlighted in the Quarter 1 monitoring report presented to Cabinet on 4 August 2022 and in Appendix 1, 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.

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. UNISON accepted the offer whilst Unite and the GMB undertook consultations that closed in October 2022 and for which the results are awaited. If the offer is accepted then an additional budget allocation of £531,300 would be required to meet the estimated cost.

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 with a further £46,500 added following the Quarter 1 report to Cabinet on 4 August 2022. It is proposed that the Inflationary Pressures Contingency Reserve is used to meet part of the additional cost of the 1 April 2022 pay award. This will reduce the Inflationary Pressures Contingency Reserve to zero.

The Leader of the Council agreed on 21 September 2022 to award a temporary cost of living support payment of £250 (pro rata) to all of the Council's current contracted staff in Pay Bands 1 to 7 with the estimated cost of £95,000 to be met from a contribution from the Efficiency and Innovation Reserve.

The Appointments and Conditions of Service Committee (ACSC) agreed on 5 October 2022 that a consultation process with the unions on moving all employees on pay points SCP 1 to 4 onto a minimum spinal column pay point of SCP5 (Band 3) with effect from 1 April 2022. It is estimated that the additional cost of this proposal is £76,000 per annum. ACSC are due to meet on 7 December 2022 to decide upon this proposal.

The then Chancellor of the Exchequer announced on 23 September 2022 that the additional 1.25% national insurance charge introduced in April 2022 was to be removed from November 2022. This is expected to reduce the Council's employers' national insurance contribution by £33,300 in 2022/23.

Despite the difficult economic environment, good performance is being maintained as regards collection rates for council tax and business rates. As at 30 September 2022, 55.01% of council tax due for collection in 2022/23 had been received compared to an estimate of 55.39% at that date, a shortfall of £312,367. The position for business rates was even better, with 61.20% of the sum due for collection having been received compared to an estimate of 54.89% at that date.

One positive consequence of the cost of living crisis is an increase in the base rate set by the Monetary Policy Committee (MPC) which now stands at 2.25% and is expected to go even higher. This has increased the amount of investment income with £250,000 now anticipated in 2022/23.

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 Government's scheme to pay £150 to households in council tax bands A to D, the Council has received discretionary funding of £172,800 which has been distributed in accordance with its own eligibility criteria.

The Council provides discretionary housing payments to assist with housing costs for which it receives some grant funding. However the demands in 2022/23 are exceeding the budget of £104,000 and it is presently expected that expenditure of £145,000 will be incurred for the year.

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 £7m programme, £1,169,200 remains to be delivered over the period 2022/23 to 2024/25 with £763,700 originally planned for 2022/23.

In terms of 2022/23, the revised efficiency programme due for delivery is now £742,000 as set out in the table below.

Movements on Efficiencies 2022/23	
	£
Approved Efficiency Programme 2022/23	(763,700)
Quarter 1 Deferrals	0
Deferred Efficiencies to 2023/24 at Quarter 2	
Communications and Publicity - Sponsorship and Advertising	14,700
Rent - Council Chamber	3,000
Removal from Efficiency Programme	
Commercial Tree Team	4,000
Quarter 2 movements	21,700
Revised 2022/23 Efficiency Programme	(742,000)

As shown in appendix 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.

The 2022/23 budget included an additional £100,000 vacancy rate target. Appendix 1 shows that savings of £84,400 have been achieved mainly in Leisure and Housing Needs and the target is expected to be met.

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 2 amendments to the current capital programme of £1,316,300 are presented in the following table.

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
Approved amendments to the programme in Quarter 1	1,146,000
Current approved budget for 2022/23	10,670,700
Proposed Amendments to the Programme at Quarter 2	
Additions to capital programme :	
Gedling Access Road (GAR) (CIL funded)	4,480,100
UK Shared Prosperity Fund	291,300
Depot works	100,000
The Arnold Market Place	53,900
Repairs works	40,000
Holocaust Memorial (Funded by Asset Management Fund)	10,000
Deferrals to 2023/24 :	
Burton Road and Station Road Project	(2,558,800)
Vehicle Replacement Programme	(385,000)
Hazelford Way Industrial Units	(350,000)
Civic Centre Window Replacement	(200,000)
Lambley Lane Play Area Refurbishment	(111,000)
Reductions to programmes :	
Arnold Leisure Centre - Replacement Theatre System	(20,000)
Killisick Recreation Area	(14,200)
Property Flood Resilience	(10,000)
Asset Management Fund (General)	(10,000)
Total Proposed Amendments	1,316,300
Revised Capital Programme 2022/23	11,987,000
Actual Expenditure to Quarter 2 2022/23	1,969,900
Estimated Expenditure Quarter 3 - 4 2022/23	10,017,100
Projected Outturn	11,987,000

Additions to the 2022/23 capital programme:

- Gedling Access Road (GAR) £4,480,100 – The Council has been receiving Community Infrastructure Levy (CIL) contributions from developers for a number of years that are now required to be formally transferred to Nottinghamshire County Council to assist with the financing of this scheme.

- UK Shared Prosperity Fund £291,300 – The Council has been allocated a sum of £2,866,500 in revenue and capital funding through to 2024/25 subject to the approval of an Investment Plan. This addition is in respect of a number of individual capital schemes that are due to commence in 2022/23 upon approval of the Investment Plan.
- Depot Works £100,000 – This scheme is to enable a number of repairs and improvement works linked to the property conditions survey to be undertaken at the Depot and is to be met from the Asset Management Reserve.
- The Arnold Market Place £53,900. These additional costs include:
 - Contractor £38,000. This reflects what has currently been billed to the project and is to be funded from the Economic Development Reserve (£28,000) and Risk Management Reserve (£10,000). The final payments due to the contractor are presently being negotiated and will be included in future reports.
 - Consultancy Services £15,900. These are costs associated with extending the contract to November 2022 and are to be funded from the Economic Development Reserve.
- Ouse Dyke Repair Works £40,000 – This scheme is to undertake specialist work to address some of the effects of bank erosion at the Ouse Dyke in Carlton and is to be met from the Asset Management Fund.
- Holocaust Memorial £10,000. The procurement process indicates additional budget required for this scheme in addition to the original £35,000 allocated and it is proposed that it be funded from the unallocated Asset Management Fund total.

Schemes proposed for deferral to 2023/24 totalling £3,404,800. These include:

- Burton Road & Station Road Affordable Housing scheme (£2,558,800). The project is currently being reviewed and a revised business case is to be submitted to Cabinet. The budget has been re-profiled with £100,000 remaining available in 2022/23 and the balance being deferred to 2023/24.
- Vehicle Replacement Programme (£385,000). A number of vehicles currently in the replacement programme for 2022/23 will not arrive until 2023/24. This is due to extended lead times on delivery and turnover of staff which has delayed the purchasing of some vehicles.
- Hazelford Way Industrial Units (£350,000). Programme timeframes are to be reviewed and alongside the capacity of the team. The project is therefore to be deferred to 2023/24.
- Civic Centre Window Replacement (£200,000). Due to workload and resources the programme has been re-profiled and the scheme is not expected to start before April 2023.

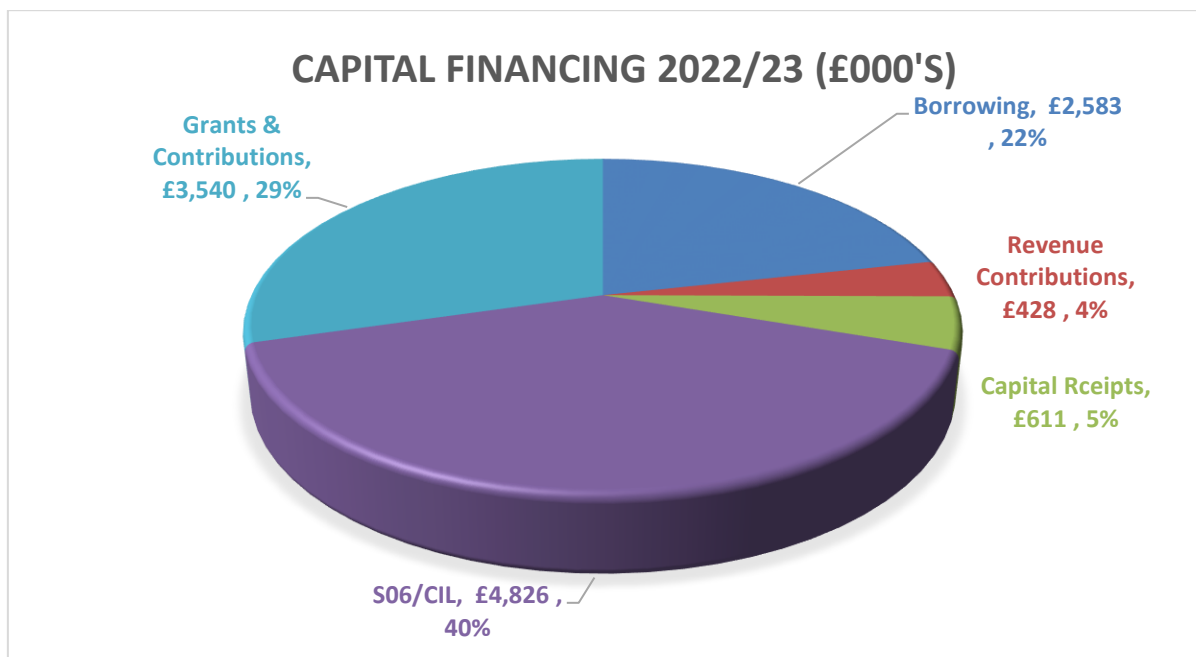
- Lambley Lane Play Area Refurbishment (£111,000). Supplier bids are due to be received in December 2022 with the work expected to start from April 2023.

Reductions to the 2022/23 capital programme:

- Arnold Leisure Centre replacement theatre system (£20,000). The procurement process has resulted in a saving on the anticipated cost of the project.
- Killisick Recreation Area (£14,200). The project is complete and the cost lower than anticipated. The project is fully funded through a FCC Communities grant.
- Property Flood Resilience Grant (£10,000). The scheme has finished and there are no more outstanding claims.
- Asset Management Fund (£10,000). This budget has been reallocated to the Holocaust Memorial scheme following the tendering exercise as outlined above.

2.4 Capital Programme Financing

The projected method of financing the current capital programme requirement of £11,987,000 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 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

- 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