

Report to Cabinet

Subject: Quarterly Budget Monitoring and Virement Report – Quarter 3
December 2022

Date: 24 January 2023

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:

- 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.
- 1.3 The Financial Management system has been updated to reflect the recent changes in Portfolio Holder responsibilities. This report is now based upon those new Portfolio Holder responsibilities.

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 31 December 2022.

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 December 2022 expenditure less income totalled	11,375,935
In the remaining 3 months of year we expect net expenditure to be	941,365
Total net revenue spend for the year is currently expected to be	12,317,300
Total Projected Revenue (Under)/ Overspend 2022/23	(56,800)
Proposed Transfer to Inflationary Pressures Reserve For Approval	56,800
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 three against the approved budget for each Portfolio area. Cabinet is recommended to approve these changes.

It is proposed that the projected underspend of £56,800 for 2022/23 is transferred to the inflationary pressures reserve.

The major variances detailed in Appendix 1 include:

Expenditure:

- £150,000 for the refund of Taxi Licencing fees overcharged in prior years, identified in a review of the fee setting regime and reported to Environment and Licencing Committee on 24 January 2023;
- Saving of (£37,800) in Leisure Centres due to vacancies being covered by casual staff and a reduced number of bookings;
- Efficiency of £45,000 expected from a review of operations at the Richard Herrod Centre will not be met in 2022/23 and will be deferred to 2023/24;
- Saving of (£34,000) on borrowing costs in 2022/23 due primarily to deferrals on the 2022/23 capital programme into 2023/24;
- Saving of (£27,000) due to the vacant Director post.

Income:

- Savings on Rent Allowances of (£77,600) due to a reduction in bad debt provision relating to cases moving to Universal Credit;
- Additional backdated civic centre rental income from partners following confirmation of the contract formula (based on RPI) for rent increases (£60,300);
- Additional investment income receivable of (£36,000) due to a combination of higher than anticipated balances available for investment and rising interest rates;
- Additional Income of (£22,400) due to the early introduction of swimming classes;
- Reduction of £45,000 in the anticipated income from burials.

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.

Cost of Living - Inflationary Pressures

As highlighted in the Quarter 2 monitoring report presented to Cabinet on 3 November 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 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 included in the General Fund revenue budget 2023/24 report to Cabinet on 16 February 2023.

Budget Impacts - Cost and Income

As reported in the quarter two report, the cost of living crisis is having 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, and this has cost the council in excess of £950,000, resulting in an additional budget allocation of £531,300 being added to the budget.

In response to the cost of living pressures, the Council established an Inflationary Pressures Contingency Reserve with an increased allocation of £296,500, however this was reduced to zero to part fund the pay award. As detailed above it is now proposed that the projected underspend identified this quarter of £56,800 is transferred to the inflationary pressures reserve for emerging pressures.

Despite the difficult economic environment, good performance is being maintained as regards collection rates for council tax and business rates. As at 31 December 2022, 81.5% of council tax due for collection in 2022/23 had been received compared to an estimate of 82.7% at that date. The position for business rates was better, with 84.5% of the sum due for collection having been received compared to a target of 82.3% 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 3.50%. This has increased the amount of investment income expected, with £287,000 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.

At quarter 3 the Council is deferring £55,000 efficiencies to 2023/24, therefore the revised programme for 2022/23 is now £687,000.

Movements on Efficiencies 2022/23	
	£
Approved Efficiency Programme 2022/23	(763,700)
Quarter 1 Deferrals	0
Quarter 2 Deferrals	21,700
Deferred Efficiencies to 2023/24 at Quarter 3	
Review of Operations (Richard Herrod)	45,000
Building Control Income	10,000
Quarter 3 movements	55,000
Revised 2022/23 Efficiency Programme	(687,000)

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 3 amendments to the current capital programme of £240,300 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
Approved amendments to the programme in Quarter 2	1,316,300
Current approved budget for 2022/23	11,987,000
Proposed Amendments to the Programme at Quarter 3	
Additions to capital programme :	
Arnold Market Place	200,000
Replacement Waste Management System	20,000
Deferrals to 2023/24 :	
Play Area refurbishment	(100,000)
Affordable Housing – Burton Road & Station Road	(100,000)
Arnot Hill House Safety Works	(70,000)
Sand Martin Bank Bird Hide	(54,900)
Arnold Flood Alleviation	(40,000)
CCTV Developments	(25,000)
Vehicle Replacement Programme	(7,000)
Reductions to programmes :	
Vehicle Replacement Programme	(63,400)
Total Proposed Amendments	(240,300)
Revised Capital Programme 2022/23	11,746,700
Actual Expenditure to Quarter 3 2022/23	3,754,623
Estimated Expenditure Quarter 3 - 4 2022/23	7,989,077
Projected Outturn	11,746,700

Additions totalling £220,000 to the 2022/23 capital programme:

- The Arnold Market Place - £200,000. This additional budget is required to meet additional costs incurred as a result of amended project timeframes such as professional fees. It is proposed that this be met by prudential borrowing.
- Replacement Waste Management System - £20,000. This budget is required for the purchase of hardware, tablets, phones and other items associated with the replacement waste management system and is to be funded from the Efficiency & Innovation reserve.

Deferrals totalling £396,900 to the 2023/24 capital programme:

- Play Areas (£100,000). Work is in the planning stage and cost will be incurred during 2023/24.
- Affordable Housing – Burton Road & Station Road (£100,000). The business case for this project is being revised and will be presented to cabinet in due course.
- Arnot Hill House Safety Works (£70,000). This is being re-tendered following a review and is now re-scheduled for 2023/24.
- Sand Martin Bank & Bird Hide (£54,900). This scheme has gone to tender twice but a satisfactory outcome was not achieved. The scheme will now be split into 2 separate elements and each will go out to tender. Therefore spend will not happen until 2023/24
- Arnold Flood Alleviation (£40,000). The works on Upper Daybrook are now scheduled for 2023/24. However, it is proposed leave £10,000 in the 2022/23 capital programme to cover the cost of any surveys or preliminary works.
- CCTV Developments (£25,000). Deferral of CCTV projects for Vale Road and Victoria Retail Park to 2023/24.
- Vehicle Replacement Programme (£7,000).

Reductions to the 2022/23 capital programme:

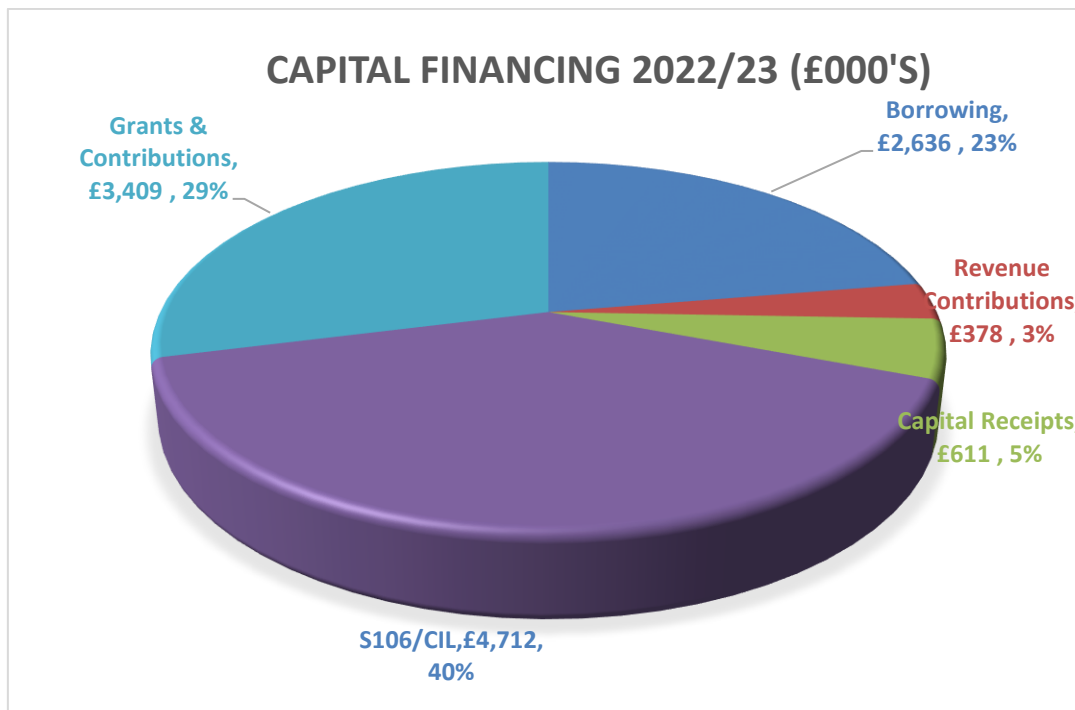
- Vehicle Replacement Programme (£63,400). Four Refuse Freighters have cost less than the allocated budget.

The capital budget for UK Shared Prosperity Fund £291,300, has been allocated out to the following schemes as per the approved UKSPF Investment Plan and budgets adjusted accordingly:

- Lambley Lane £100,000
- CCTV Developments £50,000
- Eagle Square Market Improvement £33,000
- Town Centre Improvement Fund £100,000
- Unallocated – to be determined £8,300

2.4 Capital Programme Financing

The projected method of financing the current capital programme requirement of £11,746,700 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 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

- 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: 19 January 2023

Approved by: Monitoring Officer
Date: 19 January 2023