

Report to Cabinet

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

Date: 9 November 2023

Author: Senior Leadership Team

Wards Affected

Borough-wide

Purpose

- To update Cabinet on the forecast outturn for Revenue and Capital Budgets for 2023/24.
- 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 are 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 September 2023.

The Council's General Fund outturn is projected to be underspent by (£182,500) which will be a contribution to General Reserves at Outturn.

General Fund Revenue Budget 2023/24 – Change Analysis

	£
Net Council Budget for 2023/24 approved by Council on 2 March 2023 and Cabinet's Maximum Budget is:	14,199,900
Up to the end of September 2023 expenditure less income totalled	4,977,745
In the remaining 6 months of year we expect net expenditure to be	9,039,655
Total net revenue spend for the year is expected to be	14,017,400
Total projected Underspend 2023/24	(182,500)

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

- Increase in Fuel costs following the switch to Hydrogenated Vegetable Oil (HVO) £100,000. As part of the 2023/24 Budget process an additional £50,000 was added to the budget to cover the additional cost of the transition to HVO, however, an analysis of prices in the first half of the year indicates that on average the cost of HVO is 31% higher

when compared to the cost of Diesel. This change was actioned as part of the Council's response to the climate agenda.

- Increase in workshop repairs and parts £100,000, this is due to more repairs needed to vehicles due to retaining vehicles longer as lead times for the delivery of new vehicles have increased significantly. This delay in vehicle replacement has some impact on long-term borrowing costs, and a review of the vehicle replacement programme is currently underway to assess optimal replacement time in line with the increased lead times for new vehicles.
- Deferral of efficiencies of £216,600 as set out in section 2.2.
- Increase in demand for Temporary Accommodation due to an increase in the number of Homelessness cases presenting to the Council, an additional budget of £65,000 is required and will be funded by a contribution from the Homelessness Grant held in Earmarked Reserves,
- Discretionary Council Tax Hardship relief relating to Care Leavers £64,000.
- Savings on the gas costs at Carlton Forum Leisure Centre (£50,000), this is a timing difference due to the contract starting 6 months later than other leisure centre contracts, therefore the initial 6 months had lower priced gas. The full impact of the increases in gas prices will be seen in 2024/25 Budgets.

Income

- Increase in investment interest receivable following Base Rate rises and funds available for investment (£868,600).
- A net reduction in contribution to overheads of £32,100 due to the maintenance contract for Bestwood Country Park coming to an end.

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

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 5.25% and is expected to go even higher. This has increased the amount of investment income with £1,100,000 now anticipated in 2023/24.

Other costs, such as energy, were estimated and included in the budget, however these are being monitored for any significant variances by the finance team.

Despite the difficult economic environment, good performance is being maintained as regards collection rates for council tax and business rates. As at 30 September 2023, 54.75% of council tax due for collection in 2023/24 had been received compared to an estimate of 55.39% at that date. The position for business rates was even better, with 55.81% of the sum due for collection having been received compared to an estimate of 54.89% at that date.

Pay Award

The Council has included a sum of £774,900 in the 2023/24 Revenue Budget for the April 2023 pay award based upon an assumed 5.0% increase. The National Employers proposed an increase of £1,925 on all NJC pay points 1 and above with effect from 1 April 2023, which was initially rejected. The National Employers final offer remains unchanged and is now being re-considered by Unions. Appendix 1 includes an additional £175,000 which will be required if the final offer is accepted. The JNC pay award for Chief Officers of 3.5% has been accepted as reported in Quarter 1.

Support for Residents

The Current Council Tax Reduction scheme for 2023/24 is £172,600 which is government funded and intended to alleviate the impact of some cost pressures for the most financially vulnerable residents.

At quarter 2 this has been spent, and the current amount of relief exceeds the budget by £6,500 which falls as a cost to the Council.

In addition, the Council also operates a discretionary scheme for care leavers. As at September, the amount of relief the Council has paid is £64,000, and this is significantly more than previous years due to more people presenting as care leavers.

2.2 Efficiency programme – Progress Update

Since 2014/15 the Council has approved six separate budget reduction programmes totalling £7.5m net of risk provision, including the new programme of £443,500 approved during the 2023/24 budget process.

Of the existing programme, £975,500 remains to be delivered over 2023/24 to 2024/25 with £894,500 originally planned for 2023/24.

In terms of 2023/24, the revised efficiency programme due for delivery is now £677,900 as set out in the table below.

Movements on Efficiencies 2023/24	
	£
Approved Efficiency Programme 2023/24	(894,500)
Quarter 1 Deferrals	0
Deferred Efficiencies to 2024/25 at Quarter 2	

Environment Service Review	72,000
Waste/Parks Service Review	41,600
Waste Round Optimisation	40,000
Garden Waste Fee increase	24,000
Reduce Provision of Outdoor Bowls	20,000
Introduction of Pest Control Fees	19,000
Total Q2 Deferrals	216,600
Revised 2023/24 Efficiency Programme	(677,900)
Use of Risk Management Reserve	79,000
Net Impact on General Fund	(598,900)

The majority of the deferred efficiencies relate to a service review which has been delayed, in part due to a new system which is currently being introduced in Waste Services. The deferrals total £216,600 this has been partially offset by utilising the Risk Management Reserve of £79,000, It should be noted that this reserve is now fully utilised for 2023/24.

Delivery of the 2023/24 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 2023/24, 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 £330,800 are presented in the following table.

Capital Budget 2023/24 - Change Analysis	
	£
Original 2023/24 budget approved by Cabinet on 16 February 2023	6,928,100
Council Approved Carry Forwards from 2022/23	7,204,600
Quarter 1 amendments	(1,291,800)
Current approved budget for 2023/24	12,840,900
Proposed Amendments to the Programme at Quarter 2	
Additions to capital programme:	
Replacement of Air Quality Monitor (funded by EMR)	12,000
New Breck Hill Entrance and Footpath (funded by AMF)	4,200
Deferrals to 2024/25:	
Recreation/Playground Improvements (funded by FCC/GBC)	(110,000)

St Mary's Play Area Refurbishment (funded by FCC/GBC)	(100,000)
Vehicle Replacement Programme (funded by GBC)	(46,000)
Bestwood Country Park – Car Park Extension (funded by S106)	(36,200)
Reductions to programmes:	
Gedling Access Road (GAR) Contribution (funded by CIL)	(32,000)
Customer Service Improvements (funded by GBC)	(19,600)
Asset Management Fund – (To fund Breck Hill) (funded by GBC)	(4,200)
Willow Path – Footpath Extension (funded by CIL)	(3,200)
Total Proposed Amendments	(335,000)
Revised Capital Programme 2023/24	12,505,900
Actual Expenditure to Quarter 2 2023/24	7,146,928
Estimated Expenditure Quarter 3 - 4 2022/23	5,358,972
Projected Outturn	12,505,900

Additions to the 2022/23 capital programme:

- Air Quality Monitor £12,000 – Replacement of unit which measures the Air Quality within the Borough. This will be funded from Earmarked Reserves.
- Breck Hill Entrance & Footpath £4,200 – Following procurement the costs have increased to £48,000. The total project is to be funded £10,000 from Charitable Foundation Donations and £38,000 from Asset Management Fund.

Schemes proposed for deferral to 2024/25 totalling £292,200. These include:

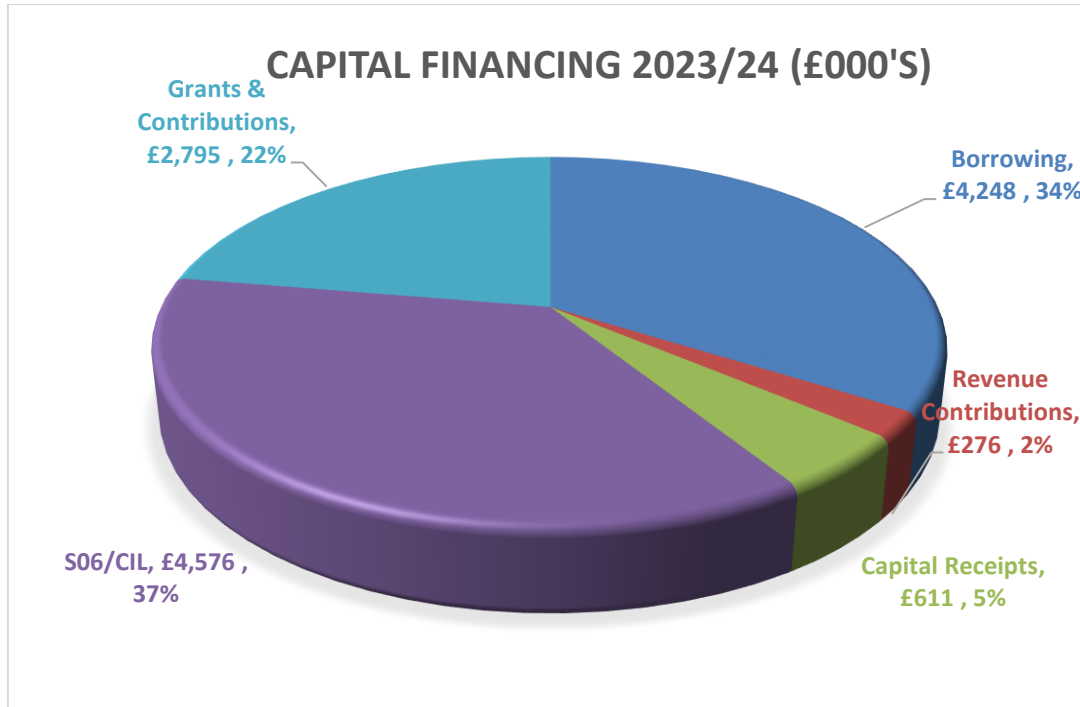
- Recreation/Playground Improvements (£110,000) – Site not identified as yet.
- St Mary's Play Area Refurbishment (£100,000) – Project now likely to start 2024/25 as funding bid is still being prepared.
- Vehicle Replacement Programmes (£46,000) - Long lead-in times.
- Bestwood Country Park – Car Park Extension (£36,200) – Awaiting Parish Council Community Plan and priorities.

Reductions to the 2023/24 capital programme:

- Gedling Access Road Contributions (£32,000) – The final contribution paid was lower than originally estimated.
- Customer Service Improvements (£19,600) – Some works on the eCivic Centre Reception are still outstanding, however forecasting an overall project underspend.
- Asset Management Fund (£4,200) – This budget has been utilised to fund footpath works at Breck Hill.
- Willow Path Entrance (£3,200) – Project completed under budget.

2.4 Capital Programme Financing

The projected method of financing the current capital programme requirement of £12,503,900 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 2023/24 projects that £610,900 will be generated and used to finance the capital programme in 2023/24. 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 on behalf of the Chief Finance Officer Tina Adams

Date: 20/10/2023

Approved by: Monitoring Officer

Date: 26/10/2023