

Report to Cabinet

Subject: Quarterly Budget Monitoring and Virement Report – Quarter 3
December 2023

Date: 31 January 2024

Author: Senior Leadership Team

Wards Affected

Borough-wide

Purpose

- To update Cabinet on the forecast outturn for Revenue and Capital Budgets for 2023/24. The budgets include all approved carried forward amounts from the 2022/23 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.**
- 4) **To Recommend to Council approval of the additional £100,000 to the capital programme and borrowing required to fund repairs to the large storage shed as set out in section 2.3 of the report.**

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 2023.

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
Underspend reported at Quarter 2	(182,500)
Revised Net Council Budget at Quarter 2	14,017,400
Up to the end of December 2023 expenditure less income totalled	9,268,961
In the remaining 3 months of year we expect net expenditure to be	4,748,439

Total net revenue spend for the year is currently expected to be	14,017,400
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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:

- Deferral of Efficiency 'Operating Hours at Richard Herrod' £45,000 pending Leisure Strategy Review.
- Additional staffing costs in Parks, Street Care and Cemeteries (PASC) £118,900. A result of additional Agency and Overtime.
- Additional staffing costs in Waste service £150,000 due to increased overtime, Agency and Honoraria.
- Adjustment to Minimum Revenue Provision (MRP) (£70,000) to reflect capital programme amendments.
- Corporate Management Vacancy savings (£50,000).
- Additional staffing overtime costs within Fleet Workshop £40,000.
- Additional Council Tax Hardship payments made £28,300.
- Additional expenditure for Hire of Fleet Transport £35,000.
- Increase in Temporary Accommodation Bed & Breakfast costs £30,000.
- Additional costs at Workshop on repairs and parts £25,000.

Income:

- Additional interest on investments forecast (£250,000), this is due to continuation of higher interest rates on investments.
- Increase in Swimming Lesson Income (£37,100).
- Bookings at Richard Herrod lower than expected £29,100.
- Decrease in Building Control income £25,000.
- Increase in Housing Benefit Income (£30,000) due to increase in Temporary Accommodation housing stock.

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**. There was 1 virement approved

during quarter 3 for Arnold Master Planning work for £200,000 which is to be funded from NNDR Pool Reserve.

Cost of Living - Inflationary Pressures

As highlighted in the Quarter 2 monitoring report presented to Cabinet on 9 November 2023 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.

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%. This has increased the amount of investment income with £1,350,000 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 31 December 2023, 81.51% of council tax due for collection in 2023/24 had been received compared to an estimate of 82.68% at that date. The position for business rates was even better, with 82.39% of the sum due for collection having been received compared to an estimate of 82.25% at that date.

The annual refresh Medium Term Financial Plan (MTFP) is being 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 2024/25 report to Cabinet on 21 February 2024.

Pay Award

The Council 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, after initial rejections Unions accepted the offer in Quarter 3 The additional £175,000 shortfall from the original budget is included in Appendix 1. The JNC pay award for Chief Officers of 3.5% has been accepted and 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 3 this has been spent, with the current amount of relief exceeding the budget by £28,300. This falls as a cost to the Council.

In addition, the Council also operates a discretionary scheme for care leavers. As at December, the amount of relief the Council has paid is £71,000, 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 £619,900 as set out in the table below.

Movements on Efficiencies 2023/24	
	£
Approved Efficiency Programme 2023/24	(894,500)
Quarter 1 Deferrals	0
Quarter 2 Deferrals	216,600
Deferred Efficiencies to 2024/25 at Quarter 3	
Richard Herrod Centre	45,000
Building Control	13,000
Total Q3 Deferrals	58,000
Revised 2023/24 Efficiency Programme	619,900

The majority of the deferred efficiencies relates to the Richard Herrod Centre which is pending the Leisure Strategy Review.

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 3 amendments to the current capital programme of £12,933,800 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
Approved amendments to the programme in Quarter 1	(1,291,800)
Approved amendments to the programme in Quarter 2	(335,000)
Schemes approved by Cabinet 9th November 2023*	
Arnold Market Place first floor Enterprise Centre (UKSPF Funded)	£331,000
Schemes approved by Leader Report 29th September 2023	
East Midlands Combined Authority Domestic Retrofit Project	583,500
Current approved budget for 2023/24	13,420,400
Proposed Amendments to the Programme at Quarter 3	
Additions to capital programme :	
Depot Works	100,000
Repairs to Refuse Truck	40,000
Lambley Lane Changing Rooms	49,800
Civic Centre Renovation	15,000
Lambley Lane Park Entrance Footpath	19,700
King George V - Provision of Public Toilets	8,000
Gedling Country Park Charge Points	8,300
Civic Centre Charge Points	5,600
Reductions to programme :	
Green Homes Grant	(£179,100)
Homes Upgrade Grant	(£78,800)
Sand Martin Bank & Bird Hide	(£25,400)
Asset Management Fund	(£23,000)
Carbon Reduction (CR) Initiatives	(£15,500)
UKSPF Unallocated	(£19,900)
Scheme deferrals into 2024-25	
Civic Centre Window Replacement	(£100,000)
Vehicle Replacement Programme	(£78,000)
Flood Alleviation work (Daybrook)	(£60,000)
Total Proposed Amendments	(£333,300)
Revised Capital Programme 2023/24	£13,087,100
Actual Expenditure to Quarter 3 2023/24	£8,870,450
Estimated Expenditure Quarter 4 2023/24	£4,216,650
Projected Outturn	£13,087,100

Capital programme additions approved during Q3:

- Arnold Market Place first floor Enterprise Centre was approved by cabinet, the budget value has been excluded pending the procurement.
- East Midlands Combined Authority Domestic Retrofit Project. This project is to deliver domestic energy efficiency and low carbon retrofit

activities within East Midlands Mayoral Combined Authority area. This is funded by the Department for Energy Security and Net Zero as part of the governments clean growth strategy and is hosted by Nottingham City Council.

Additions totalling £246,400 to the 2023/24 capital programme:

- Depot Works – Repairs to large storage shed an additional £100,000 projected increasing the budget to £200,000. These works are required for Health & Safety and will extend the useful life of the Asset. These works are proposed to be funded through Prudential Borrowing and this report requests Cabinet to recommend to Council the additional funding be approved in line with Financial Regulations.
- Repairs to Dennis Refuse (Recycling Glass) Truck £40,000, to extend useful life of vehicle by 2-3 years. Service to consider whether vehicle will need replacing when the new waste collection legislation comes into force around Food Waste and potential to co-mingle with other recycling waste.
- Lambley Lane Changing Rooms £36,300 – Additional works required including PV Panels £16,800 and Foundation works £17,400. These will be funded by addition UKSPF grant £13,400, additional Football Foundation Grant £21,300 and £1,600 from Carbon Reduction.
- Lambley Lane Park Entrance Footpath £19,700, following refurbishment of Lambley Lane Play Area, the council is looking to install a footpath to assist park users. This is to be funded from S106 Open Spaces contributions.
- Civic Centre Renovation £15,000 – Replacement/ refurbishment of chairs and seating within the Council Chamber, these chairs are in a poor condition and loose nails and staples are creating a health & safety issue. This will funded by the Asset Management Reserve.
- King George V Provision of Public Toilets £8,000 – Additional works relating to National Grid. To be funded from Asset Management Fund.
- Gedling Country Park Charge Points £8,300 – Costs higher than initially estimated. Proposed to be funded through reallocation of Carbon Reduction Initiative budget.
- Civic Centre Charge Points £5,600 Costs higher than initially estimated. Proposed to be funded through reallocation of Carbon Reduction Initiative budget.

Reductions totalling £341,700 to the 2023/24 capital programme:

- Green Homes Grant (LAD2) (£179,100) - Scheme has now closed
- Homes Upgrade Grant (HUG1) (£78,800) – Scheme has now closed
- Sand Martin Bank & Bird Hide (£25,400). Project to be revised to Bird Hide only due unsecured grant funding for the Sand Bank. This project will now be fully funded through Section106 contributions.
- Asset Management Fund (£15,000) – Funding allocated to Civic Centre Renovations set out above.

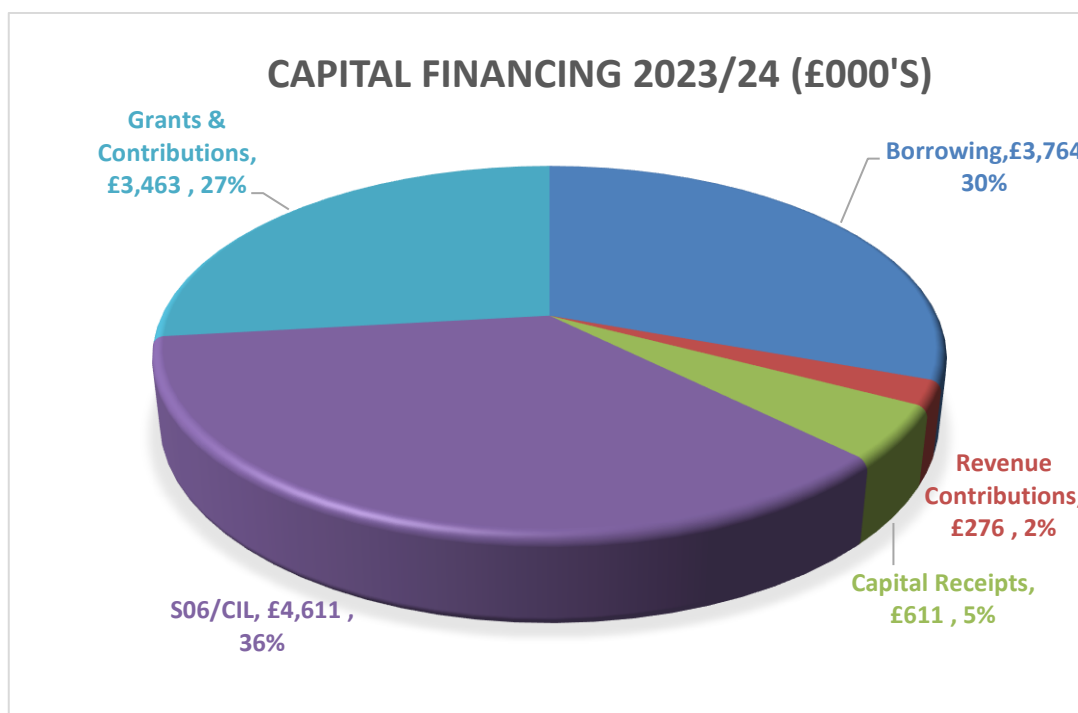
- Carbon Reduction Initiatives (£13,900) – Funding for the Charge Points at Civic Centre and Gedling Country Park set out above.
- UKSPF Unallocated budget (£13,400) – Grant funding has been allocated to Lambley Lane Changing Rooms set out above.
- Asset Management Fund (£8,000) – This budget has been reallocated to support the overspend on King George V Toilets set out above.

Deferrals totalling £238,000 to the 2023/24 capital programme:

- Vehicle Replacement Programme (£78,000) deferrals due to extended asset life.
- Civic Centre Window Replacement (£100,000) – Defer into 2024-25 pending a full review of Carbon reduction initiatives.
- Flood Alleviation Works (£60,000) - Exploring alternative schemes for Daybrook, spend expected now in 2024-25

2.4 Capital Programme Financing

The projected method of financing the current capital programme requirement of £13,087,100 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 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 the legal implications are set out within the report. The Councils Financial regulations stipulate who may give approval for changes to the capital programme and who can authorise virements and transfers from reserves. All approvals should be requested in line with those rules.

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 2023/24 – Budgetary Control Report

Appendix 2 - Use of Reserves and Revenue Fund Budgets

Appendix 3 - Capital Programme 2023/24 – 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: 23 January 2024

Approved by: Monitoring Officer
Date: 23 January 2024