

Title of Report	2023/24 QUARTER 2 GENERAL FUND AND HOUSING REVENUE ACCOUNT (HRA) FINANCE UPDATE	
Presented by	Councillor Nick Rushton Corporate Portfolio Holder PH Briefed <input checked="" type="checkbox"/>	
Background Papers	2023/24 Quarter 1 General Fund and Housing Revenue Account (HRA) Finance Update – Cabinet 19 September 2023	Public Report: Yes
		Key Decision: Yes
Financial Implications	The financial implications are detailed within the report and the attached appendices.	
	Signed off by the Section 151 Officer: Yes	
Legal Implications	No legal implications arising from this report.	
	Signed off by the Monitoring Officer: Yes	
Staffing and Corporate Implications	There are no staffing implications arising from this report.	
	Signed off by the Head of Paid Service: Yes	
Purpose of Report	To provide Cabinet with details of virements and supplementary estimates.	
Reason for Decision	To request approval for the virements and supplementary estimates that are dedicated to Cabinet.	
Recommendations	<p>CABINET IS RECOMMENDED TO:</p> <ol style="list-style-type: none"> 1. APPROVE THE VIREMENTS AS DETAILED IN APPENDIX 1(b). 2. NOTE THE SUPPLEMENTARY ESTIMATES DETAILED ON APPENDIX 2(b) WHICH ARE BELOW £100K AND ARE EXTERNALLY FUNDED. 3. APPROVE THE SUPPLEMENTARY ESTIMATES DETAILED ON APPENDIX 2(b) WHICH ARE ABOVE £100K AND ARE EXTERNALLY FUNDED. 4. APPROVE ALL SUPPLEMENTARY ESTIMATES DETAILED ON APPENDIX 2(b) WHICH REQUIRE 	

	<p style="text-align: center;">COUNCIL FUNDING.</p> <p>5. DELEGATE APPROVAL TO THE DIRECTOR OF RESOURCES FOR SUPPLEMENTARY ESTIMATES BELOW £10,000 REQUIRING COUNCIL FUNDING.</p> <p>6. NOTE THE REVISED 2023/24 GENERAL FUND CAPITAL PROGRAMME BUDGET DETAILED IN APPENDIX 3.</p> <p>7. NOTE THE REVISED 2023/24 HOUSING REVENUE ACCOUNT (HRA) CAPITAL PROGRAMME BUDGET DETAILED IN APPENDIX 4.</p>
--	----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

1.0 BACKGROUND

1.1 The financial position for the first quarter of the financial year was presented to Cabinet on the 19 September 2023. A link to the report is available in the background papers. In summary the financial position reported was:

- a) A forecast overspend of £252k for the General Fund.
- b) The Special Expenses forecast was in line with the approved budget.
- c) A forecast overspend of £436k for the Housing Revenue Account (HRA).

1.2 As reported in the quarter one report, managers are expected to bring their spending back within budget which the Council successfully achieved in the last financial year.

1.3 This report will not provide the same level of detail as the quarter one report due to the ongoing implementation of the new finance system, the ongoing audit of the 2021/22 Statement of Accounts and the vacancies within the Finance team. Rather than undertake detailed budget monitoring the finance team have focused resources on preparation for the setting on the 2024/25 budget, as well as the roll-out of manager dashboards across the organisation. The manager dashboards are an enhancement which has been developed as part of the new financial system and will provide budget holders with improved reporting. An in-depth financial management report will be completed at Quarter 3 and presented to Cabinet on 27 February 2024.

1.4 The purpose of this report is to update Members on:

- a) virements over £100k that require Cabinet approval.
- b) supplementary estimates requested and to request approval for those over £100k which are externally funded and for approval for any which are Council funded.
- c) the capital programme for the period 1 April 2023 to 30 September 2023 on the proposed resourcing of the capital programme and the level of Council capital resources available, including capital receipts.
- d) the changes to the capital programme and the variations to scheme budgets and re-profiling of budgets to future years.

2.0 VIREMENTS

2.1 A virement is defined as where one or more budget(s) are reduced to fund an increase in another budget(s). There is no net change in the total budget agreed by Council arising from a virement. Virement approval levels are detailed in the Constitution and are shown in Appendix 1(a).

2.2 Appendix 1(b) details the virements over £100k that require approval. There are two virements for approval by Cabinet. These are all in relation to the accommodation project and more information is available in the capital update in section 4.

3.0 SUPPLEMENTARY ESTIMATES

3.1 A supplementary estimate is an addition to the Council's agreed budget. Supplementary estimates can be one-offs, or recurring. In either case, supplementary estimates should only be considered after all other options, such as virements, or savings, have been considered. Supplementary estimates include budgets fully funded by external grant or contribution.

3.2 All supplementary estimates which require Council funding require Cabinet/Council approval whereas fully external funded are reported to Cabinet below £100k for information and require approval over £100k. The approval levels are documented in Appendix 2(a).

3.3 Appendix 2(b) details all the supplementary estimates grouped by value and funding type with details of the reasons for the requests. As can be seen in the appendix, supplementary estimates total £453k for quarter two, of which £163k is funded externally and £290k requires council funding.

3.4 Under the constitution, all supplementary estimates under £100k requiring Council funding are subject to Cabinet approval. It is requested that delegation is given to the Director of Resources to approve supplementary estimates below £10k to ensure that minor requests for additional budgets are not held up whilst awaiting for Cabinet approval.

4.0 CAPITAL UPDATE

4.1 Schemes in the Capital Programme are grouped under two categories and these are:

Development Pool: These are schemes not yet fully costed or funding sources not identified. A business case is required to be prepared and presented to the Capital Strategy Group for consideration before the scheme can go ahead.

Active Pool: Schemes in this category have been approved (by either Capital Strategy Group, Cabinet or Council), fully funded and are being delivered.

General Fund

4.2 Table 1 below details the quarter two position on the 2023/24 general fund capital programme. Full scheme-by-scheme analysis can be found in Appendix 3.

Table 1 – Quarter 2 2023/24 Forecast Outturn for the General Fund Capital Programme

Department	Original Budget	Prior Year C/fwd	In-Year Changes	Revised Budget	Spend @ Qtr 2	2023/24 Forecast Outturn	Variance (budget v outturn)	C/fwd to Future Years
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Place	2,843	7,740	- 5,412	5,171	767	5,171	-	5,659
Community Services	3,425	4,972	- 5,470	2,928	1,838	2,924	4	7,726
Resources	168	355	- 223	301	59	301	-	19
Total	6,437	13,067	- 11,105	8,400	2,664	8,395	4	13,404

- 4.3 Expenditure is expected to pick up for the second half of the financial year and the forecast outturn is £8.4m. A total of £13.4m of the budget is projected to be carried forward to future years. This is detailed in Table 2 below.

Table 2 – Reprofiled of budgets to future years

Department	Reprofiled to 24/25	Reprofiled to 25/26	Reprofiled to 25/26	Total
	£'000	£'000	£'000	£'000
Place	4,456	1,203		5,659
Community Services	7,726			7,726
Resources	19			19
Total	12,201	1,203	-	13,404

- 4.4 Table 3 details those schemes that have been moved, following approval at the Capital Strategy Group, from the development pool to the active pool during the year.

Table 3 – Quarter 2 Schemes Movements

Capital Scheme	Movement	Reason for Movement
	£'000	
Linden Way Depot - MOT Lane Upgrade	59,815	Considered by Capital Strategy Group and approved to transfer from development pool to active programme.
UKSPF - Mantel Lane Bridge	64,060	Considered by Capital Strategy Group and approved to transfer from development pool to active programme.
UKSPF - Mother & Child	64,000	Considered by Capital Strategy Group and approved to transfer from development pool to active programme.
	187,875	

- 4.4 There are no new schemes that require approval in quarter 2.
- 4.5 It was reported in the quarter one report, that one of the major schemes within the capital programme, the Accommodation Project, was forecast to be overspent. The forecast overspend is £330k and this is due to inflation and the need to undertake backlog strategic maintenance works especially to Stenson House. Undertaking the backlog maintenance works now has prevented additional expenditure in the future. The financing of the overspend is detailed in Appendix 1(b). The Accommodation Project is now complete and upon the sale of the former council office site, the Coalville Regeneration budget will be recompensed for funding used for the overspend.

Housing Revenue Account (HRA)

- 4.6 Table 4 below details the quarter two position on the 2023/24 general fund capital programme. Full scheme-by-scheme analysis can be found in Appendix 4.

Table 4 – Quarter 2 2023/24 Forecast Outturn for the HRA Capital Programme

Department	Original Budget	Prior Year C/fwd	In-Year Changes	Revised Budget	Spend @ Qtr 2	2023/24 Forecast Outturn	Variance (budget v outturn)	C/fwd to Future Years
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
New Build	2,948	6,003	- 8,222	729	12	729	-	8,222
Improvements & Modernisation	12,226	8,555	- 10,457	10,324	1,765	10,269	55	10,457
Total	15,174	14,558	- 18,679	11,053	1,777	10,998	55	18,679

- 4.7 Expenditure at the end of quarter two was £1.8m and the majority is in relation to the Improvement and Modernisation Programme. The forecast outturn is in line with the revised budget. This is the result of the programme of expenditure being allocated against workstreams with realistic timings. The programme will be continued to be monitored against these timings. The relevant budgets have been re-profiled to future years to reflect the updated timings.

Policies and other considerations, as appropriate	
Council Priorities:	The spending from the budget provides funding for the Council to deliver against all its priorities
Policy Considerations:	None
Safeguarding:	None
Equalities/Diversity:	None
Customer Impact:	None
Economic and Social Impact:	The Council plans to invest up to £3.5m in town centre regeneration and public realm works in the current financial year.
Environment, Climate Change and Zero Carbon:	The Council plans to invest up to £3.1m retrofitting Council homes to make them carbon neutral. Up to £0.5m is forecast to be spent on purchasing environmentally friendly vehicles and installing electric vehicle charging points throughout the district in the current financial year.
Consultation/Community/Tenant Engagement:	None
Risks:	High levels of inflation can undermine the Council's financial reserves. As inflation rises, the real purchasing power of the Council's reserves steadily erodes, meaning the same amount of money can purchase progressively fewer goods and services. This erosion of value poses a challenge to the organisation's ability to maintain financial stability and achieve its long-term financial objectives. Furthermore, the Council has opted to allocate its increased interest earnings (resulting from increased base rate) towards funding its base revenue budget rather than reinvesting them into reserves. This strategic

	<p>choice, combined with the inflationary pressure, leads to an overall devaluation of reserves. Essentially, this practice leaves the organisation with reduced financial resilience, as it does not adequately account for the eroding effect of inflation on its reserves.</p> <p>Although the current high levels of inflation are causing additional pressure, reserves might be expected to grow with more moderate levels of inflation over the long term. Real returns (i.e. after inflation) are and have been negative despite investment returns rising. So even if the Council changed its policy to add interest earnings to reserves it still would not address the whole problem. Indeed, very few investment returns are beating inflation and in general if the Council wanted higher returns it would need to invest for a longer period and/or with riskier assets, which the Council has decided not to do. The budgets will continue to be monitored throughout the year to ensure the Council remains within its funding envelope.</p>
Officer Contact	Anna Crouch Head of Finance anna.crouch@nwleicestershire.gov.uk