

Report to Cabinet 20 March 2013

Item

Report of Chief finance officer

5

Subject Revenue budget monitoring 2012/13 – Period 10

Purpose

To update Cabinet on the financial position as at 31 January 2013 and the forecast outturn for the year 2012/13, in summary that:

- a) The General Fund forecast is for an underspend for the year of £1.443m
- b) The Housing Revenue Account forecast is for an underspend for the year of £8.792m
- c) General Fund and Housing Revenue Account balances are expected to remain in excess of the respective Prudent Minimum Balances
- d) Monitoring of key budgets does not indicate any unusual cause for concern

Recommendation

To note the financial position as at 31 January 2013 and the forecast outturn 2012/13;

Corporate and service priorities

The report helps to meet the corporate priority value for money services and the service plan priority to provide accurate, relevant and timely financial information.

Financial implications

The financial implications of this report are set out in the text.

Ward/s: All wards

Cabinet member: Councillor Waters – Deputy leader and resources

Contact officers

Caroline Ryba, Chief Finance Officer
Mark Smith, Finance Control Manager

01223 699292
01603 212561

Background documents

None

Report

1. Council approved budgets for the 2012/13 financial year on 21 February 2012.
2. The attached appendices show the year-to-date and forecast outturn positions for the General Fund and the Housing Revenue Account:

Appendix 1 shows the General Fund by Corporate Leadership Team responsibilities, and by Subjective Group

Appendix 2 shows the Housing Revenue Account in (near) statutory format, and by Subjective Group

Appendix 3 shows budget and expenditure for the year to date in graphical format.

General Fund

3. The budgets reported include the resources financing the council's net budget requirement, so that the net budget totals zero:

<i>Item</i>	<i>Approved Budget £000s</i>
Net Budget Requirement	20,745
Pooled Non-Domestic Rates	(11,245)
Revenue Support Grant	(218)
Council Tax precept	(9,282)
Total General Fund budget	0

4. The General Fund shows a forecast outturn of an underspend of £1.443m.
5. The forecast underspend is made up of a range of service budget savings, largely on staffing and supplies & services, and including both shortfalls and over-achievement of income budgets. These will continue to be monitored during the course of the year, which will in turn improve the accuracy of forecasting the relevant outturns. Significant forecast variances are detailed below.

<i>Service</i>	<i>Forecast Variance £000s</i>	<i>Commentary</i>
Finance	(330)	Additional investment income and savings on borrowing costs
Procurement & Service Improvement	(930)	Savings relating to termination of previous IT contract
Chief Executive	(345)	Savings from constrained demand on contingency resources

<i>Service</i>	<i>Forecast Variance £000s</i>	<i>Commentary</i>
Citywide Services	110	Income shortfalls in Provisions Market and Highways Grounds & Trees.
Neighbourhood Housing	100	Income shortfalls in Homelessness and Private Sector Leasing
Human Resources	(146)	Recruitment & training cost savings

6. The underspend to date reported of £2.728m is made up of several debit and credit figures, where various income and expenditure lines are ahead of or behind budget profile. These have been taken into account appropriately in considering the relevant forecast outturn figures.

Housing Revenue Account

7. The budgets reported include the contribution of the net surplus/deficit to reserves, so that the net budget totals zero:

<i>Item</i>	<i>Approved Budget £000s</i>
Gross HRA Expenditure	65,580
Gross HRA Income	(66,538)
Contribution to HRA Balance	958
Total net HRA budget	0

8. The Housing Revenue Account shows a forecast outturn of an underspend of £8.792m.
9. The forecast underspend is made up of a range of service budget savings, largely on repairs, staffing, and supplies & services, and including both shortfalls and over-achievement of income budgets. These will continue to be monitored during the course of the year, which will in turn improve the accuracy of forecasting the relevant outturns. Significant forecast variances are detailed below.

<i>Service</i>	<i>Forecast Variance £000s</i>	<i>Commentary</i>
Repairs & Maintenance	(2,902)	Price savings, disabled adaptation savings, and slippage on painting programme
General Management	(255)	Includes savings on corporate overhead costs from shared services
Special Services	(508)	Largely fuel & utility savings, subject to winter weather conditions

<i>Service</i>	<i>Forecast Variance £000s</i>	<i>Commentary</i>
Dwelling Rents	(563)	Reduced void levels and new lets at formula rent
Depreciation & Impairment	(7,008)	£4.9m reduction in capital charges arising from lower interest rates. £1.8m reflecting disposal receipts, reversed out in Financing Items below.
Adjustments & Financing Items	1,964	Including £1.8m reversal of disposal receipts, shown in Depreciation & Impairment above.

10. The underspend to date reported of £7.455m relates principally to the forecast repairs underspend and delays in receipt and allocation of repairs invoices and dwelling rent income.

Risks

11. A risk-based review based on the size and volatility of budgets has identified a “Top 10” of key budgets where inadequacy of monitoring and control systems would pose a significant threat to the council’s overall financial position. These are shown in the following table, with additional commentary below where Red or Amber flagged.

Key Risk Budgets	Budget £000s	Current Variance	Current Var %	Current RAG	Forecast Variance	Forecast Var %	Forecast RAG
Housing Benefit Payments - Council tenants	38,727	-1,357	-4%	RED	0	0%	GREEN
Housing Benefit Payments - Other tenants	30,354	-1,010	-3%	RED	0	0%	GREEN
HRA Repairs - Tenanted Properties	11,957	-4,722	-39%	RED	-2,788	-23%	RED
HRA Repairs - Void Properties	2,484	-517	-21%	RED	-184	-7%	RED
Multi-Storey Car Parks	-2,811	-22	1%	GREEN	-95	3%	AMBER
HRA Rents - Estate Properties	-55,298	-710	1%	GREEN	-845	2%	GREEN
Council Tax Benefits	14,749	0	0%	GREEN	73	0%	GREEN
City Hall	860.01	-31.72	-4%	AMBER	14.22	2%	GREEN
Corporate Management including Contingency	394.51	-138.25	-35%	RED	209.05	53%	RED
Private Sector Leasing Costs	2,728	-187	-7%	RED	-227	-8%	RED

- Housing Benefit Payments - Council tenants: Payments to date flagged Red as marginally behind budget profile.
- HRA Repairs - Tenanted Properties: Current variance flagged Red as payments to contractor delayed pending provision of supporting information. Forecast variance flagged Red as underspend is expected due to overall price savings and slippage on the painting programme.

- HRA Repairs - Void Properties: Current variance flagged Red as delay in invoicing following recent change in contracts. Forecast variance flagged Red as anticipate savings on Energy Performance Certificates costs and void upgrade price.
 - City Hall – Flagged as Amber as expenditure slightly behind budget profile.
 - Corporate Management including Contingency: Current variance flagged Red as contingency budget unspent. Forecast variance flagged Red as budgeted general savings achieved against service budgets not shown centrally.
 - Private Sector Leasing Costs: showing as Red for current and forecast variance owing to low level of spend; this will be more than offset by reduced rent income.
12. The 2012/13 budgets approved by Council were drawn up in the expectation of reduced resources as announced by the coalition government. There are risks to the current and medium term financial position from:
- Reductions in government grant – the localisation of Business Rates and of Council Tax reductions will increase the risks to the council’s financial position arising from economic conditions and policy decisions.
 - Changes in policy – if further “empowerment” of local authorities is not matched by devolved resources
 - Delivery of savings – the budget incorporates both savings measures already in place, and those planned for implementation during the year. If these savings are not achievable in full, overspends will result. With appropriate approvals these may be mitigated through provision made in the corporate contingency, up to the level of that contingency
 - Identification of further savings – work is continuing on developing proposals for additional savings to bridge the medium-term budget gap. If these proposals fall short, or are not implemented fully and in a timely manner, further budget shortfalls will result.
13. Forecast outturns, are estimates based on management assessments, formulae, and extrapolation. They may not adequately take account of variables such as:
- Bad Debts – budget reports show gross debt, i.e., invoices raised. While allowance has been made in the budget for non-collections, the current economic climate may have an adverse influence on our ability to collect money owed. This may be reflected in higher Provisions For Bad Debt.
 - Seasonal Factors – if adverse weather conditions or a worsening economic climate depress levels of trade and leisure activities in the city, there may be a negative impact on parking and other income.
 - Housing Repairs & Improvements – the rate of spend on Void properties, though closely managed, is heavily influenced by void turnaround, since transfers can create a chain of voids involving significant repair costs.

Financial Planning

14. Overall levels of overspend and underspend will have an ongoing impact on the budget for following years and the size and urgency of savings requirements

15. Net overspends and underspends will be consolidated into the General Fund and Housing Revenue Account balances carried forward to 2013/14.
16. These are reflected in periodic updates to the Medium Term Financial Strategy and Housing Revenue Account Business Plan.

Impact on Balances

17. The prudent minimum level of General Fund reserves has been assessed as £4.517m. The budgeted outturn, updated to reflect the 2011/12 outturn, is as follows:

<i>Item</i>	<i>£000s</i>
Balance at 1 April 2012	(3,803)
Budgeted use of balances 2012/13	300
Provisional outturn 2012/13	(1,443)
= Forecast balance at 31 March 2013	(4,946)

18. The General Fund balance is therefore expected to continue to exceed the prudent minimum.
19. The prudent minimum level of HRA reserves has been assessed as £2.927m. The budgeted outturn, updated to reflect the 2011/12 outturn, is as follows:

<i>Item</i>	<i>£000s</i>
Balance at 1 April 2012	(14,725)
Budgeted contribution to balances 2012/13	(958)
Provisional outturn 2012/13	(8,792)
= Forecast balance at 31 March 2013	(24,475)

20. The Housing Revenue Account balance is therefore expected to continue to exceed the prudent minimum.

Integrated impact assessment



NORWICH
City Council

Report author to complete

Committee:	Cabinet
Committee date:	20 March 2013
Head of service:	Chief Finance Officer
Report subject:	Revenue Budget Monitoring 2012/13
Date assessed:	27 February 2013
Description:	This is the integrated impact assessment for the Revenue Budget Monitoring 2012/13 report to cabinet

	Impact			
Economic (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Finance (value for money)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	The report shows that the council monitors its budgets, considers risks to achieving its budget objectives, reviews its balances position, and is therefore able to maintain its financial standing
Other departments and services e.g. office facilities, customer contact	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
ICT services	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Economic development	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Financial inclusion	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Social (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Safeguarding children and adults	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<u>S17 crime and disorder act 1998</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Human Rights Act 1998	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Health and well being	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

	Impact			
Equality and diversity (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Relations between groups (cohesion)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Eliminating discrimination & harassment	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Advancing equality of opportunity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Environmental (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Transportation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Natural and built environment	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Waste minimisation & resource use	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Pollution	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Sustainable procurement	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Energy and climate change	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
(Please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Risk management	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	The report demonstrates that the council is aware of and monitors risks to the achievement of its financial strategy.

Recommendations from impact assessment
Positive
None
Negative
None
Neutral
None
Issues
The council should continue to monitor its budget performance in the context of the financial risk environment within which it operates.

GENERAL FUND SERVICE SUMMARY

<i>Approved Budget</i>	<i>Current Budget</i>		<i>Budget To Date</i>	<i>Actual To Date</i>	<i>Variance To Date</i>	<i>Forecast Outturn</i>	<i>Forecast Variance</i>
		Business Relationship Management					
0	1	Business Relationship Management	222,432	219,255	(3,177)	67,595	67,594
(19,440,102)	(19,411,578)	Finance	(20,704,984)	(20,363,461)	341,523	(19,775,498)	(363,920)
103	762,331	Procurement & Service Improvement	2,102,913	912,359	(1,190,554)	(144,413)	(906,744)
(19,439,999)	(18,649,246)	Total Business Relationship	(18,379,639)	(19,231,847)	(852,208)	(19,852,316)	(1,203,070)
		Chief Executive					
(486,495)	335,822	Chief Executive	(1,056,344)	(1,292,196)	(235,852)	(14,912)	(350,734)
754	(1)	Law & Governance	403,240	318,725	(84,515)	(29,959)	(29,958)
(485,741)	335,821	Total Chief Executive	(653,104)	(973,471)	(320,367)	(44,871)	(380,692)
		Customers, Comms & Culture					
2,605,935	2,590,110	Communications & Culture	1,937,561	1,917,764	(19,797)	2,564,648	(25,462)
(164,079)	(46,031)	Customer Contact	1,804,312	1,829,379	25,067	(18,349)	27,682
2,441,856	2,544,079	Total Customers, Comms & Culture	3,741,873	3,747,143	5,270	2,546,298	2,219
		Operations					
748,174	(343,796)	City Development	(4,484,210)	(5,442,910)	(958,700)	(415,868)	(72,072)
9,381,074	9,359,171	Citywide Services	6,006,189	5,822,136	(184,053)	9,483,548	124,377
10	1	Deputy Chief Executive	115,340	113,020	(2,320)	(2,770)	(2,771)
2,681,479	2,290,630	Neighbourhood Housing	913,440	917,155	3,715	2,390,449	99,819
2,431,779	2,342,163	Neighbourhood Services	1,521,610	1,295,450	(226,160)	2,400,874	58,711
1,519,178	1,360,699	Planning	560,124	655,665	95,541	1,434,749	74,050
266,695	281,782	Property Services	959,600	1,343,935	384,335	310,228	28,446
17,028,389	15,290,650	Total Operations	5,592,093	4,704,451	(887,642)	15,601,209	310,559
		Strategy, People & Democracy					
338,434	359,684	Democratic Services	816,630	714,865	(101,765)	364,976	5,292
(54)	1	Human Resources	2,349,539	2,032,708	(316,831)	(109,704)	(109,705)
117,115	119,011	Strategy & Programme Management	375,347	120,766	(254,581)	51,559	(67,452)
455,495	478,696	Total Strategy, People & Democracy	3,541,516	2,868,338	(673,178)	306,832	(171,864)
0	0	Total General Fund	(6,157,261)	(8,885,385)	(2,728,124)	(1,442,847)	(1,442,847)

GENERAL FUND SUBJECTIVE SUMMARY

<i>Approved Budget</i>	<i>Current Budget</i>		<i>Budget To Date</i>	<i>Actual To Date</i>	<i>Variance To Date</i>	<i>Forecast Outturn</i>	<i>Forecast Variance</i>
20,015,830	17,108,966	Employees	14,194,573	14,030,010	(164,563)	16,643,109	(465,857)
7,567,299	8,018,074	Premises	7,557,186	7,286,218	(270,968)	8,263,483	245,409
301,681	280,755	Transport	229,380	146,227	(83,153)	203,330	(77,425)
19,186,146	14,521,612	Supplies & Services	11,458,121	8,980,297	(2,477,824)	13,563,465	(958,147)
563,603	7,124,938	Third Party Payments	5,647,061	3,565,902	(2,081,159)	6,894,988	(229,950)
76,500,968	83,829,595	Transfer Payments	57,567,490	55,200,732	(2,366,758)	83,903,022	73,427
3,695,466	4,457,797	Capital Financing	9,036,577	5,785,567	(3,251,010)	3,938,202	(519,595)
67,084	0	Savings Proposals	0	0	0	0	0
(30,797,900)	(31,041,838)	Receipts	(27,487,253)	(27,867,737)	(380,484)	(30,515,695)	526,143
(92,379,992)	(100,058,06)	Government Grants	(84,091,388)	(77,193,814)	6,897,574	(100,204,595)	(146,530)
1,505,332	1,505,332	Centrally Managed	1,254,520	936,522	(317,998)	1,505,444	112
21,604,340	18,113,189	Recharge Expenditure	2,206,522	1,726,019	(480,503)	17,669,603	(443,586)
(27,829,857)	(23,860,355)	Recharge Income	(3,730,050)	(1,481,328)	2,248,722	(23,307,202)	553,153
0	0	Total General Fund	(6,157,261)	(8,885,385)	(2,728,124)	(1,442,847)	(1,442,847)

Budget Monitoring Report

Year: 2012/13

Period: 08 (Nov)

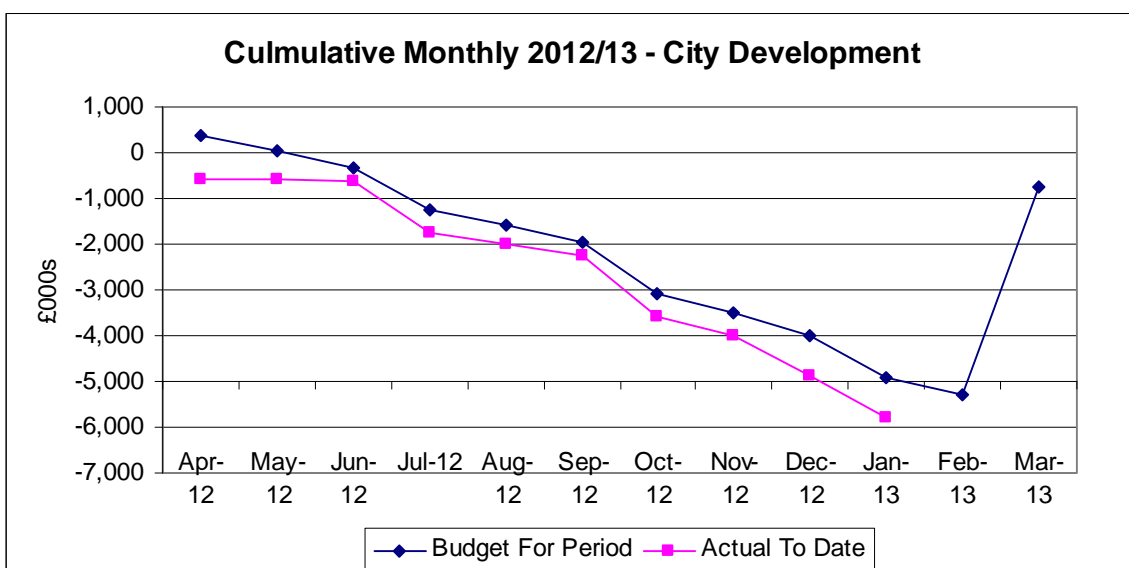
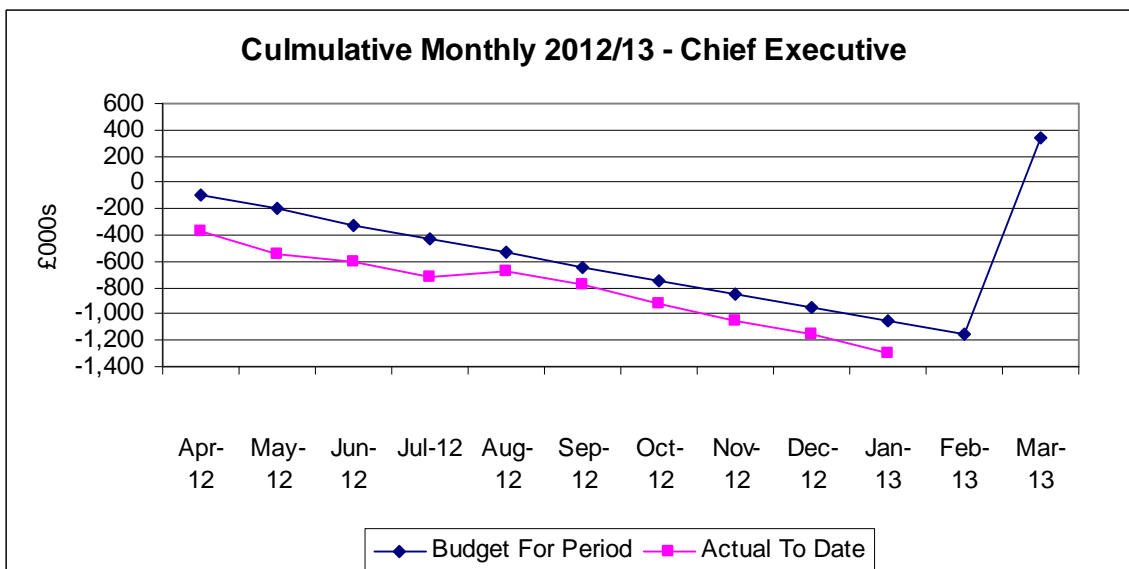
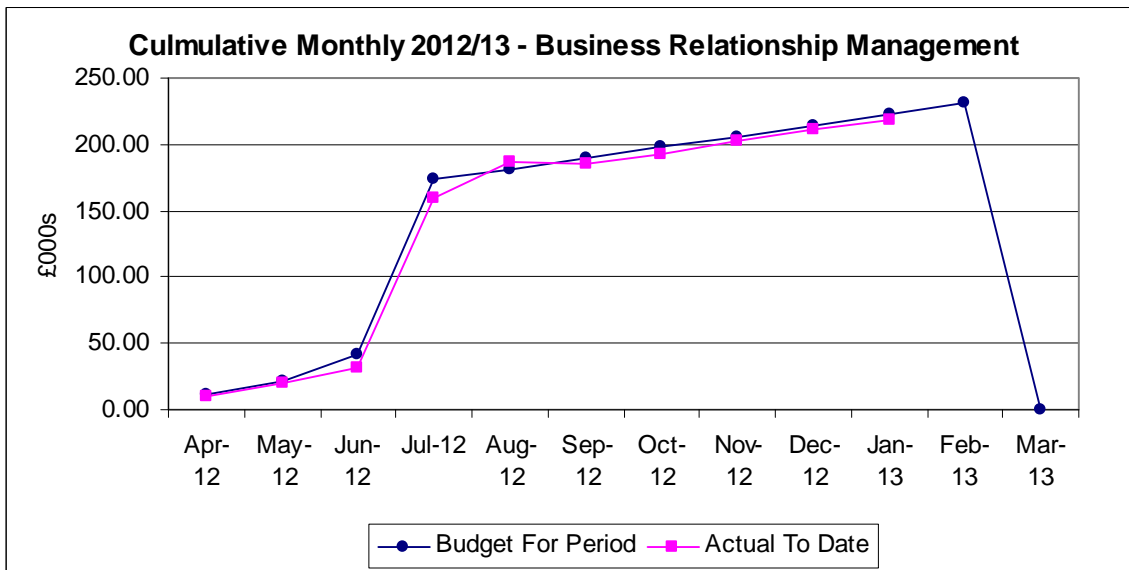
HOUSING REVENUE ACCOUNT STATUTORY SUMMARY

<i>Approved Budget</i>	<i>Current Budget</i>		<i>Budget To Date</i>	<i>Actual To Date</i>	<i>Variance To Date</i>	<i>Forecast Outturn</i>	<i>Forecast Variance</i>
15,560,639	15,555,599	Repairs & Maintenance	12,963,030	6,951,713	(6,011,317)	13,406,683	(2,148,916)
6,144,214	6,143,814	Rents, Rates, & Other Property Costs	6,080,220	6,153,822	73,602	6,387,035	243,221
10,753,613	11,143,196	General Management	6,355,057	5,944,379	(410,678)	10,888,300	(254,896)
5,696,238	5,681,765	Special Services	4,091,681	3,234,327	(857,354)	5,171,971	(509,794)
27,215,640	26,882,390	Depreciation & Impairment	0	(1,751,124)	(1,751,124)	19,874,437	(7,007,953)
215,000	215,000	Provision for Bad Debts	215,000	13,861	(201,139)	55,444	(159,556)
(55,298,270)	(55,298,310)	Dwelling Rents	(46,450,581)	(46,925,026)	(474,445)	(55,860,882)	(562,572)
(2,383,135)	(2,384,925)	Garage & Other Property Rents	(2,168,370)	(2,084,132)	84,238	(2,286,733)	98,192
20	0	Housing Subsidy	0	8,121	8,121	9,745	9,745
(9,785,488)	(9,801,518)	Service Charges - General	(8,224,450)	(8,258,046)	(33,596)	(9,466,940)	334,578
10	0	Miscellaneous Income	0	(38,763)	(38,763)	(46,515)	(46,515)
2,766,239	2,747,709	Adjustments & Financing Items	(38,802)	2,118,787	2,157,589	4,711,366	1,963,657
(734,720)	(734,720)	Amenities shared by whole community	0	0	0	(734,720)	0
(150,000)	(150,000)	Interest Received	0	0	0	(150,000)	0
0	0	Total Housing Revenue Account	(27,177,215)	(34,632,080)	(7,454,865)	(8,040,809)	(8,040,809)

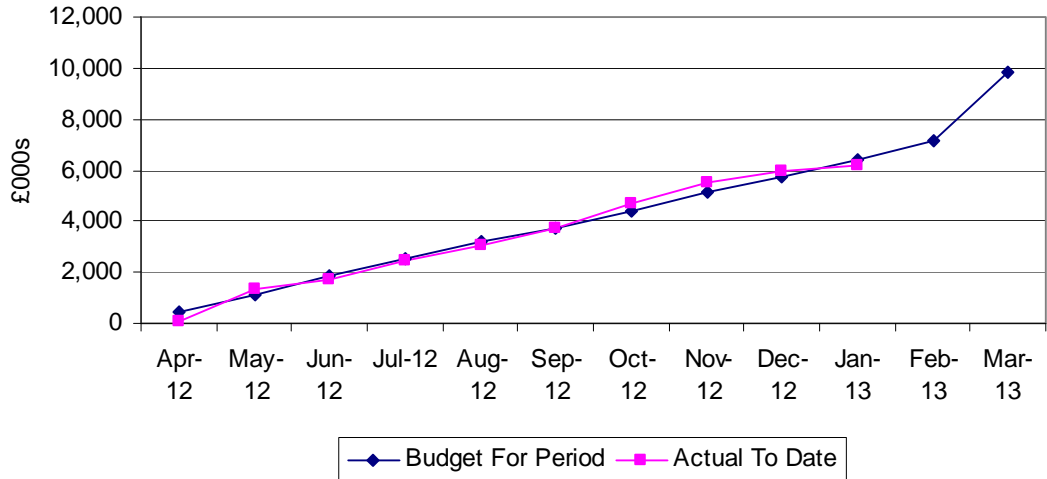
HOUSING REVENUE ACCOUNT SUBJECTIVE SUMMARY

<i>Approved Budget</i>	<i>Current Budget</i>		<i>Budget To Date</i>	<i>Actual To Date</i>	<i>Variance To Date</i>	<i>Forecast Outturn</i>	<i>Forecast Variance</i>
7,546,466	7,517,509	Employees	5,912,970	6,712,011	799,041	8,287,503	769,994
24,436,463	24,436,463	Premises	21,164,388	15,175,516	(5,988,872)	21,901,717	(2,534,746)
169,460	168,782	Transport	140,736	158,192	17,456	165,316	(3,466)
3,894,458	3,808,363	Receipts	2,441,029	1,049,608	(1,391,421)	2,731,427	(1,076,936)
259,000	355,096	Recharge Expenditure	98,443	50,220	(48,223)	340,348	(14,748)
4,768,776	5,140,190	Recharge Expenditure	1,070,880	77,700	(993,180)	5,066,792	(73,398)
28,686,629	28,353,379	Capital Financing	0	395,069	395,069	23,328,795	(5,024,584)
(68,726,073)	(68,744,603)	Receipts	(57,765,211)	(58,051,717)	(286,506)	(68,904,418)	(159,815)
(239,476)	(239,476)	Government Grants	(199,560)	(198,679)	881	(211,653)	27,823
(2,122,703)	(2,122,703)	Recharge Income	(40,890)	0	40,890	(2,073,635)	49,068
1,327,000	1,327,000	Rev Contribs to Capital	0	0	0	1,327,000	0
0	0	Total Housing Revenue Account	(27,177,215)	(34,632,080)	(7,454,865)	(8,040,809)	(8,040,809)

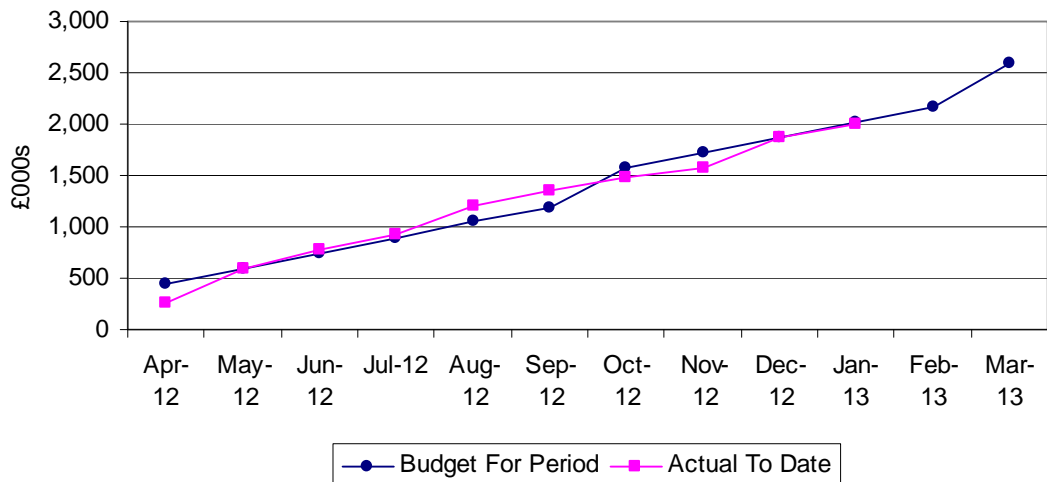
Budget & Expenditure – Monthly by Service Graphs



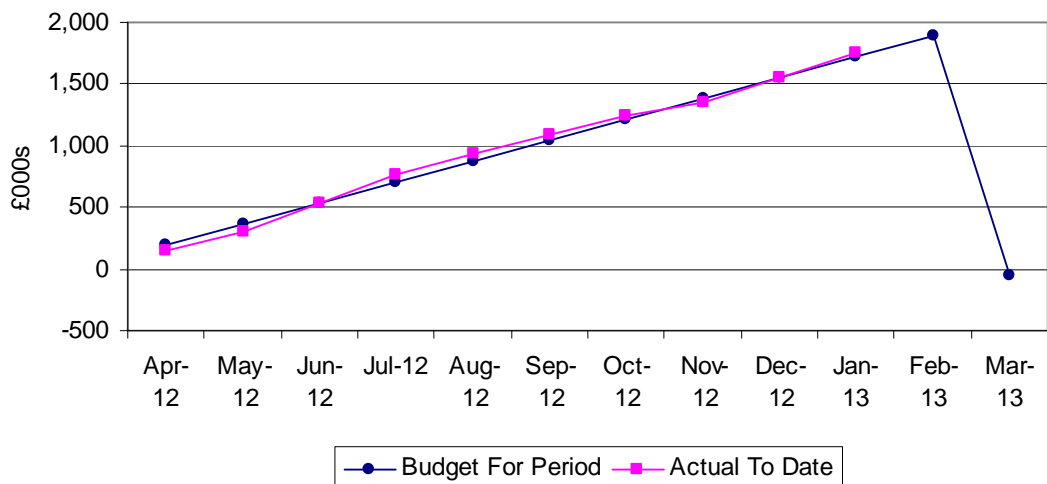
Cumululative Monthly 2012/13 - Citywide Services



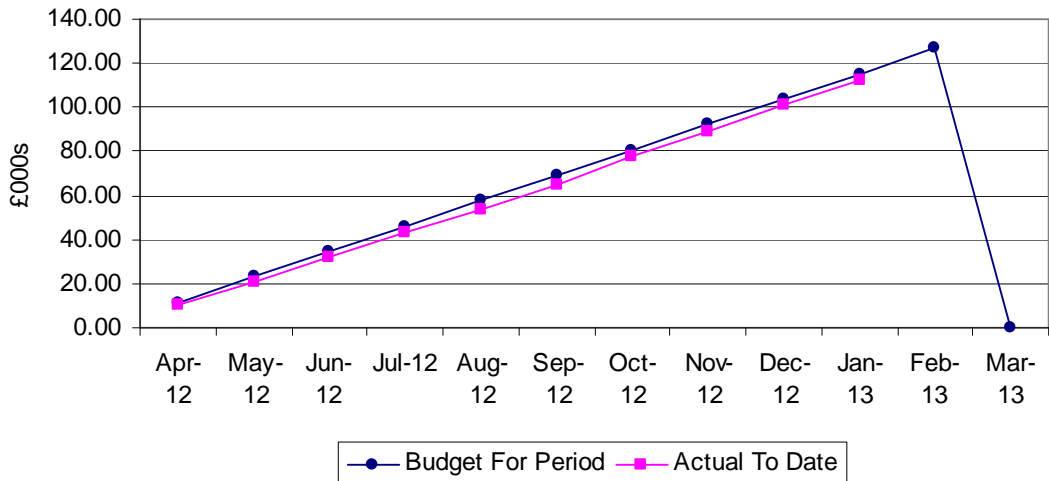
Cumululative Monthly 2012/13 - Communications & Culture



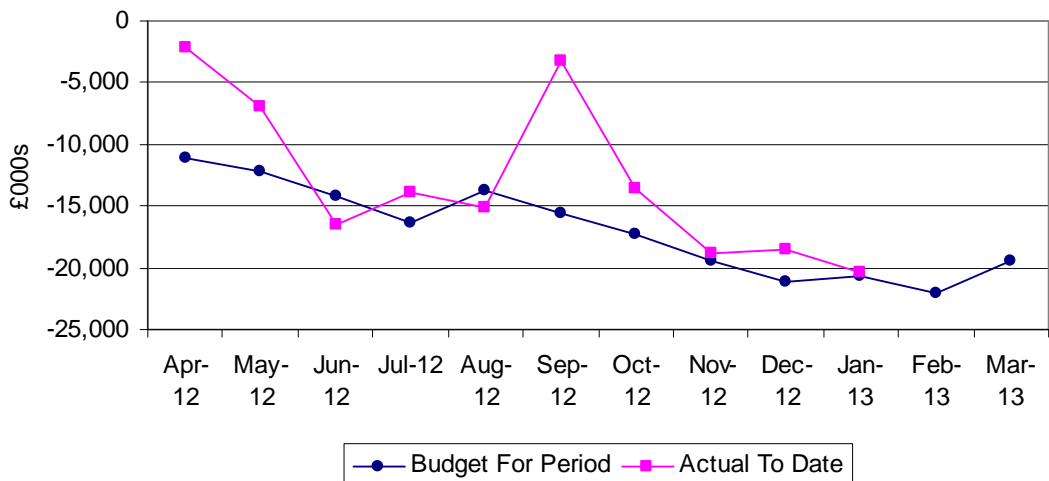
Cumululative Monthly 2012/13 - Customer Contact



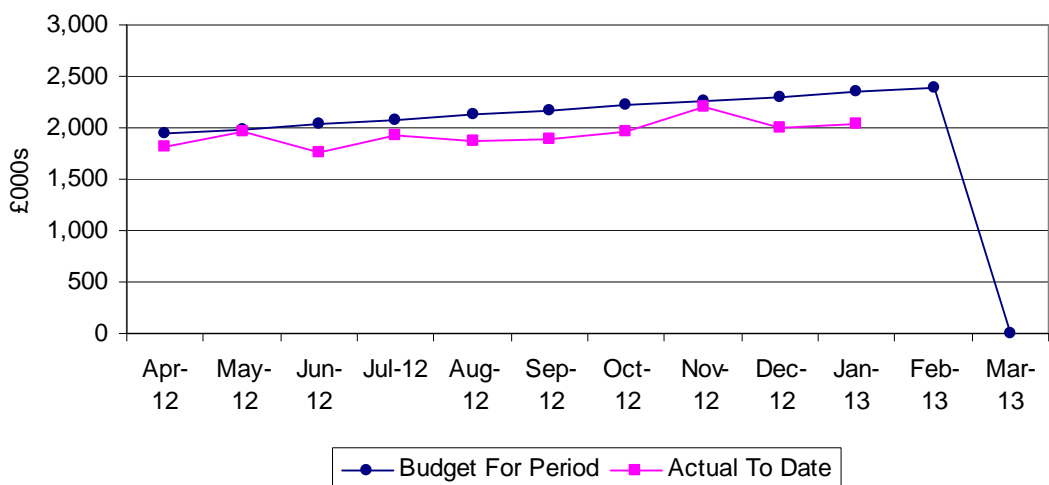
Culmulative Monthly 2012/13 - Deputy Chief Executive



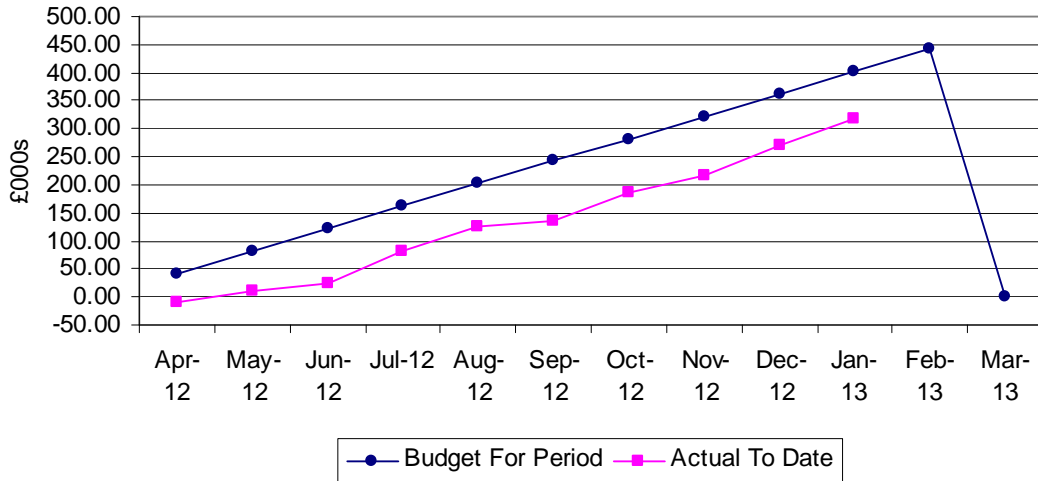
Culmulative Monthly 2012/13 - Finance



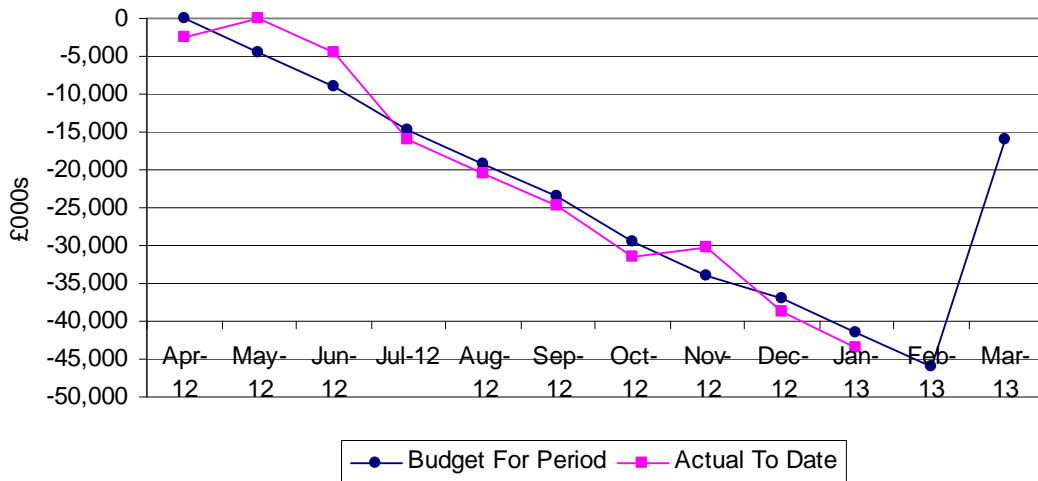
Culmulative Monthly 2012/13 - HR & Learning



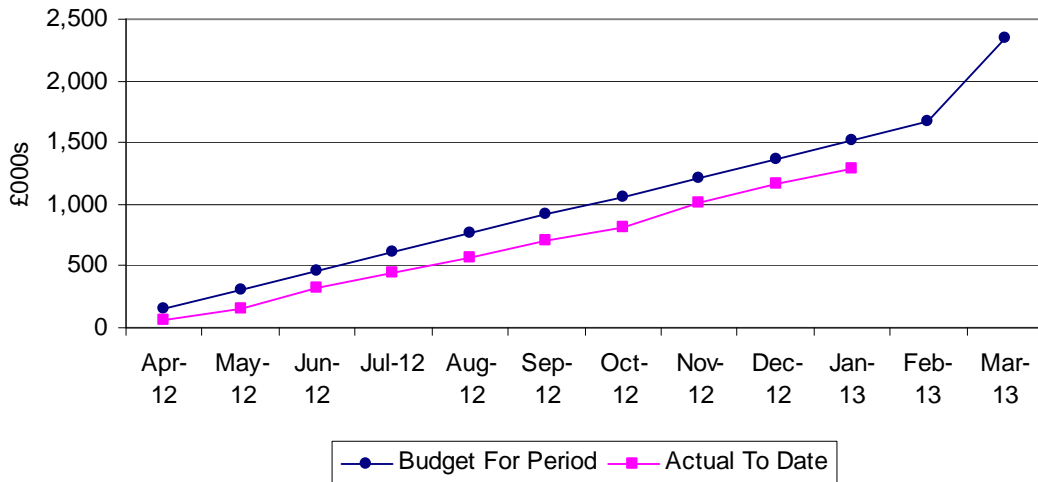
Culmulative Monthly 2012/13 - Legal Services



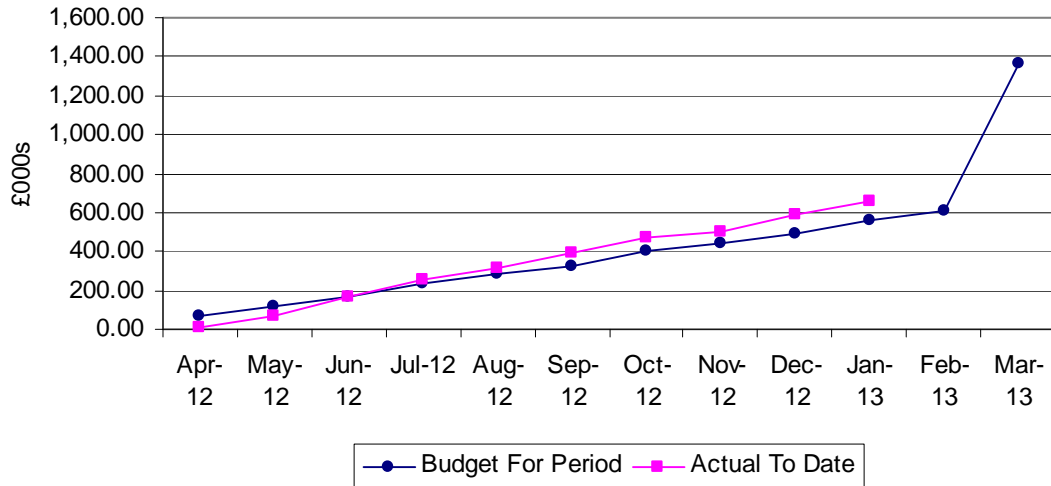
Culmulative Monthly 2012/13 - Neighbourhood Housing



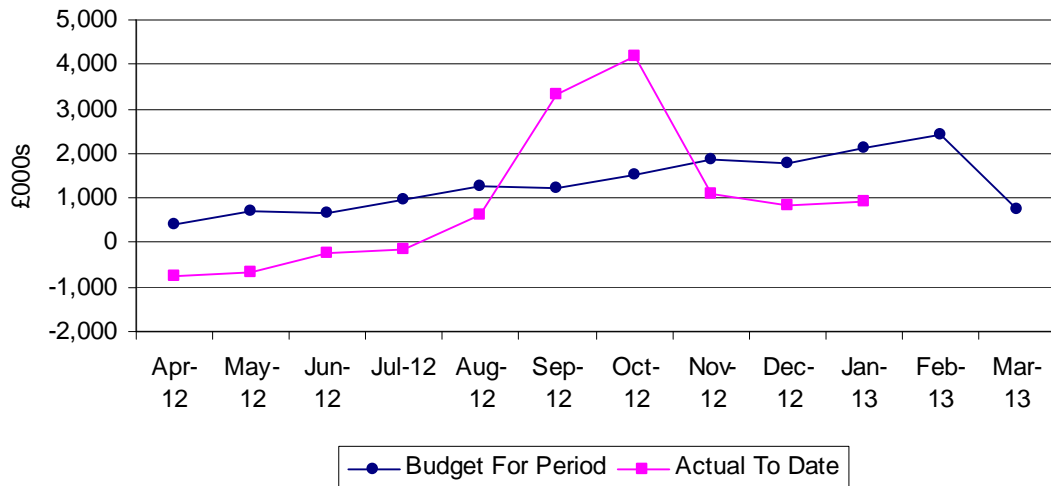
Culmulative Monthly 2012/13 - Neighbourhood Services



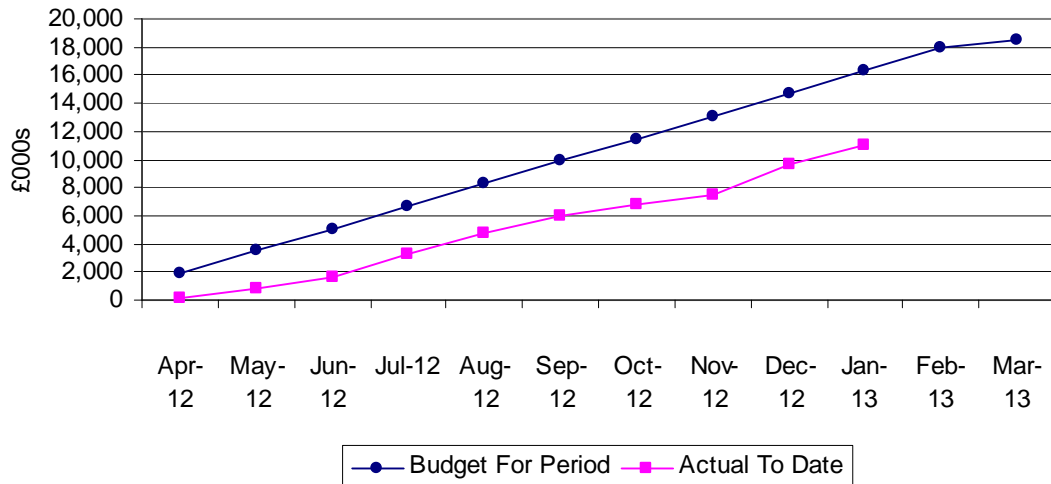
Cumululative Monthly 2012/13 - Planning



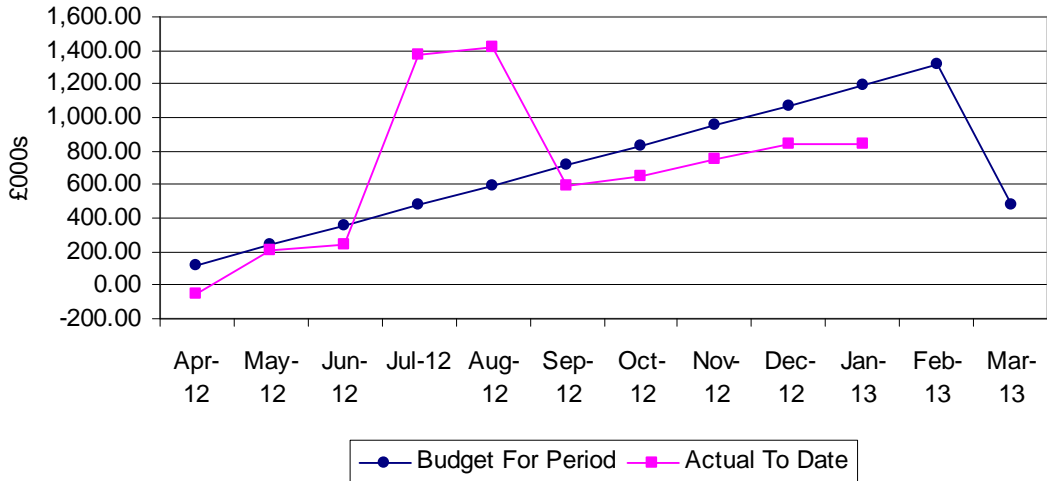
Cumululative Monthly 2012/13 - Procurement & Systems



Cumululative Monthly 2012/13 - Property Services



Culmulative Monthly 2012/13 - Strategy, People & Democracy



Culmulative Monthly 2012/13 Norwich City Council (Revenue)

