

Report to Cabinet
9 December 2015
Report of Chief finance officer
Subject Revenue budget monitoring 2015-16 – Period 7

Item

5

Purpose

To update cabinet on the provisional financial position as at 31 October 2015, the forecast outturn for the year 2015-16, and the consequent forecast of the general fund and housing revenue account balances.

Recommendations

To note the financial position as at 31 October 2015, and the forecast outturn 2015-16.

Corporate and service priorities

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

Financial implications

The general fund budget is forecast to underspend by £0.631m. The housing revenue account budget is forecast to underspend by £1.066m.

Ward/s: All wards

Cabinet member: Councillor Stonard – Resources and income generation

Contact officers

Justine Hartley, chief finance officer
Hannah Simpson, group accountant

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Background documents

None

Report

1. Council approved budgets for the 2015-16 financial year on 17 February 2015.
2. The attached appendices show the forecast outturn and year-to-date 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. Budgets reported include the resources financing the council's net budget requirement (which includes a contribution of £0.383m from reserve balances as allowed for in the medium term financial strategy) so that the net budget totals zero:

<i>Item</i>	<i>Approved budget £000s</i>
Net budget requirement	17,056
Non-domestic rates	(4,645)
Revenue support grant	(4,096)
Council tax precept	(8,315)
Total general fund budget	0

4. The general fund has been forecast to underspend by **£0.631m** at year end compared to a forecast underspend last month of **£0.504m**. Key forecast variances from budget are set out below:

<i>Forecast outturn variance P6 £000s</i>	<i>General fund service</i>	<i>Forecast outturn variance P7 £000s</i>	<i>Commentary</i>
(157)	Business relationship management	(203)	Reduced external audit fee; LGSS fraud team transfer to DWP but reduced grant still received for one year.
(272)	Procurement and Service Improvement	(310)	Expected underspend on IT services development fund; currently vacant posts in procurement.

<i>Forecast outturn P6 £000s</i>	<i>General fund service</i>	<i>Forecast outturn variance P7 £000s</i>	<i>Commentary</i>
(123)	Customer contact	(152)	Land search fee income refunds; grant income re. land searches refunds. Vacant posts.
188	City development:	155	Overspend due to reduced profit share projection from NORSE (£135k); bad debt provision uploaded and empty rates.
87	Neighbourhood housing:	115	Mainly due to CCTV projected overspend - higher than budgeted overtime (£20k) and unrealised savings (£50k).

5. For the year to date, an underspend against budget of **£2.993m** is being reported. This underspend is made up of many debit and credit figures where various income and expenditure lines are ahead of or behind budget profile. Significant variances are explained below. These lines will be monitored closely as the year progresses to identify any potential impact on forecast outturn figures.

<i>General fund service</i>	<i>Variance to date P7 £000s</i>	<i>Commentary</i>
Business relationship management	(1,042)	Shared services expenditure currently lower than profile, however is expected to match budget by year end. Corporate and benefits admin grants received higher than budget to date. No use of the contingency fund to date.
Democratic services	347	Timing differences in relation to elections costs and income. Awaiting transfer of income to net off against prior year accrued income reversal.
Procurement and service improvement	(477)	Expected underspend on IT services development fund; Shared services expenditure currently lower than profile however is expected to match budget by year end.
City development:	(732)	The current underspend against profile relates to counties parking income not paid over till year end. Income on asset properties showing income higher than budget due to income timings.
Customer contact	(632)	Transformation challenge grant funding; Land search fee income refunds; grant income re land searches refunds.

<i>General fund service</i>	<i>Variance to date P7 £000s</i>	<i>Commentary</i>
Planning:	(319)	Planning income up on budget due to large applications distorting profile of income.
Property services:	(481)	Depreciation to be charged on City Hall, works codes to be uploaded

Housing revenue account

6. The budgets reported include a £13.9m use of HRA balances, so that the net budget totals zero:

<i>Item</i>	<i>Approved budget £000s</i>
Gross HRA expenditure	85,912
Gross HRA income	(71,979)
Contribution from HRA balance	(13,933)
Total net HRA budget	0

7. The housing revenue account has been forecast to underspend by **£1.066m** at year end compared to a forecast last month of £0.570m. Key forecast variances from budget are set out below:

<i>Forecast outturn variance P6 £000s</i>	<i>HRA division of service</i>	<i>Forecast outturn variance P7 £000s</i>	<i>Commentary</i>
(254)	Repairs and maintenance	(875)	Lower than anticipated requirement for general repairs (£249k); less painting carried out than originally planned (£350k) and cavity insulation; change in contractor currently out to tender - no work in first part of the year (£200k).
(257)	Rents, rates, and other property costs	(276)	Underspend on Anglian Water costs, partially offset by under-recovery through water service charges.
(660)	General management	(439)	Underspend due to unrequired audit fee budget (£101k); lower than expected NPS recharge relating to Housing property management cost centre (£80k); and various staffing underspends due to vacancies throughout the year.

<i>Forecast outturn variance P6 £000s</i>	<i>HRA division of service</i>	<i>Forecast outturn variance P7 £000s</i>	<i>Commentary</i>
(234)	Provision for bad debts	(234)	Forecast reduction in provision required based on first quarter arrears figures, impact partially offset by unbudgeted write-off costs against 'dwelling rents'.
363	Dwelling rents	331	Long term voids at St James and Britannia - originally anticipated that sites would be re-occupied by September 2015, but now delayed until April 2016. Includes unbudgeted write off costs, impact to be partially offset by underspend against bad debt provision (see above).
(155)	Garage and other property rents	(198)	Lower than anticipated garage void rate.
641	Service charges - general	638	Income from Anglian Water service charges lower than anticipated, impact partially offset by reduced Anglian Water expenditure against 'rents, rates, and other property costs'.

8. For the year to date an underspend of **£3.802m** is being reported. This underspend is made up of many debit and credit figures, where various income and expenditure lines are ahead of or behind budget profile. Significant underspends and overspends to date are explained below. These lines will be monitored closely as the year progresses to identify any potential impact on forecast outturn figures.

<i>HRA division of service</i>	<i>Variance to date P7 £000s</i>	<i>Commentary</i>
Repairs and maintenance	(3,434)	These variances have arisen due to invoice delays at the start of the financial year, which is usual for work of this nature. Also, overall projected underspend now being reported of £875k.
General management	(391)	Mainly due to staff vacancies. Also, families' unit grant income has been received for the year, but profiled to be received in quarters.
Provision for bad debts	(292)	Bad debt provision charges not yet posted.
Service charges - general	281	Income from Anglian Water service charges lower than anticipated.

Risks

9. 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 could pose a significant threat to the council's overall financial position. These are shown in the following table.

Key Risk Budgets	Budget £000s	Current Variance	Current Var %	Current RAG	Forecast Variance	Forecast Var %	Forecast RAG
Housing Benefit Payments - Council tenants	36,254	-82	0%	GREEN	667	2%	GREEN
Housing Benefit Subsidy - Council tenants	-35,639	-972	3%	GREEN	-1,291	4%	AMBER
Housing Benefit Payments - Other tenants	32,280	-1,019	-3%	AMBER	-3,402	-11%	RED
Housing Benefit Subsidy - Other tenants	-33,048	2,628	-8%	RED	4,038	-12%	RED
HRA Repairs - Tenanted Properties	12,369	-3,032	-25%	RED	-836	-7%	RED
HRA Repairs - Void Properties	2,639	-200	-8%	RED	-11	0%	GREEN
Multi-Storey Car Parks	-1,174	-44	4%	GREEN	11	-1%	GREEN
HRA Rents - Estate Properties	-60,144	238	0%	GREEN	331	-1%	GREEN
Property Services - City Hall	906	-288	-32%	RED	-32	-4%	GREEN
Corporate Management including Contingency	-2,663	-587	22%	RED	-67	3%	GREEN
Private Sector Leasing Costs	-286	90	-32%	GREEN	47	-17%	GREEN

10. The red/amber status of items in the 'forecast RAG' column is explained below.

Key risk budgets	Comment
Housing benefit payments and subsidy	Although both of these areas are currently showing a red or amber RAG status, they largely offset one another. There is an overall net forecast overspend on housing benefits budgets of £12k.
HRA repairs	Lower than anticipated requirement for general repairs (£249k); less painting (£350k) and cavity insulation carried out than originally planned; due to change in contractor (currently out to tender) no work in first 6 months (£200k).

11. The 2015-16 budgets approved by council were drawn up in the expectation of reduced resources as announced by the previous government. There are risks to the current and medium term financial position from:

- Further reductions in government grant – the localisation of business rates and of council tax reductions has increased the risks to the council's financial position arising from economic conditions and policy decisions. In addition, recent government announcements indicate that further reductions in government funding are likely.
- 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.
12. 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, as may the impact of welfare reforms such as the so-called ‘bedroom tax’.
 - 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 and 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

13. 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.
14. Net overspends and underspends will be consolidated into the general fund and housing revenue account balances carried forward to 2016/17. These are reflected in periodic updates to the *Medium term financial strategy* and *Housing revenue account business plan*.

Impact on balances

15. The prudent minimum level of general fund reserves has been assessed as £4.474m. The budgeted and forecast outturn’s impact on the 2014-15 balance brought forward, is as follows:

16.

<i>Item</i>	<i>£000s</i>
Balance at 1 April 2015	(9,615)
Budgeted use of balances 2015-16	383
Forecast outturn 2015-16	(631)
= Forecast balance at 31 March 2016	(9,863)

17. The general fund balance is therefore expected to continue to exceed the prudent minimum.
18. The prudent minimum level of HRA reserves has been assessed as £3.111m. The budgeted and forecast outturn’s impact on the 2014-15 balance brought forward, is as follows:

<i>Item</i>	<i>£000s</i>
Balance at 1 April 2015	(20,181)
Budgeted use of balances 2015-16	13,933
Forecast outturn 2015-16	(1,187)
= Forecast balance at 31 March 2016	(7,435)

19. The housing revenue account balance is therefore expected to continue to exceed the prudent minimum.

Collection fund

20. The collection fund is made up of three accounts – council tax, the business improvement district (BID) account, and national non-domestic rates (NNDR).

- Council tax is shared between the city, the county, and the police and crime commissioner based on an estimated tax base and the council tax rates agreed by each of the preceptors. Any surplus or deficit is shared in the following financial year.
- The BID account is operated on behalf of the BID company, to collect their income from the BID levy. Any surplus or deficit is passed on to the BID company.
- NNDR income is shared between the city, the county, and central government. Since localisation, any surplus or deficit is also shared, rather than as formerly being borne wholly by the government.

21. There are particular risks attached to NNDR, which are:

- Appeals – the impact of any appeals will fall on the collection fund, and therefore in part on the city. The Valuation Office has cleared a large number of appeals which has adversely affected the council's business rates income levels. However, a backlog of appeals remains and the value of the appeals is not known, nor the likelihood of success, nor the timing of the appeal being determined.
- NNDR billable – changes in the NNDR billable, e.g. demolition or construction of new billable premises, will impact on the amount billable. Assumptions of growth may also be affected by changes in the larger economic environment.
- NNDR collectable – arrears and write-offs (e.g. where a business goes into administration) will also impact on the collection fund.

22. These risks are monitored and mitigated through normal revenues operations.

23. A summary of the collection fund is provided below:

<i>Approved budget £000s</i>	<i>Current budget £000s</i>	Collection fund summary	<i>Actual to date £000s</i>	<i>Forecast outturn £000s</i>	<i>Forecast variance £000s</i>
		Council tax			
53,797	53,797	Expenditure	34,999	53,797	0
(53,797)	(53,797)	Income	222	(53,797)	0
		Business improvement district			
656	656	Expenditure	498	662	(2)
(656)	(656)	Income	(16)	(652)	4
		National non-domestic rate			
77,698	77,698	Expenditure	44,347	77,698	0
(77,698)	(77,698)	Income	2,541	(77,698)	0
0	0	Total collection fund	82,591	316	2

24. On council tax, actual income is not posted from the council tax system into the finance system until year-end. The actual year-end surplus or deficit will be taken into account in considering distribution of balances between the preceptors (city, county, and police).
25. The council operates the BID account on behalf of the BID company, so no surplus or deficit will fall on the council's accounts.
26. Any deficit reported on the NNDR account will roll forward and be distributed in the 2016/17 budget cycle.
27. Additional (section 31) grant is received in the general fund to offset all or part of any shortfall in business rate income due to additional reliefs granted by government. All such grant monies received are transferred to an earmarked reserve and held to be offset against deficits in the years that they impact on the revenue accounts.

Integrated impact assessment



NORWICH
City Council

Report author to complete

Committee:	Cabinet
Committee date:	
Head of service:	Chief finance officer
Report subject:	Revenue budget monitoring 2015-16
Date assessed:	20/11/15
Description:	This is the integrated impact assessment for the revenue budget monitoring 2015-16 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"/>	
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 and harassment	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

	Impact			
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 and 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.

Budget monitoring summary

Year: 2015-16

Period: 7 (October)

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 Mgt and Democracy							
1,537,574	1,645,420	Business Relationship Management	143,144	(899,005)	(1,042,149)	1,442,428	(202,992)
292,745	292,328	Democratic Services	536,178	883,063	346,885	315,226	22,898
(19,263,443)	(19,390,633)	Finance	(6,219,838)	(6,013,554)	206,284	(19,361,137)	29,496
0	(256)	Procurement and Service Improvement	1,997,898	1,521,107	(476,791)	(309,814)	(309,558)
(17,433,124)	(17,453,141)	Total Business Relationship Management and Democracy	(3,542,618)	(4,508,388)	(965,770)	(17,913,296)	(460,155)
Chief Executive							
0	0	Chief Executive	147,945	149,315	1,370	(6,360)	(6,360)
0	0	Total Chief Executive	147,945	149,315	1,370	(6,360)	(6,360)
Customers, Comms and Culture							
2,124,719	2,139,345	Communications and Culture	1,385,123	1,308,903	(76,220)	2,181,299	41,954
(105,756)	(93,389)	Customer Contact	1,422,569	790,240	(632,329)	(245,016)	(151,627)
2,018,963	2,045,956	Total Customers, Comms and Culture	2,807,692	2,099,143	(708,549)	1,936,283	(109,673)
Regeneration and Growth							
(1,101,624)	(1,213,353)	City Development	(1,874,013)	(2,605,527)	(731,514)	(1,058,776)	154,577
0	0	Environmental Strategy	93,285	179,816	86,531	(9,381)	(9,381)
0	0	Executive Head of Regeneration and	77,369	83,541	6,172	2,841	2,841
1,447,674	1,447,502	Planning	723,969	404,800	(319,169)	1,295,343	(152,159)
262,834	262,195	Property Services	1,090,024	609,463	(480,561)	203,914	(58,281)
608,884	496,344	Total Regeneration and Growth	110,634	(1,327,908)	(1,438,542)	433,942	(62,402)
Strategy, People and Neighbourhoods							
10,069,543	10,055,846	Citywide Services	4,666,154	4,763,893	97,739	10,008,452	(47,394)
0	(1,172)	Human Resources	703,148	776,152	73,004	(15,188)	(14,016)
2,315,862	2,433,505	Neighbourhood Housing	716,233	730,836	14,603	2,548,762	115,257
2,419,872	2,422,932	Neighbourhood Services	1,337,410	1,150,663	(186,747)	2,398,821	(24,111)
0	(271)	Strategy and Programme Management	276,217	396,507	120,290	(22,699)	(22,428)
14,805,277	14,910,840	Total Strategy, People and Neighbourhoods	7,699,162	7,818,051	118,889	14,918,148	7,308
0	(1)	Total General Fund	7,222,815	4,230,213	(2,992,602)	(631,283)	(631,282)

Budget monitoring report

Year: 2015-16

Period: 7 (October)

HOUSING REVENUE ACCOUNT STATUTORY SUMMARY

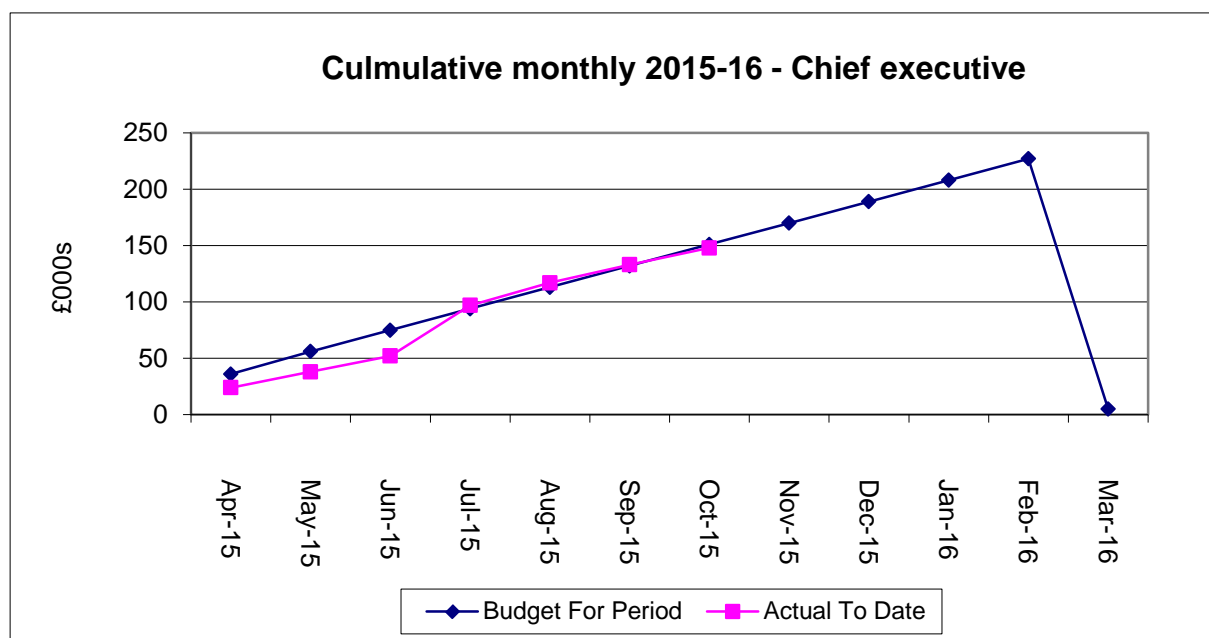
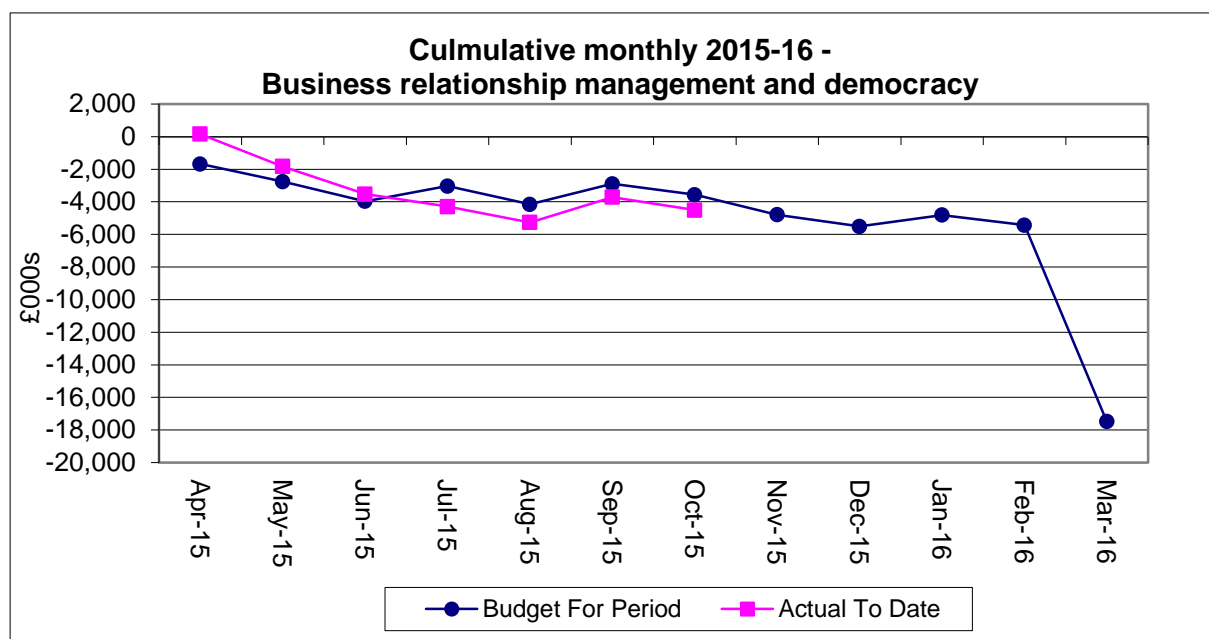
<i>Approved Budget</i>	<i>Current Budget</i>		<i>Budget To Date</i>	<i>Actual To Date</i>	<i>Variance To Date</i>	<i>Forecast Outturn</i>	<i>Forecast Variance</i>
16,069,344	16,069,344	Repairs and Maintenance	9,512,631	6,078,681	(3,433,950)	15,194,640	(874,704)
6,436,719	6,436,719	Rents, Rates, and Other Property Costs	6,123,058	6,077,174	(45,884)	6,160,851	(275,868)
11,016,261	11,016,261	General Management	3,936,197	3,544,884	(391,313)	10,577,643	(438,618)
5,086,385	5,086,393	Special Services	2,404,444	2,329,098	(75,346)	5,184,802	98,409
21,430,943	21,430,943	Depreciation and Impairment	0	0	0	21,430,943	0
584,000	584,000	Provision for Bad Debts	292,000	0	(292,000)	350,000	(234,000)
(60,143,678)	(60,143,678)	Dwelling Rents	(36,086,206)	(35,848,816)	237,390	(59,812,543)	331,135
(1,980,123)	(1,980,124)	Garage and Other Property Rents	(1,310,843)	(1,349,609)	(38,766)	(2,178,409)	(198,285)
(9,144,884)	(9,144,884)	Service Charges - General	(5,815,289)	(5,534,789)	280,500	(8,506,513)	638,371
0	0	Miscellaneous Income	0	(50,937)	(50,937)	(87,320)	(87,320)
11,355,513	11,355,513	Adjustments and Financing Items	(98,050)	(90,010)	8,040	11,330,572	(24,941)
(560,480)	(560,480)	Amenities shared by whole community	0	0	0	(560,480)	0
(150,000)	(150,000)	Interest Received	0	0	0	(150,000)	0
0	7	Total Housing Revenue Account	(21,042,058)	(24,844,323)	(3,802,265)	(1,065,814)	(1,065,821)

Budget and expenditure – monthly by service graphs

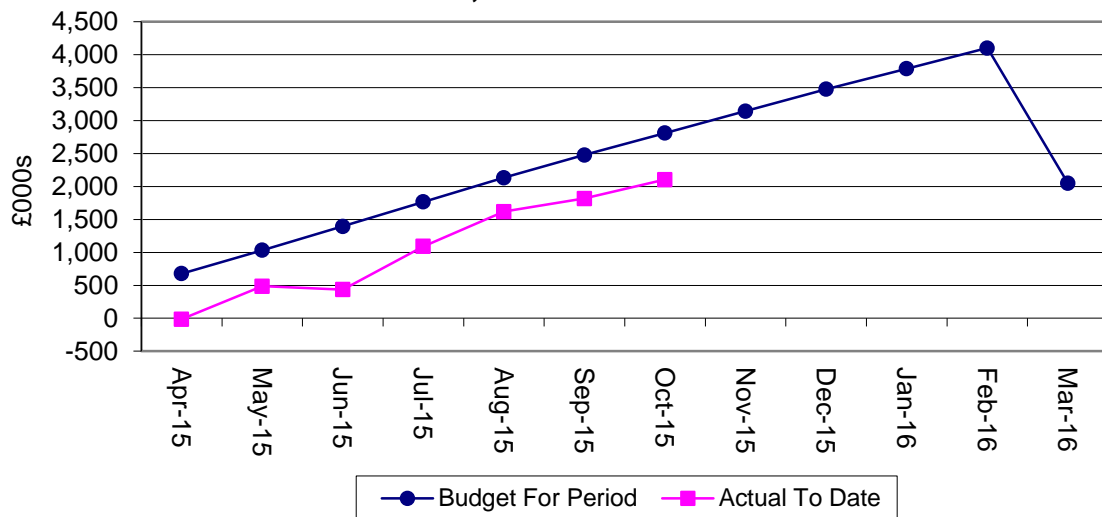
The following graphs show the monthly budget profile and income/expenditure to date for each service (both general fund and housing revenue account) for the financial year.

The actual income/expenditure reported is influenced by accrual provisions brought forward from the previous financial year, and by any delays in invoicing and/or payment.

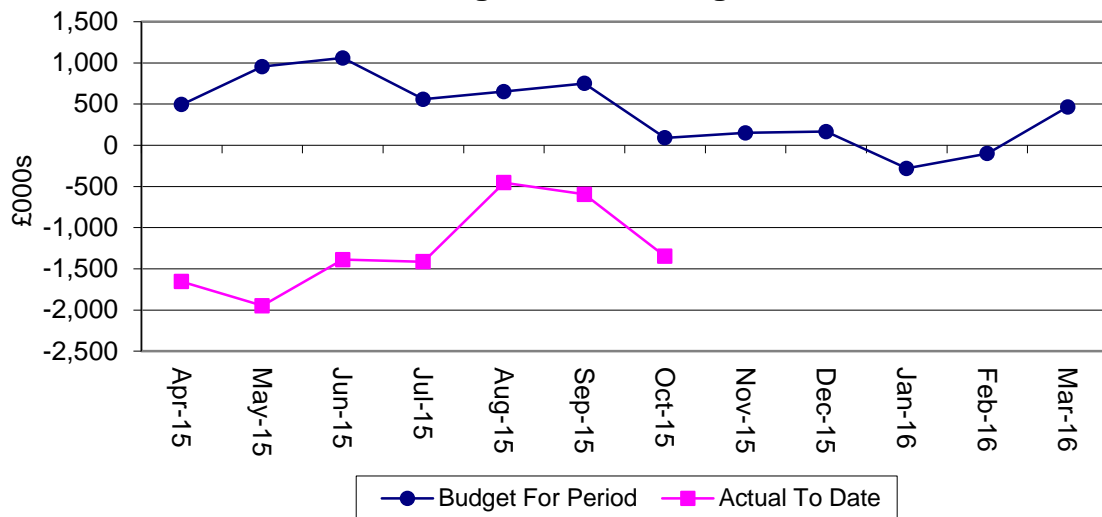
Budgets are profiled to show the expected pattern of income and expenditure, and will be refined and improved during the course of the financial year.



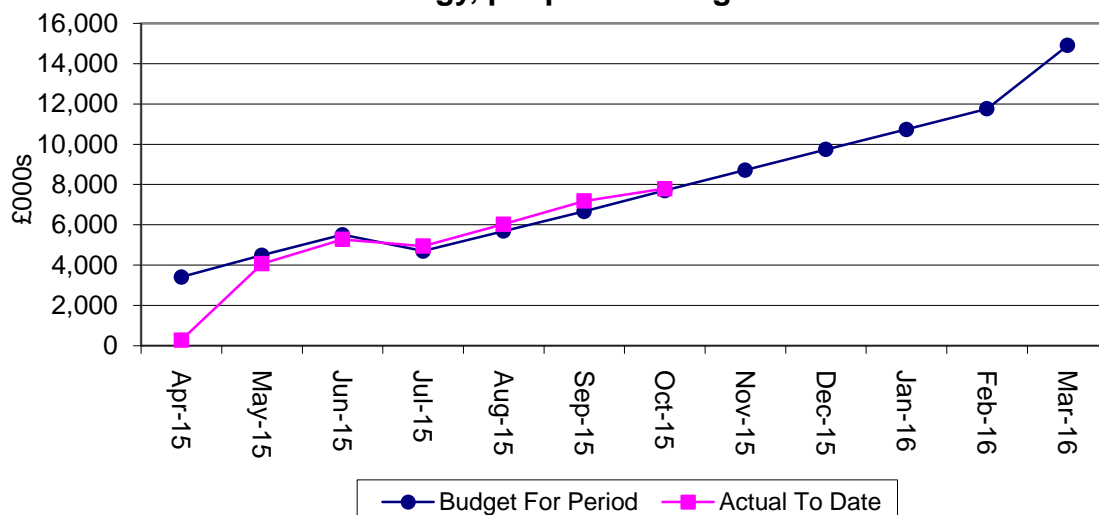
**Culmulative monthly 2015-16 -
customers, communications and culture**



**Culmulative monthly 2015-16 -
regeneration and growth**



**Culmulative monthly 2015-16 -
strategy, people and neighbourhoods**



Culmulative monthly 2015-16 Norwich City Council (revenue)

