

**Report to** Cabinet

**Item**

**Report of** Chief finance officer

**8**

**Subject** Revenue budget monitoring 2016 - 17 – Period 4

---

**Purpose**

To update cabinet on the provisional financial position as at 31 July 2016, the forecast outturn for the year 2016 - 17, and the consequent forecast of the general fund and housing revenue account balances.

**Recommendation**

To note the financial position as at 31 July 2016 and the forecast outturn 2016 - 17.

**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 general fund budget is forecast to underspend by £0.533m. The housing revenue account budget is forecast to underspend by £3.099m.

**Ward/s:** All wards

**Cabinet member:** Councillor Stonard – Resources and income generation

**Contact officers**

Justine Hartley, Chief finance officer  
Hannah Simpson, Group accountant

01603 212440  
01603 212561

**Background documents**

None



## Report

1. Council approved budgets for the 2016 - 17 financial year on 23 February 2016.
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 £0.451m to 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	16,120
Non-Domestic Rates	(4,870)
Revenue Support Grant	(2,756)
Council Tax precept	(8,494)
<b>Total General Fund budget</b>	<b>0</b>

4. The general fund has been forecast to underspend by **£0.533m** at year end compared to a forecast underspend last month of **£0.582m**. Key forecast variances from budget are set out below:

<b><i>Forecast Outturn P3 £000s</i></b>	<b><i>General Fund Service</i></b>	<b><i>Forecast Outturn P4 £000s</i></b>	<b><i>Commentary</i></b>
(274)	Business Services	(276)	Additional grant income not yet allocated related expenditure (£177k) and movement in bad debt provision (£81k).
163	Finance	164	Higher than budgeted transfer to the S31 earmarked reserve due additional grant receipt of £85k (income included in line above)  Reduction of £88k in forecast interest income from Housing Company as planned loan not yet made.

144	City Development	118	This overspend has a variety of factors, some of which are: highways recharges below budget, parking income down against budget, some of this overspend is offset by extra income from bus shelter advertisement.
<b>Forecast Outturn P3 £000s</b>	<b>General Fund Service</b>	<b>Forecast Outturn P4 £000s</b>	<b>Commentary</b>
(122)	Human Resources	(137)	Vacant posts and current training spend less than budgeted.

5. The general fund shows an underspend against budget to date of **£2.351m**. This underspend to date is made up of multiple debit and credit figures where various income and expenditure lines are ahead of or behind budget profile. This is particularly common at this time of the year because of amounts accrued in relation to spend in the previous financial year where invoices have not yet been received and processed. Significant overspends and underspends to date are:

<b>General Fund Service</b>	<b>Variance To Date P4 £000s</b>	<b>Commentary</b>
Business Services	(887)	Additional government grants received and other grants received ahead of profile, plus other timing differences between the budget profile and actuals.
Procurement and Service Improvement	(285)	Lower IT Development Fund expenditure to date than profiled, but expected to meet full year budget.
Customer Contact	(309)	Timing mismatch between Transformation Challenge grant funding received and related expenditure being incurred.
City Development	(254)	This is mainly to do with 15/16 accrual for NPS profit share yet to be invoiced.

## Housing revenue account

6. The budgets reported include a £16.3m use of HRA balances, so that the net budget totals zero:

<i>Item</i>	<i>Approved Budget £000s</i>
Gross HRA Expenditure	60,372
Gross HRA Income	(44,091)
Contribution from HRA Balance	(16,281)
<b>Total net HRA budget</b>	<b>0</b>

7. The housing revenue account has been forecast to underspend by **£3.099m** at year end compared to a forecast underspend last month of **£2.925m**. Key forecast variances from budget are set out below:

<b>Forecast Outturn P3 £000s</b>	<b>HRA Division of Service</b>	<b>Forecast Outturn P4 £000s</b>	<b>Commentary</b>
(2,768)	Repairs and maintenance	(2,997)	<p>Overall variance reflects a reduction in forecast responsive repairs works (in line with recent years' outturns) and savings from renegotiated contracts.</p> <p>Key individual variances include:</p> <ul style="list-style-type: none"> <li>• major/minor repairs forecast based on current activity levels (£680k);</li> <li>• stair lift repairs forecast reflects reduced number of repairs (£91k);</li> <li>• underspends on water testing (£30k) and lift and fire alarm maintenance (£41k) and water mains renewal (£50k);</li> <li>• central heating servicing based on activity to date (£338k);</li> <li>• exterior painting based on contractor estimates plus reduced timber painting (£368k);</li> <li>• asbestos removal estimate based on current activity (£150k);</li> <li>• asphalt balconies major work covered under capital projects therefore less revenue expenditure required (£100k);</li> <li>• fire prevention work carried out when identified rather than planned (£100k);</li> <li>• no insulation planned for 2016 (£180k);</li> <li>• estate repairs forecast based on reduced number of repairs (£115k) and reduced garage repairs (£75k)</li> <li>• lower current spend on void properties (£280k) due to increase in number of properties eligible for capital whole house upgrades.</li> </ul>
137	Rents, rates and other property costs	118	Anglian Water forecast expenditure based on updated supplier schedule, this will be offset by increased income under 'service charges - general'.
(176)	General Management	(148)	Staff vacancies and absences (£83k) and lower repairs and rates on area offices (£50k) due to changes in accommodation use.
141	Dwelling Rents	124	Variance due to higher than anticipated right to buy sales and year-to-date void rates.

(244)	Service charges - general	(299)	Mainly due to higher income from water charges (£232k) offset by higher Anglian Water charges.
-------	---------------------------	-------	--

8. The housing revenue account shows an underspend against budget to date of **£2.178m**. This underspend to date is made up of many debit and credit figures where various income and expenditure lines are ahead of or behind budget profile. This is particularly common at this time of the year because of amounts accrued in relation to spend in the previous financial year where invoices have not yet been received and processed. Significant overspends and underspends to date are:

<b>HRA Division of Service</b>	<b>Variance To Date P4 £000s</b>	<b>Commentary</b>
Repairs and maintenance	(1,966)	These variances have arisen due to invoice delays which is usual for work of this nature. Also reflects overall reduced year-end forecast (see detail in previous table).
Rents, rates and other property costs	348	Insurance premium yet to be reallocated and water payments made ahead of profile.
General Management	(388)	Insurance premium yet to be reallocated (£10k), reduced rates on area offices (£30k), government grant received ahead of profile (£38k) and staff vacancies. Remainder due to smaller profiling differences split over a number of cost centres.
Dwelling Rents	(320)	Difference due to rental income running ahead of profile.

## 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 & Subsidy	-30	29	-96%	GREEN	34	-110%	GREEN
HRA Repairs - Tenanted Properties	11,848	-1,521	-13%	RED	-2,314	-20%	RED
HRA Repairs - Void Properties	2,639	-339	-13%	RED	-280	-11%	RED
Multi-Storey Car Parks	-1,442	206	-14%	RED	162	-11%	RED
City Hall	1,067	-82	-8%	GREEN	-64	-6%	GREEN
HRA Rents - Estate Properties	-59,223	-302	1%	GREEN	124	0%	GREEN
Corporate Management including Contingency	-2,804	-847	30%	RED	-233	8%	RED
Private Sector Leasing Costs	-286	78	-27%	GREEN	65	-23%	GREEN

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

Key Risk Budgets	Comment
HRA Repairs - Tenanted Properties and Void Properties	In-year variance mainly due to lower than budgeted responsive repair demand to date and invoicing delays.  Year-end variance reflects a reduction in forecast responsive repairs works (in line with recent years' outturns) and savings from renegotiated contracts. Further detail provided in HRA variance table (point 7).
Multi-storey car parks	Reduced forecast income from new Rose Lane car park.
Corporate Management including contingency	Due to higher grant income receipts than budgeted (£177k). Year to date variance also due to no contingency spend up to period 4.

11. The 2016 - 17 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.
- 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 2017 - 18. 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 £4.273m. The budgeted and forecast outturn's impact on the 2015 - 16 balance brought forward, is as follows:

<i>Item</i>	<i>£000s</i>
Balance at 1 April 2016 (provisional)	(12,147)
Budgeted contribution to balances 2016 - 17	(451)
Forecast outturn 2016 - 17	(533)
<b>= Forecast balance at 31 March 2017</b>	<b>(13,131)</b>

16. The general fund balance is therefore expected to continue to exceed the prudent minimum.
17. The prudent minimum level of HRA reserves has been assessed as £5.968m. The budgeted and forecast outturn's impact on the 2016 - 17 balance brought forward, is as follows:

<i>Item</i>	<i>£000s</i>
Balance at 1 April 2016 (provisional)	(26,190)
Budgeted use of balances 2016 - 17	16,281
Forecast outturn 2016 - 17	(3,099)
<b>= Forecast balance at 31 March 2017</b>	<b>(13,008)</b>

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

## Collection fund

19. 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.

20. 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.

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

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

<i>Approved Budget £000s</i>	<i>Current Budget £000s</i>	<b>Collection Fund Summary</b>	<i>Actual To Date £000s</i>	<i>Forecast Outturn £000s</i>	<i>Forecast Variance £000s</i>
		<b>Council tax</b>			
59,380	59,380	Expenditure	20,291	59,380	0
(59,380)	(59,380)	Income	0	(59,380)	0
		<b>Business Improvement District</b>			
656	656	Expenditure	199	656	0
(656)	(656)	Income	0	(656)	0
		<b>National Non-Domestic Rate</b>			
79,138	79,138	Expenditure	27,093	79,138	0
(79,138)	(79,138)	Income	926	(79,138)	0
<b>0</b>	<b>0</b>	<b>Total Collection Fund</b>	<b>48,509</b>	<b>0</b>	<b>0</b>

23. 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).

24. The council operates the BID account on behalf of the BID company, so no surplus or deficit will fall on the council's accounts.

25. Any deficit reported on the NNDR account will roll forward and be distributed in the 2017 - 18 budget cycle.

26. 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

<b>Committee:</b>	Cabinet
<b>Committee date:</b>	
<b>Head of service:</b>	Chief Finance Officer
<b>Report subject:</b>	Revenue Budget Monitoring 2015 - 16
<b>Date assessed:</b>	12/06/16
<b>Description:</b>	This is the integrated impact assessment for the Revenue Budget Monitoring 2016 - 17 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 and 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 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
<b>Positive</b>
None
<b>Negative</b>
None
<b>Neutral</b>
None
<b>Issues</b>
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: 2016 - 17

Period: 4 (July)

**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>
<b>Business Services</b>							
1,800,982	1,800,982	Business Relationship Management	21,708	(864,980)	(886,688)	1,525,372	(275,610)
375,183	375,183	Democratic Services	378,010	320,780	(57,230)	375,300	117
(18,720,042)	(18,720,042)	Finance	(2,975,189)	(3,106,121)	(130,932)	(18,556,056)	163,986
0	13,223	Human Resources	435,965	544,845	108,880	(123,527)	(136,750)
0	0	Procurement and Service Improvement	994,184	709,672	(284,512)	(71,277)	(71,277)
<b>(16,543,877)</b>	<b>(16,530,654)</b>	<b>Total Business Services</b>	<b>(1,145,322)</b>	<b>(2,395,804)</b>	<b>(1,250,482)</b>	<b>(16,850,188)</b>	<b>(319,534)</b>
<b>Chief Executive</b>							
0	0	Chief Executive	95,701	83,084	(12,617)	(55,406)	(55,406)
0	0	Strategy and Programme Management	203,438	203,642	204	(17,585)	(17,585)
<b>0</b>	<b>0</b>	<b>Total Chief Executive</b>	<b>299,139</b>	<b>286,726</b>	<b>(12,413)</b>	<b>(72,991)</b>	<b>(72,991)</b>
<b>Customers, Comms and Culture</b>							
2,209,128	2,209,128	Communications and Culture	858,494	767,239	(91,255)	2,149,320	(59,808)
(60,851)	(115,858)	Customer Contact	851,489	542,780	(308,709)	(119,581)	(3,723)
<b>2,148,277</b>	<b>2,093,270</b>	<b>Total Customers, Comms and Culture</b>	<b>1,709,983</b>	<b>1,310,019</b>	<b>(399,964)</b>	<b>2,029,739</b>	<b>(63,531)</b>
<b>Regeneration and Growth</b>							
(1,418,443)	(1,390,393)	City Development	(766,284)	(1,020,020)	(253,736)	(1,272,647)	117,746
0	0	Environmental Strategy	52,320	91,646	39,326	(9,959)	(9,959)
0	0	Executive Head of Regeneration and	52,561	48,781	(3,780)	(7,616)	(7,616)
1,326,678	1,340,978	Planning	268,504	223,802	(44,702)	1,384,063	43,085
258,661	258,661	Property Services	636,517	403,617	(232,900)	161,580	(97,081)
<b>166,896</b>	<b>209,246</b>	<b>Total Regeneration and Growth</b>	<b>243,618</b>	<b>(252,174)</b>	<b>(495,792)</b>	<b>255,421</b>	<b>46,175</b>
<b>Neighbourhoods</b>							
9,789,981	9,789,412	Citywide Services	2,939,367	2,872,949	(66,418)	9,698,757	(90,655)
2,283,979	2,283,979	Neighbourhood Housing	520,327	485,211	(35,116)	2,301,163	17,184
2,154,744	2,154,744	Neighbourhood Services	801,213	710,525	(90,688)	2,105,108	(49,636)
<b>14,228,703</b>	<b>14,228,135</b>	<b>Total Neighbourhoods</b>	<b>4,260,907</b>	<b>4,068,685</b>	<b>(192,222)</b>	<b>14,105,027</b>	<b>(123,108)</b>
<b>0</b>	<b>(3)</b>	<b>Total General Fund</b>	<b>5,368,325</b>	<b>3,017,451</b>	<b>(2,350,874)</b>	<b>(532,992)</b>	<b>(532,989)</b>

**Note:** The Service Summary has been amended to align with the revised structure as announced on 29th July. As a result HR and Learning sits within Business Services and Strategy and Programme Management within the Chief Executive service line.



Budget Monitoring Report

Year: 2016 - 17

Period: 4 (July)

**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>
15,499,378	15,499,378	Repairs and Maintenance	4,529,829	2,564,263	(1,965,566)	12,499,710	(2,999,668)
5,936,838	5,936,838	Rents, Rates, and Other Property Costs	5,491,340	5,839,192	347,852	6,054,727	117,889
11,392,777	11,392,776	General Management	2,429,966	2,041,564	(388,402)	11,244,634	(148,142)
5,068,935	5,068,936	Special Services	1,326,434	1,183,265	(143,169)	5,115,781	46,845
22,139,594	22,139,594	Depreciation and Impairment	0	0	0	22,139,594	0
334,000	334,000	Provision for Bad Debts	0	0	0	334,000	0
(58,973,202)	(58,973,202)	Dwelling Rents	(19,657,736)	(19,978,132)	(320,396)	(58,849,295)	123,907
(2,223,564)	(2,223,564)	Garage and Other Property Rents	(868,260)	(803,935)	64,325	(2,158,997)	64,567
(8,343,247)	(8,343,244)	Service Charges - General	(2,933,842)	(2,747,746)	186,096	(8,642,156)	(298,912)
(75,000)	(75,000)	Miscellaneous Income	(25,000)	(27,293)	(2,293)	(81,279)	(6,279)
9,966,872	9,966,872	Adjustments and Financing Items	(97,900)	(54,600)	43,300	9,967,472	600
(548,381)	(548,381)	Amenities shared by whole community	0	0	0	(548,381)	0
(175,000)	(175,000)	Interest Received	0	0	0	(175,000)	0
<b>0</b>	<b>3</b>	<b>Total Housing Revenue Account</b>	<b>(9,805,169)</b>	<b>(11,983,421)</b>	<b>(2,178,252)</b>	<b>(3,099,192)</b>	<b>(3,099,195)</b>

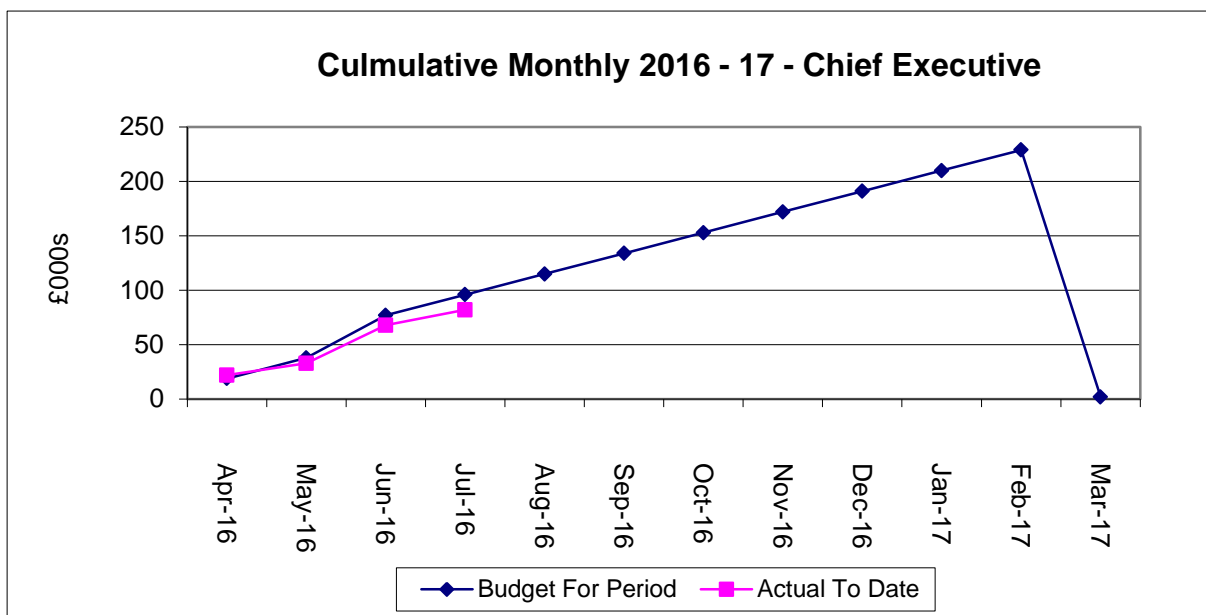
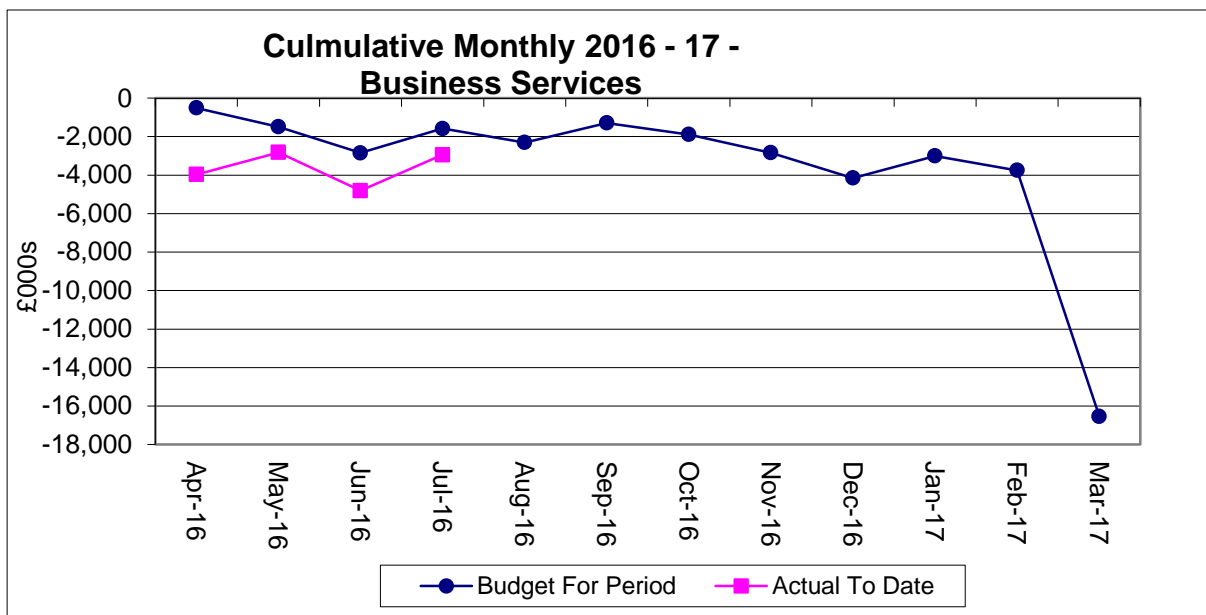


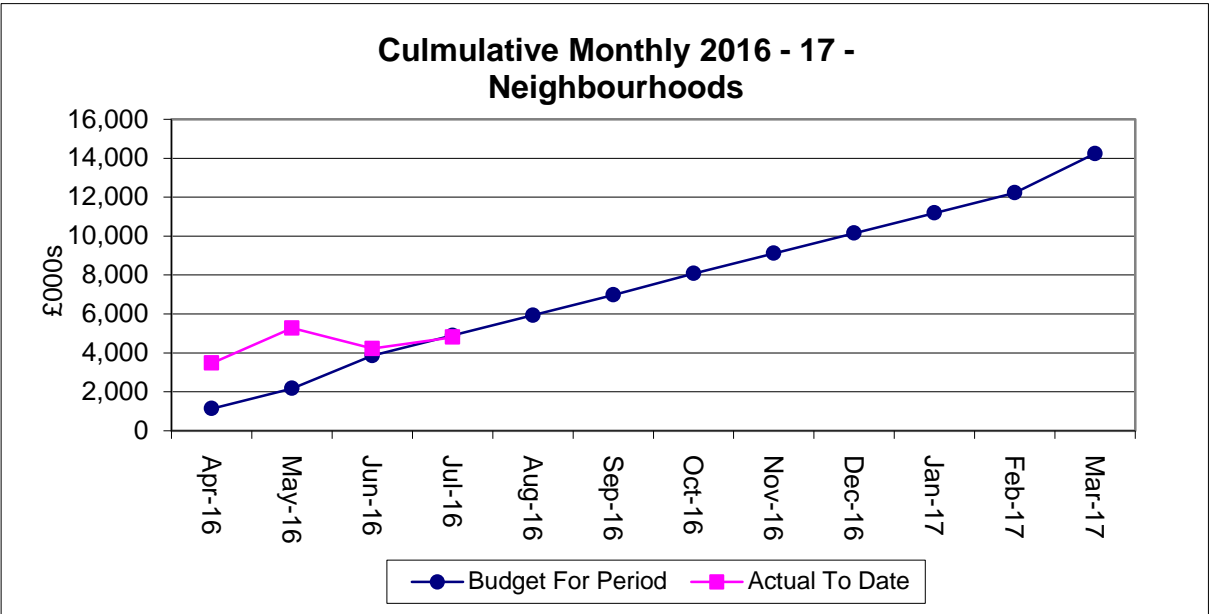
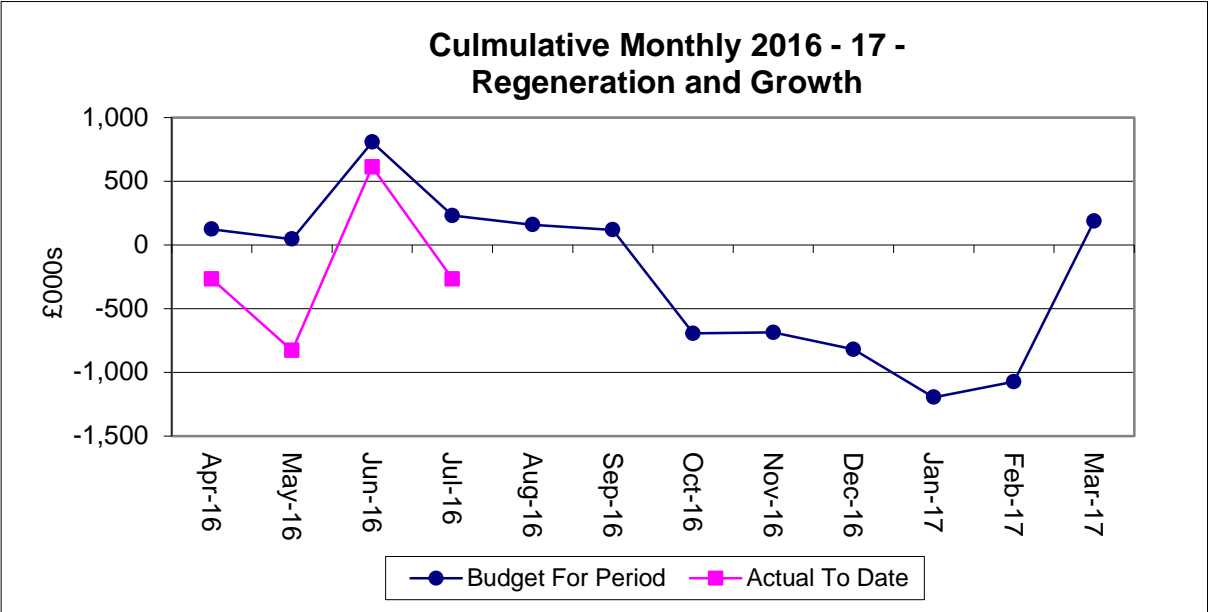
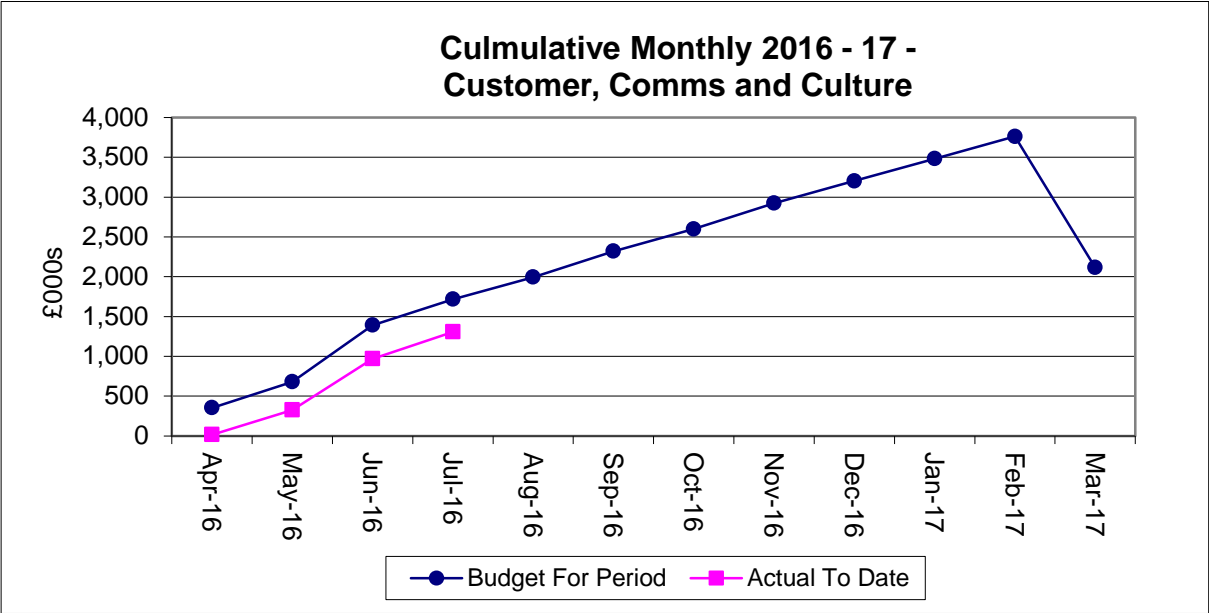
## Budget and Expenditure – Monthly by Service Graphs

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 2016 - 17 Norwich City Council (Revenue)

