

Report to Cabinet

Item

Report of Chief finance officer

9

Subject Revenue budget monitoring 2017/18 – Period 3

Purpose

To update Cabinet on the provisional financial position as at 30 June 2017, the forecast outturn for the year 2017/18, and the consequent forecast of the General Fund and Housing Revenue Account balances.

Recommendations

- 1) To note the financial position as at 30 June 2017 and the forecast outturn 2017/18;
- 2) To note additional unbudgeted grants awarded for 2017/18.

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 overspend by £0.150m. The Housing Revenue Account budget is forecast to underspend by £0.478m.

Ward/s: All wards

Cabinet member: Councillor Kendrick – resources

Contact officers

Karen Watling, chief finance officer
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Background documents

None

Report

1. Council approved budgets for the 2017/18 financial year on 21 February 2017.
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 £0.688m from reserve balances as allowed for in the Medium Term Financial Strategy) so that the net budget totals zero:

Item	Approved Budget £000s
Net Budget Requirement	16,152
Non-Domestic Rates	(5,452)
Revenue Support Grant	(1,671)
Council Tax Surplus (prior years)	(297)
Council Tax precept	(8,732)
Total General Fund budget	0

4. The General Fund has been forecast to overspend by **£0.150m** at year end. This variance is less than 1% of gross expenditure. Key forecast variances from budget are set out below:

General Fund Service	Forecast Outturn P3 £000s	Commentary
Human Resources	(162)	Lower than budgeted pension liability costs for former employees. The payment value was amended following the triennial valuation of the pension scheme.
General Fund Service	Forecast Outturn P3 £000s	Commentary

Finance	330	<p>£173k lower interest income from Housing Company, this is due to a delay in the company requiring the loan to be made. The CFO will undertake a review of the financial model and assumptions used in forecasting the Housing Company's take up of the loan facility from the Council.</p> <p>Net overspend forecast on Housing Benefit of £187k. This is due to government policy changes which have resulted in a reduction to the amount of housing benefit subsidy claimable on short term leased or self-contained licensed accommodation where the local authority is the landlord. The impact of the changes has been partially offset by the Flexible Homelessness Support Grant of £129k.</p>
Citywide Services	(143)	<p>Lower than budgeted pension liability costs for former employees. The payment value was amended following the triennial valuation of the pension scheme.</p> <p>This is offset by reduced forecast in relation to income from market rental of £29k and cemeteries of £50k.</p>
City Development	113	<p>Lower rental income due to disposals, vacant properties and no commercial investment purchases made so far in the year to date. However, the asset and investment board has recently appointed a preferred agent to find potential investment opportunities and the detailed internal process for making decisions on a purchase has been agreed.</p>

5. The 17/18 budgets included £3.312m of transformation savings/income. Current forecasts indicate that £0.517m of those savings are at risk and these have been included in the overall forecast outturn shown above. Currently unbudgeted savings related to the pension deficit payments and additional income are offsetting these and reducing the forecast overspend to £0.150m. All transformation items are closely tracked and actions taken by managers to address shortfalls. The high value items with reduced forecasts are all reflected in the table above.
6. In terms of the actual expenditure and income that has gone through the Council's General ledger, the General Fund shows an adverse variance against budget to date of **£0.565m**. This variance to date is made up of multiple debit and credit figures where various income and expenditure lines are ahead of or behind budget profile. Variances are 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.
7. When setting the 17/18 budget an allowance was made for an expected increase in our pension deficit contributions following the transfer of revenues and benefits staff back into the Council. Due to the timescales required for the actuaries to calculate the impact, the Norfolk Pension Fund has confirmed no additional amount will be invoiced in 17/18 with the impact instead to be reflected in our 18/19 pension deficit payment charge. The impact is that overall the Council's general fund contribution to the pension deficit will be £258k lower in 2017/18. As the cost is

distributed across the service areas, it is currently showing in a number of small underspends in all areas.

8. Since setting the 2017/18 budgets additional amounts of grant income have been confirmed. In Period 3 an additional £11k of New Burdens grant has been confirmed to meet costs associated with the ongoing implementation of welfare reform changes. This will be applied to the costs of administering the benefits systems in line with the terms of the grant.

Housing Revenue Account

9. The budgets reported include a £10.0m use of HRA balances, so that the net budget totals zero:

<i>Item</i>	<i>Approved Budget £000s</i>
Gross HRA Expenditure	59,024
Gross HRA Income	(49,051)
Contribution from HRA Balance	(9,973)
Total net HRA budget	0

10. The Housing Revenue Account has been forecast to underspend by **£0.478m** at year end. Key forecast variances from budget are set out below:

<i>HRA Division of Service</i>	<i>Forecast Outturn P3 £000s</i>	<i>Commentary</i>
General Management	(233)	Reduced requirement for grant expenditure as a result of delayed implementation of Universal Credit and forecast lower expenditure on professional fees and area offices than initially anticipated.
Services Charges – General	(141)	Current projection forecasts rent and utility service charge income to be higher than initial budget.

11. In terms of the amounts that are currently showing in the General Ledger, the Housing Revenue Account shows an underspend against profiled budget to date of **£1.949m**. 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, mainly in relation to the repairs and maintenance budgets. 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.

Risks

12. 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	-160	36	-23%	GREEN	187	-116%	RED
HRA Repairs - Tenanted Properties	10,584	-1,196	-11%	RED	-80	-1%	GREEN
HRA Repairs - Void Properties	2,539	-152	-6%	RED	0	0%	GREEN
Multi-Storey Car Parks	-1,335	355	-27%	RED	45	-3%	GREEN
City Hall	977	-49	-5%	GREEN	-24	-2%	GREEN
HRA Rents - Estate Properties	-57,942	-17	0%	GREEN	-66	0%	GREEN
Corporate Management including Contingency	-2,097	-11	1%	GREEN	-13	1%	GREEN
Private Sector Leasing Costs	-290	11	-4%	GREEN	18	-6%	GREEN

13. The red/amber status of items in the “Forecast RAG” column is explained below.

Key Risk Budgets	Comment
Housing benefit payments and subsidy	Net overspend forecast on Housing Benefit of £187k. This is due to government policy changes which have resulted in a reduction to the amount of housing benefit subsidy claimable on short term leased or self-contained licensed accommodation where the local authority is the landlord. The impact of the changes has been partially offset by the Flexible Homelessness Support Grant of £129k.

14. The 2017/18 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.

15. 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 & 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

- 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.
- Net overspends and underspends will be consolidated into the General Fund and Housing Revenue Account balances carried forward to 2018/19. These are reflected in periodic updates to the Medium Term Financial Strategy and Housing Revenue Account Business Plan.

Impact on Balances

- The prudent minimum level of General Fund reserves has been assessed as £4.161m. 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 2017 (unaudited)	(14,344)
Budgeted contribution from reserves 2017/18	688
Transfer to earmarked invest to save reserve	500
Forecast outturn 2017/18	150
= Forecast balance at 31 March 2018	(13,006)

- The General Fund balance is therefore expected to continue to exceed the prudent minimum.
- The prudent minimum level of HRA reserves has been assessed as £5.885m. 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 2017 (unaudited)	(30,383)
Budgeted contribution from reserves 2017/18	9,973
Forecast outturn 2017/18	(478)
= Forecast balance at 31 March 2018	(20,888)

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

Collection Fund

- 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.

23. 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.

24. These risks are monitored and mitigated through normal Revenues operations.

A summary of the Collection Fund is provided below:

<i>Approved Budget £000s</i>	<i>Current Budget £000s</i>	Collection Fund Summary	<i>Forecast Outturn £000s</i>	<i>Forecast Variance £000s</i>
		Council tax		
63,785	63,785	Expenditure	63,785	0
(63,785)	(63,785)	Income	(63,785)	0
0	0	Surplus/(deficit)	0	0
		Business Improvement District		
656	656	Expenditure	656	0
(656)	(656)	Income	(656)	0
		National Non-Domestic Rate		
76,728	76,728	Expenditure	77,784	1,056
(76,728)	(76,728)	Income	(77,784)	(1,056)
330	330	Surplus/(deficit)	330	0
0	0	Total Collection Fund	0	0

25. The variances on national non-domestic business rates are due to transitional relief payments. Transitional relief limits the percentage a business rates bill can be increased or decreased each year following revaluation. The transitional relief will apply each year until the full amount is due. The overall impact is an increase in the amount collectible of £1.056m all of which will be paid over to the government, leaving no net impact on the collection fund.

26. 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).

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

28. Any deficit reported on the NNDR account will roll forward and be distributed in the 2018/19 budget cycle.

Integrated impact assessment



NORWICH
City Council

Report author to complete

Committee:	Cabinet
Committee date:	13 September
Head of service:	chief finance officer
Report subject:	Revenue Budget Monitoring 2017/18
Date assessed:	26/07/17
Description:	This is the integrated impact assessment for the Revenue Budget Monitoring 2017/18 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 & 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"/>	

	Impact			
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.

Budget Monitoring Summary

Year: 2017/18

Period: 3 (June)

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 Services							
3,096,603	3,087,489	Business Services	585,855	451,370	(134,485)	3,174,739	87,250
291,867	291,867	Democratic Services	170,678	219,266	48,588	292,579	712
(19,214,059)	(19,214,059)	Finance	(4,359,379)	(4,411,381)	(52,002)	(18,884,237)	329,822
0	0	Human Resources	350,680	411,877	61,197	(162,386)	(162,386)
0	0	Procurement & Service Improvement	1,018,396	754,576	(263,820)	(57,210)	(57,210)
(15,825,589)	(15,834,703)	Total Business Services	(2,233,770)	(2,574,291)	(340,521)	(15,636,515)	198,188
Chief Executive							
0	0	Chief Executive	65,905	65,276	(629)	(13,466)	(13,466)
201,843	201,843	Strategy & Programme Management	219,914	221,831	1,917	160,505	(41,338)
201,843	201,843	Total Chief Executive	285,819	287,107	1,288	147,039	(54,804)
Customers, Comms & Culture							
2,143,249	2,151,328	Communications & Culture	681,540	538,756	(142,784)	2,175,036	23,708
(2,760)	(2,760)	Customer Contact	503,048	452,606	(50,442)	48,381	51,141
2,140,489	2,148,568	Total Customers, Comms & Culture	1,184,588	991,362	(193,226)	2,223,416	74,848
Neighbourhoods							
10,229,891	10,232,832	Citywide Services	2,455,244	3,091,646	636,402	10,089,808	(143,024)
1,728,634	1,728,634	Neighbourhood Housing	285,630	271,041	(14,589)	1,707,031	(21,603)
807,037	829,702	Neighbourhood Services	225,697	78,630	(147,067)	801,216	(28,486)
12,765,562	12,791,168	Total Neighbourhoods	2,966,571	3,441,317	474,746	12,598,055	(193,113)
Regeneration & Growth							
(1,994,594)	(1,952,389)	City Development	(214,542)	396,674	611,216	(1,839,003)	113,386
0	0	Environmental Strategy	40,008	63,617	23,609	(7,965)	(7,965)
0	0	Executive Head of Regeneration &	44,738	39,572	(5,166)	(10,645)	(10,645)
1,500,637	1,500,637	Planning	357,802	359,278	1,476	1,488,390	(12,247)
1,211,652	1,144,874	Property Services	405,391	396,796	(8,595)	1,187,101	42,227
717,695	693,122	Total Regeneration & Growth	633,397	1,255,937	622,540	817,878	124,756
0	(2)	Total General Fund	2,836,605	3,401,431	564,826	149,873	149,875

HOUSING REVENUE ACCOUNT STATUTORY SUMMARY

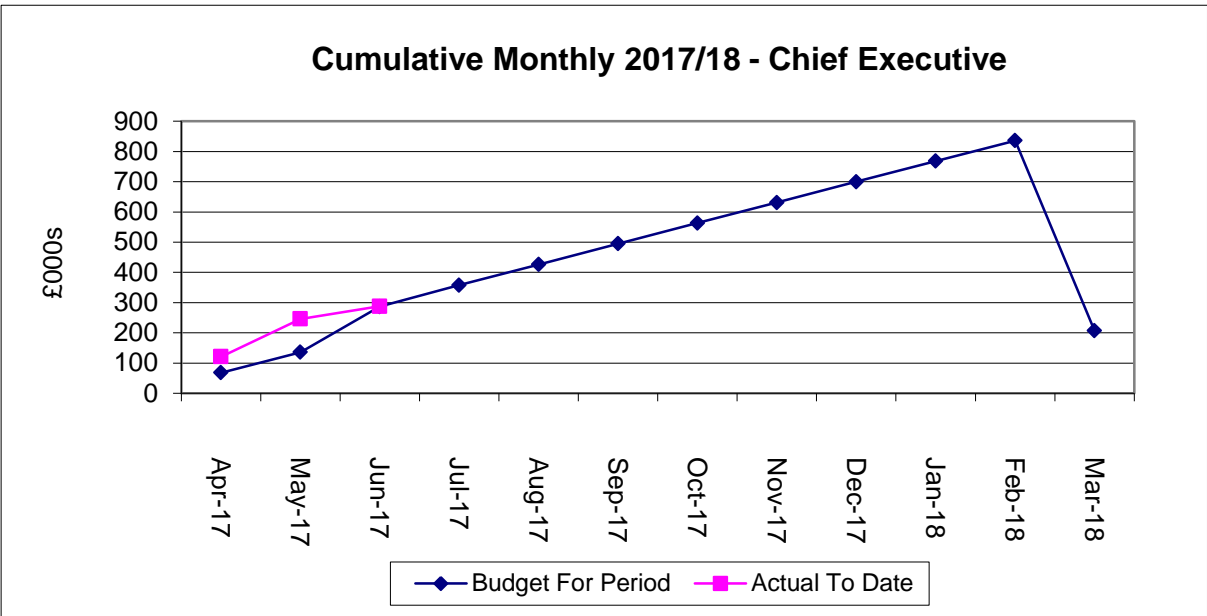
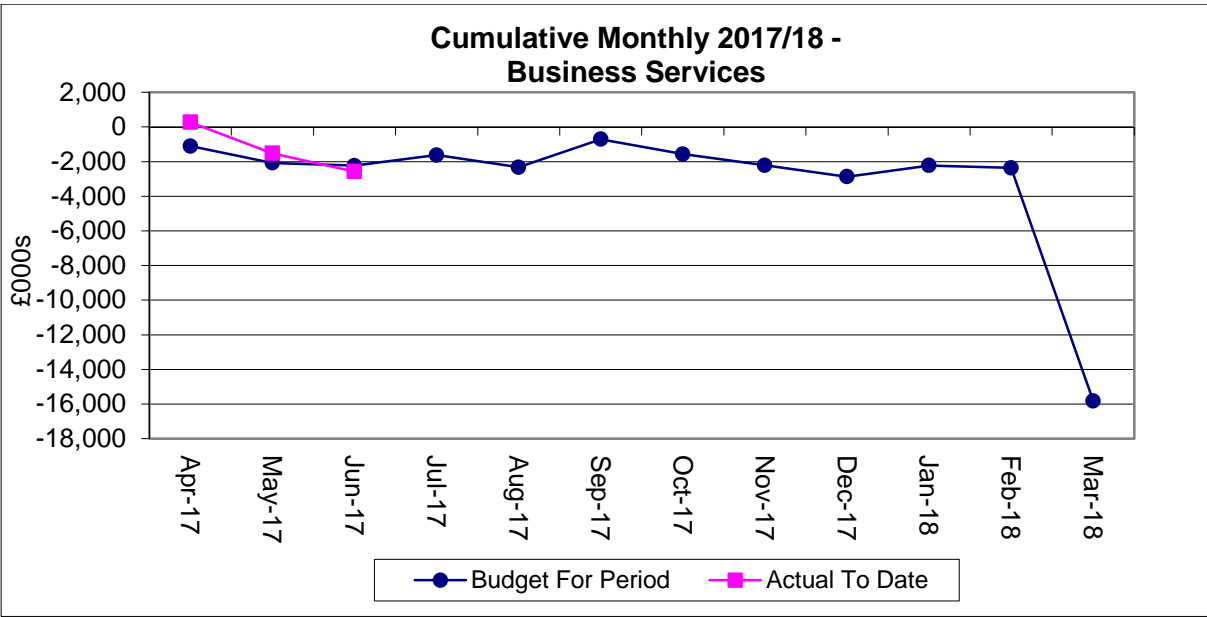
<i>Approved Budget</i>	<i>Current Budget</i>		<i>Budget To Date</i>	<i>Actual To Date</i>	<i>Variance To Date</i>	<i>Forecast Outturn</i>	<i>Forecast Variance</i>
13,815,288	13,815,288	Repairs & Maintenance	3,397,409	1,967,683	(1,429,726)	13,756,950	(58,338)
5,789,133	5,789,133	Rents, Rates, & Other Property Costs	1,538,993	1,420,711	(118,282)	5,878,229	89,096
12,115,683	12,115,683	General Management	1,803,749	1,703,284	(100,465)	11,883,040	(232,643)
5,090,423	5,090,419	Special Services	1,132,670	889,856	(242,814)	5,091,450	1,031
21,992,115	21,992,115	Depreciation & Impairment	19,800	(5,000)	(24,800)	21,987,115	(5,000)
223,000	223,000	Provision for Bad Debts	0	0	0	223,000	0
(57,692,382)	(57,692,382)	Dwelling Rents	(15,002,520)	(15,043,768)	(41,248)	(57,758,229)	(65,847)
(2,169,466)	(2,169,466)	Garage & Other Property Rents	(521,189)	(558,126)	(36,937)	(2,234,166)	(64,700)
(8,373,746)	(8,373,746)	Service Charges - General	(2,083,039)	(2,053,073)	29,966	(8,515,005)	(141,259)
(85,000)	(85,000)	Miscellaneous Income	(21,249)	(55,004)	(33,755)	(85,050)	(50)
10,056,112	10,056,112	Adjustments & Financing Items	(48,850)	0	48,850	10,056,112	0
(586,160)	(586,160)	Amenities shared by whole community	0	0	0	(586,160)	0
(175,000)	(175,000)	Interest Received	0	0	0	(175,000)	0
0	(4)	Total Housing Revenue Account	(9,784,226)	(11,733,436)	(1,949,210)	(477,714)	(477,710)

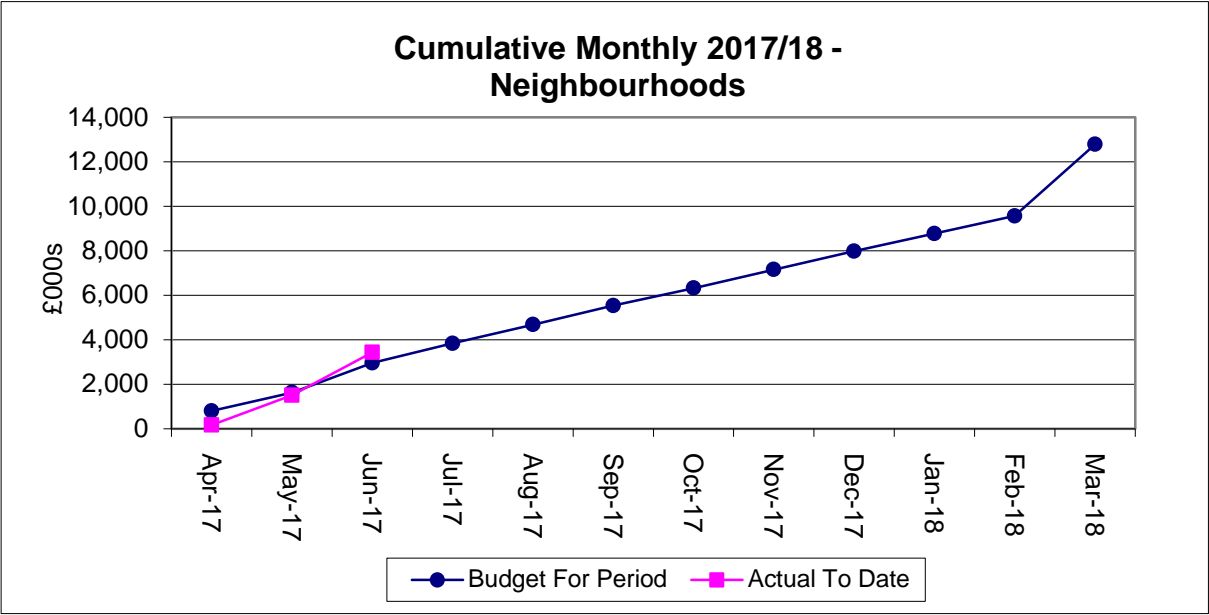
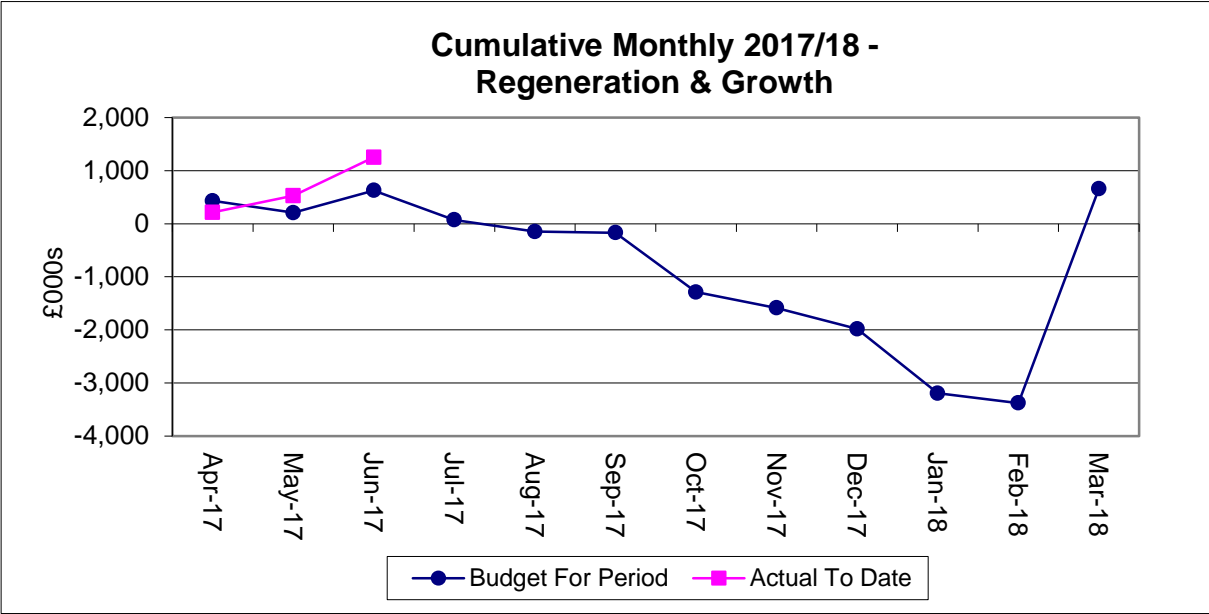
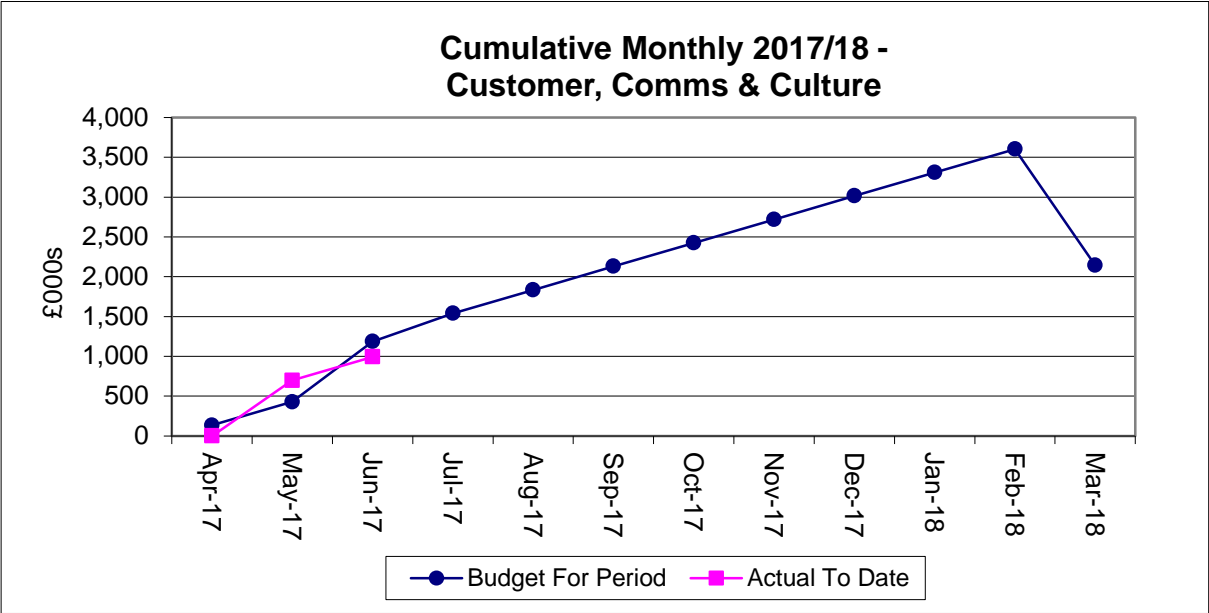
Budget & Expenditure – Monthly by Service Graphs

The following graphs show the monthly budget profile and income/expenditure to date for each general fund service 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 & expenditure, and will be refined and improved during the course of the financial year.





Cumulative Monthly 2017/18 Norwich City Council (Revenue)

