

Report to Cabinet
16 November 2016
Report of Chief finance officer
Subject Revenue budget monitoring 2016/17 – Period 6

Item

5

Purpose

To update cabinet on the provisional financial position as at 30 September 2016, the forecast outturn for the year 2016/17, and the consequent forecast of the General Fund and Housing Revenue Account balances.

Recommendations

To note the financial position as at 30 September 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 £0.593m. The Housing Revenue Account budget is forecast to underspend by £2.705m.

Ward/s: All wards

Cabinet member: Councillor Stonard – Resources and business liaison

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)
Total General Fund budget	0

4. The General Fund has been forecast to underspend by **£0.593m** at year end compared to a forecast underspend last month of **£0.534m**. Key forecast variances from budget are set out below:

<i>Forecast Outturn P5 £000s</i>	<i>General Fund Service</i>	<i>Forecast Outturn P6 £000s</i>	<i>Commentary</i>
(293)	Business Services	(281)	Additional grant income not yet allocated related expenditure (£177k) and movement in bad debt provision (£81k).
102	Finance	319	Variance mainly due to: <ul style="list-style-type: none">• reduction of £88k in forecast interest income from Housing Company as planned loan not yet made• £145k reduction in expected interest income from investments• £44k higher MRP charges than budgeted• additional debit card charges of £56k.
(147)	Human Resources	(151)	Vacant posts and current training spend less than budgeted.

Forecast Outturn P5 £000s	General Fund Service	Forecast Outturn P6 £000s	Commentary
(25)	City Development	(202)	Variance mainly due to: <ul style="list-style-type: none"> • rent reviews taking place on asset properties, increasing the forecast income • bus shelter income higher than budgeted • additional Supporting People grant from County than anticipated.

5. The General Fund shows an underspend against budget to date of **£2.850m**. 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. Significant overspends and underspends to date are:

General Fund Service	Variance To Date P6 £000s	Commentary
Business Services	(998)	<ul style="list-style-type: none"> • (£306k) relating to additional government grants received and other grants received ahead of profile or related expenditure. • (£290k) under profile on contingency budget to date. • Remainder due to timing differences on income and expenditure against the budget profile.
Procurement and Service Improvement	(429)	Due to IT development fund expenditure being behind profile as awaiting invoices.
Customer Contact	(266)	Timing mismatch between Transformation Challenge grant funding received and related expenditure being incurred.
City Development	(794)	Current underspend mainly due to: <ul style="list-style-type: none"> • income from bus lane enforcement and on-street yet to be paid over to County • Highways grant income received but not yet spent or returned (section 38) • bus shelter income received higher than budgeted for • works & premises costs at City Hall lower than budgeted, due to lag in invoice being received/paid.

6. Since setting the 2016/17 budget additional amounts of grant income have been confirmed during the course of the year. In Period 6 an additional £26k of Fraud & Error Reduction Incentive Scheme (FERIS) grant has been confirmed. This grant is ring-fenced for fraud and error activities and will be applied to the costs of administering the tax and benefits systems in line with the terms of the grant.

Housing Revenue Account

7. 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)
Total net HRA budget	0

8. The Housing Revenue Account has been forecast to underspend by **£2.705m** at year end compared to a forecast underspend last month of **£2.498m**. Key forecast variances from budget are set out below:

Forecast Outturn P5 £000s	HRA Division of Service	Forecast Outturn P6 £000s	Commentary
(2,685)	Repairs & maintenance	(3,046)	<p>Overall variance reflects a reduction in forecast responsive repairs works (in line with recent years' outturns) and savings from renegotiated contracts. Key individual variances include:</p> <ul style="list-style-type: none"> • major/minor repairs forecast based on current activity levels (£1,150k); • stair lift repairs forecast reflects reduced number of repairs (£91k); • underspends on water testing (£30k) and lift & fire alarm maintenance (£41k) and water mains renewal (£50k); • central heating servicing based on activity to date (£338k); • exterior painting based on contractor estimates plus reduced timber painting (£198k); • asbestos removal estimate based on current activity (£150k); • asphalt balconies major work covered under capital projects therefore less revenue expenditure required (£100k); • fire prevention work carried out when identified rather than planned (£100k); • no insulation planned for 2016 (£180k); • estate repairs forecast based on reduced number of repairs (£115k) and reduced garage repairs (£75k) • lower current spend on void properties (£200k) due to increase in number of properties eligible for capital whole house upgrades and higher than budgeted tenant contributions (£143k). <p>The movement in forecast from P5 is mainly due to a reduction in forecast major repairs expenditure due to lower than anticipated demand levels.</p>
118	Rents, rates & other property costs	134	Anglian Water forecast expenditure based on updated supplier schedule, this will be offset by increased income under 'service charges - general'.

Forecast Outturn P5 £000s	HRA Division of Service	Forecast Outturn P6 £000s	Commentary
276	Dwelling Rents	276	Rental income forecast to be lower than budget due to delays on new-build projects.
(159)	Service charges - general	(128)	Mainly due to higher income from water charges (£216k) which is offset by higher Anglian Water charges (see Rents, rates & other property costs).

9. The Housing Revenue Account shows an underspend against budget to date of **£4.585m**. 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. Significant overspends and underspends to date are:

HRA Division of Service	Variance To Date P6 £000s	Commentary
Repairs & maintenance	(2,964)	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).
General Management	(264)	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.
Special Services	(358)	District heating gas and fuel oil costs less than profile (163K). Sheltered housing gas and electricity costs also less than profile (£80k). Remainder due to small timing differences between actuals and profile.
Dwelling Rents	(1,069)	Difference due to the weekly rental income running ahead of profile.

Risks

10. A risk-based review based on the size and volatility of budgets has identified 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	191	-627%	RED	-1	3%	GREEN
HRA Repairs - Tenanted Properties	11,848	-2,408	-20%	RED	-2,605	-22%	RED
HRA Repairs - Void Properties	2,639	-389	-15%	RED	-200	-8%	RED
Multi-Storey Car Parks	-1,442	222	-15%	RED	113	-8%	RED
City Hall	1,067	-85	-8%	GREEN	-53	-5%	GREEN
HRA Rents - Estate Properties	-59,223	-1,047	2%	GREEN	276	0%	GREEN
Corporate Management including Contingency	-2,804	-487	17%	RED	-233	8%	RED
Private Sector Leasing Costs	-286	35	-12%	GREEN	-70	25%	GREEN

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

Key Risk Budgets	Commentary
Housing Benefit Payments & Subsidy	Variance to date due to timing differences between expenditure and subsidy receipts.
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 8).
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 only £13k contingency spend up to period 6.

12. 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.

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.

- 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 2017/18. These are reflected in periodic updates to the Medium Term Financial Strategy and Housing Revenue Account Business Plan.

Impact on Balances

16. 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	(593)
= Forecast balance at 31 March 2017	(13,191)

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 £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	(2,705)
= Forecast balance at 31 March 2017	(12,614)

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			
59,380	59,380	Expenditure	30,787	59,380	0
(59,380)	(59,380)	Income	0	(59,380)	0
		Business Improvement District			
656	656	Expenditure	205	656	0
(656)	(656)	Income	0	(656)	0
		National Non-Domestic Rate			
79,138	79,138	Expenditure	39,134	79,138	0
(79,138)	(79,138)	Income	1,134	(79,138)	0
0	0	Total Collection Fund	71,260	0	0

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 2017/18 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 2016/17
Date assessed:	26/09/16
Description:	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 & 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.

Budget Monitoring Summary

Year: 2016/17

Period: 6 (September)

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							
1,800,982	1,345,989	Business Relationship Management	144,234	(852,619)	(996,853)	1,067,724	(278,265)
375,183	386,720	Democratic Services	555,694	499,780	(55,914)	378,193	(8,527)
(18,720,042)	(18,720,042)	Finance	(3,146,431)	(3,025,535)	120,896	(18,403,976)	316,066
0	0	Human Resources	626,065	569,910	(56,155)	(151,455)	(151,455)
0	0	Procurement & Service Improvement	1,446,038	1,017,169	(428,869)	(58,818)	(58,818)
(16,543,877)	(16,987,333)	Total Business Services	(374,400)	(1,791,295)	(1,416,895)	(17,168,332)	(180,999)
Chief Executive							
0	0	Chief Executive	133,179	110,968	(22,211)	(53,366)	(53,366)
0	(18,963)	Strategy & Programme Management	270,794	207,181	(63,613)	(113,688)	(94,725)
0	(18,963)	Total Chief Executive	403,973	318,149	(85,824)	(167,054)	(148,091)
Customers, Comms & Culture							
2,209,128	2,135,653	Communications & Culture	1,141,205	1,234,410	93,205	2,139,969	4,316
(60,851)	(645)	Customer Contact	1,153,915	887,465	(266,450)	(33,151)	(32,506)
2,148,277	2,135,008	Total Customers, Comms & Culture	2,295,120	2,121,875	(173,245)	2,106,818	(28,190)
Regeneration & Growth							
(1,418,443)	(835,442)	City Development	(1,237,519)	(2,031,402)	(793,883)	(1,037,902)	(202,460)
0	0	Environmental Strategy	72,112	64,731	(7,381)	(14,559)	(14,559)
0	0	Executive Head of Regeneration &	72,593	68,379	(4,214)	(8,271)	(8,271)
1,326,678	1,372,404	Planning	381,074	359,304	(21,770)	1,400,339	27,935
258,661	260,441	Property Services	857,732	628,509	(229,223)	186,631	(73,810)
166,896	797,403	Total Regeneration & Growth	145,992	(910,479)	(1,056,471)	526,237	(271,166)
Neighbourhoods							
9,789,981	9,796,535	Citywide Services	4,255,829	4,182,077	(73,752)	9,843,722	47,187
1,796,364	1,692,616	Neighbourhood Housing	520,027	532,563	12,536	1,680,537	(12,079)
2,642,359	2,584,732	Neighbourhood Services	1,249,358	1,192,768	(56,590)	2,584,886	154
14,228,703	14,073,883	Total Neighbourhoods	6,025,214	5,907,407	(117,807)	14,109,145	35,262
0	(2)	Total General Fund	8,495,899	5,645,656	(2,850,243)	(593,185)	(593,183)

Note: The Service Summary has been amended to move the closed-circuit TV cost centre from with Neighbourhood Housing to Neighbourhood Services to align with the revised structure.

HOUSING REVENUE ACCOUNT STATUTORY SUMMARY

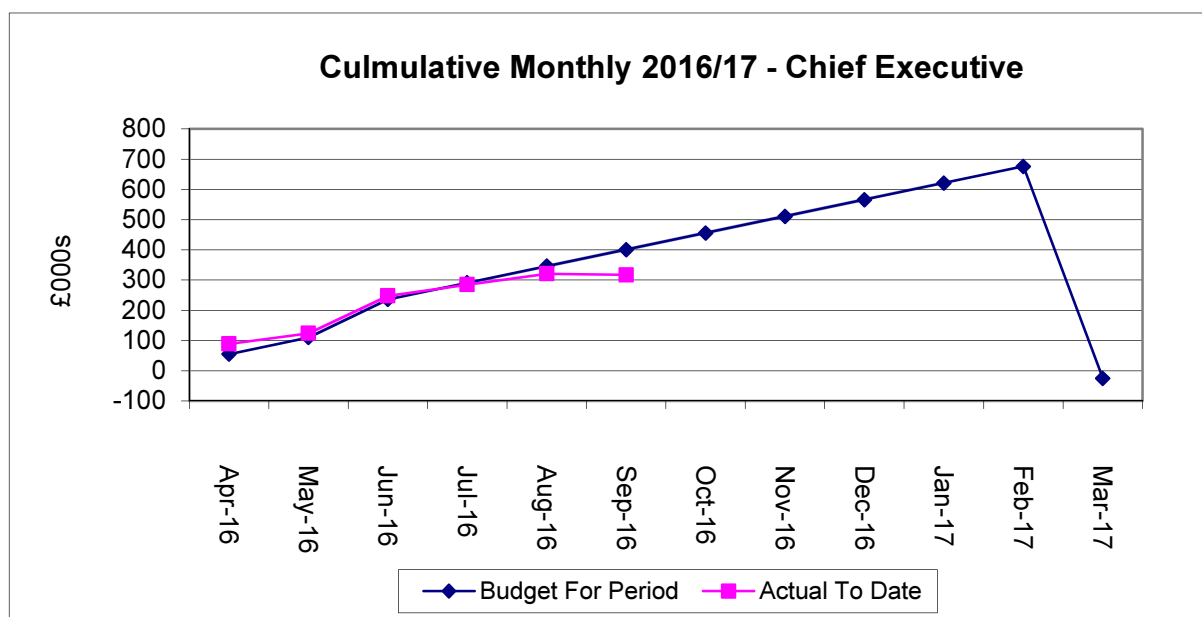
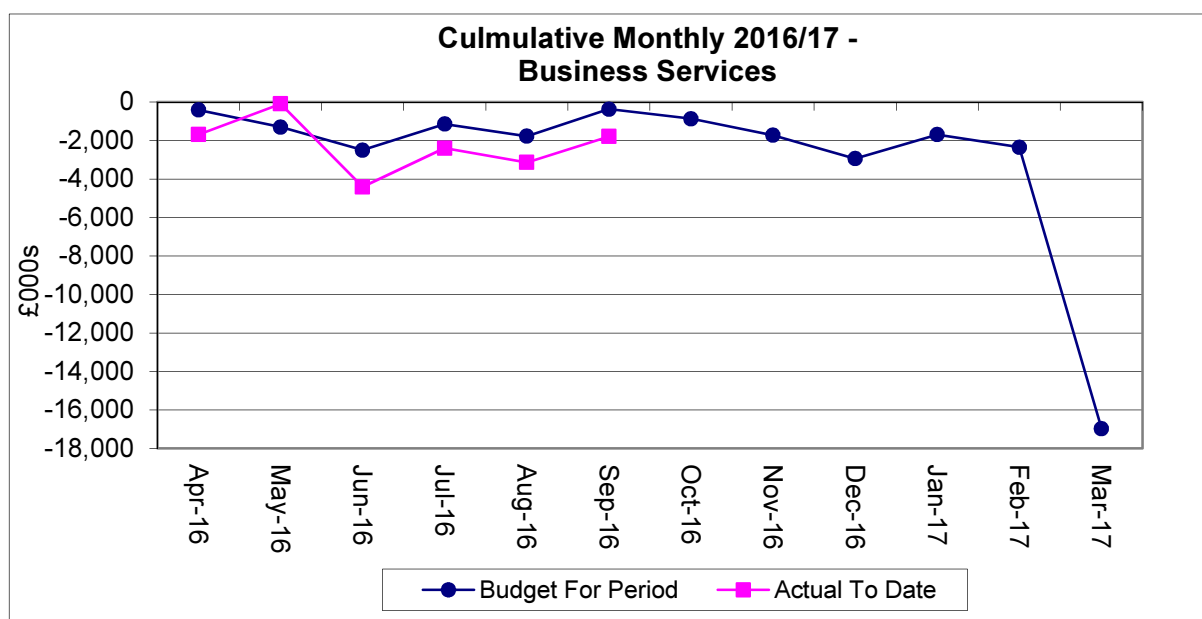
Approved Budget	Current Budget		Budget To Date	Actual To Date	Variance To Date	Forecast Outturn	Forecast Variance
15,499,378	15,499,378	Repairs & Maintenance	7,171,192	4,206,923	(2,964,269)	12,453,596	(3,045,782)
5,936,838	5,936,838	Rents, Rates, & Other Property Costs	5,602,720	5,817,693	214,973	6,070,590	133,752
11,392,777	11,370,353	General Management	3,535,042	3,270,627	(264,415)	11,295,283	(75,070)
5,068,935	5,091,359	Special Services	2,231,140	1,873,154	(357,987)	5,162,725	71,366
22,139,594	22,139,594	Depreciation & 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	(29,486,604)	(30,555,460)	(1,068,856)	(58,697,636)	275,566
(2,223,564)	(2,223,564)	Garage & Other Property Rents	(1,114,756)	(1,074,729)	40,027	(2,148,441)	75,123
(8,343,247)	(8,343,244)	Service Charges - General	(4,475,076)	(4,696,005)	(220,929)	(8,471,145)	(127,901)
(75,000)	(75,000)	Miscellaneous Income	(37,500)	(44,021)	(6,521)	(87,642)	(12,642)
9,966,872	9,966,872	Adjustments & Financing Items	(98,000)	(54,600)	43,400	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
0	3	Total Housing Revenue Account	(16,671,842)	(21,256,418)	(4,584,576)	(2,704,985)	(2,704,988)

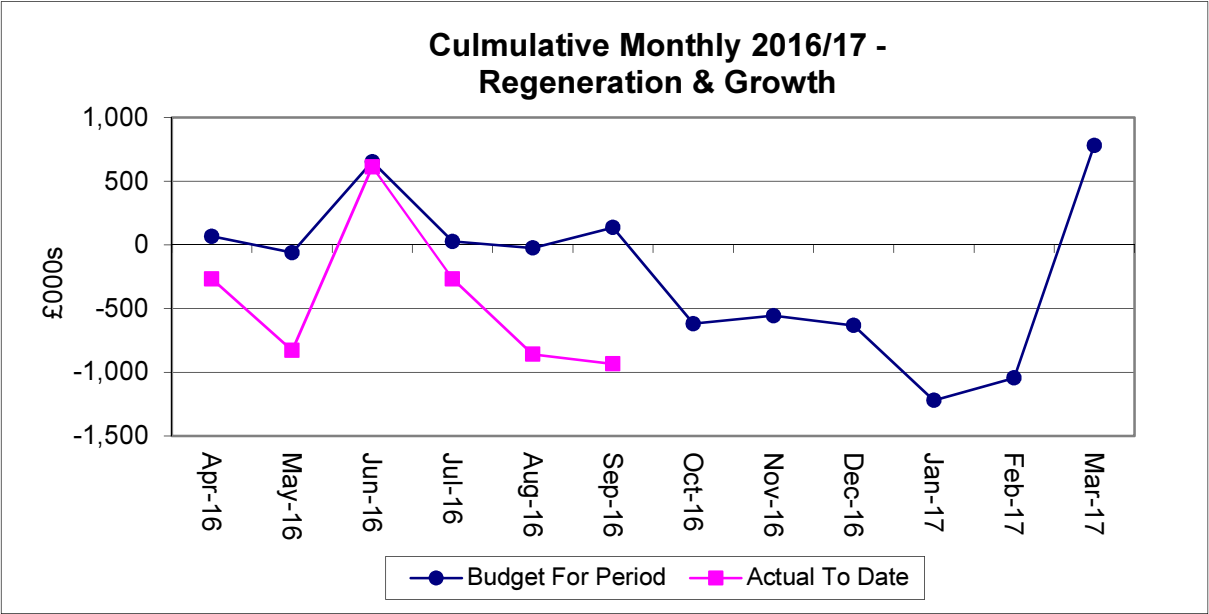
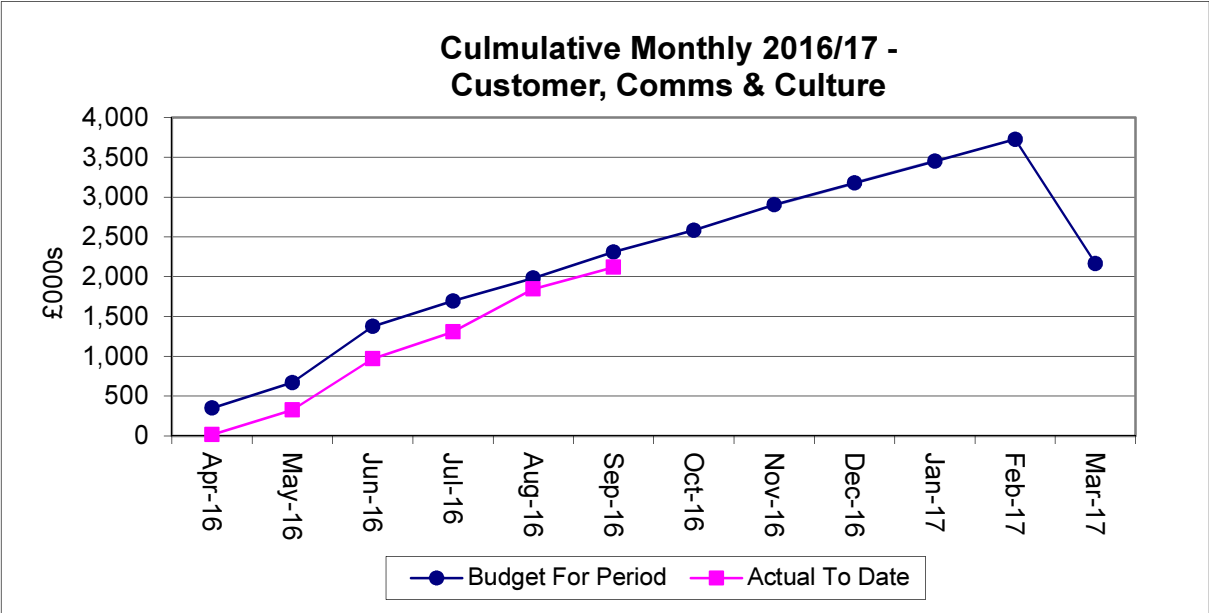
Budget & Expenditure – Monthly by Service Graphs

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.

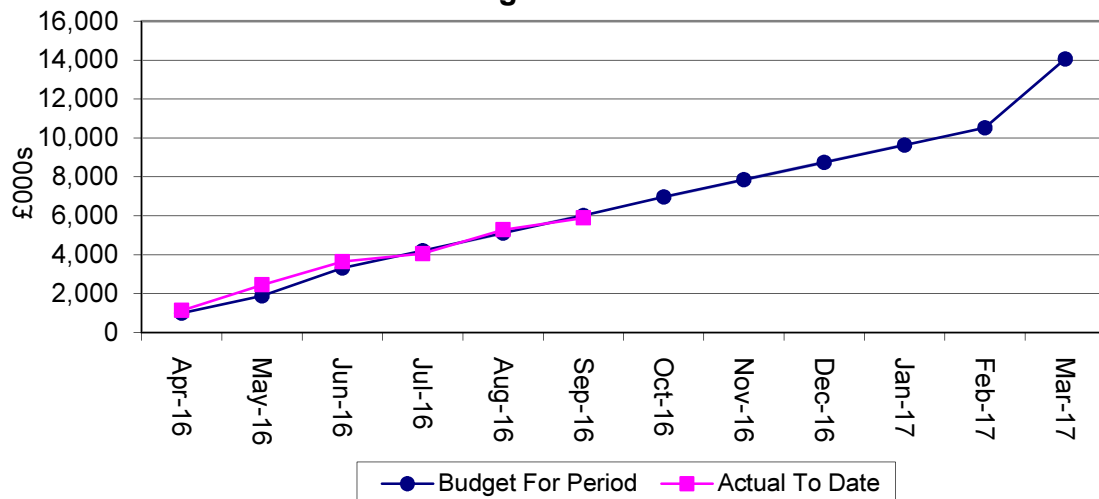
The actual income/expenditure reported is influenced by accrual provisions brought forward from the previous financial year, and by any delays in invoicing and/or payment.

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





**Culmulative Monthly 2016/17 -
Neighbourhoods**



Culmulative Monthly 2016/17 Norwich City Council (Revenue)

