

Report to	Cabinet	Item
	13 July 2016	
Report of	Chief finance officer	7
Subject	Revenue budget monitoring 2016-17: Period 2	

Purpose

To update cabinet on the provisional financial position as at 31st May 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:

1. the financial position as at 31 May 2016 and the forecast outturn 2016/17; and,
2. the additional unbudgeted grants awarded for 2016/17.

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 £0.192m. The Housing Revenue Account budget is forecast to underspend by £0.384m.

Ward/s: All wards

Cabinet member: Councillor Stonard – Resources and income generation

Contact officers

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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 **£0.192m** at year end. Key forecast variances from budget are set out below:

General Fund Service	Forecast Outturn P2 £000s	Commentary
Business Relationship Management	(236)	£288k additional grant income than budgeted.

5. The General Fund shows an overspend against budget to date of **£0.275m**. This overspend 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:

General Fund Service	Variance To Date P2 £000s	Commentary
Business Relationship Management	(966)	LGSS contract costs not yet processed for April and May. Government grants received ahead of profile (£402k).
Procurement & Service Improvement	(393)	LGSS contract costs not yet processed for April and May.
Customer Contact	(301)	Timing mismatch between Transformation Challenge grant funding received and related expenditure being incurred.
City Development	(850)	Variance mainly due to unmatched 15/16 accruals relating to the County Council's share of the Airport income (£500k), on-street parking surplus (£159k) and income from bus lane enforcement (£104k) which are yet to be paid over. £62k underspend on Rose Lane multi-storey car park as rates not yet invoiced.
Citywide Services	600	Grounds maintenance and cleaning contract costs yet to be re-allocated across cost centres.
Human Resources	2,541	Annual pension deficit recovery charge has been made of £2,242k. Cost yet to be reallocated to other cost centre budgets. Contribution to Airport pension costs of £238k ahead of profile.

6. Since setting the 2016/17 budgets additional amounts of grant income have been confirmed. These grants are all related to the costs of administering the tax and benefits systems and will be applied to these areas in line with the terms of the grants. Detail of the grants are set out in the table below:

Income	Purpose	Value £000s
Additional Localised Council Tax Subsidy Admin grant	Subsidy allocation based on benefit caseload data to be applied to local authority expenditure. Total grant allocation of £323k	87
New Burdens Welfare Reform grant	To meet the costs of implementing welfare reform changes in 2016/17	61
FERIS	Ring-fenced for fraud and error activities	39
Local Authority Data Sharing Costs	Ring-fenced grant to cover the IT costs of required changes to the benefit processing systems	12

Income	Purpose	Value £000s
New Burdens - Real Time Information (RTI)	Funding to meet costs incurred by LAs as a result of the on-going implementation of RTI Bulk Data Matching (BDM) Initiative	5
New Burdens - Single Fraud Investigation Service	Ring-fenced to meet costs relating to the Single Fraud Investigation Service Project	5
New Burdens - Reduction in Backdating and removal of Family premium	Ring-fenced to meet the costs of implementing benefits changes in 2016/17	4
New Burdens - Pension Credit Assessed Income Period Reform	New Burdens funding to meet costs incurred by Local Authorities as a result of the removal of Pension Credit Assessed Income Periods	1
Total additional grant income		214

7. In addition, Section 31 grant for 16/17 has been confirmed at £85k higher than budgeted. This grant income will be transferred into the S31 earmarked reserve to meet NDR deficits in future years. The forecast on the movements in reserves cost centre has been adjusted accordingly to ensure no impact on the 16/17 forecast net outturn.

Housing Revenue Account

8. 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

9. The Housing Revenue Account has been forecast to underspend by **£0.384m** at year end. Key forecast variances from budget are set out below:

HRA Division of Service	Forecast Outturn P2 £000s	Commentary
Repairs & maintenance	(443)	Lower than budgeted painting programme costs based on latest estimates from the contractor.

10. The Housing Revenue Account shows an overspend against budget to date of **£1.349m**. This overspend 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:

HRA Division of Service	Variance To Date P2 £000s	Commentary
Repairs & maintenance	(2,065)	Mainly due to unmatched accruals & lower than budgeted responsive repair demand.
Rents, rates & other property costs	4,820	Annual water invoice recognised in full in P2 but expenditure profiled monthly.
General Management	(519)	Annual water commission recognised in full in P2 but income profiled monthly giving rise to in year variance (£239k). Remaining variance due to unmatched 15/16 accruals & staff vacancies.
Special services	(308)	Invoiced grounds maintenance and cleaning contract costs yet to be apportioned to HRA. Forecast for year is to match budget.
Dwelling rents	(753)	Variance due to timing differences, forecast for year is to match budget.

Risks

11. A risk-based review based on the size and volatility of budgets has identified a “Top 10” of key budgets where inadequacy of monitoring and control systems 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	34,120	493	1%	GREEN	5,728	17%	RED
Housing Benefit Subsidy - Council tenants	-34,071	-38	0%	GREEN	-5,969	18%	RED
Housing Benefit Payments - Other tenants	27,946	10	0%	GREEN	2,019	7%	RED
Housing Benefit Subsidy - Other tenants	-28,025	-273	1%	GREEN	-1,777	6%	RED
HRA Repairs - Tenanted Properties	11,848	-1,484	-13%	RED	-443	-4%	AMBER
HRA Repairs - Void Properties	2,639	-540	-20%	RED	0	0%	GREEN
Multi-Storey Car Parks	-1,442	-87	6%	GREEN	0	0%	GREEN
City Hall	1,067	-68	-6%	GREEN	0	0%	GREEN
HRA Rents - Estate Properties	-59,223	-711	1%	GREEN	0	0%	GREEN
Corporate Management including Contingency	-2,804	-480	17%	RED	-153	5%	RED
Private Sector Leasing Costs	-286	-1	0%	GREEN	0	0%	GREEN

12. 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 offset one another with £nil forecast variance at this point in the year.
HRA Repairs - Tenanted Properties and Void Properties	In-year variance mainly due to currently unmatched 15/16 accruals & lower than budgeted responsive repair demand to date. Forecast outturn £433k lower than budget due to reduced costs for the painting programme based on latest estimates from the contractor.
Corporate Management including contingency	£177k additional of grant income than budgeted.

13. 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.
14. 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

15. 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.
16. 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

17. The prudent minimum level of General Fund reserves has been assessed as £4.273m. 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 2016	(12,149)
Budgeted contribution to balances 2016/17	(451)
Forecast outturn 2016/17	(192)
= Forecast balance at 31 March 2017	(12,792)

18. The General Fund balance is therefore expected to continue to exceed the prudent minimum.
19. The Medium Term Financial Strategy assumes that reserves are built up in 2016/17 ahead of drawing down significant balances in future years as set out in the Budget Report to offset known and anticipated grant reductions and ensure a balanced budget.
20. 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	(26,189)
Budgeted use of balances 2016/17	16,281
Forecast outturn 2016/17	(384)
= Forecast balance at 31 March 2017	(10,292)

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

Collection Fund

22. The Collection Fund is made up of three accounts – Council Tax, the Business Improvement District (BID) account, and National Non-Domestic Rates (NDR).

- 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.

25. 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	9,837	59,380	0
(59,380)	(59,380)	Income	0	(59,380)	0
		Business Improvement District			
656	656	Expenditure	189	656	0
(656)	(656)	Income	0	(656)	0
		National Non-Domestic Rate			
79,138	79,138	Expenditure	13,547	79,138	0
(79,138)	(79,138)	Income	416	(79,138)	0
0	0	Total Collection Fund	23,989	0	0

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 2017/18 budget cycle.
29. 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:	12/06/16
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: 2 (May)

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 & Democracy							
1,800,982	1,800,982	Business Relationship Management	(124,696)	(1,090,869)	(966,173)	1,565,390	(235,592)
375,183	375,183	Democratic Services	146,284	45,024	(101,260)	368,211	(6,972)
(18,720,042)	(18,720,042)	Finance	(1,964,533)	(1,833,100)	131,433	(18,633,921)	86,121
0	0	Procurement & Service Improvement	451,854	59,112	(392,742)	(35,930)	(35,930)
(16,543,877)	(16,543,877)	Total Business Relationship Management & Democracy	(1,491,091)	(2,819,834)	(1,328,743)	(16,736,250)	(192,373)
Chief Executive							
0	0	Chief Executive	37,478	33,259	(4,219)	0	0
0	0	Total Chief Executive	37,478	33,259	(4,219)	0	0
Customers, Comms & Culture							
2,209,128	2,209,128	Communications & Culture	339,427	284,262	(55,165)	2,209,128	0
(60,851)	(60,851)	Customer Contact	343,055	41,947	(301,108)	(60,851)	0
2,148,277	2,148,277	Total Customers, Comms & Culture	682,482	326,209	(356,273)	2,148,277	0
Regeneration & Growth							
(1,418,443)	(1,417,877)	City Development	(265,718)	(1,116,071)	(850,353)	(1,417,877)	0
0	0	Environmental Strategy	19,792	10,980	(8,812)	0	0
0	0	Executive Head of Regeneration &	20,032	17,640	(2,392)	0	0
1,326,678	1,326,678	Planning	(36,565)	(81,080)	(44,515)	1,326,678	0
258,661	258,661	Property Services	414,795	346,931	(67,864)	258,661	0
166,896	167,462	Total Regeneration & Growth	152,336	(821,601)	(973,937)	167,462	0
Strategy, People & Neighbourhoods							
9,789,981	9,789,412	Citywide Services	1,354,969	1,955,263	600,294	9,789,412	0
0	0	Human Resources	187,896	2,729,375	2,541,479	0	0
2,283,979	2,283,979	Neighbourhood Housing	355,578	140,665	(214,913)	2,283,979	0
2,154,744	2,154,744	Neighbourhood Services	364,992	361,350	(3,642)	2,154,744	0
0	0	Strategy & Programme Management	76,836	91,399	14,563	0	0
14,228,703	14,228,135	Total Strategy, People & Neighbourhoods	2,340,271	5,278,053	2,937,782	14,228,135	0
0	(3)	Total General Fund	1,721,476	1,996,087	274,611	(192,376)	(192,373)

HOUSING REVENUE ACCOUNT STATUTORY SUMMARY

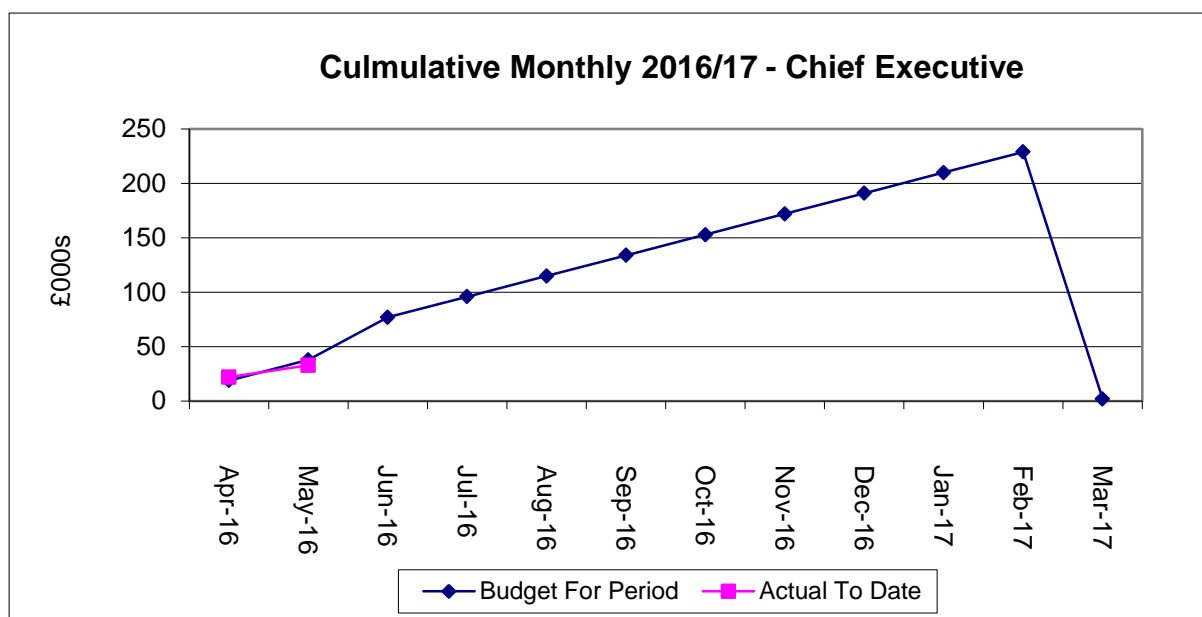
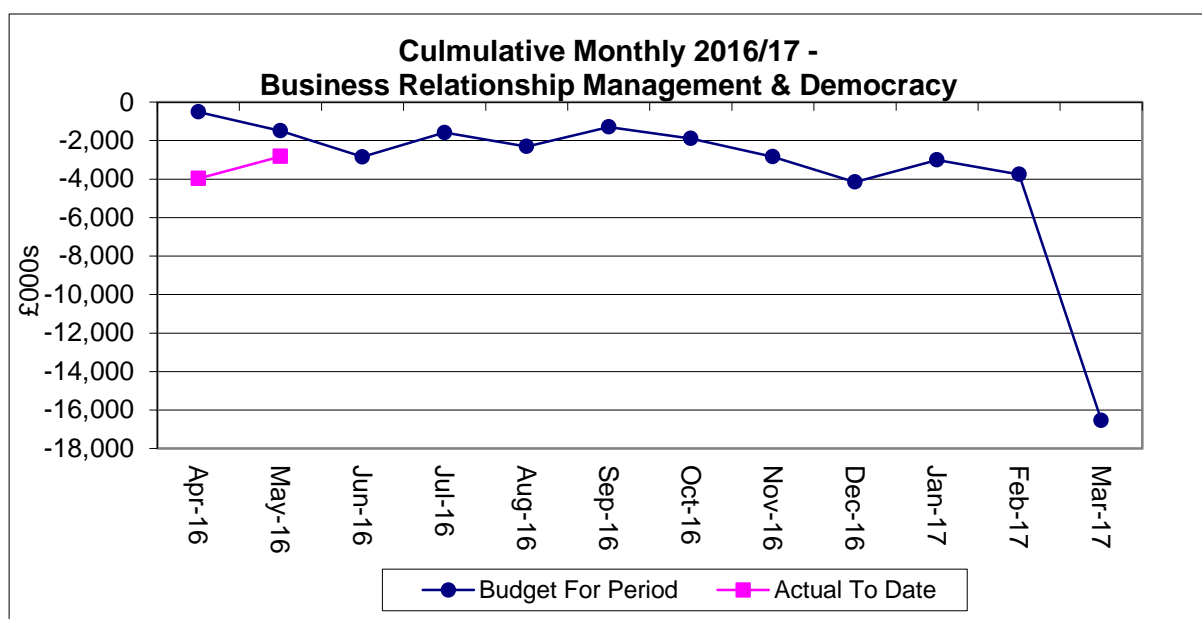
<i>Approved Budget</i>	<i>Current Budget</i>		<i>Budget To Date</i>	<i>Actual To Date</i>	<i>Variance To Date</i>	<i>Forecast Outturn</i>	<i>Forecast Variance</i>
15,499,378	15,499,378	Repairs & Maintenance	1,978,102	(87,319)	(2,065,421)	15,056,495	(442,883)
5,936,838	5,936,838	Rents, Rates, & Other Property Costs	946,920	5,766,658	4,819,738	5,936,838	0
11,392,777	11,392,776	General Management	1,096,572	577,738	(518,834)	11,452,116	59,340
5,068,935	5,068,936	Special Services	595,175	287,651	(307,524)	5,068,936	0
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	(9,828,868)	(10,581,533)	(752,665)	(58,973,202)	0
(2,223,564)	(2,223,564)	Garage & Other Property Rents	(434,130)	(418,931)	15,199	(2,223,564)	0
(8,343,247)	(8,343,244)	Service Charges - General	(1,541,234)	(1,427,488)	113,746	(8,343,244)	0
(75,000)	(75,000)	Miscellaneous Income	(12,500)	(16,931)	(4,431)	(75,000)	0
9,966,872	9,966,872	Adjustments & Financing Items	(48,950)	0	48,950	9,966,872	0
(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	(7,248,913)	(5,900,155)	1,348,758	(383,540)	(383,543)

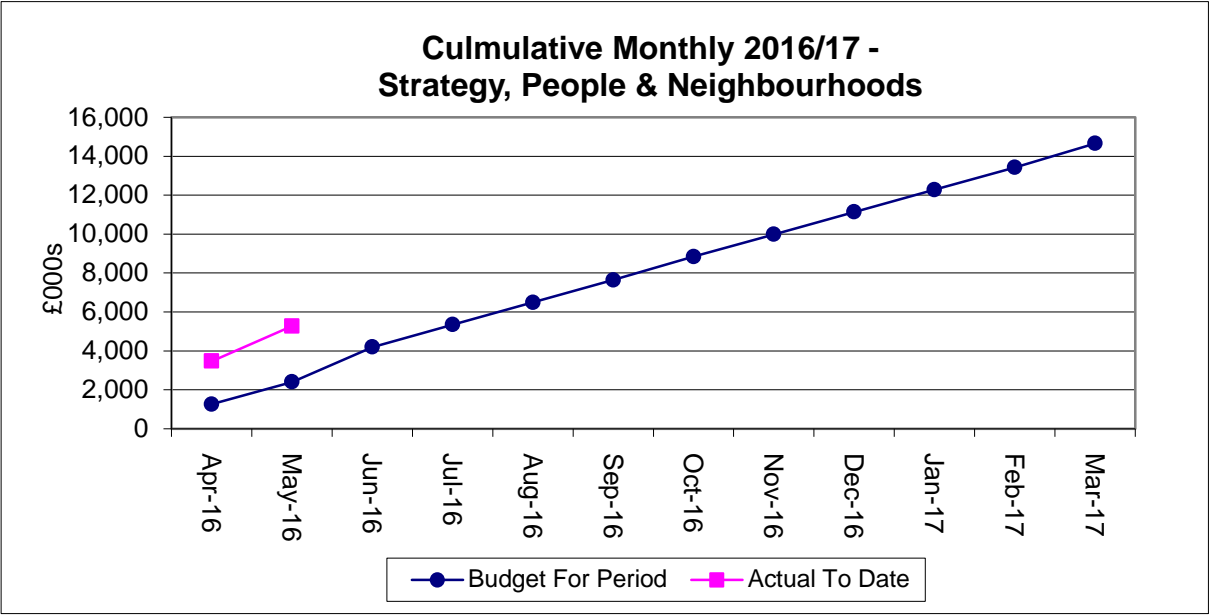
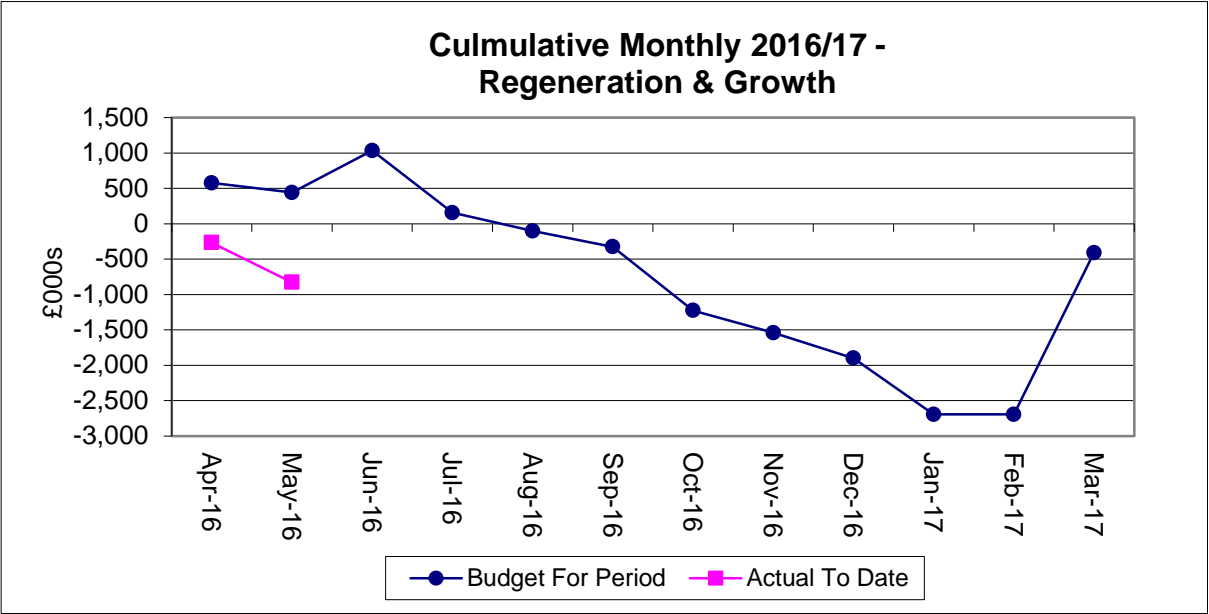
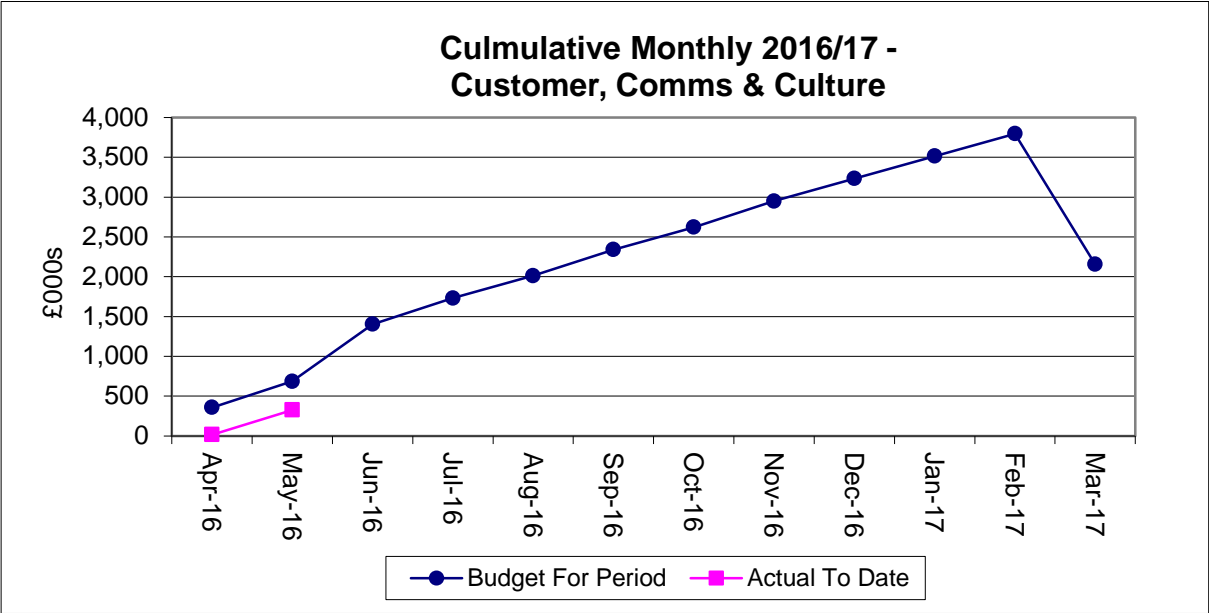
Budget & Expenditure – Monthly by Service Graphs

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 Norwich City Council (Revenue)

