

Report to Cabinet
13 June 2012
Report of Chief finance officer
Subject Revenue Budget Monitoring & Provisional Outturn 2011/12

Item

9

Purpose

To update Cabinet on the financial position as at 31 March 2012 and the provisional outturn for the year 2011/12.

Recommendation

To note the financial position as at 31 March 2012 and provisional outturn 2011/12.

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 financial implications of this report are set out in the text.

Ward/s: All wards

Cabinet member: Councillor Waters – Deputy leader and resources

Contact officers

Caroline Ryba, Chief Finance Officer 01223 699292

Mark Smith, Finance Control Manager 01603 212561

Background documents

Budget Monitoring Reports

Report

1. Council approved budgets for the 2011/12 financial year on 22 February 2011.
2. The attached appendices show the year-to-date positions for the General Fund and the Housing Revenue Account:
 - Appendix 1 shows the General Fund by Directorate and Service, and by Subjective Group
 - Appendix 2 shows the Housing Revenue Account in (near) statutory format, and by Subjective Group
 - Appendix 3 shows in graphical form monthly by service budget and actual (not provisional outturn) expenditure and income. Scales on graphs vary by service.
3. This report shows the final management accounting position for 2011/12, the provisional outturn.
4. The financial statements that will be submitted for Audit and make up the council's Statements of Account will include many accounting adjustments necessary to move from the management accounting position to the IFRS-compliant position, including accounting for pension liabilities, bringing the IT PFI scheme onto the balance sheet and accounting for its' assets and liabilities, and other adjustments needed to reconcile the statutory accounting requirements with IFRS requirements. The Statement of Accounts will include a reconciliation between this provisional outturn and the final financial statements.

General Fund

5. To improve the clarity of the General Fund budget presentation, the current budget has been restated to include budgets for the resources financing the net budget requirement, so that the net budget totals zero:

<i>Service</i>	<i>Approved Budget</i> <i>£000s</i>	<i>Restated Budget</i> <i>£000s</i>
Net Budget Requirement	21,570	21,570
Pooled Non-Domestic Rates		-9,360
Revenue Support Grant		-2,893
Council Tax precept		- 9,208
Collection Fund surplus		-109
Total General Fund budget	21,570	0

6. The General Fund reports show a financial position at 31 March of a **£2.132m overspend** and a provisional outturn of **£1.621m underspend**.

7. Significant contributory factors are set out within the tables in Appendix 1.
8. Overall, the provisional outturn represents a significant underspend against budget. Of the underspend, £1.1m relates to the VAT refund against which additional provision is being made in the prudent minimum balance for 2012/13 and 2013/14 in case of successful challenge by HMRC.

Housing Revenue Account

9. To improve the clarity of the Housing Revenue Account budget presentation, the budget has been restated to include the contribution of the budgeted surplus to the HRA Balance, so that the net budget totals zero:

<i>Service</i>	<i>Approved Budget £000s</i>	<i>Restated Budget £000s</i>
Gross HRA Budgets	-1,091	-1,091
Contribution to HRA Balance		1,091
Total net HRA budget	-1,091	0

10. The Housing Revenue Account reports show a financial position at 31 March of a **£23.780m underspend** and a provisional outturn of **£1.966m underspend**.
11. Significant contributory factors are set out within the tables in Appendix 2.
12. Overall, the provisional outturn represents a significant underspend which will supplement the resources available to maintain & improve the dwelling stock and meet the councils' other housing objectives.

Risks

13. The budgets approved by Council on 22 February 2011 were drawn up in the light of the reduced resources announced by the coalition government. While the risks to 2011/12 are time-expired, here are remaining risks to the medium term financial position from:
 - Reductions in government grant – the budget includes use of a Transitional Grant, and Local Services Support Grant which will disappear or reduce in the future.
 - 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. These are mitigated through provision made in the corporate 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. The provisional outturn has been drawn up on a basis including, where necessary (for instance in the calculation of contributions to Provisions for Bad Debt), estimates based on management assessments, formulae, and extrapolation. The impact of any inaccuracies in these estimations will fall in the 2012/13 financial year.

Financial Planning

15. Overall levels of underspend will have an ongoing impact on revenue balances, the budget for following years, and consequently on 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 2012/13, as shown below.
17. These are reflected in periodic updates to the Medium Term Financial Strategy and Housing Revenue Account Business Plan.

Impact on Balances

18. The prudent minimum level of General Fund reserves has been assessed as £3.002m. The provisional 2011/12 outturn, updated to reflect the audited 2010/11 outturn, is as follows:

<i>Item</i>	<i>£000s</i>
Budgeted balance at 1 April 2011	(4,200)
Impact of audited 2010/11 outturn	(723)
= Audited balance at 1 April 2011	(4,923)
Budgeted use of balances 2011/12	1,014
Provisional outturn 2011/12	(1,621)
= Forecast balance at 31 March 2012	(5,530)

19. Because of the increase in risk in the financial environment, and the possibility of HMRC successfully appealing against the recent £1.1m VAT refund, the prudent minimum level of General Fund reserves has been assessed as £5.518m for 2012/13. The provisional forecast balance shown above complies with this.
20. The Medium Term Financial Strategy anticipates that the level of reserves will need to rise to £7.6m over the period to 31 March 2017. The provisional forecast balance shown above reflects movement toward this target.
21. The prudent minimum level of HRA reserves has been assessed as £2.602m. The provisional 2011/12 outturn, updated to reflect the audited 2010/11 outturn, is as follows:

<i>Item</i>	<i>£000s</i>
Budgeted balance at 1 April 2011	(9,990)
Impact of audited 2010/11 outturn	(3,500)
= Audited balance at 1 April 2011	(13,490)
Budgeted contribution to balances 2011/12	(1,091)
Provisional outturn 2011/12	(1,966)
= Forecast balance at 31 March 2012	(16,547)

22. The level of HRA balance is built into the HRA Business Plan and will be applied to finance the increased level of investment in dwelling stock set out in the Housing Capital Plan.

Integrated impact assessment



NORWICH
City Council

Report author to complete

Committee:	Cabinet
Committee date:	13 June 2012
Head of service:	Chief Finance Officer
Report subject:	Revenue Budget Monitoring & Provisional Outturn 2011/12
Date assessed:	18 May 2012
Description:	This is the integrated impact assessment for the Revenue Budget Monitoring & Provisional Outturn 2011/12 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 has underspent its budgets and met the targets set out in its financial plans.
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

	Impact			
Risk management	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	The underspends achieved on the General Fund and Housing Revenue Account indicate that the risks recognised in budget setting and management have been successfully dealt with.

Recommendations from impact assessment	
Positive	
None	
Negative	
None	
Neutral	
None	
Issues	
None	

GENERAL FUND SERVICE SUMMARY

Approved Budget	Current Budget		Budget To Date	Actual To Date	Variance To Date	Forecast Outturn	Forecast Variance
Chief Executive							
48,542	140	Chief Executive	140	0	(140)	0	(140)
<i>The variance to date and provisional outturn are within expected tolerances.</i>							
2,834,156	2,702,176	Communications & Culture	2,702,176	2,290,982	(411,194)	2,601,023	(101,153)
<i>The variance to date reflects depreciation charges outstanding. The provisional outturn reflects an underspend on events and associated promotion material, savings on salaries in Sports & Leisure and increased income at the Halls and Tourist Information Centre.</i>							
175,153	167,393	Strategy & Programme Management	167,393	124,581	(42,812)	169,726	2,333
<i>The variance to date and provisional outturn reflect salaries underspend from holding vacancies during the year, accrued ESPO gas charges and REIP grant income.</i>							
3,057,851	2,869,709	Total Chief Executive	2,869,709	2,415,564	(454,145)	2,770,749	(98,960)
Corporate Resources							
44,376	140	Corporate Resources	140	0	(140)	0	(140)
<i>The variance to date and provisional outturn are within expected tolerances.</i>							
746,219	(138,370)	Customer Contact	(138,370)	(176,318)	(37,948)	(169,718)	(31,348)
<i>The variance to date and provisional outturn reflect salaries underspend from holding vacancies during the year and increased income from Land Searches.</i>							
(19,847,916)	(20,103,213)	Finance	(20,103,213)	(14,066,702)	6,036,511	(22,128,101)	(2,024,888)
<i>The variance to date reflects delayed receipt of benefit subsidy and the debt interest recharge to the HRA not yet having been processed. The provisional outturn reflects mainly the £1m VAT refund, reduced debt interest costs, and an overachievement against investment income budgets.</i>							
(529,328)	2,882	HR & Learning	2,882	11,875	8,993	11,875	8,993
<i>The variance to date and provisional outturn are within expected tolerances.</i>							
(33,873)	110	Legal & Democratic Services	110	951	841	951	841
<i>The variance to date and provisional outturn are within expected tolerances.</i>							
(46,639)	261,242	Procurement & Service Improvement	261,242	235,967	(25,275)	235,967	(25,275)
<i>The variance to date and provisional outturn are within expected tolerances.</i>							
(19,667,161)	(19,977,209)	Total Corporate Resources	(19,977,209)	(13,994,226)	5,982,983	(22,049,025)	(2,071,816)
Regeneration & Development							
251,108	37,899	City Development	37,899	(1,423,870)	(1,461,769)	104,639	66,740
<i>The variance to date and provisional outturn overall are within expected tolerances. The provisional outturn shows a £0.3m deficit on Highways (although this should reduce to £0.25m on receipt of March income from the county council), £0.1m surplus on parking, investment properties income shortfall of £0.5m (although the net position should reduce on capitalisation of certain asset maintenance costs), and £0.7m grant income surplus in strategic housing..</i>							
9,611,840	9,702,316	Citywide Services	9,702,316	9,073,854	(628,462)	10,167,025	464,709
<i>The variance to date and provisional outturn are affected by increased expenditure relating to contract set-up costs and purchase of equipment which will cover the duration of the contract, and reductions in Licensing income.</i>							
28,344	140	Director of Regeneration & Development	140	6,963	6,823	6,963	6,823
<i>The variance to date and provisional outturn are within expected tolerances.</i>							
2,419,763	2,918,155	Neighbourhood Housing	2,918,155	1,850,080	(1,068,075)	2,785,263	(132,892)
<i>The variance to date and provisional outturn are in relation to unspent ring fenced grant monies allocated as a saving to service, saving on customer contact due to change in service work procedures & saving on rent management for general fund properties due to disposal</i>							
2,437,831	2,628,501	Neighbourhood Services	2,628,501	2,400,428	(228,073)	2,470,259	(158,242)
<i>The variance to date and provisional outturn are an underspend attributed to holding back expenditure, frozen posts and a reduction in number and value of grants awarded</i>							
1,879,218	1,848,088	Planning	1,848,088	1,673,276	(174,812)	1,676,374	(171,714)
<i>The variance is due to staff & recharge savings, an underspend on Local Plan costs due to submission being delayed until 2012/13. These savings were greater than the degree to which planning fee income was below budget.</i>							
(18,794)	(27,599)	Property Services	(27,599)	130,364	157,963	447,141	474,740
<i>The variance to date reflects depreciation charges and capitalisation of works costs not yet processed. The provisional outturn reflects capitalisation and recharge income over-budgeted.</i>							
16,609,310	17,107,500	Total Regeneration & Development	17,107,500	13,711,095	(3,396,405)	17,657,663	550,163
0	0	Total General Fund	0	2,132,432	2,132,432	(1,620,613)	(1,620,613)

GENERAL FUND SUBJECTIVE 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>
20,471,403	20,586,156	Employees	20,586,156	19,726,718	(859,438)	19,671,818	(914,338)
7,601,802	7,689,039	Premises	7,689,039	8,142,492	453,453	8,263,877	574,838
300,483	300,903	Transport	300,903	265,587	(35,316)	265,176	(35,727)
19,237,041	19,279,900	Supplies & Services	19,279,900	19,227,626	(52,275)	19,365,366	85,466
451,300	470,349	Third Party Payments	470,349	589,988	119,639	587,329	116,980
64,131,295	64,131,295	Transfer Payments	64,131,295	67,784,868	3,653,573	67,784,868	3,653,573
3,194,510	2,905,751	Capital Financing	2,905,751	7,030,683	4,124,932	3,866,574	960,823
(20,495,360)	(20,780,449)	Receipts	(20,780,449)	(23,901,767)	(3,121,318)	(23,470,448)	(2,689,999)
(90,061,370)	(90,187,230)	Government Grants	(90,187,230)	(93,160,909)	(2,973,679)	(94,941,285)	(4,754,055)
1,447,897	1,447,897	Centrally Managed	1,447,897	2,404,593	956,696	2,405,129	957,232
25,819,083	24,538,510	Recharge Expenditure	24,538,510	17,963,927	(6,574,583)	20,684,819	(3,853,691)
(32,098,084)	(30,382,121)	Recharge Income	(30,382,121)	(23,941,375)	6,440,746	(26,103,836)	4,278,285
0	0	Total General Fund	0	2,132,432	2,132,432	(1,620,613)	(1,620,613)

Budget Monitoring Report

Year: 2011/12 Period: 10 (Jan)

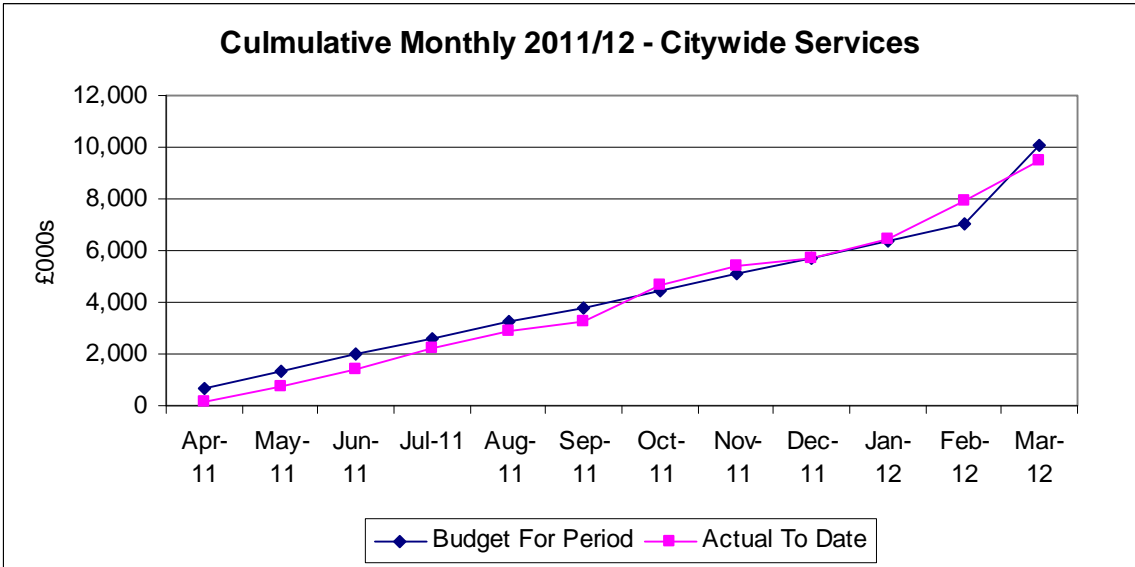
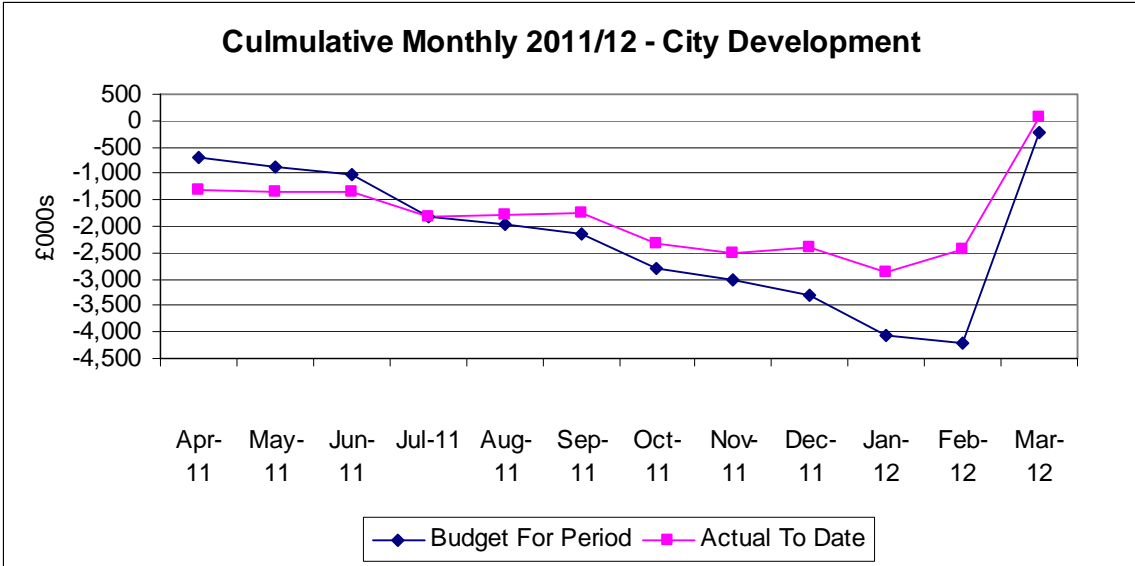
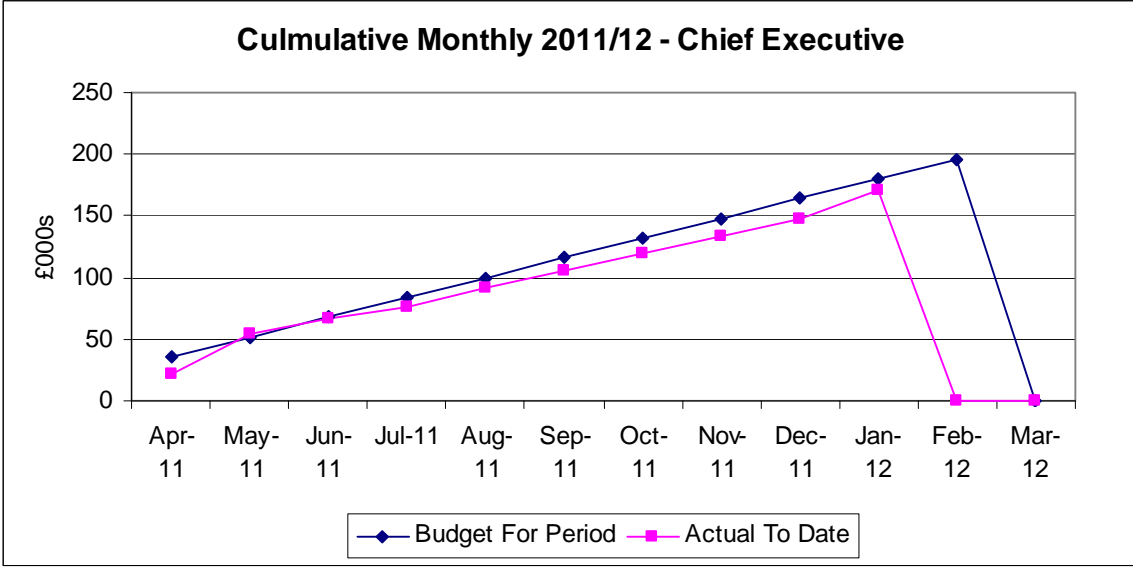
HOUSING REVENUE ACCOUNT STATUTORY SUMMARY

Approved Budget	Current Budget		Budget To Date	Actual To Date	Variance To Date	Forecast Outturn	Forecast Variance
13,321,921	11,827,161	Repairs & Maintenance	11,827,161	8,728,035	(3,099,126)	11,654,743	(172,418)
<i>The variance to date and provisional outturn reflect significant savings following on from the retendering of the repairs contracts offset by de-capitalisation of repairs & improvements not meeting IFRS capitalisation requirements..</i>							
6,175,847	6,175,847	Rents, Rates, & Other Property Costs	6,175,847	6,048,584	(127,263)	6,048,584	(127,263)
<i>The variance to date and provisional outturn relate to reduced water charges to tenants (contra with reduced water charges received)</i>							
9,635,346	10,318,427	General Management	10,318,427	10,797,797	479,370	10,919,666	601,239
<i>The variance to date and provisional outturn relate to historic recharges</i>							
5,841,691	6,364,601	Special Services	6,364,601	5,402,318	(962,283)	5,322,554	(1,042,047)
<i>The variance to date and provisional outturn relate to reduction in car park recharges, significant savings on utility charges & contracts.</i>							
14,600,640	14,600,640	Depreciation & Impairment	14,600,640	5,772	(14,594,868)	14,503,912	(96,728)
<i>The variance to date and provisional outturn are within expected tolerances</i>							
205,000	205,000	Provision for Bad Debts	205,000	432,336	227,336	432,336	227,336
<i>The variance to date and provisional outturn reflect an increase in the provision required due to closer scrutiny of non-rent debt outstanding, principally for rechargeable repairs and recoverable void costs, where collection from former tenants is often problematic.</i>							
(52,048,674)	(52,048,674)	Dwelling Rents	(52,048,674)	(52,510,641)	(461,967)	(52,510,641)	(461,967)
<i>The variance to date and provisional outturn reflect a higher than anticipated rental income, which is largely due a reduction in void rates throughout the year as a result of the improvement in turnaround times of void properties.</i>							
(2,298,601)	(2,298,601)	Garage & Other Property Rents	(2,298,601)	(2,331,423)	(32,822)	(2,352,349)	(53,748)
<i>The variance to date and provisional outturn are within expected tolerances.</i>							
8,058,200	8,058,200	Housing Subsidy	8,058,200	156,900,957	148,842,757	156,900,957	148,842,757
<i>The variance to date and provisional outturn incorporate the payment to CLG of the HRA Self-Financing settlement sum of £149m.</i>							
(9,518,994)	(9,518,994)	Service Charges - General	(9,518,994)	(8,997,705)	521,289	(8,997,705)	521,289
<i>The variance to date and provisional outturn relate to leaseholder service charge contribution to capital receipts & reduced water charges (contra against reduced tenant charges for supply)</i>							
(175)	(175)	Miscellaneous Income	(175)	(49,462)	(49,287)	(49,462)	(49,287)
<i>The variance to date and provisional outturn relate to unexpected court cost income</i>							
6,640,469	6,929,238	Adjustments & Financing Items	6,929,238	(148,206,836)	(155,136,074)	(143,076,113)	(150,005,351)
<i>The variance to date and provisional outturn incorporate the receipt of the £149m borrowed for HRA Self-Financing.</i>							
(499,430)	(499,430)	Amenities shared by whole community	(499,430)	0	499,430	(649,267)	(149,837)
<i>The variance to date and provisional outturn reflect NCAS capital charges reclassified as revenue</i>							
(113,240)	(113,240)	Interest Received	(113,240)	0	113,240	(113,240)	0
<i>The interest receivable has yet to be calculated since it depends on all other revenue balances.</i>							
0	0	Total Housing Revenue Account	0	(23,780,268)	(23,780,268)	(1,966,025)	(1,966,025)

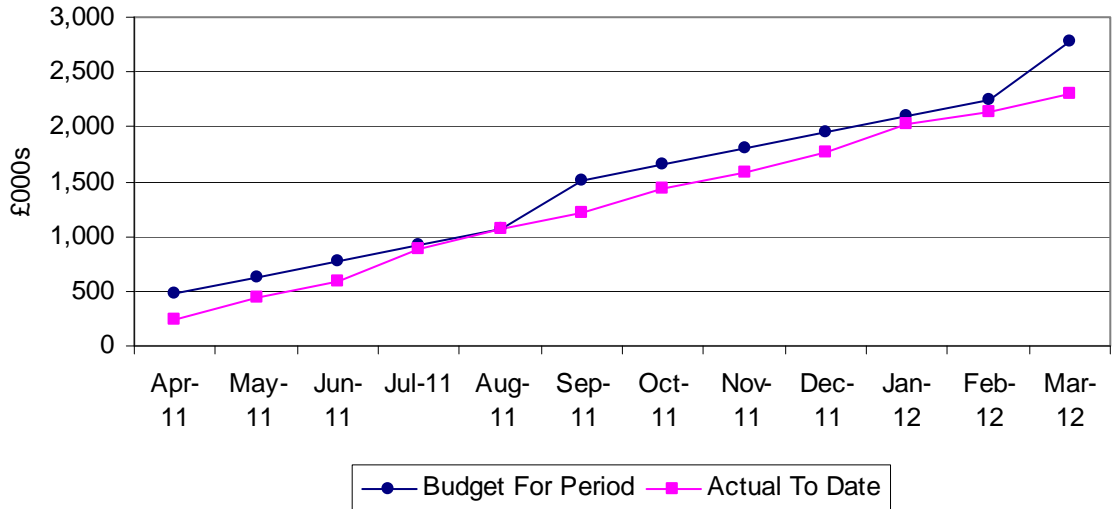
HOUSING REVENUE ACCOUNT SUBJECTIVE SUMMARY

Approved Budget	Current Budget		Budget To Date	Actual To Date	Variance To Date	Forecast Outturn	Forecast Variance
7,283,050	7,566,141	Employees	7,566,141	7,788,956	222,815	7,788,956	222,815
20,948,352	20,912,652	Premises	20,912,652	16,894,906	(4,017,746)	19,828,526	(1,084,126)
164,295	166,945	Transport	166,945	167,980	1,035	167,980	1,035
3,178,641	3,505,646	Supplies & Services	3,505,646	3,507,484	1,838	3,507,484	1,838
26,400	26,400	Third Party Payments	26,400	23,649	(2,751)	23,649	(2,751)
7,347,463	5,147,174	Recharge Expenditure	5,147,174	5,025,087	(122,087)	5,153,003	5,829
16,204,609	16,493,378	Capital Financing	16,493,378	(148,321,206)	(164,814,584)	(133,823,066)	(150,316,444)
(65,103,304)	(65,024,504)	Receipts	(65,024,504)	(64,842,393)	182,111	(64,976,559)	47,945
8,058,200	7,812,474	Government Grants	7,812,474	156,612,249	148,799,775	156,612,249	148,799,775
(3,145,706)	(1,644,306)	Recharge Income	(1,644,306)	(636,979)	1,007,327	(1,286,246)	358,060
5,038,000	5,038,000	Rev Contribs to Capital	5,038,000	0	(5,038,000)	5,038,000	0
0	0	Total Housing Revenue Account	0	(23,780,268)	(23,780,268)	(1,966,025)	(1,966,025)

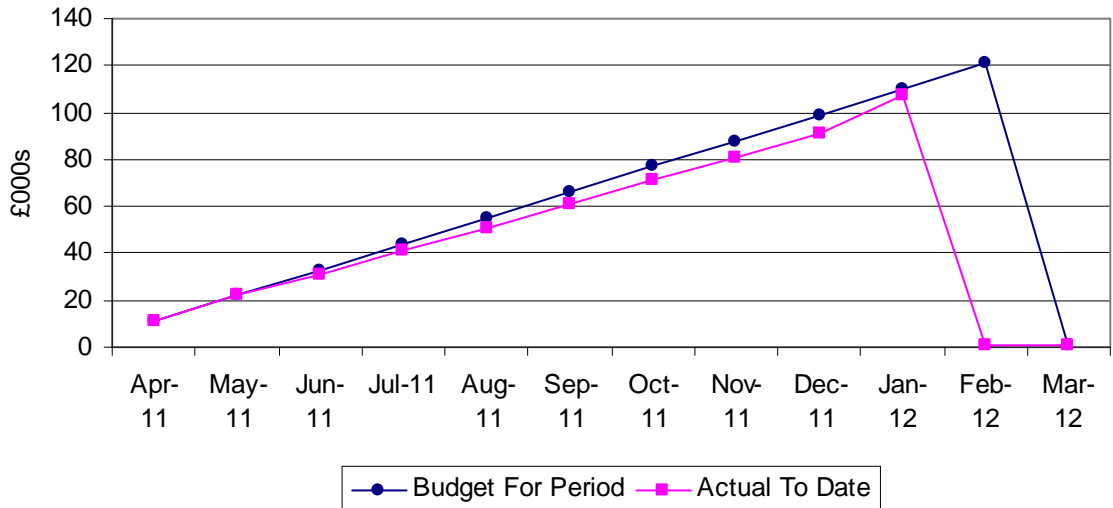
Budget & Actual Expenditure – Monthly by Service



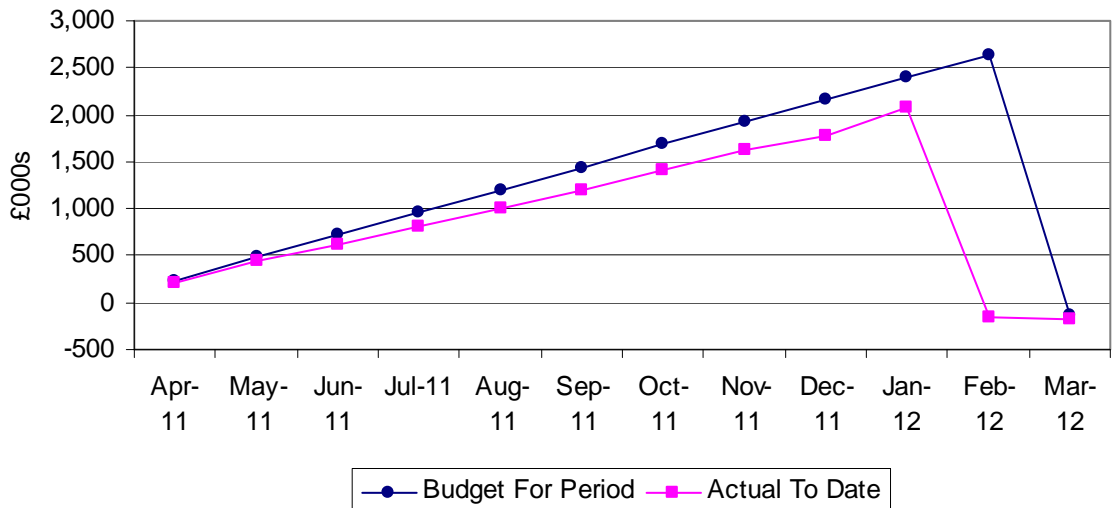
Culmulative Monthly 2011/12 - Communications & Culture



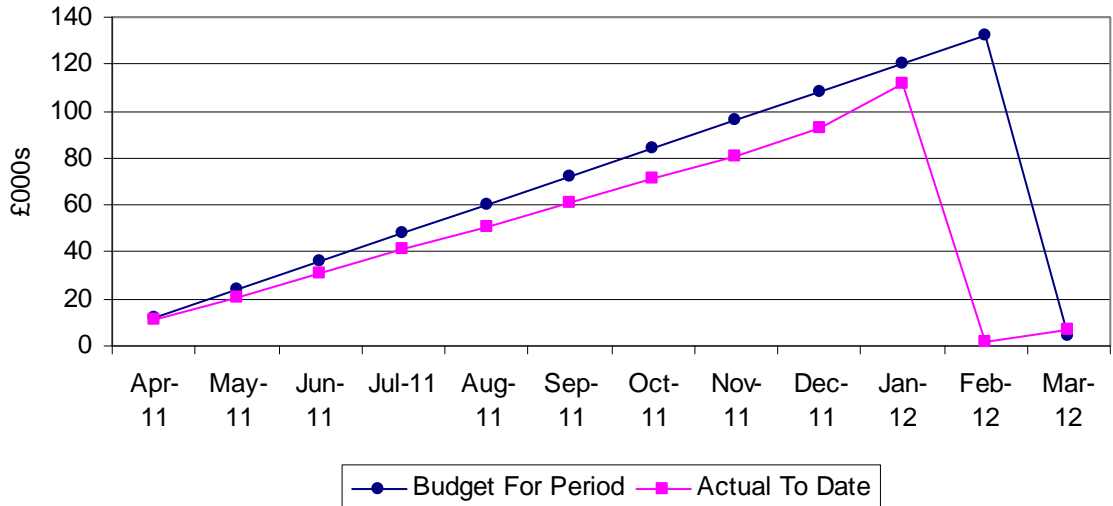
Culmulative Monthly 2011/12 - Corporate Resources



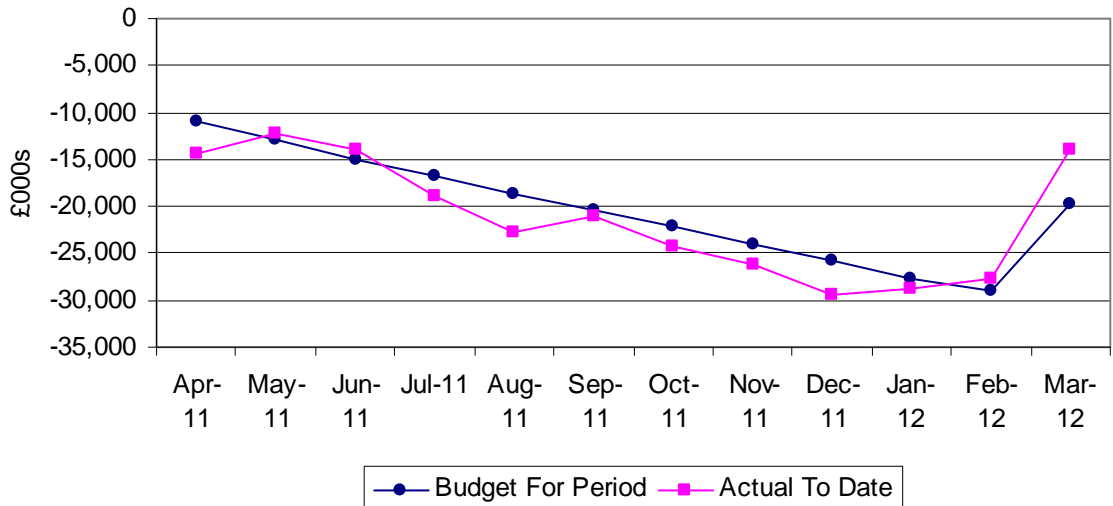
Culmulative Monthly 2011/12 - Customer Contact



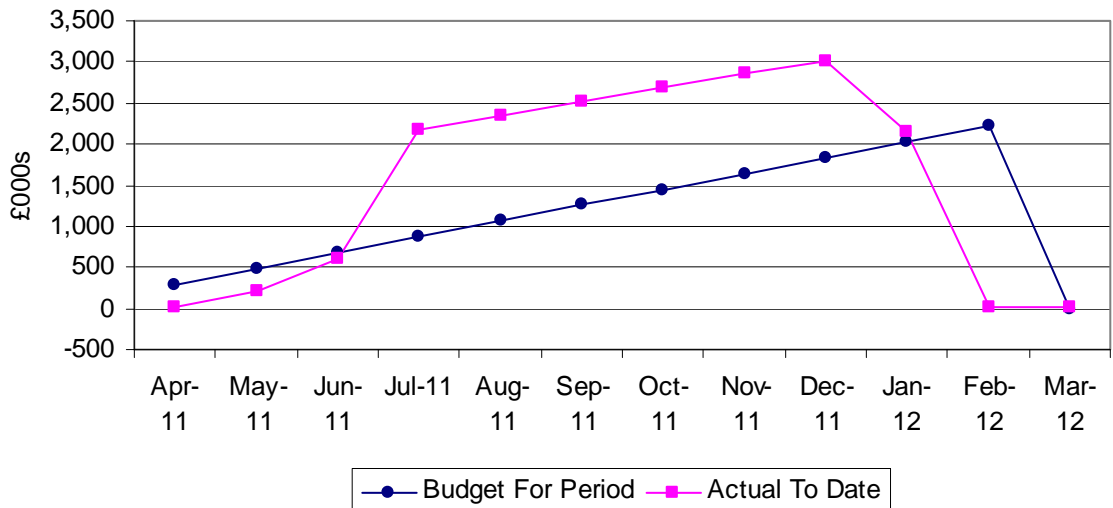
Culmulative Monthly 2011/12 - Director of R+D



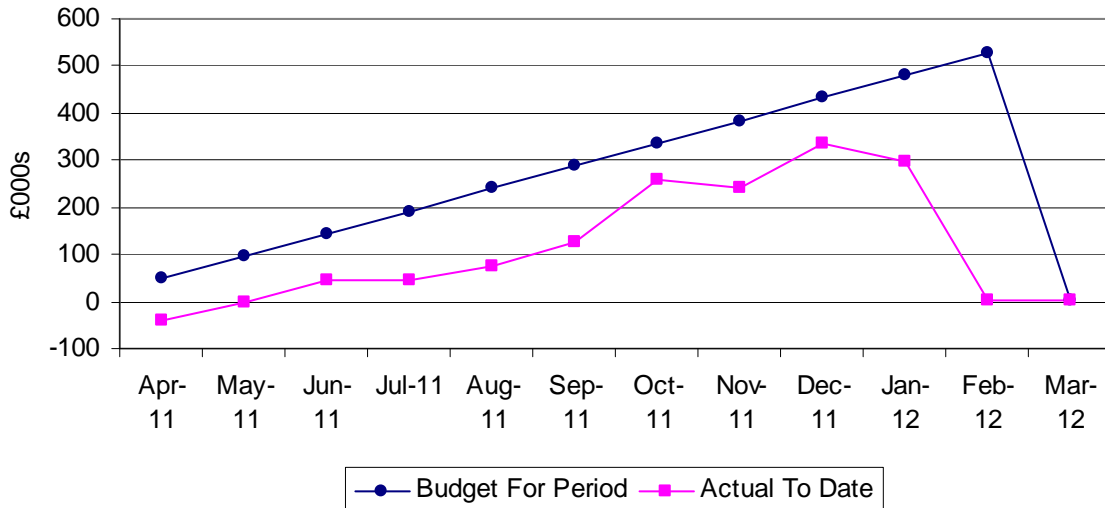
Culmulative Monthly 2011/12 - Finance



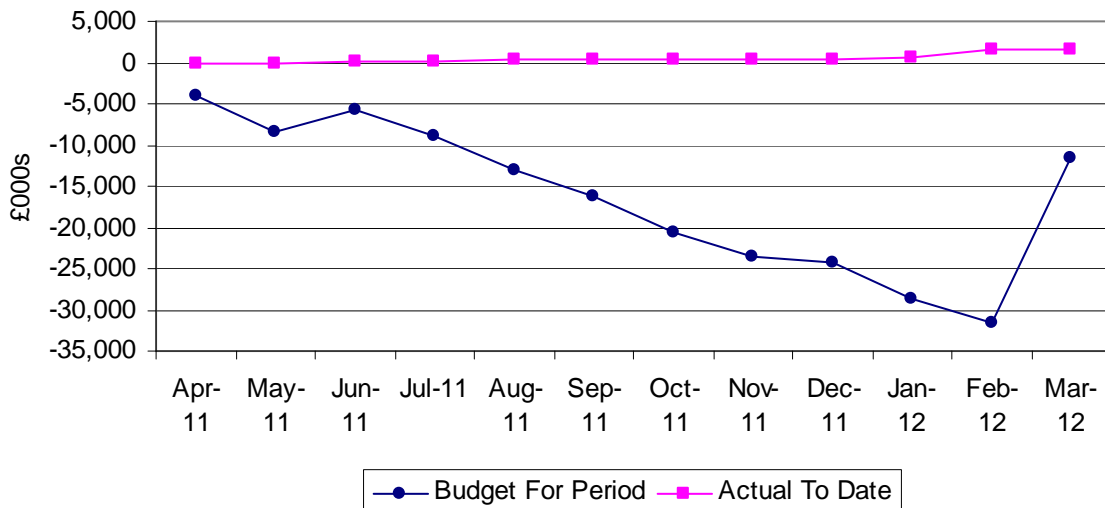
Culmulative Monthly 2011/12 - HR & Learning



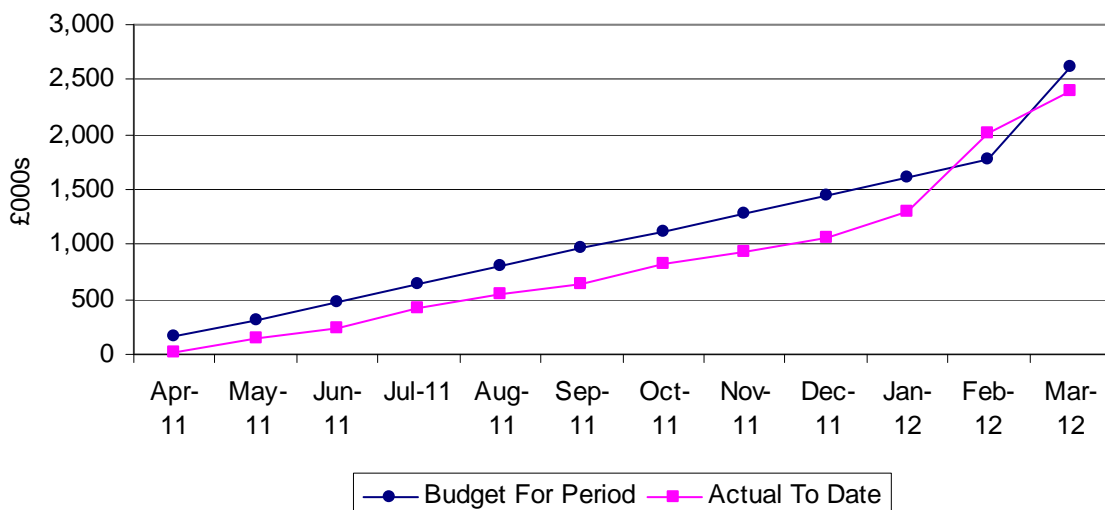
Culmulative Monthly 2011/12 - Legal Services



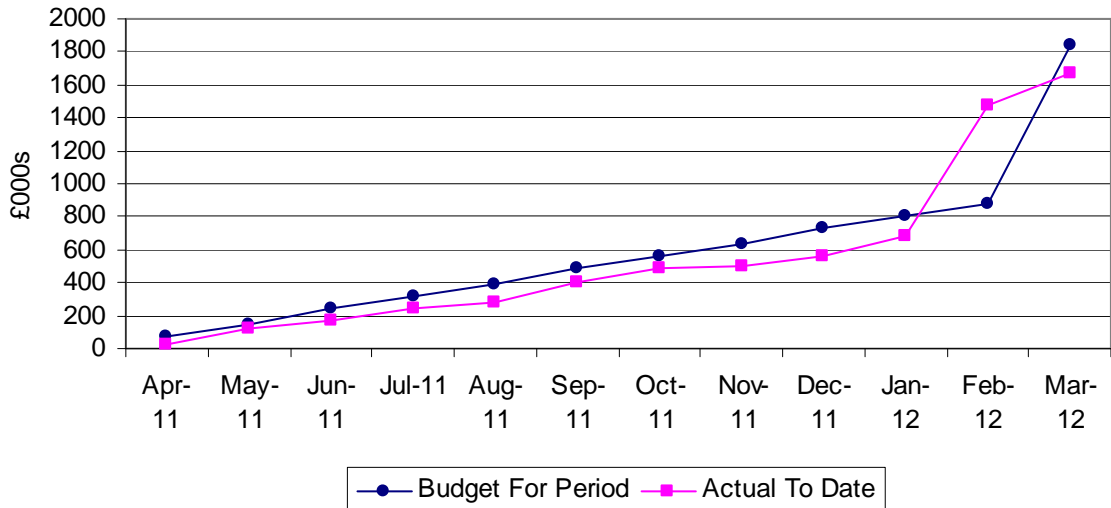
Culmulative Monthly 2011/12 - Neighbourhood Housing



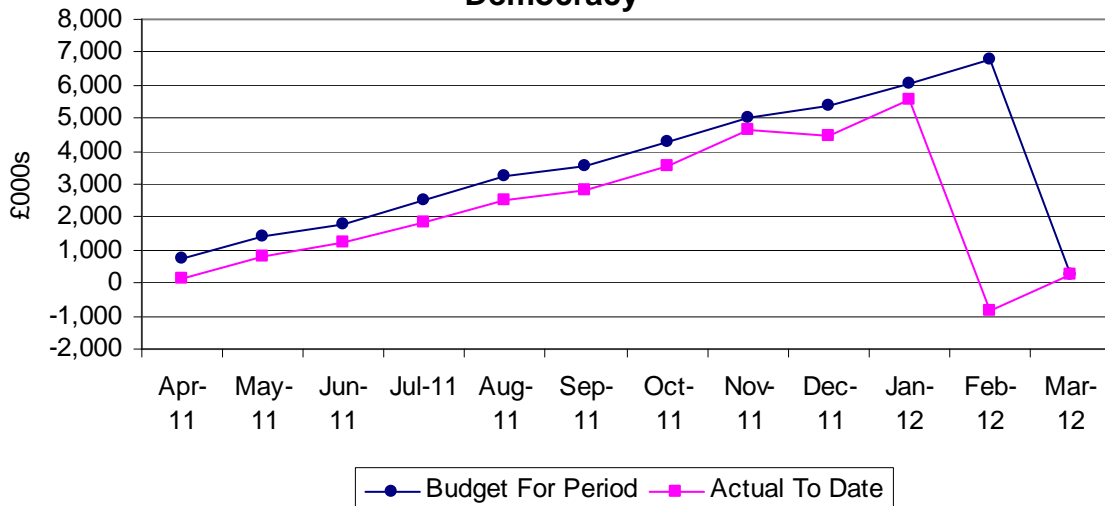
Culmulative Monthly 2011/12 - Neighbourhood Services



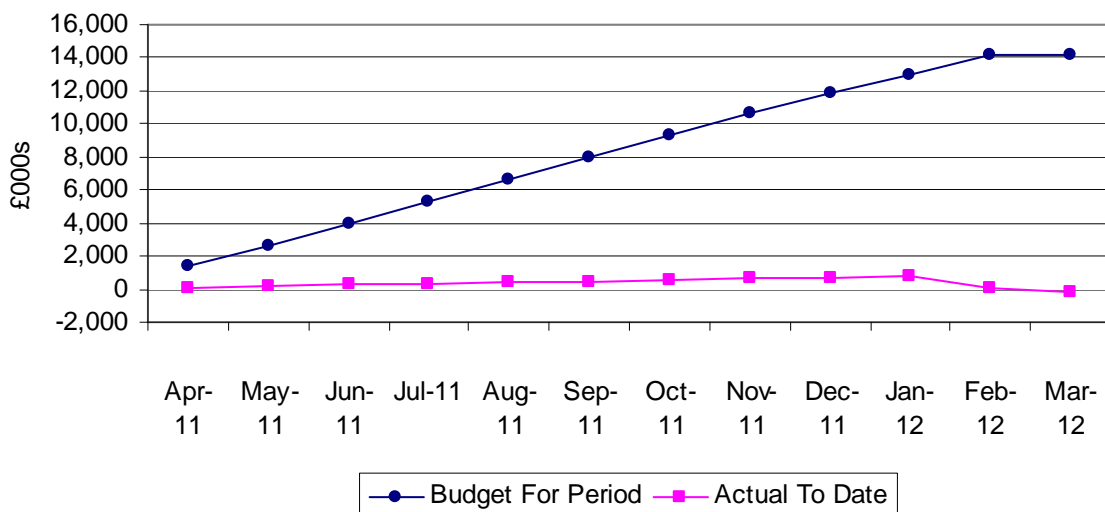
Culmulative Monthly 2011/12 - Planning



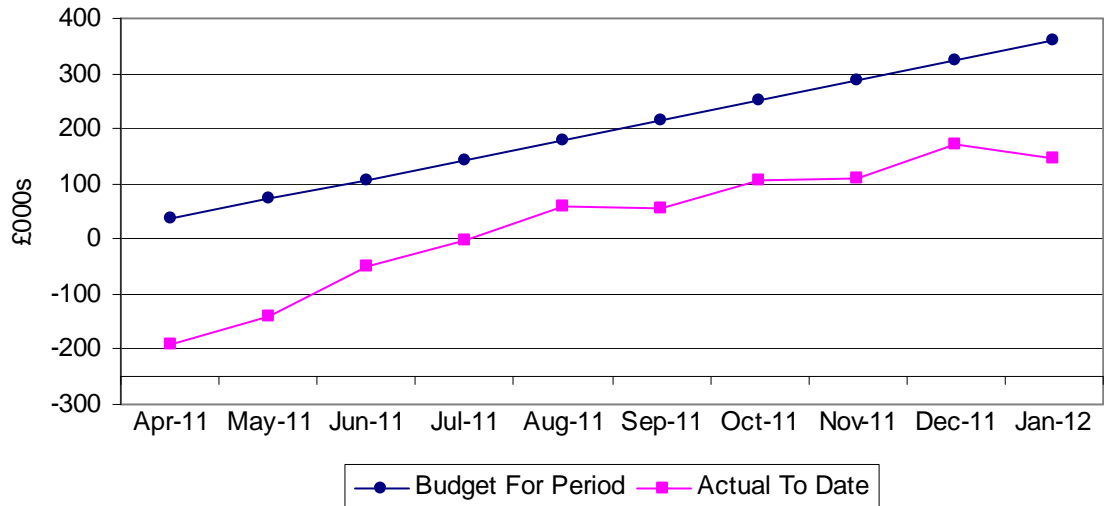
Culmulative Monthly 2011/12 - Procurement, Systems, Democracy



Culmulative Monthly 2011/12 - Property Services



Culmulative Monthly 2011/12 - Strategy & Programmes



Culmulative Monthly 2011/12 Norwich City Council (Revenue)

