

Report to Cabinet

Item

Report of Chief finance officer

Subject Revenue budget monitoring 2017/18 – Period 4

10

Purpose

To update Cabinet on the provisional financial position as at 31st July 2017, the forecast outturn for the year 2017/18, and the consequent forecast of the General Fund and Housing Revenue Account balances.

Recommendations

To note the financial position as at 31st July 2017 and the forecast outturn 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 underspend by £0.005m. The Housing Revenue Account budget is forecast to underspend by £0.549m.

Ward/s: All wards

Cabinet member: Councillor Kendrick – resources

Contact officers

Karen Watling, chief finance officer
Hannah Simpson, group accountant

01603 212440
01603 212561

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
 - [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:

<i>Item</i>	<i>Approved Budget £000s</i>
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 underspend by **£0.005m** at year end. Key forecast variances from budget are set out below:

<i>Forecast Outturn P3 £000s</i>	<i>General Fund Service</i>	<i>Forecast Outturn P4 £000s</i>	<i>Commentary</i>
330	Finance	375	<p>£173k lower interest income from Housing Company, this is due to a delay in the company requiring the loan to be made. A review of the financial model has been undertaken and loan agreement with the Housing Company being drawn up.</p> <p>Net overspend forecast on Housing Benefit of £188k. 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>

<i>Forecast Outturn P3 £000s</i>	<i>General Fund Service</i>	<i>Forecast Outturn P4 £000s</i>	<i>Commentary</i>
(162)	Human Resources	(318)	Lower than budgeted pension liability costs for former employees. The payment value was amended following the triennial valuation of the pension scheme. In addition, vacant posts within service area.
(41)	Strategy & Programme Management	(102)	Second homes income higher than budgeted; vacant posts within service area.
(143)	Citywide Services	(221)	Lower than budgeted pension liability costs for former employees. The payment value was amended following the triennial valuation of the pension scheme. This is offset by reduced forecast in relation to income from market rental of £29k and cemeteries of £50k.
113	City Development	171	Lower rental income due to disposals and vacant properties, plus no new rental income from commercial investment purchases to date. 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.

5. The 17/18 budgets included £3.312m of transformation savings/income. Current forecasts indicate that £0.558m 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, additional income and salary underspends are offsetting these and reducing the forecast to an underspend of £0.005m. 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 underspend against profiled budget to date of **£0.422m**. 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. The main variances at P4 relate to invoices not being received and processed in line with the expected profile.
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.

Housing Revenue Account

8. 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

9. The Housing Revenue Account has been forecast to underspend by **£0.549m** at year end. Key forecast variances from budget are set out below:

<i>Forecast Outturn P3 £000s</i>	<i>HRA Division of Service</i>	<i>Forecast Outturn P4 £000s</i>	<i>Commentary</i>
(233)	General Management	(386)	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. Lower than budgeted forecast spend on energy performance certificates and car parking permits, plus vacant posts within the service area.
(141)	Services Charges – General	(103)	Current projection forecasts rent and utility service charge income to be higher than initial budget.

10. 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 **£1.603m**. 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. The main variances at P4 relate to invoices not being received and processed in line with the expected profile.

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 & Subsidy	-160	369	-230%	RED	188	-117%	RED
HRA Repairs - Tenanted Properties	10,584	-1,127	-11%	RED	-80	-1%	GREEN
HRA Repairs - Void Properties	2,539	-34	-1%	GREEN	0	0%	GREEN
Multi-Storey Car Parks	-1,315	135	-10%	RED	16	-1%	GREEN
City Hall	977	-65	-7%	GREEN	-26	-3%	GREEN
HRA Rents - Estate Properties	-57,942	-22	0%	GREEN	-61	0%	GREEN
Corporate Management including Contingency	-2,097	-12	1%	GREEN	-13	1%	GREEN
Private Sector Leasing Costs	-290	-3	1%	GREEN	50	-17%	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	Net overspend forecast on Housing Benefit of £188k. 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.

13. 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.

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 2018/19. 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 £4.161m. 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	(5)
= Forecast balance at 31 March 2018	(13,161)

18. The General Fund balance is therefore expected to continue to exceed the prudent minimum.
19. 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	(549)
= Forecast balance at 31 March 2018	(20,959)

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

Collection Fund

21. 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.
22. 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.

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

24. 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 2017
Head of service:	chief finance officer
Report subject:	Revenue Budget Monitoring 2017/18
Date assessed:	25/08/17
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: 4 (July)

GENERAL FUND SERVICE SUMMARY

<i>Approved Budget</i>	<i>Current Budget</i>		<i>Budget To Date</i>	<i>Actual To Date</i>	<i>Variance To Date</i>	<i>Forecast Outturn</i>	<i>Forecast Variance</i>
Business Services							
3,096,603	3,087,489	Business Services	554,920	99,766	(455,154)	3,143,239	55,750
291,867	291,867	Democratic Services	260,190	367,950	107,760	293,294	1,427
(19,214,059)	(19,214,059)	Finance	(4,216,897)	(3,964,650)	252,247	(18,839,516)	374,543
0	0	Human Resources	447,517	376,917	(70,600)	(318,407)	(318,407)
0	0	Procurement & Service Improvement	1,329,286	1,025,922	(303,364)	(57,659)	(57,659)
(15,825,589)	(15,834,703)	Total Business Relationship Management & Democracy	(1,624,984)	(2,094,096)	(469,112)	(15,779,049)	55,654
Chief Executive							
0	0	Chief Executive	81,754	93,671	11,917	(12,126)	(12,126)
201,843	201,843	Strategy & Programme Management	274,410	253,041	(21,369)	100,332	(101,511)
201,843	201,843	Total Chief Executive	356,164	346,713	(9,451)	88,207	(113,636)
Customers, Comms & Culture							
2,143,249	2,151,328	Communications & Culture	866,037	793,151	(72,886)	2,161,519	10,191
(2,760)	(2,760)	Customer Contact	673,644	627,327	(46,317)	34,248	37,008
2,140,489	2,148,568	Total Customers, Comms & Culture	1,539,681	1,420,478	(119,203)	2,195,767	47,199
Neighbourhoods							
10,229,891	10,232,832	Citywide Services	3,186,525	3,376,007	189,482	10,011,735	(221,097)
1,728,634	1,728,634	Neighbourhood Housing	362,026	250,700	(111,326)	1,723,374	(5,260)
807,037	829,702	Neighbourhood Services	291,022	155,629	(135,393)	808,066	(21,636)
12,765,562	12,791,168	Total Neighbourhoods	3,839,573	3,782,337	(57,236)	12,543,176	(247,992)
Regeneration & Growth							
(1,994,594)	(1,952,389)	City Development	(956,695)	(703,766)	252,929	(1,781,108)	171,281
0	0	Environmental Strategy	48,735	42,976	(5,759)	35,278	35,278
0	0	Executive Head of Regeneration &	54,994	49,796	(5,198)	(10,041)	(10,041)
1,500,637	1,500,637	Planning	411,532	438,877	27,345	1,509,903	9,266
1,211,652	1,144,874	Property Services	546,142	509,842	(36,300)	1,192,869	47,995
717,695	693,122	Total Regeneration & Growth	104,708	337,726	233,018	946,900	253,778
0	(2)	Total General Fund	4,215,142	3,793,157	(421,985)	(5,000)	(4,998)

Budget Monitoring Report

Year: 2017/18

Period: 4 (July)

HOUSING REVENUE ACCOUNT STATUTORY SUMMARY

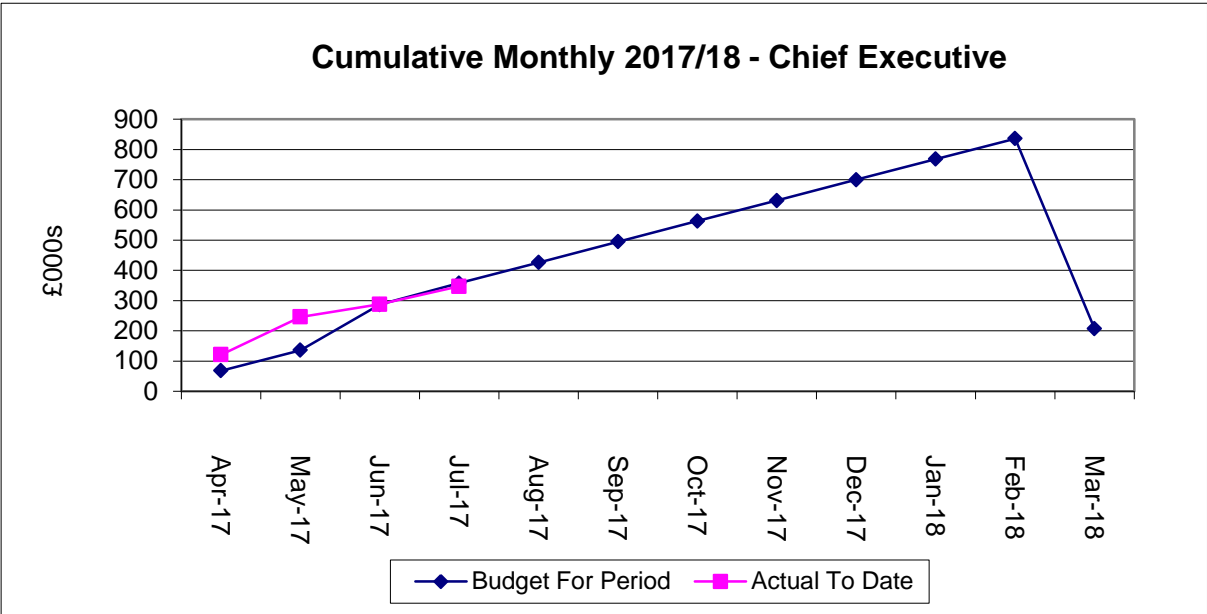
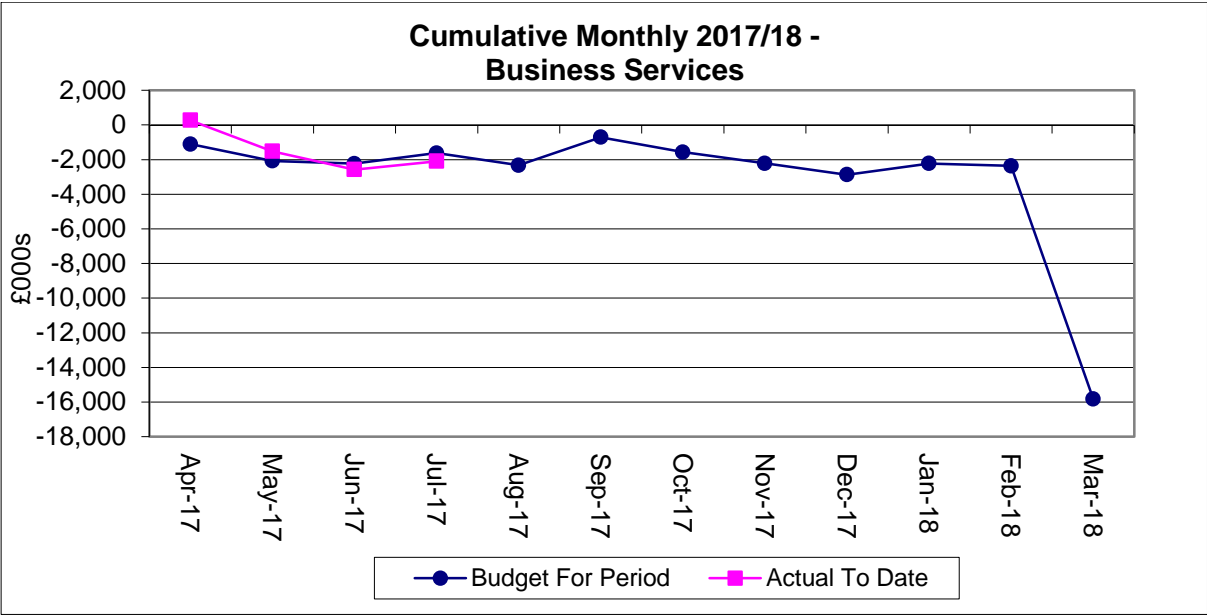
<i>Approved Budget</i>	<i>Current Budget</i>		<i>Budget To Date</i>	<i>Actual To Date</i>	<i>Variance To Date</i>	<i>Forecast Outturn</i>	<i>Forecast Variance</i>
13,815,288	13,815,288	Repairs & Maintenance	4,530,583	3,295,738	(1,234,845)	13,753,639	(61,649)
5,789,133	5,789,133	Rents, Rates, & Other Property Costs	2,098,224	2,081,718	(16,506)	5,879,242	90,109
12,115,683	12,115,683	General Management	2,565,992	2,352,604	(213,388)	11,729,832	(385,851)
5,090,423	5,090,419	Special Services	1,424,959	1,275,555	(149,404)	5,142,246	51,827
21,992,115	21,992,115	Depreciation & Impairment	26,400	(2,350)	(28,750)	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	(20,775,926)	(20,797,602)	(21,676)	(57,753,184)	(60,802)
(2,169,466)	(2,169,466)	Garage & Other Property Rents	(811,866)	(849,961)	(38,095)	(2,244,258)	(74,792)
(8,373,746)	(8,373,746)	Service Charges - General	(2,896,254)	(2,860,009)	36,245	(8,476,607)	(102,861)
(85,000)	(85,000)	Miscellaneous Income	(28,332)	(62,885)	(34,553)	(85,050)	(50)
10,056,112	10,056,112	Adjustments & Financing Items	(97,700)	0	97,700	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	(13,963,920)	(15,567,192)	(1,603,272)	(549,073)	(549,069)

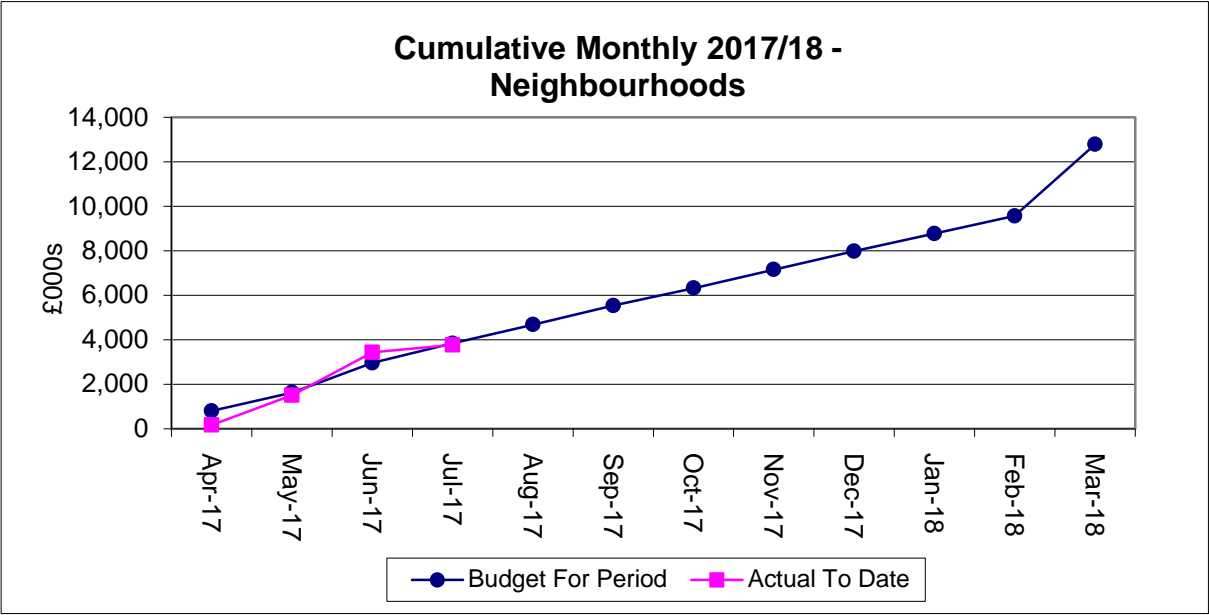
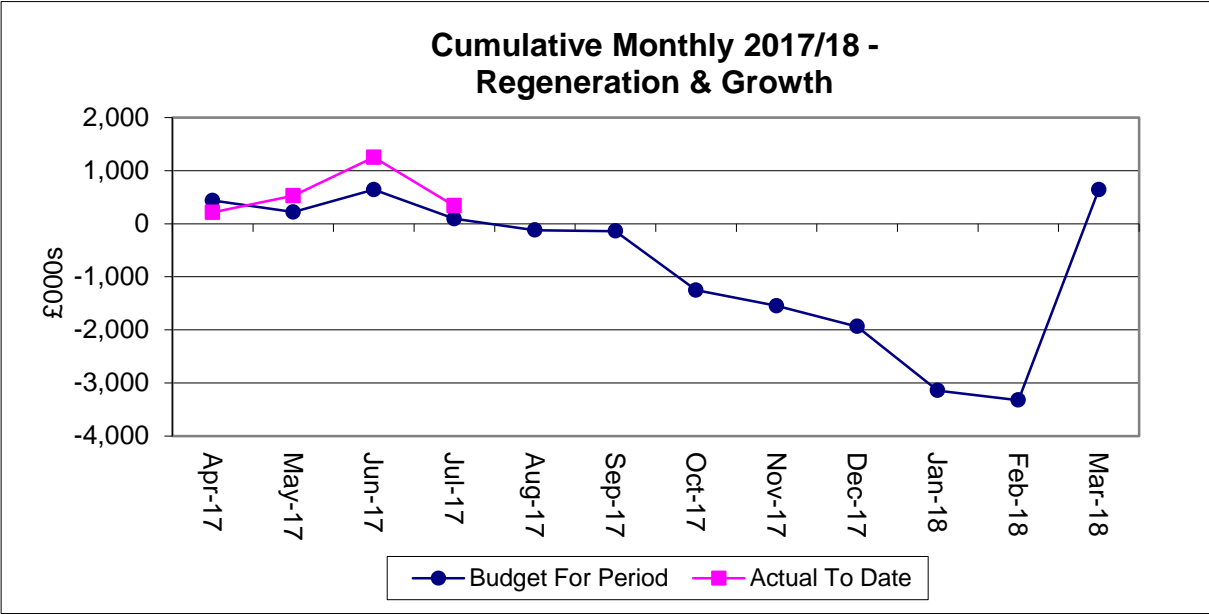
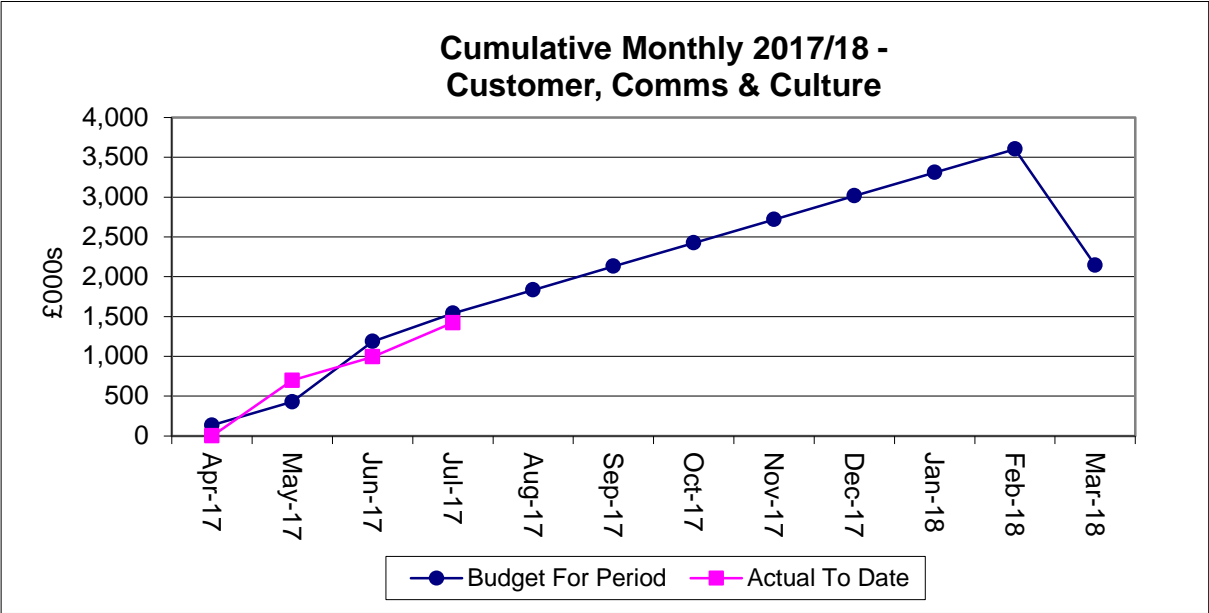
Budget & Expenditure – Monthly by Service Graphs

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)

