

Report to	Cabinet	Item
	8 July 2015	
Report of	Chief finance officer	9
Subject	Revenue budget monitoring 2015-16 – Period 2	

Purpose

To provide an update on the provisional financial position as at 31 May 2015, the forecast outturn for the year 2015-16, and the consequent forecast of the general fund and housing revenue account balances.

Recommendations

To note the financial position as at 31 May 2015 and the forecast outturn 2015-16.

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 and housing revenue account budgets are forecast to achieve budget by year end, in the absence at this point of the financial year of any material indication to the contrary.

Ward/s: All wards

Cabinet member: Councillor Stonard – Resources and income generation

Contact officers

Justine Hartley, chief finance officer	01603 212440
Neil Wright, service accountant	01603 212498

Background documents

None

Report

1. Council approved budgets for the 2015-16 financial year on 17 February 2015.
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 £0.383m 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	17,056
Non-domestic rates	(4,645)
Revenue support grant	(4,096)
Council tax precept	(8,315)
Total general fund budget	0

4. The general fund is forecast to achieve budget by year end in the absence, at this point of the financial year, of any material indication to the contrary.
5. The general fund shows an underspend against budget to date of **£2.343m**. 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. 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:

<i>General fund service</i>	<i>Variance to date P2 £000s</i>	<i>Commentary</i>
Customer contact	(452)	The underspend against budget to date relates to accruals for land charges fees refunds not yet paid and to pension charges currently shown on the human resources line which need to be recharged.
City development:	(2,429)	The current underspend against profile relates to parking rates not being paid yet for the full year, pension charges not yet recharged and accruals not yet invoiced.
Planning:	(275)	The underspend against budget to date relates to pension charges not yet recharged and planning income being higher than budgeted.
Property services:	(396)	The underspend against budget to date is as a result of rates bill not yet being paid for the full year ahead.
Human resources	1,918	Annual pension deficit recovery charge has been made. Cost to be reallocated to other budgets leaving a year end balance of £2.1k. This is offset by underspend on other lines as noted above.
Strategy and programme management	(430)	Variance due to grant income received which had not been budgeted for. This has been subsequently moved and the budget amended in period 3

Housing revenue account

6. The budgets reported include a £13.9m use of HRA balances, so that the net budget totals zero:

<i>Item</i>	<i>Approved budget £000s</i>
Gross HRA expenditure	87,630
Gross HRA income	(73,697)
Contribution from HRA balance	(13,933)
Total net HRA budget	0

7. The housing revenue account is forecast to achieve budget by year end in the absence, at this point of the financial year, of any material indication to the contrary.
8. The housing revenue account shows an overspend against budget to date of **£1.357m**. 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:

<i>HRA division of service</i>	<i>Variance to date P2 £000s</i>	<i>Commentary</i>
Repairs and maintenance	(2,943)	These variances have arisen due to invoice delays at the start of the financial year, which is usual for work of this nature.
Rents, rates and other property costs	5,483	Anglian Water expenditure expected in period 3, but was committed in period 2, hence large variance to date
General management	(911)	Mainly due to pension deficit recovery charges not yet being processed
Special services	(458)	Mainly due to district heating gas recharges not yet being posted and invoicing delays relating to community alarm systems maintenance

Risks

9. 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	36,254	-43	0%	GREEN	0	0%	GREEN
Housing Benefit Subsidy - Council tenants	-35,639	-185	1%	GREEN	0	0%	GREEN
Housing Benefit Payments - Other tenants	32,280	941	3%	GREEN	0	0%	GREEN
Housing Benefit Subsidy - Other tenants	-33,048	834	-3%	GREEN	0	0%	GREEN
HRA Repairs - Tenanted Properties	12,369	-2,378	-19%	RED	0	0%	GREEN
HRA Repairs - Void Properties	2,639	-522	-20%	RED	0	0%	GREEN
Multi-Storey Car Parks	-3,203	29	-1%	GREEN	0	0%	GREEN
HRA Rents - Estate Properties	-60,144	62	0%	GREEN	0	0%	GREEN
Corporate Management including Contingency	-3,929	-270	7%	RED	0	0%	GREEN
Private Sector Leasing Costs	2,570	10	0%	GREEN	0	0%	GREEN

10. The red/amber status of items in the ‘Forecast RAG’ column is explained below.

Key risk budgets	Comment
HRA repairs - Tenanted properties and void properties	Although both of these areas are currently showing a red RAG status, they are current underspends, so do not pose a risk to delivery within the budget. The variances have arisen due to invoice delays at the start of the financial year, which is usual for work of this nature.
Corporate management including contingency	Variance relates to grant income received earlier than anticipated and does not indicate any variance from budget by year end.

11. The 2015-16 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.
12. 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. This may be reflected in higher provisions for bad debt, as may the impact of welfare reforms such as the so-called 'bedroom tax'.
 - 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 and 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

13. 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.
14. Net overspends and underspends will be consolidated into the general fund and housing revenue account balances carried forward to 2016-17. These are reflected in periodic updates to the medium term financial strategy and housing revenue account business plan.

Impact on balances

15. The prudent minimum level of general fund reserves has been assessed as £4.474m. 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 2015	(9,615)
Budgeted use of balances 2015-16	383
Forecast outturn 2015-16	0
= Forecast balance at 31 March 2016	(9,232)

16. The general fund balance is therefore expected to continue to exceed the prudent minimum.
17. The prudent minimum level of HRA reserves has been assessed as £3.111m. 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 2015	(20,179)
Budgeted use of balances 2015-16	13,933
Forecast outturn 2015-16	0
= Forecast balance at 31 March 2016	(6,246)

18. The housing revenue account balance is therefore expected to continue to exceed the prudent minimum.

Collection fund

19. 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.
20. 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.

21. These risks are monitored and mitigated through normal revenues operations.

22. 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			
53,797	53,797	Expenditure	8,923	53,797	0
(53,797)	(53,797)	Income	(8,966)	(53,797)	0
		Business improvement district			
656	656	Expenditure	109	656	0
(656)	(656)	Income	(109)	(656)	0
		National non-domestic rate			
77,698	77,698	Expenditure	12,950	77,698	0
(77,698)	(77,698)	Income	(12,950)	(77,698)	0
0	0	Total collection fund	(43)	0	0

23. 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).

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

25. Any deficit reported on the NNDR account will roll forward and be distributed in the 2016-17 budget cycle.

26. 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:	12/06/15
Description:	This is the integrated impact assessment for the Revenue Budget Monitoring 2015-16 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: 2015-16

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							
1,537,574	1,659,558	Business Relationship Management	41,045	(201,436)	(242,481)	1,659,558	0
292,745	292,328	Democratic Services	182,868	355,266	172,398	292,328	0
(19,263,443)	(19,263,443)	Finance	(3,324,927)	3,125,840	199,087	(19,263,443)	0
0	(8,543)	Procurement & Service Improvement	633,573	457,344	(176,229)	(8,543)	0
(17,433,124)	(17,320,100)	Total Business Relationship Management & Democracy	(2,467,441)	(2,551,666)	(47,225)	(17,320,100)	0
Chief Executive							
0	0	Chief Executive	55,365	38,183	(17,182)	0	0
0	0	Total Chief Executive	55,365	38,183	(17,182)	0	0
Customers, Comms & Culture							
2,124,719	2,135,301	Communications & Culture	468,344	374,495	(93,849)	2,135,301	0
(105,756)	(106,136)	Customer Contact	561,020	108,800	(452,220)	(106,136)	0
2,018,963	2,029,165	Total Customers, Comms & Culture	1,029,364	483,295	(546,069)	2,029,165	0
Regeneration & Growth							
(1,101,624)	(1,106,537)	City Development	97,115	(2,331,870)	(2,428,985)	(1,106,537)	0
0	0	Environmental Strategy	34,675	234,155	199,480	0	0
0	0	Executive Head of Regeneration &	29,909	17,833	(12,076)	0	0
1,447,674	1,447,502	Planning	325,155	49,772	(275,383)	1,447,502	0
262,834	262,195	Property Services	483,162	87,409	(395,753)	262,195	0
608,884	603,160	Total Regeneration & Growth	970,016	(1,942,701)	(2,912,717)	603,160	0
Strategy, People & Neighbourhoods							
10,069,543	10,068,593	Citywide Services	1,542,914	1,375,491	(167,423)	10,068,593	0
0	(1,172)	Human Resources	236,093	2,154,298	1,918,205	(1,172)	0
2,315,862	2,315,389	Neighbourhood Housing	493,703	521,662	27,959	2,315,389	0
2,419,872	2,418,932	Neighbourhood Services	513,312	344,788	(168,524)	2,418,932	0
0	(271)	Strategy & Programme Management	107,572	(322,154)	(429,726)	(271)	0
14,805,277	14,801,471	Total Strategy, People & Neighbourhoods	2,893,594	4,074,084	1,180,490	14,801,471	0
0	113,696	Total General Fund	2,480,898	2,238,417	(2,342,702)	113,696	0

Budget Monitoring Report

Year: 2015-16

Period: 2 (May)

HOUSING REVENUE ACCOUNT STATUTORY SUMMARY

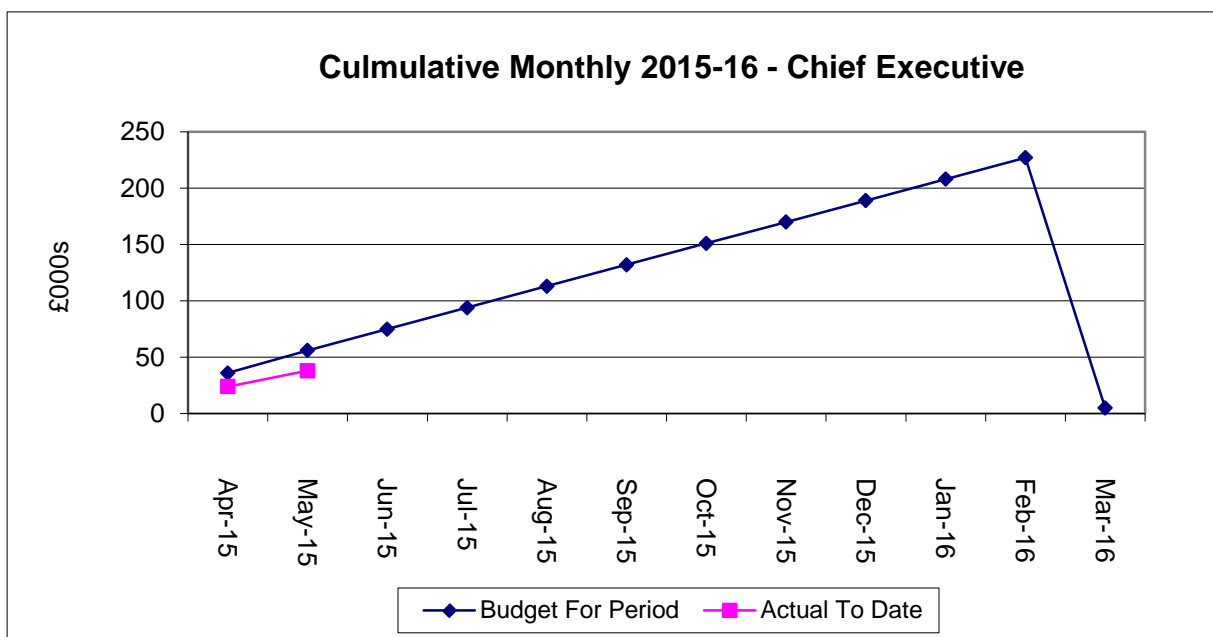
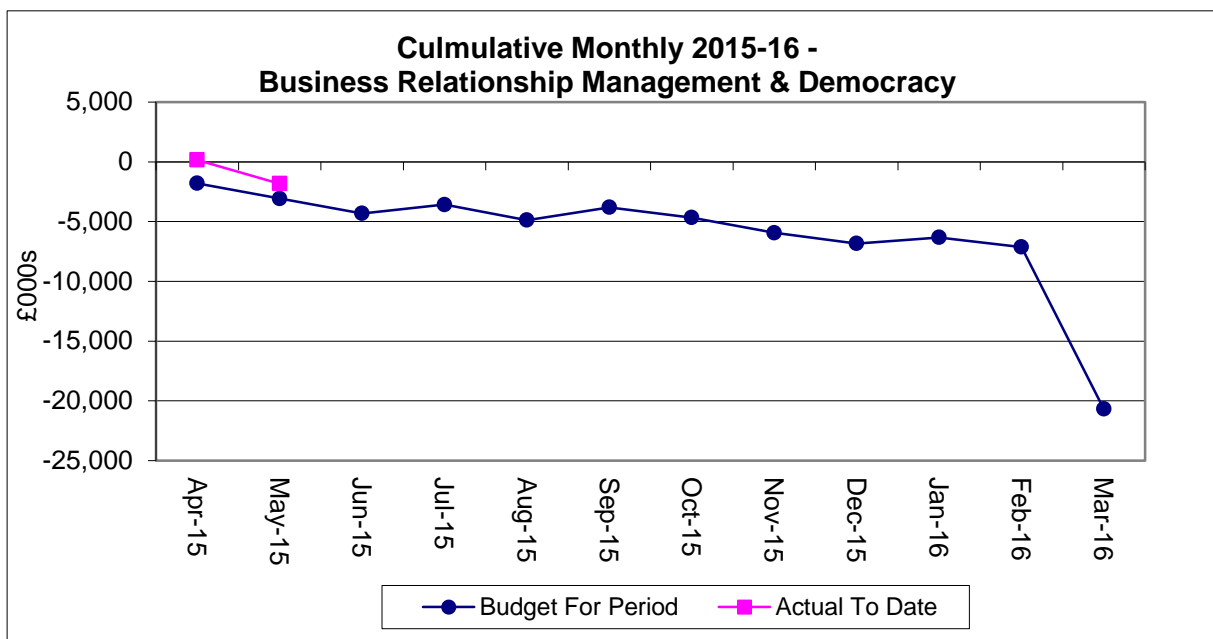
<i>Approved Budget</i>	<i>Current Budget</i>		<i>Budget To Date</i>	<i>Actual To Date</i>	<i>Variance To Date</i>	<i>Forecast Outturn</i>	<i>Forecast Variance</i>
16,069,344	16,069,344	Repairs & Maintenance	2,591,466	(351,073)	(2,942,539)	16,069,344	0
6,436,719	6,436,719	Rents, Rates, & Other Property Costs	146,623	5,629,439	5,482,816	6,436,719	0
11,016,261	10,902,564	General Management	1,463,254	551,982	(911,274)	10,902,564	0
5,086,385	5,086,393	Special Services	830,539	372,058	(458,481)	5,086,393	0
21,430,943	21,430,943	Depreciation & Impairment	0	0	0	21,430,943	0
584,000	584,000	Provision for Bad Debts	0	0	0	584,000	0
(60,143,678)	(60,143,678)	Dwelling Rents	(9,622,988)	(9,561,124)	61,864	(60,143,678)	0
(1,980,123)	(1,980,124)	Garage & Other Property Rents	(397,544)	(406,791)	(9,247)	(1,980,124)	0
(9,144,884)	(9,144,884)	Service Charges - General	(1,356,464)	(1,247,830)	108,634	(9,144,884)	0
11,355,513	11,355,513	Adjustments & Financing Items	(100)	0	100	11,355,513	0
(560,480)	(560,480)	Amenities shared by whole community	0	0	0	(560,480)	0
(150,000)	(150,000)	Interest Received	(25,000)	0	25,000	(150,000)	0
0	(113,690)	Total Housing Revenue Account	(6,370,214)	(5,013,339)	1,356,873	(113,690)	0

Budget & Expenditure – Monthly by Service Graphs

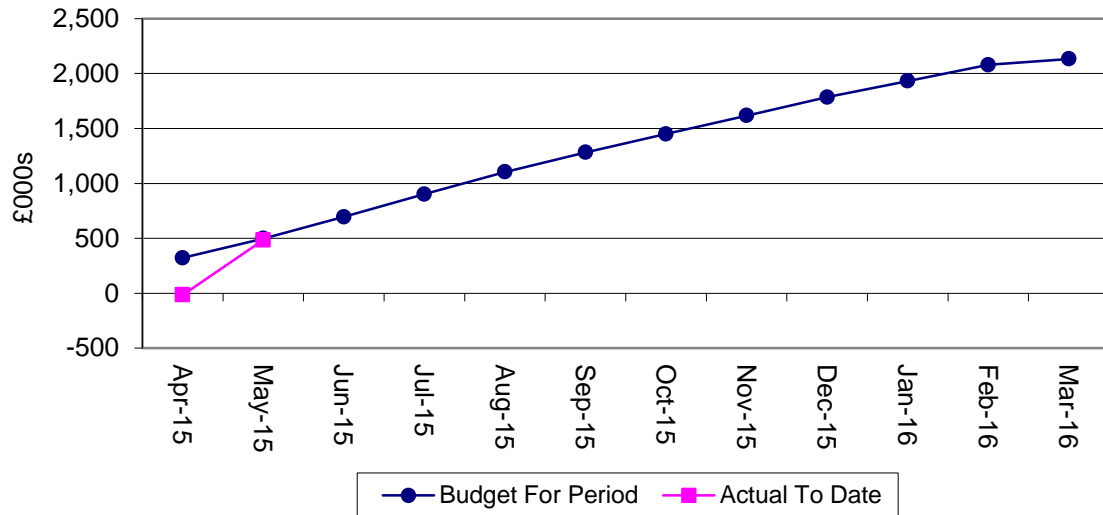
The following graphs show the monthly budget profile and income/expenditure to date for each service (both General Fund and Housing Revenue Account) for the financial year.

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.

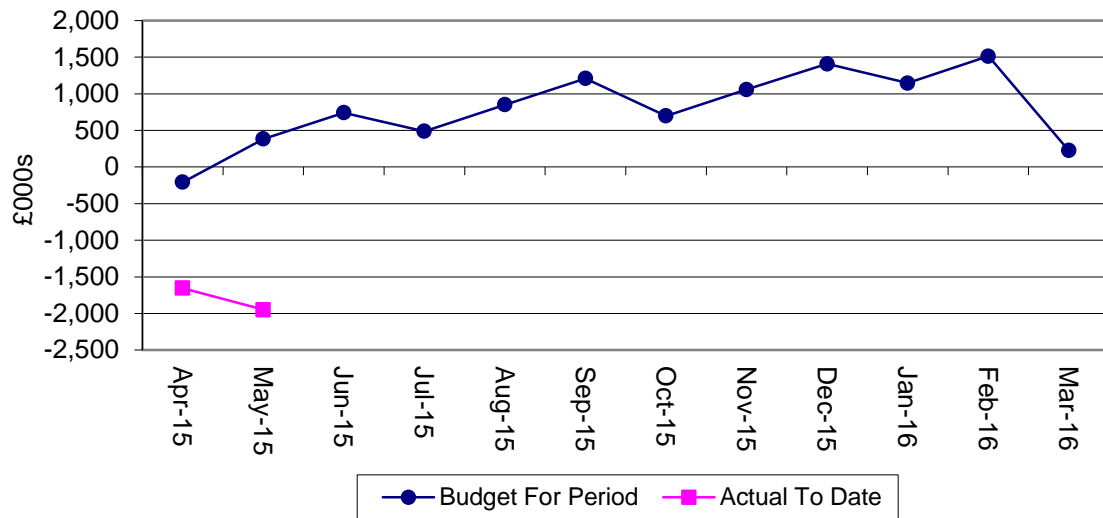
Budgets are profiled to show the expected pattern of income & expenditure, and will be refined and improved during the course of the financial year.



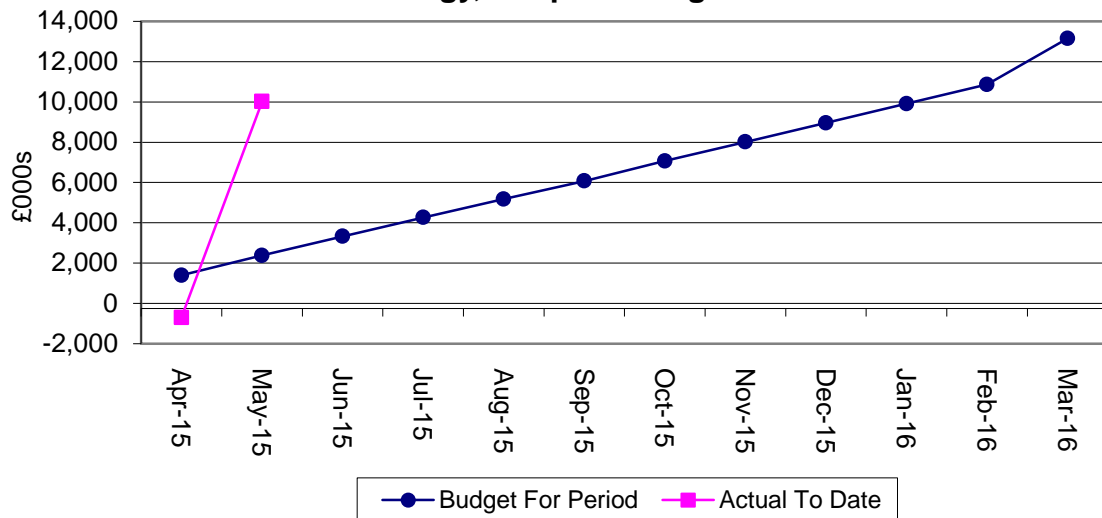
**Culmulative Monthly 2015-16 -
Customer, Comms & Culture**



**Culmulative Monthly 2015-16 -
Regeneration & Growth**



**Culmulative Monthly 2015-16 -
Strategy, People & Neighbourhoods**



Culmulative Monthly 2015-16 Norwich City Council (Revenue)

