Report to	Cabinet	**Item**
	4 November 2015	5
Report of	Chief finance officer	
Subject	Revenue budget monitoring 2015-16 – Period 6	

Purpose

To update cabinet on the provisional financial position as at 30 September 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 30th September 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 budget is forecast to underspend by £0.504m. The Housing Revenue Account budget is forecast to underspend by £0.570m.

Ward/s: All wards

Cabinet member: Councillor Stonard – Resources and income generation

Contact officers

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Neil Wright, Service accountant	01603 212498

Background documents

Budget Reports (Council 17 February 2015)

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:

Item	*Approved Budget £000s*
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 has been forecast to underspend by **£0.504m** at year end compared to a forecast underspend last month of **£0.144m**. Key forecast variances from budget are set out below:

Forecast Outturn Variance P5 £000s	*General Fund Service*	*Forecast Outturn Variance P6 £000s*	*Commentary*
(49)	Business Relationship Management	(157)	Reduced external audit fee; LGSS fraud team transfer to DWP but reduced grant still received for one year.
79	Democratic Services	111	Individual Electoral Registration costs expected to be higher than budget

Forecast Outturn P5 £000s	*General Fund Service*	*Forecast Outturn Variance P6 £000s*	*Commentary*
(263)	Procurement & Service Improvement	(272)	Expected underspend on IT services development fund; and currently vacant posts in procurement.
(116)	Customer Contact	(123)	Land search fee income refunds; grant income re land searches refunds; and vacant posts.
171	City Development:	188	Overspend due to loss of income projecting on NORSE £135K, bad debt provision uploaded and empty rates.
(129)	Planning:	(150)	Planning income up on budget due to large applications
(66)	Citywide Services:	(100)	Variance due to higher licensing income

5. For the year to date an underspend against budget of **£2.416m** is being reported. This underspend is made up of many debit and credit figures where various income and expenditure lines are ahead of or behind budget profile. Significant variances are explained below. These lines will be monitored closely as the year progresses to identify any potential impact on forecast outturn figures.

General Fund Service	*Variance To Date P6 £000s*	*Commentary*
Business Relationship Management	(679)	Corporate grants received higher than budget to date; Shared services expenditure currently lower than profile however is expected to match budget by year end.
Democratic Services	365	Timing issue re elections costs; accrual re elections income.
Procurement & Service Improvement	(537)	Expected underspend on IT services development fund; Shared services expenditure currently lower than profile however is expected to match budget by year end
Customer Contact	(641)	Transformation Challenge grant funding received in advance of spend; land search fee income refunds; and grant income re land searches refunds.

General Fund Service	*Variance To Date P6 £000s*	*Commentary*
City Development:	(789)	The current underspend against profile relates to counties parking income not paid over till year end, and income on asset properties showing income higher than budget do to timings
Planning:	(296)	Planning income up on budget due to large applications distorting profile of income.
Property Services:	(327)	Depreciation to be charged on City Hall, works codes to be uploaded
Citywide Services:	479	Variance due to environmental services invoice being paid in advance of profile £477k, integrated waste management invoice £(333)k running behind profiled amount. Higher than profiled garden waste income £(169)k

Housing Revenue Account

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

Item	*Approved Budget £000s*
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 has been forecast to underspend by **£0.570m** at year end compared to a forecast last month of £0.503m. Key forecast variances from budget are set out below:

Forecast Outturn Variance P5 £000s	*HRA Division of Service*	*Forecast Outturn Variance P6 £000s*	*Commentary*
(229)	Repairs & Maintenance	(254)	Mainly due to cavity wall insulation work not yet started - tenders currently being evaluated

Forecast Outturn P5 £000s	*HRA Division of Service*	*Forecast Outturn Variance P6 £000s*	*Commentary*
(318)	Rents, Rates, & Other Property Costs	(257)	Underspend on Anglian Water costs, partially offset by under-recovery through water service charges
(613)	General Management	(660)	Contingency fund (121) & unrequired audit fee budget (101) & various staffing underspends due to vacancies
(152)	Provision for Bad Debts	(234)	Based on first quarter arrears figures, partially offset by unbudgeted write-off costs against 'Dwelling Rents'
(0)	Dwelling Rents	363	Long term voids at St James & Britannia - originally anticipated that sites would be re-occupied by September 2015, but now delayed until April 2016. Also unbudgeted write off costs , partially offset by underspend against bad debt provision
352	Garage & Other Property Rents	(155)	Lower than anticipated garage void rate
297	Service Charges - General	641	Income from Anglian Water service charges lower than anticipated, partially offset by reduced Anglian Water expenditure against 'Rents, Rates, & Other Property Costs'

8. For the year to date an underspend of **£4.192m** is being reported. This underspend is made up of many debit and credit figures, where various income and expenditure lines are ahead of or behind budget profile. Significant underspends and overspends to date are explained below. These lines will be monitored closely as the year progresses to identify any potential impact on forecast outturn figures.

HRA Division of Service	*Variance To Date P6 £000s*	*Commentary*
Repairs & Maintenance	(3,907)	These variances have arisen due to invoice delays at the start of the financial year, which is usual for work of this nature.
General Management	(521)	Mainly due staff vacancies. Also, Families' Unit grant income has been received for the year, but profiled to be received in quarters
Provision for Bad Debts	(292)	Bad debt provision charges not yet posted
Dwelling Rents	219	Long term voids at St James & Britannia - originally anticipated that sites would be re-occupied by September 2015, but now delayed until April 2016. Also unbudgeted write off costs
Service Charges - General	378	Income from Anglian Water service charges lower than anticipated

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	52	0%	GREEN	882	2%	GREEN
Housing Benefit Subsidy - Council tenants	-35,639	-1,022	3%	GREEN	-1,035	3%	GREEN
Housing Benefit Payments - Other tenants	32,280	-641	-2%	GREEN	-3,387	-10%	RED
Housing Benefit Subsidy - Other tenants	-33,048	2,124	-6%	RED	3,569	-11%	RED
HRA Repairs - Tenanted Properties	2,029	-55	-3%	GREEN	12	1%	GREEN
HRA Repairs - Void Properties	1,004	-243	-24%	RED	-38	-4%	GREEN
Multi-Storey Car Parks	12,369	-3,518	-28%	RED	-275	-2%	GREEN
HRA Rents - Estate Properties	-60,144	219	0%	GREEN	363	-1%	GREEN
Corporate Management including Contingency	-3,929	-251	6%	RED	-32	1%	GREEN
Private Sector Leasing Costs	2,570	-63	-2%	GREEN	-149	-6%	RED

10. 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 largely offset one another. There is an overall net forecast overspend on Housing Benefits budgets of £269k.

Private Sector Leasing Costs	Whilst the RAG status is red this is an underspend and does not indicate any risk to the budget.

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 & 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:

Item	*£000s*
Balance at 1 April 2015	(9,615)
Budgeted use of balances 2015/16	383
Forecast outturn 2015/16	(504)
= Forecast balance at 31 March 2016	(9,736)

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:

Item	*£000s*
Balance at 1 April 2015	(20,181)
Budgeted use of balances 2015/16	13,933
Forecast outturn 2015/16	(570)
= Forecast balance at 31 March 2016	(6,818)

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:

Approved Budget £000s	*Current Budget £000s*	**Collection Fund Summary**	*Actual To Date £000s*	*Forecast Outturn £000s*	*Forecast Variance £000s*
		Council tax			
53,797	53,797	Expenditure	29,912	54,103	0
(53,797)	(53,797)	Income	159	(53,797)	0
		Business Improvement District			
656	656	Expenditure	(1)	654	(2)
(656)	(656)	Income	(14)	(656)	0
		National Non-Domestic Rate			
77,698	77,698	Expenditure	38,434	77,698	0
(77,698)	(77,698)	Income	2,039	(77,698)	0
0	**0**	**Total Collection Fund**	**70,529**	**304**	**(2)**

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:	19/10/15
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)	☐	☒	☐	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	☒	☐	☐	
ICT services	☒	☐	☐	
Economic development	☒	☐	☐	
Financial inclusion	☒	☐	☐	
Social (please add an 'x' as appropriate)	**Neutral**	**Positive**	**Negative**	**Comments**
Safeguarding children and adults	☒	☐	☐	
S17 crime and disorder act 1998	☒	☐	☐	
Human Rights Act 1998	☒	☐	☐	
Health and well being	☒	☐	☐	

	Impact			
Equality and diversity (please add an 'x' as appropriate)	**Neutral**	**Positive**	**Negative**	**Comments**
Relations between groups (cohesion)	☒	☐	☐	
Eliminating discrimination & harassment	☒	☐	☐	
Advancing equality of opportunity	☒	☐	☐	
Environmental (please add an 'x' as appropriate)	**Neutral**	**Positive**	**Negative**	**Comments**
Transportation	☒	☐	☐	
Natural and built environment	☒	☐	☐	
Waste minimisation & resource use	☒	☐	☐	
Pollution	☒	☐	☐	
Sustainable procurement	☒	☐	☐	
Energy and climate change	☒	☐	☐	
(Please add an 'x' as appropriate)	**Neutral**	**Positive**	**Negative**	**Comments**
Risk management	☐	☒	☐	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.

Appendix 1

Budget Monitoring Summary Year: 2015/16 Period: 6 (September)

GENERAL FUND SERVICE SUMMARY

Approved Budget	*Current Budget*		*Budget To Date*	*Actual To Date*	*Variance To Date*	*Forecast Outturn*	*Forecast Variance*
		Business Relationship Mgt & Demoracy					
1,537,574	1,523,536	Business Relationship Management	20,959	(658,347)	(679,306)	1,366,911	(156,625)
292,745	292,328	Democratic Services	465,516	830,230	364,714	403,424	111,096
(19,263,443)	(19,150,633)	Finance	(4,977,719)	(5,073,298)	(95,579)	(19,223,485)	(72,852)
0	(256)	Procurement & Service Improvement	1,725,033	1,187,880	(537,153)	(272,492)	(272,236)
(17,433,124)	**(17,335,025)**	**Total Business Relationship Management & Demoracy**	**(2,766,211)**	**(3,713,536)**	**(947,325)**	**(17,725,642)**	**(390,617)**
		Chief Executive					
0	0	Chief Executive	129,429	133,829	4,400	(5,145)	(5,145)
0	**0**	**Total Chief Executive**	**129,429**	**133,829**	**4,400**	**(5,145)**	**(5,145)**
		Customers, Comms & Culture					
2,124,719	2,139,345	Communications & Culture	1,225,302	1,205,259	(20,043)	2,198,842	59,497
(105,756)	(93,389)	Customer Contact	1,250,684	609,768	(640,916)	(216,255)	(122,866)
2,018,963	**2,045,956**	**Total Customers, Comms & Culture**	**2,475,986**	**1,815,028**	**(660,958)**	**1,982,587**	**(63,369)**
		Regeneration & Growth					
(1,101,624)	(1,213,353)	City Development	(999,997)	(1,788,554)	(788,557)	(1,025,168)	188,185
0	0	Environmental Strategy	81,563	142,465	60,902	2,245	2,245
0	0	Executive Head of Regeneration &	67,877	74,012	6,135	2,613	2,613
1,447,674	1,447,502	Planning	634,655	338,276	(296,379)	1,297,593	(149,909)
262,834	262,195	Property Services	981,716	654,680	(327,036)	178,493	(83,702)
608,884	**496,344**	**Total Regeneration & Growth**	**765,814**	**(579,122)**	**(1,344,936)**	**455,775**	**(40,569)**
		Strategy, People & Neighbourhoods					
10,069,543	10,055,846	Citywide Services	4,033,165	4,512,207	479,042	9,955,379	(100,467)
0	(1,172)	Human Resources	609,737	702,418	92,681	(49,115)	(47,943)
2,315,862	2,315,389	Neighbourhood Housing	660,597	637,060	(23,537)	2,402,095	86,706
2,419,872	2,422,932	Neighbourhood Services	1,122,332	1,041,071	(81,261)	2,425,253	2,321
0	(271)	Strategy & Programme Management	242,488	307,869	65,381	54,562	54,833
14,805,277	**14,792,724**	**Total Strategy, People & Neighbourhoods**	**6,668,319**	**7,200,626**	**532,307**	**14,788,175**	**(4,549)**
0	**(1)**	**Total General Fund**	**7,273,337**	**4,856,825**	**(2,416,512)**	**(504,250)**	**(504,249)**

Budget Monitoring Report Year: 2015/16 Period: 6 (September)

HOUSING REVENUE ACCOUNT STATUTORY SUMMARY

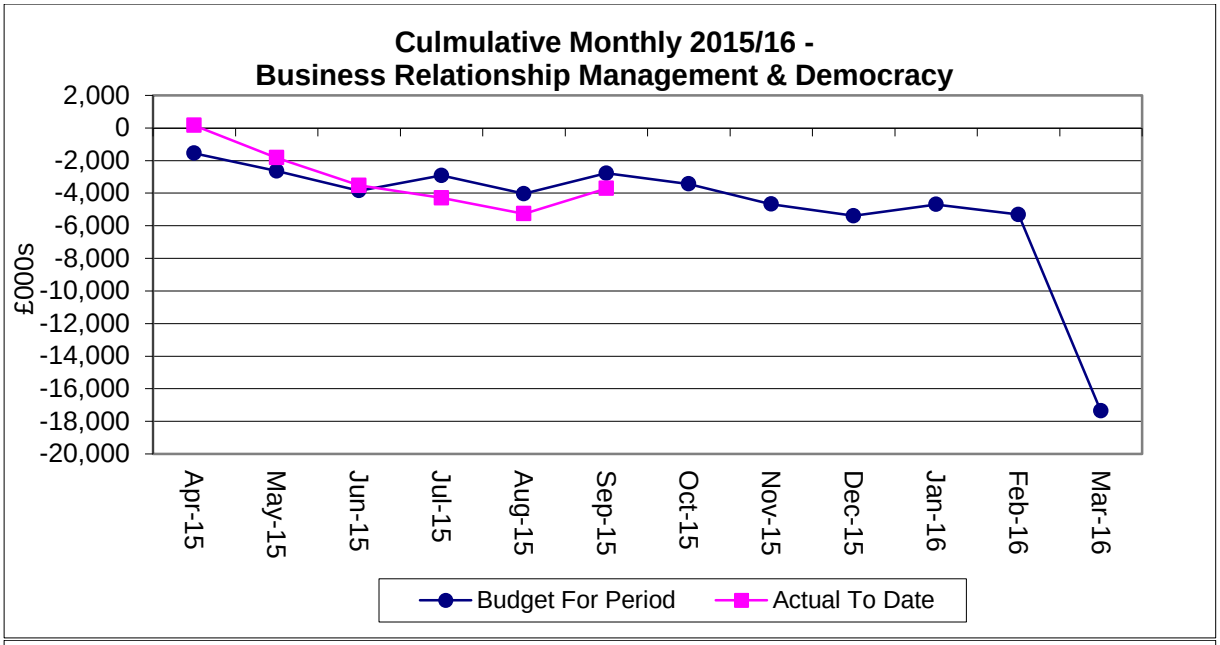
Approved Budget	*Current Budget*		*Budget To Date*	*Actual To Date*	*Variance To Date*	*Forecast Outturn*	*Forecast Variance*
16,069,344	16,069,344	Repairs & Maintenance	8,131,898	4,224,997	(3,906,901)	15,815,174	(254,170)
6,436,719	6,436,719	Rents, Rates, & Other Property Costs	6,060,323	6,050,746	(9,577)	6,180,128	(256,591)
11,016,261	11,016,261	General Management	3,434,945	2,913,542	(521,403)	10,356,656	(659,605)
5,086,385	5,086,393	Special Services	2,047,363	2,060,860	13,497	5,176,630	90,237
21,430,943	21,430,943	Depreciation & Impairment	0	0	0	21,430,943	0
584,000	584,000	Provision for Bad Debts	292,000	0	(292,000)	350,000	(234,000)
(60,143,678)	(60,143,678)	Dwelling Rents	(31,274,712)	(31,055,408)	219,304	(59,780,808)	362,870
(1,980,123)	(1,980,124)	Garage & Other Property Rents	(1,010,490)	(1,049,785)	(39,295)	(2,135,319)	(155,195)
(9,144,884)	(9,144,884)	Service Charges - General	(4,459,118)	(4,080,665)	378,453	(8,503,811)	641,073
0	0	Miscellaneous Income	0	(43,303)	(43,303)	(86,605)	(86,605)
11,355,513	11,355,513	Adjustments & Financing Items	(49,150)	(40,610)	8,540	11,337,294	(18,219)
(560,480)	(560,480)	Amenities shared by whole community	0	0	0	(560,480)	0
(150,000)	(150,000)	Interest Received	0	0	0	(150,000)	0
0	**7**	**Total Housing Revenue Account**	**(16,826,941)**	**(21,019,626)**	**(4,192,685)**	**(570,198)**	**(570,205)**

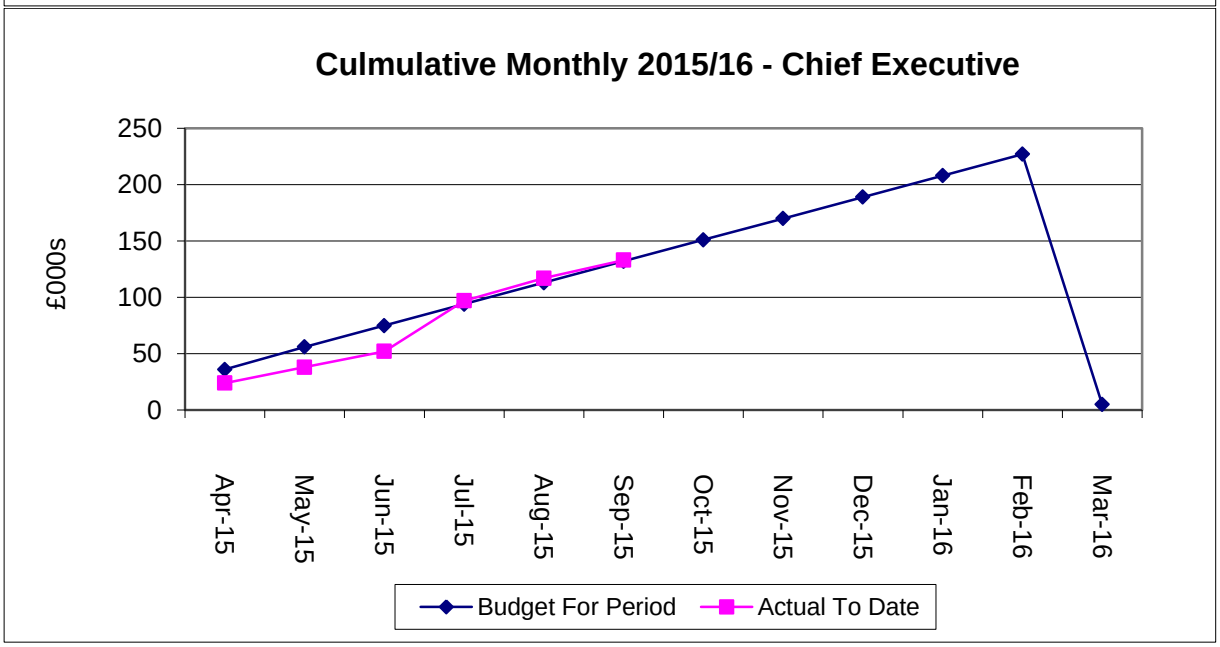
Budget & Expenditure – Monthly by Service Graphs

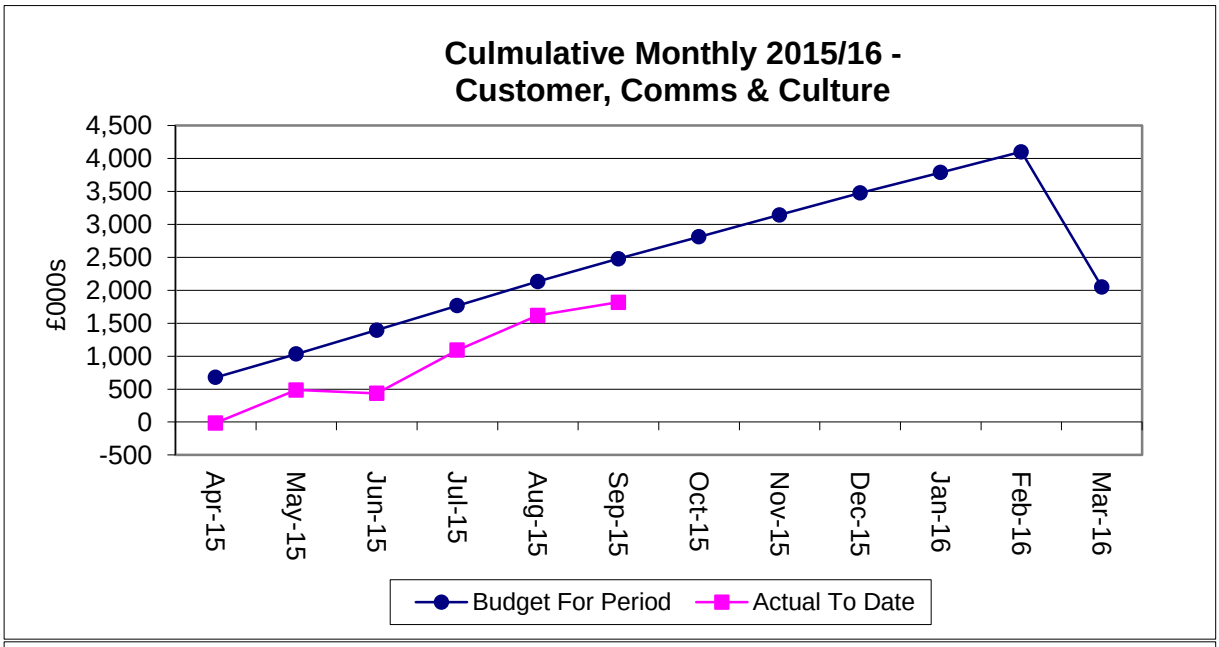
The following graphs show the monthly budget profile and income/expenditure to date for each service (both General Fund and Housing Revenue Account) for the financial year.

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
£000s
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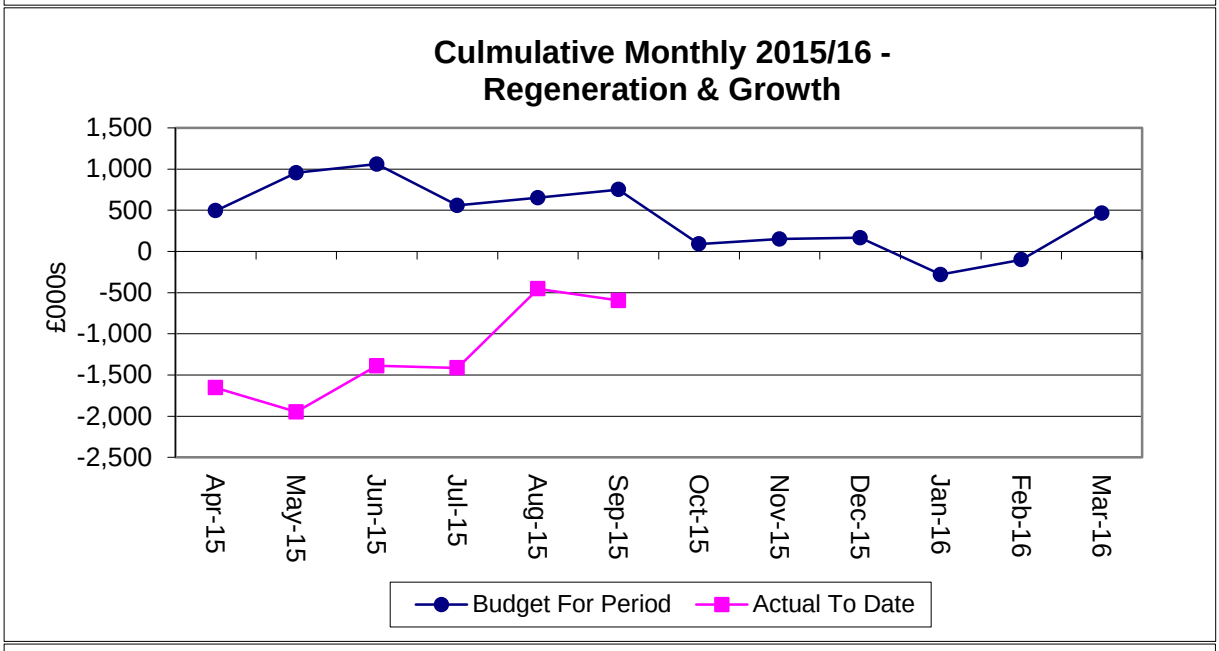
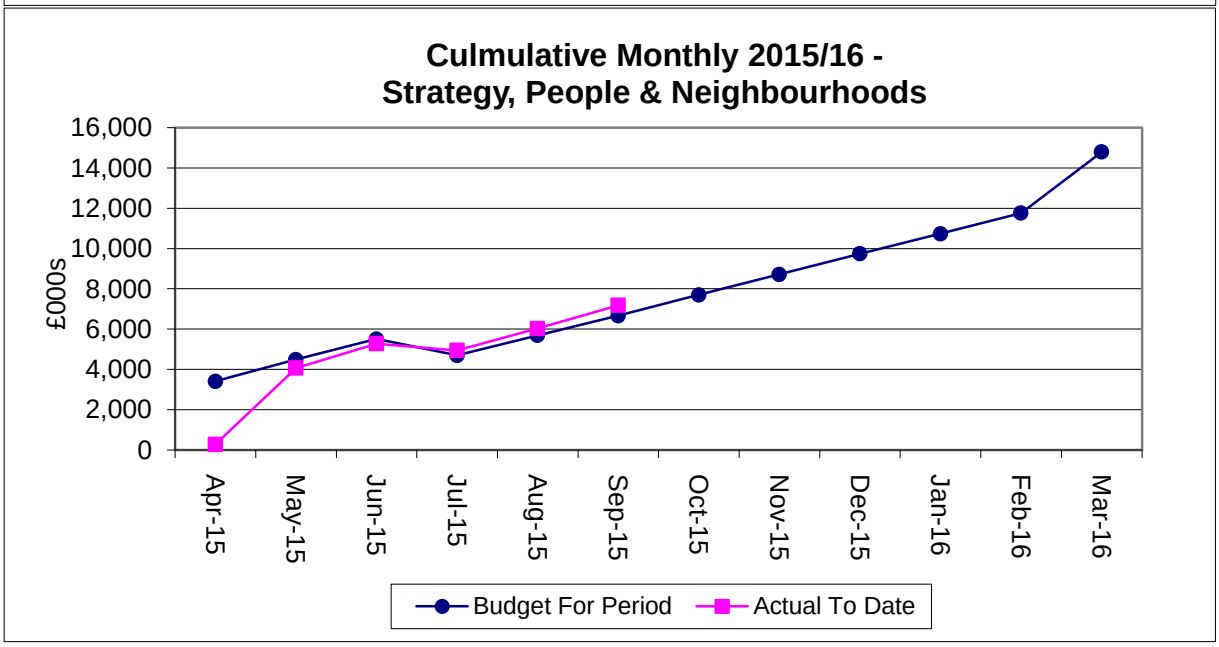
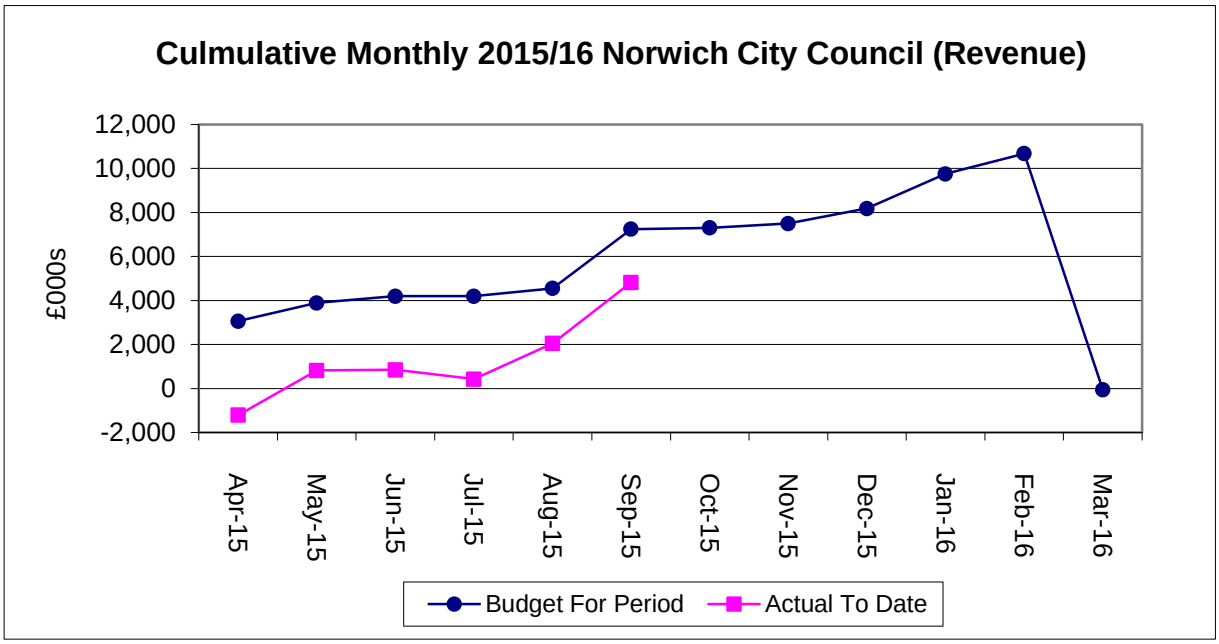
4,000
3,500
3,000
2,500
2,000
1,500
1,000
500
0
-500
Apr-15
May-15
Jun-15
Jul-15
Aug-15
Sep-15
Oct-15
Nov-15
Dec-15
Jan-16
Feb-16
Mar-16
Budget For Period
Actual To Date


Culmulative Monthly 2015/16 -
Regeneration & Growth
£000s
1,500
1,000
500
0
-500
-1,000
-1,500
-2,000
-2,500
Apr-15
May-15
Jun-15
Jul-15
Aug-15
Sep-15
Oct-15
Nov-15
Dec-15
Jan-16
Feb-16
Mar-16
Budget For Period
Actual To Date


Culmulative Monthly 2015/16 -
Strategy, People & Neighbourhoods
£000s
16,000
14,000
12,000
10,000
8,000
6,000
4,000
2,000
0
Apr-15
May-15
Jun-15
Jul-15
Aug-15
Sep-15
Oct-15
Nov-15
Dec-15
Jan-16
Feb-16
Mar-16
Budget For Period
Actual To Date


Culmulative Monthly 2015/16 Norwich City Council (Revenue)
£000s
12,000
10,000
8,000
6,000
4,000
2,000
0
-2,000
Apr-15
May-15
Jun-15
Jul-15
Aug-15
Sep-15
Oct-15
Nov-15
Dec-15
Jan-16
Feb-16
Mar-16
Budget For Period
Actual To Date