

Report to Cabinet
9 September
Report of Chief finance officer
Subject Revenue budget monitoring 2015-16 : Periods 3 and 4

Item

9

Part one: Revenue budget monitoring 2015-16 : Period 3

Purpose

To update cabinet on the provisional financial position as at 30 June 2015, the forecast outturn for the year 2015-16, and the consequent forecast of the general fund and housing revenue account balances.

Recommendation

To note the financial position as at 30 June 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 £0.534m. The housing revenue account budget is forecast to underspend by £0.481m.

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 has been forecast to underspend by **£0.534m** at year end. Key forecast variances from budget are set out below:

<i>General Fund Service</i>	<i>Forecast Outturn P3 £000s</i>	<i>Commentary</i>
Business Relationship Management	(141)	LGSS fraud team transfer to DWP but reduced grant still received for one year (£132k); NNDR professional advice forecast lower than budget (£42k)
Customer Contact	(126)	Land search fee income refunds, additional grant funding and vacant posts.

5. For the year to date an underspend against budget of **£3.85m** 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.

<i>General Fund Service</i>	<i>Variance To Date P3 £000s</i>	<i>Commentary</i>
Business Relationship Management	(262)	Corporate grants received higher than budget to date; timing issues re insurance premium allocations and LGSS invoices.
Finance	259	NNDR business rates tariff higher than budgeted.
Customer Contact	(836)	Transformation Challenge grant funding unbudgeted, vacant posts.
City Development:	(2,143)	The current underspend against profile relates to parking rates not being paid as yet for the full year, pension deficit charges and accruals income not yet invoiced.
Environmental Strategy	398	Large payment for Cosy city made ahead of profile. Gas bill paid, to be redistributed.
Planning:	(312)	Pension recharges to be processed and planning income higher than budgeted.
Property Services:	(406)	Rates bill not yet invoiced for the year ahead.
Citywide Services:	(325)	Income from garden waste ahead of profile £(165k), Income from recycling credits behind profile £92k & cleaning contract behind profile £(346k). Environmental services recharge journal due for £430k. Green spaces day to day repairs below expected by £(35k) & grounds maintenance charges currently behind forecast by £(25)k. Additionally pension deficit charges yet to be made.
Human Resources	479	Pension deficit £191k higher than budgeted. Contribution to airport pension costs ahead of profile £216k.

Housing revenue account

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

6. The housing revenue account has been forecast to underspend by **£0.481m**.

<i>HRA Division of Service</i>	<i>Forecast Variance P3 £000s</i>	<i>Commentary</i>
Rents, Rates, & Other Property Costs	(384)	There is a forecast underspend on Anglian Water costs, partially offset by under-recovery through water service charges.
General Management	(504)	There is a forecast underspend on the contingency fund (£121k), unrequired audit fee budget (£101K) and various staffing underspends due to vacancies.
Provision for Bad Debts	(152)	Underspend forecast based on first quarter arrears figures, partially offset by unbudgeted write-off costs against 'Dwelling Rents'.
Dwelling Rents	305	Forecast shortfall of income as a result of 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.
Garage & Other Property Rents	(203)	Lower than anticipated garage void rate.
Service Charges - General	512	Income from Anglian Water service charges lower than anticipated, partially offset by reduced Anglian Water expenditure against 'Rents, Rates, & Other Property Costs'

7. For the year to date an underspend of **£3.988m** 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.

<i>HRA Division of Service</i>	<i>Variance To Date P3 £000s</i>	<i>Commentary</i>
Repairs & Maintenance	(2,645)	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	(809)	Mainly due to pension deficit recovery charges not yet being processed.
Special Services	(425)	Delays in processing of invoices, particularly district heating fuel.

Risks

8. 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	63	0%	GREEN	1,433	4%	AMBER
Housing Benefit Subsidy - Council tenants	-35,639	-735	2%	GREEN	-1,366	4%	AMBER
Housing Benefit Payments - Other tenants	32,280	499	2%	GREEN	-3,128	-10%	RED
Housing Benefit Subsidy - Other tenants	-33,048	1,191	-4%	AMBER	3,133	-9%	RED
HRA Repairs - Tenanted Properties	12,369	-2,361	-19%	RED	-2	0%	GREEN
HRA Repairs - Void Properties	2,639	-179	-7%	RED	-18	-1%	GREEN
Multi-Storey Car Parks	-3,203	29	-1%	GREEN	0	0%	GREEN
HRA Rents - Estate Properties	-60,144	105	0%	GREEN	305	-1%	GREEN
Corporate Management including Contingency	-3,929	-655	17%	RED	1	0%	GREEN
Private Sector Leasing Costs	2,570	-25	-1%	GREEN	-131	-5%	RED

9. The red/amber status of items in the forecast RAG column is explained below.

Key Risk Budgets	Comment
Housing Benefit Payments and Subsidy	Although these areas are currently showing a red RAG status, they largely offset one another. There is an overall net forecast overspend on Housing Benefits budgets of £71k.
Private Sector Leasing Costs	This budget is showing as red but is a forecast underspend so does not pose a risk to the delivery of the service within budget.

10. 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 – recent government announcements indicate that further reductions in government funding are likely.
 - The localisation of business rates and of council tax reductions has increased the risks to the council's financial position arising from economic conditions. Significant levels of appeals against business rates also remain unresolved at the current time.
 - 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.
11. 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

12. 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.

13. 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

14. 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	(8,070)
Budgeted use of balances 2015/16	383
Forecast outturn 2015/16	(534)
= Forecast balance at 31 March 2016	(8,221)

15. The general fund balance is therefore expected to continue to exceed the prudent minimum.
16. 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	(20,181)
Budgeted use of balances 2015/16	13,933
Forecast outturn 2015/16	(481)
= Forecast balance at 31 March 2016	(6,729)

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

Collection fund

18. 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.

19. 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.

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

21. 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	13,647	53,797	0
(53,797)	(53,797)	Income	(13,449)	(53,797)	0
		Business Improvement District			
656	656	Expenditure	164	654	(2)
(656)	(656)	Income	(164)	(656)	0
		National Non-Domestic Rate			
77,698	77,698	Expenditure	19,424	77,698	0
(77,698)	(77,698)	Income	(19,424)	(77,698)	0
0	0	Total Collection Fund	198	(2)	(2)

22. On council tax, the actual year-end surplus or deficit will be taken into account in considering distribution of balances between the preceptors (city, county, and police).

23. The council operates the BID account on behalf of the BID company, so no surplus or deficit will fall on the council's accounts.
24. Any deficit reported on the NNDR account will roll forward and be distributed in the 2016/17 budget cycle.
25. 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:	23/07/15
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: 3 (June)

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	1,537,574	Business Relationship Management	23,566	(238,835)	(262,401)	1,396,892	(140,682)
292,745	292,328	Democratic Services	253,530	494,310	240,780	324,630	32,302
(19,263,443)	(19,263,443)	Finance	(4,795,167)	(4,536,125)	259,042	(19,192,040)	71,403
0	(256)	Procurement & Service Improvement	906,438	759,736	(146,702)	(66,641)	(66,385)
(17,433,124)	(17,433,797)	Total Business Relationship Management & Democracy	(3,611,633)	(3,520,914)	90,719	(17,537,159)	(103,362)
Chief Executive							
0	0	Chief Executive	73,881	52,206	(21,675)	(16,727)	(16,727)
0	0	Total Chief Executive	73,881	52,206	(21,675)	(16,727)	(16,727)
Customers, Comms & Culture							
2,124,719	2,135,301	Communications & Culture	657,828	537,584	(120,244)	2,076,566	(58,735)
(105,756)	(106,136)	Customer Contact	731,843	(104,002)	(835,845)	(232,459)	(126,323)
2,018,963	2,029,165	Total Customers, Comms & Culture	1,389,671	433,582	(956,089)	1,844,107	(185,058)
Regeneration & Growth							
(1,101,624)	(1,106,537)	City Development	(23,572)	(2,166,733)	(2,143,161)	(1,054,058)	52,479
0	0	Environmental Strategy	46,397	444,330	397,933	27,258	27,258
0	0	Executive Head of Regeneration &	39,401	34,773	(4,628)	967	967
1,447,674	1,447,502	Planning	406,912	94,745	(312,167)	1,365,424	(82,078)
262,834	262,195	Property Services	613,238	207,449	(405,789)	217,155	(45,040)
608,884	603,160	Total Regeneration & Growth	1,082,376	(1,385,437)	(2,467,813)	556,745	(46,415)
Strategy, People & Neighbourhoods							
10,069,543	10,068,593	Citywide Services	2,186,838	1,862,220	(324,618)	10,043,502	(25,091)
0	(1,172)	Human Resources	2,113,507	2,592,997	479,490	(64,599)	(63,427)
2,315,862	2,315,389	Neighbourhood Housing	408,689	187,334	(221,355)	2,271,000	(44,389)
2,419,872	2,418,932	Neighbourhood Services	665,580	490,454	(175,126)	2,350,426	(68,506)
0	(271)	Strategy & Programme Management	141,301	153,237	11,936	18,392	18,663
14,805,277	14,801,471	Total Strategy, People & Neighbourhoods	5,515,915	5,286,243	(229,672)	14,618,721	(182,750)
0	(1)	Total General Fund	4,450,210	865,680	(3,584,530)	(534,313)	(534,312)

Budget Monitoring Report

Year: 2015/16

Period: 3 (June)

HOUSING REVENUE ACCOUNT STATUTORY SUMMARY

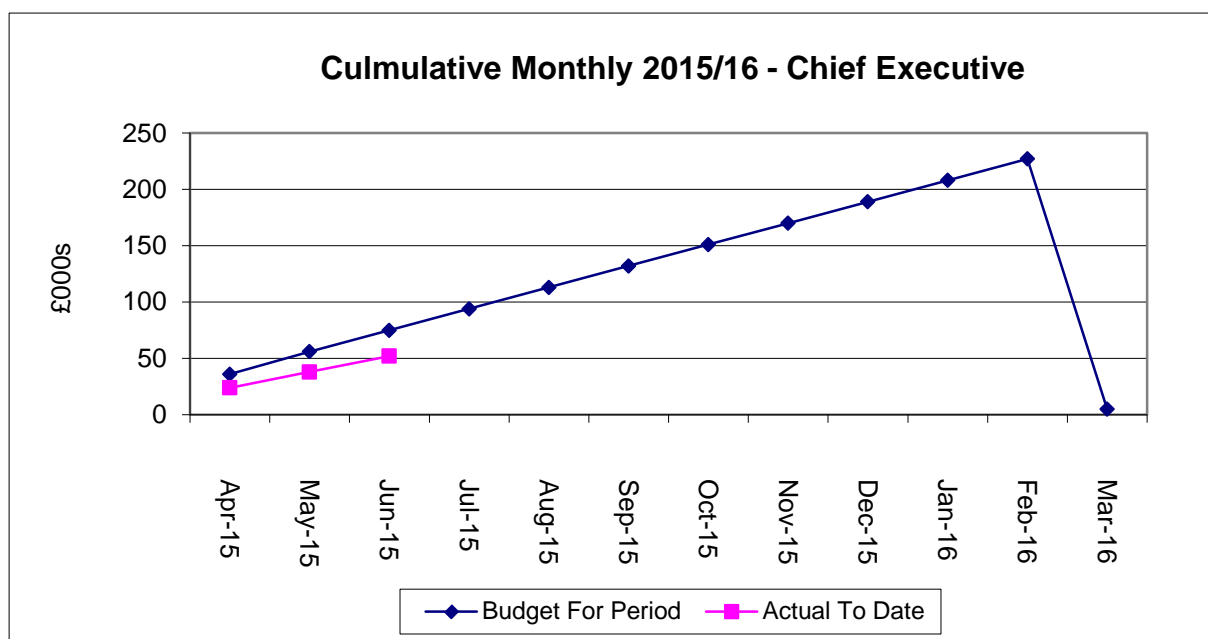
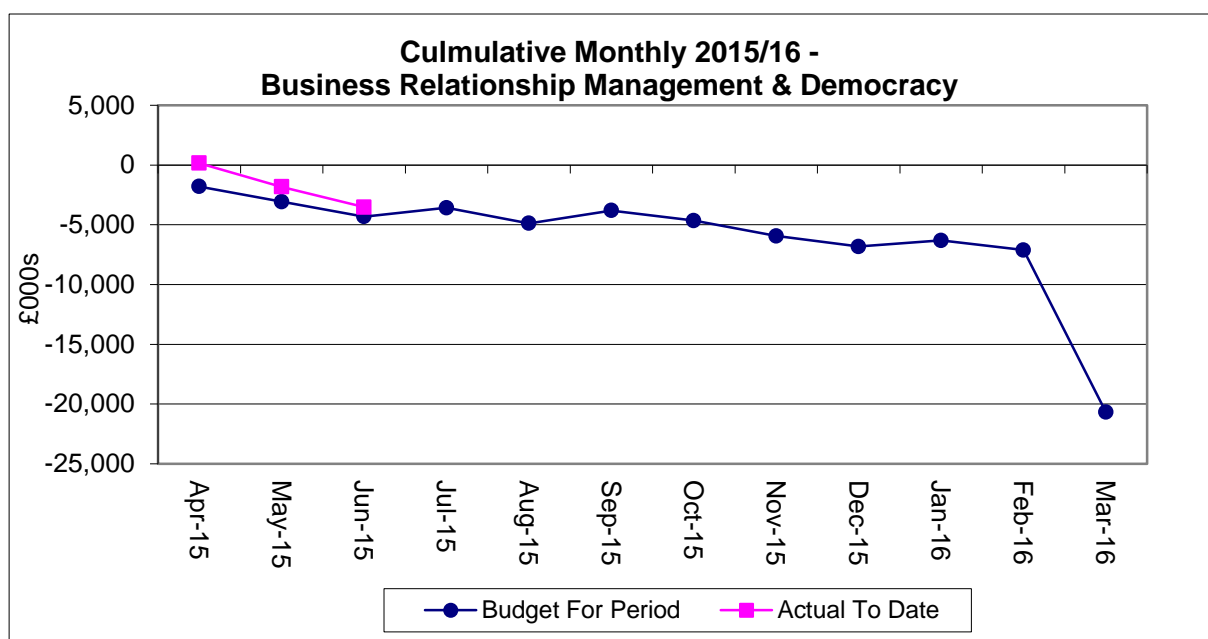
<i>Approved Budget</i>	<i>Current Budget</i>		<i>Budget To Date</i>	<i>Actual To Date</i>	<i>Variance To Date</i>	<i>Forecast Outturn</i>	<i>Forecast Variance</i>
16,069,344	16,069,344	Repairs & Maintenance	3,950,199	1,305,409	(2,644,790)	16,130,590	61,246
6,436,719	6,436,719	Rents, Rates, & Other Property Costs	5,872,118	5,666,223	(205,895)	6,052,933	(383,786)
11,016,261	11,016,261	General Management	1,777,365	968,302	(809,063)	10,512,304	(503,957)
5,086,385	5,086,393	Special Services	1,117,120	692,091	(425,029)	5,057,860	(28,533)
21,430,943	21,430,943	Depreciation & Impairment	0	0	0	21,430,943	0
584,000	584,000	Provision for Bad Debts	146,000	0	(146,000)	432,000	(152,000)
(60,143,678)	(60,143,678)	Dwelling Rents	(15,637,356)	(15,532,101)	105,255	(59,839,133)	304,545
(1,980,123)	(1,980,124)	Garage & Other Property Rents	(511,698)	(547,324)	(35,626)	(2,183,563)	(203,439)
(9,144,884)	(9,144,884)	Service Charges - General	(2,214,179)	(2,019,094)	195,085	(8,632,828)	512,056
0	0	Miscellaneous Income	0	(21,894)	(21,894)	(87,576)	(87,576)
11,355,513	11,355,513	Adjustments & Financing Items	(150)	0	150	11,356,113	600
(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	(5,500,581)	(9,488,387)	(3,987,806)	(480,837)	(480,844)

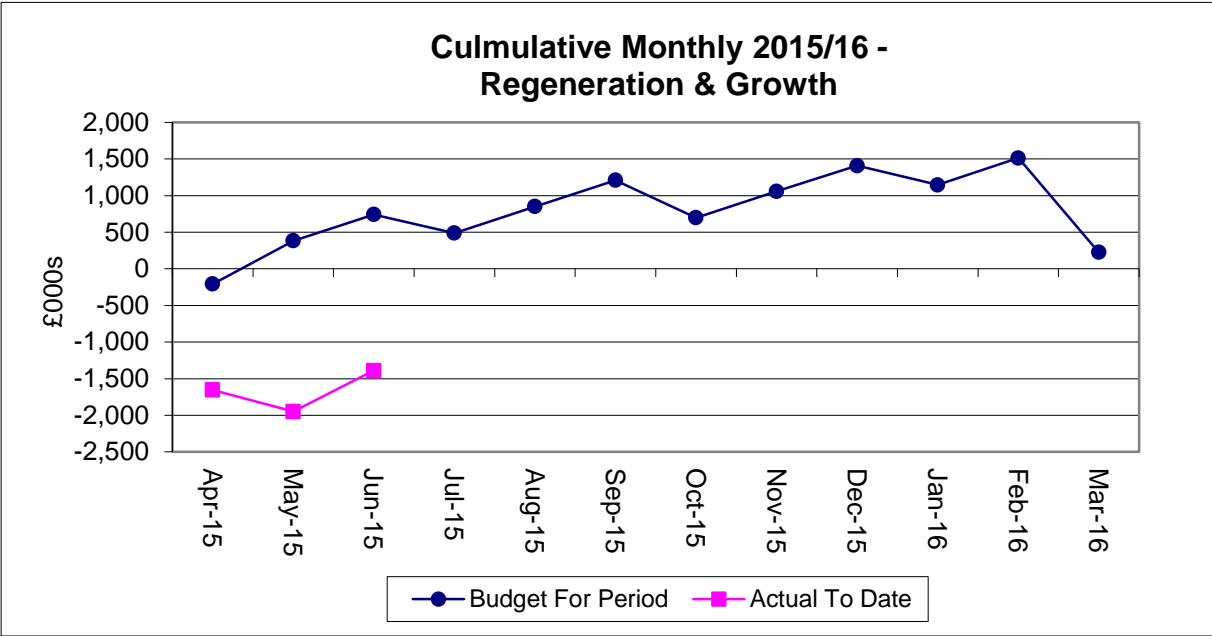
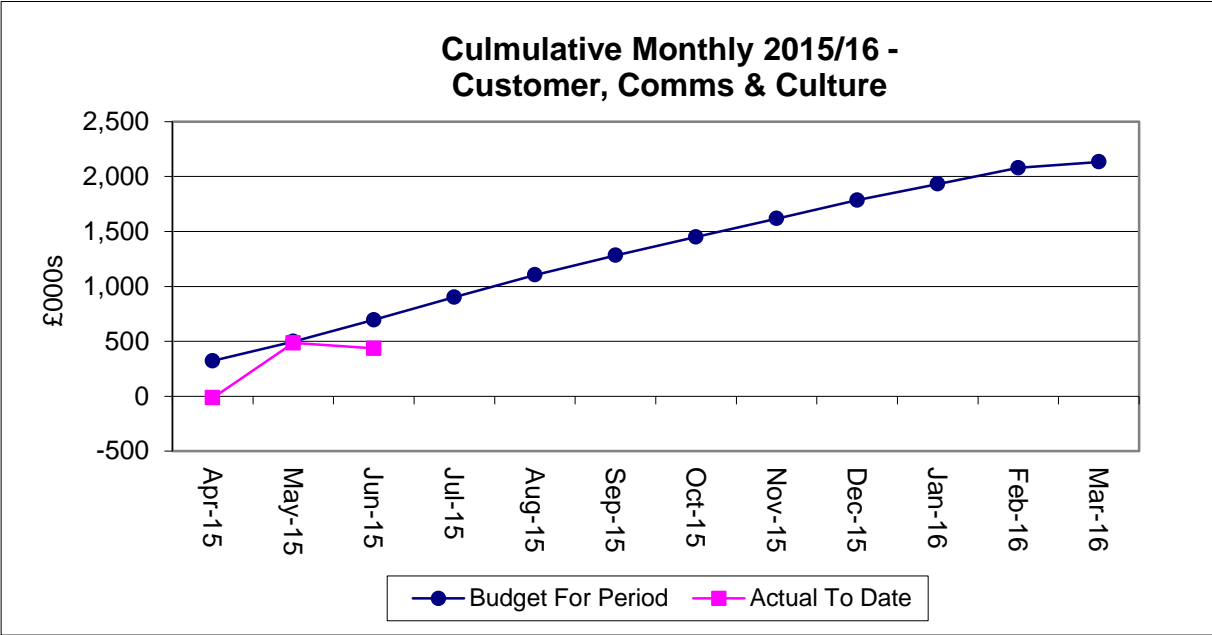
Budget & Expenditure – Monthly by Service Graphs

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.

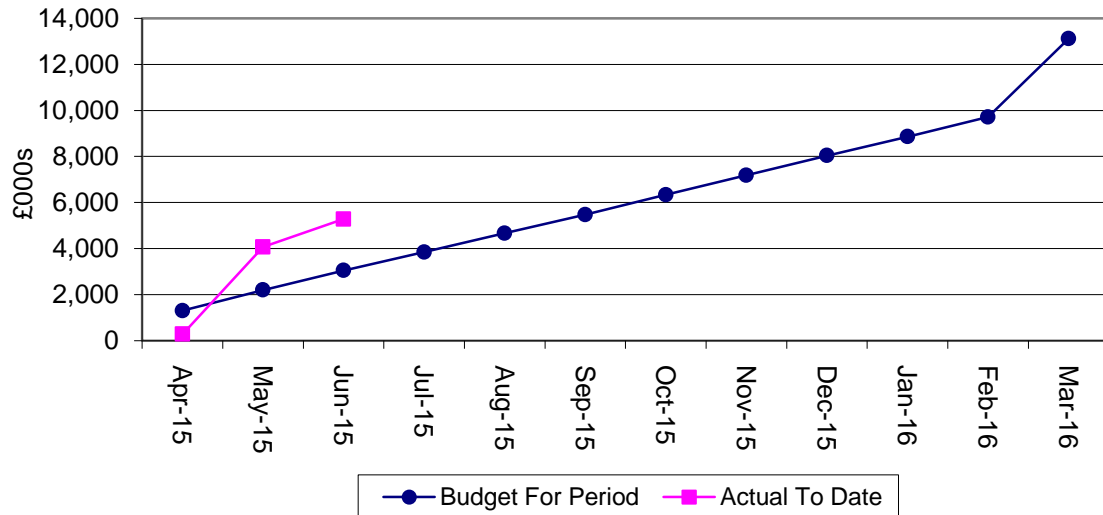
The actual income/expenditure reported is influenced by accrual provisions brought forward from the previous financial year, and by any delays in invoicing and/or payment.

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

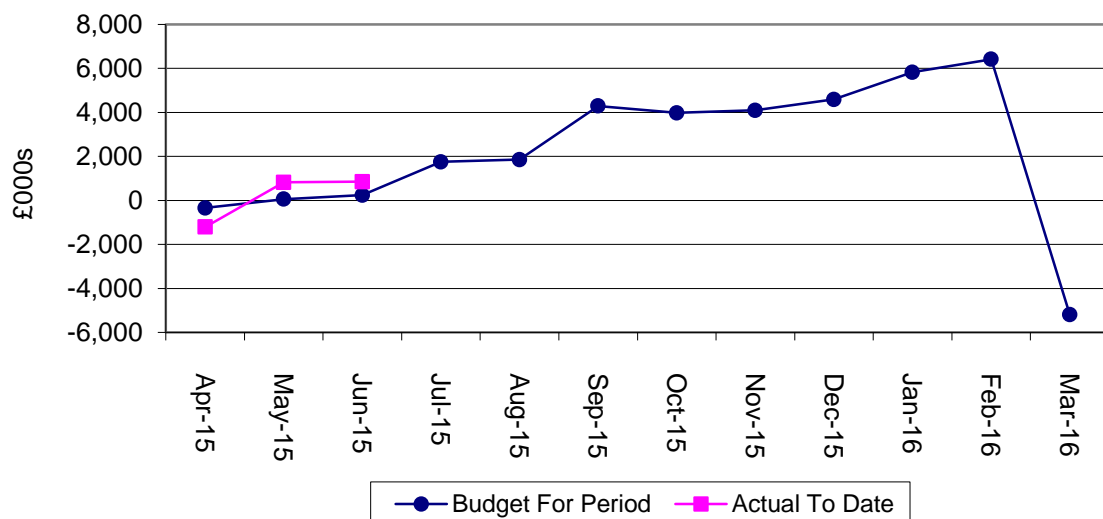




**Culmulative Monthly 2015/16 -
Strategy, People & Neighbourhoods**



Culmulative Monthly 2015/16 Norwich City Council (Revenue)



Part two: Revenue budget monitoring 2015-16 – Period 4

Purpose

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

Recommendation

To note the financial position as at 31 July 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 £0.402m. The housing revenue account budget is forecast to underspend by £0.526m.

Monitoring of key budgets does not indicate any unusual cause for concern; however the position will need to be continually monitored in order to deliver to the forecast outturn

Ward/s: All wards

Cabinet member: Councillor Stonard – Resources and income generation

Contact officers

Justine Hartley, chief finance officer
Neil Wright, service accountant

01603 212440
01603 212498

Background documents

None

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General fund

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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 **£0.402m** at year end compared to a forecast underspend last month of £0.534m. Key forecast variances from budget are set out below:

<i>Forecast Outturn Variance P3 £000s</i>	<i>General Fund Service</i>	<i>Forecast Outturn Variance P4 £000s</i>	<i>Commentary</i>
(66)	Procurement & Service Improvement	(271)	Expected underspend on IT services development fund plus underspend from currently vacant posts in procurement.
(126)	Customer Contact	(139)	Land search fee income refunds, additional grant income and vacant posts.

5. For the year to date an underspend against budget of **£3.787m** 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.

<i>General Fund Service</i>	<i>Variance To Date P4 £000s</i>	<i>Commentary</i>
Business Relationship Management	(1,158)	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	342	Timing issue re elections costs.
Procurement & Service Improvement	(324)	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	(653)	Transformation Challenge grant funding unbudgeted plus reflecting forecast underspends from land search fee income refunds, additional grant income and vacant posts.
City Development:	(1,700)	The current underspend against profile relates to parking rates not being paid as yet for the full year, pension deficit charges not being invoiced and works recharges not put through as yet.
Environmental Strategy	455	Large payment for Cosy city made. Gas bill paid to be redistributed.
Property Services:	(514)	Rates bill not yet invoiced for the year ahead.

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 has been forecast to underspend by **£0.526m** at year end. Key forecast variances from budget are set out below:.

<i>Forecast Outturn Variance P3 £000s</i>	<i>HRA Division of Service</i>	<i>Forecast Outturn Variance P4 £000s</i>	<i>Commentary</i>
(384)	Rents, Rates, & Other Property Costs	(338)	There is a forecast underspend on Anglian Water costs, partially offset by under-recovery through water service charges
(504)	General Management	(560)	There is a forecast underspend on the contingency fund (£121k), unrequired audit fee budget (£101k) and various staffing underspends due to vacancies
(152)	Provision for Bad Debts	(152)	Underspend forecast based on first quarter arrears figures, partially offset by unbudgeted write-off costs against 'Dwelling Rents'
305	Dwelling Rents	295	Forecast shortfall of income as a result of 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.
(203)	Garage & Other Property Rents	(170)	Lower than anticipated garage void rate
512	Service Charges - General	511	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 **£3.489m** 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.

<i>HRA Division of Service</i>	<i>Variance To Date P4 £000s</i>	<i>Commentary</i>
Repairs & Maintenance	(2,941)	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	(413)	Mainly due to staff vacancies and to area office business rates not yet being processed. Also, Families' Unit grant income has been received for the year, but profiled to be received in quarters.

<i>HRA Division of Service</i>	<i>Variance To Date P4 £000s</i>	<i>Commentary</i>
Special Services	(347)	Delays in processing of invoices, particularly district heating fuel.
Service Charges - General	248	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	-155	0%	GREEN	1,433	4%	AMBER
Housing Benefit Subsidy - Council tenants	-35,639	-806	2%	GREEN	-1,361	4%	AMBER
Housing Benefit Payments - Other tenants	32,280	182	1%	GREEN	-3,128	-10%	RED
Housing Benefit Subsidy - Other tenants	-33,048	1,523	-5%	AMBER	3,134	-9%	RED
HRA Repairs - Tenanted Properties	12,369	-2,507	-20%	RED	2	0%	GREEN
HRA Repairs - Void Properties	2,639	-294	-11%	RED	-23	-1%	GREEN
Multi-Storey Car Parks	-3,203	6	0%	GREEN	0	0%	GREEN
HRA Rents - Estate Properties	-60,144	133	0%	GREEN	305	-1%	GREEN
Corporate Management including Contingency	-3,929	-677	17%	RED	1	0%	GREEN
Private Sector Leasing Costs	2,570	3	0%	GREEN	-20	-1%	GREEN

10. The red/amber status of items in the forecast RAGr 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 £78k.

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:

16.

<i>Item</i>	<i>£000s</i>
Balance at 1 April 2015	(8,070)
Budgeted use of balances 2015-16	383
Forecast outturn 2015-16	(402)
= Forecast balance at 31 March 2016	(8,089)

17. The general fund balance is therefore expected to continue to exceed the prudent minimum.

18. 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	(20,181)
Budgeted use of balances 2015-16	13,933
Forecast outturn 2015-16	(526)
= Forecast balance at 31 March 2016	(6,774)

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

Collection fund

20. 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.
21. 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.
22. These risks are monitored and mitigated through normal revenues operations.

23. 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	18,371	53,797	0
(53,797)	(53,797)	Income	(17,932)	(53,797)	0
		Business Improvement District			
656	656	Expenditure	219	654	(2)
(656)	(656)	Income	(219)	(656)	0
		National Non-Domestic Rate			
77,698	77,698	Expenditure	25,899	77,698	0
(77,698)	(77,698)	Income	(25,899)	(77,698)	0
0	0	Total Collection Fund	439	(2)	(2)

24. 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).
25. The council operates the BID account on behalf of the BID company, so no surplus or deficit will fall on the council's accounts.
26. Any deficit reported on the NNDR account will roll forward and be distributed in the 2016-17 budget cycle.
27. 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:	14/08/15
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: 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 Relationship Mgt & Democracy							
1,537,574	1,537,574	Business Relationship Management	25,037	(1,133,246)	(1,158,283)	1,450,548	(87,026)
292,745	292,328	Democratic Services	324,192	666,182	341,990	362,274	69,946
(19,263,443)	(19,263,443)	Finance	(4,431,856)	(4,675,768)	(243,912)	(19,185,862)	77,581
0	(256)	Procurement & Service Improvement	1,179,303	855,528	(323,775)	(271,314)	(271,058)
(17,433,124)	(17,433,797)	Total Business Relationship Management & Democracy	(2,903,324)	(4,287,304)	(1,383,980)	(17,644,355)	(210,558)
Chief Executive							
0	0	Chief Executive	92,397	97,487	5,090	(11,224)	(11,224)
0	0	Total Chief Executive	92,397	97,487	5,090	(11,224)	(11,224)
Customers, Comms & Culture							
2,124,719	2,135,301	Communications & Culture	857,312	834,439	(22,873)	2,132,257	(3,044)
(105,756)	(93,389)	Customer Contact	906,914	253,958	(652,956)	(232,695)	(139,306)
2,018,963	2,041,912	Total Customers, Comms & Culture	1,764,226	1,088,397	(675,829)	1,899,562	(142,350)
Regeneration & Growth							
(1,101,624)	(1,106,537)	City Development	(740,596)	(2,440,769)	(1,700,173)	(1,097,967)	8,570
0	0	Environmental Strategy	58,119	513,387	455,268	10,357	10,357
0	0	Executive Head of Regeneration &	48,893	56,823	7,930	4,829	4,829
1,447,674	1,447,502	Planning	501,243	264,902	(236,341)	1,357,118	(90,384)
262,834	262,195	Property Services	721,564	207,532	(514,032)	178,467	(83,728)
608,884	603,160	Total Regeneration & Growth	589,223	(1,398,125)	(1,987,348)	452,806	(150,354)
Strategy, People & Neighbourhoods							
10,069,543	10,055,846	Citywide Services	2,820,831	2,884,726	63,895	10,129,264	73,418
0	(1,172)	Human Resources	422,915	550,940	128,025	(28,415)	(27,243)
2,315,862	2,315,389	Neighbourhood Housing	464,325	524,626	60,301	2,410,927	95,538
2,419,872	2,418,932	Neighbourhood Services	817,222	763,256	(53,966)	2,367,690	(51,242)
0	(271)	Strategy & Programme Management	175,030	231,305	56,275	21,314	21,585
14,805,277	14,788,724	Total Strategy, People & Neighbourhoods	4,700,323	4,954,852	254,529	14,900,799	112,055
0	(1)	Total General Fund	4,242,845	455,308	(3,787,537)	(402,431)	(402,431)

Budget Monitoring Report

Year: 2015-16

Period: 4 (July)

HOUSING REVENUE ACCOUNT STATUTORY SUMMARY

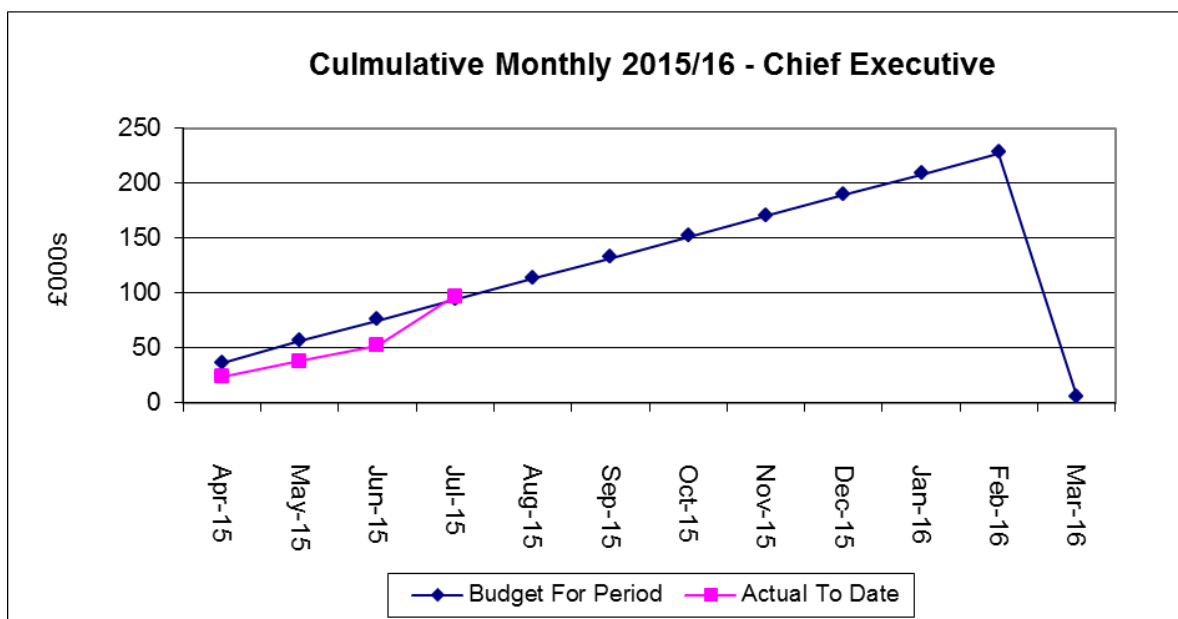
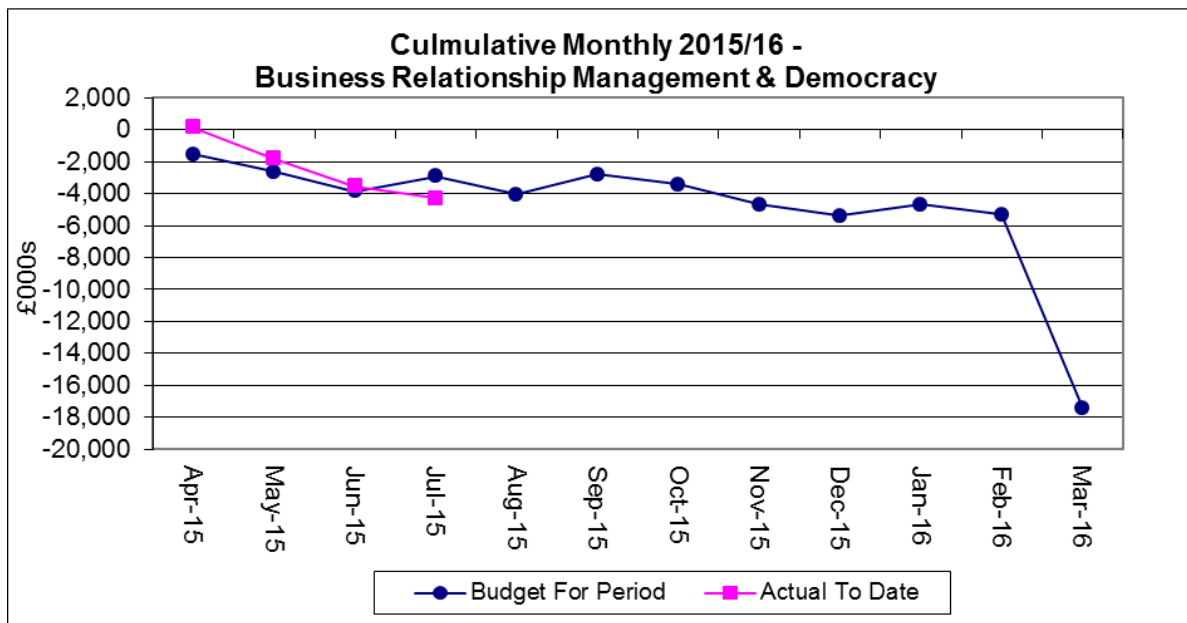
<i>Approved Budget</i>	<i>Current Budget</i>		<i>Budget To Date</i>	<i>Actual To Date</i>	<i>Variance To Date</i>	<i>Forecast Outturn</i>	<i>Forecast Variance</i>
16,069,344	16,069,344	Repairs & Maintenance	5,300,932	2,359,682	(2,941,250)	16,092,182	22,838
6,436,719	6,436,719	Rents, Rates, & Other Property Costs	5,934,853	5,957,004	22,151	6,098,653	(338,066)
11,016,261	11,016,261	General Management	2,340,275	1,927,238	(413,037)	10,456,273	(559,988)
5,086,385	5,086,393	Special Services	1,474,201	1,127,233	(346,968)	5,067,697	(18,696)
21,430,943	21,430,943	Depreciation & Impairment	0	0	0	21,430,943	0
584,000	584,000	Provision for Bad Debts	146,000	0	(146,000)	432,000	(152,000)
(60,143,678)	(60,143,678)	Dwelling Rents	(20,448,850)	(20,315,812)	133,038	(59,848,803)	294,875
(1,980,123)	(1,980,124)	Garage & Other Property Rents	(801,456)	(825,673)	(24,217)	(2,149,777)	(169,653)
(9,144,884)	(9,144,884)	Service Charges - General	(2,907,791)	(2,659,462)	248,329	(8,633,980)	510,904
0	0	Miscellaneous Income	0	(29,616)	(29,616)	(88,848)	(88,848)
11,355,513	11,355,513	Adjustments & Financing Items	(49,050)	(40,610)	8,440	11,327,884	(27,629)
(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	(9,010,886)	(12,500,016)	(3,489,130)	(526,256)	(526,263)

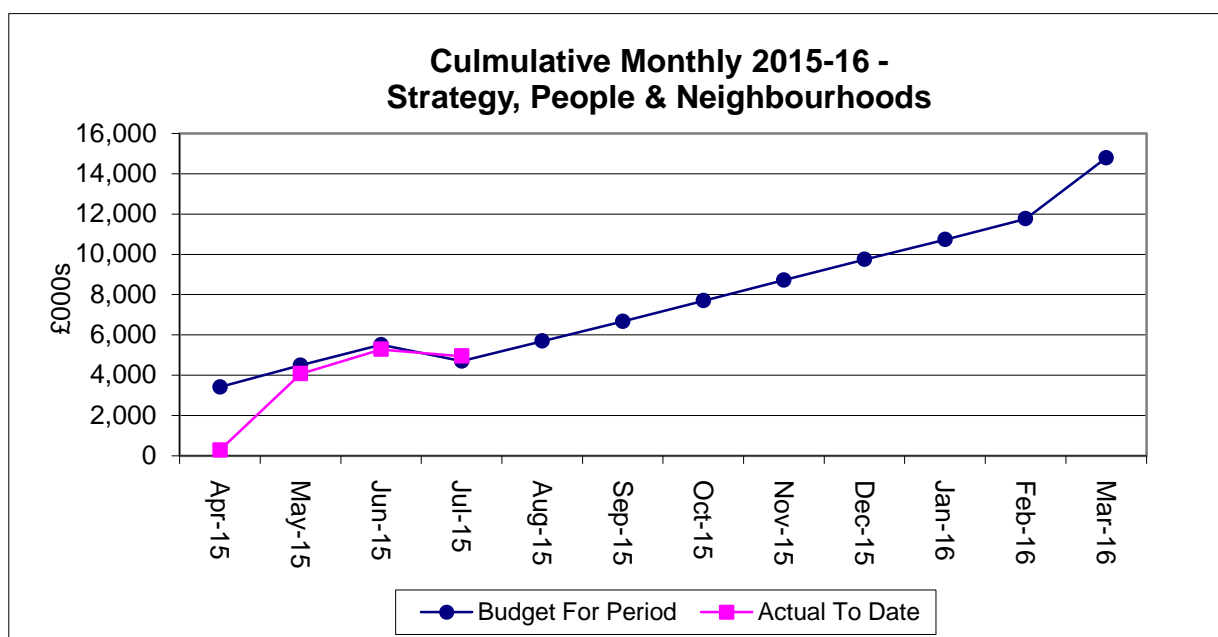
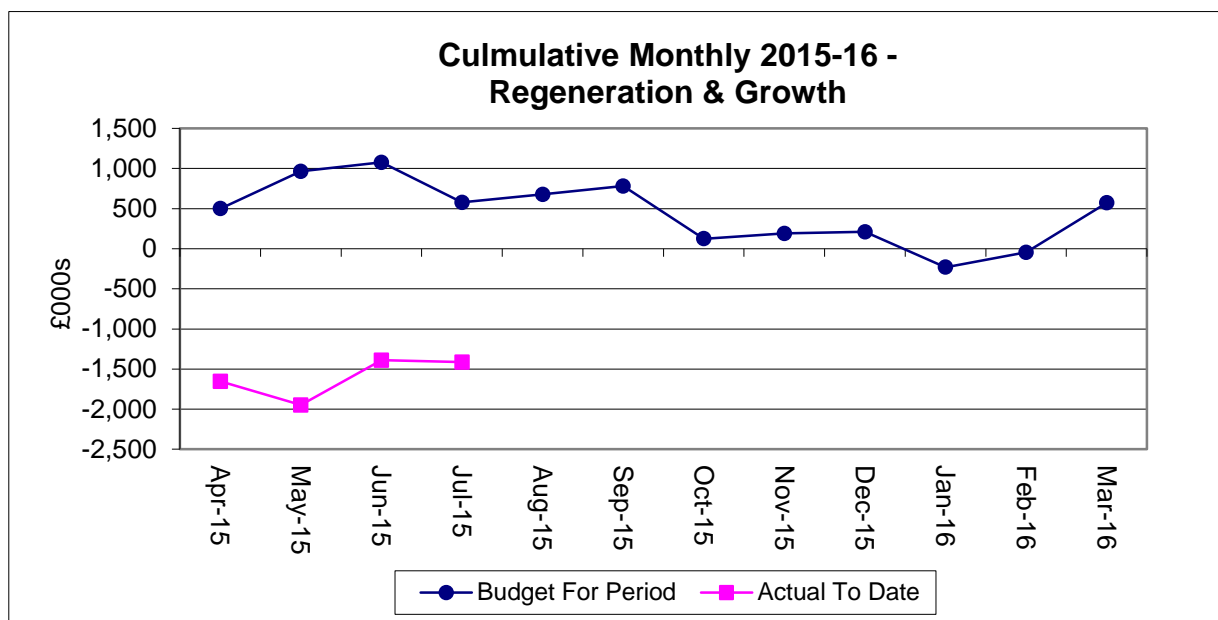
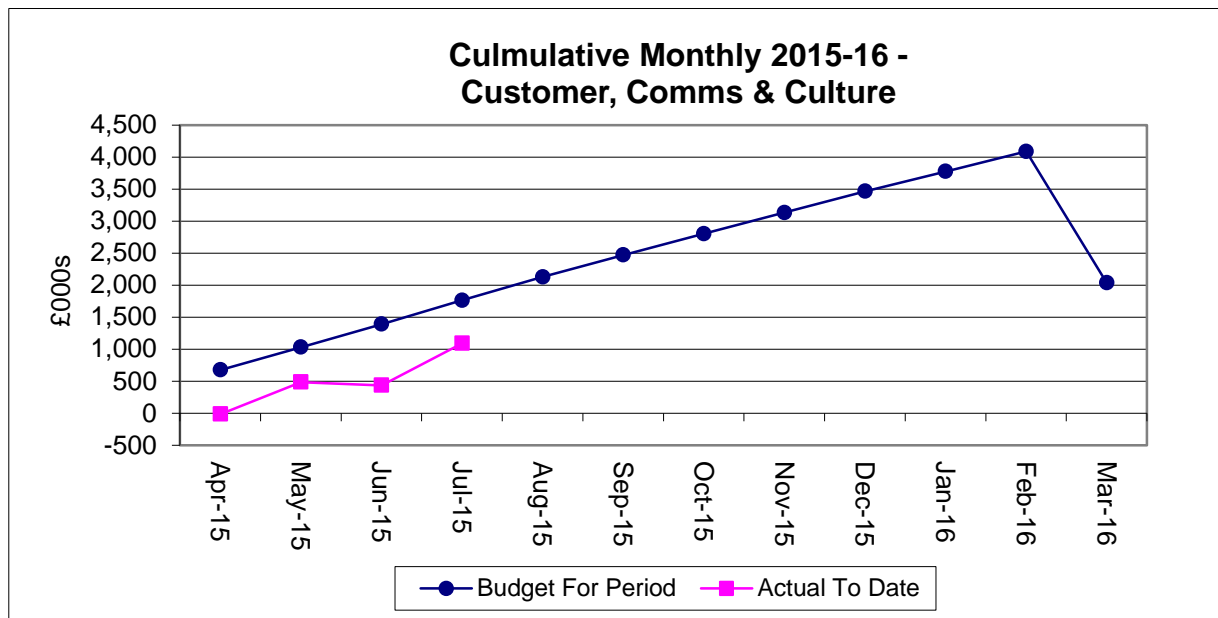
Budget & Expenditure – Monthly by Service Graphs

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 Norwich City Council (Revenue)

