2018/19 OUTTURN REPORT (PERIOD 12 BUDGET MONITORING REPORT)

Summary:	This report presents the provisional outturn position for the 2018/19 financial year and includes a General Fund underspend of £273,465 and a transfer from the Collection Fund in relation to Business Rates of £696,201 giving an overall General Fund surplus of £969,666. It also provides an update in relation to the Council's capital programme. Details are included within the report of the more significant year-end variances compared to the current budget for 2018/19. The report also makes recommendations for contributions to reserves.
Options considered:	The report provides a final budget monitoring position for the 2018/19 financial year. Whilst there are options available for earmarking the under spend in the year, the report makes recommendations that provide funding for ongoing commitments and future projects.
Conclusions:	The revenue outturn position as at 31 March 2019 shows an overall underspend of £969,666 The final position allows for £481,474 from budget and grant underspends to be rolled forward within Earmarked Reserves to fund ongoing and identified commitments for which no budget has been allocated in 2019/20. The position as reported will be used to inform the production of the statutory accounts which will then be subject to audit by the Council's external auditors.
Recommendations:	**Members are asked to consider the report and recommend the following to Full Council:** **a) The provisional outturn position for the General Fund revenue account for 2018/19;** **b) The transfers to and from reserves as detailed within the report (and appendix C) along with the corresponding updates to the 2019/20 budget;** **c) Transfer the surplus of £969,666 to the General Fund Reserve (£500,000) and the Asset Management Reserve (£469,666);** **d) The financing of the 2018/19 capital programme as detailed within the report and at Appendix D;** **e) The balance on the General Reserve of £1.956 million;** **f) The updated capital programme for 2019/20 to 2022/23 and scheme financing as outlined within the report and detailed at Appendix E;** **g) The outturn position in respect of the Prudential Indicators for 2018/19 as detailed in Appendix F.**

Reasons for Recommendations:	To approve the outturn position on the revenue and capital accounts that will be used to produce the statutory accounts for 2018/19.

LIST OF BACKGROUND PAPERS AS REQUIRED BY LAW
(Papers relied on the write the report and which do not contain exempt information)

Budget Monitoring Reports, NNDR returns	
Cabinet Member(s): Cllr Eric Seward	Ward(s) affected All
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1. Introduction

1.1 This report presents the provisional outturn position for the 2018/19 financial year, this will be used to inform the production of the Council's statutory accounts which will be subject to audit review ahead of presentation to the Governance, Risk and Audit Committee (GRAC) in July 2019.

1.2 Commentary on the more significant year-end variances is included within the report with further supporting information provided within the appendices.

1.3 The report also includes a current forecast position statement on the level of reserves along with the outturn and financing position for the 2018/19 capital programme. The capital programme for the period 2019/20 to 2022/23 has been updated to take account of the outturn position and is included within this report and appendices.

1.4 All budgets have been monitored during the year by Service and Finance Officers with regular reports being presented to Cabinet and Overview and Scrutiny. The period 10 budget monitoring report was presented to Cabinet in February which covered the first 10 months of the year up to the end of January 2019. At the time this report was forecasting a General Fund underspend of £781,488. Of this underspend £468,954 related to a storm damage insurance payment with the recommendation that this be transferred to the Asset Management reserve. This transfer has already been included in the figures now presented as part of this Outturn position.

1.5 The outturn position as now reported shows General Fund surpluses of £273,465 with a further transfer from the Collection Fund in relation to Business Rates of £696,201, giving a final overall underspend of £969,666. This report now presents the final budget monitoring position for the year. The contents of this report will be considered by the Overview and Scrutiny Committee on 12 June 2019.

1.6 At the time of preparing this report there are a number of final figures for 2018/19 which have not yet been confirmed and therefore estimates have been made within the provisional outturn position. This is not unusual due to the timing of producing the outturn report, and the lead in time for publication of committee papers. Further details on this are included under the heading 'Estimates included in the accounts'.

1.7 The deadline for the statutory annual accounts is 31 May for the draft statements and 31 July for the published audited version.

2. Revenue Account – Outturn 2018/19

2.1 The revenue account position for the year shows a total surplus of £969,666 as detailed at Appendix A. This is after allowing for transfers to Earmarked Reserves for current and known commitments. The transfers to and from reserves in the year are made in line with the Council's policy framework for Earmarked Reserves as approved as part of the annual budget setting process. Earmarked Reserves are typically used to set aside funds for known or specific liabilities. Transfers to Earmarked Reserves have been made for the following:

a) Where an underspend has occurred within a service, mainly due to the timing of work not being completed as planned (by 31 March 2019), and also where no future budget exists or where there is a one-off commitment that continues into the 2019/20 financial year;

b) Where external funding has been received in 2018/19 for which the expenditure has not yet been incurred;

c) Where the 2018/19 budget allowed for expenditure to be funded from an Earmarked Reserve, but the spend has not yet been incurred as planned and therefore the funds remain in the Earmarked Reserve until 2019/20.

Estimates Included in the Accounts

2.2 The provisional outturn position includes some estimates where final figures are either not confirmed at the time of producing the report or are subject to external audit later in the year. The significant estimates are in relation to Benefit Subsidy, Business Rates Retention and commercial waste disposal and recycling credit income.

2.3 **Benefit Subsidy** - The benefit subsidy return was completed and submitted by 30 April 2019 and will be subject to external audit review later in the year. Depending on the outcome from the external audit review there could be an impact on the overall financial position, for example should subsidy be due to the Department for Work and Pensions. It is for this reason that the Council holds a Benefits Earmarked Reserve to mitigate any such impact.

2.4 **Business Rates** - Under the current system an element of the business rates is retained locally (split between the County (10%) and Districts (40%)) with the balance (50%) being returned to Central Government. The budget for the year was informed by the baseline funding and the NNDR1 position. The outturn position is based on the National Non Domestic Rates (NNDR3) Return which is submitted annually.

In the same way that council tax operates a 'Collection Fund' which distributes the precepts/shares of council tax collected to the respective authorities, the business rates collection fund distributes the respective shares of business rates based on the NNDR return. Should the actual income collected from business rates exceed or not meet the anticipated amounts there would be a surplus or deficit on the fund. As with the benefits subsidy above, the Council operates a Business Rates Earmarked Reserve to help mitigate against any potentially negative impacts of these arrangements.

Table 1 shows the main variances across the standard expenditure headings. Details of the variances at the service level are provided at section 3.

Table 1 - 2018/19 Subjective Analysis	**2018/19 Updated Budget**	**2018/19 Outturn**	**Variance**	
	£	**£**	**£**	**%**
Employee Costs	11,483,056	12,581,319	1,098,263	9.56
Premises	2,734,055	2,979,741	245,686	8.99
Transport Related Expenditure	302,142	334,714	32,572	10.78
Supplies & Services	10,179,396	10,443,633	264,237	2.60
Transfer Payments	25,896,071	24,734,337	(1,161,734)	-4.49
Support Services - Charges In	10,185,780	11,101,930	916,150	8.99
Support Services - Charges Out	(10,480,877)	(11,377,734)	(896,857)	8.56
Capital Financing Costs	1,344,248	2,388,704	1,044,456	77.70
Income	(36,659,271)	(37,512,673)	(853,402)	2.33
Total cost of services	**14,984,600**	**15,673,970**	**689,370**	**4.60**

2.5 The reasons for some of the movements included in the summary above are as follows, further details are included at section 3:

a) **Employee Costs** – of the total variance £1,056,124 relates to pension cost adjustments for current service costs. This adjustment reflects the difference between the cash contributions the Council has made in to the Pension Fund during the year and the value of pensions accumulated in the year calculated by the actuary.

These additional costs are reversed out under net operating expenditure and have no bottom line impact on the revenue outturn position although the increase is reflected in long term liabilities on the Balance Sheet.

Employee budgets assume 2% turnover per annum. Although turnover savings were achieved in a number of service areas, some of these underspends have been offset by overtime and new appointment advertising costs which are not normally budgeted for separately.

b) **Premises** – additional premises costs of £245,686. The majority of this increase in expenditure relates to repairs and maintenance both programmed and reactive across a number of the Council's key assets including the pier pavilion, parks and open spaces and a number of public conveniences.

c) **Supplies and Services** – additional supplies and services costs of £264,237. The significant movements against the budgets for supplies includes expenditure relating to consultancy fees, grants and temporary accommodation charges. However in a number of areas this is offset by grant income, client contributions and funding from reserves.

d) **Transfer Payments -** Reduced payments to benefit claimants. This has been offset by a reduction in subsidy income claimed from the Department for Works and pensions (DWP).

e) **Capital Financing Costs** – The main variance relates to additional depreciation and amortisation, and payments from the Community Housing Fund which were treated as revenue expenditure funded from capital under statute (REFCUS) above what had been budgeted. Other minor variances relate to slippage and re-profiling of the capital programme.

f) **Income** – The most significant income variances for the year are represented by the following items.

- Reduced benefits subsidy income, this is offset by reduced benefits payments (included under the transfer payments heading) and recovered benefits overpayments.

- Payment of an insurance claim reimbursed re damage to the Pier during the storm surge of 2013 highlighted as part of period 10 budget monitoring.

- Various additional grants were received at the end of the financial year when they could not be allocated to additional service provision these included Homelessness prevention grant and a number of New Burdens grants. These have been rolled forward within the councils earmarked reserves for spend in 2019/20.

- Fee Income - Planning and Building Control income, additional fee income from bulky, garden and trade waste collections and additional income from recycling credits and sales of recyclable materials.

3. Revenue Account – Detailed Commentary 2018/19

3.1 This section of the report highlights the more significant direct cost and income variances compared to the current budget. Further commentary on some of the smaller variances is also included within Appendix B which accompanies this report. Accounting standards require a number of notional charges to be made to service accounts. Notional charges include transactions in relation to capital charges, revenue expenditure funded from capital under statute (REFCUS) and pension costs, and whilst they do not have an impact on the ‘bottom line’ i.e. the surplus or deficit for the year, they are included for reporting purposes. Appendix A shows the overall revenue position including notional charges; however, to assist reporting and explaining ‘real cash’ variances, Table 2 provides a summary of the position excluding notional charges.

Table 2 - 2018/19 Revenue Account (Excluding Notional Charges)	Updated Budget	Outturn	Variance
	£	£	£
Service Area:			
Corporate and CLT	325,223	173,784	(151,439)
Community, Economic Development & Leisure	2,625,817	2,351,073	(274,744)
Customer Services and ICT	1,548,234	1,086,999	(461,235)
Democratic and Legal Services	625,531	554,528	(71,003)
Environmental Health	3,567,577	3,121,393	(446,184)
Finance and Assets	2,579,963	2,608,583	28,620
Planning	2,115,982	2,081,534	(34,448)
Net Cost of Services	**13,388,327**	**11,977,894**	**(1,410,433)**
Parish Precepts	2,210,812	2,210,432	(380)
Net Interest Receivable/ Payable	(1,143,884)	(1,283,480)	(139,596)
Capital Financing	1,812,568	1,536,638	(275,930)
Contribution to /(from) Earmarked Reserves	(2,026,651)	(468,130)	1,558,521
Contribution to /(from) General Reserve	(264,224)	(240,840)	23,384
Net Service Expenditure/Income to be met from government Grant & Taxpayers	**13,976,948**	**13,732,514**	**(244,434)**
Government Grants and Council Tax	**(14,480,222)**	**(15,205,454)**	**(725,232)**
Net (Surplus)/Deficit for the year	**(503,274)**	**(1,472,940)**	**(969,666)**

3.2 **Service Variances** – The following provides commentary of the more significant variances (over/under £30,000) across the seven service groupings, more detailed variance explanations are provided within the detailed appendices. These figures represent service variances before any additional contributions to/ (from) reserves and revenue contributions to capital.

Service and Details	**Net (Under)/Overspend (Direct Cost and Income Only)**
Corporate And CLT	
There were no significant variances in this service area.	
Community, Economic Development and Leisure	
Parks & Open Spaces - (£27,344) - Lower costs relating to the Kier services contract. (£16,335) - Section 31 grant in relation to parks improvement from the Ministry of Housing, Communities and Local Government (MHCLG), this is offset by a number of minor variances.	(39,254)
Leisure Complexes - £72,017 costs associated with Leisure management contract support, to be funded from reserves. £64,085 one-off payment to previous contractor for building extension at Victory. £8,930 additional repair and maintenance costs.	147,544

Service and Details	Net (Under)/Overspend (Direct Cost and Income Only)
Pier Pavilion - £34,668 Pier Theatre internal decoration, flooring, pumps and fire alarm alterations. £30,614 - Management fee, payment in advance from prior year.	54,517
Cromer Pier - (£468,954) Insurance claim reimbursed re damage to the Pier during the storm surge of 2013. As part of period 10 budget monitoring it was recommended that this be transferred to the Asset Management reserve (AMR) to support the next phase of the repair works to the pier.	(462,799)
Economic Growth - Uncommitted contributions, budget requested to be rolled forward to match fund projects in 2019/20.	(44,352)
Housing Health and Wellbeing - (£70,498) Surplus Home Improvement Agency fee income transferred to the Housing reserve. (£45,295) Norfolk County Council funding in respect of the social prescribing posts, this has been rolled forward to fund the remainder of the contracts in future years.	(115,833)
Customer Services and ICT	
Benefits Administration – Employee turnover savings of (£25,098) were achieved in year as a result of staff vacancies. (£74,131) relates to various one off grants received from the department for Works and pensions (DWP) to support additional service requirements. Some of which have been offset by additional expenditure in the year. The balance has been earmarked to fund service improvements in 2019/20.	(90,802)
ICT Support services – £22,074 Salaries and on costs and overtime costs higher than anticipated. (£19,304) Computer hardware purchases. (£56,470) Lower cost of computer lines and modems. £25,888 Higher computer maintenance costs.	(36,438)
Homelessness – Additional costs associated with providing temporary accommodation offset by subsidy and client contributions. (£38,426) Rough Sleeping and Homeless Community Funding allocated from County not yet spent. (£30,000) Repossession funding reversed out of receipts in advance (RIA). (£68,548) Additional grants from MHCLG in respect of Flexible Homelessness and New Burdens funding. This has been earmarked within the roll forward process for spend in future financial years.	(136,598)
Democratic and Legal Services	
There were no significant variances in this service area.	

Service and Details	Net (Under)/Overspend (Direct Cost and Income Only)
Environmental Health	
Waste Collection and Disposal – The main reasons for this significant variance are outlined below; £22,781 Norse Environmental Waste Services (NEWS) processing costs; (£218,558) Kier - stepped costs and contract variations. (£193,658) Additional fee income from bulky, garden and trade waste collections; (£26,362) Additional income from recycling credits and sales of recyclable materials. £98,125 of this underspend has been earmarked to fund some in-year capital expenditure (RCCO) relating to the purchase of bins.	(435,555)
Cleansing – (£45,221) Kier accrual from previous year not offset by expenditure, this has not been carried forward. (£18,243) Grant income in respect of High Streets Community Clean Up funding.	(64,152)
Civil Contingencies – The majority of this saving relates to in-year staff vacancies.	(31,559)
Finance and Assets	
Parklands – Additional costs of £11,972 relating to site clear-up costs and £19,359 relates to higher electricity costs.	32,506
Benefits Subsidy – (£33,293) Movement in the provision for bad and doubtful debts. Lower benefit payments, budget based on 2018/19 initial subsidy return. This is offset by reduced subsidy grant. £195,902 Subsidy on benefit payments. £82,583 Movement in the amount of benefit overpayment debt held on the Civica system. (£483,857) Recovered overpayment cash transferred to revenue.	(244,842)
Property Services – The more significant variances include £22,632 additional staffing and travel costs. £16,250 Asset valuations carried out by Norfolk Property Services (NPS). The balance of this variance relates to external professional fees relating to a number of projects.	75,149
Public Conveniences – £28,799 Reactive repair and maintenance works; £26,361 higher business rates and amenities costs due to a busy summer season.	58,279
Planning	
Development Management – £34,822 Enforcement costs relating to “at risk” properties these costs have been offset by a contribution from the Enforcement Board Reserve. £64,985 Reduction in Planning fee income offset by increased income from discharge of conditions (£8,188) and pre-application advice (£39,279).	75,643

Service and Details	Net (Under)/Overspend (Direct Cost and Income Only)
Planning Policy – Slippage in profiled spend associated with the Local Plan, this has been offset by a reduced contribution from the New Homes Bonus Reserve. New Burdens grants received from the Ministry for Housing Communities and Local Government (MHCLG) in relation to maintaining Custom Build and Brown site registers, these have been earmarked as part of the roll forward request process.	(74,311)
Building Control - Additional income from Building Control fees partially offset by increased employee costs. As this service operates on a cost recovery basis the net position will be reflected in a transfer to the earmarked reserve and taken into account in setting future fee levels.	(32,398)
Property Information – (£13,889) New Burdens grant from Ministry for Housing Communities and Local Government (MHCLG) in respect of Land Charges. (£2,980) Income from Street Naming and Numbering. (£23,819) Land Charge fee income. Land charge fee income is set on a cost recovery basis therefore in year surpluses are ring-fenced and reflected in future year fee setting.	(38,896)

Non Service Expenditure and Income

3.3 The non-service expenditure and income predominantly relates to investment income.

3.4 The original income budget for 2018/19 anticipated £1,158,300 would be earned in interest from an average balance of £35.1m at a rate of 3.3%. A total of £1,295,337 was earned from investments over the year from an average balance of £44.7m at an average rate of interest of 2.89%. This resulted in a favourable variance against the budget of £138,034 in respect of investment income.

3.5 Investment balances were consistently higher than anticipated in the budget although the overall rate of interest earned was lower than budget. Uncertainty around timings of payments resulted in some of this cash being kept in shorter term investments, affecting the overall rate of return but positively impacting on the level of income received.

3.6 The Council has taken a strategic decision to continue to invest in pooled funds using balances which are not anticipated to be required in the medium to long-term (three to five years). These pooled funds are anticipated to provide a higher income return than alternative financial instruments and achieved an average interest rate of 3.82% in the year.

3.7 The Treasury Management Annual Report is included as a separate item on this Agenda and provides more details on the performance of the Treasury Management activity for the year.

Retained Business Rate Income

3.8 The total favourable variance for the year under the Business Rate Retention Scheme was £696,201. This sum includes increased amounts receivable in respect of reliefs funded by central government using Section 31 grants; an increased levy payable to Norfolk County Council; additional growth and other minor variances.

3.9 The Council is a member of the Norfolk Business Rates Pool which enables growth in the business rates collected in Norfolk to be retained locally, rather than being passed to central government. The growth is paid over in the form of a levy payment to Norfolk County Council as the lead authority for the Pool. The budget for the levy was £575,337 but this has increased by £307,463 to £882,800 at outturn. The increase is due to a higher retained business rate income figure as a result of central government increases in reliefs, as well as growth in the rates base.

3.10 The Council can retain all the income from renewable energy schemes, provided it was granted planning permission. It must include each year the amount it anticipates it will receive when completing the NNDR1. Any variation will be carried forward to the following year. The actual income receivable in 2017/18 from renewable energy schemes was £80,034 above the NNDR1 figure for that year, and this increase in income is included in the 2018/19 outturn. Additional income in Designated Areas totalled £287,036.

3.11 The Government has provided additional reliefs to business in successive Autumn Statements. These reliefs have been dealt with outside the Business Rate Retention Scheme and funded by Section 31 grants payable to District Councils. The reliefs actually granted to businesses for the year, along with adjustments to compensate for changes in the multiplier cap, have resulted in an increase of £716,628 in grant received.

3.12 The business rate income is paid into the Collection Fund and then distributed to Central Government, the County Council and North Norfolk District Council (NNDC) in accordance with the proportionate shares set out in the Scheme. The distribution is based on the NNDR1 return and any variances at outturn will produce a surplus or deficit on the Collection Fund which is then distributed in the following year. A surplus on the Collection Fund had been anticipated for 2018/19 and the Council's share of the overall surplus on the Collection Fund at the time of completing the 2019/20 NNDR1 was £441,501.

3.13 The Council applied to be a pilot authority as part of the Norfolk Business Rates Pool for the 2019/20 financial year, as it was forecast that the pilot would bring significant financial benefit to the district. The decision regarding the success of this application was announced alongside the Provisional Settlement and the excellent news was that the Norfolk wide pilot application was successful.

4. Reserves

4.1 The Council holds a General Reserve for which the recommended balance for 2019/20 is £1.9 million. The purpose of holding a General Reserve is to provide a working balance to help cushion the impact of uneven cash flows and to provide a contingency to help cushion the impact of unexpected events or emergencies.

4.2 In addition to the General Reserve the Council holds a number of Earmarked Reserves that are held to meet known or predicted liabilities. The Earmarked Reserves also provides a means at the year-end for carrying funds forward to the new financial year to fund ongoing commitments and known liabilities for which no separate revenue budget exists.

4.3 There are a number of Earmarked Reserves that have balances, yet the timing of the use of the reserve is yet to be agreed. For example the Invest to Save reserve anticipates transfers out of £940k in relation to Digital Transformation phase two, this will be allocated to individual projects and the budget updated when these have been approved by the Digital Transformation Board and Members.

4.4 Section 3 of the report has highlighted a number of service areas where an underspend has occurred in the year and a transfer to reserves had been made to ensure funds are available to meet future spending commitments. Unlike capital budgets, underspends on revenue budgets in the year are not automatically rolled forward at the year-end where there is an annual budget provision. Where the underspend represents a grant received which has not yet been fully utilised or there has been a delay in the planned use, the unspent grant has been rolled forward.

4.5 The transfers to and from reserves (general and earmarked) are included within the reserves statement as detailed at Appendix C. This appendix outlines the purpose of each grant and shows the planned use over the current four year budget period. The updated budget projections were forecasting a movement of £2,026,651 out of earmarked reserves. At outturn the final transfer made was £468,130, resulting in a variance of £1,558,521, the most significant of which were as follows;

- Asset Management Reserve – (£436,716) the majority of this variance relates to the pier insurance money received in connection with the 2013 storm surge;

- Capital Projects Reserve – (£261,259) it was originally anticipated that the pier roofing works would have been completed by the end of the year. However this scheme was rescheduled following the results of the structural survey so that the works underneath the theatre could be completed first which has slightly delayed the timing of the roofing works;

- Housing – (£277,131) there have been various grants received in the year which have not as yet been spent which have been transferred to the reserve for spend in future years

- Invest to Save – (£169,745) this variance is largely due to the slippage in original anticipated timescales for the public convenience improvements work programme which was extended to allow for additional consultation with town and parish councils.

4.6 The General Reserve balance at 31 March 2019 is £1.956 million. All reserves will be reviewed as part of the upcoming work on the Medium Term Financial Strategy which will be presented to Members later in the year.

5. Summary – Revenue Account 2018/19

5.1 The outturn position for the year ending 31 March 2019 is a £969,666 surplus. This is after allowing for a number of underspends identified at the service level which have been rolled forward within reserves to fund one-off commitments in 2019/20 where there is no annual budget. The report is recommending that the 2018/19 surplus of £969,666 is transferred to the General Fund Reserve (£500,000) and the Asset Management Reserve (£469,666).

6. Capital Programme 2018/19

6.1 This section of the report presents the capital programme financing for 2018/19, together with the updated programme for the financial years 2019/20 to 2022/23. Appendix D provides the detail of the outturn on the 2018/19 capital programme, together with the financing for all schemes. The updated capital programme for 2019/20 to 2022/23 is attached at Appendix E.

6.2 The outturn position for the 2018/19 capital programme at Appendix D highlights where schemes have re-profiled between years. The reasons for re-profiling include where schemes have not progressed as originally planned, and the funding is requested to be carried forward to the new financial year, or where scheme have progressed ahead of schedules and there is a requirement to bring back funding from the 2019/20 budgets.

6.3 In total the expenditure on the capital programme for the year was £6,319,913 compared to an updated budget of £11,438,473 which resulted in a variance of (£5,118,560). Most of this variance was as a result of projects not progressing as originally budgeted, this is reflected in the re-profiling tables below.

6.4 There has been a requirement to re-profile from the 2019/20 budgets where schemes have either progressed slightly earlier than anticipated or where the level of expenditure has been higher than that profiled to be incurred during the financial year (see Table 3 for significant variances). The updated programme for 2019/20 onward (Appendix E) reflects these adjustments.

Table 3 - Capital Schemes where re-profiling is required from 2019/20 budget over £100,000

Capital Scheme	Re-profiled Amount £
Grove Lane Depot Refurb	116,225
Deep History Coast	216,187
CPO of Long Term Empty Properties	160,654
Bacton to Walcott Coastal Management Scheme	103,965

6.5 Schemes completed in 2018/19 – In total there were eleven schemes within the capital programme which were identified as being completed during the financial year. Table 4 provides a summary of the schemes along with any final project variance, and commentary on financing implications where necessary.

Table 4 - Capital Schemes Completed within the 2018/19 Financial Year

Capital Scheme	Variance £ (Under) / Over	Financing Commentary
Management Information Systems	20,279	The capital component of this scheme is complete, with the overspend to be funded from Capital receipts.
Ranger Vehicles 2017-18	19,670	Additional vehicles purchased, funded from Capital receipts.
Purchase of Property Services Vehicle	15,793	Additional staff taken on in year required vehicles above those previously budgeted for. This scheme has been completed and the overspend is to be financed from the use of additional capital receipts.
e-financials system upgrade	54,729	This scheme is now complete; the additional expenditure incurred is to be financed from the use of capital receipts and the capital projects reserve.
Trade Waste Bins	6,584	Additional bin purchases have been made in excess of the original budget. All purchases were made on the basis that the additional expenditure was to be financed from an RCCO.
Customer contact centre	2,149	This scheme is now complete; the additional expenditure incurred is to be financed from the use of capital receipts.
Multi-Functional Devices	2,004	This scheme is complete and the minor overspend is to be financed by capital receipts.
Server Replacement	15,130	This scheme is complete and the overspend is to be financed by capital receipts.
Walsingham Public Convenience	7,900	This scheme is complete and the overspend is to be financed by capital receipts.
Sheringham West Prom	(29,148)	Scheme complete under budget.
Grove Lane Depot Refurb	4,521	This scheme is complete and the overspend is to be financed by capital receipts.

6.6 Schemes which did not complete in 2018/19 and underspent their allocation for the year had their budget re-profiled into 2019/20. There were five schemes with slippage in excess of £100,000 at outturn in the 2018/19 financial year as shown within table 5.

Table 5 - Capital Schemes where re-profiling is required from 2018/19 Budget over £100,000

Capital Scheme	Re-profiled Amount £
Egmere Business Zone	235,801
Community Housing Fund	1,781,502
Fakenham Extra Care	215,500
Splash Leisure Centre Reprovision	939,291
North Norfolk Sports Hub	1,365,365

6.7 The outturn position in respect of the Prudential indicators is also included for information within Appendix F.

7. Capital Programme - 2019/20

7.1 Appendix E shows the updated capital programme for the period 2019/20 to 2022/23. The capital programme has been updated to reflect the slippage identified within this report, together with the capital outturn position. It also included those schemes which received formal approval as part of the 2019/20 budget report and P10 monitoring report which went to Full Council in March.

8. 2018/19 Budget Implications and Financial Forecast 2019/20 Onwards

8.1 The budget for 2019/20 was approved in February 2019. At the same time financial projections for the following three years to 2022/23 were also reported. The budget for 2018/19 includes new savings and additional income totalling £710,065 for 2018/19 which is expected to increase to £727,580 in 2019/20 and £744,248 from 2020/21.

8.2 The forward financial projections from 2020/21 onwards make assumptions around the future funding from government support and known commitments and changes to service expenditure. Table 6 below provides a summary of the current reported funding gaps for the next three years.

Table 6 – Current Reported Funding Forecast			
	2020/21 £000	**2021/22 £000**	**2022/23 £000**
Current Funding Gap/(surplus)[1]	2,078	2,061	1,945

8.3 The forward projections of expenditure and income will be updated to take account of the outturn position and also other spending/income pressures that have been identified outside of the budget process. These will be reported to Members in the coming months as part of the Financial Strategy update to enable early preparation for the 2020/21 budget process.

[1] As reported in the 2019/20 Budget Report, February 2019

8.4 In addition, as part of the work on the financial strategy a review of all reserve balances will be carried out.

9 Financial Implications and Risks

9.1 There is still considerable uncertainty around future years funding forecasts and this position will not improve until the outcome from the Fair Funding Review, which will set new baseline funding allocations and responding to spending pressures and changes in service demand, and the review of the Local Retention of Business Rates, are concluded. The Comprehensive Spending Review, which sets out the expenditure limits over the coming years has been delayed due to Brexit and is now expected to commence in the autumn. The more significant risks in relation to the outturn position for 2018/19 and the ongoing financial position are summarised below.

9.2 **Under and Overspends** - This outturn report has identified a number of underspends at the service level; some have occurred due to factors outside of the Council's control which has meant that expenditure has not been incurred as planned, for example Waste Collection and Disposal. Where applicable service underspends have been carried forward within Earmarked Reserves to fund one-off costs or where projects have been delayed until the 2019/20 financial year. Similarly there have been some areas of overspending, such as with the running costs of the public conveniences which have increased due to the incredibly busy summer season. Some of the underspends from 2018/19 which are in relation to ongoing savings have already been factored into the 2019/20 base budget and will be further reviewed as part of the production of the Medium Term Financial Strategy later this year along with any pressures on budget increases.

9.3 **Housing Benefit Subsidy** – as mentioned earlier in the report the outturn position includes the unaudited benefits subsidy position. Expenditure of £24.662 million has been incurred in the year to be recovered from subsidy payable by the Department for Work and Pensions (DWP). The final position will not be confirmed until the claim has been audited by the Council's external auditors and signed off by the DWP later in the year. Much of the risk around changes to the claim and subsidy recoverable is reduced by the Benefits Earmarked Reserve which is maintained to help mitigate the impact of any claw back from the DWP following the final audited subsidy claim.

9.4 **Business Rates Retention Scheme** – Local Authority funding from business rates is open to risks around funding fluctuations due to increases and decreases in the rateable values (RV) of non-domestic properties and successful appeals against the RV. The NNDR 3 return has been submitted and will be subject to external audit review as part of the final accounts audit work. Any changes to the figures included in the outturn position could have an impact on the General Fund balance. Furthermore there is a risk of business rates appeals and whilst the NNDR returns do include assumptions around provisions for appeals and backdating, these elements could be subject to fluctuations. The Valuation Office Agency (VOA), who hear the appeals, currently have a backlog and are slow to clear outstanding appeals increasing the risk of the Council needing to pay out large refunds in rates. There is also an ongoing application from NHS Trusts for mandatory relief for their properties on the basis that they are used for non-profit making services. If this application was granted and the relief backdated, this would result in hundreds of millions of pounds across the country being refunded to the NHS from Councils. NNDC is exposed to this risk through the local pooling of business rates through the Norfolk Business Rates Pool. These risks are again however mitigated by the Business Rates Earmarked Reserve.

9.5 **Waste contract** – as highlighted within the 2019/20 budget report the one year extension with Kier is now in place to enable the joint procurement exercise to be undertaken with Breckland District Council and Kings Lynn and West Norfolk Borough Council. No savings have been assumed at this point which may arise as part of the joint procurement being undertaken, although it is hoped that significant economies of scales can be achieved and that ultimately this will result in a lower contract cost. Until the final tender prices are received however the extent of any potential savings will not be known.

9.6 **Recycling costs –** The market for recyclate (such as glass and paper) remains very volatile at the current time. To access recyclate markets improvements have had to be made to the quality of the materials being processed which has resulted in increased waste which then has to be disposed of at additional cost. The position continues to be monitored and will be considered as part of the budget monitoring process for 2019/20, the MTFS and future year's budget as we progress through the year.

10 Sustainability – None as a direct consequence of this report.

11 Equality and Diversity – None as a direct consequence of this report.

12 Section 17 Crime and Disorder considerations – None as a direct consequence of this report.