

BUDGET MONITORING REPORT 2019/20 – PERIOD 4

Summary: This report summarises the budget monitoring position for the revenue account and capital programme to the end of July 2019.

Options considered: Not applicable.

Conclusions: The overall position at the end of July 2019 shows an £612,936 underspend for the current financial year on the revenue account, this is currently expected to deliver a full year overspend of £141,156.

Recommendations: **It is recommended that:**

- 1) Cabinet note the contents of the report and the current budget monitoring position;**
- 2) Full Council agree to release £468,954 from capital receipts to fund the ongoing maintenance works to Cromer Pier following receipt of the storm surge insurance payment.**

Reasons for Recommendations: To update Members on the current budget monitoring position for the Council.

LIST OF BACKGROUND PAPERS AS REQUIRED BY LAW

(Papers relied on to write the report and which do not contain exempt information)

System budget monitoring reports

Cabinet Member(s) Cllr Wyndham Northam	Ward(s) affected
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1. Introduction

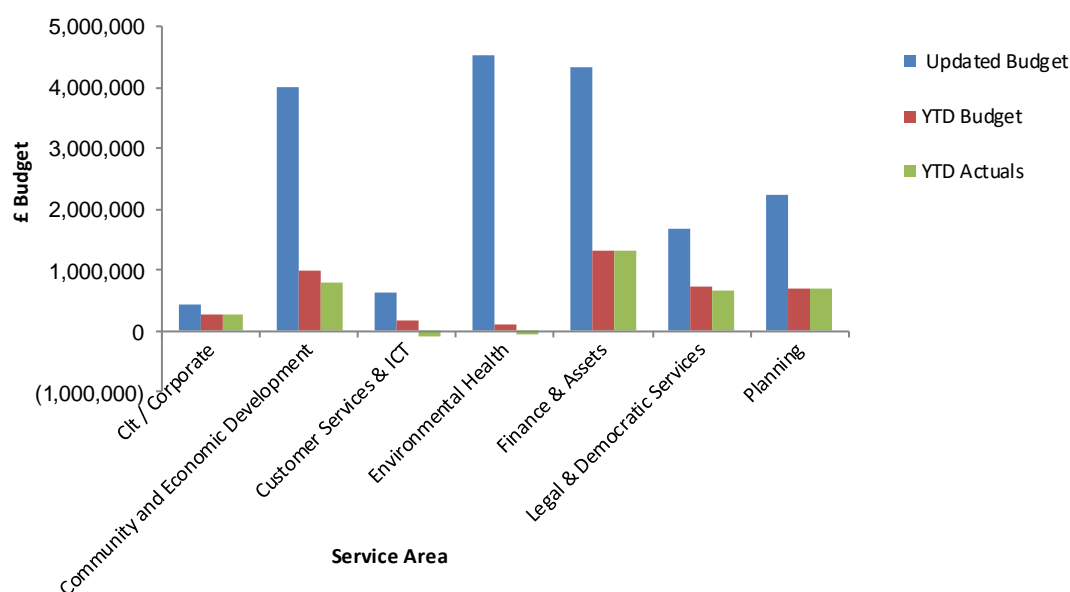
This report compares the actual expenditure and income position at the end of July 2019 to the Updated budget for 2019/20. The Original Base Budget as agreed by Full Council in February 2019 has been updated to reflect approved budget virements.

1.2 The base budget for 2019/20 included savings and additional income totalling £811,300 to be delivered in the year. Section 3.1 of this report includes an updated position on the delivery of these.

2. Budget Monitoring Position – Revenue Services

2.1 The General Fund Summary at Appendix A shows the high level budget monitoring position as at 31 July 2019 and highlights a year to date variance of £612,936 underspend against the profiled updated budget. Of the under spend £638,365 is in relation to the service variances with the remainder relating to non-service specific budgets. The chart below illustrates these variances per service area and Appendix B provides further details of the individual service variances. A net £25,429 overspend is in relation to non-service expenditure against the profiled budget. Details of these variances are included within section 4.

Variance by Service area



2.2 Variances are reported against the updated budget in the Council's General Fund Summary as show in Appendix A. Any budgets and reserves affected will be updated accordingly.

2.3 The following table shows the over/underspend to date for the more significant variances; this is compared to the updated budget. The estimated full year variance is what the likely financial position will to be at the end of the financial year.

Table 1 – Service Variances	Over/ (Under) Spend to Date against Updated Budget	Estimated Full Year Variance Against Updated Budget
	£	£
CLT and Corporate		
Corporate Leadership Team – Staffing costs due to re-grading's and employee inflation. This is likely to result in a full year variance of £17,330.	6,323	17,330
Economic and Community Development		
Car Parking – (£79,984) Car Park income higher than anticipated. Car Park income is received in	(132,720)	(50,000)

Table 1 – Service Variances	Over/ (Under) Spend to Date against Updated Budget	Estimated Full Year Variance Against Updated Budget
	£	£
<p>arrears therefore an estimate for period 4 figures has been included. (£10,877) Rents – Other Commercial premises. (£49,377) Invoice for the Car Park management fee has not been received from Kings Lynn and West Norfolk Borough Council.</p>		
<p>Sports Centres – (£41,000) Provision in relation to 2018/19 hall hire for which invoices have not yet been received. This has been partially offset by electricity charges for Cabbell park Cromer £17,828. Whilst these charges have been paid they are being disputed with the supplier.</p>	(18,643)	0
<p>Community and Localism - (£42,152) awarded by the Big Society Fund during 2018/19 but not yet claimed.</p>	(44,585)	0
Customer Services and ICT		
<p>Customer Services Corporate - The service shows a year to date saving of £9,462, this is largely down to demand led activities such as postages and stationery purchases - these budgets will be spent later in the financial year.</p> <p>A number of the posts have undergone the job evaluation process and as a result been regraded. The possible full year effect of this has been calculated at £19,935.</p>	(9,462)	19,935
<p>Homelessness – The council were advised of £257,898 additional Housing grants after the 2019/20 budget process was completed. These included an additional £247,898 from the Ministry for Housing Communities and Local Government (MHCLG) in respect of Rough Sleeper initiative, Rapid rehousing pathway and Flexible Homelessness. This unanticipated funding is going to be used to fund additional staffing to support a number of homelessness prevention issues.</p>	(268,554)	0
Environmental Health		
<p>Public Protection – General Licensing income is lower than anticipated. This is largely due to accrued income relating to 2018/19. The income budgets are currently being reviewed but based upon an early analysis it is prudent to include a possible full year effect of £20,000. This will continue to be monitored</p>	38,257	20,000

Table 1 – Service Variances	Over/ (Under) Spend to Date against Updated Budget	Estimated Full Year Variance Against Updated Budget
	£	£
and an update provided as part of the P6 budget monitoring process.		
<p>Waste Collection and Disposal – (£52,736) Accrual relating to 2018/19 commercial waste disposal costs not yet offset by expenditure.</p> <p>Additional trade waste fee income. With the continued growth in the commercial waste service, it will be necessary to provide additional resources to ensure service levels are maintained during the busy summer period. Some additional income will therefore be offset by higher than budgeted costs during the year.</p>	(180,670)	(35,000)
Finance and Assets		
<p>Investment Properties – Additional costs associated with preparing properties for use as temporary accommodation. If no funding is available it is possible that the housing earmarked reserve or grant funding could be used to offset these costs.</p> <p>£14,589 Recharges for facilities not yet invoiced.</p>	25,320	15,000
<p>Corporate and Democratic Core – (£17,484) EU exit preparation grant received from Ministry for Housing, Community and Local Government, (MHCLG). The balance is made up of bank charges and professional fees.</p> <p>There is an anticipated full year effect in relation to bank charges, this is in relation to increased bank charges in relation to garden bin payments.</p>	(20,196)	7,000
Legal and Democratic Services		
<p>Benefits Administration – There are currently two vacant posts within the benefits establishment; the new Benefits Managers have taken the opportunity to review the staffing structure within the service.</p> <p>A number of grants have been received from the Department for Works and Pensions (DWP); these are to support the added burden of undertaking new initiatives and will be offset by increased expenditure.</p>	(83,512)	0

Table 1 – Service Variances	Over/ (Under) Spend to Date against Updated Budget	Estimated Full Year Variance Against Updated Budget
	£	£
Planning		
<p>Development Management – External Professional and legal fees relating to planning appeals and planning enforcement cases. The year to date variance also includes costs awarded against the Council.</p> <p>£79,323 Planning application fee income down - this has been partially offset by (£45,954) income received in relation to pre-application advice. No full year effect has been flagged but the position will continue to be monitored and an update provided as part of the period 6 reporting position.</p>	40,147	20,000
<p>Major Developments – £31,822 Legal representation in respect of Development consent order applications for Vattenfall offshore wind farms. Work still continues on this and will likely result in a full year effect of £40,000.</p>	21,118	40,000
<p>Building Control – Building Control fee income up against the profiled budget - as a self-financing service this current surplus will continue to be monitored and the position adjusted through the Building Control Earmarked Reserve at the end of the Financial year.</p>	(27,091)	0
<p>Property Information – Norfolk County Council search fees accrued from 2018/19 less than anticipated - this is likely to result in a saving of £10,000.</p>	(17,378)	(10,000)
TOTALS	(671,646)	44,265

3 Budget Monitoring Position – Savings and Additional Income

3.1 The budget for 2019/20 includes savings and additional income totaling £811,300. This includes an additional £83,750 'savings to be identified from the DT programme' but not allocated to individual services. The majority of the savings work streams are achieving the budgeted savings, with a couple of small exceptions.

- Holt Tourist Information Centre – budget assumed transfer to Holt Town Council before 1 April 2019, this transfer was delayed and some premises costs including business rates have been incurred in 2019/20.
- Additional targets to be achieved from the Digital Transformation programme 2 - still to be identified and delivered.

- 3.2 The detail for each of these savings is included at Appendix D. Table 2 below summarises the current position for each of the work streams compared to the budgeted position. This position will continue to be monitored and an update will be provided as part of the period 6 monitoring report.

Table 2 – Savings and Additional Income Budgeted Target for 2019/20 split by work stream	2019/20 Base Budget	2019/20 P4 Monitoring Position	2019/20 Movement from the Base Budget at P4
	£	£	£
Growth – New Homes and Business Rates	0	0	0
Digital Transformation* Including savings to be Identified of £83,750	(244,429)	(216,513)	27,916
Property Investment and Asset Commercialisation	(190,966)	(190,966)	0
Shared Services and Selling Services	(26,800)	(26,800)	0
Collaboration and Localism	0	0	0
Maximising Income and Reducing costs	(83,211)	(83,211)	0
Other Efficiencies and Savings	(265,894)	(260,520)	5,264
Total	(811,300)	(773,384)	33,180

4 Non Service Variances to Period 4 2019/20

Investment Interest

- 4.1 The interest budget for 2019/20 anticipates that a total of £1,344,000 will be earned from treasury investments and a loan for service purposes to Broadland Housing Association. Overall an average balance of £38.4m is assumed, at an average interest rate of 3.5%.
- 4.2 At the end of period 4, a total of £425,262 has been earned, resulting in an adverse variance against the year to date budget of £23,966. The average rate of interest achieved was 2.88% from an average balance available for investment of £44.2m. At the end of the year a shortfall against the budget of £63,711 is anticipated. The investment balance is forecast to be above budget but against this the interest rate achieved looks likely to be below the budget figure, based on what has been achieved to period 4. However there are significant risks to this forecast in the current uncertain economic environment.
- 4.3 A total of £32m has been invested in pooled funds which are valued at £33.8m at the end of period 4. Most of the gain is attributed to the LAMIT Pooled Property Fund which is worth £1.7m above the £5m originally invested. The Council has a balanced portfolio with a diverse range of funds investing in different instruments. The Council can expect the valuation of its pooled investments to continue to be volatile, but this is in line with expectations when the investments were placed. The risks inherent in the volatile nature of these investments are mitigated as the Council intends to hold them for the long term.

Retained Business Rates

- 4.4 The Council is part of the Norfolk wide Business Rates Retention Pilot for 2019/20, which will see 75% of Business Rates Growth retained within the County, rather than 50% under the usual scheme. The pilot is currently progressing well, with quarterly County wide monitoring taking place as per the agreed governance arrangements. The financial benefit to the Council from participating in this pilot will only be known for certain in July 2020, once the NNDR 3 return is completed and audited, and the performance of the other billing authorities in the pilot will affect the final figure.
- 4.5 Agreement has been reached with the New Anglia LEP (NALEP) in respect of sums due in the Enterprise Zones to NCC and NALEP for the financial years 2016/17, 2017/18 and 2018/19. These payments will be made in the 2019/20 financial year.
- 4.6 The Valuation Office Agency continues to provide limited information on appeals but the effect on the surplus/deficit position on the general fund of any under or over provision made in the Accounts will not impact until 2020/21 due to accounting practices.
- 4.7 The NHS Trust's application for mandatory rate relief continues to work its way through the legal processes, with a hearing date now scheduled for November 2019. Any impact on the Council cannot be determined at this time, but will be affected by the Council's membership of the Norfolk Business Rates Pool and subsequent Pilot.

5 Budget Monitoring Position – Summary

- 5.1 The following table provides a summary of the full year projections for the service areas.

Table 3 - Summary of Full Year Effects 2019/20	Estimated Movement From Updated Budget £
Service Areas (Table 1)	44,265
Investment Interest	63,711
Business Rates	0
Savings and Additional Income	33,180
Total	141,156

6 Budget Monitoring Position – Capital

- 6.1 Total Capital expenditure amounted to £3,233,432 across all projects in the first quarter of 2019/20. Members were provided with an updated Capital Programme for both the current and future years as part of the 2018/19 Outturn Report to Cabinet in June 2019. The Capital Programme has been updated to reflect changes agreed in the first quarter of 2018/19 and can be found at Appendix C. Since the last report to Cabinet the following changes have been made:

- Splash Leisure Centre Re provision – An amount of £2,030,000 was agreed at Full Council in July to fund an increase in build costs following procurement for building contractors. This is currently profiled in the 2021-22 financial year and is forecast to be funded through external borrowing.
- Fair Meadow House Improvements – An additional £25,000 from the Asset Management Reserve was agreed under delegation to fund works to the drainage system and septic tank at the property in order to allow its continued use as a holiday let, generating income for the Council.
- Cromer Pier – At the meeting of 3 July 2017 Cabinet approved a rolling programme of survey works, with a detailed initial survey to be undertaken followed by annual top up surveys to better inform future maintenance requirements, budget requirements and works programming. The first year's detailed survey was completed by the Hemsley Orrell Partnership (HOP) and identified initial works of around £900k. At the time the structural engineers recommended that it would be best to schedule the works to the steel structure underneath the theatre area ahead of any works to the theatre roof itself to minimise the risk of any deflection or movement to the roof and as part of the period 4 budget monitoring report in 2018/19 a sum of £400,000 was released. An update was provided within the period 10 2018/19 budget monitoring report following receipt of £468,954 of insurance money from the 2013 storm surge and this was earmarked for future pier works. This report is now recommending that capital receipts equalling this amount are released for the ongoing works.

7 Conclusion

- 7.1 The revenue budget is showing an estimated full year overspend for the current financial year of £141,156. The overall financial position continues to be closely monitored and it is anticipated that the overall budget for the current year will be achieved.

8 Financial Implications and Risks

- 8.1 The detail within section 2 of the report highlights the more significant variances including those that are estimated to result in a full year impact.
- 8.2 The Original base budget for 2019/20 included service savings and additional income totalling £811,300; these are largely still on target to be achieved although there is currently an anticipated full year shortfall of £33,180, The progress in achieving these will continue to be monitored as part of the overall budget monitoring process and where applicable corrective action will be identified and implemented to ensure the overall budget remains achievable.
- 8.3 The estimated outturn shown in Table 1 will continue to be monitored during the year and where applicable will be transferred to reserves.

9 Sustainability - None as a direct consequence from this report.

10 Equality and Diversity - None as a direct consequence from this report.

11 Section 17 Crime and Disorder considerations - None as a direct consequence from this report.