

BUDGET MONITORING REPORT 2019/20 – PERIOD 6

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

Options considered: Not applicable.

Conclusions: The overall position at the end of September 2019 shows an £710,908 underspend for the current financial year on the revenue account, this is currently expected to deliver a full year overspend of £41,115.

Recommendations: **It is recommended that:**

- 1) Cabinet note the contents of the report and the current budget monitoring position;**
- 2) Cabinet agree to the release of £68,000 from the Asset Management Reserve to fund the Asset Valuation Programme;**
- 3) Cabinet approve the Capital project funding in section 6.2 or recommend approval to Full Council where appropriate**

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

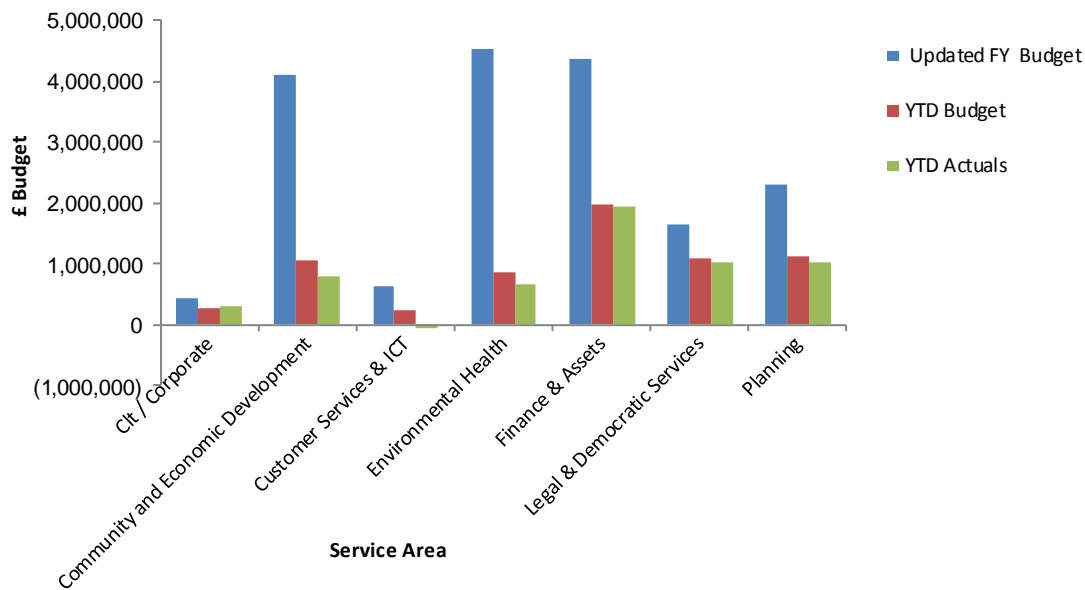
This report compares the actual expenditure and income position at the end of September 2019 to the Updated budget for 2019/20. The Original Base Budget as agreed by Full Council in February 2019 has been updated to reflect approved budget virements.

- 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 30 September 2019 and highlights a year to date variance of £710,908 underspend against the profiled updated budget. Of the under spend £717,399 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 £6,491 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		
Registration Services – Expenses in relation to the May elections. This will be reclaimed from grant funding and recharges to Town and Parish councils.	50,642	0
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.	10,716	17,330
Economic and Community Development		
Car Parking – (£62,978) Car Park income higher than anticipated. Car Park income is received in arrears therefore an estimate for period 6 figures has been included. (£12,465) Rents – Other Commercial premises. (£40,098) Invoice for the Car Park management fee has not been received from Kings Lynn and West Norfolk Borough Council. These savings have been offset by a number of smaller variances including credit card charges and consultancy services linked to introducing electrical charging points.	(95,055)	(50,000)
Other Sports - (£6,070) Outdoor Strategy undertaken as part of the Local Plan review process. (£18,250) Entry fees for the Mammoth Marathon taking place next May, this will be offset by additional costs associated with holding and promoting this event.	(24,370)	0
Housing Strategy - (£34,831) Vat Shelter agreement with Victory Flagship Housing Group. This will be offset by a contribution to the Capital Projects reserve (CPR).	(37,116)	0
Customer Services and ICT		
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.	(246,750)	0
Customer Services Corporate - The service shows a year to date saving of £4,489, this is	(4,489)	19,935

Table 1 – Service Variances	Over/ (Under) Spend to Date against Updated Budget	Estimated Full Year Variance Against Updated Budget
	£	£
<p>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>		
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 as part of the budget monitoring process.</p>	34,333	20,000
<p>Waste Collection and Disposal – (£57,382) No Commercial waste charges received for 2019/20.</p> <p>Additional trade waste and garden bin fee income.</p> <p>With the continued growth in the commercial waste service, it will be necessary to provide additional resources to ensure service levels are maintained. Some additional income will therefore be offset by higher than budgeted costs during the year.</p>	(233,039)	(70,000)
Finance and Assets		
<p>Property Services – External professional fees in relation to a number of key areas including feasibility studies for hubs in North Walsham and Stalham and Asset Condition surveys.</p> <p>Grant income from the Business rates pool will offset some of these costs. If no compensating savings offset these costs then the expenditure could be funded from the Asset Management Reserve. (AMR)</p>	54,742	20,000
<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>	34,704	15,000

Table 1 – Service Variances	Over/ (Under) Spend to Date against Updated Budget	Estimated Full Year Variance Against Updated Budget
	£	£
£14,589 Recharges for facilities not yet invoiced.		
<p>Corporate and Democratic Core – (£34,968) EU exit preparation grant received from Ministry for Housing, Community and Local Government, (MHCLG). The balance is made up of bank charges and staff turnover savings.</p> <p>There is an anticipated full year effect of £5,000 in relation to bank charges incurred in relation to garden bin payments.</p>	(51,796)	5,000
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>	(85,753)	0
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>£31,587 Planning application fee income down - this has been partially offset by (£17,824) 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 ongoing monitoring position.</p>	21,039	20,000
<p>Planning Policy - Expenditure relating to Local Plan. It is anticipated that this will not be required until 2020/21.</p> <p>The Local Plan has been funded from the New Homes Bonus reserve and therefore this underspend will not create a Full Year Effect.</p>	(57,275)	0

Table 1 – Service Variances	Over/ (Under) Spend to Date against Updated Budget	Estimated Full Year Variance Against Updated Budget
	£	£
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.	(22,041)	0
Property Information – Norfolk County Council search fees accrued from 2018/19 were less than anticipated - this is likely to result in a saving of £10,000.	(15,504)	(10,000)
TOTALS	(667,012)	(12,735)

2.4 **Asset Valuation Programme** – the procurement process for the asset valuation contract is nearing completion and the tenders are currently being evaluated and scored. The programme of valuations will be carried out over the next five years, starting in 2019/20. This will cost an estimated £68k, funding for this has been identified as available from the Asset Management Reserve (AMR).

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 10 monitoring report.

Table 2 – Savings and Additional Income Budgeted Target for 2019/20 split by work stream	2019/20 Base Budget	2019/20 P6 Monitoring Position	2019/20 Movement from the Base Budget at P6
	£	£	£
Growth – New Homes and Business Rates	0	0	0

Digital Transformation* Including savings to be Identified of £83,750	(244,429)	(202,555)	41,874
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)	(260,467)	5,427
Total	(811,300)	(763,999)	47,301

4 Non Service Variances to Period 6 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 6, a total of £676,766 has been earned, resulting in a favourable variance against the year to date budget of £2,924. The average rate of interest achieved was 3.08% from an average balance available for investment of £43.8m. At the end of the year a favourable variance against the budget of £6,315 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 6. 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 £33.5m at the end of period 6. 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.

Borrowing Interest

- 4.4 The budget for 2019/20 anticipates that £10,000 would be paid in interest for short-term borrowing for cash flow purposes.
- 4.5 At period 6 a total of £14,577 has been paid resulting in an adverse variance against the budget of £9,579. The additional borrowing results from the timing differences on the large inflows and outflows of cash associated with the Sandscaping project. At the end of the year an adverse variance against the budget of £12,865 is anticipated.
- 4.6 It may be prudent to undertake further borrowing to maintain sufficient liquidity in the event of a particularly disruptive Brexit (such as last-minute no-deal) which has the potential to interrupt the international payments system in early November (the majority of money market funds used by the Council to manage day-to-day liquidity

are domiciled outside the UK). Additional liquidity would be held in the only two same-day access UK-domiciled money market funds. The Council has accounts with these funds and both have provided assurances that adequate liquidity will be maintained over the end of October.

Retained Business Rates

- 4.7 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.
- 4.8 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.
- 4.9 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.
- 4.10 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. Any agreement on whether to continue with the pooling arrangement for 2020/21 is dependent on the outcome of the court's decision on the relief. As a contingency, South Norfolk Council have been taken out of the Pool. They have the largest rateable value of NHS property and it would be extremely detrimental to the Pool should the decision go against us.

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)	(12,736)
Investment Interest	6,550
Business Rates	0
Savings and Additional Income	47,301
Total	41,115

6 Budget Monitoring Position – Capital

6.1 Total Capital expenditure amounted to £4,786,450 across all projects in the first half of 2019/20. The Capital Programme has been updated to reflect changes agreed in the first half of 2019/20 and can be found at Appendix C. Since the last report to Cabinet the following changes have been made:

- North Walsham Heritage Action Zone – £975,000 has been allocated from Capital Receipts as much funding for this programme. This was agreed at Full Council in October.
- Electric Vehicle Charge Points - £248,600 has been allocated from Capital Receipts to support the installation of Electric Vehicle charging points in Council owned car parks. This was agreed at Full Council in September.
- Compulsory Purchase - £45,500 from Capital Receipts was agreed under delegation to fund the remainder of a compensation payment for the compulsory purchase of two properties.

6.2 Further release of funds is requested at this time for the following Capital projects;

- Holt Country Park Play Area – £52,000 from Capital Receipts is requested to fund works to the play area at Holt County Park. The equipment is now end of life, and if not replaced may result in increasing revenue maintenance costs. This investment is required if the play area is to remain an attraction that supports car parking income at Holt Country Park.
- Sea Palling Ramp – £10,000 is requested from Capital Receipts to fund works to a coastal ramp at Sea Palling. This supports the ongoing maintenance of our coastal areas.
- Cromer Sports Hall – The Council is obliged under the dual use agreement with Cromer Academy to provide a financial contribution towards any major capital works. Works include redecoration of the sports hall and stores area, resurfacing of sports hall floor, together with a refurbishment of the internal and external changing rooms (male and female), toilets (male and female), disabled shower and toilet, and associated corridors. The main cost items are new toilet cubicles, redecoration of all areas, new flooring, new changing room stands, new porcelain, and new showers. Associated plumbing, electrical and building works. The Council's contribution, to be funded from Capital Receipts, is £102,000
- North Norfolk Information Centre – £100,000 to be released from Capital Receipts to fund improvements to the NNIC and associated public conveniences as part of the Deep History Coast project.
- Cromer West Prom Chalets – to release £12,000 of Capital Receipts to part fund improvements to the chalets. A £50,000 contribution to this project had been made through the Coastal Revival Fund.
- Waste Vehicles – A budget of £4,500,000 is requested to fund the purchase of vehicles to support the Council's waste contract, profiled into 2020/21. Purchasing these vehicles remains the approach that exposes the Council to the lowest risk from contractor failure. This amount is likely to come from borrowing, whether this is internal or external borrowing will be a Treasury decision taken nearer the time.

7 Conclusion

- 7.1 The revenue budget is showing an estimated full year overspend for the current financial year of £41,115. 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 £47,301. 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.