

## BUDGET MONITORING REPORT 2019/20 – PERIOD 10

Summary: This report summarises the budget monitoring position for the revenue account and capital programme to the end of January 2020.

Options considered: Not applicable.

Conclusions: The overall position at the end of January 2020 shows an £569,439 underspend for the current financial year on the revenue account, this is currently expected to deliver a full year underspend of £1,847.

Recommendations: **It is recommended that Cabinet:**

- 1) **note the contents of the report and the current budget monitoring position;**
- 2) **Agree the award of the new cleaning contract to Norse Group Services Ltd and;**
- 3) **Agree the award of the new energy contract.**

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
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Cabinet Member(s)	Ward(s) affected
Cllr Eric Seward	

Contact Officer, telephone number and email: Duncan Ellis, 01263 516330, <a href="mailto:Duncan.ellis@north-norfolk.gov.uk">Duncan.ellis@north-norfolk.gov.uk</a>
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## 1. Introduction

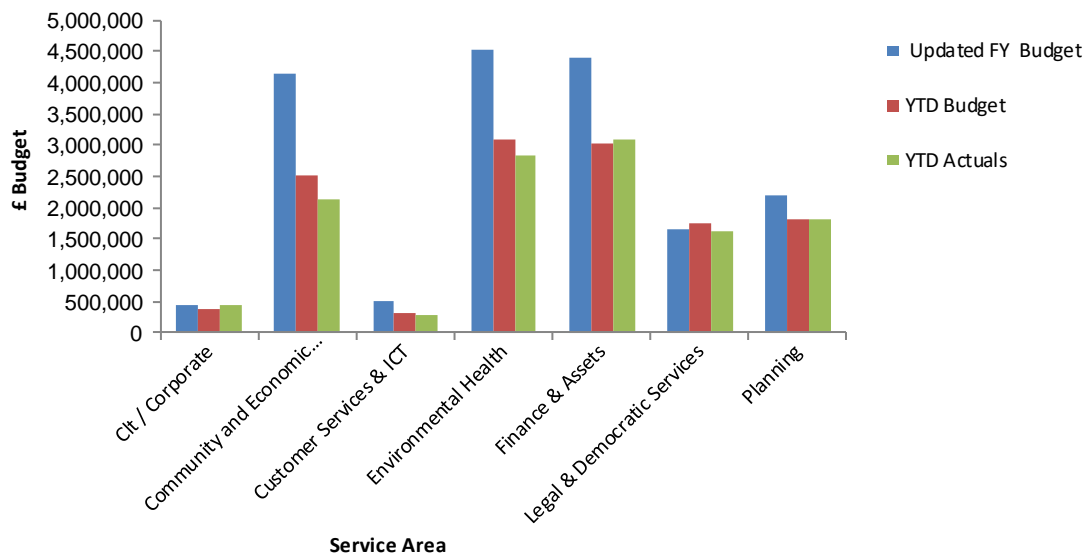
This report compares the actual expenditure and income position at the end of January 2020 to the Updated budget for 2019/20. The Original Base Budget as agreed by Full Council in February 2019 has been updated to reflect approved budget virements.

1.2 The base budget for 2019/20 included savings and additional income totalling £811,330 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 January 2020 and highlights a year to date variance of £569,439 underspend against the profiled updated budget. Of the underspend £647,989 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 £78,551 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.

<b>Table 1 – Service Variances</b>	<b>Over/ (Under) Spend to Date against Updated Budget</b>	<b>Estimated Full Year Variance Against Updated Budget</b>
	<b>£</b>	<b>£</b>
<b>CLT and Corporate</b>		

<b>Table 1 – Service Variances</b>	<b>Over/ (Under) Spend to Date against Updated Budget</b>	<b>Estimated Full Year Variance Against Updated Budget</b>
	<b>£</b>	<b>£</b>
<b>Registration Services</b> – Costs associated with the running of the European & General Election - to be funded from the Electoral Claims Unit.	58,883	0
<b>Corporate Leadership Team</b> – Staffing costs due to re-gradings and employee inflation. This is likely to result in a full year variance of £17,330.	25,988	17,330
<b>Economic and Community Development</b>		
<b>Car Parking</b> – (£42,821) Car Park income higher than anticipated. Car Park income is received in arrears therefore an estimate for period 10 figures has been included. (£14,405) Rents – Other Commercial premises.  (£143,902) Invoices for the Car Park management fee have 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.	(167,000)	(50,000)
<b>Markets</b> - Lower fee income from market rentals.	18,358	20,000
<b>Foreshore</b> – The main explanation for this variance is the result of increased winter storage costs and works on the walkway to the upper level chalets on East Beach, Cromer.	17,216	10,000
<b>Sports Centres</b> - Management contract fee will be lower than anticipated leading to a full year saving of £31,598. This is currently been offset by £18,793 disputed electricity costs.	(7,784)	(31,598)
<b>Leisure Complexes</b> - Management contract fee will be lower than anticipated leading to a full year saving of £136,738. This has been factored into future years as part of the budget process.  There are currently a number of projects within the capital programme relating to the councils leisure facilities, it is suggested that this saving could be used to fund some of this work by way of an RCCO (Revenue Contribution to Capital Outlay).	(138,285)	(136,738)

<b>Table 1 – Service Variances</b>	<b>Over/ (Under) Spend to Date against Updated Budget</b>	<b>Estimated Full Year Variance Against Updated Budget</b>
	<b>£</b>	<b>£</b>
<p><b>Other Sports</b> - (£6,314) Outdoor Strategy undertaken as part of the Local Plan review process. (£26,511) Entry fees for the Mammoth Marathon taking place next May, this will be offset by additional costs associated with holding and promoting this event.</p>	(33,111)	0
<p><b>Coast Protection</b> – Although there is currently no significant variance showing at P10 there is anticipated to be a Full Year underspend of £70,000. This is as a result of slippage in planned works while undertaking the Sandscaping project which was completed in October 2019.</p> <p>This underspend will be requested to be rolled forward to carry out drainage works and Sheringham West End groyne refurbishment.</p>	636	(70,000)
<p><b>Housing Strategy</b> - (£40,621) Vat Shelter agreement with Victory Flagship Housing Group. This will be offset by a contribution to the Capital Projects Reserve (CPR).</p>	(48,023)	0
<b>Customer Services and ICT</b>		
<p><b>Homelessness</b> – Additional costs associated with providing temporary accommodation - this is offset by recoverable income from client contributions and housing benefit. The current position shows income credited to the service but the related costs have not yet been allocated due to problems with credit card processing.</p> <p>There is also £60,000 homelessness funding allocated from the County Council funding Community which has not yet been spent.</p>	(91,171)	0
<p><b>Customer Services Corporate</b> - The service shows a year to date overspend of £6,699. A number of the posts have been through the job evaluation process and as a result been regraded. The likely full year effect of this has been calculated at £19,935.</p> <p>This position is currently being offset by savings in a number of demand led budgets such as postages and stationery.</p>	6,699	19,935

Table 1 – Service Variances	Over/ (Under) Spend to Date against Updated Budget	Estimated Full Year Variance Against Updated Budget
	£	£
<b>Environmental Health</b>		
<p><b>Public Protection</b> – 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>	(3,294)	20,000
<p><b>Waste Collection and Disposal</b> – £31,013 consultancy costs relating to the new waste procurement. £32,040 contractor costs. These additional costs have been offset by additional income in relation to (£234,021) commercial waste and (£59,780) garden waste.</p> <p>There is currently a capital project for the purchase of bins, these were originally to be funded from capital receipts; the full year effect shown here anticipates these capital costs now being funded from anticipated revenue savings by way of a Revenue Contribution to Capital Outlay (RCCO).</p>	(252,129)	(104,300)
<b>Finance and Assets</b>		
<p><b>Industrial Estates</b> - The current underspend represents possession proceedings and legal fees. (£4,793) represents rental income invoiced quarterly in advance.</p>	(20,577)	(13,000)
<p><b>Revenue Services</b> - The year to date variance represents employee inflation resulting from staff re-gradings and increments – this is likely to result in a full year effect of £20,000.</p> <p>It is also anticipated that income from court costs recovered (which are profiled for the end of the financial year) will be £20-£30,000 lower than budgeted. To be prudent we have included a full year effect of £20,000.</p>	25,127	40,000
<p><b>Benefits Subsidy</b> - This variance relates to recovered benefit overpayments coded direct to the service. No full year effect is being assumed at P10 and this income will be included when calculating the end of year subsidy position.</p>	(19,086)	0

<b>Table 1 – Service Variances</b>	<b>Over/ (Under) Spend to Date against Updated Budget</b>	<b>Estimated Full Year Variance Against Updated Budget</b>
	<b>£</b>	<b>£</b>
<p><b>Property Services</b> – The current overspend relates in the main to external professional fees - these include £50,000 for Asset Condition Surveys, £11,250 for Energy Management Contract and £20,900 contract for Feasibility studies at North Walsham and Stalham hubs (grant funded). The balance relates to various fees relating to valuation reports, the Council's E-tendering system, commercial agency work and building cost information services.</p> <p>Grant income from the Business Rates Pool will offset some of these costs. If no compensating savings offset the remaining costs then the expenditure will be funded from the Asset Management Reserve (AMR) at year end if required as previously agreed for example for the Asset Condition Surveys.</p>	111,951	20,000
<p><b>Investment Properties</b> – £43,013 costs associated with Fair Meadow House including contract cleaning, the one-off replacement of the septic tank and associated costs, management fees.</p> <p>£13,666 Additional costs associated with preparing properties for use as temporary accommodation. Some of these costs could be funded from the Housing earmarked reserve or Housing grant funding.</p> <p>(£13,049) Recharges for facilities.</p>	41,494	30,000
<p><b>Corporate and Democratic Core</b> – (£20,639) Corporate element of Planning staff turnover - this will be used to help fund temporary contract planning officers.</p> <p>(£34,968) EU exit preparation grant received from Ministry for Housing, Community and Local Government (MHCLG).</p> <p>The balance is made up of bank charges and professional fee savings.</p>	(73,130)	0

Table 1 – Service Variances	Over/ (Under) Spend to Date against Updated Budget	Estimated Full Year Variance Against Updated Budget
	£	£
<b>Legal and Democratic Services</b>		
<p><b>Benefits Administration</b> – 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 legislative changes. This funding is earmarked for service improvements, predominantly around customer service delivery and accessibility; however the timing of which may require some of this funding to be rolled into 2020/21.</p>	(78,814)	0
<p><b>Legal Services</b> - Income from Legal fees - no full year affect has been reported as a net position will be taken/transferred to the earmarked reserve at the end of the financial year.</p>	(38,690)	0
<b>Planning</b>		
<p><b>Development Management</b> – £22,500 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>£134,104 Planning application fee income is down against the profiled budget - this is not due to a decline in the volume of applications being processed but is due to a smaller number of large fee applications being received.</p> <p>This shortfall has been partially offset by (£58,908) income received in relation to pre-application advice.</p> <p>A net full year effect has been flagged of £80,000.</p>	80,833	80,000
<p><b>Building Control</b> – 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>	(23,575)	0
<p><b>Property Information</b> – Norfolk County Council search fees accrued from 2018/19 were less than anticipated - this is likely to result in a saving of £10,000.</p>	(37,736)	(10,000)

<b>Table 1 – Service Variances</b>	<b>Over/ (Under) Spend to Date against Updated Budget</b>	<b>Estimated Full Year Variance Against Updated Budget</b>
	£	£
<b>TOTALS</b>	<b>(645,220)</b>	<b>(158,371)</b>

### **3 Budget Monitoring Position – Savings and Additional Income**

3.1 The budget for 2019/20 includes savings and additional income totaling £811,330. 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.

<b>Table 2 – Savings and Additional Income Budgeted Target for 2019/20 split by work stream</b>	<b>2019/20 Base Budget</b>	<b>2019/20 P10 Monitoring Position</b>	<b>2019/20 Movement from the Base Budget at P10</b>
	£	£	£
Growth – New Homes and Business Rates	0	0	0
Digital Transformation* Including savings to be Identified of £83,750	(244,429)	(174,639)	69,790
Property Investment and Asset Commercialisation	(190,996)	(190,996)	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)	(260,361)	5,533
<b>Total</b>	<b>(811,330)</b>	<b>(736,007)</b>	<b>75,323</b>

### **4 Non Service Variances to Period 10 2019/20**

#### **4.1 Investment Interest**

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%.

At the end of period 10, a total of £1,073,108 has been earned, resulting in an adverse variance against the year to date budget of £53,812. The average rate of interest achieved was 3.14% from an average balance available for investment of £40.7m. At the end of the year an adverse variance against budget of £52,776 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 10. However, there are significant risks to this forecast in the current uncertain economic environment.

A total of £32m has been invested in pooled funds which are valued at £33.9m at the end of period 10. 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.

#### **4.2 Borrowing Interest**

The budget for 2019/20 anticipates that £10,000 would be paid in interest for short-term borrowing for cash flow purposes.

At period 10 a total of £32,021 has been paid resulting in an adverse variance against the budget of £23,688. 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 £28,425 is anticipated.

#### **4.3 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 courts have decided that NHS Foundation Trusts are not charities for the purposes of section 43(6) of the Local Government Finance Act, effectively ending their claim for charitable relief from Business Rates. The deadline for appealing this

decision is 24 February. At the time of writing, officers are not aware of a decision having been made to appeal.

## 5 Budget Monitoring Position – Summary

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

<b>Table 3 - Summary of Full Year Effects 2019/20</b>	<b>Estimated Movement From Updated Budget £</b>
Service Areas (Table 1)	(158,371)
Investment Interest	81,201
Business Rates	0
Savings and Additional Income	75,323
<b>Total</b>	<b>(1,847)</b>

## 6 Budget Monitoring Position – Capital

- 6.1 Total Capital expenditure at the end of period 10, amounted to £16,730,627 across all projects. The Capital Programme has been updated to reflect changes agreed up to the end of January 2020 and can be found at Appendix C.

## 7 Contract awards

- 7.1 Officers have been working on the renewal of two contracts over previous months, the first relates to office cleaning which is now no longer part of the main waste and cleansing contract and also in relation to the provision of our energy.
- 7.2 *Office cleaning contract* - officers went out to the market via the ESPO Framework 'Total Cleaning Services'. A total of 5 organisations expressed an interest in the opportunity, the preferred supplier is Norse Group Services Ltd. The Contract is for a total of 5 years with the option to extend for a further 2 years, 1 year at a time. The total contract value over the potential 7 year period is around £330,000 which is within the current budget envelope and actually achieves savings of £67,000 over the life of the contract compared with the current costs. The recommendation is therefore to award the new cleaning contract to Norse Group Services, with a contract start date of 6 April 2020.
- 7.3 *Energy contract* - Officers engaged the services of Vertas, a 100% owned subsidiary of Suffolk County Council, to undertake our latest energy procurement on our behalf. Vertas went out to the market, with the award criteria based on pricing, renewable credentials, EDI billing (a form of electronic billing) and a single point contact for billing. The feedback received from the market from companies which provide 100% renewable energy, such as Brook Green and Ørsted, was that our portfolio was too small to be of interest to them. Having 100% renewable energy provision can also be

prohibitively expensive. Following the procurement process the preferred supplier is Haven Power, the contract runs for a period of 2 years from April 2020 and is within the projected annual budget envelope of c£133,000. Haven Power are able to supply us with 94.5% green energy with REGO (Renewable Energy Guaranteed Origin) Certificates. The recommendation is therefore to award the new energy contract to Haven Power, with a contract start date of April 2020.

## **8 Conclusion**

- 8.1 The revenue budget is showing an estimated full year underspend for the current financial year of (£1,847). The overall financial position continues to be closely monitored and it is anticipated that the overall budget for the current year will be achieved.

## **9 Financial Implications and Risks**

- 9.1 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.
- 9.2 The Original base budget for 2019/20 included service savings and additional income totalling £811,330; these are largely still on target to be achieved although there is currently an anticipated full year shortfall of £75,323. 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.
- 9.3 The estimated outturn shown in Table 1 will continue to be monitored during the year and where applicable will be transferred to reserves.

**10 Sustainability** - None as a direct consequence from this report.

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

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