



# **The Budget 2017/2018**

Monitoring Report

December 2017

Lorraine Gore  
Executive Director – Finance Services

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### **Monitoring Report – December 2017**

#### **Executive Summary**

The monthly budgetary control report has been developed over the past few years to address the need for strong financial control. Whilst the budget monitoring report will continue to be provided on a monthly basis some sections are only included quarterly.

This budgetary control report highlights variances, as at 31 December 2017, from the revised budgets for revenue, as contained in the Financial Plan 2016-2021 agreed by Council on 23 February 2017.

As at 31 December 2017 and detailed on section 2, there is no variance to report.

A target for Turnover Saving of £175,000 has been set for 2017/2018. Details of Turnover Savings are included in section 4 of this report.

The 2017/2018 Capital programme was updated as part of the closedown of the accounts reported to Cabinet on 27 June 2017. Section 8 includes details of the Capital Programme 2017/2018 for major projects and for each service area.

Appendix 1 notes the cash limit rules which apply to all budgets.

**If further information relating to any budget highlighted within this report is required please do not hesitate to contact Lorraine Gore on Ext. 6432**

## 1. Introduction

This report covers the period to 31 December 2017.

## 2. Revenue Budget 2017/2018

A summary of the budget position as at 31 December 2017 is shown below.

	<b>Financial Plan 2017/2018 Council 23 February 2017</b>	<b>November Budgetary Control Monitoring Report 2017/2018</b>	<b>December Budgetary Control Monitoring Report 2017/2018</b>	<b>Report Variance</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Corporate	6,357,980	2,396,580	2,396,580	0
Democracy	1,287,890	1,432,800	1,432,800	0
<b>Services Areas:</b>				
Central and Community Services	3,091,660	1,529,260	1,529,260	0
Chief Executive	1,165,390	1,515,230	1,515,230	0
Commercial Services	5,764,530	4,272,570	4,272,570	0
Environment and Planning	2,051,990	2,361,500	2,361,500	0
Finance Services	2,195,690	2,520,440	2,520,440	0
Financing Adjustment	(3,959,180)	1,764,990	1,764,990	0
Internal Drainage Boards	2,675,890	2,674,090	2,674,090	0
Council Tax Support to Parishes	64,230	64,230	64,230	0
<b>Borough Spend</b>	<b>20,696,070</b>	<b>20,531,690</b>	<b>20,531,690</b>	<b>0</b>
Reimbursement of lump sum Pension Payment	(2,932,000)	(2,932,000)	(2,932,000)	0
Contribution to/(from) Balances	(9,340)	200,880	200,880	0
In year adjustments to retained business rates	0	(45,840)	(45,840)	0
<b>Adjusted Borough Requirement</b>	<b>17,754,730</b>	<b>17,800,570</b>	<b>17,800,570</b>	<b>0</b>

### 3. Movement on Balances

The impact on balances of the variances are detailed in the table below.

	£
Balance brought forward 1 April 2017 (balance published in the Statement of Accounts 2016/2017)	8,745,316
Reimbursement of lump sum Pension Payment	(2,932,000)
Contribution to balances to November monitoring	200,880
Additional contribution December monitoring	0
	<hr/>
Projected General Fund Balance 31 March 2017	6,014,196
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The projected balance for 2017/2018 remains above the minimum level of £887,737 required of the Council.

The General Fund Balance is held at a higher level than usual to provide for a planned and measured response to the reduction in grant funding. Significant draws from the general funding balance will be necessary in the later years of the medium term financial plan 2016-2021.

### 4. Turnover Savings Targets 2017/2018

Turnover savings of £175,000 were set for 2017/2018. Savings of £175,000 have been achieved to the end of November. No additional savings are reported in December.

## 5. Cost Reduction Target

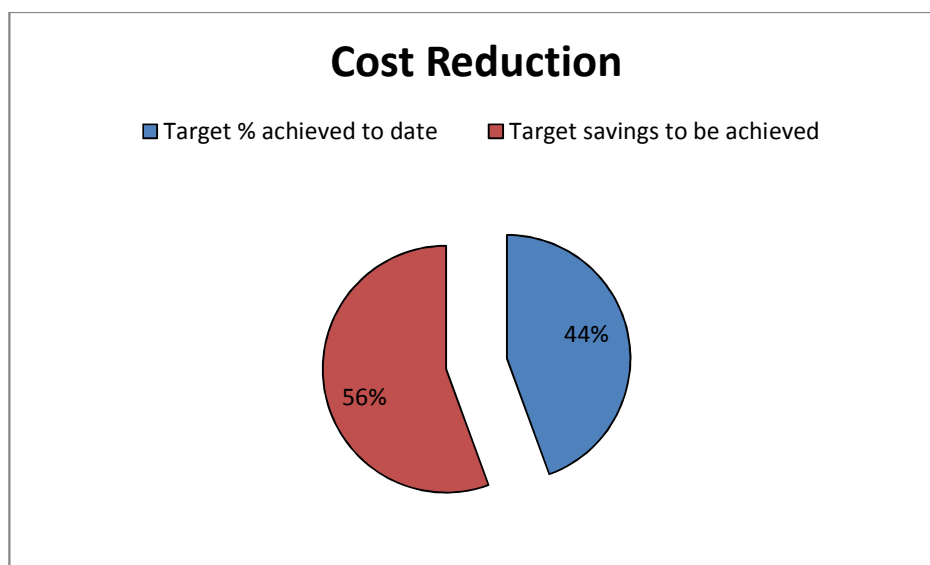
A balanced budget is presented in The Financial Plan 2016/2021, supported by transfers from the general fund balance. The continuing reductions in central government funding will require the Council to further reduce costs/increase income. The next phase of the cost reduction programme includes proposals for delivering the target savings and as these are achieved the savings will be reported as part of the monthly monitoring report.

Where savings are achieved in advance of 2020/2021 these will be transferred to reserves to fund investment in major capital projects which will provide future revenue income.

There are no additional revenue cost reduction savings to report for December 2017.

Service Area	2017/2018 Saving £	2018/2019 Saving £	2019/2020 Saving £	2020/2021 Saving £
<b>Revenue</b>				
<b>October:</b>				
Countryside Grants	1,800	1,800	1,800	1,800
Enterprise Works	6,250	6,490	6,740	7,000
Legal Services	6,950	14,770	15,670	16,610
Revenues and Benefits – Staffing	15,190	0	0	0
Revenues and Benefits – Professional Fees	3,600	3,600	3,600	3,600
Training	-	20,000	20,000	20,000
<b>Total October</b>	<b>33,790</b>	<b>46,660</b>	<b>47,810</b>	<b>49,010</b>
<b>September:</b>				
Civic Functions	4,350	4,350	4,350	4,350
Licensing Salaries	7,580	7,870	8,170	8,480
<b>Total September</b>	<b>11,930</b>	<b>12,220</b>	<b>12,520</b>	<b>12,830</b>
<b>August:</b>				
In Bloom – Grounds	5,000	5,000	5,000	5,000
Heacham Depot	5,800	5,930	6,070	6,230
<b>Total August</b>	<b>10,800</b>	<b>10,930</b>	<b>11,070</b>	<b>11,230</b>
<b>July:</b>				
Countryside Grants	4,000	4,000	4,000	4,000
Management Fee – Leisure Services	21,420	-	-	-
Open Spaces	20,000	20,000	20,000	20,000
<b>Total July</b>	<b>45,420</b>	<b>24,000</b>	<b>24,000</b>	<b>24,000</b>
<b>June:</b>				
Stop Issuing Cheques	3,550	3,550	3,550	3,550
<b>Total June</b>	<b>3,550</b>	<b>3,550</b>	<b>3,550</b>	<b>3,550</b>
<b>Savings to Date</b>	<b>105,490</b>	<b>97,360</b>	<b>98,950</b>	<b>100,620</b>
Adjusted target savings to be achieved (as per Management Team )	237,476	759,252	1,042,231	1,077,776
<b>Variance (under) to Date</b>	<b>(131,986)</b>	<b>(661,892)</b>	<b>(943,281)</b>	<b>(977,156)</b>

The chart below shows the savings to date of £105,490, as a comparative to the target savings to be achieved of £237,476.



Corporate Capital projects have savings achieved to date as detailed in the November report.

Corporate Project	2017/2018 Saving £	2018/2019 Saving £	2019/2020 Saving £	2020/2021 Saving £
Kings Court Redevelopment	-	230,000	230,000	230,000
Town Centre shops and Office	-	-	76,000	76,000
<b>Total</b>	-	<b>230,000</b>	<b>306,000</b>	<b>306,000</b>

## 6. Fees and Charges

The Council has delegated authority to the Executive Director of the appropriate services (in consultation with the relevant portfolio holder and the Leader) to vary charges having regard to market conditions and the Council's policy framework. The 2017/2018 fees and charges were originally detailed in the Financial Plan 2016/2021 and agreed by Council on the 23 February 2017.

There are no changes to the fees and charges for December 2017.

## 7. Treasury Management 2017/2018

The updated "Treasury Management Strategy Statement and Annual Investment Strategy 2017/2018" was approved by Cabinet on the 13 February 2017. The Council's Treasury Management Strategy will be updated as appropriate for any future changes made to the code of practice by CIPFA.

The monthly monitoring report includes prudential indicators, updates on movements in borrowing and investments during the period, together with the credit rating changes of counter parties and average rate of return on investments. This information is detailed in the tables below:

### Prudential Indicators

Indicator	Original Limit 2017/2018	Actual 31 December 2017
Operational Boundary (Limit of borrowing)	£50m	£12.9m
Short-term and variable rates borrowing limits	40%	0%

### Loans

Opening Balances £	Additional Borrowing £	Repayments £	Balances 31 December 2017 £	Counter Party
<b>Long Term</b>				
10,000,000	-	-	10,000,000	Barclays Capital
400,000	-	-	400,000	Public Works Loan Board (PWLb)
2,500,000	-	-	2,500,000	Suffolk County Council
<b>12,900,000</b>	<b>-</b>	<b>-</b>	<b>12,900,000</b>	<b>Total</b>

## Investments

Opening Balances £	Additional Investment £	Repayments £	Balances 31 December 2017 £	Counter Party
<b>Fixed Rate Term Deposits</b>				
2,000,000	-	-	2,000,000	Barnsley Metro Borough Council
3,000,000	-	-	3,000,000	Bury Metro Borough Council
2,000,000	-	-	2,000,000	Cheshire West and Chester Council
5,000,000	-	-	5,000,000	Great Yarmouth Borough Council
2,750,000	-	-	2,750,000	Norfolk and Waverney Enterprise
2,000,000	-	-	2,000,000	Moray Council
1,000,000	-	-	1,000,000	Surrey Heath Borough Council
<b>Cash Flow</b>				
3,400,000	600,000	4,000,000	-	Barclays FIBCA
1,900,000	2,440,000	2,390,000	1,950,000	BNP Paribas
-	1,950,000	1,950,000	-	HSBC Liquidity
-	4,000,000	4,000,000	-	Legal and General
<b>Other Investments</b>				
150,000	-	-	150,000	Marshland St James Parish Council
12,500	-	-	12,500	North Lynn Discovery Centre
<b>23,212,500</b>	<b>8,990,000</b>	<b>12,340,000</b>	<b>19,862,500</b>	<b>Total</b>



## Credit Ratings

The Council uses independent ratings (Fitch) to derive part of its counterparty criteria, in accordance with the currently adopted Treasury Management Practices.

The BCKLWN minimum ratings for banks are:

Short term Rating	Viability Rating	Support Rating	Long Term Rating
<b>F1</b>	<b>BB+</b>	<b>3</b>	<b>A</b>

**F1** = Highest credit quality. Indicates the strongest capacity for timely payment of financial commitments.

Have an added "+" to denote any exceptionally strong credit feature.

**B** = A strong bank. There are no major concerns regarding the bank. Characteristics may include strong profitability and balance sheet integrity, franchise, management, operating environment or prospects.

**3** = A bank, for which support from a state or from an institutional owner is likely but not certain.

**A** = A low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. There may be some vulnerability to changes in circumstances or in economic conditions than is the case for higher ratings.

## Rating Changes

There are no rating changes to report for this period.

## 8. Capital Programme 2017/2018

The Capital Programme 2017/2018 was updated at Council on 27 June 2017 and is detailed in the table below. There are no additional amendments to report to 31 December 2017. The Capital Programme will be updated for rephrasing and new bids, a report will be presented to Cabinet on 6 February 2018.

	<b>Capital Programme 2017/2018</b>	<b>November Amendment Capital Programme 2017/2018</b>	<b>Spend to Date</b>	<b>Percentage</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>%</b>
Major Projects	23,535,110	22,665,260	11,071,079	48.85
Central and Community Services	2,514,940	2,532,940	1,300,494	51.34
Commercial Services	2,826,130	2,924,130	700,112	23.94
Environment and Planning	16,000	16,000	5,869	36.68
Finance Services	106,980	106,980	50,000	46.74
<b>Total</b>	<b>28,999,160</b>	<b>28,245,310</b>	<b>13,127,553</b>	<b>46.48</b>

## **Appendix 1**

### **Cash Limits**

In all cases the Budget Cash Limit will be seen to be the 'bottom line' of a service cost centre as presented in the Financial Plan 2016/2021 and the financial ledger.

It will be the responsibility of the Executive Director to make sure that any anticipated overspending in a cost centre, as a first option, is compensated by a reduction in the same service area. In the event that this is not possible the Executive Director must as a second option look for compensating reductions within another service area under their responsibility. (It is accepted that this may mean changes across Portfolios).

If this is not possible then the Executive Director must report the circumstances to the Management Team requesting the forecast overspend to be met from corporate resources.

The decision on how to meet the shortfall will be made by Management Team in consultation with the portfolio holder for Resources, before the overspending is authorised.

These cash limits rules will not apply to elements of the budget that are 'outside' of the control of the service manager. These will include;

- rent and rates
- insurances
- benefit payments
- support service charges
- capital financing
- asset rentals
- interest on capital receipts

Where there are increase/reductions in the above, it will be necessary for the Executive Director to report to Management Team and complete the appropriate Exercise of Delegated Authority (EDA) form or Cabinet report.

In all other cases the cash limits rules will apply although Management Team, in consultation with the portfolio holder for Resources, will consider exceptions in particular cases. (As an example, this may be the case where the pressure comes from reduced levels of income from 'demand led' services).

In all cases Financial Regulations require the Executive Director to gain Portfolio Holder(s) approval for them to complete the EDA form. A copy of the form must be sent to the Assistant Director for adjustments to be made to the budget records in the financial ledger.

Any budget transfer with a value of £250,000 or above is a 'key decision' and must be subject of a report to Cabinet.

In dealing with the overspending it will be the responsibility of the Executive Director to identify compensating reductions within one month of the issue being identified. This will form part of the Monthly Monitoring Report.

As a reminder, the Financial Regulations state;

- transfers must not be made into permanent staffing budgets;
- savings in non-recurring expenditure or income should not be used to finance additional recurring expenditure

**Lorraine Gore**  
**Executive Director - Finance Services**