



The Budget 2017/2018

Monitoring Report

September 2017

Lorraine Gore
Executive Director

The Budget 2017/2018

Monitoring Report – September 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 30 September 2017, from the revised budgets for revenue, as contained in the Financial Plan 2016-2021 agreed by Council on 23 February 2017.

As at 30 September 2017 and detailed on section 2, an adverse variance of £4,000 is reported.

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 9 includes details of the Capital Programme 2017/2018 for major projects and for each service area.

Appendix 2 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 30 September 2017.

2. Revenue Budget 2017/2018

A summary of the budget position as at 30 September 2017 is shown below.

	Financial Plan 2017/2018 Council 23 February 2017	August Budgetary Control Monitoring Report 2017/2018	September Budgetary Control Monitoring Report 2017/2018	Report Variance
	£	£	£	£
Corporate	6,357,980	6,609,650	6,621,580	11,930
Democracy	1,287,890	1,277,230	1,272,880	(4,350)
Services Areas:				
Central and Community Services	3,091,660	751,540	755,540	4,000
Chief Executive	1,165,390	1,155,020	1,155,020	0
Commercial Services	5,764,530	2,308,300	2,308,300	0
Environment and Planning	2,051,990	1,952,870	1,945,290	(7,580)
Finance Services	2,195,690	2,125,750	2,125,750	0
Financing Adjustment	(3,959,180)	1,752,650	1,752,650	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
Borough Spend	20,696,070	20,671,330	20,675,330	4,000
Reimbursement of lump sum Pension Payment	(2,932,000)	(2,932,000)	(2,932,000)	0
Contribution to/(from) Balances	(9,340)	15,400	11,400	(4,000)
Borough Requirement	17,754,730	17,754,730	17,754,730	0

ICT Services

£4,000 additional expenditure is reported due to upgrading the IT connection at the Town Hall. Subsequent running costs of £2,500 for future years are also reported.

Action to be taken

The cash limited budgets for 2017/2018 and projections have been amended

Cost Reduction Programme

As reported in section 5 cost reductions have resulted in movements between service heads as per the table below;

Service Area	Variance £
Corporate	11,930
Democracy	(4,350)
Environment and Planning	(7,580)
Total	0

All cost reduction savings achieved in advance of 2020/2021 will be transferred to reserves to fund investment in major capital projects which will provide future revenue income. On-going annual savings will be included in the estimates from 2020/2021 and reduce the Borough spend.

Action to be taken

The cash limited budgets for 2017/2018 and projections have been amended

Summary of Movements

Corporate		
Cost Reduction Programme	11,930	
Corporate Total		11,930
Democracy		
Cost Reduction Programme	(4,350)	
Democracy Total		(4,350)
Central and Community Services		
ICT Services	4,000	
Central and Community Services Total		4,000
Environment and Planning		
Cost Reduction Programme	(7,580)	
Environment and Planning Total		(7,580)
Overall Total		4,000

3. High Risk, Volatile or Large Budgets

In this section of the report, and at Appendix 1, we focus on what are considered to be the high risk, volatile or large budgets for the Council.

	Original Budget 2017/2018	Variance July to September	Projected Outturn 2017/2018
	£	£	£
Financing Adjustment	(3,959,180)	5,711,830	1,752,650
Commercial Services			
Car Park Income	(4,280,120)	0	(4,280,120)
Recycling Income	(2,980,690)	0	(2,980,690)
Refuse Income	(640,700)	0	(640,700)
Industrial Estates Income	(1,498,400)	6,000	(1,492,400)
Town Centre Rents Income	(313,370)	0	(313,370)
Finance Services			
Benefit - Payments (reported quarterly)	39,616,250	0	39,616,250
Benefit - Subsidy *excluding administration grant (reported quarterly)	(39,193,400)	0	(39,193,400)
Environment and Planning			
Local Land Charges Income	(167,330)	0	(167,330)
Planning Income	(1,049,060)	0	(1,049,060)
Major Planning Appeal costs	24,460	0	24,460

Financing Adjustment; as reported in the July monitoring report the capital charges have been removed from the service budgets. These charges are only included for technical accounting purposes and cannot be influenced by budget managers.

These amendments have had no bottom line impact; they are movements between service budgets and the financing adjustment.

Service Area	Variance £
Corporate	(6,200)
Central and Community Services	(2,285,660)
Chief Executive	(6,390)
Commercial Services	(3,356,770)
Environment and Planning	(7,240)
Finance Services	(50,000)
Finance Adjustment	5,712,260
Total	(0)

Industrial Estates Income; as reported in July monitoring report, there was a reduction in rental income of £6,000.

4. 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 Account 2016/2017)	8,745,316
Reimbursement of lump sum Pension Payment	(2,932,000)
Contribution to balances to August monitoring	15,400
Draw from balances September monitoring	(4,000)
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Projected General Fund Balance 31 March 2017	5,832,716
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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

5. Turnover Savings Targets 2017/2018

Turnover savings of £175,000 were set for 2017/2018. Savings of £61,050 have been achieved to the end of July. No additional savings are reported in September.

6. 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.

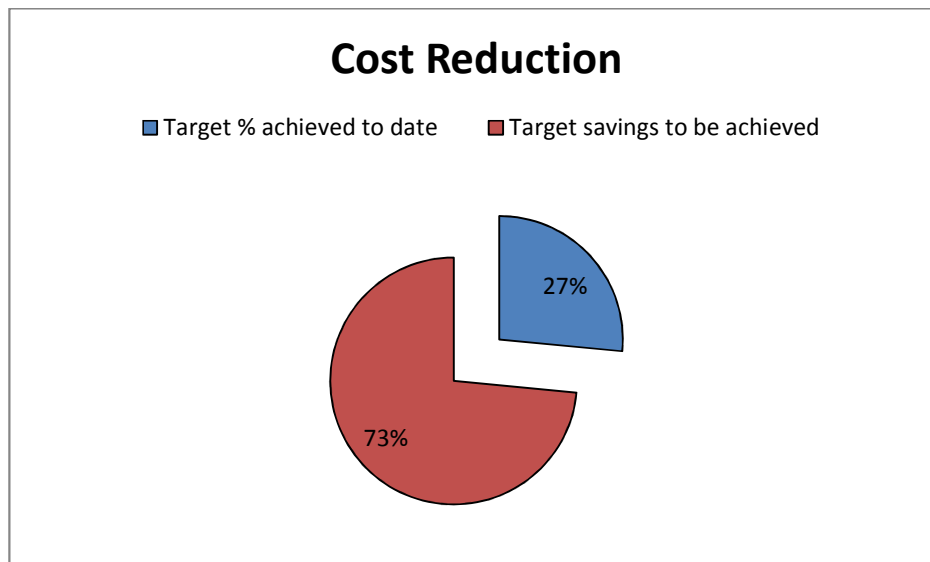
Additional cost reduction savings to report to the end of September 2017 are;

Service Area	2017/2018 Saving £	2018/2019 Saving £	2019/2020 Saving £	2020/2021 Saving £
Revenue				
September:				
Civic Functions	4,350	4,350	4,350	4,350
Licensing Salaries	7,580	7,870	8,170	8,480
Total September	11,930	12,220	12,520	12,830
August:				
In Bloom – Grounds	5,000	5,000	5,000	5,000
Heacham Depot	5,800	5,930	6,070	6,230
Total August	10,800	10,930	11,070	11,230
July:				
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
Total July	45,420	24,000	24,000	24,000
June:				
Stop Issuing Cheques	3,550	3,550	3,550	3,550
Total June	3,550	3,550	3,550	3,550
Savings to Date	71,700	50,700	51,140	51,610
Adjusted target savings to be achieved (as per Management Team)	270,362	836,652	1,114,631	1,120,176
Variance (under) to Date	(198,662)	(785,952)	(1,063,491)	(1,068,566)

The chart below shows the savings to date of £67,350, as a comparative to the target savings to be achieved of £270,362;

Civic Functions; a cost saving of £4,350 is to be made from civic functions

Licensing Salaries; following the reduction of hours for a post within licensing, a saving of £7,580 has been achieved, additional years are shown above.



7. 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 to September 2017.

8. 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 30 September 2017
Operational Boundary (Limit of borrowing)	£50m	£12.9m
Short-term and variable rates borrowing limits	60%	0%

Loans

Opening Balances £	Additional Borrowing £	Repayments £	Balances 30 September 2017 £	Counter Party
Long Term				
10,000,000	-	-	10,000,000	Barclays Capital
500,000	-	100,000	400,000	Public Works Loan Board (PWLb)
2,500,000	-	-	2,500,000	Suffolk County Council
Under 12 Months				
13,000,000	-	100,000	12,900,000	Total

Investments

Opening Balances £	Additional Investment £	Repayments £	Balances 30 September 2017 £	Counter Party
Fixed Rate Term Deposits				
-	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
3,000,000	-	-	3,000,000	Fife 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
Cash Flow				
4,000,000	1,285,000	1,950,000	3,335,000	BNP Paribas
-	4,140,000	4,140,000	-	HSBC Liquidity
-	4,000,000	4,000,000	-	Ignis
1,240,000	2,640,000	3,880,000	-	Legal and General
-	-	-	-	Primerate
22,990,000	14,065,000	13,970,000	23,085,000	Total

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
F1	BB+	3	A

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

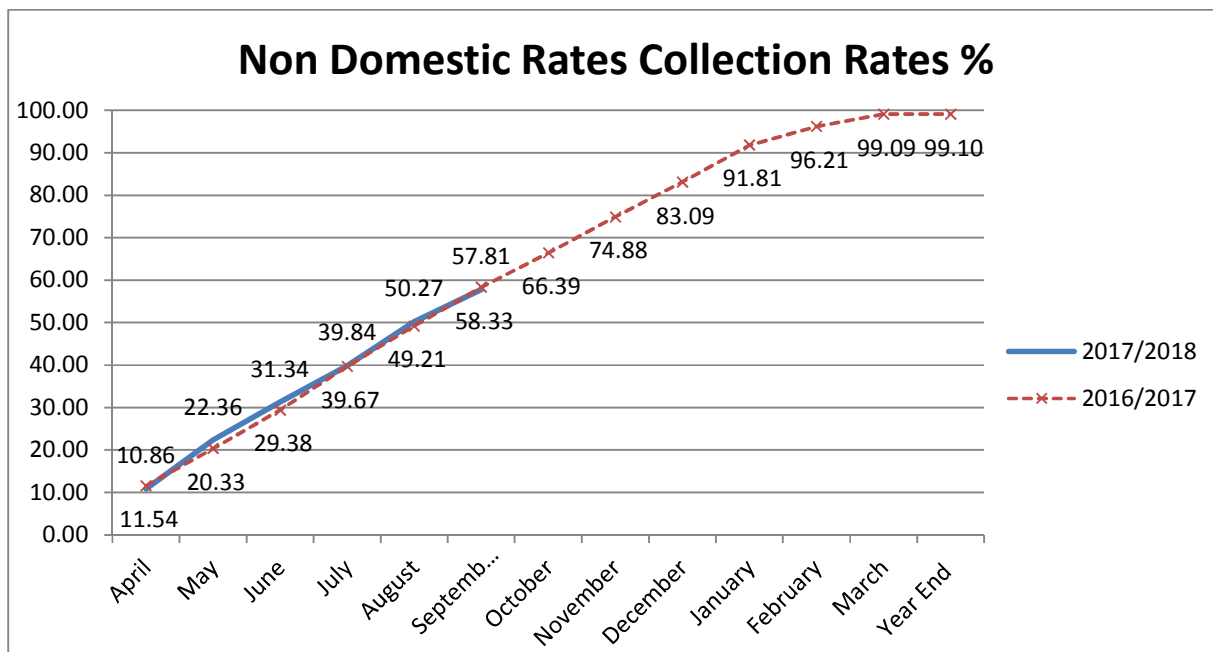
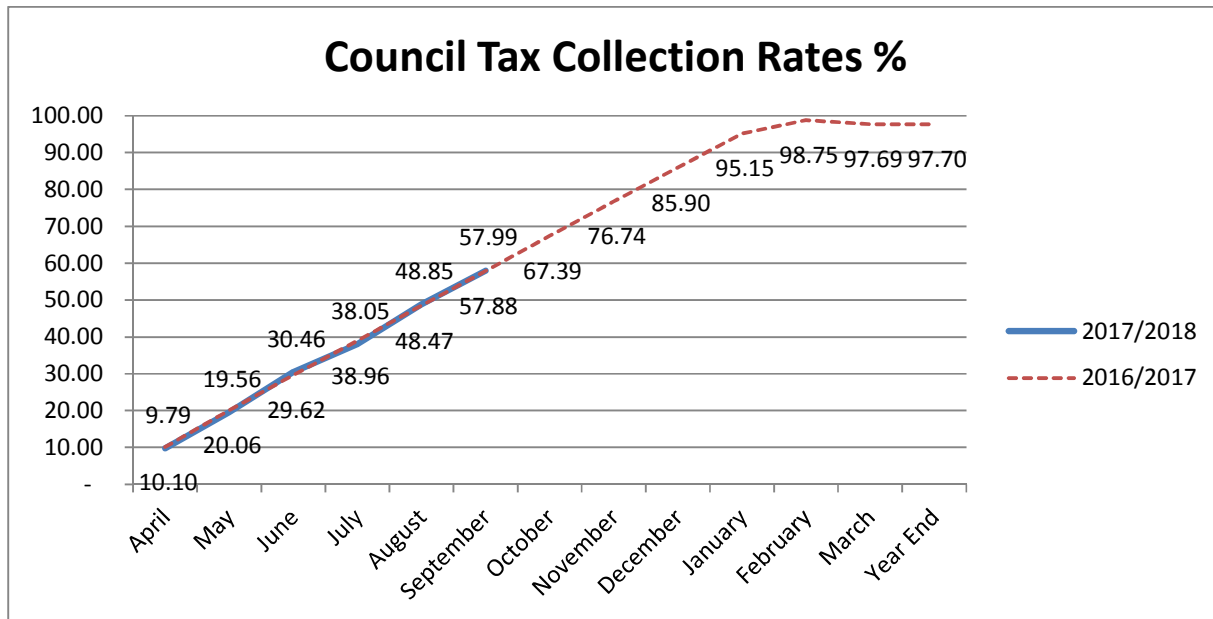
There are no rating changes for the counterparties currently used by the Council.

9. Payments to Creditors

As at 30 September 2017 the Council was paying 95% (target 94%) of all creditors within 30 days. The Council has a target to pay 'local' creditors within 10 days; in September 2017 the performance is 96%.

10. Collection Rates

The percentage of annual charge collected to 30 September 2017, and for comparison purposes for the same period in 2016, is stated below.



	30 September 2016	30 September 2017
Council Tax	57.88%	57.99%
Business Rates	58.33%	57.81%

11. Capital Programme 2017/2018

The Capital Programme 2017/2018 was updated at Cabinet on 27 June 2017 and is detailed in the table below.

	Capital Programme 2017/2018	August Amendment Capital Programme 2017/2018	September Amendment Capital Programme 2017/2018	Spend to Date	Percentage
	£	£	£	£	%
Major Projects	23,535,110	23,302,440	22,605,260	6,177,551	27.33
Central and Community Services	2,514,940	2,532,940	2,532,940	730,904	28.86
Commercial Services	2,826,130	2,924,130	2,924,130	322,292	11.02
Environment and Planning	16,000	16,000	16,000	0	0
Finance Services	106,980	106,980	106,980	50,000	46.74
Total	28,999,160	28,882,490	28,185,310	7,280,747	25.83

Major Projects

Joint Venture - NORA Phase 3; Following the recent tender for works on NORA Phase 3, the total contract sum for this project has now been confirmed as £6,523,460. £2,740,030 is planned expenditure for 2016/2017 with the remaining £3,783,430 to be spent in 2018/2019.

Therefore, £697,180 has been rephased from 2017/2018 to 2018/2019 and an additional £794,250 has been included in 2018/2019. This will be funded from capital receipts expected from this project.

12. Capital Receipts

To the end of September 2017, the Borough Council received Capital Receipts to the value of £4,253,740 against a target of £10,338,000.

	Target £	Actual to September £
Capital Receipts Preserved Rights to Buy	150,000	158,390
General Capital Receipts	2,120,000	58,280
*NORA Housing Receipts Phase 2	2,768,000	2,161,770
**Major Housing - Marsh Lane	5,300,000	0
Total	10,338,000	2,378,440

*NORA Housing is a joint venture with Norfolk County Council. All costs and receipts are shared 50/50. On phase 2 of the development there is only one unsold property and two show homes remaining.

**Sales on the major housing development are not expected until the final quarter of 2017/2018, to date 10 properties have been reserved from of the 130 to be developed.

Appendix 1

High Risk, Volatile or Large budgets

Service Head	Original Budget 2017/2018 £	Projected Outturn 2017/2018 £	Total Variance £	Action Plan	Operational Activity Indicators
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Finance Adjustment					
Finance Adjustment	(3,959,180)	1,752,650	5,711,830	No	

Commercial services							
Car Park Income	(4,280,120)	(4,280,120)	0	No			
Refuse Income	(640,700)	(640,700)	0	No	Composting – Number of Brown Bins issued	Current Figure	Target
Recycling Income	(2,980,690)	(2,980,690)	0	No		26,112	20,000+
Industrial Estates Income	(1,498,400)	(1,492,400)	6,000	No			
Town Centre Rents	(313,370)	(313,370)	0	No			

Finance Services								
Benefit - Payments (reported quarterly)	39,616,250	39,616,250	0	No		Lower Threshold (to receive 100% subsidy)	Upper Threshold (to receive 40% subsidy)	Projected Local Authority error overpayments 2017/2018
Benefit - Subsidy *excluding administration grant (reported quarterly)	(39,193,400)	(39,193,400)	0	No		£173,328	£194,994	£54,540
Time to process new claims using IEG4						17.90 days		
Time to process change of circumstance						15.44 days		

Environment and Planning					
Local Land Charges Income	(164,050)	(164,050)	0	No	
Planning Income	(1,115,990)	(1,285,990)	(70,000)	Yes	

Appendix 2

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