



Council Budgets and Estimates Audit Committee

27 November 2017

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Aims for the session

To develop an understanding of the Budget:

- **what is a budget**
- **capital / revenue**
- **setting process,**
- **council funding**
- **financial constraints and challenges,**
- **monitoring**
- **closedown**



Budgets

What is a budget?



Budgets

- **An estimate of income and expenditure for a set period of time.**
- **An itemised summary of estimated or intended expenditures for a given period along with proposals for financing them**
- **A budget is a set of interlinked plans that quantitatively describe an entity's projected future operations. A budget is used as a yardstick against which to measure actual operating results, for the allocation of funding, and as a plan for future operations.**



Budgets

What are revenue and capital budgets?



Budgets

Revenue

- **Day to day expenses**
- **Examples repairs and maintenance, salaries, utilities**

Capital

- **Items of substantial value (above £10,000)**
- **Useful life exceeds one year**
- **Enhances value of asset**
- **Examples: vehicles, fitness equipment, IT systems, acquisition/extension/new buildings, refurbishment but not repairs.**



Budgets

How much is the Borough estimated to spend on revenue services during 2017/2018?

How much is the Borough planning to spend on capital projects in 2017/2018?



Budgets

As per the Financial Plan 2016 - 2021

Revenue £79,734,640

Capital £31,073,550

The Financial Plan 2016 – 2021 can be found here:

https://www.west-norfolk.gov.uk/info/20160/budgets_and_spending/474/council_budgets



Budgets

How does the Borough fund this expenditure?



Budgets

Major Income Sources 2017/2018

• Car parking (net)	£ 2,777,780
• Planning Fees	£ 1,121,020
• Revenue Support Grant	£ 1,857,870
• New Homes Bonus	£ 2,410,950
• Rural Services Delivery Grant	£ 371,410
• Business Rates Retention	£ 7,164,280
• Housing benefits	£39,193,400
• Council Tax	£ 5,700,220



Budgets

General Fund Balance

	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
	£	£	£	£	£
Balance b/f	5,735,034	8,519,614	5,518,724	5,711,364	5,143,884
Reimbursement of lump sum Pension Payment	1,266,000	(2,932,000)	1,415,000	1,517,000	0
Estimated Contribution to/(Draw from) Balances	1,518,580	(68,890)	(1,222,360)	(2,084,480)	(2,620,490)
Balance c/f	8,519,614	5,518,724	5,711,364	5,143,884	2,523,394



Budgets

Capital funding

Receipts from sale of assets

External contributions – Developer contributions, lottery grants

Reserves

Borrowing

Leasing/unsupported borrowing



Budgets

Why prepare budgets?



Budgets

- **Assists planning and policy making**
- **Measures achievements**
- **Links to corporate priorities**
- **Provides authority to spend**
- **Help to determine priorities**



Budgets

- **Forecast changes in demand**
- **Show implications of changes**
- **Match demand with resources**
- **Determine levels of rents and charges**
- **Management control**



Budget Process

June

Outturn of previous year

Oct/Dec

Prepare estimates

Jan/Feb

Cabinet approves figures

End Feb

Council sets Council tax

**Monitor of budgets and making revisions
throughout the year**



Budget Process

Bottom Up

- **Responsibility at service level**
- **Promotes ownership**
- **Work within guidelines**

Top Down

- **Consider overall budget position**
- **Match demand with resources**



Budget Process

Incremental

- **Most common form of preparing budgets**
- **Next year based on this years spend – rolling budget**
- **Relatively quick and easy**
- **Assumes current budget is correct (monitoring)**
- **Can focus on changes**
- **May stifle initiative**



Financial constraints and challenges

Since 2008 there have been significant changes in the global economy.

The Borough's budget has been impacted by these changes. (Austerity Agenda)



Financial constraints and challenges

- **Government grant – levels and shift of focus/risk from central to local government**
- **Council tax income – Local Council Tax Scheme – Freezing Council Tax**
- **Return on investments/borrowing costs**
- **Benefits increased demand – uncertainty around impact of universal credits**
- **Ability to increase general fees and charges**
- **Budget cuts – austerity measures – availability of third party funding for major projects, business stability**



Financial constraints and challenges

How has the Borough acted to address the impact on the budget?



Financial constraints and challenges

- **Cost reduction programme**
- **Shared working**
- **New refuse contract**
- **Shared office space – CCG - DWP**
- **Leisure Trust/Local Authority Company**
- **Selling services – car parking, CCTV**
- **Buying In services - legal**
- **Discontinue services – cash office, pest control**



Financial constraints and challenges

The Borough needs to find ways to address the estimated £2.6m difference between expenditure in income from 2020/2021.

What challenges in the wider economy will influence the Borough financial planning in the next 5 years?



Financial constraints and challenges

Future levels of Government grant – general election ? anticipate further period of austerity

Political priorities - Borough election in 2019

Inflation levels

Growth in economy – international, national and local

Investment returns

100 % Business Rates Retention



Funding

Two of the major areas of funding available to the council are

- **Council Tax**
- **Retained Business Rates**



Funding

Council Tax

The Borough council tax for 2017/2018 is:

BAND	2017/2018	BAND	2017/2018
	£		£
A*	77.91	E	142.84
B	90.90	F	168.81
C	103.88	G	194.78
D	116.87	H	233.74

The tax base was 48,774 as at April 2017



Funding

**In 2017/2018 this has generated Council Tax
income for the Council of**

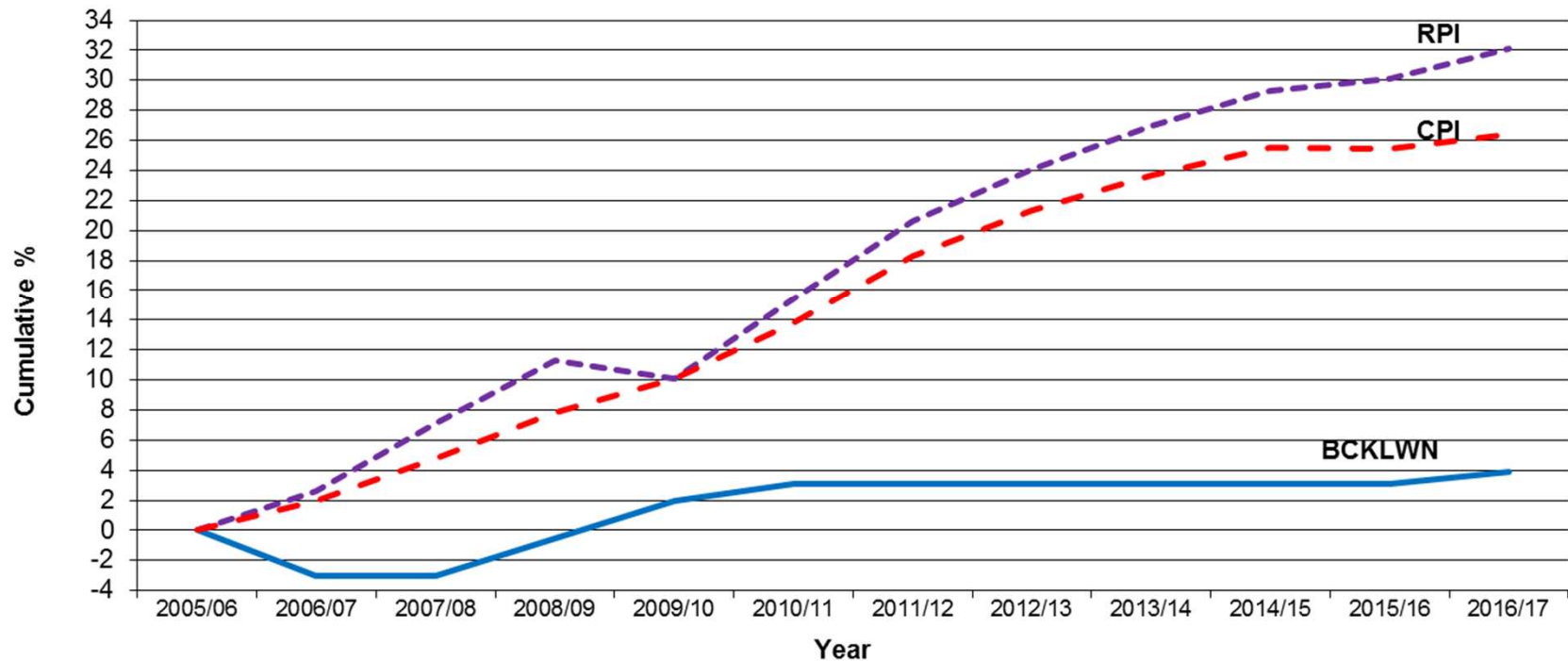
(Band D X Tax Base)

£5,700,220



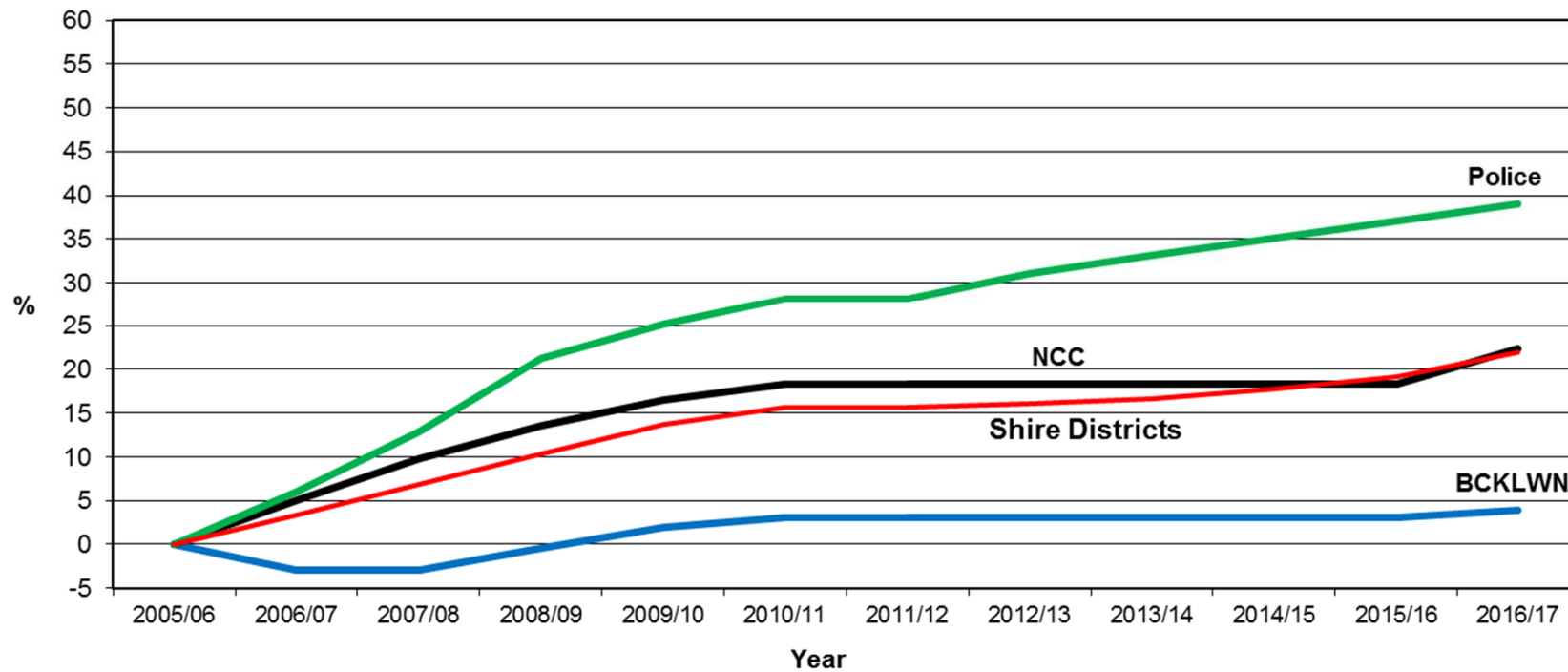
Funding

Band D Council Tax and RPI percentage increases 2005 to 2016

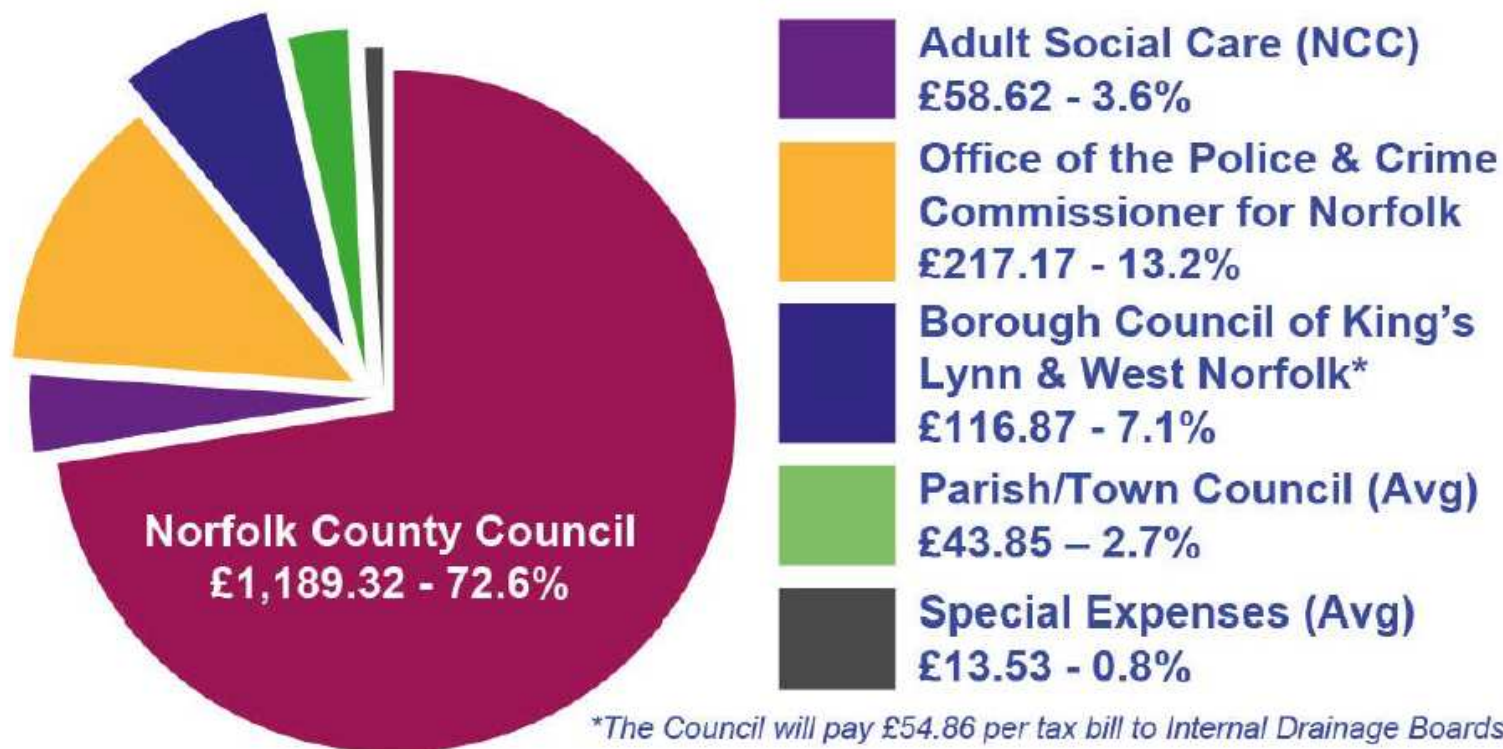


Funding

Band D Council Tax percentage increase 2005 to 2016



Funding



Funding

Business Rates Retention

DCLG – ‘The Government reformed the local government finance system to introduce local business rates retention from April 2013 – a fundamental change putting a strong financial incentive for economic growth at the heart of local government funding’



Funding

Business Rates Retention

Borough charges £46m in business rates

50% to Central Government used to fund local government through Revenue Support Grant or other specific grants

50% to local precept authorities - split BCKLWN 80% and NCC 20%



Funding

Business Rates Retention

For each authority DCLG will then calculate the baseline funding level – applying the formula grant process to the local share of the estimated business rates aggregate

For 2017/2018 BCKLWN has retained £7.2m



Funding

Business Rates Retention

Risks – if actual business rates decrease (large business in area closes) then first 7.5% of retained business rates reduction falls to BCKLWN ie £380k

Incentive – authorities retain 50% of any increase compared to baseline



Capital Budgets

Why engage in capital investment?

- **Corporate priorities – economic growth– Enterprise Zone, Major Housing Project**
- **Maintain assets – new roofing to building**
- **Exploit technology – ICT**
- **Improve performance/reduce costs – energy efficiency schemes, vehicles**



Capital Budgets

Capital bids compete for limited resources how do we choose?

What criteria do you think should be considered?



Capital Budgets

- **Corporate priorities**
- **Asset essential to service delivery and at end of useful life – service continuing?**
- **Legislation**
- **Invest to save scheme – income generation, efficiency savings**
- **Opportunity for sale of existing site v cost of new build**
- **Purchase cost v lease cost – equipment, vehicles**
- **Availability of capital resources**



Budgetary Control

Budget done – what next?

- **Cross fingers ? – yes!**
- **Pray all goes well? – sometimes!**
- **Look for other work? – possibly**
- **Monitor continuously? - YES**



Budgetary Control

Why monitor?

- **Assumptions may be wrong**
- **May be visited by the unexpected**
- **May need to take action**
- **May wish and be able to change things**
- **If all is well its nice to know**
- **There should be no surprises at year end!**



Budgetary Control

What are we looking for?

- Over and under budget – variances**
- Opportunity to ask**
 - Do I need to act?**
 - Will it correct itself?**
 - Is corrective action possible?**
 - Should I tell someone?**

Elected Members receive a monthly monitoring report on the overall Borough budget



Budgetary Control

Effective budgetary control relies on -

- **Proper authorisation of expenditure**
- **Regular and timely monitoring**
- **Allowing for commitments**
- **Identifying reasons for variances**
- **Taking corrective action**
- **Informing the proper authority**



Developments

Move towards a rolling budget setting process.

Rather than the estimates setting process in October – December each year.



Closing The Year

When

- **31 March - Year end**
- **End May - draft Statement of Accounts published**
- **June - Outturn report to Cabinet**
- **June - July – External Audit**
- **End July - Publish Statement of Accounts to Public**

The Statement of Accounts can be found here;

https://www.west-norfolk.gov.uk/info/20160/budgets_and_spending/364/annual_accounts



Any Questions?

