



The Budget 2017/2018

Monitoring Report

October 2017

Lorraine Gore
Executive Director

The Budget 2017/2018

Monitoring Report – October 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 October 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 October 2017 and detailed on section 2, a favourable variance of £102,580 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 31 October 2017.

2. Revenue Budget 2017/2018

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

	Financial Plan 2017/2018 Council 23 February 2017	September Budgetary Control Monitoring Report 2017/2018	October Budgetary Control Monitoring Report 2017/2018	Report Variance
	£	£	£	£
Corporate	6,357,980	6,621,580	2,261,140	(4,360,440)
Democracy	1,287,890	1,272,880	1,450,510	177,630
Services Areas:				
Central and Community Services	3,091,660	755,540	1,550,770	795,230
Chief Executive	1,165,390	1,155,020	1,514,900	359,880
Commercial Services	5,764,530	2,308,300	4,436,130	2,127,830
Environment and Planning	2,051,990	1,945,290	2,353,270	407,980
Finance Services	2,195,690	2,125,750	2,515,060	389,310
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	20,675,330	20,572,750	(102,580)
Reimbursement of lump sum Pension Payment	(2,932,000)	(2,932,000)	(2,932,000)	0
Contribution to/(from) Balances	(9,340)	11,400	113,980	102,580
Borough Requirement	17,754,730	17,754,730	17,754,730	0

Cost Reduction Programme

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

Service Area	Variance £
Corporate	33,790
Chief Executive	(6,950)
Commercial Service	(6,250)
Environment and Planning	(1,800)
Finance Services	(18,790)
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.

Central Services Recharges

To ensure that the actual cost of council service is accounted for in full a new central services recharge has been developed. This recharge passes corporate cost such as pensions, insurance and support services on to other cost centres. This new recharge replaces the previous methodology.

The movements between service heads have no impact on the overall budget.

Service Head	Value
Corporate	(3,839,830)
Democracy	169,260
Chief Executive	394,790
Commercial Services	320,590
Environment and Planning	2,119,070
Finance Services	436,420
Totals	0

Action to be taken

The cash limit budgets for 2017/2018 has been amended; projection years will be amended as part of budget report 2017-2022. No further action is required.

Employee Travel Allowances

A movement on employee travel allowances has taken place across service heads as detailed below resulting in a saving of £3,600;

Service Head	Value £
Corporate	2,340
Democracy	(10)
Chief Executive	(1,410)
Commercial Services	(1,300)
Environment and Planning	(740)
Finance Services	(2,480)
Totals	(3,600)

Action to be taken

The cash limit budgets for 2017/2018 has been amended; projection years will be amended as part of budget report 2017-2022. No further action is required.

Salaries

Salary budgets loaded as part of the original estimates for 2017/2018 have been updated to reflect the current staffing establishment. There is no impact on the overall budget but movements have taken place within Service Heads as shown below;

Service Head	Value £
Corporate	(62,450)
Democracy	8,380
Central and Community	5,320
Chief Executive	47,650
Commercial Services	(13,020)
Environment and Planning	(25,990)
Finance Services	40,110
Totals	0

Action to be taken

The cash limit budgets for 2017/2018 has been amended; projection years will be amended as part of budget report 2017-2022. No further action is required.

ICT Services

An increase in computer software maintenance cost of £20,830 is reported. Recalculation of the ICT services recharge has also resulted in a movement between service heads as per the table below.

Service Head	Value
Corporate	(374,290)
Central and Community	395,120
Totals	20,830

Action to be taken

The cash limit budgets for 2017/2018 has been amended; projection years will be amended as part of budget report 2017-2022. No further action is required.

Pay Contingency

The contingency in the financial plan for the governments 'Living Wage' agenda has been re-profiled across the term of the current parliament, a reduction in £120,000 is reported.

Action to be taken

The cash limit budgets for 2017/2018 has been amended; projection years will be amended as part of budget report 2017-2022. No further action is required.

CCTV

A savings of £5,000 is reported against the overtime budget which is higher than required.

Action to be taken

The cash limited budgets for 2017/2018 has been amended; projection years will be amended as part of budget report 2017-2022. No further action is required.

Crematorium

It is estimated that by the end of 2017/2018 the crematorium will have achieved additional income of £45,000

Action to be taken

The cash limit budgets for 2017/2018 has been amended; projection years will be amended as part of budget report 2017-2022. No further action is required.

Industrial Estates Rents

Following the vacation of a tenant of a unit at the Hardwick Industrial Estate and no current interest in re-letting, the rental income budget has been adjusted by £43,750 in the current year.

In addition to this a rent review increase that has been contested for a number of years has recently been concluded. £79,300 will be received in this financial year with future years increased by £6,100.

The table below show the current year impact;

Site	£
Hardwick Decrease	43,750
North Lynn Increase	(79,300)
Net Increase	(35,550)

Action to be taken

The cash limit budgets for 2017/2018 has been amended; projection years will be amended as part of budget report 2017-2022. No further action is required.

Kings Court Business Improvement District (BID) payment

An additional budget of £3,000 is required to pay the Councils Kings Lynn BID contribution as Kings Court is within the geographical area.

Action to be taken

The cash limit budgets for 2017/2018 has been amended; projection years will be amended as part of budget report 2017-2022. No further action is required.

Neighbourhood teams

As part of the estimate process a current year income budget error of £43,000 need to be removed from the Neighbourhood teams.

Action to be taken

The cash limited budgets for 2017/2018 has been amended; projection years will be amended as part of budget report 2017-2022. No further action is required.

Non-Domestic Business Rates (NNDR)

£52,630 of additional cost incurred on the current budget for Non-Domestic Business Rates (NNDR) payable on Council buildings. This shortfall was due to the NNDR transition scheme legislation being incomplete at the time the budget was set.

Action to be taken

The cash limit budgets for 2017/2018 has been amended; projection years will be amended as part of budget report 2017-2022. No further action is required.

Utility Costs

An increase of £16,250 against the estimate is reported for metered electricity during 2017/2018, this is based on an increase in costs from the utility supplier and the current rate of inflation, plus an adjustment for reduced consumption at leisure facilities.

The movements within service heads are shown in the table below;

Service Head	Value
Commercial Services	16,250
Environment and Planning	90
Totals	£ 16,340

Action to be taken

The cash limit budgets for 2017/2018 has been amended; projection years will be amended as part of budget report 2017-2022. No further action is required.

Walks Café

£10,000 will be transferred from reserves to cover the cost of replacing the catering equipment at the Café in the Walks. There is no impact on the overall budget.

Action to be taken

The cash limit budgets for 2017/2018 has been amended; projection years will be amended as part of budget report 2017-2022. No further action is required.

Revenues and Benefits

A reduction of £29,230 is reported based on the mid-year subsidy claim estimate.

Action to be taken

The cash limit budgets for 2017/2018 has been amended; projection years will be amended as part of budget report 2017-2022. No further action is required.

Summary of Movements

Corporate		
Employee travel allowances	2,340	
Central Services Recharges	(3,839,830)	
Salaries	(62,450)	
Pay Contingency	(120,000)	
ICT Services	(374,290)	
Cost Reduction	33,790	
Total Corporate		(4,360,440)
Democracy		
Employee travel allowances	(10)	
Central Services Recharges	169,260	
Salaries	8,380	
Total Democracy		177,630
Central and Community Services		
Central Services Recharges	394,790	
Salaries	5,320	
ICT Services	395,120	
Total Central and Community Services		795,230
Chief Executive		
Employee travel allowances	(1,410)	
Central Services Recharges	320,590	
Salaries	47,650	
Cost Reduction	(6,950)	
Total Chief Executive		359,880
Commercial Services		
Electricity Utility Costs	16,250	
Employee travel allowances	(1,300)	
Central Services Recharges	2,119,070	
Salaries	(13,020)	
NNDR	52,630	
Kings Court BID	3,000	
Industrial Estates Rents	(35,550)	
Crematorium	(45,000)	
CCTV	(5,000)	
Neighbourhood teams	43,000	
Cost Reduction	(6,250)	
Total Commercial Services		2,127,830

Environment and Planning		
Electricity Utility Costs	90	
Employee travel allowances	(740)	
Central Services Recharges	436,420	
Salaries	(25,990)	
Cost Reduction	(1,800)	
Total Environment and Planning		407,980
Finance Services		
Employee travel allowances	(2,480)	
Central Services Recharges	399,700	
Salaries	40,110	
Revenues and Benefits	(29,230)	
Cost Reduction	(18,790)	
Total Finance Services		389,310
Overall Total		(102,580)

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 Account 2016/2017)	8,745,316
Reimbursement of lump sum Pension Payment	(2,932,000)
Contribution to balances to September monitoring	11,400
Contribution to balances October monitoring	102,580
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Projected General Fund Balance 31 March 2017	5,927,296
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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 £61,050 have been achieved to the end of September. No additional savings are reported in October.

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.

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

Service Area	2017/2018 Saving £	2018/2019 Saving £	2019/2020 Saving £	2020/2021 Saving £
Revenue				
October:				
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
Total October	33,790	46,660	47,810	49,010
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	105,490	97,360	98,950	100,620
Adjusted target savings to be achieved (as per Management Team)	237,476	759,252	1,042,231	1,077,776
Variance (under) to Date	(131,986)	(661,892)	(943,281)	(977,156)

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

Countryside Grants; the Council receives funding from fees collected by Planning Policy for the 'Habitat Migrations Fund' which go towards the countryside grants. A £1,800 saving is reported. This is in addition to the £4,000 reported in July.

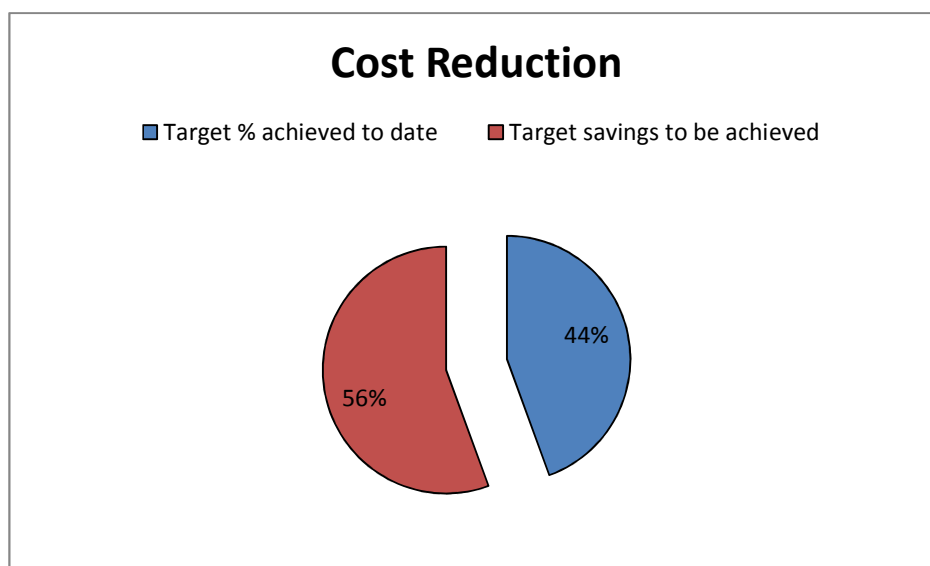
Enterprise Works; staffing savings of £6,250 have been achieved.

Legal Services; the Freedom of Information (FOI) work is now contracted to Eastlaw, this has resulted in the deletion of the FOI officer post from the establishment list, savings of £6,950 are reported in 2017/2018.

Revenues and Benefits; staffing savings have been achieved of £15,190.

Revenues and Benefits – professional fees; a review of fees across Revenues and Benefits has identified a reduction of £3,600

Training; a reduction in training budgets of £20,000 from 2018/2019 onwards is reported.



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 to October 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 October 2017
Operational Boundary (Limit of borrowing)	£50m	£13.9m
Short-term and variable rates borrowing limits	60%	0%

Loans

Opening Balances £	Additional Borrowing £	Repayments £	Balances 31 October 2017 £	Counter Party
Long Term				
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
Under 12 Months				
-	1,000,000	-	1,000,000	Middlesbrough Borough Council
12,900,000	-	-	13,900,000	Total

Investments

Opening Balances £	Additional Investment £	Repayments £	Balances 31 October 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
-	1,000,000	-	1,000,000	Surrey Heath Borough Council
Cash Flow				
3,335,000	2,015,000	4,450,000	900,000	BNP Paribas
-	570,000	570,000	-	HSBC Liquidity
-	5,800,000	5,800,000	-	Legal and General
-	4,000,000	4,000,000	-	Svenska Handelsbanken
23,085,000	13,385,000	14,820,000	21,650,000	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.

8. 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	22,665,260	8,223,237	36.28
Central and Community Services	2,514,940	2,532,940	2,532,940	878,275	34.67
Commercial Services	2,826,130	2,924,130	2,924,130	563,587	19.27
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	28,245,310	9,715,099	34.39

Outer Purfleet Floating Restaurant

£60,000 has been added to the Capital Programme in 2017/18 for essential infrastructure to facilitate the installation of the Outer Purfleet Floating Restaurant funded from rental income. Further information can be found in the delegated decision on the 17 May 2017. Works will not commence until an agreement is in place with a tenant.

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