



NORTHAMPTON
BOROUGH COUNCIL

CABINET REPORT

Report Title	FINANCE AND MONITORING REPORT 2013/2014
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AGENDA STATUS: PUBLIC

Cabinet Meeting Date:	9 July 2014
Key Decision:	No
Within Policy:	Yes
Policy Document:	No
Directorate:	Management Board
Accountable Cabinet Member:	Cllr A Bottwood
Ward(s)	N/A

1. Purpose

- 1.1 This report sets out the monitoring outturn position for the Council's General Fund, Housing Revenue Account (HRA), and Capital Programme for the financial year 2013/14.

2. Recommendations

- 2.1. That Cabinet note the draft outturn for the General Fund and Housing Revenue Account for the financial year 2013/14 as set out at **Appendix 1** and **Appendix 4**.
- 2.2 That Cabinet note the contributions to General Fund Revenue Earmarked Reserves as shown in **Appendix 3**.
- 2.3 That Cabinet note the net movement in Housing Revenue Account Reserves and working balances as set out at **Appendix 6**.
- 2.4 That Cabinet note the draft outturn for the Council's Capital Programme for 2013/14 and how the expenditure was financed as set out at **Appendix 7**.
- 2.5 That Cabinet approve the carry forward of unfinished capital schemes from 2013/14 into the 2014/15 Capital Programme as set out at **Appendix 7**.

3. Issues and Choices

3.1 The Council's budget is divided across two accounts, the General Fund and the Housing Revenue Account (HRA). These two accounts, together with their respective sources of funding, are kept entirely separate from each other as required by statute. HRA expenditure and income relate solely to the Council's role as a housing landlord, whilst the General Fund encompasses all other services.

3.2 General Fund

3.2.1 The General Fund draft outturn for controllable service budgets shows an underspend of £2,797k. This is listed in **Table 1** below and detailed in **Appendix 1**. Please note that the accounts for the year will include a number of technical accounting adjustments that will be taken in the draft Statement of Accounts to Audit Committee in July.

Table 1 - Controllable Service Budget Outturn	Revised Budget £000	Outturn £000	Variance £000
Director of Regeneration, Enterprise and Planning	3,292	2,705	-587
Director of Housing	1,704	1,599	-105
Borough Secretary	14,354	13,349	-1,005
Director of Customers and Communities	14,446	13,346	-1,100
Total Controllable Spending	33,796	30,999	-2,797
Debt Financing	2,046	2,103	57
Outturn before technical adjustments	35,842	33,102	-2,740

3.2.2 Major variations between the revised budget and outturn, which are set out in more detail in **Appendix 2**. The main variations are:

3.2.2.1 Regeneration, Enterprise and Planning

- Significant increase in Development control income over and above what was budgeted reflecting the impact of the local economic upturn and the promotion of regeneration around the Borough.

3.2.2.2 Borough Secretary

- The realisation of savings post transfer of back office support to LGSS.
- Reflection of a more equitable share of Corporate and Democratic Core charge to the Housing Revenue Account
- Realisation of better recovery of Housing Benefit subsidy over what was budgeted.

3.2.2.3 Customers and Communities

- The recognition of Pay Mechanism deductions to the Environmental Services contract for 13/14 due to the rigorous monitoring of the contract performance by the Partnership Unit team.

3.2.3 The above variations are mainly due to the improvements made to the economy since the budget was originally worked up in December 2012. All outturn variations will be reviewed as part of a robust review of the current 14/15 budget and Medium Term Financial Plan going forward.

3.2.4 It has been agreed that the underspend is prudently used to set up the following reserves to protect against known future business risks:

- Business Rates Retention
- Regeneration Contingencies
- Environmental Services
- Council Improvement

3.2.5 Further details regarding recommended budget revisions and management actions required to ensure that the budget remains in balance will be included in the next budget monitoring report to Cabinet. This will provide a robust basis for the Medium Term Financial Strategy and service delivery planning.

General Fund Balances

3.2.6 The Chief Finance Officer has undertaken a risk-based assessment of working balances. This assessment suggests that, taking all known risks into account along with the Council's gross expenditure requirement, the minimum level of balances should be in the order of £3.2m. The unaudited outturn shows that this can be achieved as at 31 March 2014.

3.2.7 The Council also holds General Fund earmarked reserves (excluding technical reserves) of £17.44m to mitigate specific risks to which the Council may be exposed, including the need for service improvement. These are detailed in **Appendix 3**.

3.2.8 After technical adjustments and contributions to earmarked reserves there was a surplus of £526k which will increase general balances, leaving a working balance carried forward to underpin the 2014/15 budget of £3.654m, as shown in **Table 2** below.

Table 2 - General Fund Balances	£000
Balance as at 1 April 2013	3,128
Surplus/(Deficit) for the year	526
Balance as at 31 March 2014	3,654

3.2.9 As part of the budget setting for 2014/15 the reserves of the Council were subject to a robust review which resulted in a shift in reserves from Earmarked reserves to General Fund balances. The 2014/15 budget shows an increase in levels of working balances which reflects this review.

3.3 Housing Revenue Account

3.3.1 The draft HRA outturn position shows an underspend on controllable spending of £1.077m. After technical accounting adjustments this position moves to an overspend of £0.633m., This allows for a contribution to reserves of £3.745m, while the HRA working balance remains unchanged at £5m.

3.3.2 **Appendix 4** provides a summary of the HRA. Major variations in HRA income and expenditure against revised budget are detailed in the analysis and notes contained in **Appendix 5**.

Major Variances

3.3.3 **Table 3** below summarises the main variances detailed in **Appendix 4**. All outturn variations are already being reviewed to identify ongoing issues which need to be reflected within the current forecast and future year budgets.

Table 3 – HRA Service Budget Outturn	Revised Budget £000	Outturn £000	Variance £000
Rent Income - Dwellings	-49,464	-49,154	310
Service Charge income	-2,748	-2,321	427
Repairs and Maintenance	15,263	14,404	-859
General Management	6,133	5,316	-817
Special Services	3,571	3,710	139
Rents Rates Taxes and Other Charges	81	289	208
Increase in Bad Debt Provision	750	359	-391
Capital Charges	11,823	12,711	888
Net Support Service Recharges	5,246	6,041	795
Other Minor Variations	4,967	4,900	-67
HRA Net Expenditure 2013/2014	-4,378	-3,745	633
Net Contribution to/(from) Reserves	4,378	3,745	287
Housing Revenue Account Deficit/(Surplus)	0	0	0

The major variations between the revised budget and outturn, which are set out in more detail in **Appendix 5**, are as follows:-

3.3.4 General Management:-

- Savings of £543k as a result of Stock Options works funded by the earmarked reserve prudently set up last year end, and
- Increase in Rents Rates Taxes and other charges £208k reflecting the changes to Council Tax payable on void dwellings higher than forecast.

3.3.5 Repairs and Maintenance

- Additional identification of void expenditure on Decent Homes work resulted in lower revenue spend on capitalisation.
- Lower levels of interim staff used than forecast and increase in service vacancies over the year.

3.3.6 Rents and Service Charges

- Income Due lower due to the higher level of Right To Buys completed than budgeted (85 completions against 25 budgeted). In addition to this there was a reduction in external funding for Supporting People reflecting in a lower Service Charge outturn.

3.3.7 Other Major Savings:-

- Lower contribution to the Bad Debt provision that budgeted reflecting the good performance managing arrears and also the delayed implementation of the wider Welfare reforms offset by:-
- £888k increase in Capital Charges and £796k net Support Service Recharges as a partly as a result of reflecting a true Corporate and

Democratic Core charge and partly through a technical adjustment post LGSS transfer.

- 3.3.8 Further details regarding recommended budget revisions and management actions required to ensure that the budget remains in balance will be included in the next budget monitoring report to Cabinet. This will provide a robust basis for the Medium Term Financial Strategy and service delivery planning ahead of moving to ALMO status.

Contribution to HRA Working Balances and Reserves.

- 3.3.9 The total balance on all HRA reserves and balances at 31 March 2014 is £21.294m. **Appendix 6** details the movement to and from HRA reserves, excluding working balances. It should be noted that the Capital programme reserve is to be utilised as part of the planned delivery of the Decent Homes programme in 2015/16. Contributions to and from working balances and earmarked reserves are summarised in **Table 4** below.

- 3.3.10 Cabinet are asked to note the contributions to reserve levels.

Table 4 – HRA Working Balances and Reserves	Balance 1 April 2013 £000	Movement in Year £000	Balance 31 March 2014 £000
Working Balance	5,000	0	5,000
Capital Programme Reserve	8,794	4,205	12,999
Leaseholders Reserve	168	0	168
Service Improvement and Project Reserve	1,395	0	1,395
Stock Options Appraisal	1,333	-460	873
Supporting People Reserve	558	0	558
Insurance reserve	300	0	300
Total HRA Balances	17,549	3,745	21,294

3.4 Capital

- 3.4.1 The Council's final approved budget for capital expenditure in 2013/14 was £58.26m, a net increase of £28.14m from the original budget of £30.12m. The budget initially increased due to carry forwards from 2012/13 of £11.51m, During 2013/14 Cabinet agreed loans to Northampton saints and Northampton Town Football Club totalling £10m, remediation works to land within the Enterprise Zone of £0.685m, an increase in funding for Disabled Facilities Grants of £0.975m and an initial £0.5m to commence demolition works to Greyfriars Bus Station.
- 3.4.2 The HRA capital programme increased by £1.6m in relation to the Community Energy Savings Programme (CESP). Other changes largely relate to increases in external financing from grants and contributions and self-funded schemes..
- 3.4.3 The overall Capital Programme includes revenue expenditure funded from capital under statute (REFCUS). This is expenditure, such as grants to homeowners for disabled facilities, which can be funded from capital resources under statute and regulations.
- 3.4.4 Capital expenditure for 2013-14 totalled £48.49m against the final approved budget of £58.26m, a net underspend of £9.77m (17%). This includes

£2.37m in relation to schemes with specific earmarked funding, e.g. specific government grants, section 106 contributions, earmarked reserves or self-funded borrowing, meaning that any underspend does not create a saving to Northampton Borough Council.

3.4.5 The position by Directorate is summarised in **Table 5** below, with further details set out in **Appendix 7**.

Table 5 Capital Expenditure by Directorate	Final Approved Budget	Outturn	Variance
2013-14			
GF	£m	£m	£m
Customers & Communities	1.455	0.841	-0.614
Regeneration, Enterprise & Planning	13.196	10.484	-2.712
Resources	0.255	0.240	-0.015
Housing General Fund	4.011	2.549	-1.462
Loans	10.000	10.000	0
GF Total	28.917	24.114	-4.803
HRA			
Housing	29.342	24.371	-4.971
Total	58.259	48.485	-9.774

3.4.6 **Table 6** below shows how the Capital Programme for 2013/14 has been funded. In line with the approved Capital Strategy and the Treasury Management Strategy, capital receipts have been utilised to fund expenditure on short-life assets, whilst prudential borrowing has been used where assets have a longer life.

Table 6 Financing of Capital Programme 2013-14	General Fund	HRA	Total
	£m	£m	£m
Prudential Borrowing	16.083	-	16.083
Capital Receipts	3.002	3.065	6.067
Major Repairs Allowance	-	4.286	4.286
Government Grants	4.245	17.020	21.265
Third Party Contributions	0.652	-	0.652
Revenue Contributions	0.132	-	0.132
Total	24.114	24.371	48.485

Capital Carry Forward 2013/14

3.4.7 **Table 7** below shows the amount of carry forward from 2013/14 into the 2014/15 Capital Programme. Details are shown on a scheme by scheme basis at **Appendix 7**.

Table 7 Capital Carry forward 2013-14 by Directorate	£m
General Fund	
Customers & Communities	0.530
Regeneration, Enterprise & Planning	2.544
Housing General Fund	0.475
HRA	
Housing	2.156
Total	5.705

- 3.4.8 The proposed carry forwards on General Fund Capital Schemes are required to complete schemes and realise the outcomes set out in the original appraisals.. After taking account of these carry-forwards, the net saving in funding by corporate borrowing and capital receipts is £0.211m. The funding released from the schemes not carried forward will be made available for future years.
- 3.4.9 The proposed HRA carry forwards, as detailed in Appendix 9 are limited to a few specific schemes. Given staff turnover and absences this may not be the full picture. However, given the ring-fencing of HRA resources, the context of transition to ALMO and revisions required to the 30-year business plan, these can be revisited at a later date.
- 3.4.10 The carry forward schemes will be incorporated into the 2014/15 agreed capital programme and monthly monitoring processes.

3.5 Choices (Options)

- 3.5.1 Cabinet is invited to note the report and the explanations of the actual outturn on controllable income and expenditure for the General Fund, Housing Revenue Account and Capital Programme.
- 3.5.2 Cabinet is asked to note the movements in the General Fund and HRA reserves.
- 3.5.3 Cabinet is asked to agree the capital budgets to be carried forward to 2014/15.

4. Implications (including financial implications)

4.1 Policy

- 4.1.1. Actual outturn impacts upon the level of reserves.

4.2 Resources and Risk

- 4.2.1 This report informs Cabinet of the outturn for the General Fund, Housing Revenue Account and Capital Programme for 2013/14. The impact of individual outturn variances needs to be assessed against current and future years' budgets.

4.3 Legal

- 4.3.1 There are no specific legal implications arising from this report.

4.4 Equality

- 4.4.1 There are no specific equality implications arising from this report.

4.5 Consultees (Internal and External)

- 4.5.1 Chief Executive, Directors, Heads of Service and Budget Managers have been consulted.

4.6 How the Proposals Deliver Priority Outcomes

- 4.6.1 Annual outturn reporting contributes to the priority of delivering value for money to protect local services by sustaining effective and prudent financial management.

4.7 Other Implications

4.7.1 Not applicable

5. Background Papers

5.1 Cabinet Reports – Budget Setting and Budget Monitoring throughout
2013/14

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