



CABINET REPORT

Report Title	Finance Report to 31 July 2016
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AGENDA STATUS: PUBLIC

Cabinet Meeting Date:	7th September 2016
Key Decision:	YES
Within Policy:	YES
Policy Document:	NO
Directorate:	Management Board
Accountable Cabinet Member:	Cllr B Eldred
Ward(s)	N/A

1 Purpose

- 1.1 The purpose of this report is to assist Cabinet in monitoring the delivery of the Corporate Plan within the agreed capital and revenue budgets for the General Fund (GF) and Housing Revenue Account (HRA).
- 1.2 To inform Cabinet of the latest forecast outturn position for the Council's capital programme for 2016-17 and changes to the Programme approved under delegated powers

2 Recommendations

- 2.1 That Cabinet reviews the contents of the report and appendices, and identifies actions to be taken to address any issues arising from it.
- 2.2 That Cabinet note the changes to the 2016-17 General Fund Capital Programme as detailed in Appendix 1.

- 2.3 That Cabinet approve the virement of £2.3m of HRA revenue Repairs and Maintenance budget to the Capital Programme to support the investment in new stock partly funded by the use of 141 Right To Buy receipts.

3 Issues and Choices

3.1 Report Background

- 3.1.1 This report presents the Council's key financial exceptions for the year to date, together with changes in the revenue budget and capital programme.
- 3.1.2 The report also brings forward any capital appraisals and variations for noting and approval.

3.2 Key Financial Indicator Exceptions

Dashboard Indicator Description	Variation from Budget	
	General Fund	Housing Revenue Account
	£000	£000
Controllable Budgets	(599)	(2,767)
Debt Financing and Recharges	(303)	0
Total	(902)	(2,767)
Net transfer to/(from) reserves	0	2,768
Total	(902)	0

3.3 General Fund Revenue Budget

The following table summarises the major variations from budget for the General Fund.

Service Area	£000
Asset Management	96
Major projects and Enterprise	38
Head of Planning	(268)
Housing	34
Borough Secretary	0
Director of Customers & Communities	(499)
Local Government Shared Services	0
Corporate	(0)
Controllable Total	(599)
Debt Financing	(303)
Total	(902)
Net transfer to/(from) reserves	0
Total	(902)

Budget Managers are working to mitigate the pressures on their budgets and bring forecasts back in line with budgets.

3.3.1 General Fund Revenue Budget (Blue)

3.3.1.1 **Asset Management**

Forecast overspend mainly relates to additional temporary staff covering vacant positions and professional services to carry out valuations. Offset by overachievement of NNDR rebates following challenges.

3.3.1.2 **Head of Planning**

Forecast underspend is due to the higher level of development control income for the whole year offset by a drop in anticipated building control income due to market conditions.

3.3.1.3 **Director of Customers and Communities**

Overall forecast underspend reflecting additional deductions made through the Environmental Services Contract and additional car parking income.

3.3.1.4 **Corporate Debt Financing**

Forecast underspend due to lower Interest on borrowing and lower MRP charges due to repayment of borrowing on short-life assets during 2015-16 and carry forward of some capital expenditure into 2016-17.

Controllable HRA Revenue Budget (Blue)

3.3.1.5 The forecast underspend position on the HRA of £2.8m relates mainly to the ongoing NPH work with the Council in identifying void costs to capitalise and the careful management of Void budget spend. It has been identified that £2.3m of this revenue budget can be invested into the Capital Programme to help fund a programme of additional units and help to ensure that the Council fully utilises the retained 141 Right to Buy receipts it currently holds. Paragraph 3.5.2.2 below provides more information.

3.4 Capital Programme

3.4.1 **General Fund Capital Programme**

3.4.1.1 Cabinet in July approved carry forwards from 2015/16 of £7.3m. In line with approved processes, the Capital Programme Board has approved changes to the General Fund capital programme as set out in Appendix 3. These additions, totalling £392k, are predominantly funded from section 106 contributions, existing revenue budgets or earmarked reserves and therefore have no impact on the forecast funding from capital receipts and borrowing. The General Fund Capital Programme now stands at £21.9m.

3.4.1.2 There are no significant forecast variances as at the end of July.

3.4.1.3 Any further additions to the capital programme, including further strategic property purchases, will be subject to the development of a robust business case.

3.4.2 **HRA Capital Programme**

3.4.2.1 The approved HRA Capital Programme includes £9.3m to fund the construction of 100 new dwellings at Dallington. The phasing of the construction programme and the approved borrowing limits set by Central Government is currently being considered by the Treasury with a view to extending the debt cap determination into 2017/18 financial year to take into account the technical issues that are impacting against the delivery. A

further update will come to Cabinet at a later date. The HRA capital programme is currently forecast to be delivered in line with the budget.

- 3.4.2.2 As part of the HRA reforms following the self-financing buyout, the Council has, since April 2012, been able to retain a proportion of its RTB receipts after signing up to a formal agreement with the DCLG. These retained receipts must be spent on re-provision of social housing within 3 years of receipt. A maximum of 30% of the cost of re-provision can be funded using receipts, the remainder is to be funded from borrowing or cross-subsidy from the Council's own resources, including (in some cases) land. If the retained receipts are not spent within the 3 year period the Council has to pay that quarter's unspent receipts back to the Treasury with compound interest at 4% above base rate. As at 31 March 2016 the Council has not had to pay over any of the retained receipts but is under increasing pressure to use the balance of receipts within the terms of the agreement. This has been achieved mainly through a number of RTB Buybacks and more recently the purchase of Lakeview House for redevelopment. The HRA Capital Programme for 2016/17 to 2020/21 includes the expenditure of these receipts, but match funding is required to fund the remaining 70% from within the HRA Capital programme. The initial work that NPH have carried out with the Council has identified budget within the revenue Repairs and Maintenance budget as reported in paragraph 3.4.2.1 above of £2.3m which it is proposed to fund the 70% expenditure on schemes that will bring additionality to the HRA stock, helping to address housing need and ensuring the maximisation of spend of the retained receipts. Cabinet are therefore asked to approve the virement of £2.3m from the HRA Repairs and maintenance budget to support the HRA Capital programme.

3.5 Choices (Options)

- 3.5.1 Cabinet is asked to note the reported position financial position.
- 3.5.2 Cabinet are asked to note the changes to the General Fund Capital Programme for 2016-17 as set out in Appendix 3.
- 3.5.3 Cabinet are asked to approve the virement of £2.3m revenue Repairs and maintenance budget to support the HRA Capital programme.

4 Implications (including financial)

4.1 Policy

- 4.1.1 The Council agreed a balanced budget for the Capital Programme and Revenue Budgets for both the General Fund and the HRA in February 2016. Delivery of the budget is monitored through the budget monitoring framework.

4.2 Resources and Risk

- 4.2.1 This report informs the Cabinet of the forecast outturn positions for capital and revenue, for both the General Fund and HRA, as at the end of July 2016. It also highlights the key risks identified to date in delivering those budgets and where performance measures are significantly over or under performing.
- 4.2.2 There will be an on-going impact in future years if any of the savings within the 2016/17 budget are not achieved, particularly where services move outside the direct control of the Council.
- 4.2.3 All schemes included in the capital programme, or put forward for approval, are fully funded, either through borrowing, internal resources or external funding arrangements.

4.3 Legal

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

4.4 Equality and Health

4.4.1 There are no specific equalities implications arising from this report.

4.4.2 A full Community/Equalities Impact Analysis has been completed for the 2016/20 Budget and is available on the Council website.

4.5 Consultees (Internal and External)

4.5.1 Heads of Service, Budget Managers and Management Board are consulted as part of the budget monitoring process on a monthly basis.

4.6 How the Proposals Deliver Priority Outcomes

4.6.1 Performance monitoring (financial and non-financial) by exception and using it to improve performance is good practice in terms of efficient and effective management. It contributes directly to the priorities of sustaining “effective and prudent financial management” and being “an agile, transparent organisation with good governance”.

4.7 Other Implications

4.7.1 There are no other implications arising from this report.

5 Background Papers

5.1 Cabinet and Council Budget and Capital Programme Reports February 2016

Management Board, c/o David Kennedy, Chief Executive, 01604 837726
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