



CABINET REPORT

Report Title	FINANCE AND MONITORING - PROVISIONAL OUTTURN REPORT 2017/18
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AGENDA STATUS: PUBLIC

Cabinet Meeting Date:	
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 This report sets out the provisional financial outturn position for the Council's General Fund, Housing Revenue Account (HRA), Capital Programme and Northampton Partnership Homes (NPH) for the financial year 2017/18.

2. Recommendations

- 2.1. That Cabinet note the provisional outturn for the General Fund and Housing Revenue Account for the financial year 2017/18 as set out at **Appendix 1** and **Appendix 5**.
- 2.2 That Cabinet approve the proposed revenue budget carry forwards detailed in **Appendix 2**.
- 2.3 That Cabinet approve the use of and contributions to General Fund Revenue Earmarked Reserves as shown in **Appendix 3**.
- 2.4 That Cabinet approve the net movement in Housing Revenue Account Reserves and working balances as set out at **Appendix 6**.
- 2.5 That Cabinet note the outturn for the Council's General Fund and Housing Revenue Account Capital Programmes for 2017/18 and how the expenditure was financed as set out at **Appendix 4** and **Appendix 7**.

- 2.6 That Cabinet approve the proposed capital carry forwards into 2017/18 set out in **Appendix 4** and **Appendix 7**.
- 2.7 That Cabinet delegate authority to the Chief Executive in consultation with the Chief Finance Officer to agree any retention of underspends by NPH.

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 as required by statute. HRA expenditure and income relates solely to the Council's role as a housing landlord, whilst the General Fund encompasses all other services.
- 3.2 Work is ongoing to complete the draft Statement of Accounts for 2017/18 and this may result in a change to the final level of General Fund and HRA Reserves, although this is not expected to be material.

3.3 General Fund

- 3.3.1 The General Fund outturn for controllable budgets shows a net underspend of £1.024m. This is listed in **Table 1** below and detailed in **Appendix 1**.

Table 1	Revised Budget £m	Outturn £m	Variance £m
Regeneration, Enterprise and Planning	1.766	1.472	(0.294)
Housing and Wellbeing	1.530	1.559	0.029
Borough Secretary	3.104	2.948	(0.156)
Customers & Communities	13.080	11.839	(1.241)
Corporate Costs	3.469	4.608	1.139
LGSS	7.348	6.813	(0.535)
Debt Financing & Treasury Management	1.547	1.581	0.034
Total General Fund	31.844	30.820	(1.024)

- 3.3.2 Major variations between the revised budget and outturn are set out in more detail in **Appendix 1**. The main variations are:

3.2.2.1 Regeneration, Enterprise and Planning

- Underspend mainly relates to vacant posts across the directorate and underspends on projects, either associated with slippage of works or final costs being lower than expected. This is offset slightly by overspends in Asset Management and Other Buildings & Land due to higher than anticipated costs and reduced income in these areas.

3.2.2.2 Housing and Wellbeing

- Overspend is mainly due to a higher than anticipated provision for bad debt and additional costs/reduced income in Private Sector Housing. This was largely offset by underspends across other areas within housing due mainly to increased income/grants.

3.2.2.3 Customers and Communities

- Large underspend mainly relates to additional deductions made through the Environmental Services Contract and a saving of £681k due to a one year suspension of LGPS employer contributions. Other small savings are due to vacant posts across the directorate.

3.2.2.5 Corporate and LGSS

- Overspend due to large overspend in the Benefits area. Offset by an underspend under LGSS, associated with a contingency for pensions auto-enrolment that will not be required and underspends on Insurance.

3.2.3 All outturn variations will be reviewed as part of a robust review of the current 2018/19 budget and Medium Term Financial Plan going forward.

3.2.4 **Table 2** below sets out the proposed use of the 2017/18 underspend. The underspend is being used to mitigate risk and ensure that the Council can continue to invest in future service improvements and economic initiatives across the Borough.

Table 2 – Use of 2017/18 Underspend	Para. Ref.	£m
Project Budget Carry Forwards	3.2.5	0.432
Contribution to MTFP Cashflow Reserve	3.2.6	0.592
		1.024

3.2.5 Specific carry forwards totalling £0.432m have been requested for use in 2018/19. These are detailed in **Appendix 2**.

3.2.6 The Council has identified a number of risks, including reducing government funding, increasing service costs and contract management costs. Monies are set aside in the MTFP Cashflow Reserve to assist with the management of these risks.

General Fund Balances and Earmarked Reserves

3.2.7 The latest risk-based assessment of reserves suggests that, taking all known risks into account along with the Council's gross expenditure requirement, the minimum level of balances should remain in the order of £5.5m. The unaudited outturn shows that this can be achieved as at 31 March 2018.

3.2.8 The Council also holds General Fund earmarked reserves of just under £23m to mitigate against specific risks to which the Council may be exposed and investing in service improvement. These are detailed in **Appendix 3**. The total includes £10m that was set aside as part of the 2018/19 budget process to fund vehicles and equipment to be used in the new Environmental Services contract. This is to be drawn down at £1m per year over the ten years of the contract.

The other key corporate reserves are set aside to fund the delivery of the Efficiency Plan (£2m) and the MTFP Cashflow Reserves (£3.4m), which funds any delay in delivering savings over the medium term.

General Fund Capital

- 3.2.9 The Council's final approved budget for General Fund capital programme expenditure in 2017/18 was £10.3m, reflecting carry forwards from 2016/17, in year changes and re-profiling approved as part of the setting of the 2018/19 capital programme in February.
- 3.2.10 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.
- 3.2.11 Capital expenditure for 2017/18 totalled £6.5m against the final approved budget of £10.3m, a net variance of £3.8m (37%). A large proportion (£3.5m) relates to schemes that are currently underway or still planned to take place and these budgets will be carried forward into the next financial year (2018/19). The majority of this carry forward is due to the timing of approvals and the timescales for letting contracts and funding agreements.
- 3.2.12 The net underspend after taking account of proposed carry forwards is around £0.34m, which has resulted in corporate borrowing being £0.25m below budget. This will reduce the cost of repaying borrowing in future years (Minimum Revenue Provision or MRP).
- 3.2.13 The capital expenditure position by Directorate is summarised in **Table 3** below, with further details set out in **Appendix 4**, along with explanations of the reasons for any significant variances.

Table 3 Capital Expenditure 2017/18	Final Approved Budget	Outturn	Carry Forward	Variance
	£m	£m	£m	£m
General Fund	2.213	1.166	1.041	(0.006)
Customers & Communities	6.635	4.218	2.235	(0.182)
Regeneration, Enterprise & Planning	1.475	1.143	0.179	(0.152)
Housing General Fund				
Total	10.323	6.527	3.455	(0.340)

- 3.2.14 **Table 4** below shows how the capital programme for 2017/18 has been funded. In line with the approved Capital Strategy and the Treasury Management Strategy, capital receipts and revenue reserves have been utilised to fund expenditure on short-life assets whilst prudential borrowing has been used where assets have a longer life.

Table 4 Financing of Capital Programme 2017/18	General Fund
	£m
Borrowing	2.494
Capital Receipts	1.668
Grants	2.210
Section 106 Contributions	0.109
Revenue Contributions	0.046
Total	6.527

3.2.15 The approved capital programme for 2017/18 included assumed use of capital receipts of around £2.6m. Due to economic conditions and staff capacity these were not all brought to fruition in the year but are expected to be realised in 2018/19, along with other receipts budgeted to be used in 2018/19.

3.3 Housing Revenue Account

3.3.1 The HRA outturn position shows an underspend on controllable spending of £966k. After technical accounting adjustments this position moves to an underspend of £1,468k. This has reduced the required net contribution from reserves from the budgeted amount of £5.729m to £4.261m, while the HRA working balance remains unchanged at £5m.

3.3.2 It should be noted that this outturn position includes the £755k surplus NPH are reporting. The Council has options under the Management Agreement to take this surplus back into the HRA to reinvest in the housing stock or agree for NPH to retain them for future use as part of the Delivery Plan.

3.3.3 It should be noted that Northampton Partnership Homes (NPH) have managed most of the HRA expenditure budgets in 2017/18 and the actual expenditure incurred is therefore reflected in the summary HRA accounts as management fee payments to NPH. The NPH outturn figures are shown separately (see 3.4 below).

3.3.4 The summary HRA outturn is attached at **Appendix 5**.

Main Variances

3.3.5 **Appendix 5** provides summary of the main variances against budget. All outturn variations are already being reviewed to identify ongoing issues which need to be reflected within the current forecast and future year budgets.

The major variations between the revised budget and outturn are as follows:

- 3.3.6 Repairs and Maintenance: - lower expenditure on property maintenance and voids works.
- 3.3.7 General Management and Special Services – overspend primarily reflects additional agency costs within NPH.
- 3.3.8 Other Variances:-
- Lower contribution to the Bad Debt Provision than budgeted reflecting on the good performance of managing arrears and also the further delay on full implementation of the Welfare reforms and Universal Credit.
 - Lower interest and financing costs reflecting the higher level of balances held on the HRA for the year.
 - Lower Support Service Recharges reflect savings within General Fund services.
- 3.3.9 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.

Contribution to HRA Working Balances and Reserves.

- 3.3.10 The draft total balance on all HRA reserves and balances at 31 March 2018 is £11.796m. **Appendix 6** details the movement to and from HRA reserves, excluding working balances. Contributions to and from working balances and earmarked reserves are summarised in **Table 7** below.

Cabinet are asked to approve the contributions from reserves.

Table 7 - HRA Working Balances and Reserves	Balance 1 April 2017 £000	Movement in Year £000	Balance at 31 March 2018 £000
Working Balances	5,000		5,000
Capital Programme Reserve	9,257	-4,261	4,996
Leaseholders Reserve	500		500
Service Improvement and Project Reserve	1,000		1,000
Insurance Reserve	300		300
Total HRA Balances	16,057	-4,261	11,796

HRA Capital

- 3.3.11 The Council's final approved budget for HRA capital programme expenditure in 2017/18 was £36.001m, a net increase of £0.987m from the original budget of £35.014m. The budget initially increased due to carry-forwards from 2016/17 (£275k) and then in year approval for Buy back and Spot Purchase

budget for additional Council housing (£862k). An in year change to reduce the ITC budget of £125k requirement was approved.

3.3.12 HRA Capital expenditure for 2017/18 totalled £24.006m against the final approved budget of £36.001m, a net underspend of £11.995m (33%). This underspend relates mainly to New Build – Dallington project (£11m) to various schemes managed by NPH net (£883k), and the Repurchase of Former Council Houses (£86k). Further details are provided in **Appendix 7**.

3.3.13 **Table 8** below shows the proposed funding of the HRA capital programme for 2017/18.

Table 8 Financing of HRA Capital Programme 2017/18	HRA £000
Capital Receipts	5,270
Major Repairs Reserve	9,100
Revenue Financing	9,636
Borrowing	0
Total	24,006

3.3.14 The proposed HRA carry forward of £964k, as detailed in **Appendix 7** relates to NPH managed schemes in respect of Improvement to Homes (£779k) and NPH ITC System (98k) and Buybacks/ Spot Purchases of (86k). Any HRA capital resources becoming available as a result of the underspend and the next revision of the 30-year Business Plan will be allocated to priority improvements and/or new provision.

3.3.15 The carry forward schemes will be incorporated into the 2018/19 agreed capital programme and monthly monitoring processes.

3.4 Northampton Partnership Homes (NPH) Outturn

3.4.1 The NPH accounting profit for the year 2017/18 is £755k. After technical accounting adjustments in relation to the Pensions Reserve, the surplus for the year decreases to £390k. In accordance with the Management Agreement, this should be adjusted back into the retained HRA in 2018/19 to be reinvested in the HRA stock. NPH have requested retention of the underspend, but this requires further discussion to identify the proposed use of the funds. It is recommended that authority is delegate to the Chief Executive to agree any retention.

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, Capital Programme and Northamptonshire Partnership Homes.
- 3.5.2 Cabinet is asked to approve the movements in the General Fund and HRA reserves.
- 3.5.3 Cabinet is asked to approve the capital and revenue budgets to be carried forward to 2018/19.
- 3.5.4 In determining the recommendations set out in the report the Chief Finance Officer and Corporate Management Board, in conjunction with the appropriate Cabinet Member, have considered the options open to the Council. The recommendations made ensure the Council:
- continues to support its capital programme projects by seeing them to completion,
 - manages its financial/service risks through the creation of appropriate reserves,
 - supports NPH by reinvesting unspent monies.

4. Implications (including financial implications)

4.1.1 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, Capital Programme and Northamptonshire Partnership Homes for 2017/18. 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 The Appendices are set out as follows:

1. General Fund Revenue Budget Outturn 2017/18
2. General Fund – Carry Forward Requests 2017/18
3. Extract of General Fund Earmarked Reserves Movements 2017/18
4. General Fund Capital Programme 2017/18 - Outturn and Carry Forwards
5. Summary of Housing Revenue Account Outturn Position 2017/18
6. Summary of HRA Earmarked Reserves and Balances 2017/18
7. HRA Capital Programme 2017/18 - Outturn and Carry Forwards

5. Background Papers

5.1 Cabinet Reports – Budget Setting and Budget Monitoring throughout 2017/18

Stuart McGregor
Chief Finance Officer (Section 151 Officer)