

Appendices

[9]



NORTHAMPTON
BOROUGH COUNCIL

CABINET REPORT

Report Title	FINANCE AND MONITORING OUTTURN REPORT 2011/2012
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AGENDA STATUS: PUBLIC

Cabinet Meeting Date:	11 th July 2012
Key Decision:	No
Listed on Forward Plan:	Yes
Within Policy:	Yes
Policy Document:	No
Directorate:	Resources
Accountable Cabinet Member:	Cllr A Bottwood
Ward(s)	N/A

1. Purpose

- 1.1 This report provides the outturn position for the Council's General Fund, Housing Revenue Account, and Capital Programme for the financial year 2011/12.
- 1.2 This report also puts forward a Housing Revenue Account Capital Variation form for 2012/13 requiring approval.

2. Recommendations

- 2.1. That Cabinet note the outturn position for the General Fund and Housing Revenue Account for the financial year 2011/12.
- 2.2 That Cabinet note the net movement in General Fund Revenue Reserves of £200k, and the detailed movement in Earmarked Reserves shown in **Appendix 4.**

- 2.3 That Cabinet note the net movement in Housing Revenue Account Reserves and working balances.
- 2.4 That Cabinet note the outturn position for the Council's capital programme for 2011-12 and how the expenditure was financed.
- 2.5 That Cabinet approve the carry forward of unfinished capital schemes from 2011-12 into the 2012-13 capital programme.
- 2.6 That Cabinet approve the HRA Capital project variation for Community Energy Savings Programme (CESP) of £1.5m.for 2012/2013.

3. Issues and Choices

3.1 Report Background

- 3.1.1 The Council's budget is divided into two accounts. The General Fund (GF) and the Housing Revenue Account (HRA). These are kept separate with their respective sources of funding independent of each other. HRA expenditure and income relates to the Council's role as a housing landlord, and the GF relates to all other services. The Council approved the GF Revenue budget and HRA budget for 2011/12 on 28th February 2011.

3.2 General Fund Revenue Account

- 3.2.1 The 2011/12 GF budget preparation process identified a substantial gap in funding. This was bridged by a combination of efficiency measures and savings of £4.3m. There was also a requirement for the use of reserves and balances of £1.5m.
- 3.2.2 The final outturn position for the Controllable General Fund Service Accounts is an under spend of £1,219k as shown in the following table and detailed in **Appendix 2**:

	2011/12 Revised Budget £000	2011/12 Outturn £000	(Under) / Over Spend £000
Assistant Chief Executive	4,633	4,246	-387
Director of Planning and Regeneration	2,859	2,314	-545
Director of Finance and Support	14,761	14,548	-213
Director of Housing	225	309	84
Borough Solicitor	652	636	-15
Director of Environment and Culture	9,885	9,741	-144
Total Variations within Budget Managers Control	33,015	31,796	-1,219

- 3.2.3 Period 10 monitoring projections for the 2011/12 General Fund Controllable Service Revenue budget was a forecast under spend of £295k. The comparable final outturn position for Controllable Service budgets is an under spend of £1,219k giving rise to a difference between the forecast and actual Controllable outturn variance of £925k, (**Appendix 3** refers).
- 3.2.4 Many of the outturn variations have already been addressed as part of the 2012/13 budget setting process however, all outturn variations identified within the 2011/12 accounts will be investigated to identify if any

savings/overspends are ongoing and need to be reflected within the current forecast and future year budgets.

3.2.5 The 2012/13 budget monitoring report to the end of July (period 4), which will be presented to cabinet in September, will provide more detail concerning any recommended budget revisions and management actions required to ensure that the budget remains in balance for the current financial year. This provides a robust basis for the Medium Term Financial strategy and service delivery planning.

3.2.6. General Fund Budget

3.2.6.1 After a net contribution to General Fund Earmarked Reserves of £200k, the level of working balances carried forward to underpin the 2012/13 budget is £3.1m. The Council has undertaken a risk-based assessment of working balances. This risk assessment suggests that minimum level of balances, taking all known risks into account along with the Councils gross expenditure requirement, should be in the order of £3m. The year end unaudited outturn shows that this can be achieved as at 31 March 2012.

3.2.6.2 The Council also holds Earmarked Reserves of £16.2m (excluding HRA Reserve) to mitigate specific risks that the Council will be exposed to including the need for service improvement. **Appendix 4** to this report identifies the Earmarked Reserves.

3.2.7 Controllable Service Budget Outturn

3.2.7.1 In period 10 of 2011/12, the forecast outturn position reported to Cabinet for the Controllable Service budgets was an under spend of £295k.

3.2.7.2 Controllable Service Budgets include Employees, Transport Costs, Premises Costs, Supplies and Services, Transfer Payments, Contract Payments and Income. They exclude Capital Charges, Support Service Recharges, Provisions and Debt Charges.

3.2.7.3 **Appendix 3** to this report provides a comparison of the period 10 forecast and the final outturn position.

3.2.7.4 The final outturn position for the General Fund Account for 2011/12 including technical accounting adjustments is an under spend of £464k. **Appendix 1** to this report provides a detailed breakdown of the outturn position.

3.2.8 General Fund Balance

3.2.8.1 The following table identifies the movement in the General Fund Balance:

General Fund Balances		£000
	General Fund Balance as at 01.04.2011	2,672
Plus:	General Fund Surplus	464
	General Fund Balance as at 31.03.2012	3,136

3.3 Housing Revenue Account

3.3.1 The 2011/12 budget preparation process set a balanced budget which budgeted for a contribution of £1.7m to the HRA reserves.

3.3.2 Budget monitoring reports at period 10 had forecast a net underspend on direct costs of £381k with a revised contribution to reserves of £2.3m.

3.3.3 The Council followed Government legislation and bought out of the existing HRA Subsidy regime on 27th March 2012, moving it onto a self-financing HRA model from April 2012.

3.3.4 Housing Revenue Account Outturn

3.3.4.1 The final HRA outturn position for the HRA for 2011/2012 is an underspend of £663k against the Revised budget. This includes prudently setting aside a further £2.2m for financing the future capital programmes, including £120k roll forward of unspent Property Maintenance budget for the Strategic Business review of the service. A further contribution is being made of £347k to the Service Improvement Reserve. After contributions to earmarked reserves a small surplus of £107k remains, which will increase the HRA working balance to £5m. The Cabinet is asked to note these contributions to reserve levels. **Appendix 5** to this report provides a summary of the HRA. The major variations in the income and expenditure side of the account are detailed in the analysis and the notes contained in **Appendix 6**.

3.3.5 Controllable Service Budget Outturn

3.3.5.1 The HRA net expenditure over income reported above is inclusive of an underspend on the HRA's controllable budgets. The actual outturn shows a net underspend on Service Controllable budgets of £499k, (**Appendix 5** refers). This represents a change to the month 10 forecast underspend of £118k, (**Appendix 7**), reported to Cabinet on 7th March 2012.

3.3.6 Main Variances in Outturn 2011/12 Against Budget

3.3.6.1 The table below summarises the main variances detailed in **Appendix 6**. All outturn variations identified within the 2011/12 accounts will be investigated to identify if any savings/overspends are ongoing and need to be reflected within the current and future year budgets. The next 2012/13 budget monitoring report to Cabinet will provide more detail concerning any recommended budget revisions and management actions required to ensure that the budget remains in balance for the current financial year.

Table 1 - Main Summary of Variances of HRA Outturn

HRA Variance Description	Outturn Variance 31.3.12 £'000
Housing Revenue Account Subsidy	-765
General Management	326
Repairs and Maintenance	273
Special Services	-156
Increase in Bad Debt Provision	-273
Interest & Financing	-100
Other Variations	32
HRA Service Underspend 2011/12	-663
Net Contribution to HRA Reserves	556
HRA SURPLUS 2011/12	-107

3.3.7 Contribution to HRA Working Balances and Reserves.

3.3.7.1 The total balance on all HRA reserves and balances at 31/3/2012 is £11.34m, (**Appendix 8**). The contributions to working balances and earmarked reserves and their resultant balances are summarised in the table below.

Table 2 – HRA Working Balances and Reserves

	Balance 1.4.11 £'000	Movement In Year £'000	Balance 31.3.12 £'000
HRA Balances on Account			
HRA Working Balance	4,893	107	5,000
HRA Capital Programme Earmarked Reserve	12,860	-10,247	2,613
HRA Leaseholders Earmarked Reserve	1,000	-832	168
HRA Service Improvement & Project Reserve	821	179	1,000
Stock Options Appraisal	2,000	0	2,000
HRA Supporting People Reserve	558	0	558
TOTAL HRA BALANCES	22,132	-10,793	11,339

3.3.7.2 As at the 1 April 2011 the Council held earmarked reserves of £12.86m for financing the capital programme. Delivery of the 2011/12 Capital programme (paragraphs refers 3.4.5) has required as planned £12.4m of this reserve to be used for financing. A further £2.2 m has been earmarked to contribute to reserves at 31 March 2012 making the balance on this reserve £2.6m. This reserve will be managed in line with the requirements of the Asset Management Strategy and in line with the HRA Business Plan.

CAPITAL PROGRAMME

3.4 2011-12 Capital Outturn

3.4.1 The Council's final approved budget for capital programme expenditure in 2011-12 was £35.36m, a net increase of £3.78m from the original budget of £29.31m. The budget initially increased due to carry-forwards from 2010/11 of £12.79m, but decreased by £8.59m due to planned carry-forwards to 2012/13. Other changes largely relate to increases in external financing from grants and contributions.

3.4.2 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.

3.4.3 Capital expenditure for 2011-12 totalled £33.09m against the final approved budget of £35.36m, a net underspend of £2.27m.

3.4.4 The position by Directorate is summarised below, with further details set out in **Appendix 9**, along with explanations of the reasons for any significant variances.

Capital Expenditure 2011-12	Final Approved Budget	Outturn	Variance
GF	£m	£m	£m
Resources	1.103	0.948	0.155
Customers & Communities	2.691	2.452	0.239
Regeneration, Enterprise & Planning	5.953	5.186	0.767
Housing General Fund	4.031	3.214	0.817
HRA			
Housing	21.582	21.291	0.291
Total	35.360	33.091	2.269

3.4.5 The table below shows how the capital programme for 2011-12 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.

Financing of Capital Programme 2011-12	General Fund	HRA	Total
	£m	£m	£m
Prudential Borrowing	2.856		2.856
Capital Receipts	4.280	0.698	4.978
Major Repairs Allowance		8.161	8.161
Government Grants	3.759		3.759
Third Party Contributions	0.764		0.764
Revenue Contributions	0.141	12.432	12.573
Total	11.800	21.291	33.091

Capital Carry forward 2011-12

3.4.6 The table below shows the amount of carry forward from 2011-12 into the 2012-13 capital programme. Details are shown on a scheme by scheme basis at **Appendix 9**.

Capital Carry forward 2011-12	£m
General Fund	
Resources	0.153
Customers & Communities	0.166
Regeneration, Enterprise & Planning	0.767
Housing General Fund	0.816
HRA	
Housing	0.880
Total	2.782

- 3.4.6.1 The carry-forward request for HRA schemes, which is required to finish incomplete schemes, is greater than the net underspend. The overall outturn included an overspend on Decent Homes of £0.5m due to additional properties being made decent ahead of schedule. This will be reflected in future updates of the HRA Business Plan.
- 3.4.6.2 The carry forward schemes will be incorporated into the 2012-13 agreed capital programme and monthly monitoring processes.

3.5 2012/2013 Capital Programme Project Variation

- 3.5.1 An opportunity has come forward under the HRA Capital Project Community Energy Savings Programme (CESP) to bring additional properties to Decent Homes standard by installing External Wall insulation and double glazed windows to 274 properties. Whilst carrying out external works a number of additional blocks were identified as qualifying for these works. The original CESP project was approved by Cabinet 25th May 2011. A project variation of £1.5m is required to deliver these works in 2012/13 whilst on site. This project variation will be financed by HRA resources.

3.6 Choices (Options)

- 3.6.1 Cabinet is invited to note the report and the explanations of the outturn position and reasons for the change since the forecast outturn position for the General Fund, Housing Revenue Account and Capital Programme.
- 3.6.2 Cabinet is asked to note the proposed movements in the General Fund and HRA reserves.
- 3.6.3 Cabinet are asked to agree the Capital budgets to be carried forward to 2012-13.
- 3.6.4 Cabinet are asked to approve the HRA Capital Project variation for 2012/13.

4. Implications (including financial implications)

4.1 Policy

- 4.1.1. The outturn position impacts on the level of reserves.

4.2 Resources and Risk

- 4.2.1 This report informs Cabinet of the General Fund Revenue budget, Housing Revenue Account budget and Capital Programme outturn. The impact of individual outturn variances needs to be assessed against the current and future year's 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 2011/12
- 5.2 Cabinet Report – CESP 25th May 2011.

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