



CABINET REPORT

Report Title	FINANCE AND MONITORING OUTTURN REPORT 2015/16
---------------------	--

AGENDA STATUS: PUBLIC

Cabinet Meeting Date:	13 July 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 This report sets out the financial outturn position for the Council's General Fund, Housing Revenue Account (HRA), Capital Programme and Northamptonshire Partnership Homes (NPH) for the financial year 2015/16.

2. Recommendations

- 2.1. That Cabinet note the outturn for the General Fund and Housing Revenue Account for the financial year 2015/16 as set out at **Appendix 1** and **Appendix 5**.
- 2.2 That Cabinet approve the contributions to General Fund Revenue Earmarked Reserves as shown in **Appendix 3**.
- 2.3 That Cabinet approve the net movement in Housing Revenue Account Reserves and working balances as set out at **Appendix 6**.
- 2.4 That Cabinet note the outturn for the Council's General Fund and Housing Revenue Account Capital Programmes for 2015/16 and how the expenditure was financed as set out at **Appendix 4** and **Appendix 7**.
- 2.5 That Cabinet approve the carry forward for revenue and capital schemes from 2015/16 into 2016/17.

2.6 That Cabinet note the outturn for Northampton Partnership Homes for 2015/16 as set out at **Appendix 8**.

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. 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 on the 25th July.

3.2 General Fund

3.2.1 The General Fund outturn for controllable service budgets shows an underspend of £1,221k. This is listed in **Table 1** below and detailed in **Appendix 1**.

Table 1 - Controllable Budget Outturn	Revised Budget	Outturn	Variance
	£000	£000	£000
Director of Regeneration, Enterprise and Planning	1,006	264	(742)
Housing and Wellbeing	1,117	1,394	257
Borough Secretary	2,442	2,364	(78)
Director of Customers and Communities	11,129	10,736	(393)
Corporate and LGSS	10,520	10,880	360
Total Service Controllable Spending	26,234	25,638	(596)
Debt Financing	3,011	2,387	(625)
Total Controllable Spending	29,245	28,024	(1,221)

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

3.2.2.1 Regeneration, Enterprise and Planning

- Overachievement of rental and development control income.
- Staff vacancy savings.

3.2.2.2 Housing and Wellbeing

- Additional staff costs covering vacant posts and posts that were being temporarily filled awaiting the implementation of a restructure and reduced fee income during the year.

3.2.2.3 Borough Secretary

- Reduction in staffing costs due to a restructure.
- Additional election and electoral registration costs.

3.2.2.4 Customers and Communities

- Overachievement of car parking income.
- Savings on utility and NNDR costs.
- Deductions made to the monthly core contract payment offset by pension charges and bond payments for 2014-16.

3.2.2.5 Corporate and LGSS

- Increase in provision for bad debts relating to Housing Benefits.
- Underachievement of budgeted savings for Revenues and Benefits
- Savings due to pension auto enrolment not starting in 2015/16.

3.2.3 All outturn variations will be reviewed as part of a robust review of the current 2016/17 budget and Medium Term Financial Plan going forward.

3.2.4 **Table 2** below sets out the proposed use of the 2015/16 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 2015/16 Underspend	Para. Ref.	£000
Underspend against Controllable Budgets		(1,221)
Other Technical Variances		31
Funding towards Planning Appeals	3.2.6	331
Funding towards Delapre Abbey Costs	3.2.7	90
Project Budget Carry Forwards	3.2.8	157
Contribution to Future Pressures Reserve	3.2.9	612
Contribution to General Fund Balance		0

3.2.5 It is important that the Council is able to manage the risks it faces. The Council sets aside monies for the purpose of managing some of the risks it is exposed to. The table above sets out the use of the underspend for 2015/16 with more details in the paragraphs below.

3.2.6 Planning Appeals at Collingtree and Hardingstone resulted in costs to the Council in 2015/16 of £545k, partly funded by an earmarked reserve with the remainder funded from service underspends.

3.2.7 Revenue costs in relation to the restoration of Delapre Abbey of £90,000 are a cost against service underspends.

3.2.8 Specific carry forwards have been requested for use in 2016/17. These include the carry forward of underspends in 2015-16 for Councillor enabling funds and the museum project.

3.2.9 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 Future Pressures Reserve to assist with the management of these risks.

General Fund Balances

- 3.2.10 The Chief Finance Officer has undertaken a risk-based assessment of reserve 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 £5.5m. The unaudited outturn shows that this can be achieved as at 31 March 2016.
- 3.2.11 The Council also holds General Fund earmarked reserves of £22.7m to mitigate against specific risks to which the Council may be exposed and investing in service improvement. These are detailed in **Appendix 3**.

General Fund Capital

- 3.2.12 The Council's final approved budget for General Fund capital programme expenditure in 2015/16 was £66.5m, a net increase of £7.8m from the original budget of £58.7m. The increases were due to carry-forwards from 2014/15 and other changes largely relating to increases in external financing from grants and contributions and self-funded schemes.
- 3.2.13 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.
- 3.2.14 Capital expenditure for 2015/16 totalled £59m against the final approved budget of £66.5m, a net underspend of £7.5m (11%). A large proportion (£7.3m) 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 (2016/17). The majority of this carry forward is due to the timing of approvals and the timescales for letting contracts and funding agreements. This includes £4.8m 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.
- 3.2.15 Total General Fund capital expenditure included a £46m loan to the University of Northampton to part fund the construction of its new campus. This loan was funded through PWLB borrowing at a preferential rate, and underwritten by HM Treasury.

3.2.16 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 2015/16	Final Approved Budget	Outturn	Variance
General Fund	£000	£000	£000
Customers & Communities	1,109	716	(393)
Regeneration, Enterprise & Planning	17,324	10,328	(6,996)
Housing General Fund	1,500	1,557	57
LGSS Managed Budgets	301	54	(247)
Loans to Third parties	46,300	46,300	0
Total	66,534	58,955	(7,579)

3.2.17 **Table 4** below shows how the capital programme for 2015/16 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 4 Financing of Capital Programme 2015/16	General Fund
	£000
Borrowing	51,148
Capital Receipts	3,097
Grants	2,371
Third Party Contributions	508
Revenue Contributions	1,830
Total	58,954

3.2.18 The proposed carry forwards on General Fund Capital Schemes are required to complete schemes and realise the outcomes set out in the original appraisals. Justifications are given against each scheme in **Appendix 4**. After taking account of these carry-forwards, the net overspend in funding by corporate borrowing and capital receipts is £115k.

3.2.19 **Table 5** below shows the amount of carry forward from 2015/16 into the 2016/17 capital programme. Details are shown on a scheme by scheme basis at **Appendix 4**.

Table 5 General Fund Capital Carry forward 2015/16	£000
Customers & Communities	385
Regeneration, Enterprise & Planning	6,737
Housing General Fund	(57)
LGSS Managed Budgets	247
Total	7,313

3.2.20 The carry forward schemes will be incorporated into the 2016/17 agreed capital programme and monthly monitoring processes.

3.3 Housing Revenue Account

3.3.1 The HRA outturn position shows an underspend on controllable spending of £4.644m. After technical accounting adjustments this position moves to an underspend of £8.479m. This has reduced the required net contribution from reserves from the budgeted amount of £10.1m to £1.622m, while the HRA working balance remains unchanged at £5m.

3.3.2 It should be noted that Northampton Partnership Homes (NPH) have managed most of the HRA expenditure budgets in 2015/16 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).

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

Main Variances

3.3.4 **Table 6** below summarises the main variances detailed in Appendix 5. 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 6 – HRA Service Budget Outturn	Revised Budget	Outturn	Variance
	£000	£000	£000
Repairs and Maintenance	15,405	13,033	(2,372)
General Management	9,744	9,312	(432)
Special Services	4,331	3,170	(1,161)
Increase in Bad Debt Provision	750	201	(549)
Capital Charges	12,610	12,794	184
Interest and Financing	6,250	6,029	(221)
Revenue Contributions to Capital	12,540	9,424	(3,116)
Net Support Service Recharges	2,811	2,129	(682)
Rent and Other Income	(54,620)	(54,729)	(109)
Other Minor Variations	279	259	(20)
HRA Net Expenditure 2015/2016	10,100	1,622	(8,479)
Net Contribution to/(from) Reserves	(10,100)	(1,622)	8,479
Housing Revenue Account Deficit/(Surplus)	0	0	0

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

- 3.3.5 Repairs and Maintenance: - Mainly due to capitalisation of eligible void works identified.
- 3.3.6 General Management and Special Services – savings largely reflect lower employee related expenditure as a result of vacant posts held within Northampton Partnership Homes.
- 3.3.7 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 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.
 - Revenue Contributions to Capital – unused Major Repairs Allowance brought forward from 2014/15 was available to fund the Capital Programme.
 - Lower Support Service Recharges reflect savings within General Fund services.
- 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.

Contribution to HRA Working Balances and Reserves.

3.3.9 The total balance on all HRA reserves and balances at 31 March 2016 is £23.2m. **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 2015 £000	Movement in Year £000	Balance 31 March 2016 £000
Working Balance	5,000		5,000
Capital Programme Reserve	17,067	(1,622)	15,446
Leaseholders Reserve	500		500
Service Improvement and Project Reserve	1,395		1,395
Stock Options Appraisal	8		8
Supporting People Reserve	558		558
Insurance reserve	300		300
Total HRA Balances	24,829	(1,622)	23,207

HRA Capital

3.3.10 The Council's final approved budget for HRA capital programme expenditure in 2015/16 was £36.148m, a net decrease of £165k from the original budget of £36.313m. The budget initially increased due to carry-forwards from 2014/15, but was subsequently decreased to reflect the re-phasing of the Dallington New Build scheme and other schemes.

3.3.11 HRA Capital expenditure for 2015/16 totalled £33.69m against the final approved budget of £36.15m, a net underspend of £2.46m (7%). This underspend relates to various schemes including those managed by NPH (£1.2m), the Repurchase of Former Council Houses (£590k) and the Dallington New Build Scheme (£600k). A carry forward of these balances is required to accommodate the re-phasing of the schemes in 2016/17. Further details are provided in Appendix 7.

3.3.12 **Table 8** below shows how the HRA capital programme for 2015/16 has been funded.

Table 8 Financing of HRA Capital Programme 2015/16	HRA £000
Capital Receipts	2,370
Major Repairs Allowance	21,898
Revenue Financing – In Year	9,424
Total	33,693

3.3.13 The proposed HRA carry forwards of £2.4m, as detailed in **Appendix 7** include £1.19m for NBC retained schemes and £1.2m for NPH managed schemes. The programme for 2016/17 onwards has been reconfigured in line with the latest stock condition survey. 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.

3.3.14 The carry forward schemes will be incorporated into the 2016/17 agreed capital programme and monthly monitoring processes.

3.4 Northampton Partnership Homes (NPH) Outturn

3.4.1 The NPH accounting loss for the year 2015/16 was £7k. In accordance with the Management Agreement, this will be adjusted back into the retained HRA in 2016/17 and offset against the £27k surplus from 2014/15. The balance of £20k will be held in a reserve ring-fenced to NPH service improvements to be drawn down when a specific use is identified.

3.4.2 **Table 9** below summarises the overall NPH outturn position against the revised budget. The main variances against the elements of the Total Fee are shown in **Appendix 8**.

Table 9– NBC / NPH Extract from Pre-Audited Accounts	Original Budget £000	Actual £000	Variance £000
Management Fee	62,358	57,131	(5,227)
Expenditure	62,358	56,648	(5,710)
Operating Surplus Before Financing and Tax)	0	483	483
Financing Costs	0	489	489
Operating Surplus	0	(7)	7

3.4.3 The original management fee budget of £55.3m was increased to £62.3m as a result of the approved carry forward of capital budgets totalling £7m from 2014/15.

3.4.4 The actual variance of (£5.7m) shown above reflects the re-phasing of the HRA Capital programme (£1.2m) into 2016/17, HRA Revenue savings (£4.5m) largely as a result of the capitalisation of void works and minor General Fund savings (£12k).

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 note the movements in the General Fund and HRA reserves.

3.5.3 Cabinet is asked to agree the capital and revenue budgets to be carried forward to 2016/17.

3.5.4 In determining the recommendations set out in the report the Chief Finance Officer and 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 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 2015/16. 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 Outturn 2015/16
2. General Fund - Service Budget Outturn Position 2015/16
3. Extract of General Fund Earmarked Reserves Movements 2015/16
4. General Fund Capital Programme 2015/16 - Outturn and Carry Forwards
5. Summary of Housing Revenue Account Outturn Position 2015/16
6. Summary of HRA Earmarked Reserves 2015/16
7. HRA Capital Programme 2015/16 - Outturn and Carry Forwards
8. Northampton Partnership Homes Outturn 2015/16

5. Background Papers

- 5.1 Cabinet Reports – Budget Setting and Budget Monitoring throughout 2015/16

Glenn Hammons
Chief Finance Officer (Section 151 Officer)
0300 330 7000