



CABINET REPORT

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

Cabinet Meeting Date:	8 February 2017
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 supplementary estimates funded by reserves transfers for the 2016-17 General Fund Revenue Budget as detailed in Appendix 1.

- 2.3 That Cabinet note the approved amendments to the Capital Programme as detailed in Appendix 2.

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.

3.2 Key Financial Indicator Exceptions

Dashboard Indicator Description	Variation from Budget	
	General Fund	Housing Revenue Account
	£000	£000
Controllable Budgets	(176)	(796)
Debt Financing and Recharges	(370)	42
Total	(546)	(754)
Net transfer to/(from) reserves	0	754
Total	(546)	0

3.3 General Fund Revenue Budget

3.3.1 Supplementary Estimates

- 3.3.1.1 Supplementary Estimates can be funded or unfunded. A funded Supplementary Estimate occurs where there is additional expenditure identified which can be funded from a funding source that is not included in the existing budgets. Examples of this type of funding source is external funding or use of an earmarked reserve which was set up for this purpose; the funding source used for this purpose cannot be working balances.

- 3.3.1.2 Supplementary estimates funded by reserves transfers for the 2016-17 General Fund Revenue Budget are as detailed in Appendix 1.

3.3.2 General Fund Revenue Budget (Blue)

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

Service Area	£000
Asset Management	123
Major projects and Enterprise	(45)
Head of Planning	(270)
Housing	325
Borough Secretary	87
Director of Customers & Communities	(656)
Corporate	260
Controllable Total	(176)
Debt Financing	(370)
Total	(546)

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

3.3.3.1 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.

3.3.3.2 Head of Planning

Forecast underspend is mainly 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.

3.3.3.3 Head of Housing and Wellbeing

Forecast overspend is mainly due to additional costs for agency staff in Housing Options and Advice, Home Adaptations and Housing Standards and a reduction in Licensing Income.

3.3.3.4 Director of Customers and Communities

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

3.3.3.5 Corporate

Forecast overspend due to additional costs for Bed and Breakfast and the use of temporary accommodation at County Chambers.

3.3.3.6 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)

3.3.3.7 The forecast underspend position on the HRA of £754k relates mainly to staff vacancy savings within NPH and lower expenditure on void repairs and the maintenance of communal gas heating systems. In addition, there is a forecast underspend in the Contribution to the Bad Debt Provision (£200k) reflecting lower arrears levels as a result of ongoing management action and the delayed implementation of the Universal Credit Scheme. In line with September Cabinet decision it should be noted that £2m has been vired from the Revenue Voids Management Budget to the HRA 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

3.4 Capital Programme

3.4.1 General Fund Capital Programme

3.4.1.1 The General Fund Capital Programme budget stands at £22.5m, an increase of £600k in the quarter. The increases approved by Cabinet and under delegation are detailed in Appendix 2. As at the end of December the forecast expenditure for the year is £17.2m, around £5m below the budget for the year. This includes £4.8m forecast carry forwards and £0.5m underspends. The most significant forecast variances are:

- Forecast underspend of £705k on the St Giles Street public realm improvements. The cost of completing these works was less than originally budgeted.
- Forecast underspend of £425k in relation to Disabled Facilities Grants, due to a decreased level of demand in 2016/17. Demand had stabilised at around £1.45m per year, and this is the level built into the 5 year programme going forward.
- Forecast overspend of £650k on the Delapre restoration project. Full details of the reasons for this overspend are the subject of a separate Cabinet report. The overspend can be offset by the underspends elsewhere in the programme and as such there is no overall overspend. Nevertheless it is important that full understanding of the reasons for the overspend are understood so that lessons can be learnt for future major projects.
- Forecast carry forward of £2.9m in relation to the Vulcan Works scheme. This revised phasing reflects the changes to the scheme approved by Cabinet in July 2016.
- Forecast carry forward of £1m of works to St Peters Waterside. This is due to continued negotiations with the developer of the site, which will be subject to a detailed Cabinet report in due course.
- Forecast carry forward of £439k on the Central Museum Redevelopment project due to delayed access to the Old Gaol Block.

- 3.4.1.2 The latest forecasts for 2016/17 and the significant carry forwards set out above will be reflected in the five year capital programme proposed as part of the final budget report to Cabinet on 15th February.
- 3.4.1.3 As part of the 2017/18 budget process enhanced governance of the capital programme is proposed in order to ensure that cost estimates are robust before schemes are commenced. This will include the creation of a “Development Pool” into which schemes will go until the costs and phasing of the scheme is firmed up. This will help to reduce the level of over and underspends and carry forwards in the capital programme.
- 3.4.1.4 The financing of the capital programme assumes that around £5m of capital receipts will be received during 2016/17. It is not now expected that these will all be received in year, although on the assumption that they will be received next year, and given the expected carry forward of expenditure, the existing programme can be funded. This position does however reinforce the need to not add new schemes unless absolutely necessary.
- 3.4.1.5 Any further additions to the capital programme, including further strategic property purchases, will be subject to the development of a robust business case. In line with Financial Regulations, any proposed additions to the programme greater than £250k and/or requiring additional funding from Council resources, will be brought to Cabinet for approval.

3.4.2 HRA Capital Programme

- 3.4.2.1 The approved HRA Capital Programme has been increased by £2m to £38.85m. This increase is as a result of the virement from the HRA Revenue Budget for Voids management. In line with what was reported to September Cabinet this additional capital funding will support schemes that contribute towards the provision of additional social housing as part of the Governments 141 RTB Receipts initiative.

3.4.2.2 141 Right to Buy Receipts

It was reported to September Cabinet that 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. As at 31 March 2016 the Council had not had to pay over any of the retained receipts but was under increasing pressure to use the balance of receipts within the terms of the agreement. These retained receipts must be spent on re-provision of social housing within 3 years of receipt.

For quarter 2 the Council had to pay back £26k of receipts to the Treasury with interest of £3.7k. For Quarter 3 the Council again is likely to have to pay back some receipts to Treasury, initial draft figures are £39.5k with interest of approximately £6k. The Council is working closely with Northampton Partnership Homes to mitigate the risk of any further retained 141 capital receipts in quarter 4 and future quarters being paid back. Work is continuing to identify and bring forward a mix of RTB Buybacks and schemes that will bring additionality to the HRA stock base, addressing the housing need of the Borough.

- 3.4.2.3 As reported to November Cabinet discussions are still ongoing with the Government on the Local Growth Fund Dallington project around replacing the scheme with a number of smaller schemes to generate the same level of units within a re-phased timeframe. The works will have to be completed by the end of 2017/2018. As reported previously further update will be provided to a later Cabinet.

3.5 Choices (Options)

- 3.5.1 Cabinet is asked to note the reported position financial position.
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- 3.5.2 That Cabinet note the transfers from reserves for the 2016-17 General Fund Revenue Budget as detailed in Appendix 1.

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 December 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 direct legal implications arising from this report.

4.4 Equality and Health

- 4.4.1 There are no direct 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 (including financial monitoring) 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

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