



## CABINET REPORT

Report Title	FINANCE AND MONITORING - PROVISIONAL OUTTURN REPORT 2016/17
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AGENDA STATUS: PUBLIC

Cabinet Meeting Date:	21 June 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 This report sets out the provisional financial outturn position for the Council's General Fund, Housing Revenue Account (HRA), Capital Programme and Northamptonshire Partnership Homes (NPH) for the financial year 2016/17.

### 2. Recommendations

- 2.1. That Cabinet note the provisional outturn for the General Fund and Housing Revenue Account for the financial year 2016/17 as set out at **Appendix 1** and **Appendix 5**.
- 2.2 That Cabinet approve the use of and contributions to General Fund Revenue Earmarked Reserves as shown in paragraph 3.2.4 and **Appendix 3**.
- 2.3 That Cabinet approve the proposed revenue budget carry forwards detailed in paragraph 3.2.8
- 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 2016/17 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 note the outturn for Northampton Partnership Homes for 2016/17 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 relates 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 3<sup>rd</sup> July, and which may result in a change to the final level of General Fund Reserves.

### 3.2 General Fund

- 3.2.1 The General Fund outturn for controllable service budgets shows an underspend of £1,383k. This is listed in **Table 1** below and detailed in **Appendix 1**.

Table 1 - Controllable Budget Outturn	Revised Budget £000	Actual Outturn £000	(Under) / Over Spend £000
Director of Regeneration, Enterprise and Planning	2,620	2,668	48
Housing and Wellbeing	1,104	1,647	543
Borough Secretary	2,737	2,737	0
Director of Customers and Communities	11,503	10,175	(1,328)
Corporate and LGSS	11,404	11,214	(190)
<b>Total Service Controllable Spending</b>	<b>29,368</b>	<b>28,441</b>	<b>(927)</b>
Debt Financing	1,904	1,448	(456)
<b>Total</b>	<b>31,272</b>	<b>29,889</b>	<b>(1,383)</b>

- 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

- 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 and the higher level of development control income for the whole year.

#### 3.2.2.2 Housing and Wellbeing

- Overspend is mainly due to additional costs of Homeless Prevention schemes, Refuge funding, higher Temporary Accommodation costs and a reduction in Licensing Income.

### 3.2.2.3 Customers and Communities

- Underspend reflecting additional deductions made through the Environmental Services Contract and additional car parking and licensing income. Savings on utility and NNDR costs.

### 3.2.2.5 Corporate and LGSS

- Underspend due to lower pension severance costs and a higher pension deficit recharge to the HRA offset by additional costs for Temporary Accommodation resulting in a higher subsidy loss.

3.2.3 All outturn variations will be reviewed as part of a robust review of the current 2017/18 budget and Medium Term Financial Plan going forward.

3.2.4 **Table 2** below sets out the proposed use of the 2016/17 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.

<b>Table 2 – Use of 2016/17 Underspend</b>	<b>Para. Ref.</b>	<b>£000</b>
Underspend against Controllable Budgets		(927)
Other Technical Variances		(456)
Funding towards Improved Governance	3.2.6	50
Funding towards Greyfriars Redevelopment	3.2.7	74
Project Budget Carry Forwards	3.2.8	181
Contribution to MTFP Cashflow Reserve	3.2.9	1,048
<b>Contribution to General Fund Balance</b>		<b>30</b>

3.2.5 Planning Appeals at Collingtree and Hardingstone resulted in costs to the Council in 2016/17 of £554k, funded from a drawdown from the MTFP Cashflow Reserve. This drawdown is reflected in the revised budget shown in Appendices 1 and 2.

3.2.6 The Council has put in place a comprehensive Governance Action Plan which sets out improvements to governance processes to be achieved in the next 12 months. An earmarked reserve of £50k will support the training and other professional support required to achieve this.

3.2.7 The redevelopment of the Greyfriars site requires additional revenue expenditure above the original estimated £200k approved 11<sup>th</sup> November 2015, on professional and legal advisors to enable the project team to consider final cost appraisals and deal with external enquiries prior to reporting back to Cabinet as agreed in the last progress report to Cabinet on 11<sup>th</sup> January 2017. The funding for this is to be set aside in the Strategic Investment Reserve.

3.2.8 Specific carry forwards totalling £181k have been requested for use in 2017/18. These include the carry forward of underspends in 2016/17 for Councillor enabling funds, for essential works to Grosvenor Car Park and for Neighbourhood Planning.

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 MTFP Cashflow 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 remain in the order of £5.5m. The unaudited outturn shows that this can be achieved as at 31 March 2017.
- 3.2.11 The Council also holds General Fund earmarked reserves of £23m to mitigate against specific risks to which the Council may be exposed and investing in service improvement. These are detailed in **Appendix 3**. These earmarked reserves were fundamentally reviewed in October 2016, with the aim of ensuring that specific reserves remained relevant and bringing together those no longer specifically required into two corporate reserves – Delivering the Efficiency Plan and the MTFP Cashflow reserve.

### **General Fund Capital**

- 3.2.12 The Council's final approved budget for General Fund capital programme expenditure in 2016/17 was £19.0m, a net increase of £5.8m from the original budget of £13.2m. The increases were due to carry-forwards from 2015/16 and other changes largely relating to increases in external financing from grants and contributions and self-funded schemes, as well as increased costs for the restoration of Delapre Abbey.
- 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 2016/17 totalled £12.4m against the final approved budget of £19m, a net underspend of £6.6m (35%). A large proportion (£6.1m) 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 (2017/18). The majority of this carry forward is due to the timing of approvals and the timescales for letting contracts and funding agreements. This includes £3.5m 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 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.

<b>Table 3 Capital Expenditure 2016/17</b>	<b>Final Approved Budget</b>	<b>Outturn</b>	<b>Variance</b>
<b>General Fund</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Customers & Communities	1,274	922	(452)
Regeneration, Enterprise & Planning	15,809	9,645	(6,164)
Housing General Fund	1,393	1,367	(26)
LGSS Managed Budgets	462	417	(45)
<b>Total</b>	<b>19,038</b>	<b>12,351</b>	<b>(6,687)</b>

3.2.16 **Table 4** below shows how the capital programme for 2016/17 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.

<b>Table 4 Financing of Capital Programme 2016/17</b>	<b>General Fund</b>
	<b>£000</b>
Borrowing	4,676
Capital Receipts	837
Grants	2,494
Third Party Contributions	2,994
Revenue Contributions	1,350
<b>Total</b>	<b>12,351</b>

3.2.17 The approved capital programme for 2016/17 included assumed capital receipts to be realised during the year of around £5m. Due to economic conditions and staff capacity these were not brought to fruition in the year but are expected to be realised in 2017/18. This was mitigated to some degree by the amounts to be carried forward, but the quantum of expenditure funded from borrowing was around £1m higher than budget. Assuming that the capital receipts are received in 2017/18 then borrowing in that year should be lower than planned such that

the cumulative position will be in line with original budgeted intentions, i.e. the additional borrowing is only temporary.

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 £187k.

3.2.19 **Table 5** below shows the amount of carry forward from 2016/17 into the 2017/18 capital programme. Details are shown on a scheme by scheme basis at **Appendix 4**.

<b>Table 5 General Fund Capital Carry forward 2016/17</b>	<b>£000</b>
Customers & Communities	453
Regeneration, Enterprise & Planning	5,631
Housing General Fund	0
LGSS Managed Budgets	45
<b>Total</b>	<b>6,129</b>

3.2.20 The carry forward schemes will be incorporated into the 2017/18 agreed capital programme and monthly monitoring processes.

3.2.21 Completion of works at Delapre Abbey additional funding of £490k, which is detailed in a report elsewhere on this Cabinet agenda. This will be funded by use of £120k underspend on the 2016/17 capital programme plus £370k to be reallocated from the approved 2017/18 block programmes.

### **3.3 Housing Revenue Account**

3.3.1 The HRA outturn position shows an underspend on controllable spending of £249k. After technical accounting adjustments this position moves to an underspend of £366k. This has reduced the required net contribution from reserves from the budgeted amount of £7.517m to £7,151m, 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 2016/17 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.

<b>Table 6 – HRA Service Budget Outturn</b>	<b>Revised Budget</b>	<b>Outturn</b>	<b>Variance</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Repairs and Maintenance	14,625	14,807	182
General Management	7,462	7,461	(1)
Special Services	4,599	4,339	(260)
Increase in Bad Debt Provision	550	301	(249)
Capital Charges	13,008	13,279	271
Interest and Financing	6,270	6,144	(126)
Revenue Contributions to Capital	11,513	11,513	0
Net Support Service Recharges	2,945	2,683	(262)
Rent and Other Income	(53,734)	(53,696)	39
Other Minor Variations	279	318	39
<b>HRA Net Expenditure 2016/2017</b>	<b>7,517</b>	<b>7,151</b>	<b>(366)</b>
Net Contribution to/(from) Reserves	(7,517)	(7,151)	366
<b>Housing Revenue Account Deficit/(Surplus)</b>	<b>0</b>	<b>0</b>	<b>0</b>

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

- 3.3.5 Repairs and Maintenance: - higher expenditure on property maintenance and voids works.
- 3.3.6 General Management and Special Services – savings largely reflect lower employee related expenditure as a result of Pension adjustments and 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 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.

- 3.3.8 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 2017 is £16.056m. **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 reallocation and contributions from reserves.

<b>Table 7 – HRA Working Balances and Reserves</b>	<b>Balance 1 April 2016 £000</b>	<b>Movement in Year £000</b>	<b>Balance 31 March 2017 £000</b>
Working Balance	5,000		5,000
Capital Programme Reserve	15,446	(6,190)	9,256
Leaseholders Reserve	500		500
Service Improvement and Project Reserve	1,395	(395)	1,000
Stock Options Appraisal	8	(8)	0
Supporting People Reserve	558	(558)	0
Insurance reserve	300		300
<b>Total HRA Balances</b>	<b>23,207</b>	<b>(7,151)</b>	<b>16,056</b>

#### **HRA Capital**

- 3.3.10 The Council's final approved budget for HRA capital programme expenditure in 2016/17 was £38.847m, a net increase of £4.397m from the original budget of £34.450m. The budget initially increased due to carry-forwards from 2015/16 (£2.397m) and was subsequently increased by a further £2m to reflect the movement Voids works from Revenue to Capital.
- 3.3.11 HRA Capital expenditure for 2016/17 totalled £28.99m against the final approved budget of £38.847m, a net underspend of £9.857m (25%). This underspend relates to various schemes including those managed by NPH (£307k), the Repurchase of Former Council Houses (£255k) and New Build Schemes (£9.3m). Further details are provided in Appendix 7.
- 3.3.12 **Table 8** below shows how the HRA capital programme for 2016/17 has been funded.

<b>Table 8 Financing of HRA Capital Programme 2016/17</b>	<b>HRA £000</b>
Capital Receipts	4,418
Major Repairs Reserve	13,008

Revenue Financing	11,513
Borrowing	50
<b>Total</b>	<b>28,989</b>

3.3.13 The proposed HRA carry forward of £275k, as detailed in **Appendix 7** relate to NPH managed schemes in respect of IT System upgrades. The programme for 2017/18 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 2017/18 agreed capital programme and monthly monitoring processes.

### 3.4 Northampton Partnership Homes (NPH) Outturn

3.4.1 The NPH accounting profit for the year 2016/17 was £183k. After technical accounting adjustments in relation to the Pensions Reserve, this position moves to an accounting loss of £24k. In accordance with the Management Agreement, this will be adjusted back into the retained HRA in 2017/18 and offset against prior year balances.

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**.

<b>Table 9– NBC / NPH Extract from Pre-Audited Accounts</b>	<b>Revised Budget £000</b>	<b>Actual £000</b>	<b>Variance £000</b>
Management Fee	(54,123)	(53,076)	1,047
Expenditure	54,123	52,458	(1,665)
<b>Operating Surplus Before Financing and Tax)</b>	<b>0</b>	<b>(618)</b>	<b>618</b>
Financing Costs	0	435	(435)
<b>Operating Surplus</b>	<b>0</b>	<b>(183)</b>	<b>183</b>

3.4.3 The original management fee budget of £52.9m was increased to £54.12m as a result of the approved carry forward of capital budgets totalling £1.21m from 2015/16.

3.4.4 The actual variance of (£1.047m) shown above reflects the re-phasing of the HRA Capital programme (£275k) into 2016/17, Capital Programme savings

(£31k), HRA Revenue savings (£731k) largely as a result of lower staff and Estate Services costs and minor General Fund savings (£10k).

### **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 2017/18.
- 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)**

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### **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 2016/17. 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 2016/17
  2. General Fund - Service Budget Outturn Position 2016/17
  3. Extract of General Fund Earmarked Reserves Movements 2016/17
  4. General Fund Capital Programme 2016/17 - Outturn and Carry Forwards
  5. Summary of Housing Revenue Account Outturn Position 2016/17
  6. Summary of HRA Earmarked Reserves 2016/17
  7. HRA Capital Programme 2016/17 - Outturn and Carry Forwards
  8. Northampton Partnership Homes Outturn 2016/17

## **5. Background Papers**

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- 5.1 Cabinet Reports – Budget Setting and Budget Monitoring throughout 2016/17

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