



CABINET REPORT

Report Title	FINANCE AND MONITORING - PROVISIONAL OUTTURN REPORT 2019/20
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AGENDA STATUS: PUBLIC

Cabinet Meeting Date:	10 June 2020
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), and capital programme, and for Northampton Partnership Homes (NPH) for the financial year 2019/20.

2. Recommendations

- 2.1. That Cabinet note the provisional outturn for the general fund and HRA for the financial year 2019/20 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 HRA reserves and working balances as set out at **appendix 6**.
- 2.5 That Cabinet note the outturn for the Council's general fund and HRA capital programmes for 2019/20 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 2020/21 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 Report background

- 3.1.1 The Council's budget is divided across two accounts, the general fund and the 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.
- 3.1.2 Work is ongoing to complete the draft statement of accounts for 2019/20 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.

3.2 General fund

- 3.2.1 The general fund outturn for controllable budgets shows a net overspend of £0.383m. This is listed in **table 1** below and detailed in **appendix 1**.

Table 1 Service area	Revised budget £m	Outturn £m	Variance £m
Customers & Communities	11.948	12.113	0.165
Chief Executive	2.224	2.215	(0.009)
Chief Finance Officer	10.536	11.043	0.506
Economy Assets & Culture	0.915	0.349	(0.567)
Housing and Wellbeing	2.039	3.046	1.008
Borough Secretary	2.089	1.956	(0.134)
Planning	0.718	0.303	(0.416)
Debt Financing	(0.263)	(0.433)	(0.170)
Total	30.208	30.591	0.383

- 3.2.2 Major variations between the revised budget and outturn are set out in more detail in **appendix 1** and below:
- 3.2.3 Within the **Customers & Communities** area there was an overall overspend of £0.165m. This pressure is predominantly in the environmental services area which has a net pressure of £0.207m and is due to costs coming out of the recycling risk share pay mechanism. These higher costs are caused by prices for recyclable material continuing to fall. There are other smaller savings and pressures across the Customers and Communities area coming to a net

underspend of £0.042m, mainly due to posts being kept vacant in order to offset the overall overspend position.

- 3.2.4 Within the **Chief Executive** area there was an overall underspend of less than £0.010m.
- 3.2.5 Within the **Chief Finance Officer** area there was an overall overspend of £0.506m. This pressure is partly due to an overall pressure of £0.513m in the benefits area and relates to the recovery of housing benefit overpayments from on-going benefits for rent rebates (HRA tenants) and rent allowances. Other pressure is linked to the overall pressure around homelessness and temporary accommodation, which manifests itself in the benefits area due to the higher cost of temporary accommodation leading to a loss of subsidy. There is also a pressure due to additional costs for those in supported and exempt accommodation. In addition to the benefits pressure, there is also a pressure of £0.152m on the Audit budget. The scale fee for the 2018/19 external audit of the statement of accounts was £0.062m, and the Council had estimated that the overrun costs would be in the region of £0.200m, but a recent estimate from the external auditors is that the overspend is likely to be around £0.445m. These pressures are offset by an underspend on the LGSS contract (£0.158m), the IT budget (£0.072m) and other variances which come to a net overspend of £0.071m.
- 3.2.6 Within the **Economy, Assets and Culture** area there was an overall underspend of £0.567m. The main underspends in this area were on Programmes & Enterprise (£0.210m) and Head of Economic Development and Regeneration (£0.129m) due to in year vacancies. In addition, there were smaller underspends on Property Maintenance (£0.083m); Museums and Arts (£0.052m), Car Parking (£0.051m) and Facilities Management (£0.044m). This is partially offset by a pressure in the markets area (£0.067m) due to a reduction in income due to lower market stall occupancy. Other smaller variances came to a net underspend of £0.065m.
- 3.2.7 Within the **Housing & Wellbeing** area there was an overall overspend of £1.008m. The pressures mainly relate to an increased demand in temporary accommodation and associated increased charge in the bad debt provision totalling £0.778m. The TA Implementation Group which meets fortnightly is monitoring the use and cost of temporary accommodation with the aim of reducing through a series of measures. There was also an under achievement of targeted income across the service of £0.580 predominantly relating to Civil Penalties. These pressures were forecast during the year and have been partially mitigated by savings on staffing budgets and the utilisation of Housing Reserves.
- 3.2.8 Within the **Borough Secretary** area there was an overall underspend of £0.134m, made up of vacancies within the Legal Team (£0.043m) and the Democratic Services Team (£0.042m); a reduction in the cost of the annual canvass in Electoral Services (£0.056m); and other smaller variances (net £0.009m overspend) .
- 3.2.9 Within the **Planning** area there was an overall underspend of £0.416m. This was partly due to an underspend in the Planning Policy & Heritage area (£0.222m) mainly due to vacant posts. There was also an underspend on Development Control (£0.101m) due to additional income and some vacancies. Other smaller underspends totalled £0.093m.

- 3.2.10 On the **Corporate** budget there was an underspend of £0.170m due to greater interest income generated from cash balances due to the authority having to take out less borrowing than originally forecast due to a strong cash position.
- 3.2.11 All outturn variations will be reviewed as part of a robust review of the current 2020/21 budget and medium term financial plan going forward.
- 3.2.12 Specific carry forwards totalling £0.186m have been requested for use in 2020/21. While there was an overall overspend on the council's general fund budget, these requests to carry budgets forward all come from individual underspends. These requests are detailed in **appendix 2**.
- 3.2.13 **Table 2** below sets out the proposed funding of the 2019/20 overspend.

Table 2	£m
Funding of 2019/20 overspend	
Total outturn position	0.383
Carry forward requests	0.186
Total to be funded from the MTFP cashflow reserve	0.569

General fund balances and earmarked reserves

- 3.2.14 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 £4.0m. The unaudited outturn shows that this can be achieved as at 31 March 2020.
- 3.2.15 The Council also holds general fund earmarked reserves of just over £25m to mitigate against specific risks to which the Council may be exposed and for investing in service improvement. These are detailed in **appendix 3**.

3.3 General fund capital

- 3.3.1 The Council's final approved budget for general fund capital programme expenditure in 2019/20 was £30.1m, reflecting carry forwards from 2018/19, in year changes and re-profiling approved as part of the setting of the 2020/21 capital programme in February.
- 3.3.2 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.
- 3.3.3 Capital expenditure for 2019/20 totalled £24.4m against the final approved budget of £30.1m, a net variance of £5.7m (19%). A large proportion 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 (2020/21). The majority of this carry forward is due to the timing of approvals and the timescales for letting contracts and funding agreements.

- 3.3.4 The net overspend after taking account of proposed carry forwards is around £0.7m.
- 3.3.5 **Table 3** below shows how the capital programme for 2019/20 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 3 Financing of capital programme 2019/20	General fund £m
Borrowing	10.5
Capital receipts	3.8
Grants and other contributions	4.9
Section 106 contributions	5.2
Total	24.4

3.4 Housing Revenue Account (HRA)

- 3.4.1 The provisional HRA outturn position shows an underspend on controllable spending of £0.049m. This has reduced the required net contribution to reserves from the budgeted amount of £4.743m to £4.694m, while the HRA working balance remains unchanged at £5m.
- 3.4.2 It should be noted that this outturn position excludes a £0.209m underspend Northampton Partnership Homes (NPH) are reporting in the total management fee and are seeking to retain. Under section 11 of the Management Agreement NPH are required to consult the Council about the use of its surpluses and reserves and obtain consent for the use of surpluses and reserves outside of the scope of the Delivery Plan.
- 3.4.3 It should be noted that NPH have managed most of the HRA expenditure budgets in 2019/20 and the actual expenditure incurred is therefore reflected in the summary HRA accounts as management fee payments to NPH.
- 3.4.4 **Appendix 5** provides summary of the main variances against the HRA 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:
- 3.4.5 Income – additional income generated as a result of increased charges for leaseholder major works (0.318m). This is offset by the under achievement of income targets on dwelling/non-dwelling rents and service charges of £0.193m against a target of £51.827m. This variance represents 0.37% of target.
- 3.4.6 NPH Management Fee – there is no overall variance against the contract for 2020/19. This includes a surplus of £0.209m that NPH are seeking to retain. Further details of NPH outturn figures can be found in report section 3.6.

3.4.7 Lower contribution to the bad debt provision than budgeted (£0.401m) reflects the good performance of managing arrears and the further delay on full implementation of the welfare reforms and universal credit.

3.4.8 Leaseholder Major Works – capital costs on leaseholder properties to be charged to revenue of approximately £0.318m offset by income generated by charges to tenants.

3.4.9 Other variances:

- Lower support service recharges reflect savings within general fund services (£0.069m)
- Recharge of housing management costs to HRA (£0.123m)
- Savings on rent, rates & taxes (£0.122m)
- Increased depreciation costs compared to budget (provisional figures based on 2018/19 outturn)
- Lower use of Revenue Contributions to Capital (RCCO)
- Increased audit fee (£0.136m)
- Other minor variances giving rise to an additional pressure (£0.091m)

3.4.10 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.

3.4.11 The draft total balance on all HRA reserves and balances at 31 March 2020 is £9.402m. **Appendix 6** details the forecast movement to and from HRA reserves, excluding working balances. Contributions to and from working balances and earmarked reserves are summarised in **table 5** below. Cabinet are asked to approve these contributions from reserves.

Table 5 HRA working balances and reserves	Balance 1 April 2019 £m	Movement in year £m	Balance at 31 March 2020 £m
Working balances	5.000	0	5.000
HRA reserves	7.296	(4.694)	2.602
Leaseholders reserve	0.500	0	0.500
Service improvement and project reserve	1.000	0	1.000
Insurance reserve	0.300	0	0.300
Total HRA balances	14.096	(4.694)	9.402

3.5 HRA capital

- 3.5.1 The Council's final approved budget for the HRA capital programme expenditure in 2019/20 was £73.096m, a net increase of £30.770m from the original budget of £42.326m. The budget increased due to carry-forwards from 2018/19 of £0.375m and the approval of 2 new schemes totalling £30.395m, these were:
- a) £5.395m Specialist homes (form of supported living) in support of Social Care outcomes
 - b) £25m Developer Affordable Home Opportunities
- 3.5.2 HRA capital expenditure for 2019/20 totalled £43.828m against the final approved budget of £73.096m, a net underspend of £29.267m. This underspend relates mainly to the capital programme being re-profiled for the Developer Affordable Home Opportunities (£22.100m) and NPH managed New Build Schemes of £9.286m. The re-profiling of the New Build Schemes is for various reasons which includes; protracted tender negotiations; site clearance and service installation delays; and the relocation of retail tenants.
- 3.5.3 An in year virement of £2.9m was approved by Cabinet from the Developer Affordable Home Opportunities budget to the Buyback/Spot Purchase budget to help reduce cost pressures on the revenue budget relating to temporary accommodation.
- 3.5.4 There are a number of budget overspends totalling £2.928m, consisting of Landscaping (£1.145m), Component Works (£1.305m), Disabled Adaptations (£0.405m) and other budgets totalling (£0.076m). Works in these areas have been progressing well and, in some cases, accelerated. These budgets span multiple years, and these overspends will be funded by bringing forward budget from 2020/21.
- 3.5.5 Further details are provided in **appendix 7**.
- 3.5.6 **Table 6** below shows the proposed funding of the HRA capital programme for 2019/20.

Table 6 Financing of HRA capital programme 2019/20	HRA £m
Capital receipts	8.807
Major repairs reserve	12.999
Homes England Grant & S106	1.634
Revenue financing	6.049
Borrowing	14.340
Total	43.828

- 3.5.7 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.

3.5.8 The carry forward schemes will be incorporated into the 2020/21 agreed capital programme and monthly monitoring processes.

3.6 Northampton Partnership Homes (NPH) outturn

3.6.1 The NPH outturn for the year 2019/20 is a £6.641m underspend on the total management fee. This consists of £6.674m underspend on Capital due to a re-profiling of new build schemes and a small overspend on the Traveller Site General Fund Budget of £0.033m.

3.6.2 The NPH HRA Revenue budget has nil variance. NPH are seeking to retain a surplus on the management fee of £0.209m to offset the delayed 2019/20 activities which will now take place in 2020/21. There is an underspend on the Operational Management Budget of £0.455m and an overspend on the Repairs & Maintenance Budget of £0.239m.

3.7 Choices (options)

3.7.1 Cabinet is invited to note the report and the explanations of the actual outturn on controllable income and expenditure for the general fund, HRA, capital programme and NPH.

3.7.2 Cabinet is asked to approve the movements in the general fund and HRA reserves.

3.7.3 Cabinet is asked to approve the capital and revenue budgets to be carried forward to 2020/21.

3.7.4 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 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 (HRA), capital programme and NPH for 2019/20. 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 and health

4.4.1 There are no specific equality and health implications arising from this report.

4.5 Consultees (internal and external)

4.5.1 Chief Executive and Heads of Service 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 Appendices

4.7.1 The Appendices are set out as follows:

1. General fund revenue budget outturn 2019/20
2. General fund carry forward requests 2019/20
3. General fund earmarked reserves movements 2019/20
4. General fund capital programme outturn and carry forwards 2019/20
5. Summary of HRA outturn position 2019/20
6. Summary of HRA earmarked reserves and balances 2019/20
7. HRA capital programme outturn and carry forwards 2019/20

5. Background Papers

5.1 Cabinet Reports – Budget setting and budget monitoring throughout 2019/20.

Stuart McGregor

Chief Finance Officer (Section 151 Officer)