



NORTHAMPTON
BOROUGH COUNCIL

CABINET REPORT

Report Title	FINANCE AND MONITORING OUTTURN REPORT 2014/2015
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AGENDA STATUS: PUBLIC

Cabinet Meeting Date:	15 July 2015
Key Decision:	No
Within Policy:	Yes
Policy Document:	No
Directorate:	Management Board
Accountable Cabinet Member:	Cllr M Hallam
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 2014/15.

2. Recommendations

- 2.1. That Cabinet note the outturn for the General Fund and Housing Revenue Account for the financial year 2014/15 as set out at **Appendix 1** and **Appendix 6**.
- 2.2 That Cabinet note the contributions to General Fund Revenue Earmarked Reserves as shown in **Appendix 3**.
- 2.3 That Cabinet note the net movement in Housing Revenue Account Reserves and working balances as set out at **Appendix 7**.
- 2.4 That Cabinet note the outturn for the Council's General Fund and Housing Revenue Account Capital Programmes for 2014/15 and how the expenditure was financed as set out at **Appendix 4** and **Appendix 8**.
- 2.5 That Cabinet approve the carry forward for revenue and capital schemes from 2014/15 into 2015/16.

- 2.6 That Cabinet agree the addition to the General Fund Capital Programme of £6.8m over the next four years for Phase 1 of the Central Museum Redevelopment, funded by the receipt from the sale of the Sekhemka statue. As set out at **Appendix 5**.
- 2.7 That Cabinet note the outturn for Northampton Partnership Homes for the three month period ending 31/3/2015 as set out at **Appendix 9** and approve the setting up of an insurance reserve as detailed in paragraph 3.4.1.

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 in July.

3.2 General Fund

- 3.2.1 The General Fund outturn for controllable service budgets shows an underspend of £2,143k. 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	3,304	3,056	(248)
Director of Housing	1,649	1,428	(221)
Borough Secretary	13,672	12,806	(866)
Director of Customers and Communities	13,276	12,469	(808)
Total Service Controllable Spending	31,901	29,759	(2,143)
Debt Financing	2,097	1,617	(480)
Total Controllable Spending	33,998	31,376	(2,623)

- 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

- Commitments under the Business Incentive Scheme grant yet to be awarded. This surplus has been requested to be carried forward.

3.2.2.2 Borough Secretary

- The realisation of savings following post transfer of back office support to LGSS.
- Saving due to pension auto-enrolment not starting in 2014/15 and transition costs not incurred in 2014/15.

3.2.2.3 Customers and Communities

- The recognition of recycling credits and reduced Environmental Services costs mainly due to the non-payment of bonds that are no longer relevant to the contract.

3.2.3 All outturn variations will be reviewed as part of a robust review of the current 2015/16 budget and Medium Term Financial Plan going forward.

3.2.4 **Table 2** below sets out the proposed use of the 2014/15 underspend. The underspend is being used to mitigate risk and ensure The Council can invest in future service improvements and economic initiatives across the Borough.

Table 2 - Use of 2014/15 Underspend	Report ref Paragraph	Variance £000
GF Contribution to Reserves		-2,623
Reduction in Insurance Reserve	3.2.6	-407
Carry Forward Requests	3.2.7	451
Environmental Services contract contribution to reserves	3.2.8	444
Increase in VAT reserve		38
Business Rates Retention	3.2.9	1,137
Financial Pressures Reserve	3.2.10	500
Strategic Investment Reserve	3.2.11	260
Balancing the 16/17 budget position		200
Revised Contribution to Reserves		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 2014/15 with more details in the paragraphs below.

3.2.6 Following receipt of a report from the Council's Insurers, AON, the amount required to be set aside in the insurance reserve has reduced and this reduction has been redistributed to manage other risks being faced.

3.2.7 Specific carry forwards have been requested for use in 2015/16. These include the retention of budget to be paid out in 2015/16 for the Business Incentive Scheme, a small contribution to support Northampton Alive projects and planning income received at the end of 2014/15 which will be required in 2015/16 to process large applications which have been received.

3.2.8 The Council has identified that there is a future risk around the management and procurement of the Environmental Services contract and set some monies aside to manage this in future years.

3.2.9 The volatility that has been experienced surrounding Business Rates from 1 April 2013 has had adverse implications for the Council. The monies set aside will assist with the future accounting treatment of previous year and current year's deficits in funding.

3.2.10 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 Financial Pressures Reserve to assist with the management of these risks.

- 3.2.11 The Strategic Investment Reserve has been set up to assist the organisation with achieving its strategic objectives and ensuring it has the ability to provide investment to support the organisation to reduce costs or increase income in the future.
- 3.2.12 A key part of the proposed use of the underspend is to close the £0.2m forecast shortfall in 2016/17 budget plans. This will put the Council in a good financial position for 2016/17 in advance of announcements from government about funding levels later in the year.
- 3.2.13 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. This will provide a robust basis for the Medium Term Financial Strategy and service delivery planning.

General Fund Balances

- 3.2.14 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 £4.9m. The unaudited outturn shows that this can be achieved as at 31 March 2015.

As part of the budget setting for 2015/16 the reserves of the Council were subject to a robust review which resulted in no change to the minimum level of General Fund balances.

- 3.2.15 The Council also holds General Fund earmarked reserves (excluding technical reserves) of £27.1m to mitigate specific risks to which the Council may be exposed and investing in service improvement. These are detailed in **Appendix 3**.

General Fund Capital

- 3.2.16 The Council's final approved budget for General Fund capital programme expenditure in 2014/15 was £39.63m, a net increase of £20.68m from the original budget of £18.95m. The budget initially increased due to carry-forwards from 2013/14 of £3.5m. During 2014/15 further loans to Northampton Town Football Club (£3m) and Cosworth (£1.4m) were agreed. Contributions from Section 106 contributions to NCC Education and the Highways Agency totalling £3.4m were also added to the capital programme during the year. Other changes largely relate to increases in external financing from grants and contributions and self-funded schemes.
- 3.2.17 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.
- 3.2.18 Capital expenditure for 2014/15 totalled £31.65m against the final approved budget of £39.63m, a net underspend of £7.98m (20%). This includes £5.27m 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.

3.2.19 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 2014/15	Final Approved Budget	Outturn	Variance
General Fund	£m	£m	£m
Customers & Communities	1.248	1.002	(0.246)
Regeneration, Enterprise & Planning	27.506	22.116	(5.390)
LGSS Managed Budgets	0.235	0.110	(0.125)
Housing General Fund	1.740	1.276	(0.464)
Loans to Third parties	8.900	7.150	(1.750)
Total	39.629	31.654	(7.975)

3.2.20 **Table 4** below shows how the capital programme for 2014/15 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 2014/15	General Fund

	£m
Borrowing	20.675
Capital Receipts	1.268
Government Grants	3.092
Third Party Contributions	3.905
Revenue Contributions	2.714
Total	31.654

3.2.21 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 saving in funding by corporate borrowing and capital receipts is £0.170m.

3.2.22 **Table 5** below shows the amount of carry forward from 2014/15 into the 2015/16 capital programme. Details are shown on a scheme by scheme basis at **Appendix 4**.

Table 5 General Fund Capital Carry forward 2014-15	£m
General Fund	
Customers & Communities	0.209
Regeneration, Enterprise & Planning	5.112
LGSS Managed Budgets	0.085
Housing General Fund	0.250
Loans to Third Parties	1.750
Total	7.406

3.2.23 The carry forward schemes will be incorporated into the 2015/16 agreed capital programme and monthly monitoring processes.

Addition to Capital Programme - Central Museum Development

3.2.24 The sale of the Sekhemka statue in 2014 generated a capital receipt of £7.7m, to be used for improvements to the Central Museum. The Council is currently in the process of procuring the old Gaol Block from Northamptonshire County Council for £0.9m. This was approved by Cabinet in September 2014. Plans have been developed for Phase 1 redevelopment of the museum at a cost of £6.8m.

3.2.25 This total expenditure of £6.8m is spread over 4 years as follows:

2015-16	£150,000
2016-17	£645,000
2017-18	£5,775,500
2018-19	£229,500
Total	£6,800,000

3.2.26 Further details are provided in **Appendix 5**.

3.3 Housing Revenue Account

3.3.1 The HRA outturn position shows an underspend on controllable spending of £2.618m. After technical accounting adjustments this position moves to an overspend of £2.345m., This allows for a net contribution to reserves of £3.534m, while the HRA working balance remains unchanged at £5m.

3.3.2 The summary HRA outturn is attached at **Appendix 6**.

Main Variances

3.3.3 **Table 6** below summarises the main variances detailed in Appendix 6. 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	15,525	14,277	(1,248)
General Management	7,853	7,467	(386)
Special Services	4,053	3,518	(535)
Rents, Rates, Taxes & Other Charges	78	267	189
Increase in Bad Debt Provision	750	216	(534)
Capital Charges	12,211	12,422	211
Interest and Financing	6,246	6,011	(235)
Other Minor Variations	(47,905)	(47,713)	193
HRA Net Expenditure 2014/2015	(1,189)	(3,534)	(2,345)
Net Contribution to/(from) Reserves	1,189	3,534	2,345
Housing Revenue Account Deficit/(Surplus)	0	0	0

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

- 3.3.4 Repairs and Maintenance: - Mainly due to capitalisation of eligible void works identified and a lower level of work undertaken by the Asset Strategy Service.
- 3.3.5 General Management and Special Services – savings as a result of the restructures within the services and the holding of posts vacant pending the implementation of both restructures and the creation of Northampton Partnership Homes.
- 3.3.6 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.
- 3.3.7 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.

- 3.3.8 The total balance on all HRA reserves and balances at 31 March 2015 is £24.8m. **Appendix 7** 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 note the contributions to reserve levels

Table 7 – HRA Working Balances and Reserves	Balance 1 April 2014 £000	Movement in Year £000	Balance 31 March 2015 £000
Working Balance	5,000		5,000
Capital Programme Reserve	12,999	4,068	17,067
Leaseholders Reserve	168	332	500
Service Improvement and Project Reserve	1,395		1,395
Stock Options Appraisal	873	(865)	8
Supporting People Reserve	558		558
Insurance reserve	300		300
Total HRA Balances	21,294	3,535	24,829

HRA Capital

3.3.9 The Council's final approved budget for HRA capital programme expenditure in 2014/15 was £43.72m, a net decrease of £2.98m from the original budget of £46.70m. The budget initially increased due to carry-forwards from 2013/14, but was subsequently decreased to reflect savings in the Decent homes Programme and other schemes.

3.3.10 HRA Capital expenditure for 2014/15 totalled £29.97m against the final approved budget of £43.72m, a net underspend of £13.75m (31%). The majority of this underspend (£9m) relates to Decent Homes. Nearly £5m of savings were generated by efficiency savings and greater management of contractors and the supply chain. There was also less work required than originally forecast. A carry forward of £5.5m is required to complete remaining Decent Homes works by June 2015. Further details are provided in Appendix 8, along with explanations of the reasons for any significant variances.

3.3.11 **Table 8** below shows how the HRA capital programme for 2014/15 has been funded.

Table 8 Financing of HRA Capital Programme 2014/15	HRA
	£m
Capital Receipts	2.115
Major Repairs Allowance	12.328
Government Grants	15.522
Total	29.965

3.3.12 The proposed HRA carry forwards of £7.77m, as detailed in **Appendix 8** are limited to the completion of the Decent Homes Programme and a few other

specific schemes. The programme for 2015/16 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.

3.3.13 The carry forward schemes will be incorporated into the 2015/16 agreed capital programme and monthly monitoring processes.

3.4 Northampton Partnership Homes (NPH) Outturn

3.4.1 The NPH accounting surplus for the last quarter of 2014/15 was £140k of which £113k has been set aside as a reserve on the back of the Insurance Actuary's professional advice to cover Insurance excesses on any future Public Liability and Employers Liability claims. This leaves £27k which in accordance with the Management Agreement will be adjusted back into the retained HRA in 2015/16 and 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 residual HRA budget transferred at the time of inception. The main variances against the elements of the Total Fee are shown in **Appendix 9**.

Table 9– NBC / NPH Extract from Pre-Audited Accounts	Original Budget	Actual	Variance
	£000	£000	£000
Management Fee	28,056	13,786	(14,270)
Expenditure	28,056	13,532	(14,524)
Operating Surplus Before Financing and Tax)	0	254	(254)
Financing Costs	0	114	(114)
Operating Surplus	0	140	(140)

3.4.3 The original budget made available for the remaining 3 month period of the year was based on the unspent budget at the 5 January 2015. The actual variance of (£14.5m) was mainly down to re-phasing of the HRA Capital programme (£7m) and through efficient management of contractors and the supply chain over the full financial year generating savings of (£5m), as reported in paragraph 3.3.11, of which approximately £4m has been saved by greater management of contractors and the supply chain over the full year and the re-phasing of the remaining Decent Homes work into 2015/16 of £5.5m.

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 2015/16.
- 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 (see paragraph 3.4.3), and
 - investment is made in its museum service (see paragraph 3.2.24 to 3.2.26).

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 2014/15. 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 2014-15
2. General Fund - Service Budget Outturn Position 2014/15
3. Extract of General Fund Earmarked Reserves Movements 2014/15
4. General Fund Capital Programme 2014/15 - Outturn and Carry Forwards
5. Central Museum Proposed Works
6. Summary of Housing Revenue Account Outturn Position 2014/15
7. Summary of HRA Earmarked Reserves 2014/15
8. HRA Capital Programme 2014/15 - Outturn and Carry Forwards
9. Northampton Partnership Homes Outturn 2014/15

5. Background Papers

5.1 Cabinet Reports – Budget Setting and Budget Monitoring throughout 2014/15

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