

POLICY & FINANCE COMMITTEE
23 SEPTEMBER 2021**GENERAL FUND, HOUSING REVENUE ACCOUNT (HRA) AND CAPITAL PROJECTED OUTTURN REPORT TO 31 MARCH 2022 AS AT 31 JULY 2021****1.0 Purpose of Report**

1.1 This report compares the Revised Budgets for the period ending 31 March 2022 with the Projected Outturn forecast for the period, based on meetings with Financial Services staff and the appropriate Business Manager. These are based on four months' performance information on the Council's revenue and capital budgets, including:-

- General Fund (GF) Revenue
- Housing Revenue Account (HRA)
- Capital Programme

2.0 Background Information

2.1 The Council's Constitution states that the Section 151 Officer shall present to the Policy & Finance Committee, at least twice in each financial year, budgetary control statements showing performance against the approved estimates of revenue expenditure and income. The appropriate Chief Officer will report on any major variances from planned budget performance.

2.2 Where it appears that the amount included under any head of the approved budget is likely to be exceeded or the budgeted amount of income under any head is unlikely to be reached then Business Managers are required to find savings elsewhere in their budget. In circumstances where savings cannot be identified it will be necessary to consult with the Section 151 Officer and ultimately take a report to the Policy & Finance Committee.

3.0 Proposals**Overview of General Fund Revenue Projected Outturn for 2021/22**

3.1 The accounts show a projected favourable variance against the revised budget of £0.163m on Service budgets, with an overall favourable variance of £0.148m as shown in the table below. This is based on meetings which took place with Business Managers by mid-August, therefore does not account for subsequent changes in expenditure/income.

| | Original Budget £'m | Revised Budget £'m | Projected Outturn £'m | Variance £'m |
|-----------------------------|------------------------------------|-----------------------------------|--------------------------------------|-------------------------|
| Economic Development | 2.507 | 2.744 | 2.421 | (0.323) |
| Homes & Communities | 2.023 | 2.165 | 2.001 | (0.164) |
| Leisure & Environment | 4.702 | 4.654 | 4.526 | (0.128) |
| Policy & Finance | 5.607 | 5.705 | 6.157 | 0.452 |
| Net Cost of Services | 14.839 | 15.268 | 15.105 | (0.163) |
| Other Operating Expenditure | 4.072 | 4.072 | 4.062 | (0.010) |

| | | | | |
|---|----------------|----------------|----------------|----------------|
| Finance & Investment Income/Expenditure | (0.375) | (0.375) | (0.305) | 0.070 |
| Taxation & Non-Specific Grant Income | (20.801) | (20.801) | (20.846) | (0.045) |
| Net Cost of Council Expenditure | (2.265) | (1.836) | (1.984) | (0.148) |
| Transfer to/(from) Usable Reserves | 1.646 | 1.217 | 1.365 | 0.148 |
| Transfer to/(from) Unusable Reserves | 0.619 | 0.619 | 0.619 | 0.000 |
| Transfer to/(from) General Reserves | 0.000 | 0.000 | 0.000 | 0.000 |

- 3.2 As can be seen from the table above there are variances projected in service areas and other budgets. Looking at the underlying trends, the detailed variances by Committee can be further summarised and these are shown at **Appendix A**.
- 3.3 Service Budgets managed by Business Managers is currently predicting a favourable variance of £0.163m and represents 1.1% of the total service budgets. This favourable variance of £0.163m includes an unfavourable variance of £0.006m on employee spend Council-wide. Excluding employee spend, therefore, non-employee spend and income have favourable variances totalling £0.169m.
- 3.4 The unfavourable variance of £0.006m on employee spend includes a budgeted saving of £0.541m for vacancies council-wide during the year which represents 3.5% of the overall salary budget. As it is not known which services will have vacant posts during the year, the whole of the £0.541m is currently budgeted for within the Policy and Finance committee's budget and shows as an unfavourable variance. Conversely, all of the savings from vacant posts show as favourable variances against their respective Committees. Further details can be found in **Appendix A**.
- 3.5 Non-Service expenditure is expected to have an unfavourable variance of £0.015m against the revised budget of £17.104m. The £0.070m unfavourable variance against Finance & Investment Income/Expenditure primarily relates to a reduction in forecast investment interest income. This is largely offset by a £0.045m favourable variance against Taxation & Non-Specific Grant Income from COVID-related Income Support Scheme grant for the period between April 2021 and June 2021.
- 3.6 The Nottinghamshire Business Rates Pool may also return some funding to the council for 2021/22, though it cannot currently be quantified how much this may be, as it is based on the non-domestic rates (NDR, or 'business rates') income received by all authorities within the pool. Officers across Nottinghamshire are working to review the position, albeit this will be difficult to predict as the landscape for businesses is currently so volatile. Nottinghamshire S151 officers keep this under review during the year to assess the latest information collated across the County. This will then be fed into future forecast outturn reports.
- 3.7 It should be noted that the projected outturn variances are still somewhat indicative, and that these will become more accurate in subsequent months, as officers continue to refine budgets and forecasts in light of the latest information available.
- 3.8 There has been a net transfer of £0.429m from reserves in 2021/22 until the end of July 2021. Four of these transfers from reserves were each more than £0.050m in value. These total £0.417m:

| Policy & Finance Committee approval | Transfer from reserves relates to | Amount (£) | Committee which received transfer |
|-------------------------------------|--|----------------|-----------------------------------|
| 26/11/2020 | Feasibility work on relocation of Cattle Market and Lorry Park and options for redevelopment of the site | 200,000 | Economic Development |
| 01/04/2021 | Newark Towns Fund specialist consultancy support regarding business cases for Town Investment Plan (TIP) priority projects | 77,000 | Economic Development |
| 24/06/2021 | Castle Gatehouse condition survey, design reviews and funding application | 80,000 | Economic Development |
| 24/06/2021 | Legal support for regeneration projects (such as Newark Towns Fund) | 60,000 | Policy & Finance |
| | | 417,000 | |

3.9 The other transfers (to) and from reserves, each less than £0.050m in value, total £0.012m:

| Economic Development | Homes & Communities | Leisure & Environment | Policy & Finance | Total: Services |
|----------------------|---------------------|-----------------------|------------------|-----------------|
| (72,235) | 155,998 | (48,740) | (22,927) | 12,097 |

3.10 Each year, the government announces which reliefs that business rate payers will be eligible for, and how much grant it will compensate councils with for income councils can no longer directly receive from businesses (because of the aforementioned business rate reliefs). Prior to 2020/21, the council has typically received around £2m annually in compensation grant. In 2020/21, because of the Expanded Retail Discount, the council received more than £18m in compensation grant. In 2021/22, because of the Expanded Retail Discount, the council will receive more than budgeted for in compensation grant. Though the grant relates to the Collection Fund, accounting regulations require it to be paid into the General Fund. There will therefore be a large deficit in the council's Collection Fund at year-end, and, conversely, a large surplus in its General Fund which will need to be transferred to reserves to pay for the Collection Fund deficit. MHCLG have developed guidance for local authorities on the appropriate accounting arrangements.

Overview of Projected Housing Revenue Account (HRA) Outturn for 2021/22

3.11 With reference to the 'Variance' column in the table below, the HRA accounts show a projected favourable variance against the revised budget of £0.698m as follows:

| | Original Budget £'m | Revised Budget £'m | Projected Outturn £'m | Variance £'m |
|---|------------------------|-----------------------|--------------------------|-----------------|
| Expenditure | 17.239 | 17.357 | 16.824 | (0.533) |
| Income | (25.058) | (25.048) | (25.213) | (0.165) |
| Net Cost of HRA Services | (7.819) | (7.691) | (8.389) | (0.698) |
| Other Operating Expenditure | 0.033 | 0.033 | (0.047) | (0.080) |
| Finance & Investment Income/Expenditure | 3.770 | 3.770 | 3.770 | 0.000 |

| | | | | |
|--|----------------|----------------|----------------|----------------|
| Taxation & Non Specific Grant Income | 0.000 | 0.000 | 0.000 | 0.000 |
| (Surplus)/Deficit on HRA Services | (4.016) | (3.888) | (4.666) | (0.778) |
| Movements in Reserves | | | | |
| Transfer to/(from) Usable Reserves | 1.593 | 1.544 | 1.544 | 0.000 |
| Transfer to/(from) Unusable Reserves | (6.837) | (6.837) | (6.755) | 0.082 |
| Transfer to Major Repairs Reserve | 9.261 | 9.181 | 9.877 | 0.696 |
| Total | 0.000 | 0.000 | 0.000 | 0.000 |

3.12 Since February 2020, officers have been working with budget holders in the Housing, Health and Wellbeing directorate to assess the resources required to manage the council's social housing stock.

3.13 A report by Savills in 2018/19 identified the potential for the council to realise £0.950m in savings from reintegrating social housing management services back in-house. Officers have currently identified £1.053m in savings through the deletion of vacant posts and surplus resources within services. £0.363m of this has been reinvested, largely in new posts such as the Director of Housing, Health and Wellbeing's post and the Business Manager posts to be appointed to.

3.14 An annual £0.690m is therefore available from savings generated by the reintegration that can be reinvested into the council's social housing management services. As part of the 2021/22 HRA Budget and Rent Setting report approved by Full Council in February 2021, it was agreed that £0.590m of the £0.690m would be a revenue contribution to capital spend, and that the remaining £0.100m would be available to spend on revenue initiatives. It is currently forecast that this remaining £0.100m for revenue initiatives will be spent this year.

3.15 Due to the current pandemic, the plans identified within the report tabled at the Policy & Finance Committee during April 2020 have not yet been realised and hence the £0.690m above remains unallocated in future years. Proposals to reinvest the efficiencies will be put forward to the Homes and Communities Committee for consideration and approval. These proposals will be a mixture between reoccurring investment and one-off initiatives. Once agreed these will be built into the base HRA financial Business Plan.

3.16 The projected outturn for the year is a net transfer to reserves of £0.778m. The prudent level of reserve set on the HRA working balance is still £2m which would remain constant.

3.17 The main reasons for the projected favourable outturn variance of £0.778m are:

| | |
|--|----------------|
| Services: a significant number of posts temporarily vacant | (0.399) |
| Anticipated additional rental income | (0.248) |
| Other Operating Expenditure: additional capital-related income | (0.080) |
| Other variances | (0.051) |
| Total | (0.778) |

Overview of Projected Capital Outturn 2021/22

3.18 The table below summarises the position for the Capital Programme to the end of July 2021 and is split between General Fund and Housing Revenue Account.

| | Revised Approved Budget £'m | Revised budget updated for Approval £'m | Actual Spend to July 2021 £'m | Forecast Outturn £'m |
|-------------------------|--------------------------------|--|----------------------------------|-------------------------|
| General Fund | 37.555 | 26.884 | 2.841 | 26.885 |
| Housing Revenue Account | 30.738 | 27.880 | 2.989 | 27.880 |
| Total | 68.294 | 54.765 | 5.831 | 54.765 |

- 3.19 Actual spend to date has been significantly lower than previous years as a proportion of the budget, mainly due to COVID-19 and the subsequent supply issues. However, much of the spend has started to catch up. As per below a large amount of budget is being profiled to next financial year, though this isn't only due to delays caused by COVID.
- 3.20 As projects are developed and spending commitments are made, budget requirements can change. It is a requirement that Policy & Finance Committee approve all variations to the Capital Programme. Following the meeting of 24 June 2021, the total approved budget was £68.294m including slippage from 2020/21. The additions and amendments that now require approval are detailed in **Appendix B** and summarised as follows:

| | |
|----------------------|-------------------|
| Additions/Reductions | £3.696m |
| Reprofiles | £(17.226)m |
| Total | £(13.530)m |

- 3.21 If these variations are approved, then the revised budget will be reduced to £13.530m. A more detailed breakdown at scheme level, including some comments on projects progress, can be found at **Appendices C** (General Fund) and **D** (Housing Revenue Account).

Capital Programme Resources

- 3.22 The Capital resources available to the Council are not static. Capital receipts are generated throughout the year, additional grants and contributions are paid to the Council, and borrowing may be increased to fund some projects.
- 3.23 In summary, the revised budget of £54.765m will be financed as follows, with every attempt to minimise the impact on the Council's revenue budget:

| | General Fund £'m | Housing Revenue Account £'m | Total £'m |
|---------------------------------|---------------------|--------------------------------|---------------|
| Borrowing | 7.548 | 9.184 | 16.732 |
| External Grants & Contributions | 7.833 | 0.648 | 8.480 |
| Capital Receipts | 0.590 | 2.476 | 3.066 |
| Community Infrastructure Levy | 4.260 | 0.000 | 4.260 |
| Revenue Contributions | 6.653 | 15.573 | 22.227 |
| Total | 26.884 | 27.880 | 54.765 |

Capital Receipts

- 3.24 The Council has been successful in securing a number of capital receipts for both general fund and HRA in previous years, and continues to do so. The current level of capital receipts is detailed in the table below:

| | General Fund £'m | HRA Receipts £'m | HRA 1-4-1 Receipts £'m | Total £'m |
|--|---------------------|---------------------|---------------------------|--------------|
| Balance at 1st April 2020 | 0.549 | 2.783 | 0.708 | 4.041 |
| Received up to end of July 2021 | 0.103 | 0.155 | 0.492 | 0.751 |
| Estimated receipts for remainder of the financial year | 0.000 | 0.114 | 0.363 | 0.478 |
| Approved for financing | 0.590 | 2.476 | 0.000 | 3.066 |
| Available Capital receipts balance at 31 March 2022 | 0.063 | 0.577 | 1.564 | 2.203 |
| Estimated Receipts 2022/23 - 2024/25 | 3.143 | 1.130 | 2.372 | 6.645 |
| Approved for Financing 2022/23 - 2024/25 | 3.077 | 1.984 | 2.044 | 7.105 |
| Estimated Uncommitted Balance | 0.129 | (0.277) | 1.891 | 1.743 |

- 3.25 The RTB receipts for Replacement Homes (known as 1-4-1 Receipts) are retained through a RTB agreement. Under the terms of that agreement, the RTB receipts have to be spent on new supply of affordable housing within three years of arising, or have to be returned to the government with penalty interest payable. In light of the impact of COVID-19 on the construction industry, MHCLG has temporarily extended the deadline by which certain RTB receipts must be spent by. The original deadline to spend these receipts by 30 June 2020 has twice been extended: first to 31 December 2020, and now to 31 March 2021.

4.0 Financial Implications (FIN21-22/8003)

- 4.1 All of the financial implications are set out in the body of the report.
- 4.2 As per paragraph 3.11 the HRA is currently predicting an additional transfer of £0.696m to the Major Repairs Reserve.
- 4.3 With regard to the General Fund revenue outturn, the favourable variance of £0.148m represents a variance of just over 1% of the overall General Fund budget.
- 4.4 With regard to capital, any savings on projects will be assessed and used to meet additional demands, or to fund the Council's Capital Programme in future years.

5.0 RECOMMENDATIONS that:

- (a) the General Fund projected favourable outturn variance of £0.148m be noted;
- (b) the Housing Revenue Account projected favourable outturn variance of £0.778m be noted;

(c) the variations to the Capital Programme at Appendix C be approved; and

(d) the Capital Programme revised budget and financing of £54.765m be approved.

Reason for Recommendations

To update Members with the forecast outturn position for the 2021/22 financial year.

Background Papers

General Fund Monitoring Reports to 31 July 2021

Capital Financing Monitoring Reports to 31 July 2021

For further information please contact: Nick Wilson, Business Manager - Financial Services on Ext. 5317; Mohammed Sarodia, Assistant Business Manager - Financial Services on Ext. 5537; or Mike Marriott, Accountant on Ext. 5327

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