

## POLICY & FINANCE COMMITTEE

20 SEPTEMBER 2018

### GENERAL FUND AND CAPITAL PROJECTED OUTTURN REPORT TO 31 MARCH 2019 AS AT 31 JULY 2018

#### **1.0 Purpose of Report**

1.1 This report compares the Revised Budgets with the Projected Outturn forecast for the period to 31 March 2019, based on meetings with Financial Services staff and the appropriate Business Manager. The forecast to the year end is based on the four months' performance to 31 July 2018 on the Council's revenue and capital budgets, including:-

- General Fund Revenue
- Capital Programme

1.2 To inform Committee of the individual contributions to, and withdrawals from, Usable Reserves.

#### **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 2018/19**

3.1 The accounts show a projected over spend of £0.048m on service budgets, and a total projected adverse variance of £0.094m as shown in the table below:

	Original Budget £'m	Revised Budget £'m	Projected Outturn £'m	Variance £'m
Economic Development	1.412	1.835	1.775	(0.060)
Homes & Communities	2.903	3.236	3.213	(0.023)
Leisure & Environment	4.331	4.364	4.332	(0.032)
Policy & Finance	4.044	4.122	4.285	0.163
<b>Net Cost of Services</b>	<b>12.690</b>	<b>13.557</b>	<b>13.605</b>	<b>0.048</b>
Other Operating Expenditure	1.752	1.752	1.836	0.084
Finance & Investment Inc & Exp	0.252	(0.369)	(0.369)	0.000
Taxation & Non Specific Grant Inc	(14.375)	(14.512)	(14.550)	(0.038)

<b>Net Cost of Council Expenditure</b>	<b>0.319</b>	<b>0.428</b>	<b>0.522</b>	<b>0.094</b>
Transfer to/-from Usable Reserves	1.924	1.191	1.191	0.000
Transfer to/-from Unusable Reserves	(2.245)	(1.618)	(1.618)	0.000
Transfer to/-from General Reserves	0.000	0.000	(0.094)	(0.094)

3.2 As can be seen from the table above, there are small variances projected in service areas and other budgets. Looking at the underlying trends, the detailed movements can be further summarised (see **Appendix A**). The items below give Members an indication of the issues that have caused these projected variances:

- Net Cost of Services – adverse variance of £0.048m –
  - Overall underachievement of vacancy savings target                      £0.122m
  - Anticipated savings from managing the Newark Beacon                      (£0.076m)

**The forecast position will be kept under review to ensure at least a break-even position at the end of the financial year.**

3.3 The level of adverse variance on Service Budgets managed by the Business Managers is **£0.048m** and represents 0.35% of the total service budgets. The breakdown below of variances by type of income/expenditure (CIPFA classification), shows where outturn is projecting to be favourable or unfavourable, when compared to the revised budget figure.

Employees	£0.122m
Premises	£0.069m
Transport	(£0.168m)
Supplies	(£0.087m)
Income	£0.620m
Rent Allowances/HB	(£0.508m)
<b>Total</b>	<b>£0.048m</b>

3.4 Non-Service expenditure is expected to have an adverse variance against the revised budget by **£0.046m**. This is due to the delay in delivery of the corporate savings target of £0.084m, allocated to the Councils' Commercial Project Team. Any savings made are highlighted within the appropriate Committee area. The other £0.038m is additional grant income from Rural Services Delivery Grant which was not budgeted for.

3.5 Should this adverse variance materialise, it will contravene the requirement within the Medium Term Financial Plan agreed at Policy & Finance Committee on 29 June 2017, which stated that the General Fund balance should be maintained at 15% of the net Budget Requirement, which for 2018/19 should be £1.707m. This adverse variance would reduce the General Fund balance to £1.643m.

#### **Overview of Projected Capital Outturn 2018/19**

3.6 The table below summarises the first four months position for the Capital Programme, and is split between General Fund and Housing Revenue Account.

	<b>Revised Approved Budget</b> <b>£m</b>	<b>Revised budget updated for Approval</b> <b>£'m</b>	<b>Actual Spend to July 2018</b> <b>£'m</b>	<b>Forecast Outturn</b> <b>£'m</b>
General Fund	11.173	12.532	2.261	12.532
HRA	19.763	19.878	8.843	19.878
<b>Total</b>	<b>30.937</b>	<b>32.410</b>	<b>11.105</b>	<b>32.410</b>

3.7 The capital programme changes during the year as projects are developed and spending commitments are made. It is a requirement that Policy & Finance Committee approves all variations to the Capital Programme, for which the budget approved at 28 June 2018 meeting was £30.937m. The additions and amendments that now require approval for April - July 2018 are detailed in **Appendix B** as follows:

- Additions/Reductions **£1.569m**
- Re-profiles **(£0.096m)**
- **Total** **£1.473m**

3.8 If these variations are approved, then the revised budget will be increased to £32.410m. A more detailed breakdown of this, including some comments on projects progress, can be found at **Appendix C** (General Fund) and **Appendix D** (HRA).

#### **Capital Programme Resources**

3.9 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.

3.10 In summary, the estimated outturn of £32.410m will be financed as follows, with every attempt to minimise the impact on the Council's revenue budget.

	<b>General Fund</b> <b>£'m</b>	<b>HRA</b> <b>£'m</b>	<b>Total</b> <b>£'m</b>
Borrowing	1.987	4.400	6.734
External Grants & Contributions	6.257	3.211	9.468
Capital Receipts	3.200	1.211	4.411
Revenue Contributions	0.741	11.056	11.797
<b>Total</b>	<b>12.532</b>	<b>19.878</b>	<b>32.410</b>

#### **Capital Receipts**

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

	General Fund £'m	HRA Receipts £'m	HRA 1-4-1 Receipts £'m	Total £'m
<b>Balance at 1 April 2018</b>	<b>2.912</b>	<b>3.483</b>	<b>1.236</b>	<b>7.631</b>
Received up to the end of July 2018	0.181	0.368	0.164	<b>0.713</b>
Approved to use for financing	3.200	1.533	1.211	<b>5.944</b>
Estimated receipts for remainder of the financial year	0.35	0.236	0.105	<b>0.691</b>
<b>Available Capital receipts balance at 31 March 2019</b>	<b>0.243</b>	<b>2.554</b>	<b>0.294</b>	<b>3.091</b>
Estimated Receipts 2019/20 - 2021/22	0.350	1.833	0.786	<b>2.969</b>
Approved for Financing 2019/20 - 2021/22	0.593	3.000	0.000	<b>3.593</b>
<b>Estimated Uncommitted Balance</b>	<b>0.000</b>	<b>1.387</b>	<b>1.080</b>	<b>2.467</b>

- 3.12 The Right to Buy (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 3 years of their arising, or have to be returned to Government with penalty interest applied. In addition to this, the receipts cannot be used where a scheme is funded wholly or in part by grant income. Those receipts used for Council new build supply can only be used to fund up to 30% of the cost of any scheme, with the Council required to fund the remaining 70% through the HRA.

### Other Capital Resources

The table below represents the resources remaining after financing the expenditure in the current financial year, the amount committed for future capital schemes and the current unallocated balance.

	General Fund			HRA	
	Grants & Contributions £'m	CIL £'m	Capital Reserve £'m	Grants & Contributions £'m	MRR £'m
Expected Balance Carried Forward at 31 March 2019	5.105	3.423	0.867	0	3.545
Committed for future Capital Schemes	5.105	0	0.06	0	3.545
<b>Unallocated balance</b>	<b>0</b>	<b>3.423</b>	<b>0.807</b>	<b>0</b>	<b>0</b>

The Community Infrastructure Levy (CIL) balance is only available to fund infrastructure needed to support the development of the area. The levy is intended to focus on the provision of new infrastructure and should not be used to remedy pre-existing deficiencies in infrastructure provision unless those deficiencies will be made more severe by new development. The levy can be used to increase the capacity of existing infrastructure or to repair failing existing infrastructure, if that is necessary to support development.

#### **4.0 Impact on Budget/Policy Framework**

4.1 All of the financial implications are set out in the body of the report.

#### **5.0 RECOMMENDATIONS that:**

- (a) the General Fund projected outturn variance of £0.094m be noted;**
- (b) the variations to the Capital Programme of £1.473m be approved; and**
- (c) the Capital Programme projected outturn of £32.410m be noted.**

#### **Reasons for Recommendations**

**To advise Members of the projected outturn monitored against service budgets for the period ending 31 March 2019, as at 31 July 2018.**

#### **Background Papers**

General Fund Monitoring Reports to 31 July 2018

Capital Financing Monitoring Reports to 31 July 2018

Housing Revenue Accounts Monitoring Report to 31 July 2018

For further information please contact Nick Wilson on Ext. 5317

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