

## POLICY & FINANCE COMMITTEE

21 FEBRUARY 2019

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

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

1.1 This report compares the Revised Budgets for the period ending 31 March 2019 with the Projected Outturn forecast for the period, based on meetings with Financial Services staff and the appropriate Business Manager. These are based on nine months' performance information 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 favourable variance against the revised budget of £213k on Service budgets, with an overall favourable variance of £959k as shown in the table below:

	Original Budget £'000	Revised Budget £'000	Projected Outturn £'000	Variance £'000
Economic Development	1,412	1,953	1,596	-357
Homes & Communities	2,903	3,176	3,220	44
Leisure & Environment	4,331	4,617	4,359	-258
Policy & Finance	4,044	4,179	4,537	358
<b>Net Cost of Services</b>	<b>12,690</b>	<b>13,925</b>	<b>13,712</b>	<b>-213</b>
Other Operating Expenditure	0	605	711	106
Finance & Investment Inc & Exp	0	778	567	-211

Taxation & Non Specific Grant Inc	-12,370	-14,649	-14,944	-295
<b>Net Cost of Council Expenditure</b>	<b>320</b>	<b>659</b>	<b>46</b>	<b>-613</b>
Transfer to/-from Usable Reserves	1,925	76	286	210
Transfer to/-from Unusable Reserves	-2,245	-735	-1,291	-556
Transfer to/-from General Reserves	0	0	959	959

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 The level of favourable variances on Service Budgets managed by the Business Managers is **£213k** and represents 1.53% 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.

	<b>£'000</b>
Employees	£229k
Premises	(£9k)
Transport	(£199k)
Supplies	(£210k)
Income	(£34k)
Rent Allowances/HB	£10k
<b>Total</b>	<b>(£213k)</b>

3.4 Non-Service expenditure is expected to have a favourable variance against the revised budget by **£746k**. It is anticipated that £1.047m will be received from Notts County Council as return funding from the Notts Business Rates Pool. At a recent meeting of the Nottinghamshire Chief Executives' meeting, it was agreed to return £3.671m of funding to constituent authorities that had not been allocated. The Councils share of this allocation is £628k. There is also a forecast of £418k of return funding from the Pool for the current financial year, albeit this figure is subject to volatility in the Business Rates system. Renewable energy income from the Business Rates system is forecast to be £210k lower than expected due to revaluations in their rateable values. £84k was set as a savings target for the current year for which the actual savings will be generated within the Service areas. Other variances amount to £7k.

3.5 There has been a positive variation of £45k from the outturn projected at 30 September 2018 for Service budgets. At that time, the outturn was a favourable projection to budget of £168k. As discussed above, this is now a favourable variance to budget of £213k.

3.6 Should this materialise it will not 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.

## Overview of Projected Capital Outturn 2018/19

3.7 The table below summarises the position for the Capital Programme up to the end of December, and is split between General Fund and Housing Revenue Account.

	Revised Approved Budget £'000	Revised budget updated for Approval £'000	Actual Spend to December 2018 £'000	Forecast Outturn £'000
General Fund	12,567	7,367	4,665	7,367
HRA	19,916	19,058	10,919	19,058
<b>Total</b>	<b>32,482</b>	<b>26,425</b>	<b>15,584</b>	<b>26,425</b>

3.8 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 the 29 November 2018 meeting was £32.482m. The additions and amendments that now require approval are detailed in **Appendix B** as follows:

- Additions/-Reductions **-£6.057m**

3.9 If these variations are approved, then the revised budget will be reduced to £26.425m. Such a large reduction is due to a review of the budget available and more accurate estimate of profiling. All of the general fund adjustments will move to 2019/20 and can be seen in the capital programme budget report and the one change in the HRA can now be found in the revenue budget. A more detailed breakdown of this, including some comments on projects progress, can be found at **Appendix C** (General Fund) and **D** (HRA).

### Capital Programme Resources

3.10 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.

3.11 In summary, the estimated outturn of £26.425m will be financed as follows, with every attempt to minimise the impact on the Council's revenue budget.

	General Fund £'000	HRA £'000	Total £'000
• Borrowing	£1,770	£5,333	£7,103
• External Grants & Contributions	£2,858	£2,545	£5,403
• Capital Receipts	£1,706	£2,925	£4,631
• Revenue Contributions	£1,033	£8,255	£9,288
<b>Total</b>	<b>£7,367</b>	<b>£19,058</b>	<b>£26,425</b>

## Capital Receipts

- 3.12 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 below:

	<b>General Fund £'000</b>	<b>HRA Receipts £'000</b>	<b>HRA 1-4-1 Receipts £'000</b>	<b>Total</b>
<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 December 2018	177	544	440	<b>1,161</b>
Use for financing 2018/19	-1,705	-2,761	-513	<b>-4,979</b>
Estimated receipts for remainder of the current financial year	350	74	210	<b>634</b>
<b>Available Capital receipts balance at 31 March 2019</b>	<b>1,734</b>	<b>1,340</b>	<b>1,373</b>	<b>4,447</b>
Estimated Receipts 2019/20 – 2022/23	350	3,364	3,151	<b>6,865</b>
Financing 2019/20 - 2022/23	-1,891	-4,704	-4,524	<b>-11,119</b>
<b>Estimated Uncommitted Balance</b>	<b>193</b>	<b>0</b>	<b>0</b>	<b>193</b>

- 3.13 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 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.

## 4.0 Financial Implications (FIN18-19/7565)

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

With regard to the General Fund revenue outturn, the favourable variance of £213k represents a variance of 1.53% on the overall General Fund budget.

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. Any underspends required in 2019/20 will be carried forward as slippage and reported to this Committee in June 2019.

## 5.0 RECOMMENDATIONS that:

- (a) the General Fund projected favourable outturn variance of £959k be noted;
- (b) the variations to the Capital Programme at Appendix B totalling -£6.057m be approved; and

**(c) the Capital Programme projected outturn and financing of £26.425m be noted.**

**Reason for Recommendations**

**To update Members with the forecast outturn position for the 2018/19 financial year.**

**Background Papers**

General Fund Monitoring Reports to 31 December 2018

Capital Financing Monitoring Reports to 31 December 2018

For further information please contact Nick Wilson, Business Manager – Financial Services on Ext 5317.

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