

POLICY & FINANCE COMMITTEE

20 FEBRUARY 2020

GENERAL FUND, HRA & CAPITAL PROJECTED OUTTURN REPORT TO 31 MARCH 2020 as at 31 DECEMBER 2019

1.0 Purpose of Report

1.1 This report compares the Revised Budgets for the period ending 31 March 2020 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 (GF) Revenue
- Housing Revenue Account (HRA)
- 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 2019/20

3.1 The accounts show a projected favourable variance against the revised budget of £0.514m on Service budgets, with an overall favourable variance of £0.636m as shown in the table below:

	Original Budget £'m	Revised Budget £'m	Projected Outturn £'m	Variance £'m
Economic Development	1.628	2.098	1.630	-0.468
Homes & Communities	3.071	3.209	3.280	0.071
Leisure & Environment	4.550	4.597	4.379	-0.218
Policy & Finance	4.237	4.414	4.515	0.101
Net Cost of Services	13.486	14.318	13.804	-0.514

Other Operating Expenditure	3.421	3.509	3.772	0.263
Finance & Investment Inc & Exp	0.768	0.568	0.192	-0.376
Taxation & Non Specific Grant Inc	-18.330	-18.347	-18.347	-0.000
Net Cost of Council Expenditure	-0.655	0.048	-0.579	-0.627
Transfer to/from Usable Reserves	2.483	1.807	1.807	-0.000
Transfer to/from Unusable Reserves	-1.828	-1.855	-1.864	-0.009
Transfer to/from General Reserves	0.00	0.00	-0.636	0.636

- 3.2 The forecasted transfer of £0.636m to General Reserves excludes income which the council expects to receive from the Nottinghamshire Business Rates Pool. It is not known how much this will be, as the performance of the pool depends on the performance of the pool's constituent authorities. Income received from the pool for 2019/20 will be transferred to the council's Medium Term Financial Position (MTFP) reserve, so that it can be used to pay for future years' deficits, in the event that a deficit remains after all other mitigating actions taken to offset future year deficits.
- 3.3 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**.
- 3.4 Service Budgets managed by the Business Managers is currently predicting a favourable variance of £0.514m and represents 3.6% 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.

	£'m
Employees	£0.132
Premises	£0.042
Transport	-£0.049
Supplies	-£0.009
Income	-£0.802
Rent Allowances/HB	£0.172
Total	-£0.514

- 3.5 Non-Service expenditure is expected to show a favourable variance against the revised budget by £0.122m.
- 3.6 The variance relating to Other Operating Expenditure relates to the Commercial savings target which the forecast additional income will sit within Services rather than within Other Operating Expenditure. The Council's cash position has meant that it hasn't currently needed to take borrowing in relation to the General Fund and hence this has reduced the forecast interest expenditure resulting in a forecast saving of £0.064m. Investment interest by NSDC is also expected to generate a further £303k in the current financial year, primarily from internal borrowing to the Councils' HRA.

Overview of Projected Housing Revenue Account Outturn for 2019/20

- 3.7 With reference to the 'Variance' column in the table below, the accounts show a projected favourable variance against the approved budget of £0.052m for the HRA as follows:

	Original Budget £'m	Revised Budget £'m	Projected Outturn £'m	Variance £'m
NSH Management Fee (Allocation to Housing Management)	8.908	8.755	8.674	-0.081
Council Managed Expenditure	6.436	6.611	6.576	-0.035
Income	-22.923	-22.922	-22.859	0.063
Net Cost of HRA Services	-7.579	-7.557	-7.609	-0.052
Other Operating Expenditure	0.592	0.592	0.590	-0.002
Finance & Investment Inc & Exp	3.874	3.874	3.874	0.000
Taxation & Non Specific Grant Inc	-1.560	-1.560	-1.560	-0.000
Surplus/Deficit on HRA Services	-4.673	-4.651	-4.705	-0.054
Movements in Reserves				
Transfer to/-from Usable Reserves	3.264	3.264	1.966	-1.297
Transfer to/-from Unusable Reserves	-6.479	-6.479	-5.178	1.301
Transfer to Major Repairs Reserve	7.888	7.865	7.917	0.052
Total	0.000	0.000	0.000	0.000

- 3.8 The projected outturn for the year is a net transfer to the Major Repairs Reserve of £0.052m. The prudent level of reserve set on the HRA is still £2m.
- 3.9 This projected outturn position does not include any variance in relation to Newark and Sherwood Homes Ltd financial position. The consolidated year end position will be reported within the Outturn report to Policy and Finance in June 2020.

Overview of Projected Capital Outturn 2019/20

- 3.10 The table below summarises the position for the Capital Programme up to the end of December 2019, and is split between General Fund and Housing Revenue Account.

	Revised Approved Budget £'m	Revised budget updated for Approval £'m	Actual and Commitments to December 2019 £'m	Forecast Outturn £'m
General Fund	15.696	14.979	7.220	14.979
HRA	17.173	15.974	11.752	15.974
Total	32.869	30.953	18.972	30.953

- 3.11 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 28 November 2019 meeting was £32.869m. The additions and amendments that now require approval are detailed in **Appendix B** as follows:

Additions/Reductions	£1.037m
Reprofiles	-£2.953m
Total	-£1.916m

- 3.12 If these variations are approved, then the revised budget will be reduced to £30.953m. These changes are due to a review of the budget available and more accurate estimate of profiling and additions approved during the financial year. A more detailed breakdown at scheme level, including some comments on projects progress, can be found at **Appendix C** (General Fund) and **D** (HRA).

Capital Programme Resources

- 3.13 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.
- 3.14 In summary, the estimated outturn of £30.953m will be financed as follows, with every attempt to minimise the impact on the Council's revenue budget

	General Fund	HRA	Total
Borrowing	£3.505	£1.853	£5.358
External Grants & Contributions	£4.264	£2.388	£6.652
Capital Receipts	£1.431	£3.172	£4.603
Revenue Contributions	£5.779	£8.561	£14.340
Total	<u>£14.979</u>	<u>£15.974</u>	<u>£30.953</u>

Capital Receipts

- 3.15 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:

	General Fund £'m	HRA Receipts £'m	HRA 1-4-1 Receipts £'m	Total £'m
Balance at 1st April 2019	2.039	3.828	1.873	7.740
Received up to the end of June 2019	0.000	0.135	0.445	0.581
Approved to use for financing	1.431	2.338	0.834	4.603
Estimated receipts for remainder of the financial year	0.350	0.562	0.272	1.184
Available Capital receipts balance at 31 March 2020	0.958	2.187	1.756	4.901
Estimated Receipts 2020/21 - 2022/23	0.000	2.021	2.434	4.455
Approved for Financing 2020/21 - 2022/23	0.956	4.208	4.126	9.290
Estimated Uncommitted Balance	0.002	0.000	0.064	0.066

3.16 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 (FIN19-20/3648)

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

4.2 As per paragraph 3.7 the HRA is currently predicting an additional transfer of £0.052m to the Major Repairs Reserve.

4.3 With regard to the General Fund revenue outturn, the favourable variance of £0.514m represents a positive variance of 3.6% on 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 £0.514m be noted;

(b) the Housing Revenue Account projected favourable outturn variance of £0.052m be noted;

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

(d) the Capital Programme projected outturn and financing of £30.953m be noted.

Reason for Recommendations

To update Members with the forecast outturn position for the 2019/20 financial year.

Background Papers

General Fund Monitoring Reports to 31 December 2019

Capital Financing Monitoring Reports to 31 December 2019

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 Jenna Norton, Accountant on Ext. 5327

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