
Budget Monitoring & Draft Outturn 2018/19 for General Fund, HRA and Capital Programme

SYNOPSIS

This report sets out the 2018/19 provisional outturn position for the year in relation to the General Fund, the Housing Revenue Account (HRA) and the Capital Programme. It also requests approval for the carry forward of certain unspent budgets and transfers to reserves.

1. Background Details

In line with corporate budgetary control procedures, reports on the latest financial forecasts for 2018/19 in relation to both revenue and capital programmes have been brought to this committee on a quarterly basis. This is the fourth and final report for 2018/19, and represents the provisional outturn position of actual expenditure against budget for the year, excluding any potential support services recharge adjustments.

2. Report**General Fund Outturn**

As shown in Appendix A, the General Fund shows a provisional underspend of £612k, and this has increased from the £142k underspend reported for the period April to December. Against a gross budget of £54m, this represents a variance of 1.1%. The figures allow for the carry forward bids of £534k detailed below. Subject to committee approval, these amounts will be transferred to reserves as detailed below.

Breakdowns of significant variances are shown in Appendix A are highlighted in more detail below:

- Chief Executive – £20k of the overspend is for the additional costs for submitting the joint Unitary proposal whilst an additional £7k is for consultation costs following the submission. This is partially offset by £10k of savings from leasing the Mayors Car for 2 years rather than outright purchase.
- Neighbourhood Pride - £29k of the underspend is from repairs and maintenance savings and £16k is from salary savings. An additional £18k of income has been also been received for managing private sector homes.
- Planning Services – whilst there are approximately £615k of agency costs and consultancy fees, these are offset by £293k of salary savings and £616k of additional fees income.
- Environmental Services – the major pressures are £65k for the street scene contract and £350k for mixed recyclables gate fees. This is due to a national increase in gate fees charged by processors following a reduction in the value of mixed dry recyclables. This pressure has been partially reduced by an additional £164k of net income for recycling credits, trade waste and licensing income.

Culture & Leisure – £117k of the overspend relates to the golf course which was part of a separate report to OCPC in October. The remaining £100k is largely around income shortfalls and utilities, repairs and maintenance and catering pressures at the pool and Lodge Park.

- Corporate Services – although there are £200k of agency costs within Legal Services, along with £25k of additional bank charges, these have been offset by photocopier savings of £43k, salary savings of £107k and additional benefits and other income of £125k.
- CB Property – the underspend is mainly due to £95k of repairs and maintenance savings on garage repairs along with £63k of additional income from car parks and £97k from commercial lettings and shared services.
- Other – £334k of the underspend is due to continued low interest rate levels, along with a reduced Minimum Revenue Provision (MRP) of £218k. MRP is the amount that we have to set aside each year for the repayment of debt. These amounts are partially reflected in the 2019/20 budget savings proposals. There has also been a partially offsetting pressure of £100k to increase the bad debt provision that we set aside each year.

General Fund Budget Carry Forwards

Carry forwards are proposed for certain projects where specific budgets were allocated in 2018/19 but where expenditure was not fully incurred. In some cases the funding has already been received from external sources but not yet spent. Not completing the project would therefore result in repaying the funding. Where this is the case, the funders have agreed to carry forward the unspent amounts.

The proposed carry forwards totalling £534k are listed below. The underspends referred to above assumes that they will be approved.

Service Area	Description	Amount £k
Chief Executive	Subscriptions	5
Democratic Services	Mayors car rental	6
Local Plans	Community Infrastructure Levy	30
Local Plans	Local Plans	113
Local Plans	Neighbourhood planning grants	9
Planning	Re-investment of 20% uplift in fees	88
Sustainability	Salix surplus for new projects	33
Culture & Leisure	Remaining amount of Special Events WW1	3
Culture & Leisure	Stephenson Way Play Area	8
Culture & Leisure	Priors Hall Community Centre Grant	20
Culture & Leisure	Lottery Marketing Budget	5
Culture & Leisure	West Glebe path improvements	20
Culture & Leisure	Burghley Drive lighting	30
Culture & Leisure	Old Village Hall	2
Culture & Leisure	Unspent Heritage Lottery Funding	1
Culture & Leisure	Unspent Grants Committee budget	8
Corporate Services	Lottery Grant Income to be distributed in 2019/20	15
Corporate Services	DCLG Brexit Grant	18
CB Property	Unspent Shared Service training budget	2
CB Property	Hub Rates Bills uncertainty	71
CB Property	Garage repairs	30
Neighbourhood Pride	Traveller Site replacement entrance gate	7
Neighbourhood Pride	Homelessness Grant	10

General Fund Earmarked Reserves

The General Fund reserves at the end of the 2018/19 total around £11m. However, members will be aware that we have agreed to draw down up to £5m of reserves to fund an expansive capital programme in 2019/20. Whilst it is possible that some of this may be funded from capital receipts, a significant proportion will also need to be met from reserves.

In view of this, the previous method of allocating reserves to specific risks would not allow a sufficient level of reserves to be identified. However, since the decision to move to 2 Unitary Council's within Northamptonshire has now been made by the Secretary of State, several of the medium to long term risks have reduced.

It is therefore proposed to only allocate specific reserves to specific risks where there is a clear short term and significant risk. The remaining balances can then be allocated to a general medium term funding reserve that can be used for any risks or funding requests as they materialise. It is important to note that a reserve can only be spent once and unless it is replenished from a revenue or windfall contribution, it is gone once it has been spent.

The proposed breakdown of the £11m of reserves and an explanation of their use is as follows:

Reserve	2018/19 Year End Amount £k
Medium Term Funding Reserve	6,453
Local Government Re-organisation	375
Future Interest Rate Increase Reserve	1,000
New Homes Bonus Reserve	1,500
CB Commercial Property Repairs	210
Cube CBC & Tenants Sinking Fund Reserve	694
Loss of Rental Income Reserve	700
Oakley Vale Bus Contribution	95
Total	11,027

Medium Term Financing Reserve – after allowing for the 2018/19 underspend and other transfers to and from reserves, the expected balance represents the amalgamation of any other non-earmarked reserves that excludes the £800k prudent statutory minimum balance. This reserve can be used to cover any further risks that may materialise along with invest to save bids. Whilst this amount has increased, it will effectively be the general reserve from which any further non budgeted costs will need to come from, such as additional re-organisation and redundancy costs and any other as yet unidentified projects or capital expenditure items.

Local Government Re-organisation Reserves – Members approved a reserve of £500k early in 2018. So far £125k has been drawn down with the remaining balance due in 2019/20.

Future Interest Rate Increase Reserve – with effect from 2017/18, the revenue budget for interest payments has now been reduced to reflect the continued historic low levels. As such if interest rates increase there is a risk that the revenue budget will need to be supplemented from this reserve.

The balance on the Future Interest Rate Increase Reserve totals £1m, which roughly equates to the cost of a further 3% increase in interest rates for 1 year or a more likely 1.5% increase over 2 years.

New Homes Bonus Reserve – a reserve was set up at the end of 2014/15 as this now represents the most significant financial risk to the Council. Whilst in 2019/20 we are expected to receive over £1.5m as a reward for housing growth, this figure is highly likely to reduce in future years. This is because following a consultation process; the scheme has been revised downwards by the Government as resources have been redirected

toward social care. The formula is also likely to change in future years as funding sources continue to be reviewed.

CB Commercial Property Repairs and Maintenance Reserve – this is to fund future maintenance liabilities on our commercially rented properties.

Cube Sinking Fund Reserve - this reserve includes tenant contributions for future works on the Cube. It is clear that there will inevitably be further significant expenditure required on the Cube at some point in the future and ideally this reserve should therefore be significantly higher. It is hoped that in future years this reserve can be increased and thereby reduce the need to borrow if at some point further works are required that are over and above the value of the reserve.

Oakley Vale Bus Contributions Reserve – this is a reserve that has been set aside to fund the Council's commitment as a landowner in relation to a section 106 agreement.

Loss of Rental Income Reserve – this is a new reserve created as a result of major commercial investments during 2017/18 to mitigate any potential void periods of rental income in the future.

In addition to the above reserves there is £3.7m in a Business Rates Growth & Retention Reserve. There is a potential for additional income in respect of Business Rates Retention and our decision to pool income with other authorities within Northamptonshire. The annual growth or addition to this reserve is used to fund future year's budgets on a rolling basis one year in arrears as per the Medium Term Financial Strategy. In addition, any income over and above what is assumed in the MTFs, is used for a smoothing effect to mitigate the risk of reduced income in future years.

Housing Revenue Account Outturn

As shown in Appendix B, the HRA shows a provisional underspend of £24k, and this has reduced from the £177k underspend reported at the end of December. Against a gross budget of £23m, this represents a variance of 0.1%. As with the General, the £149k will be added to the HRA reserves.

Breakdowns of significant variances shown in Appendix B are highlighted in more detail below:

- Responsive Repairs – the overspend relates to £125k of additional contractor, agency and materials costs along with £105k of internal staff costs that could not be apportioned to the capital programme.
- Pre-planned Maintenance/General Management – the variances largely relate to a combination of salary and wages savings from vacant posts.
- Sheltered Housing - £32k of the underspend relates to salary and wages savings from vacant posts whilst £25k is from additional service charges income.
- Hostels – the underspend is for £42k of additional rent, less additional utilities costs, as more properties have been allocated to support homelessness from the general stock. This has a corresponding reduction in dwelling rents income below. There is also a £18k saving from Council Tax costs as it is paid for by tenants whereas it was originally thought that it would be a cost to the service.
- Emergency Alarms – the overspend is from a £16k income shortfall and £8k of net salary/agency costs.
- Other/Technical – the underspend relates to reduced interest rates levels on borrowing.
- Income – £174k of the shortfall is for properties that have been used for homelessness, as detailed above along with higher than expected void levels. £138k is for the new build programme being delivered later than originally budgeted for.

Housing Revenue Account Reserves

In total the HRA now has £18m of reserves as the end of the 2018/19 financial year. The nature of, and balance on its significant reserves, and the proposals for each of which are described below:

HRA General Reserve – this is estimated to be approximately £3.6m at 31st March 2019 after allowing for the 2018/19 underspend. This amount includes the statutory minimum balance of £800k.

Borrowing Repayment Reserve – this reserve totals £6.4m following a HRA budgeted contribution of £1.5m to it 2018/19. The Medium Term Financing Strategy assumes that the HRA will continue to increase its budgeted contribution to this reserve incrementally by £150k per annum so that the £71m of borrowing undertaken for the stock buyout in 2011/12 can be repaid over the next 30 years as and when the loans mature.

Housing Capital Funding Reserve – this is estimated to be approximately £3.4m after allowing for the use of carry forwards. As the housing capital programme is funded from the HRA, the capital underspend for 2018/19 and previous years is transferred into this reserve. This reserve was set up at the end of 2012/13 to help fund future years programmes when the budgeted revenue contribution is not sufficient and therefore help to smooth out any future peaks and troughs in demand. It can also be used to help fund the purchase or building of new homes.

Right to Buy Reserve – this reserve totals £4.6m and is funded from Right to Buy sales. £3.8m of this is to fund up to 30% of any new build or property purchases. If this is not spent within 3 years of receipt it has to be paid back the government. The remaining £0.8m is for retained repayment of debt which can either be added to the above borrowing repayment reserve or used for new build.

Capital Programme

A breakdown of the full capital programme for 2018/19 is shown in Appendix C, along with proposed carry forwards where the schemes are unfinished.

The housing capital programme shows that £9m was spent against a budget of £13m. Of the net underspend, £3.9m is requested to be carried forward into 2019/20. The balance will go to the HRA Capital Funding reserve or future year's programmes.

The general fund capital programme shows that £2.5m was spent against a budget of £4m. Of the net underspend, £1.48m is requested to be carried forward into 2019/20.

3. Options to be considered (if any)

This report demonstrates that both the General Fund and the Housing Revenue Account have provisionally outturned within budget. The underspends on each account will be returned to balances and reserves which can then be used to fund future expenditure.

The report also shows that our reserves are continuing to increase, particularly within the General Fund and these can be used to mitigate future risks.

4. Issues to be taken into account:-

Financial/Risks

This report considers the financial issues and risks in some detail.

Legal

The statutory requirement to maintain revenue balances on both the General Fund and HRA has been met at 31/3/19.

Performance Information

Financial performance should be considered in the context of levels of performance achieved in delivering services.

Best Value, Community Safety, Human Rights, Equalities, Sustainability

There are no issues in relation to these arising directly from this report.

5. Conclusion

Close monitoring during the year has helped to ensure that underspends of £612k and £24k have been achieved for the General Fund and the HRA and these underspends can now be transferred into reserves.

Reserves have moving in the right direction for a number of years following combined efforts and tough decisions taken by officers and members. Members will be aware that we have agreed to draw down approximately £5m of reserves to support the 2019/20 capital programme. As we continue to face significant risks within the General Fund over the next few years, the remaining reserves will help to ensure that these risks and potential pressures can continue to be managed and mitigated.

6. Recommendations

The Committee:-

- i) Note the 2018/19 outturn position of the General Fund, the Housing Revenue Account and the Capital Programme as contained in this report;
- ii) Approve the General Fund and Capital Programme carry forward budgets as detailed within the report;
- iii) Approve the use of and contributions to Reserves as set out in this report.

Background Papers

Budget Monitoring Working Papers

External Consultations

The Statement of Accounts will be subject to public inspection and audit by the Audit Commission.

List of Appendices

Appendix A – General Fund Budget Monitoring

Appendix B – HRA Budget Monitoring

Appendix C – Capital Programme Monitoring

Wards

All Wards

Officer to Contact

Adrian Sibley, Director of Corporate Services, Ext. 4125

General Fund Budget Monitoring 2018/19

Service	2018/19 Original Budget	2018/19 Latest Budget Expenditure	2018/19 Latest Budget Income	2018/19 Latest Budget	2018/19 Projected Outturn	(Underspend)/O verspend
		A	B	C=B-A	D	E=D-C
	£	£	£	£	£	£
Chief Executive	1,218,799	2,133,933	874,634	1,259,299	1,276,062	16,763
Neighbourhood Pride	603,949	1,415,321	795,972	619,349	556,450	(62,899)
Planning Services	765,441	1,584,494	728,053	856,441	562,510	(293,931)
Environmental Services	4,629,781	6,798,330	2,047,549	4,750,781	5,001,748	250,967
Culture & Leisure	3,133,861	6,595,221	3,271,510	3,323,711	3,550,609	226,898
Corporate Services	1,415,350	27,236,482	25,783,830	1,452,652	1,403,034	(49,618)
CB Property	(4,834,475)	5,023,215	9,698,430	(4,675,215)	(4,930,059)	(254,844)
Human Resources	73,674	378,747	305,073	73,674	80,420	6,746
Transport & Plant Admin	-	49,369	49,369	-	-	-
Other - (Borrowing etc)	2,652,750	2,769,000	116,250	2,652,750	2,200,665	(452,085)
General Fund Total	9,659,130	53,984,112	43,670,670	10,313,442	9,701,439	(612,003)

Housing Revenue Account Budget Monitoring 2018/19

Service	2018/19 Original Budget	2018/19 Latest Budget Expenditure	2018/19 Latest Budget Income	2018/19 Latest Budget	2018/19 Projected Outturn	(Underspend)/O verspend
		A	B	C=B-A	D	E=D-C
	£	£	£	£	£	£
Responsive Repairs	3,861,806	5,305,882	1,610,870	3,695,012	3,924,613	229,601
Preplanned Maintenance	1,376,364	2,282,358	740,780	1,541,578	1,348,754	(192,824)
General Management	4,848,520	5,560,557	678,107	4,882,450	4,709,122	(173,328)
Sheltered Housing	160,745	571,494	366,520	204,974	147,514	(57,460)
Hostels/Single Persons Accomodation	23,880	128,937	101,800	27,137	(32,637)	(59,774)
Community/Emergency Alarms	181,957	244,155	61,000	183,155	206,744	23,589
Other Services - Communal Flats Services	(38,709)	212,922	251,230	(38,308)	(49,141)	(10,833)
Other/Technical	8,082,136	8,122,519	96,918	8,025,601	7,930,279	(95,322)
Income	(18,580,339)	229,651	18,809,990	(18,580,339)	(18,267,764)	312,575
Housing Revenue Account Total	(83,640)	22,658,475	22,717,215	(58,740)	(82,516)	(23,776)

Capital Programme Monitoring 2018/19

Housing (HRA) Capital Programme : as at 31st March 2019

Scheme Description	2018/19 Latest Budget £	2018/19 Actual £	2018/19 Over/ Under £	Carry Forward into 2019/20	Comments
Decent Homes					
Decent Homes : Kitchen & Bathrooms	359,218	372,803	13,585		2018-19 programme complete. Tolerance held for repairs failures.
Decent Homes : Central Heating Replacement	738,143	727,844	(10,299)		
Decent Homes : Rewires	636,961	304,534	(332,427)	210,525	Contractor procured 6 months ago but contract not yet finalised. Urgent work being issued and committed this financial year, budget carry forward required..
Decent Homes : Entrance Doors/Flats/dwellings	167,822	152,505	(15,317)	15,317	2018-19 programme complete. Tolerance held for repairs failures.
Capital Works					
Capital Works : Structural Works	130,477	109,621	(20,856)	20,856	
Capital Works : Disabled Adaptations	344,983	293,373	(51,610)		All works for current year complete or committed
Capital Works : No Fines external insulation	1,991,692	2,027,353	35,661		
Major Roofing Works	134,600	310	(134,290)	134,290	All works for current year complete or committed
Voids Major Works	502,480	505,465	2,985		
Housing Management System	257,639	262,730	5,091		Main part of project on budget - overspend relates to Documotive element (approved waiver)
ROCKINGHAM ROAD FLATS	143,743	35,351	(108,392)	108,392	Awaiting completion of S20 process so that costs can be finalised
Asbestos Management Surveys	133,548	123,419	(10,129)	10,129	All works for current year complete or committed
Health & Safety Ratings	76,322	35,850	(40,472)	40,472	Underspend due to H&S works being addressed through capital programmes, but 25k and 9k required to cover legionella and fire door replacements respectively .Legionella works ongoing, costs may be higher than at first anticipated, c/fwd likely.
Window Replacements	185,386	26,332	(159,054)	159,054	Underspend due to results of condition report resulting from stock condition surveys
Garage Demolitions	66,749	0	(66,749)	66,749	Nil spend so far and nothing outstanding. Carry forward remainder of original budget.
L.A.New Build					
L.A.New Build : Arran way	33,759	9	(33,750)		
VEHICLE PURCHASES - HRA	1,500,000	0	(1,500,000)	1,500,000	22 vehicles due to be replaced in first year of four year programme. Procurement process ongoing but currently experiencing delays with final Nissan order (330k)
L.A.NEW BUILD - CHELTENHAM PROJECT	124,561	62,589	(61,972)	61,972	18 x new build homes on former railway halt site in Oakley Vale. Waiting for Section 106 document to be finalised. Need this for Natural England application to remove newts from site.
L.A.NEW BUILD - HIDDEN HOMES	63,797	58,556	(5,241)		8 x new flats to be created by converting former garages on Barnard Close. Currently preparing tender specification.
L.A.NEW BUILD - NEVILLE HOUSE	1,213,866	568,072	(645,794)	645,794	12 x 2 bed flats. Interior and exterior of building to be refurbished. Site acquired from PA Housing in November 2018. Contractor on site, Work progressing well.
L.A.NEW BUILD - WILBY CLOSE	632,910	108,753	(524,157)	524,157	4 x 1 bed modular flats to be constructed on former garage site. Contractor has commenced work.
GARAGE SITE REDEVELOPMENTS	94,757	0	(94,757)	94,757	Balance of as yet unallocated funding.
L.A. NEW BUILD -STANION LANE	229,386	163,948	(65,438)	65,438	20 x new houses completed in October 2018. Some landscaping works due to be finished by end of March 2019.
Kings Park: Fairfield	2,150,000	2,081,199	(68,801)	68,801	6 x 3 bed new houses at Kingspark Fairfields. All should be complete by end of March 2019..
L.A.New Build : Canada Sq	13,252	4,063	(9,189)		Code Assessment + S104 + Party Wall Works still outstanding
L.A.New Build : Garage Sites	4,243	221	(4,022)		Finalising S38, defects and final account prior to releasing retention. All complete apart from formalising the landscape maintenance with an amended drawing.
LA NEW BUILD - SOCIAL HOUSING 2015-18	1,116,105	938,996	(177,109)	177,109	Construction work on all 50 units on the former Kingswood and Beanfield school sites is now complete and homes have been handed over. Currently dealing with snagging.
HOUSING CAPITAL FEES	0	0	0		
Total Housing Programme	13,046,399	8,963,895	(4,082,504)	3,903,813	

General Fund Capital Programme : as at 31st March 2019

Scheme Description	2018/19 Latest Budget £	2018/19 Actual £	2018/19 Over/Under £	Carry Forward into 2019/20	Comments
Special Projects					
Cube Corrective Works	0	9,478	9,478		4th Floor fit out
Environmental Quality					
Electric Charge Posts	1,052	0	(1,052)		
Corby Culvert	103,840	0	(103,840)	103,840	Unable to progress in 2018/19
Provision & Replacement of Wheeled Bins	52,000	53,122	1,122		
Private Sector Housing - Home Repair Grants	42,063	43,492	1,429		
Disabled Facility Grants	642,948	621,068	(21,880)	21,880	No issues identified
Cemetery Extension - Feasibility Study	60,000	0	(60,000)	60,000	
Lamas Road Depot	195,000	208,406	13,406		£85k funding via dilapidation costs from Kier
Warmer Homes	769,597	0	(769,597)	769,597	Funding from Warmer homes fund; EC03 and CBC Home repairs grant
Property Services					
Oakley Vale Phase 6 Development	232,044	225,284	(6,760)	6,760	Will require carry forward as delay with Highways - £265.4k Overage payment received 10/07/17 - Includes contribution of £200k s.106
Rockingham Road Shops	125,000	20,457	(104,543)	104,543	Will require carry forward of remaining budget
Grosvenor House Improvements	206,247	104,709	(101,538)	101,538	Any unspent budget will require a carry forward
Deene House Improvements	72,314	56,267	(16,047)	16,047	Any unspent budget will require a carry forward
Bangrave Road	253,980	311,570	57,590		Overspend as a result of income received at time of completion being transferred to Revenue
Gretton Brook Industrial	0	(69)	(69)		
Culture & Leisure					
CEMIP Sinking Fund	119,491	85,839	(33,652)	33,652	On going.
LPSC Changing Room Upgrade	20,000	0	(20,000)	20,000	C&L waiting for legal to finalise position with contracted company.
Rockingham Triangle Stadium	444,739	441,437	(3,302)		
Woodlands Improvements	163,742	23,170	(140,572)		
Play Areas	5,658	5,201	(457)		
Oakley Vale Community Facility	160,724	0	(160,724)	160,724	S106 funded, carry forward required
Burghley Drive Pavillion	43,000	0	(43,000)	43,000	Carry forward required
Catering Equipment	14,300	11,964	(2,336)	2,336	
Director of Corporate Services					
ICT Hardware Replacement	243,900	224,470	(19,430)	19,430	on going
Digitalisation of Services	0	5,984	5,984		Firmstep consultancy days
Neighbourhood Pride					
CCTV - CARLTON WOOD	5,670	0	(5,670)	5,670	Required for ongoing maintenance - Revenue.
CCTV - BRIDGE COURT	6,596	0	(6,596)	6,596	Required for ongoing maintenance - Revenue.
CCTV - LEISURE QUARTER	3,794	0	(3,794)	3,794	Required for ongoing maintenance - Revenue.
CCTV - GREATLINE/TESCO	5,363	0	(5,363)	5,363	Required for ongoing maintenance - Revenue.
Total General Fund Programme	3,993,062	2,451,848	(1,541,214)	1,484,771	
Totals	17,039,461	11,415,743	(5,623,718)	5,388,584	
	17,036,098				

Approved OCPC January 2018