

Appendices:  
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## CABINET REPORT

<b>Report Title</b>	<b>Finance monitoring to 30 September 2020</b>
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**AGENDA STATUS: PUBLIC**

<b>Cabinet Meeting Date:</b>	11 November 2020
<b>Key Decision:</b>	YES
<b>Within Policy:</b>	YES
<b>Policy Document:</b>	NO
<b>Directorate:</b>	Management Board
<b>Accountable Cabinet Member:</b>	Cllr B Eldred
<b>Ward(s)</b>	N/A

### 1 Purpose

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To update Cabinet on the latest financial monitoring reports including:

- Revenue – any significant issues requiring action and details of the actions being taken.
- Budget risks, including any unachievable savings.
- Budget changes and corrections
- Capital – progress on key projects
- Capital appraisals and variations requiring approval or approved under delegation.

## **2 Recommendations**

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- 2.1 That Cabinet notes the contents of the report and notes that future reports will set out the actions being taken by Corporate Management Board (CMB) to address issues arising.
- 2.2 That Cabinet note the financial impacts of the COVID-19 pandemic on the general fund for the financial year 2020/21 as set out at appendix 1.
- 2.3 That Cabinet note the amendments to the general fund capital programme as set out at paragraph 3.6.1.
- 2.4 Cabinet approves the use of HRA funds to finance the total development of Belgrave House, if the opportunity arises, as set out at paragraphs 3.7.3 and 3.7.4.
- 2.5 Cabinet approves the use of £10M of HRA funds, as approved by Council, to deliver the next tranche of 'street property' acquisitions, as set out in paragraph 3.7.5.
- 2.6 Cabinet notes the Chief Finance Officer will use existing 'emergency powers to facilitate the virement of funds/budget from the Government Grants received to the Service Budgets as appropriate and available as set out in 3.2.4

## **3 Issues and choices**

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### **3.1 Report background**

- 3.1.1 This report is the third financial monitoring report of 2020/21 and reports the forecast position as at the end of September 2020, period 6 of the financial year.

### **3.2 Impact of Covid-19 on 2020/21 budgets**

- 3.2.1 As previously reported to Cabinet, the COVID-19 pandemic will have a significant impact on the Council's finances in 2020/21. Appendix 1 provides an update to some of the specific financial issues resulting from the pandemic, including further details on specific COVID-19 pressures and grants.
- 3.2.2 The Council had previously received three tranches of "COVID-19 emergency grant" funding from central government, coming to a total of £2.797m. In October a fourth tranche of this grant was received worth an additional £1.226m. For the purposes of this report, this grant funding has not been allocated to specific pressures in the service areas. This means that all pressures are shown in the service areas where they fall. The grant funding is then shown as a separate item within the CFO area, so the bottom line position does include this grant funding. The expectation is that once the allocation of this grant funding is agreed, this will be allocated across the specific service pressures. It is assumed that any surplus amount of this grant will be required for further pressures emerging through the remainder of this financial year, or will otherwise will be moved to reserves to support COVID pressures in the next financial year.
- 3.2.3 There is also an additional Sales, Fees and Charges (SFC) grant being made available from central government to support local authorities for lost income as a result of COVID-19. Specific losses as a result of COVID-19, over and above the first 5% of planned

income from sales, fees and charges, will be compensated for at a rate of 75p in every pound. Work has been undertaken to calculate and appropriately evidence lost income that meets the criteria of this grant, so that official claims can be submitted. The total of this estimated grant income in this report is £2.450m (with details of how this is split in the specific Head of Service areas below).

- 3.2.4 Cabinet are asked to note that the Chief Finance Officer will use existing emergency powers to enable virements from central funds (where Government Grants are received) to the appropriate Service Budgets e.g. where grant is received in respect of Sales, Fees and Charges and unringfenced grant required to balance budgets and fund approved cost pressures.

### 3.3 Key financial indicators

Budget area	Variation from budget	
	General fund	Housing Revenue Accounts (HRA)
	£m	£m
Controllable service budgets	-0.014	0.146
Debt financing and corporate budgets	0.014	0.000
Total	0.000	0.146

### 3.4 General fund revenue budget

- 3.4.1 The overall general fund revenue budget is currently forecasting a net nil variance for the year. Within this there are a number of variances and these are set out below:

- 3.4.2 The **Economy, Assets and Culture** service is currently forecasting a £1.535m overspend. This overspend is predominantly associated with losses of income as a result of the COVID-19 pandemic. The most significant of these is a forecast loss of car park income of £1.461m. This forecast is based on no income for first three months of the year and a now 55% reduction in number of visitors for the remainder of the year. Please note that included in this forecast is an estimated grant income of £1.953m to compensate NBC for lost income as a result of COVID-19.

There is also a loss of income due to closure of the market and reduced number of traders following re-opening (£0.056m), and smaller losses of income in relation to events, CCTV, the Bus Station and the Guildhall (£0.044m). These forecasts include a total estimated grant income of £0.147m to compensate NBC for lost income as a result of COVID-19.

Other income losses relate to rental income in relation to business closures and other vacant properties (£0.309m). This is outside the scope of the grant so no losses can be reclaimed against this loss.

These pressures are partially offset by savings on staffing budgets across the service and various other savings identified totalling £0.471m.

3.4.3 The **Housing and Wellbeing** service is forecasting an overspend position of £0.946m for the year. Demand for temporary accommodation has resulted in a forecast pressure of £0.325m and a corresponding pressure of £0.150m due to an increase in bad debt relating to temporary accommodation. This forecast also now includes the costs relating to the provision of accommodation for Rough Sleepers as a result of the COVID-19 pandemic of £0.308m. There is pressure in the Private Sector Housing service due to a reduction in civil penalties, licences and disabled facilities grant administration income of £0.166m as a result of the COVID-19 pandemic (including some forecast government grant due to compensate for lost income of £0.112m).

3.4.4 The **Planning** service are forecasting a £0.259m overspend position. This is associated with an anticipated reduction in land charges income (£0.024m) and planning income (£0.108m) as a result of COVID-19 disrupting normal business. These forecasts include an estimated grant income of £0.022m to compensate for losses in land charges income and £0.164m to compensate for losses in planning income. In addition, there is also a £0.115m pressure in the Planning Policy area due to the risk on an Article 4 policy and the saving option regarding joint working on Planning policy now not being achievable (£0.035m).

3.4.5 The **Chief Finance Officer** service is reporting an underspend of £2.492m. However, this is due to the unbudgeted £3.109m of funding received from Central Government for COVID-19 related costs pressures. This funding is currently centralised but will be allocated out across the services to cover some of the impacts of COVID-19.

Excluding this grant income, this area has a pressure of £0.617m. There are pressures of £0.300m in relation to potential additional external audit costs; £0.111m in relation to the Benefits area mainly from overpayment recovery reductions; £0.155m in relation to Business Rates scheme changes caused by the COVID-19 policy updates and £0.075m in relation to additional IT working from home costs.

3.4.6 The **Customers and Communities** area is reporting an underspend of £0.362m. This includes an underspend of £0.564m in the Environmental Services area, largely due to the uptake of the chargeable green waste project exceeding its target as well as pension contribution costs being lower than budgeted, which has mitigated the additional costs of providing the waste service through this difficult period. This is partially offset by costs coming out of the recycling risk share pay mechanism. These higher costs are caused by prices for recyclable material continuing to fall creating a pressure of £0.060m. There is also a £0.059m pressure being forecast for legal costs associated with the pensions dispute on the old environmental services contract.

Other pressures are in the Licensing area (£0.033m); the Commercial Services area (£0.032m); and the Environmental Protection area (£0.016m) which are mainly due to losses of income as a result of COVID-19 disrupting normal business. Included in the licencing forecast is an estimated grant income of £0.046m to compensate NBC for lost income. There is also a pressure in the Leisure Contract area caused by a delay in signing a new lease agreement with Northampton Leisure Trust resulting in a loss of budgeted income (£0.050m); and the Museums area due to redundancy costs and loss of income from the Museums not being able to open during COVID-19 (£0.070m).

3.4.7 There is a pressure of £0.114m being reported in the **Chief Executive** area. This is as a result of additional grants being distributed as a result of COVID-19.

- 3.4.8 The **Borough Secretary** area is reporting an underspend of £0.014m mainly as a result of staffing underspends.
- 3.4.9 There is a forecast overspend of £0.014m against the **Corporate** budget. This includes a pressure of £0.259m on the debt financing budget as a result of a reduction in interest rate yields, but this is offset by this year's MRP being £0.246m less than planned in the budget.
- 3.4.10 Corporate Management Board (CMB) continue to seek options and actions to manage and mitigate the impact of the risk of an overspend in 2020/21, without impacting on services or the Council's ability to deliver its obligations to businesses and the community during the Covid Pandemic.

### 3.5 HRA revenue budget

- 3.5.1 The Housing Revenue Account is currently forecasting a £0.146m pressure. This includes £0.436m pressure on rental income primarily due to a combination of pre-COVID-19 budget assessment of new build units coming on to the rental stream and the subsequent re-phasing of new build schemes following the COVID-19 pandemic. It is offset by forecast savings on expenditure budgets of £0.290m

### 3.6 General fund capital programme

- 3.6.1 The approved General Fund Capital Programme is currently forecast to spend up to the latest budget of £17.1m. There have been a number of in-year changes since the previous Cabinet Report and these are detailed in the table below.

Reference	Scheme Title	£m	Comments
BA280	Acquisition of 41-45 Abington St.	1.700	The acquisition of 41-45 Abington Street, known as the former M&S retail unit, to enable the regeneration of a key site within Northampton Town centre.
BA281	Racecourse Enhancements and Restoration of Basketball / Netball pitches	0.139	Installation of new floodlights, surface and line marking, basketball and netball hoops – available for all park users and to help set up local teams. This scheme has transferred in from the Development Pool and is 50% match funded by Sport England.
BA282	Replacement of Guildhall Boilers	0.350	Work includes boiler replacement, pump, pipework and flue alterations, control panel

			replacement and water conditioning system works. This scheme has transferred in from the Development Pool.
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3.6.2 It is expected that the current COVID-19 situation will significantly impact the programme going forwards. In particular through:

- Availability of contractors and delays to start times
- Increased cost of materials
- Possible impact of supply chain issues for materials
- Extended periods of construction due to social distancing which could slow down building work and fitting out of premises.

The impact is currently unknown but will be continually assessed by services and the Finance Team with regular reports back to Cabinet and CMB on progress which will highlight any significant issues identified.

3.6.3 There are a further £58.8m of schemes in the Development Pool awaiting approval. Any further additions to the capital programme, including any strategic property purchases, will be subject to the development of a robust business case. In line with the Financial Regulations, any proposed additions to the programme greater than £0.25m and / or requiring additional funding from council resources, will be brought to Cabinet for approval.

### 3.7 HRA capital programme

3.7.1 The HRA capital programme for 2020/21 totals £69.117m, of which £49.409m is to be managed on behalf of the Council by Northampton Partnership Homes (NPH) through a programme of planned investment and new build development.

3.7.2 Some of the New Build programme is experiencing slippage during 20/21, and this is currently anticipated to be in the region of £1.7m. Neighbourhood Programmes are currently anticipating £6m slippage due to COVID-19, however the contractor is committed to accelerating the programme where possible during 20/21. Landscaping works are accelerating and progressing well resulting in budget being brought forward from the 2020/21 programme of £1m.

3.7.3 Cabinet received a report on 20 May in respect of Belgrave House (to be known as 'The Clock House') and the redevelopment of the block to provide much needed 'key worker' accommodation. Initially part of that business case (70%) was to be funded by an L&G Finance Lease. There is now an option to fully fund the scheme through HRA (Housing Revenue Account) funding, with a residual smaller lease element. Given the low rates of Public Works Loan Board (PWLB) available for HRA schemes, this would see a reduction in through life costs and offer a further contingency to the overall cost of the scheme.

3.7.4 As this is a change to the funding methodology detailed in the original Cabinet Report, Cabinet are being asked to note and approve the use of HRA funds, if the opportunity to replace the L&G Finance Lease arises. This does not impact on the overall cost of

the scheme. Council provide additional overarching budget and borrowing approval on 14 September 2020 of £50m, from which this will be drawn.

- 3.7.5 Cabinet considered in the Housing Acquisitions Options paper on 19 August 2020, which provided feedback on the initial pilot scheme. The recommendations sought and were approved an extension to the scheme. The proposal is to seek to acquire an additional 100 plus ready to use homes. Cabinet are being asked to approve an allocation of £10M to fund a second tranche of acquisitions which would enable the acquisition of 50-70 homes dependent on the range available and market price.
- 3.7.6 Once this tranche is fully in process a further review of price, need and lessons learned will be provided to Cabinet along with an expected further request for funding approval.

### **3.8 Choices (options)**

- 3.8.1 Cabinet is asked to note the reported financial position and agree the recommendations at 2.1 to 2.6. There are no alternative options in respect of recommendations 2.1 to 2.4 and 2.6, other than not to agree the recommendations. In respect of Recommendation 2.5, Cabinet may choose to increase or decrease the budget sought for Tranche Two of the acquisitions in addition to not approving the recommendation.

## **4 Implications (including financial)**

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### **4.1 Policy**

- 4.1.1 The Council agreed a balanced budget for the capital programme and revenue budgets for both the general fund and the HRA in February 2020. Delivery of the budget is monitored through the budget monitoring framework.
- 4.1.2 The Council approved an increase to the HRA budget and associated borrowing on 14 September 2020.

### **4.2 Resources and risk**

- 4.2.1 This report informs the Cabinet of the forecast outturn positions for capital and revenue, for both the general fund and HRA, as at the end of September 2020. It also highlights the key risks identified to date in delivering those budgets.
- 4.2.2 All schemes included in the capital programme, or put forward for approval, are fully funded, either through borrowing, internal resources or external funding arrangements.

### **4.3 Legal**

- 4.3.1 There are no direct legal implications arising from this report.

### **4.4 Equality and health**

4.4.1 There are no direct equalities and health implications arising from this report.

**4.5 Consultees (internal and external)**

4.5.1 Heads of Service, budget managers, Corporate Management Board (CMB) and Portfolio Holders are consulted as part of the budget monitoring process on a monthly basis.

**4.6 How the proposals deliver priority outcomes**

4.6.1 Regular financial monitoring is a key control mechanism and contributes directly to the priorities of sustaining “effective and prudent financial management” and being “an agile, transparent organisation with good governance”.

**4.7 Environmental Implications**

4.7.1 There are no direct environmental implications arising from this report.

**4.8 Other Implications**

4.8.1 There are no other implications arising from this report

**5. Background papers**

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5.1 Cabinet and Council budget and capital programme reports February 2020.

5.2 Council Report HRA Budget - 14 September 2020

5.3 Cabinet Report – Housing Acquisitions Options – 19 August 2020

**Stuart McGregor,**  
**Chief Finance Officer (Section 151 Officer)**



## **NORTHAMPTON BOROUGH COUNCIL – COVID-19 COSTS, PRESSURES AND GRANTS**

The following provides an update to information previously reported to Cabinet and directly relates to the impacts of the COVID-19 pandemic. It is broadly split into three sections:

- Cost (and income) pressures
- Grant funding

### **COST PRESSURES**

#### **1. HOUSING**

The Housing Service is reporting an overall forecast overspend for 2020/21 and this is partially as a result of pressures related to COVID-19.

Some pressures can be directly linked to the pandemic. For example, the service is forecasting a £0.308m overspend as a result of finding accommodation for rough sleepers at the direction of the government as a direct response to the pandemic. These costs were in the form of block booked hotel rooms and halls of residence to provide this accommodation. These costs are partially offset by housing benefit, and specific grants, but there is still a net overall cost to the Council of providing this.

For other pressures such as temporary accommodation, it is harder to know exactly what proportion of the overspend being forecast by the service is directly attributable to COVID-19. Whilst every effort is being made to prevent homelessness and reduce costs, there is a risk that the number of households becoming homeless will increase due to the impact of COVID-19 on job losses, unemployment, indebtedness and people's ability to meet their housing costs. The problem could be compounded now that the ban on evictions expired on 20 September 2020. The Housing Advice & Options Team's procedures and processes have been updated, and a new Tenancy Sustainment Fund established, in preparation for this.

In addition there has been a loss of income from civil penalties in the Housing area as a result of reduced activity as a result of COVID-19. This loss is estimated to be in the region of £0.170m. As discussed in the grant section later in this appendix, grant can be claimed against this loss, but the loss is only partially recoverable.

#### **2. ECONOMY ASSETS & CULTURE**

The COVID-19 pressures for this service area are primarily income related, the most significant of which relates to car parks. For the first three to four months of 2020/21 virtually nil income was received from car parks as the national lockdown restrictions were in place. Since then there has been some lifting of restrictions, but based on the most recent data, the car park usage and income is still at less than 50% of what we would normally expect. This is resulting in a forecast loss of around £3.4m on car parking. As discussed in the grant section later in this appendix, grant can be claimed against this loss, but the loss is only partially recoverable.

In addition to the lost income on car parking, this area is also forecasting lost income from the bus station as a result of reduced departure fees; reduced income from the hire of the Guildhall; reduced income from the market due to both enforced closure, and subsequent reduced usage; and also reduced rental income from commercial tenants – the council has a modest commercial property portfolio, primarily to support regeneration and the local economy, however the income generated is used to support services.

### 3. CUSTOMERS & COMMUNITIES

This service area has responsibilities for parks and public spaces and has seen material costs in securing children's play areas and supporting social distancing, as well as direct support to the community. As the Government starts to ease restrictions, new requirements and proposals are coming forward that are likely to see further cost pressures around public spaces and facilities.

This service is also experiencing a reduction in income through lower licensing activity, and to a lesser extent, from the reduced use of the Museum Service. As discussed in the grant section later in this appendix, grant can be claimed against this loss, but the loss is only partially recoverable.

### 4. PLANNING

As a result of the restrictions in place, large new developments are not coming forward, resulting in a reduction in Development Control income from those applications. However, small scale and householder developments are continuing to be submitted, and the return to work on a number of existing building sites has seen a significant increase in the number of discharge of condition and Building Regulations applications needing to be processed. The net impact on overall budgets is likely to be in the order of a £0.300m pressure. Land searches volumes have seen some volume changes, resulting in a loss of income in this area too. As discussed in the grant section later in this appendix, grant can be claimed against this loss, but the loss is only partially recoverable.

### 5. CHIEF FINANCE OFFICER

The distribution of over £36m to local businesses of BEIS Grants is very welcome to assist with the local economy, along with the Business Rates reliefs being changed after bills were issued for 2020/21, providing over £34m of Business Rate Relief to the Retail, Hospitality, Leisure sector and Small Business Rates Relief. However, there is cost to administering both of these schemes, along with rebilling over 8,500 recipients of the Council Tax Reduction Schemes (CTRS). Some additional 'administrative funding' has been provided by Government, however, the funding provided is less than the costs incurred.

As the pandemic struck at the end of March, it will be considered to have had a detrimental impact on asset valuations and other investments which had been valued prior to the pandemic as part of the financial year end routine, there is likely to be cost to revisit those items and the impact on 2020/21, with a probable increase in audit fees of around £0.300m for these impacts and the grant processes.

As a result of the pandemic the Council, along with other organisations, has looked to get its staff to work from home where this was practical and still allows service delivery. This has led to an increase in ICT costs for acquiring additional ICT equipment and mobile phones to enable core key services to function whilst alternative solutions were developed and implemented. The Council has also had to acquire commercial versions of telephone and video conferencing, the latter and the additional volume working 'off site' also required an upgrade to the Council's IT infrastructure and bandwidth. The costs of IT, telephony and conference facilities is currently estimated to be £0.075m, but these costs may increase further as working from home looks to continue through much of the winter.

## 6. CHIEF EXECUTIVE AREA

Some additional grants have been paid to local groups to provide support to residents during the COVID-19 pandemic, both directly and through additional funds being distributed by Councillors. This has a cost of over £0.100m.

## 7. CORPORATE COSTS

Challenges around cashflow, and low interest rates as a result of the economic impact of the pandemic have also seen a reductions in interest earned on deposits and the need to borrow to cover cashflow – the impact of this is likely to be a budget pressure of around £0.200m.

## **GOVERNMENT GRANTS**

### 8. COVID-19 EMERGENCY FUNDING FOR LOCAL GOVERNMENT

The Council has received four tranches of this grant from government coming to a total of £4.023m. This grant is for non-specific support to local authorities as a result of the pandemic. This will be used to offset some of the cost pressures described in the sections above.

### 9. SALES, FEES AND CHARGES (SFC) GRANT

This grant is being made available from central government to support local authorities for lost income as a result of COVID-19. This does not cover all losses of income, but only those that meet specific criteria. Losses of income that the Council has incurred that are not covered by this grant include the loss of property rental income, and also the loss of treasury investment income.

Where income losses do meet the criteria, then the Council can apply for this grant, However, it is not the full amount of lost income that can be recovered. For eligible lost income, the first 5% of losses cannot be claimed, and after that only 75% of losses will be recovered through the grant.

The Council has submitted its first claim under this grant and current estimates are that for the whole year, the Council may be able to claim approximately £2.4m of grant through this scheme – the majority of this will be in relation to car parks (approximately £1.9m).

### 10. GOVERNMENT ADMINISTERED GRANTS

The Council has received funding from the Department of Business Economy, Investment and Strategy (BEIS) to distribute to specific business within the Retail Hospitality Leisure (RHL) Sector and businesses in receipt of Small Business Rate Relief (SBRR). The Council received £37.374m of funds, of which it is expected that grants under Scheme One will require £34.550m. Under the new Scheme Two – Discretionary Scheme, the Council has been allocated £1.727m which will be drawn from the initial cash provided of £37.374m.

The Council has also received £1.861m to fund the Govt initiative to reduce all residual Council Tax bills for those in receipt of locally funded Council Tax Reduction Scheme (CTRS), by £150 at any point during 2020/21.

## 11. ALL COVID-19 GRANTS

There follows two lists of grants that NBC has received in relation to COVID-19. The first is for schemes that central government specify how they should be used. The second is for grants that NBC has more freedom to apply.

Government directed schemes - in general central government dictates how these schemes work, and fund the scheme appropriately. Generally expected to have a net nil impact on NBC's monitoring as the cost and grant should broadly net to nil.

<b>Government directed COVID19 Grants</b>	<b>Value</b>
NNDR rate reliefs for retail, leisure and hospitality and nursery's	£30,441,542
Business Support Grant Fund - grants to businesses in the retail, hospitality and leisure sectors	£37,374,000
Hardship Fund - additional council tax support for those eligible for CTRS	£1,861,318
Business Improvement Districts	£35,646
Test and Trace Support Payments - to support those that are told to self-isolate and cannot work as a result	£201,117
<b>TOTAL</b>	<b>£69,913,623</b>

Grants that directly support additional NBC pressures as a result of COVID. These grants are included in the regular budget monitoring reports.

<b>NBC support COVID19 Grants</b>	<b>Value</b>
Covid-19 Emergency Funding for Local Government (tranche one)	£120,318
Covid-19 Emergency Funding for Local Government (tranche two)	£2,239,849
Covid-19 Emergency Funding for Local Government (tranche three)	£437,160
Covid-19 Emergency Funding for Local Government (tranche four)	£1,225,563
Rough Sleepers Fund	£21,000
Reopening High Streets Safety Fund	£199,987
Rough Sleeping Grant reallocation of funds	£63,333
Business Support Grant Admin Costs Grant	£170,000
Local Authority Compliance and Enforcement Grant	£124,352
Sales Fees and Charges Grant - to compensate for lost income as a result of COVID. The value of this grant is only currently an estimate, and will change depending on the income lost over the remainder of the year	£2,450,310
Next Steps Accommodation Programme (NSAP)	£607,400
Next Steps Accommodation Programme (NSAP) - NBC HMO's Part A	£590,000
<b>TOTAL</b>	<b>£8,249,272</b>