

Appendices:
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NORTHAMPTON
BOROUGH COUNCIL

CABINET REPORT

Report Title	Finance Monitoring to 30 November 2017
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AGENDA STATUS: PUBLIC

Cabinet Meeting Date:	17 January 2018
Key Decision:	YES
Within Policy:	YES
Policy Document:	NO
Directorate:	Management Board
Accountable Cabinet Member:	Cllr B Eldred
Ward(s)	N/A

1 Purpose

- 1.1 The purpose of this report is to assist Cabinet in monitoring the delivery of the Corporate Plan within the agreed capital and revenue budgets for the General Fund (GF) and Housing Revenue Account (HRA).
- 1.2 To inform Cabinet of the latest forecast outturn position for the Council's capital programme for 2017-18 and changes to the Programme approved under delegated powers.
- 1.3 During the course of this financial year regular monitoring reports will be provided to Cabinet, detailing the latest forecasts for revenue and capital and additionally focusing on key financial issues on a cyclical basis.

2 Recommendations

- 2.1 That Cabinet reviews the contents of the report and identifies actions to be taken to address any issues arising from it.
- 2.2 That Cabinet approve the release of HRA capital reserves to cover the committed final expenditure for 6 dwellings at Upton Place (paragraph 3.6.2.2 refers)

3 Issues and Choices

3.1 Report Background

3.1.1 The monitoring report to Cabinet in September included an update on the financial pressures facing the Housing and Wellbeing service area and the mitigating actions being taken to address these pressures. This report provides an update on this volatile area of the Council's budget, as well as providing updated forecasts as at the end of November 2017 for all revenue and capital budgets.

3.2 Business Rates Localisation – 100% Retention Pilot

3.2.1 Cabinet on 18th October approved the submission to CLG of a bid by Northamptonshire local authorities to become a business rates retention pilot. This bid was duly submitted by the deadline, but unfortunately Northamptonshire was unsuccessful in its bid.

3.3 Key Financial Indicators

Dashboard Indicator Description	Variation from Budget	
	General Fund	Housing Revenue Account
	£000	£000
Controllable Budgets	(487)	(615)
Debt Financing and Recharges	(42)	81
Total	(529)	(534)

3.4 General Fund Revenue Budget (Blue)

3.4.1 Overall forecast expenditure is £529K (1.7%) below budget. The following table summarises the variations from budget for the General Fund.

Service Area	£000
Regeneration, Enterprise and Planning	94
Housing	217
Borough Secretary	(18)
Director of Customers & Communities	(779)
Corporate	0
Controllable Total	(487)
Debt Financing	(42)
General Fund Total	(529)

3.4.1.1 Regeneration, Enterprise and Planning

Forecast overspend mainly due to additional expenditure on temporary/interim staff (£210K), additional audit costs regarding property valuation queries (£25k)

and additional expenditure in relation to works on Delapre Abbey, Hunsbury Hill car park, Queen Eleanor cross and bridge inspections (£58k). These are offset slightly by savings related to vacant posts (£70k) and a reduction in costs relating to Planning Appeals (£170k).

3.4.1.2 Head of Housing and Wellbeing

Forecast overspend due to the vacancy/sickness target forecast not being met (£133k), extra expenditure on the Homelessness Prevention fund (£23k), lower anticipated licencing income (£50k) and withdrawal of Probation Service contribution (£18k). These are slightly offset by savings on employees in the Homelessness team.

Homelessness and Temporary Accommodation – During the last couple of years, there has been a sharp rise in the number of households applying to the Council for assistance under the homelessness legislation. This has increased the Council's use of temporary accommodation (especially Bed & Breakfast accommodation) and, because only part of the cost of temporary accommodation can be recovered from the Government through Housing Benefit Subsidy, this has resulted in a large overspend.

Although the shortage of affordable rented housing has prevented homeless households (especially families with children) from moving out of temporary accommodation as quickly as they have done in the past, the action plan that the Head of Housing and Wellbeing has implemented to relieve the pressure on the Homelessness Service and improve the living conditions of households living in temporary accommodation is making a difference.

Between the end of August 2017 and the end of December 2017, the number of outstanding homelessness decisions was reduced from 205 to 66, the average caseload of the Homelessness Officers was reduced from 50 to 18, and the waiting time for a non-emergency appointment with a Homelessness Officer was reduced from 4 weeks to less than 3 days. During the same period, the number of households living in Bed & Breakfast was reduced by 31% and the number of households living in temporary accommodation outside the borough was reduced by 57%.

The situation has been helped by the amount of self-contained, supplier-managed temporary accommodation that the Council has procured in Northampton. Although this is purchased at a nightly rate, it provides better accommodation and is less expensive (and attracts a higher rate of Housing Benefit) than Bed & Breakfast.

This area remains a significant area of risk and will therefore be further scrutinised. Updates will be provided to future meetings.

3.4.1.3 Director of Customers and Communities

Forecast large underspend mainly reflecting additional deductions made through the Environmental Services Contract and a refund of pension costs (£794k), as well as revised Car Parking Income figures (£99k) and vacant posts across different areas. This is offset slightly by a forecast overspend in the Bus Station

area due to higher spend on utilities and security as well reduced income in Markets due to a reduced number of traders.

- 3.4.2 Where applicable Budget Managers are working to mitigate the pressures on their services and bring forecasts back in line with budgets.
- 3.4.3 Particular focus will be given to monitoring areas of known high risk where expenditure and income is demand-led, i.e. homelessness, car parking income and development control income.

3.5 Controllable HRA Revenue Budget (Blue)

- 3.5.1 The forecast underspend position on HRA controllable budgets of £615k results from a number of different favourable variances. These include £255k additional income due to reduced void levels and a £90k reduction in the forecast Bad Debt Provision. Additional savings relate to staff vacancy savings within NPH £340k in General Management and Special services.
- 3.5.2 HRA Debt Financing forecast at £81k above budget due to lower opening balances than budgeted, and lower estimated average rate of interest assumed on investments (0.60% compared to 0.77% budgeted)
- 3.5.3 The forecast underspend position is reflected in the forecast contribution requirement from reserves to ensure that minimum working balance of £5m is maintained. The forecast contribution from reserves is lower by £534k.

3.6 Capital Programme

3.6.1 General Fund Capital Programme

- 3.6.1.1 The General Fund Approved Capital Programme budget stands at £23.6m including the carry forwards from 2016/17 and the additional funding for Delapre Abbey approved by Cabinet in June. No significant underspends or overspends are currently forecast. A number of schemes are forecast to require significant carry forwards to 2018/19, including £7.4m in relation to the Vulcan Works, £4.9m re the Central Museum and £1m in relation to St Peters Waterside. A detailed report on the latest position in relation to the Vulcan Works was presented to Cabinet in December.
- 3.6.1.2 As part of the 2017/18 budget process enhanced governance of the capital programme was approved, in order to ensure that cost estimates are robust before schemes are commenced. This included the creation of a "Development Pool" in which schemes remain until the costs and phasing of the scheme is firmed up. This will help to reduce the level of over and underspends and carry forwards in the capital programme. As at the end of November two schemes remained in the Development Pool, with a total estimated value of £2.1m. Most significant of these is £2m earmarked for the St James Mill Link Road. None will be commenced until a fully costed business case is produced and agreed.
- 3.6.1.3 The financing of the capital programme assumes that around £5m of capital receipts will be received during 2017/18. Just under £1.4m has been received to date and it is therefore imperative that no new schemes are added to the capital programme unless a clear and certain funding source is identified.
- 3.6.1.4 Funding for Disabled Facilities Grants is partly covered by central government funding through the Better Care Fund. The full 2017/18 allocation of £1.198m has

been passported by the County Council to the Borough, and an additional £120k has been allocated directly from DCLG. The remainder of the £1.475m expenditure on DFGs is funded from the Borough Council's own resources.

- 3.6.1.5 Any further additions to the capital programme, including further strategic property purchases, will be subject to the development of a robust business case. In line with Financial Regulations, any proposed additions to the programme greater than £250k and/or requiring additional funding from Council resources, will be brought to Cabinet for approval.

3.6.2 HRA Capital Programme

- 3.6.2.1 The approved HRA Capital Programme for 2017/18 stands at £35.64m, including the carry forward of £275k from 2016/17, additional budget of £500k approved by October Cabinet for Buy backs or spot purchases and a realignment of Capital IT budget to Revenue in period 6 of £150k. The forecasts to date show no significant underspends or overspends. Project carry forwards to 2018/2019 are forecast at £881k to date.

- 3.6.2.2 **141 Right to Buy Receipts** – The 2017/18 capital programme includes a number of NPH managed schemes that are budgeted to deliver additionality to the HRA stock and meet the required spend levels needed to fully use the retained 141 RtB receipts as per the 2012 agreement the Council has with government. For quarter 1 and for quarter 2 NPH have delivered on these projects which ensures that no 141 RtB receipts have to be repaid to Treasury. Cabinet on the 18th October 2017 approved the creation of a budget for Buy backs/ Spot Purchases of £500k to help mitigate the risks around timing of delivery of existing projects in the final 2 quarters of the year. Officers are currently delivering on the purchase of six properties at Princess Marina at 55% of open market value which will fully spend this budget. In addition to this final payment was made in Quarter 2 for the purchase of 6 properties at Upton Place of £272k to which Cabinet budget approval was made in 2016/2017. As part of the outturn process this budget was not identified as required carry forward and subsequently the funds were put into the capital reserves. Cabinet are asked to approve release from reserves of the £272k to cover this committed transaction.

3.7 Choices (Options)

- 3.7.1 Cabinet is asked to note the reported financial position and agree the recommendations. There are no alternative options, other than not to agree the recommendations.

4 Implications (including financial)

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 2017. Delivery of the budget is monitored through the budget monitoring framework.

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 July 2017. It also highlights the key risks identified to date in delivering those budgets and where performance measures are significantly over or under performing.
- 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 implications arising from this report.
- 4.4.2 A full Community/Equalities Impact Analysis has been completed for the 2017/18 Budget and is available on the Council website.

4.5 Consultees (Internal and External)

- 4.5.1 Heads of Service, Budget Managers and Management Board are consulted as part of the budget monitoring process on a monthly basis.

4.6 How the Proposals Deliver Priority Outcomes

- 4.6.1 Performance monitoring (including financial monitoring) by exception and using it to improve performance is good practice in terms of efficient and effective management. It contributes directly to the priorities of sustaining “effective and prudent financial management” and being “an agile, transparent organisation with good governance”.

4.7 Other Implications

- 4.7.1 There are no other implications arising from this report.

5 Background Papers

- 5.1 Cabinet and Council Budget and Capital Programme Reports February 2017