



NORTHAMPTON
BOROUGH COUNCIL

CABINET REPORT

Report Title	Finance Monitoring to 31 January 2018
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AGENDA STATUS: PUBLIC

Cabinet Meeting Date:	14 March 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 transfer of the net General Fund underspend to the MTFP Cashflow reserve to meet future financial pressures.

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 January 2018 for all revenue and capital budgets.

3.2 Key Financial Indicators

Dashboard Indicator Description	Variation from Budget	
	General Fund	Housing Revenue Account
	£m	£m
Controllable Budgets	(1.120)	(0.400)
Debt Financing and Recharges	(0.051)	0.081
Total	(1.171)	(0.319)

3.3 General Fund Revenue Budget (Blue)

- 3.3.1 Overall forecast expenditure is £1.171m (3.8%) below budget. The following table summarises the variations from budget for the General Fund.

Service Area	£m
Regeneration, Enterprise and Planning	(0.037)
Housing	0.263
Borough Secretary	(0.103)
Director of Customers & Communities	(0.820)
Corporate	0.064
LGSS	(0.487)
Controllable Total	(1.120)
Debt Financing	(0.051)
General Fund Total	(1.171)

Given that this is just a forecast underspend and will not be certain until the year-end, that there are a number of savings options in 2018/19 to be implemented, and that there

are funding gaps forecast in the medium term, it is important that no additional spending commitments are made in year. Any net underspend at the year-end should be transferred to the MTFP Cashflow reserve in order to offset future pressures.

3.3.1.1 **Regeneration, Enterprise and Planning**

Forecast underspend mainly due to a reduction in the expected cost relating to the Collingtree Planning Appeal (£0.170m) and vacant posts (£0.033m). This is offset by additional expenditure on temporary staff and procuring services from external providers (£0.031m), extra KPMG costs regarding property valuations (£0.025m), and additional expenditure in relation to works on Delapre Abbey lift & security, Hunsbury Hill car park, Queen Eleanor Cross, bridge inspections, security at Horizon House site and refurbishment of the pumping station at Westbridge Depot (£0.108m).

3.3.1.2 **Head of Housing and Wellbeing**

Forecast overspend due to lower anticipated licencing income (£0.105m), reduction in fee income due to lower spend on Disabled Facilities Grant (£0.060m) and additional costs associated with agency staff and vacancy factors not being met totalling (£0.110m).

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. This overspend manifests itself primarily within benefits budgets as a result of Non Housing Revenue Account Rent Rebates that are paid to the Homelessness budgets upon which full subsidy cannot be claimed.

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.

The latest projections of homelessness caseload and the resultant subsidy loss shows an adverse variance from the original budget on Non-HRA Rent rebates of £0.520m. However, there are other compensating savings within the Revenues and Benefits budget group that make it unnecessary to show an overall variance.

Estimates for 2018/19 were based on reducing the average caseload per week to around half of its current level by September 2018.

However, the Homelessness Reduction Act 2017 takes effect on 1st April 2018 with the full guidance on it not expected until the new financial year has started. The legislation increases the Council's duty to relieve homelessness to 56 days. This together with an upward trend in the level of homelessness is likely to put pressure on the proposed budget.

The Council continues to work on options to reduce the cost of temporary accommodation including the following:

- Minimising the use of expensive forms of accommodation such as bed and breakfast
- The procurement of further nightly paid self-contained accommodations – up to 100 units (currently around 80)
- Ensuring maximum occupancy of NPH stock

Based on all of the above it is likely that the best position for the first half of 2018/19 is that the level of temporary accommodation utilised as a result of homelessness remains at the current levels for 2017/18. This could result in an additional budget pressure of up to £0.450m in 2018/19.

As this remains a significant area of risk, further updates will be provided to future meetings.

3.3.1.3 Director of Customers and Communities

Forecast large underspend mainly reflecting additional deductions made through the Environmental Services Contract and a one year suspension of employer's pension contributions (£0.625m), as well as revised Car Parking Income figures (£0.134m) 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.

- 3.3.2 Where applicable Budget Managers are working to mitigate the pressures on their services and bring forecasts back in line with budgets.
- 3.3.3 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.
- 3.3.4 Where applicable the ongoing impact of the variances identified through the monitoring process have been built into future years budgets. The majority of the underspends highlighted in this report are one-off and are not expected to be repeated in future years.

3.4 Controllable HRA Revenue Budget (Blue)

- 3.4.1 The forecast underspend position on HRA controllable budgets of £0.4m results from a number of different variances. These include £0.272m additional income due to reduced void levels and savings due to staff vacancies within NPH £0.150m in Repairs and Maintenance and £0.163m Special services.

- 3.4.2 HRA Debt Financing forecast at £0.081m 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)
- 3.4.3 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 therefore lower by £0.319m.

3.5 Capital Programme

3.5.1 General Fund Capital Programme

- 3.5.1.1 The General Fund Approved Capital Programme budget stands at £24.25m including the carry forwards from 2016/17 and the additional funding for Delapre Abbey approved by Cabinet in June. The only significant underspend being forecast is £0.475m in relation to Disabled Facilities Grants, for which demand has been lower than expected. A number of schemes are forecast to require significant carry forwards to 2018/19, including £7.5m in relation to the Vulcan Works, £5.7m 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.
- 3.5.1.2 The financing of the capital programme assumes that around £5m of capital receipts will be received during 2017/18. Just under £2.4m 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.
- 3.5.1.3 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 £0.25m and/or requiring additional funding from Council resources, will be brought to Cabinet for approval.

3.5.2 HRA Capital Programme

- 3.5.2.1 The approved HRA Capital Programme for 2017/18 stands at £36.01m. The forecasts to date show no significant underspends or overspends. Project carry forwards to 2018/2019 are forecast at £0.881m.
- 3.5.2.2 **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 through to quarter 3 NPH have delivered on these projects which ensures that no 141 RtB receipts have to be repaid to Treasury. The target spend for quarter 4 is also forecast to be met.

3.6 Choices (Options)

- 3.6.1 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 January 2018. 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