

Appendices:
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Item No.
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NORTHAMPTON
BOROUGH COUNCIL

CABINET REPORT

Report Title	Finance monitoring to 31 July 2020
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AGENDA STATUS: PUBLIC

Cabinet Meeting Date:	9 September 2020
Key Decision:	NO
Within Policy:	YES
Policy Document:	NO
Directorate:	Management Board
Accountable Cabinet Member:	Cllr B Eldred
Ward(s)	N/A

1 Purpose

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

- 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.

3 Issues and choices

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 July 2020, period 4 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. The Council has received three tranches of "COVID-19 emergency grant" funding from central government, coming to a total of £2.797m. 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.

3.3 Key financial indicators

Budget area	Variation from budget	
	General fund	Housing Revenue Accounts (HRA)
	£m	£m
Controllable service budgets	0.939	0.143
Debt financing and corporate budgets	0	0
Total	0.939	0.143

3.4 General fund revenue budget

- 3.4.1 The overall general fund revenue budget is currently forecasting an overspend of £0.939m. The main pressures which make up this forecast overspend are set out below:

- 3.4.2 The **Economy, Assets and Culture** service is currently forecasting a £1.685m 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 £1.311m. Almost all car park income in the year to date has been foregone, and it is anticipated that income will not return to its pre-COVID-19 levels for the rest of the year. The forecast pressure on car parking income is less than reported last month, as more details are now available on the government grant scheme that is expected to compensate for this lost income – these new details have led to an

increase in the amount of grant that we expect to receive to compensate for losses in car parking income.

Other income losses relate to rental income in relation to business closures and other vacant properties (£0.272m), a loss of income due to closure of the market and reduced number of traders following re-opening (£0.123m), and smaller losses of income in relation to events, CCTV, the Bus Station and the Guildhall (£0.175m).

These pressures are partially offset by savings on staffing budgets across the service and reduced expenditure on NNDR totalling £0.186m.

- 3.4.3 The **Housing and Wellbeing** service is forecasting an overspend position of £1.011m for the year. Demand for temporary accommodation has resulted in a forecast pressure of £0.400m and a corresponding pressure of £0.200m 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 £0.275m. There is pressure in the Private Sector Housing service due to a reduction in civil penalties, licences and disabled facilities grant administration income of £0.092m as a result of the COVID-19 pandemic (including some forecast government grant due to compensate for lost income). Other small variances make up the remaining £0.044m.
- 3.4.4 The **Planning** service are forecasting a £0.268m overspend position. This is associated with an anticipated reduction in land charges income (£0.046m) and planning income (£0.120m) as a result of COVID-19 disrupting normal business. The Council are expecting some government grant to offset this lost income. The details of this grant are not yet known, but a prudent estimate has been included in these figures. In addition, there is also a £0.100m 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 £1.946m. However, this is due to the unbudgeted £2.797m 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 £0.851m. There are pressures of £0.300m in relation to potential additional external audit costs; £0.315m 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. Other small variances make up the remaining £0.006m.

- 3.4.6 The **Customers and Communities** area is reporting an underspend of £0.063m. This includes an underspend of £0.284m 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 pressures in the Licensing area (£0.056m); the Commercial Services area (£0.032m); and the Environmental Protection area (£0.010m) which are mainly due to losses of income as a result of COVID-19 disrupting normal business. 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 (£0.121m).

- 3.4.7 There were other smaller variances forecast in the **Chief Executive area** and the **Borough Secretary** service area, with a combined underspend of £0.015m due mainly to staff savings and vacant posts.
- 3.4.8 Corporate Management Board (CMB) are actively seeking options and actions to manage and mitigate the impact of the risk of an overspend in 2020/21.

3.5 HRA revenue budget

- 3.5.1 The Housing Revenue Account is currently forecasting a £0.143m pressure. This includes £0.485m 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 £0.343m

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.
- 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 £59.3m 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.

Reference	Scheme Title	£k	Comments
BA278	St Michaels Car Park Lift Refurbishment	220	Refurbishment of lifts 1 & 2. This scheme has been transferred from the Development Pool.
BA279	Northampton Leisure Trust	1,800	Upgrade of NCC owned assets at 3 sites to improved efficiency and reduce costs.

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 £2.3m 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.

3.8 Choices (options)

- 3.8.1 Cabinet is asked to note the reported financial position and agree the recommendations at 2.1 and 2.2. 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 2020. 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 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 and Corporate Management Board (CMB) 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

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

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