

Appendices:

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NORTHAMPTON
BOROUGH COUNCIL

CABINET REPORT

Report Title	Finance monitoring to 30 November 2020
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AGENDA STATUS: PUBLIC

Cabinet Meeting Date:	16 December 2020
Key Decision:	YES
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.
- Approval to defer University of Northampton Loan repayment by one year
- Award of grant to Community Centres

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.
- 2.2 That Cabinet note the amendments to the general fund capital programme as set out at paragraph 3.6.1.
- 2.3 That Cabinet approves the award of grants to Community Centres as set out in paragraph 3.9.2
- 2.4 That Cabinet approves the deferral of a loan repayment of £8.5M by one year as set out in paragraph 3.8.1 to 3.8.5 by agreeing to:
- 2.4.1 Vary the terms of the original loan agreement that was entered into between the Council and the University of Northampton (“UoN”) on 10 March 2016 to:
- a) extend the term of the loan by one year so that the repayment date of 10th March 2021 is changed to 10th March 2022;
 - b) refer to [any] revised interest rate (as set out in paragraph 3.8.5) that will apply to the balance of the loan payable by the University to the Council, that is outstanding on 10th March 2021; and
 - c) make any other amendments related to the deferral.
- 2.4.2 The Council [re]borrowing £8.5 million from the Public Works Loan Board (“PWLB”) to repay outstanding principal due in March 2021 from the Council to PWLB, which the Council will repay using the equal loan repayment amounts received from the UoN during the extension period to the original loan agreement.

3 Issues and choices

3.1 Report background

- 3.1.1 This report is the fourth financial monitoring report of 2020/21 and reports the forecast position as at the end of November 2020, period 8 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.
- 3.2.2 The Council has now received four tranches of “COVID-19 emergency grant” funding from central government, coming to a total of £4.023m. This grant funding has now been allocated to offset specific pressures across the service areas (with details of how this is split in the specific Head of Service areas below). 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 be moved to reserves to support COVID pressures in the next financial year.

- 3.2.3 The Council will also receive a Sales, Fees and Charges (SFC) grant 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 £2.411m (with details of how this is split in the specific Head of Service areas below).
- 3.2.4 The Appendix provides a summary of the application of the grants received to support the relevant service areas with either cost pressures, or reduced income as a result of the Covid pandemic.

3.3 Key financial indicators

Budget area	Variation from budget	
	General fund	Housing Revenue Accounts (HRA)
	£m	£m
Controllable service budgets	-0.109	0.323
Debt financing and corporate budgets	0.014	0.000
Total	-0.095	0.323

3.4 General fund revenue budget

- 3.4.1 The overall general fund revenue budget is currently forecasting a £0.095m underspend 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 £0.262m underspend. This position includes losses of income as a result of the COVID-19 pandemic which have been offset by grants received. The most significant of these is a forecast loss of car park income of £3.413m. This forecast is based on no income for first three months of the year and a 55% reduction in number of visitors for the remainder of the year. This pressure is fully offset by an estimated grant income of £1.953m from the SFC grant scheme and £1.460m from the COVID-19 emergency grant.

There is also a loss of income due to closure of the market and reduced number of traders following re-opening (£0.081m), and smaller losses of income in relation to the Bus Station and the Guildhall (£0.082m). These pressures are now fully offset by COVID-19 grants.

Other income losses relate to rental income in relation to business closures and other vacant properties (£0.057m). Whilst not covered by the SFC grant, these losses have been offset by the COVID-19 Emergency Grant.

There are savings on staffing budgets across the service and various other savings identified totalling £0.334m.

- 3.4.3 The **Housing and Wellbeing** service is forecasting an overspend position of £0.488m 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 now includes a grant of £0.308m to fund the costs relating to the provision of accommodation for Rough Sleepers as a result of the COVID-19 pandemic.

There is pressure in the Private Sector Housing service due to a reduction in civil penalties, licences and disabled facilities grant administration income of £0.185m as a result of the COVID-19 pandemic. However, this pressure is now fully offset by an estimated grant income of £0.074m from the SFC grant scheme and £0.111m from the COVID-19 emergency grant.

- 3.4.4 The **Planning** service are forecasting a £0.127m overspend position. This is associated with an anticipated reduction in land charges income (£0.046m) and planning income (£0.254m) as a result of COVID-19 disrupting normal business. These forecast pressures are now fully offset by grant income of £0.186m from the SFC scheme and £0.114m from the COVID-19 emergency grant.

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 £0.004m.

There are pressures caused by the COVID19 pandemic including £0.300m in relation to potential additional external audit costs; £0.149m in relation to central COVID costs and internal audit work, £0.125m 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. However, these pressures are now offset using the COVID-19 emergency grant.

- 3.4.6 The **Customers and Communities** area is reporting an underspend of £0.431m. This includes an underspend of £0.552m 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 (£0.073m); the Commercial Services area (£0.042m); and the Environmental Protection area (£0.023m) which are mainly due to losses of income as a result of COVID-19 disrupting normal business. These pressures are now offset by grant income of £0.046m from the SFC scheme and £0.092m from the COVID-19 emergency grant. 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 (£0.081m). The forecast pressure in the Museums area is partially offset by grants to the value of £0.017m.

- 3.4.7 There is a pressure of £0.224m being reported in the **Chief Executive** area due to additional grants being distributed as a result of COVID-19. However, this is now offset using £0.224m from the COVID-19 emergency grant. This leaves a residual pressure of only £0.005m in this area.
- 3.4.8 The **Borough Secretary** area is reporting an underspend of £0.031m 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 £0.323m pressure. This includes £0.617m 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 £0.294m.

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 £19.2m. 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
BA283	Dallington Park Car Park improvements	0.050	Creation of designated parking bays to allow more efficient use of the car park at Dallington Park.
BA284	Northampton Parks and Open Spaces additional funding	0.050	Additional funding to enhance Northampton's Parks and Open Spaces.
BA285	Billing Road Cemetery	0.040	Repairs and maintenance to the entrance of Billing Road cemetery which is showing signs of deterioration.
BA286	Elgar Centre - Mechanical and Electrical Replacements	0.015	Works include a new heating system, Ground floor hot water system, New ventilation to changing

			areas and CCTV throughout.
BA287	Blackthorn Community Centre - Extension	0.030	A single storey extension to Blackthorn Community Centre that will provide sufficient space for a play scheme, range of afterschool activities, sports and arts activities and other community groups.
BA288	Somewhere Safe to Stay Hub	0.300	To provide rough sleepers with emergency shelter. Funded in full by a grant from MHCLG.
BA280	41-45 Abington Street asbestos removal	1.000	Work to remove asbestos from the newly acquired property. Fully funded by a grant from the Towns Fund.
BA289	24 Guildhall Road Block	0.385	Essential work to the property which is currently empty. This is the first part of a refurbishment programme and will be funded in part from existing capital budgets and additional borrowing of £65k. The refurbishment project will be funded by grant.

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 £58.7m 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 £7.2m. 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 the budget being brought forward from the 2020/21 programme of £1m.

3.8 University of Northampton Loan

- 3.8.1 The Council provided a loan to the UoN to support the development of the new campus. This was approved by Cabinet at its meeting of 10 September 2014. The loan was financed by the Council taking PWLB loans. The loan to the UoN was for £46M in total with £28.5M being financed through a 5 year PWLB fixed rate maturity loan ending on 10th March 2021. (The remaining £17.5M was financed through a 40 year PWLB Fixed Rate Annuity Loan).
- 3.8.2 The University repaid £20M on 24 January 2020 which was then repaid by the Council to PWLB, from the 'PWLB Fixed Rate Maturity Loan' of £28.5M which commenced on the 10th March 2016.
- 3.8.3 £8.5M is due to be repaid by UoN to the Council on 10 March 2021. However the disposal of sites by the UoN has not progressed as quickly as anticipated. [The repayment by the UoN was dependent on a disposal of a property asset which the UoN has indicated is subjected to planning permission delays].
- 3.8.4 The UoN has therefore asked for a one year deferral. As this is a loan that has a Treasury Guarantee and as the Treasury have agreed that the Guarantee can be extended for this duration, it is considered a very low risk. However, due to the nature of the PWLB funds that the Council borrowed for this purpose, the Council will need to repay those funds and reborrow £8.5M for the twelve months extension.
- 3.8.5 Due to the nature of the guarantee, the rate to be used for this one year extension will need to match PWLB borrowing rate or the original rate, to be agreed with Treasury Guarantor. UoN have agreed to fund all costs associated with amendments to the agreements along with a nominal one off loan premium of £50K to reflect the additional administration costs during the year.

3.9 Covid Community Centre Grant

- 3.9.1 Cabinet has sought to distribute some Covid Support to the wider community and organisations that directly support the Council and the wider community. It used Councillor Covid Community Grants to distribute £90,000 across 114 Community groups and organisations through local ward councillors. It has awarded £98,887 to Parish Councils as grants.

- 3.9.2 Cabinet wishes to widen the support for communities, particularly to support those in non-parished areas through awarding grant of £1,000 to each Community Centre to provide financial support during Covid, due to their ongoing support during the Pandemic. There are 22 Community Centres and the total cost will be £22,000 from the Councils Covid un-ringfenced grant.

3.10 Choices (options)

- 3.10.1 Cabinet is asked to note the reported financial position and agree the recommendations at 2.1 to 2.4.
- 3.10.2 Cabinet can choose to not to approve the recommendations and propose alternatives to Recommendations 2.3 to 2.4, however this is not recommended.

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.
- 4.1.2 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 November 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.
- 4.2.3 There are no cost implications associated with the one year deferral of the loan repayment by the University. [This is because the UoN will be obligated through the amended loan agreement to repay the £8.5 million to the Council together with interest, (which could be at a higher rate than the original rate) by the end of the extension period].
- 4.2.4 The cost of the proposed Community Centre Grants will be met from un-ringfenced Govt Grant to support Covid related costs and support.

4.3 Legal

4.3.1 There are no direct legal implications arising from the budget monitoring aspects of this report of this report.

4.3.2 UoN Loan

4.3.2.1 While it is not being proposed that the Council enter into a new loan with the UoN, a significant change to the terms of an existing loan is being proposed. Cabinet approved the granting of the original loan and are therefore being asked to consider changes to the terms of the loan. Although Cabinet did not agree all of the specific terms of the original loan, the 2014 Cabinet report explained that repayments of principal and interest due from the Council would be met by identical cash flows from the UoN so there would be no financial impact on the Council's cash flows and cash balances. This will no longer be the position if the Council are to pay the remaining £8.5 million of principal in March 2021 without receiving the cash flow from the UoN.

4.3.2.2 Cabinet approval is therefore being sought for the material change to the terms of the original loan (ie an extension of the outstanding loan of £8.5m for a period of 1 year).

4.3.2.3 Further, Cabinet are being asked to approve the deferral of the loan repayment by the UoN, because a decision to meet the shortfall through reborrowing (even though the UoN will be obligated to meet the cost to the Council of repaying this loan) involves expenditure over the Key Decision threshold.

4.3.2.4 A local authority has a general power to borrow, contained in Section 1 of the Local Government Act 2003 which states that a local authority may borrow money for any purpose relevant to its functions under any enactment, or for the purposes of the prudent management of its financial affairs.

4.3.2.5 The Financial Regulations in the Constitution state the following in relation to loans to third parties at paragraph 7:

“The Council may make grants or loans to third parties for the purpose of capital expenditure, as allowable under paragraph 25 (1) (b) of the Local Authorities (Capital Financing and Accounting) (England) Regulations 2003 (Statutory Instrument No. 3146). This will usually be to support local economic development, and may be funded by external borrowing.

The Council also has powers to provide financial support to organisations under general powers of competence under the Localism Act 2011.

To ensure good governance and due diligence in respect of the awarding of grants and third party loans requires the completion of the loans checklist and the taking of external independent advice.”

4.3.2.6 Cabinet approved the original decision to lend £46m to UoN on 10 September 2014 including a recommendation to Council to include the expenditure in the Capital Programme.

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

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 Loan to University of Northampton – 10 September 2014

Stuart McGregor,
Chief Finance Officer (Section 151 Officer)

Summary of the application of the grants received to support the relevant service areas with either cost pressures, or reduced income

Service Area	Application of Sales Fees and Charges Grant £000	Application of COVID-19 Emergency Grant £000	Commentary
Museums and Arts	6	11	Loss of income due to Museums not being able to open and operate normally as a result of COVID-19. This loss of income is partially met through the SFC scheme, but the remainder to be funded by the COVID-19 Emergency Grant
Licensing	46	27	Loss of income in relation to non renewal of taxi and liquor licenses as a result of COVID-19 partially met through the SFC scheme, but the remainder to be funded by the COVID-19 Emergency Grant
Commercial Services	0	42	Loss of income from an additional enhanced advisory services to food outlets which was to be introduced but suspended as a result of COVID-19 partially met through the SFC scheme, but the remainder to be funded by the COVID-19 Emergency Grant
Environmental Protection	0	23	Loss of environmental permit income and potential pollution control recharge income as a result of COVID-19 partially met through the SFC scheme, but the remainder to be funded by the COVID-19 Emergency Grant
Parks & Open Spaces and Neighbourhood Wardens	0	5	Cost of COVID-19 signage
Community and Other Grants	0	224	Additional grants made by NBC to local organisations, parish councils, community centres and through the Cllr COVID-19 Community Fund
Audit	0	300	Additional audit costs anticipated as a result of the additional scrutiny that will be required as a result of the additional substantial grants that have been distributed by NBC to support local businesses.
Chief Finance Officer	0	139	Various centralised costs from the initial reaction to the pandemic, and internal audit costs associated with the business support grants
Benefits	0	125	Reduced overpayment recovery partly due to reduced recovery via Universal Credit as Government ceasing this recovery method for 3 months as part of the reaction to the COVID situation and also increased requests for reduced payment plans
Revenues	0	155	NNDR re-billing costs and business grant admin costs
Information Technology	0	75	Additional ICT costs associated with the shift to home working
Car Parking	1,953	1,460	Loss of income in relation to substantially reduced use of car parks as a result of COVID-19 partially met through the SFC scheme, but the remainder to be funded by the COVID-19 Emergency Grant
Bus Station	27	43	Loss of income due to reduced departure numbers as a result of COVID-19 partially met through the SFC scheme, but the remainder to be funded by the COVID-19 Emergency Grant
Estates Management	0	252	Estimated loss of rental income due to business closures as a result of COVID-19
Facilities Management	37	40	Loss of Guildhall income as a result of COVID-19
Markets	71	81	Loss of income from the market as a result of COVID-19 partially met through the SFC scheme, but the remainder to be funded by the COVID-19 Emergency Grant
Events	11	0	Loss of income from cancelled events
Housing Advice and Options	0	308	Costs associated with accommodation of rough sleepers as a result of COVID-19
Private Sector Housing	74	111	Loss of income from DFG, civil penalties and HMO licenses as a result of COVID-19 partially met through the SFC scheme, but the remainder to be funded by the COVID-19 Emergency Grant
Land Charges	22	24	Anticipated downturn in income as a result of COVID-19 partially met through the SFC scheme, but the remainder to be funded by the COVID-19 Emergency Grant
Development Control	164	90	Anticipated downturn in planning application income as a result of COVID-19 partially met through the SFC scheme, but the remainder to be funded by the COVID-19 Emergency Grant
Total	2,411	3,535	