

Appendices:  
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Item No.  
[For Democratic  
Services Use only]

**NORTHAMPTON**  
BOROUGH COUNCIL

## CABINET REPORT

|                     |  |
|---------------------|--|
| <b>Report Title</b> | <b>Finance monitoring to 31 January 2021</b> |
|---------------------|--|

**AGENDA STATUS: PUBLIC**

|                                    |                  |
|------------------------------------|------------------|
| <b>Cabinet Meeting Date:</b>       | 03 March 2021    |
| <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.
- 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 distribution of Grant to existing Parish Councils of £98.9K, to provide additional Covid grant support, as set out in the Appendix.
- 2.4 That Cabinet approves the distribution of £99.9K of Grant to the three new Town/Parish Councils as launch funding to enable them to function ahead of the first precept payment in April and assist with Covid support, as set out in the Appendix.

## **3 Issues and choices**

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### **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 January 2021, period 10 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 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 £2.412m (with details of how this is split in the specific Head of Service areas below).
- 3.2.4 There has been an impact on Parish Councils and the launch of the three new Town/Parish Councils. To assist their financial viability and to provide funding for their continuing support with Covid challenges and community messaging, Cabinet are asked to approve two grant distributions, as set out in the tables in the Appendix to this report.
- 3.2.5 The three new Councils will not receive their initial precept funding until later April, so do require some initial seed/launch funding to enable them to launch and also contribute to the Covid communication and awareness campaigns.

### 3.3 Key financial indicators

| Budget area                          | Variation from budget |                                |
|--------------------------------------|-----------------------|--------------------------------|
|                                      | General fund          | Housing Revenue Accounts (HRA) |
|                                      | £m                    | £m                             |
| Controllable service budgets         | -0.292                | 0.274                          |
| Debt financing and corporate budgets | 0.014                 | 0.000                          |
| Total                                | -0.278                | 0.274                          |

### 3.4 General fund revenue budget

3.4.1 The overall general fund revenue budget is currently forecasting a £0.278m 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 £0.346m underspend. This position includes losses of income as a result of the COVID-19 pandemic which have largely been offset by grants received. The most significant of these is a forecast loss of car park income of £3.44m. 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 largely offset by an estimated grant income of £2.109m from the SFC grant scheme, £1.2m from the COVID-19 emergency grant and other smaller savings totalling £0.046m.

There is also a loss of income due to closure of the market and reduced number of traders following re-opening (£0.147m) as well as other smaller pressures related to COVID-19 in relation to minor events, CCTV, Town centre management, the Bus Station and the Guildhall. All of which have been offset by COVID-19 grants and various savings identified.

Other income losses relate to rental income in relation to business closures and other vacant properties (£0.310m). Whilst not covered by the SFC grant, these losses have been largely offset by the COVID-19 Emergency Grant bringing the overall overspend down to £0.058m.

There are savings on staffing budgets across the service and various other savings identified totalling £0.503m.

3.4.3 The **Housing and Wellbeing** service is forecasting an overspend position of £0.456m for the year. Demand for temporary accommodation has resulted in a forecast pressure of £0.160m and a corresponding pressure of £0.115m due to an increase in bad debt relating to temporary accommodation. There is a pressure of £0.308m relating to the provision of accommodation for Rough Sleepers as a result of the COVID-19 pandemic. This is largely offset by using £200k of COVID-19 emergency grant funding.

There is pressure in the Private Sector Housing service due to a reduction in civil penalties, licences and disabled facilities grant administration income of £0.271m as a result of the COVID-19 pandemic. However, this pressure is now largely 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 £0.053m overspend position. This is associated with an anticipated reduction in land charges income (£0.046m) and planning income (£0.300m) as a result of COVID-19 disrupting normal business. These forecast pressures are now fully offset by grant income of £0.172m from the SFC scheme, £0.079m from the COVID-19 emergency grant and other smaller savings identified.

In addition, there is also a £0.095m pressure in the Planning Policy area due to the risk on an Article 4 policy (£0.117m) and the saving option regarding joint working on Planning policy now not being achievable (£0.035m). These are partially offset by other savings identified in the service.

- 3.4.5 The **Chief Finance Officer** service is reporting an underspend of £0.025m. 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; £0.155m 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 £0.557m. This includes an underspend of £0.528m 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 £0.079m pressure being forecast for legal costs associated with the pensions dispute on the old environmental services contract.

Other pressures are in the Licensing area (£0.059m); the Commercial Services area (£0.073m); and the Environmental Protection area (£0.013m) which are mainly due to losses of income as a result of COVID-19 disrupting normal business. These pressures are now fully offset by grant income of £0.059m from the SFC scheme, £0.042m from the COVID-19 emergency grant and a further Compliance and Enforcement grant of £0.124m. 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).

There is a pressure of £0.831m being reported in the **Chief Executive** area due to additional grants being distributed as a result of COVID-19. However, this is offset using £0.831m from the COVID-19 emergency grant.

- 3.4.7 The **Borough Secretary** area is reporting an overspend of £0.078m mainly as a result of £0.150m of CGR costs and smaller pressures caused by increased agency staff costs and the restructure saving option that was put forward for this year's budget not being implemented (£0.078m). These are offset by staff savings and vacant posts.

- 3.4.8 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.

3.4.9 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 £0.274m pressure. This includes £0.688m 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 £0.415m.

### 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 £19.3m. There has been one in-year change since the previous Cabinet Report and this is detailed in the table below.

| Reference | Scheme Title          | £m    | Comments  |
|-----------|-----------------------|-------|---|
| BA290     | Derngate Theatre Roof | 0.032 | Necessary replacement of the roof covering on the building following a survey |

3.6.2 The current COVID-19 situation has affected a number of capital projects this year, with some experiencing delays through:

- Availability of contractors and delays to start times
- Impact of supply chain issues for materials
- Extended periods of construction due to social distancing which has slowed down building work and fitting out of premises.

We therefore expect that some projects will not be completed in 2020/21 as originally planned and will need to be carried forward into the next financial year.

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, are required be brought to Cabinet for approval. From April this will be the capital programme of West Northants Council and any additions to the capital programme will require the relevant approvals of that Authority.

### 3.7 HRA capital programme

3.7.1 The HRA capital programme for 2020/21 totals £83.828m, of which £49.609m 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 £13.3m. This is due to a variety of reasons

across a number of schemes including, archaeological and leaseholder delays, specification changes, design & planning delays, and the wider impact of COVID-19 pandemic.

- 3.7.3 There is a forecast overspend due to increased demand on Disabled Adaptations Budgets resulting in an overspend of £0.6m. There are also increased pressures on the Structural Repairs and Heating Budgets amounting to £0.3m. These pressures have been offset by a forecast underspend on Component Works Budgets of £0.75m and Fire Risk Works £0.15m. Overall a balanced position.

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

- 3.8.1 Cabinet is asked to note the reported financial position and agree the recommendations at 2.1 to 2.2.
- 3.8.2 Cabinet are recommended to approve the two grant distributions to support Town and Parish Councils in recommendation 2.3 and 2.4.
- 3.8.3 Cabinet can choose to not accept the recommendations; 2.1 to 2.4 as proposed, this is not recommended.

## **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 January 2021. 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 The proposed grants to Town and Parish Councils will be drawn from Covid Grant funding, so will not impact on the Council's General Fund Reserves or the underspend reported in this report.

### **4.3 Legal**

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

### **4.4 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

**Stuart McGregor,**

**Chief Finance Officer (Section 151 Officer)**

### **Appendix – Parish / Town Council Proposed Grant values**

**Grant Scheme One - £98,887.50:**

Grant to Parish Councils to provide assistance as a result of Covid pressure and support to the Council in delivering the community safety message.

| <b>Covid Funding - Parish Council Support</b> |                |                   |
|---|----------------|-------------------|
| <b>Parish Council</b>                         | <b>Band Ds</b> | <b>Grant</b>      |
| Billing                                       | 2,821          | £12,694.50        |
| Collingtree                                   | 536            | £2,412.00         |
| Duston  | 5,581          | £25,114.50        |
| Great Houghton                                | 290            | £1,305.00         |
| Hardingstone                                  | 819            | £3,685.50         |
| Upton   | 2,789          | £12,550.50        |
| Wooton  | 2,991          | £13,459.50        |
| East Hunsbury                                 | 3,507          | £15,781.50        |
| West Hunsbury                                 | 1,668          | £7,506.00         |
| Hunsbury Meadow                               | 973            | £4,378.50         |
|   |                |                   |
| <b>Total Parish Band Ds</b>                   | <b>21,975</b>  | <b>£98,887.50</b> |

**Grant Scheme Two - £99,995.00:**

Grant to new Town and Parish Councils to provide launch assistance and funding ahead of the first precept payment in April 2021, which will also enable them to assist with the Covid safety and support messaging in their localities.

| <b>Parish</b>        | <b>Tax base</b> | <b>Precept</b> | <b>Grant based on 2.5% of precept</b> | <b>Grant based on tax base</b> | <b>Total grant</b> |
|----------------------|-----------------|----------------|---------------------------------------|--------------------------------|--------------------|
| Northampton Town     | 36,401          | 1,775,500      | 44,388                                | 36,401                         | 80,789             |
| Far Cotton & Delapre | 3,058           | 147,424        | 3,686                                 | 3,058                          | 6,744              |
| Kingsthorpe          | 6,913           | 222,000        | 5,550                                 | 6,913                          | 12,463             |
| <b>Total</b>         |                 |                | <b>53,623</b>                         | <b>46,372</b>                  | <b>99,995</b>      |