

Appendices: 2



NORTHAMPTON
BOROUGH COUNCIL

CABINET REPORT

Report Title	Finance Monitoring to 30 September 2018
---------------------	--

AGENDA STATUS: PUBLIC

Cabinet Meeting Date:	14 November 2018
Key Decision:	YES
Within Policy:	YES
Policy Document:	NO
Service Area:	Management Board
Accountable Cabinet Member:	Cllr B Eldred
Ward(s)	N/A

1 Purpose

Financial monitoring reports will be presented to Cabinet on a bi-monthly basis and will include:

- 1.1 Revenue – any significant issues requiring action and details of the actions being taken.
- 1.2 Budget Risks, including any unachievable savings.
- 1.3 Budget Changes and Corrections
- 1.4 Capital – progress on key projects
- 1.5 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 to address issues arising.
- 2.2 That Cabinet note the capital appraisals approved under delegation as set out in Appendix 1.

3 Issues and Choices

3.1 Report Background

3.1.1 At the half way point of the financial year, there are a number of issues to be addressed in relation to the General Fund revenue budget. These are detailed below.

3.2 Key Financial Indicators

Dashboard Indicator Description	Variation from Budget	
	General Fund	Housing Revenue Account
	£m	£m
Controllable Budgets	1.685	(0.340)
Debt Financing and Recharges	(0.247)	0
Total	1.438	(0.340)

3.3 General Fund Revenue Budget (Red)

3.3.1 The overall forecast overspend is largely as a result of the continuing pressures related to homelessness. This results in an increased cost in the Housing Options service of £1.203m and increased costs in Benefits of £0.345m due to the higher cost of temporary accommodation leading to loss of subsidy.

3.3.2 Homelessness - The combined current forecast overspend on Housing and Benefits as a result of increased homelessness is £1.548m. High levels of homelessness, together with the severe shortage of affordable rented housing, have resulted in a sharp increase in the Council's use of temporary accommodation and the amount of time that homeless households are required to wait until they are offered settled housing.

3.3.3 During the past 2½ years (March 2016 - September 2018) the number of households living in temporary accommodation has more than quadrupled from 66 to 303. The financial impact of these changes on the Council is exacerbated by the fact that around 80% of the temporary accommodation the Council uses is procured from suppliers at nightly rates that are a lot higher than it can recover through charges.

3.3.4 Action has already been taken to minimise the amount of time that households spend in temporary accommodation and reduce the net cost to the Council. Amendments have been made to the housing allocations scheme, and extra resources have been provided to prevent homelessness and ensure that homelessness decisions are made in a timely manner. Negotiations with housing suppliers have helped to reduce the amount that the Council is required to pay for Bed & Breakfast and self-contained, nightly-purchased accommodation. A separate report is being taken to Cabinet to report on the options available to the Council to reduce the use and cost of temporary accommodation.

3.3.5 Other currently reported variances (including debt financing and recharges) amount to a net underspend of £0.110m, but there are no individual areas requiring immediate action. As part of the 2019/20 budget process all areas of expenditure and income will be investigated to ensure that current year forecasts are robust and any options to

make budget savings without impacting on levels of service are incorporated into future budgets.

- 3.3.6 Corporate Management Board are actively seeking options and actions to manage and mitigate the impact of the risk of an overspend in 2018-19.

3.4 **HRA Revenue Budget (Green)**

- 3.4.1 There is currently an overall underspend of £340k being forecast.

The HRA is currently forecasting an underspend of £282k on staffing budgets; and £380k on subcontractor payments, utilities budgets and other non-staffing budgets. This is partially offset by forecast pressure on programmed and responsive repairs of £207k; and £121k on subcontractor payments and boiler maintenance. The Bad Debt Provision contribution is being reviewed in light of the Government announcement which further delays the roll out of Universal Credit. This could result in an in year benefit through a lower contribution to the provision.

3.5 **Capital Programme**

3.5.1 **General Fund Capital Programme**

- 3.5.1.1 The General Fund capital programme is currently forecast to spend up to the latest budget of £26.56m. This includes the carry forwards approved by Cabinet in September and the schedule of in-year changes as shown in Appendix 1. There has been an overall reduction in the 2018/19 budget of £502k due predominantly to the removal of the Horizon Park scheme. The total value of this scheme within the current Capital Programme was £8.85m
- 3.5.1.2 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 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.
- 3.5.1.3 Appendix 2 reflects the current debt financing position and that there is currently a net positive variance.

3.6 **HRA Capital Programme**

- 3.6.1 The approved HRA Capital Programme for 2018/19 stands at £25.694m. The forecasts to date show no significant underspends or overspends however there are increased challenges to delivery that have resulted in re-phasing works to the latter half of the year.
- 3.6.2 141 Right to Buy Receipts – The target use in 2018/19 of £4.7m is currently forecast to be exceeded through a combination of new-build and conversion schemes. However, the first two quarters forecast spend has been re-phased, significantly increasing the challenges on delivery in quarters 3 and 4 of this year.

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 2018. 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 September 2018. 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 implications arising from this report.
- 4.4.2 A full Community/Equalities Impact Analysis has been completed for the 2018/19 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 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 Other Implications

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

5 Background Papers

- 5.1 Cabinet and Council Budget and Capital Programme Reports February 2018.

Stuart McGregor,
Section 151 Officer,
01604 838347

General Fund Capital Budget Changes September 2018

Reference	Scheme Title	2018/19 £	Comments
BA215	Moulton Athletic Track	33,765	To cover the final account for the scheme
BA672	Capital Improvements – Regeneration Areas (Block scheme)	-33,765	To cover the final account for the Moulton Athletic Track scheme
BA253	Horizon Park	-525,000	Build project no longer required as NPH are now seeking alternative accommodation
BA242	Mount Baths Changing Village	23,000	Funding for final costs in excess of budget. To be funded by the Leisure Trust
TOTAL		-502,000	

Debt Financing Budget Forecast Outturn 2018-19

Debt Financing & Interest 30th September 2018	Approved Budget £000	Actual £000	Forecast £000	Variance to Budget £000
Interest Payable	1,600	795	1,520	(80)
Interest Receivable	(1,453)	(709)	(1,620)	(167)
Minimum Revenue Provision	1,176	0	1,176	0
Recharges from/(to) HRA	86	0	86	0
Total Debt Financing & Interest	1,409	86	1,162	(247)

Areas of risk and/or volatility

Interest payable on borrowing - The majority of interest payable costs are fixed and part of long-term arrangements. Assumptions on replacement of maturing loans were prudently included within the budget build process but cash balances have remained higher (slowdown of capital programme, developer funding etc) and so no new borrowing is expected to be undertaken this financial year.

Interest receivable on investments - As mentioned above, investment balances have remained higher for longer than anticipate. Investment rates have also picked up following BoE increase in base rate.

Recharges from/(to) the HRA - This budget is extremely difficult to forecast due to volatility of HRA cash balances, which at year end could prove to be significantly higher or lower than anticipated.