



CABINET REPORT

Report Title	Finance Monitoring to 30 June 2017
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AGENDA STATUS: PUBLIC

Cabinet Meeting Date:	19 July 2017
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 2016-17 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. This report provides an update on the position for the Enterprise Zone.

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.

3 Issues and Choices

3.1 Report Background

- 3.1.1 This is the first of a series of monthly reports to Cabinet which, as well as providing an overview of the position on revenue and capital budgets, will focus on a particular financial issue.
- 3.1.2 This report provides detail in relation to the Enterprise Zone. A timetable will be developed to ensure coverage across a range of financial issues during the year, with a focus of areas of financial risk.

3.2 Key Financial Indicator Exceptions

Dashboard Indicator Description	Variation from Budget	
	General Fund	Housing Revenue Account
	£000	£000
Controllable Budgets	(121)	(37)
Debt Financing and Recharges	0	0
Total	(121)	(37)
Net transfer to/(from) reserves	0	37
Total	(121)	0

3.3 General Fund Revenue Budget (Blue)

- 3.3.1 It is very early in the financial year and as such only minimal variations are forecast in many areas. Overall forecast expenditure is £161k (0.5%) below budget. The following table summarises the variations from budget for the General Fund.

Service Area	£000
Asset Management	18
Economic Development and Regeneration	0
Head of Planning	18
Housing	92
Borough Secretary	21
Director of Customers & Communities	(310)
Corporate	0
Controllable Total	(161)
Debt Financing	0
General Fund Total	(161)

3.3.1.1 Asset Management

Forecast overspend mainly relates to additional temporary staff covering vacant positions and professional services to carry out valuations.

3.3.1.2 Head of Planning

Forecast overspend on salaries due to regrading of post.

3.3.1.3 Head of Housing and Wellbeing

Forecast overspend is mainly due to additional costs for agency staff in Housing Options and Advice, Home Adaptations and Housing Standards.

3.3.1.4 Director of Customers and Communities

Overall forecast underspend reflecting additional deductions made through the Environmental Services Contract and staffing savings.

3.3.2 Where applicable Budget Managers are working to mitigate the pressures on their budgets 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 The outturn position, as reported to Cabinet in June, highlighted a number of significant variances against budgets in 2016/17. All budgets will be reviewed as part of the 2018/19 budget process to assess their robustness and any scope to reduce budgets without affecting service delivery.

3.4 Controllable HRA Revenue Budget (Green)

3.4.1 The forecast underspend position on the HRA of £37k relates mainly to staff vacancy savings within NPH.

3.5 Capital Programme

3.5.1 General Fund Capital Programme

3.5.1.1 The General Fund Approved Capital Programme budget stands at £23m including the carry forwards from 2016/17 and the additional funding for Delapre Abbey approved by Cabinet in June. No significant underspends or overspends are currently forecast, although £1.3m of expenditure on the Central Museum is expected to be carried forward to 2018/19.

3.5.1.2 As part of the 2017/18 budget process enhanced governance of the capital programme was approved, in order to ensure that cost estimates are robust before schemes are commenced. This included the creation of a "Development Pool" in which schemes remain until the costs and phasing of the scheme is firmed up. This will help to reduce the level of over and underspends and carry forwards in the capital programme. As at the end of May the six schemes that were placed in the Development Pool in the

February budget report remained there, with a total estimated value of £3.9m. Most significant of these is £2m earmarked for the St James Mill Link Road. None will be commenced until a fully costed business case is produced and agreed.

- 3.5.1.3 The financing of the capital programme assumes that around £5m of capital receipts will be received during 2017/18. None have 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.
- 3.5.1.4 Funding for Disabled Facilities Grants is partly covered by central government funding through the Better Care Fund. The full 2017/18 allocation of £1.198m will be passported by the County Council to the Borough. The remainder of the £1.475m expenditure on DFGs is funded by the Borough Council's own resources.
- 3.5.1.5 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 £250k and/or requiring additional funding from Council resources, will be brought to Cabinet for approval.

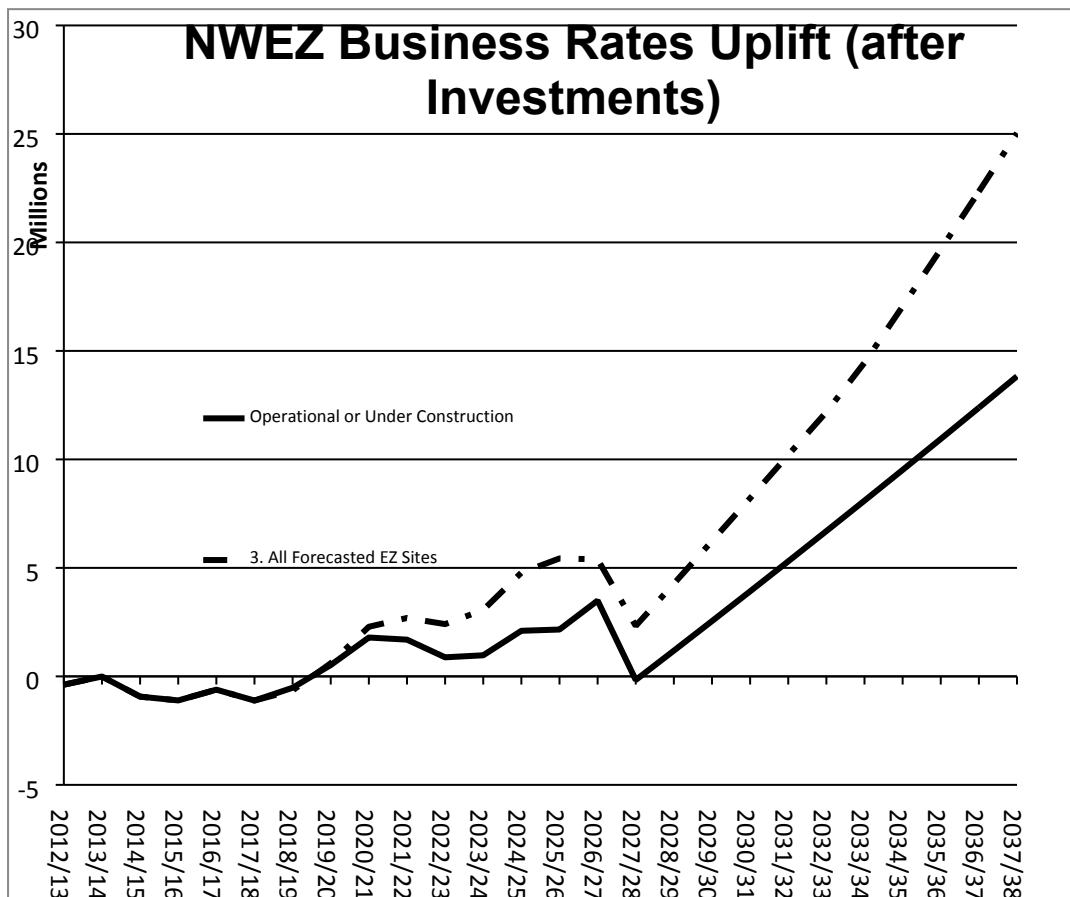
3.5.2 HRA Capital Programme

- 3.5.2.1 The approved HRA Capital Programme for 2017/18 totals £35.29m, including the carry forward of £275k from 2016/17. No significant underspends or overspends are currently forecast.

3.6 Enterprise Zone

- 3.6.1 An Enterprise Zone (EZ) is an area in which the Government offers incentives such as tax concessions, simplification of local authority planning etc. to encourage business investment. Northampton Waterside Enterprise Zone (NWEZ) was established in 2012 and is establishing itself as the driving force of the local economy as it unlocks key development sites, improve infrastructure, attracts new businesses and jobs.
- 3.6.2 All Business rates generated by an EZ is retained by the Local Enterprise Partnership (LEP) and local authorities in the area for 25 years to reinvest in local economic growth, known as Business Rates Uplift (BRU). A Memorandum of Understanding between the South East Midlands Local Enterprise Partnership (SEMLEP) and Northampton Borough Council on use of some of BRU for certain related costs was signed off in 2012. This included 100% of running costs and other development and infrastructure costs required to enhance development opportunities.
- 3.6.3 To date SEMLEP and NBC have pump-primed a number of opportunities to encourage development within the NWEZ. SEMLEP have utilised funding from the Growing Places Fund and Local Infrastructure Fund, whilst NBC utilised the uplift in funding from New Homes Bonus to provide pump-priming for the revenue administration costs. These arrangements are due to be repaid in the coming years from anticipated BRU, and include a contribution to the development of Northampton Castle Station and improvements to St Peters Way Roundabout.
- 3.6.4 The realisation of BRU will be delivered primarily from external developers and consequently there is inherent risk with forecasts of BRU across NWEZ. An assessment has been completed to assess all planned developments with the potential impact shown below. The risks have been categorised as: Operational or Under Construction (Solid Line) or All Forecasted EZ Sites (Dashed Line).

3.6.5 NWEZ is forecast to generate positive cash-flows from 2018-19, thus reducing the accumulated deficit, however these forecasts are dependent on delivery of future development sites. This becomes critical to the cash-flow position as from 2021-22 repayment of the loans that “pump-primed” a number of infrastructure projects will increase the annual expenditure over a number of years.



3.7 Choices (Options)

3.7.1 Cabinet is asked to note the reported financial position.

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 May 2017. 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

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