



## CABINET REPORT

<b>Report Title</b>	<b>Finance Monitoring to 30 September 2017</b>
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**AGENDA STATUS: PUBLIC**

<b>Cabinet Meeting Date:</b>	15 November 2017
<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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- 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 2017-18 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.

### 2 Recommendations

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- 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

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#### 3.1 Report Background

3.1.1 The monitoring report to Cabinet in September included an update on the financial pressures facing the Housing Strategy and Wellbeing service area and the mitigating actions being taken to address these pressures. This report provides an update on this volatile area of the Council's budget, as well as providing updated forecasts as at the end of September 2017 for all revenue and capital budgets.

#### 3.2 Business Rates Localisation – 100% Retention Pilot

3.2.1 Cabinet on 18th October approved the submission to CLG of a bid by Northamptonshire local authorities to become a business rates retention pilot. This bid was duly submitted by the deadline and a response is awaited. Becoming a pilot has the potential to generate significant additional income to be invested in Northamptonshire.

#### 3.3 Key Financial Indicators

Dashboard Indicator Description	Variation from Budget	
	General Fund	Housing Revenue Account
	£000	£000
Controllable Budgets	(49)	(502)
Debt Financing and Recharges	(17)	81
Total	(66)	(421)

#### 3.4 General Fund Revenue Budget (Blue)

3.4.1 Overall forecast expenditure is £66k (0.2%) below budget. The following table summarises the variations from budget for the General Fund.

Service Area	£000
Regeneration, Enterprise and Planning	(115)
Housing	204
Borough Secretary	23
Director of Customers & Communities	(161)
Corporate	0
<b>Controllable Total</b>	<b>(49)</b>
Debt Financing	(17)
<b>General Fund Total</b>	<b>(66)</b>

#### **3.4.1.1 Economic Development and Regeneration**

Forecast underspend due to a reduction in the costs of planning appeals of £170k, partly offset by additional costs of interim and temporary staff across the Directorate.

#### **3.4.1.2 Head of Housing and Wellbeing**

Forecast overspend due to the vacancy/sickness target forecast not being met (£31k), increase in caseloads in temporary accommodation (£25k), lower anticipated licencing income (£50k), additional employee costs (£59k) and withdrawal of Probation Service contribution (£18k). These are slightly offset by savings on employees in the Homelessness team.

**Homelessness and Temporary Accommodation** – Over the past 18 months there has been a sharp rise in the number of homelessness applications within the Borough with a subsequent increase in the use of temporary accommodation to deal with this additional demand and a resultant loss on the amount of Benefit Subsidy that can be recovered from the Government.

The Head of Housing and Wellbeing has set out a package of measures that seeks to alleviate these issues and reduce by half the overall caseload living in temporary accommodation (from 187 to 95) and to reduce the number of Bed and Breakfast placements by 90% over the next 12 months (from 93 to 10). The progress towards these targets will be monitored on an ongoing basis to determine the financial impact upon the authority. This loss of Subsidy in the current year has been offset by the receipt of the Homelessness Flexible Support Grant.

#### **3.4.1.3 Director of Customers and Communities**

Overall forecast underspend reflecting additional deductions made through the Environmental Services Contract (£578k), partially offset by the additional costs of dealing with fly tipping of £184k. There is also a forecast overspend in the Bus Station area due to higher spend on utilities and security as well as higher than budgeted NNDR rates. Reduced income in Markets due to a reduced number of traders is more than offset by increased car parking income and savings in Facilities Management.

3.4.2 Where applicable Budget Managers are working to mitigate the pressures on their services and bring forecasts back in line with budgets.

3.4.3 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.

### **3.5 Controllable HRA Revenue Budget (Blue)**

3.5.1 The forecast underspend position on HRA controllable budgets of £502k results from a number of different favourable variances. These include £195k additional income due to reduced void levels, £150k reduction in the forecast

Bad Debt Provision and a forecast additional £57k (2.5%) of service charge income. Additional savings relate to staff vacancy savings within NPH.

- 3.5.2 HRA Debt Financing forecast at £81k above budget due to lower opening balances than budgeted, and lower estimated average rate of interest assumed on investments (0.60% compared to 0.77% budgeted)

### **3.6 Capital Programme**

#### **3.6.1 General Fund Capital Programme**

- 3.6.1.1 The General Fund Approved Capital Programme budget stands at £23.6m 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. A number of schemes are forecast to require significant carry forwards to 2018/19, including £7.7m in relation to the Vulcan Works, £4.9m the Central Museum and £0.8m in relation to St Peters Waterside. A detailed report on the latest position in relation to the Vulcan Works will be presented to a future Cabinet meeting.
- 3.6.1.2 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 September 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.
- 3.6.1.3 The financing of the capital programme assumes that around £5m of capital receipts will be received during 2017/18. There has only been one significant receipt of £1m 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.
- 3.6.1.4 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 has been 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.
- 3.6.1.5 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.

#### **3.6.2 HRA Capital Programme**

- 3.6.2.1 The approved HRA Capital Programme for 2017/18 totals £35.29m, including the carry forward of £275k from 2016/17. The forecasts show that overall the

programme will be fully spent, but with an expected carry forward to 2018/19 of £688k.

- 3.6.2.2 **141 Right to Buy Receipts** – The 2017/18 capital programme includes a number of NPH managed schemes that are budgeted to deliver additionality to the HRA stock and meet the required spend levels needed to fully use the retained 141 RtB receipts as per the 2012 agreement the Council has with government. For quarter 1 and for quarter 2 NPH have delivered on these projects which ensures that no 141 RtB receipts have to be repaid to Treasury. Cabinet on the 18<sup>th</sup> October 2017 approved the creation of a budget for Buy backs/ Spot Purchases of £500k to help mitigate the risks around timing of delivery of existing projects in the final 2 quarters of the year. Officers are currently assessing potential spot purchases to pursue with this budget.

### **3.7 Medium Term Financial Plan and Budget 2018/19**

- 3.7.1 Cabinet in October approved the Efficiency and Medium Term Financial Strategy, which sets the framework and principles for the development of the detailed financial plan (MTFP). Work on this, and the detailed budget for 2018/19 is progressing well, involving senior officers and Cabinet Members. This work will result in a proposed draft budget and MTFP being presented to Cabinet on 13<sup>th</sup> December. The detailed budget preparation takes into account the variances being highlighted in this monitoring report as well as previous years' outturn.

### **3.8 Choices (Options)**

- 3.8.1 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)**

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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 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 July 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**

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- 5.1 Cabinet and Council Budget and Capital Programme Reports February 2017

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