



CABINET REPORT

Report Title	Finance monitoring to 31 July 2019
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AGENDA STATUS: PUBLIC

Cabinet Meeting Date:	11 September 2019
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 Financial monitoring reports will be presented to Cabinet on a bi-monthly basis and will include:
- 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

- 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 capital programme as set out at paragraph 3.5.1.
- 2.3 That Cabinet approve the draft Medium Term Financial Strategy as set out at **appendix 1**, and adopt the strategic principles therein.

3 Issues and choices

3.1 Report background

- 3.1.1 This report is the second financial monitoring report of 2019/20 and reports the forecast position as at the end of July 2019, period 4 of the financial year.

3.2 Key financial indicators

Budget area	Variation from budget	
	General fund	Housing Revenue Accounts (HRA)
	£m	£m
Controllable service budgets	0.913	0.139
Debt financing and corporate budgets	(0.170)	0.000
Total	0.743	0.139

3.3 General fund revenue budget

- 3.3.1 The overall general fund revenue budget is currently forecasting an overspend of £0.743m. The main pressures which make up this forecast overspend are as follows:
- 3.3.2 The **Economy, Assets and Culture** service area is forecasting an overspend of £0.345m. This overspend is mainly associated with two areas: a shortfall in income from car parking due to new parking charges not being implemented until July (£0.113m) and an overspend in asset management (£0.108m) due to vacant posts being covered by interims/consultants and the use of external companies for valuation works and condition surveys. There are also other, smaller pressures in the service area relating to forecast shortfalls income from markets and other buildings and land.
- 3.3.3 The **Chief Finance Officer** service area is forecasting an overspend of £0.311m. This pressure is in the benefits area and relates to the recovery of housing benefit overpayments from on-going benefits for rent rebates (HRA tenants) and rent allowances (£0.155m). Other pressure is linked to the overall pressure around homelessness and temporary accommodation, which manifests itself in the benefits

area due to the higher cost of temporary accommodation leading to a loss of subsidy (£0.031m). There is also a pressure of £0.222m due to additional costs for those in supported and exempt accommodation. This pressure is offset by an underspend on the LGSS contract (£0.090m).

- 3.3.4 The Housing and Wellbeing service area is forecasting an overspend of £0.203m. Demand for temporary accommodation (TA) has increased since the approval of the TA action plan in April 19 resulting in a forecast pressure of £0.300m. The TA Implementation Group which meets fortnightly is monitoring the use and cost of temporary accommodation with the aim of reducing both through a series of measures. Quarterly targets to reduce demand are in place, and whilst quarter 1 targets haven't been met, it is anticipated that subsequent targets are caught up and achieved. This pressure is partially offset by forecast vacant posts within the Housing Options & Advice service of £0.088m.
- 3.3.5 The **Customers and Communities** service area is forecasting an overspend of £0.185m. This pressure is in the environmental services area and is due to 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 £0.315m. This is offset by smaller underspends within the environmental services area and vacant posts elsewhere in the Customer and Communities service area.
- 3.3.6 There were small variances forecast in the **Chief Executive** area, the **Borough Secretary** service area, and the **Planning** service area, with a combined underspend of £0.131m mainly associated with vacant posts. There is also a projected underspend of £170k on the **debt financing and corporate budgets**, due to the authority having to take out less borrowing than originally forecast due to a strong cash position.
- 3.3.7 Corporate Management Board (CMB) are actively seeking options and actions to manage and mitigate the impact of the risk of an overspend in 2019/20.

3.4 HRA revenue budget

- 3.4.1 The HRA revenue budget is currently forecasting a minor overspend of £0.139m.

There is a forecast potential pressure on income (dwelling and non-dwelling rents) of approximately £217k. However, this currently based on seventeen weeks of trend data. Income will continue to be monitored closely and any variances from budget reported accordingly in a timely fashion.

There is a forecast underspend of £213k on staffing budgets (NPH) offset by a housing management recharge of £127k.

3.5 General fund capital programme

- 3.5.1 The approved general fund capital programme is currently forecast to spend up to the latest budget of £19m. There have been a number of in-year changes since the previous Cabinet report. These are detailed in the table below:

Reference	Scheme Title	£k	Comments
BA257	Environmental Service Vehicles	(2,507)	Reprofiling of spend over life of the scheme.
BA260	Billing Brook Lakes	250	Scheme approved by CMB 24 th June 2019
BA266	Rectory Farm Community Centre	250	Scheme approved by Cabinet to move into the Approved Capital Programme.
BA267	Street Lighting Upgrades	1,015	Scheme approved by Cabinet to move from Development Pool into the Approved Capital Programme.

3.5.2 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 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.

3.6 HRA capital programme

3.6.1 The HRA capital programme for 2019/20 totals £71.551m, of which £45.641m is to be managed on behalf of the Council by Northampton Partnership Homes (NPH) through a programme of planned investment and new build development. Currently the HRA capital programme is forecast to be fully spent during 2019/20.

3.7 Medium Term Financial Strategy (MTFS)

3.7.1 The MTFS sets out the strategic principles that underpin the development of the Medium Term Financial Plan (MTFP). The MTFP is the multi-year financial plan setting out the expected budget for the Council and any budget gap. The draft MTFP is expected to be published in December 2019 along with the draft budget for 2020/21.

3.7.2 The primary driver for the MTFS is the Council's corporate plan, and the need to deliver the priorities of the Council within the resources available.

3.7.3 The MTFS relates specifically to general fund budgets. The HRA faces similar challenges and the Council is working closely with NPH to address these through the HRA business plan.

3.8 Choices (options)

3.8.1 Cabinet is asked to note the reported financial position and agree the recommendations 2.1 and 2.2. There are no alternative options, other than not to agree the recommendations.

3.8.2 Cabinet is asked to approve recommendation 2.3 to approve the MTFS as set out in appendix 1, and the principles therein, or make alternative proposals.

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 2019. 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 2019. 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 and health implications arising from this report.

4.5 Consultees (internal and external)

- 4.5.1 Heads of Service, budget managers and Corporate Management Board (CMB) 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 2019.