



CABINET REPORT

Report Title	Finance monitoring to 31 May 2020
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AGENDA STATUS: PUBLIC

Cabinet Meeting Date:	22 July 2020
Key Decision:	NO
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 once every two months 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 financial impacts of the COVID-19 pandemic on the general fund for the financial year 2020/21 as set out at appendix 1.
- 2.3 That Cabinet approves an increase to the Councillor Community Funds expenditure, by £2,000 per councillor.

3 Issues and choices

3.1 Report background

- 3.1.1 This report is the first financial monitoring report of 2020/21 and reports the forecast position as at the end of May 2020, period 2 of the financial year.

3.2 Impact of Covid-19 on 2020/21 budgets

- 3.2.1 As previously reported to Cabinet in May, the COVID-19 pandemic will have a significant impact on the Council's finances in 2020/21. Appendix 1 provides an update to the position last reported in May specifically in relation to COVID-19 financial pressures. It should be noted that in the revenue monitoring that follows in the rest of this report, we have provided our best estimates of what the overall outturn position is likely to be. In some cases that includes forecasting where it is thought that there might be potential further grants received to offset some of these pressures. These further grants may not materialise, so there is a risk that the pressure might increase if further funding is not received. An example of this is the costs of temporarily housing rough sleepers: that pressure is assumed to be offset by additional grant funding in the monitoring position below, but that pressure is still described in appendix 1.
- 3.2.2 The Council has received two tranches of "COVID-19 emergency grant" funding from central government, coming to a total of £2.360m. For the purposes of this report, this grant funding has not been allocated to specific pressures in the service areas. This means that all pressures are shown in the service areas where they fall. The grant funding is then shown as a separate item within the CFO area, so the bottom line position does include this grant funding. The expectation is that once the allocation of this grant funding is agreed, this will be allocated across the specific service pressures.
- 3.2.3 The Council is now aware of a further funding scheme to provide financial support to Local Authorities, that has been announced, but as yet no details have been received. This includes a further £500M of grant funding and an approach to support the loss of income through fees and charges. Any further funding received will help alleviate the overspend forecast, but as yet it is not possible to estimate the value to this Council.
- 3.2.4 Having received grant funding from Government to support the Council's budget and c£37M to distribute as BEIS (Business Energy & Industrial Strategy) grants to local businesses. Cabinet propose to use some funding to enable ward councillors to increase their support for local small community groups that may have suffered from not being able to hold fund raising events, such as fetes etc. If approved a simple to administer scheme will be implemented.

3.3 Key financial indicators

Budget area	Variation from budget	
	General fund	Housing Revenue Accounts (HRA)
	£m	£m
Controllable service budgets	2.541	0
Debt financing and corporate budgets	0	0
Total	2.541	0

3.4 General fund revenue budget

3.4.1 The overall general fund revenue budget is currently forecasting an overspend of £2.541m. The main pressures which make up this forecast overspend are set out below:

3.4.2 The **Economy, Assets and Culture** service is currently forecasting a £2.882m overspend. This overspend is predominantly associated with losses of income as a result of the COVID-19 pandemic. The most significant of these is a forecast loss of car park income of £2.509m. Almost all car park income in the year to date has been foregone, and it is anticipated that income will not return to its pre-COVID-19 levels for the rest of the year.

Other income losses relate to rental income in relation to business closures (£0.205m), a loss of income due to closure of the market and reduced number of traders following re-opening (£0.108m), and smaller losses of income in relation to events, CCTV, the Bus Station and the Guildhall (£0.175m).

These pressures are partially offset by savings on staffing budgets across the service and reduced expenditure on NNDR totalling £0.115m.

3.4.3 The **Housing and Wellbeing** service is forecasting an overspend position of £0.826m for the year. Demand for temporary accommodation has resulted in a forecast pressure of £0.400m and a corresponding pressure of £0.200m due to an increase in bad debt relating to temporary accommodation. There is also pressure in the Private Sector Housing service due to a reduction in civil penalties, licences and disabled facilities grant administration income of £0.220m as a result of the COVID-19 pandemic. Other small variances make up the remaining £0.006m.

3.4.4 The **Planning** service are forecasting a £0.335m overspend position. This is associated with an anticipated reduction in land charges income (£0.036m) and planning income (£0.300m) as a result of COVID-19 disrupting normal business.

3.4.5 The **Chief Finance Officer** service is reporting an underspend of £1.454m. However, this is due to the unbudgeted £2.360m of funding received from Central Government for COVID-19 related costs pressures. This funding is currently centralised but will be allocated out across the services to cover some of the impacts of COVID-19.

Excluding this grant income, this area has a pressure of £0.896m. There are pressures of £0.300m in relation to potential additional external audit costs; £0.205m in relation to the Benefits area mainly from overpayment recovery reductions; £0.325m 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. Other small variances make up the remaining £0.009m.

- 3.4.6 The **Customers and Communities** area is reporting an underspend of £0.085m. This includes an underspend of £0.260m in the Environmental Services area because the uptake of the chargeable green waste project has exceeded its target, and this has mitigated the additional costs of providing the waste service through this difficult period. This is partially offset by pressures in the Licensing area (£0.101m); the Commercial Services area (£0.032m); the Environmental Protection area (£0.017m); and the Museums area (£0.019m) which are mainly due to losses of income as a result of COVID-19 disrupting normal business. Other small variances make up the remaining £0.006m.
- 3.4.7 There were other smaller variances forecast in the **Chief Executive area** and the **Borough Secretary** service area, with a combined overspend of £0.046m.
- 3.4.8 Corporate Management Board (CMB) are actively seeking options and actions to manage and mitigate the impact of the risk of an overspend in 2020/21.

3.5 HRA revenue budget

The Housing Revenue Account is currently forecasting a nil variance against the budget.

3.6 General fund capital programme

- 3.6.1 The approved General Fund Capital Programme for 2020/21 currently has a budget of £13.4m which includes carry forwards from 2019/20 of £6.3m.
- 3.6.2 It is expected that the current COVID-19 situation will significantly impact the programme going forwards. In particular through:
- Availability of contractors and delays to start times
 - Increased cost of materials
 - Possible impact of supply chain issues for materials
 - Extended periods of construction due to social distancing which could slow down building work and fitting out of premises.

The impact is currently unknown but will be continually assessed by services and the Finance Team with regular reports back to Cabinet and CMB on progress which will highlight any significant issues identified.

- 3.6.3 There is a further £59.6m of schemes in the Development Pool awaiting approval. Any further additions to the approved 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.

3.7 HRA capital programme

- 3.7.1 The HRA capital programme for 2020/21 totals £69.117m, of which £57.592m 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, it currently anticipated that this is in the region of £1.1m. Neighbourhood Programmes are currently anticipating £2.3m slippage due to COVID-19, however the contractor is committed to accelerating the programme where possible during 20/21. Landscaping works are accelerating and progressing well resulting in budget being brought forward from the 2020/21 programme of £1m.

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.

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 2020. 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 2020. 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 Increasing the Councillor Community Funds budget by £2,000 per councillor will add £90K to the cost budgets.
- 4.2.4 The approach to containing and accounting for the forecast overspend will be as follows
- a) Seek further funding from Government
 - b) Capture natural savings and costs avoided
 - c) Avoid recruiting to posts that do not have a material impact on core services, or income streams.
 - d) Use of reserves as necessary as a last resort

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 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

5.1 Cabinet and Council budget and capital programme reports February 2020.

Stuart McGregor, Section 151 Officer, 01604 838347

NORTHAMPTON BOROUGH COUNCIL – COVID COSTS/PRESSURES/GRANTS

The following provides an update to information reported to Cabinet on 27 May 2020 and directly relates to the impacts of the Covid Pandemic.

COST PRESSURES

1. HOUSING

The Housing Service, along with the Council's ALMO, NPH, had worked hard to alleviate pressures from Temporary Accommodation during 2019-20 to reduce the risk of overspends in 2020-21.

The Government requirement to provide Temporary Accommodation for Rough Sleepers saw the contracting with two hotels to provide 80 rooms for accommodation. As this scheme comes to an end, whilst it has provided positive outcomes for a traditionally hard to reach group of people. It is likely to see a block unanticipated pressure on the Temporary Accommodation budget. The scheme so far has cost in the order of £295K including accommodation, staffing and PPE. A specific Government grant of £21K has been received toward this cost.

There are also unavoidable costs of those who were initially accommodated under Temporary Accommodation legislation, but found not to be entitled going forward, could not be moved on during the 'lockdown'.

Due to a combination of factors from accommodating Rough Sleepers who do not wish to return to their prior position, unavoidable costs and an expectation of an increase in homelessness post lockdown, along with reduced income from enforcement and licensing. It is estimated that there will be pressure (possible overspend) on this Service Area in a range of between £750K to £1.5M during the year.

2. ECONOMY ASSETS and CULTURE

The pressures for this service area are primarily income related, from the risk of loss of income from commercial tenants, through to the loss of revenue income from car parking. The Council has a modest commercial property portfolio, primarily to support regeneration and the local economy, however the income is used to support services

The Council as with many businesses is suffering from fixed property costs and a reduction / loss. At present the Council Car Parks have had charges suspended, to assist key workers with free parking in specific areas and to assist those businesses still trading. The Council continues to suffer costs such as Business Rates, Utilities, Insurance and Maintenance. Parking income is considered to be a perishable income, if it is not earned on a specific day / week it cannot be recovered at a future date.

The current assumption is that the Council will have lost already c£900K with an anticipated reduction continuing throughout the year. The Council will also lose income from the lack of 'movements' on which payments are based in respect of the Bus Station. The total pressure was initially considered to be between £1.5M to £2M dependent on how transition works and no second peak to the pandemic, this has been revised upward to £2.5M anticipating the normal levels of usage are unlikely to return for the duration of the year.

As the Market was and continues to be impacted, there is an estimated likely loss of income to the Council of £75K.

Impact on Facilities Team and Museum from loss of income for room hire, wedding and events and paying back deposits, many prospective hirers are also awaiting to understand how the restrictions impact before progressing with future bookings.

3. CORPORATE COSTS

As a result of the Pandemic the Council along with other organisations was obliged to 'disperse' its staff and enable working from home, where practicable. Along with many organisations the Council had a good and robust Business Continuity Plan, however like many at the outset of 'lockdown' the plan assumed that there would be some capability to utilise some office/equipment capacity in another building or via a partner. There were therefore unbudgeted costs in acquiring additional ICT equipment and mobile phones to enable core key services to function whilst alternative solutions were developed and implemented. The Council has also had to acquire commercial versions of Telephone Conferencing and Video Conferencing, the latter and the additional volume working 'off site' also required an upgrade to the Council's IT infrastructure and in particular bandwidth, at speed. The costs of IT, telephony and conference facilities is currently estimated to be £75K. This was lower than anticipated due to innovative and swift work by ICT teams to enable more 'desk based' equipment to become mobile and so avoid the need to procure a large volume of laptops to enable 'home working'. However as some providers of teleconferencing provided initial free access to some services, the Council must now consider which are necessary and so may need to purchase these in the short term.

As some services that cannot function remotely, continue to operate within the Guildhall, additional regular deep cleaning costs are being incurred, along with protective screens being installed in public customer service areas.

There is a general Corporate Cost in respect of the acquisition of the appropriate PPE requirements to enable frontline and core services to operate in an appropriately safe manner for both staff and the public. At present the costs incurred are around £50K. Further costs are likely to be incurred to facilitate some form of return to office in the near future.

4. CUSTOMERS & COMMUNITIES

This Service Area has responsibilities for parks and public spaces and has seen material costs in securing childrens play areas and supporting social distancing, as well as direct support to the community. As the Government prepares to ease restrictions, new requirements and proposals are coming forward that are likely to see further cost pressures around public spaces and facilities.

This service is also anticipating a reduction in income through lower licensing activity.

With some additional costs – cleansing and recycling due to additional agency costs, sickness to keep Environmental Services functioning during the pandemic.

5. PLANNING

As a result of the restrictions in place, large new developments are not coming forward, resulting in a reduction in both Development Management and Building Control income from those applications. However, small scale and householder developments are continuing to be submitted, and the return to work on a number of existing building sites has seen a significant increase in the number of discharge of condition and Building Regulations applications needing

to be processed. However, as these are lower income activities, the net impact on overall budgets is likely to be in the order of a £300K pressure, an increase from the initial estimate of £200K. Land searches volumes have seen some volume changes.

6. CHIEF FINANCE OFFICER

The CFO area encompasses the corporate finance costs, audit fees etc. Whilst the distribution of over £32M to local businesses of BEIS Grants is very welcome to assist with the local economy, along with the Business Rates reliefs being changed after bills were issued for 2020-21, providing over £34M of Business Rate Relief to the Retail, Hospitality, Leisure sector and Small Business Rates Relief. There is cost to administering both of these schemes, along with rebilling over 8,500 recipients of the Council Tax Reduction Schemes(CTRS). These costs exist, however additional 'administrative funding' has been proposed by Govt. however until it is provided, the Council has unfunded costs of around £200K.

As the Pandemic struck at the end of March, it will be considered to have had a detrimental impact on asset valuations and other investments which had been valued prior to the Pandemic as part of the Financial Year End routine, there is likely to be cost to revisit those items and the impact on 2020-21, with a probable increase in Audit Fees of around £200K ,for these impacts and the grant processes.

Challenges around cashflow could also see reductions in 'interest earned' on deposits and the need to borrow to cover cashflow.

If Cabinet approve the additional funding for direct distribution by councillors to community groups, there will be a further cost of £90K. It is proposed that this scheme be designed to reduce administration costs and with time limits to seek to push funds out by the end of September 2020. It is likely to be in the form of two £500 grants and four £250 grants to be awarded by each ward councillor to appropriate groups within their locality.

GOVERNMENT GRANTS

The Council has received two forms of funding, grant to support its services and costs and also specific grant to be administered on behalf of Government.

Government Administered Grants

The Council has received funding from the Department of Business Economy, Investment and Strategy (BEIS) to distribute to specific business within the Retail Hospitality Leisure (RHL) Sector and businesses in receipt of Small Business Rate Relief (SBRR).

The Council received initially, £37.374M of 'funds', of which it is expected that grants under Scheme One will require £34.550M. Under the new Scheme Two – Discretionary Scheme, the Council has been allocated £1.727M which will be drawn from the initial cash provided of £37.374M.

At the time of this report, the Council will have paid out over 2,613 grants worth nearly £33M in respect of BEIS Grants Scheme One.

With a further 200 grants worth £1.187M in respect of Scheme Two – Discretionary Fund

The Council has also received £1.861M to fund the Govt initiative to reduce all residual Council Tax bills for those in receipt of locally funded Council Tax Reduction Scheme (CTRS), by £150.00 at any point during 2020-21.

Government Grant Funding to the Council

The Council has received three tranches of funding to support the costs of Covid both on the Council and the delivery of its core services.

Tranche One:	£0.021M toward Rough Sleeper costs
Tranche Two:	£0.120M non ringfenced funding [From Govt. first £1,6Bn]
Tranche Three:	£2.239M non ringfenced funding [From Govt. second £1.6Bn]
Tranche Four	£0.200M 'opening high streets safely' funding [MHCLG/EU]