

Appendices: 5



NORTHAMPTON
BOROUGH COUNCIL

AUDIT COMMITTEE REPORT

Report Title	Financial Monitoring Report
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AGENDA STATUS: PUBLIC

Audit Committee Meeting Date:	6 March 2017
Policy Document:	No
Directorate:	Finance Directorate LGSS
Accountable Cabinet Member:	Cllr Brandon Eldred

1. Purpose

- 1.1 To present Committee with the financial position to 31 December.
- 1.2 To update Committee on car parking income and usage to 31 January.

2. Recommendations

- 2.1 To consider the contents of the following finance reports:
 - General Fund Revenue Monitoring (**Appendix 1**);
 - General Fund Capital Monitoring (**Appendix 2**);
 - HRA Revenue Monitoring (**Appendix 3**);
 - HRA Capital Monitoring (**Appendix 4**).
- 2.2 To note the position on car parking income and usage to 31 January (**Appendix 5**).
- 2.3 To consider whether Committee requires any additional information in order to fulfil its governance role.

3. Issues and Choices

3.1 Report Background

- 3.1.1 A Finance and Performance report is presented to Cabinet quarterly (including the outturn report).
- 3.1.2 Committee has asked to receive these reports which are brought to the first available meeting following their production.
- 3.1.3 Committee has also asked for more detailed information regarding car parking income and usage, and debt recovery.

3.2 Issues

- 3.2.1 The Council's revenue and capital position as at 31 December 2016 (Period 9) is set out in **Appendices 1-4**.

Significant variances at this point in the year are as follows:

- 3.2.2 General Fund Revenue – (£546k) favourable

Note: for ease of understanding adverse variations (i.e. additional costs or reductions income) are shown without brackets, while favourable variations (increased income or cost savings) are shown within them.

	£000
Controllable Service Budgets	(176)
Debt Financing & HRA Recharges	(370)
Contribution From Reserves	0
General Fund Revenue	(546)

The major variations are detailed below.

3.2.2.1 Asset Management

Asset Management £123k adverse mainly relates to additional temporary staff covering vacant positions and professional services to carry out valuations. Offset by overachievement of NNDR rebates following challenges.

The medium to long term solution for the Asset Management team is currently being developed, with a view to remove the requirement for temporary staff.

3.2.2.2 Head of Planning

Head of Planning (£270k) favourable is due to the higher level of development control income for the whole year offset by a drop in anticipated building control income due to market conditions.

3.2.2.3 Head of Housing and Wellbeing

Head of Housing and Wellbeing £325k adverse is mainly due to additional costs for agency staff in Housing Options and Advice, Home Adaptations and Housing Standards and a reduction in Licensing Income.

3.2.2.4 Director of Customers and Communities

Director of Customers and Communities (£656k) favourable reflecting additional deductions made through the Environmental Services Contract and additional car parking and licensing income.

3.2.2.5 Corporate

Benefits £260k adverse due to additional costs for Bed and Breakfast and the use of temporary accommodation at County Chambers..

3.2.2.6 Corporate Debt Financing

Debt Financing (£370k) favourable due to lower Interest on borrowing and lower MRP charges due to repayment of borrowing on short-life assets during 2015-16 and carry forward of some capital expenditure into 2016-17.

3.2.3 HRA Revenue – (£754k) favourable

3.2.3.1 The forecast underspend position on the HRA of £754k relates mainly to staff vacancy savings within NPH and lower expenditure on void repairs and the maintenance of communal gas heating systems. In addition, there is a forecast underspend in the Contribution to the Bad Debt Provision (£200k) reflecting lower arrears levels as a result of ongoing management action and the delayed implementation of the Universal Credit Scheme. In line with September Cabinet decision it should be noted that £2m has been vired from the Revenue Voids Management Budget to the HRA Capital Programme to help fund a programme of additional units and help to ensure that the Council fully utilises the retained 141 Right to Buy receipts it currently holds

3.2.4 Capital Programme

3.2.4.1 The General Fund Capital Programme budget stands at £22.5m, an increase of £600k in the quarter. As at the end of December the forecast expenditure for the year is £17.2m, around £5.3m below the budget for the year. This includes £4.8m forecast carry forwards and £0.5m underspends. The most significant forecast variances are:

- Forecast underspend of £705k on the St Giles Street public realm improvements. The cost of completing these works was less than originally budgeted.
- Forecast underspend of £425k in relation to Disabled Facilities Grants, due to a decreased level of demand in 2016/17. Demand had stabilised at around £1.45m per year, and this is the level built into the 5 year programme going forward.

- Forecast overspend of £650k on the Delapre restoration project. Full details of the reasons for this overspend were the subject of a report to Cabinet on 8th February 2017. The overspend can be offset by the underspends elsewhere in the programme and as such there is no overall overspend. Nevertheless it is important that full understanding of the reasons for the overspend are understood so that lessons can be learnt for future major projects.
- Forecast carry forward of £2.9m in relation to the Vulcan Works scheme. This revised phasing reflects the changes to the scheme approved by Cabinet in July 2016.
- Forecast carry forward of £1m of works to St Peters Waterside. This is due to continued negotiations with the developer of the site, which will be subject to a detailed Cabinet report in due course.
- Forecast carry forward of £439k on the Central Museum Redevelopment project due to delayed access to the Old Gaol Block

- 3.2.4.2 The latest forecasts for 2016/17 and the significant carry forwards set out above were reflected in the five year capital programme proposed as part of the final budget report to Cabinet on 15th February.
- 3.2.4.3 As part of the 2017/18 budget process enhanced governance of the capital programme is proposed in order to ensure that cost estimates are robust before schemes are commenced. This will include the creation of a “Development Pool” into which schemes will go 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.
- 3.2.4.4 The financing of the capital programme assumes that around £5m of capital receipts will be received during 2016/17. It is not now expected that these will all be received in year, although on the assumption that they will be received next year, and given the expected carry forward of expenditure, the existing programme can be funded. This position does however reinforce the need to not add new schemes unless absolutely necessary.
- 3.2.4.5 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.
- 3.2.4.6 HRA Capital Programme – The approved HRA Capital Programme has been increased by £2m to £38.85m. This increase is as a result of the virement from the HRA Revenue Budget for Voids management. In line with what was reported to September Cabinet this additional capital funding will support schemes that contribute towards the provision of additional social housing as part of the Governments 141 RTB Receipts initiative.

3.2.4.7 141 Right to Buy Receipts

It was reported to September Cabinet that the Council has, since April 2012, been able to retain a proportion of its RTB receipts after signing up to a formal agreement with the DCLG. As at 31 March 2016 the Council had not had to pay over any of the retained receipts but was under increasing pressure to use the balance of receipts within the terms of the agreement. These retained receipts must be spent on re-provision of social housing within 3 years of receipt.

For quarter 2 the Council had to pay back £26k of receipts to the Treasury with interest of £3.7k. For Quarter 3 the Council again is likely to have to pay back some receipts to Treasury, initial draft figures are £39.5k with interest of approximately £6k. The Council is working closely with Northampton Partnership Homes to mitigate the risk of any further retained 141 capital receipts in quarter 4 and future quarters being paid back. Work is continuing to identify and bring forward a mix of RTB Buybacks and schemes that will bring additionality to the HRA stock base, addressing the housing need of the Borough.

3.2.4.8 As reported to November Cabinet discussions are still ongoing with the Government on the Local Growth Fund Dallington project around replacing the scheme with a number of smaller schemes to generate the same level of units within a re-phased timeframe. The works will have to be completed by the end of 2017/2018.

3.2.5 Car Parking Income and Usage

3.2.5.1 **Appendix 5** shows the monthly levels of car parking usage and income to 31 January.

3.3 **Choices (Options)**

3.3.1 None

4. Implications (including financial implications)

4.1 Policy

4.1.1 There are no specific policy implications arising from this report.

4.2 Resources and Risk

4.2.1 Ongoing monitoring of the Council's budget and capital programme enables early intervention and appropriate remedial action, thus mitigating risks to the Council's financial viability and to its reputation.

4.3 Legal

4.3.1 There are no specific legal implications arising from this report.

4.4 Equality

4.4.1 There are no specific equalities implications arising from this report.

4.5 Consultees (Internal and External)

4.5.1 None at this stage.

4.6 How the Proposals deliver Priority Outcomes

4.6.1 Regular reporting of the Council's financial position helps to ensure the proper stewardship of the Council's resources. Active financial management contributes to the delivery of value for money services, enabling public money to be used to maximum benefit.

4.7 Other Implications

4.7.1 Not applicable

5. Background Papers

None

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