



## Finance and Performance Sub Committee

Minutes of a Virtual Meeting held on Monday 06 July 2020 at 2.00pm

<b>Present:</b>	<b>Councillors:</b>	Steven North (Chairman) David Brackenbury Roger Glithero JP Glenvil Greenwood-Smith David Jenney Richard Lewis
	<b>Officers:</b>	David Oliver Glenn Hammons Kelvin Turner Katherine Hayward Greg Macdonald Matt Lineham Mike Greenway
		Chief Executive Chief Finance Officer Interim Head of Resources Finance Manager Head of Economic and Commercial Development Facilities Manager Community Partnerships Manager

### **1.0 APOLOGIES FOR ABSENCE**

1.1 There were no apologies for absence.

### **2.0 MINUTES**

2.1 The minutes of the meeting held on 26 May 2020 were approved as a correct record.

### **3.0 DECLARATIONS OF INTEREST**

3.1 No declarations of interest were made.

### **4.0 QUESTIONS FROM MEMBERS UNDER COUNCIL PROCEDURE RULE 10.3**

4.1 There were no questions received from Members.

### **5.0 BUDGET MONITORING DRAFT OUTTURN REPORT 2019-20**

5.1 The Finance Manager presented a report which provided an update on the Revenue and Capital positions against the approved budgets for the year ended 31 March 2020 and highlighted any significant under or overspending against the budget.

- 5.2 The total budget as at 31 March 2020 had been revised to £12,143,489 which related to incorporating the net interest receivable budget to the service expenditure monitoring, net carry forwards from 2018/19 totalling £249,464 and supplementary estimates totalling £603,855 approved during the year.
- 5.3 The estimated outturn for the year was an underspend of £648k. This was mainly due to an increase in planning income, net housing benefit overpayments recovered of £101k which were not within the budget, the vacancy factor, which had exceeded the budget of £200k by £104k, a saving on the corporate risk budget of £145k, and interest received, which was £121k above the original budget of £105k due to higher cash balances held in year. The draft outturn included a number of items totalling £537k which had been identified for carry forward into 2020/21, as well as movements to and from existing reserves.
- 5.4 The draft outturn for 2019/20 of the capital programme showed an underspend of £1.896m, which was mainly due to a delay in the completion of the Enterprise Centre build, which had been completed in quarter one of 2020/21. When the budget was set in March 2019, it had been anticipated that £970k of capital reserves would be used to fund the capital programme but, to allow more flexibility in the use of reserves, given the Council was facing significant financial risks as a result of the Covid-19 pandemic, it was more prudent to fund more of this year's capital programme directly from capital receipts rather than use revenue reserves.
- 5.5 In order to meet the timescales for the draft outturn report, a number of assumptions and estimates had been required to be made. A delegation was therefore sought to allow the Chief Finance Officer to approve the final outturn and reserves position as part of his statutory role of signing off the Statement of Accounts. Any changes required would be brought back to the Sub-Committee in due course of information.
- 5.6 It had been identified that the capital grant determinations for Disabled Facilities Grants in both 2019/20 and 2020/21 were £508,259 in each year, whereas the budget included in the approved capital programme was only £500k for each year. Approval was now sought to increase the 2020/21 capital programme by £16,518 to bring the approved capital programme in line with the capital grant funding received by the Council in 2019/20 and 2020/21.
- 5.7 Members welcomed the funding which had been provided by the Government to support councils during the current Covid-19 pandemic. In response to a question about benefit overpayments, officers clarified that the Council had a number of claimants whose circumstances had changed during the year and could continue to change during the Covid-19 pandemic. This would be a volatile year which would continue into the unitary arrangements.

**RESOLVED:**

- (i) That the revenue, capital and reserves positions for 2019/20, including the use of capital receipts as indicated in sections 3.5-3.8 of the report, be noted.
- (ii) That the collection and write off performance for sundry debtors, local taxation and benefit overpayments as set out in Appendix 5 of the report, be noted.

*(Reason: For information/monitoring purposes.)*

## **RESOLVED TO RECOMMEND TO POLICY AND RESOURCES COMMITTEE:**

- (iii) That the revenue carry forward requests be approved.

*(Reason: For formal approval to carry forward expenditure into the revenue budget for 2020/21).*

- (iv) That the capital carry forward requests be approved.

*(Reason: For formal approval to carry forward expenditure into the capital budget for 2020/21).*

- (v) That the 2019/20 underspend be set aside within a new Covid-19 Risk reserve.

*(Reason: For formal approval to incur expenditure in 2020/21 and to strengthen reserves to mitigate the financial risks of the Covid-19 pandemic).*

- (vi) That the draft reserves outturn position, including the use of capital receipts as indicated in sections 3.5-3.8, be approved.

*(Reason: For formal approval of strengthened reserves to mitigate future financial risk).*

- (vii) That authority is delegated to the Chief Finance Officer, following consultation with the Chairman of the Finance and Performance Sub-committee, to make changes necessary to the outturn and reserves position that arise as a result of completing year end accounting entries, which will be reported back to Finance and Performance Sub-Committee as necessary.

*(Reason: To ensure the Council meets its statutory deadline that the draft Statement of Accounts is published by 31 August 2020).*

- (viii) That Policy and Resources Committee resolves to recommend to Full Council to approve an increase of £16,518 in the 2020/21 approved capital programme in relation to Disabled Facilities Grants to be funded from capital grants.

*(Reason: To bring the approved capital programme in line with capital Disabled Facilities Grants received in 2019/20 and 2020/21).*

## **6.0 ANNUAL TREASURY MANAGEMENT REVIEW 2019-20**

6.1 The Finance Manager presented a report which provided a review of the treasury management activities and the actual prudential and treasury indicators for the year to 31 March 2020.

6.2 The Council undertook capital expenditure on long term assets and the actual capital expenditure formed one of the required prudential indicators. The Council's underlying need to borrow to finance capital expenditure was termed the Capital Financing Requirement (CFR). The Council had complied with this prudential indicator.

6.3 The Council's investment portfolio at the beginning and the end of 2019/20 was:

INVESTMENT PORTFOLIO	Actual 31.3.19 £	Actual 31.3.19 %	Actual 31.3.20 £	Actual 31.3.20 %
<b>Treasury investments</b>				
Banks	10,634,323	43.2%	12,824,053	49.7%
Local authorities	10,000,000	40.6%	13,000,000	50.3%
DMADF (H M Treasury)	4,000,000	16.2%	-	0.0%
<b>Total managed in house</b>	<b>24,634,323</b>	<b>100.0%</b>	<b>25,824,053</b>	<b>100%</b>
<b>Total managed externally</b>	<b>0</b>	<b>0%</b>	<b>0</b>	<b>0%</b>
<b>TOTAL TREASURY INVESTMENTS</b>	<b>24,634,323</b>	<b>100%</b>	<b>25,824,053</b>	<b>100%</b>

- 6.4 Investment balances had been kept to a minimum through the strategy of using reserves and balances to support internal borrowing, rather than borrowing externally from the financial markets. External borrowing would have incurred an additional cost, due to the differential between borrowing and investment rates. During 2019-20, the Council maintained an under-borrowed position, which meant that the capital borrowing need was not fully funded with loan debt, as cash supporting the Council's reserves, balances and cash flow was used as an interim measure. Although the Council had taken a cautious approach to investing in 2019-20 the outturn showed a surplus over budget of £121.2k.
- 6.5 In response to the coronavirus pandemic the Government had announced unprecedented levels of support for businesses and individuals, and councils had been the conduit through which the Government had allocated much of this support. The impact of the payment of these monies was a step change in the level of cash balances being held by the Council on a temporary basis before they were paid out to businesses and individuals. The counterparty limits set out in the approved Investment Strategy included in the Treasury Management Strategy were unable to support these elevated cash balances and as a result the Council had breached its counterparty limits from 27 March 2020 for 20 days to 15 April 2020.
- 6.6 To mitigate this breach and to ensure that the Council upheld its priorities as set out in the Investment Strategy, as soon as operationally possible, excess monies were placed with the highest credit rated counterparty the Council was able to invest with, the Debt Management Office, which was part of HM Treasury/UK Government. This decision was taken to ensure the security of Council funds. The Annual Meeting of the Council in May 2020 agreed to provide a delegation to the Chief Finance Officer (or their nominee), following consultation with the Chairmen of the Finance and Performance Sub Committee and the Governance and Audit Committee, to temporarily increase the Debt Management Office counterparty limit from £10m to unlimited if required due to exceptional circumstances. The delegation was invoked on 8 June 2020 as a result of exceptional

circumstances whereby short term investments made by the Council totalling £8m matured and it was not possible to place investments with other local authorities as planned due to market saturation. Following consultation with the Chairmen of the Finance and Performance Sub Committee and the Governance and Audit Committee the Debt Management Office counterparty limit was temporarily increased from £10m to £12m for the period from 8 June to 22 June 2020.

**RESOLVED:**

- (i) That the Annual Treasury Management Review 2019-20 be noted.

**RESOLVED TO RECOMMEND TO FULL COUNCIL:**

- (ii) That the Annual Treasury Management Review 2019-20 be noted.

*(Reason: To meet the requirements of the CIPFA Code of Practice on Treasury Management).*

**7.0 FINANCIAL MONITORING 2020-21**

7.1 The Finance Manager presented a report which provided an update on financial monitoring for the year to 31 March 2021 in light of the exceptional circumstances which the Council faced as a result of the Covid-19 pandemic. It highlighted the forecast significant overspending and loss of income and identified the possible impact on the year end position. The Covid-19 pandemic and resulting economic impacts were forecast to have a significant negative impact on the Council's revenue budget outturn position for 2020/21 and the Council's five year Medium Term Financial Strategy as a result of additional costs and forecast loss of income.

7.2 The overall summary of the forecast impact of Covid-19 on the Council's revenue budget for 2020/21 by service area, before any additional funding sources were considered, was:

SUMMARY BY SERVICE AREA OF ADDITIONAL COSTS AND LOST INCOME	Approved Revenue Budget 2020-21	MHCLG Return 19.06.20 2020-21 Pressures	Forecast Outturns After Covid-19 Pressures	Percentage Overspend Against Budget 2020-21
	£	£	£	
Customer and Community Services	1,926,813	708,863	2,635,676	36.79%
Economic and Commercial Development	545,578	304,200	849,778	55.76%
Environmental Services	3,630,931	333,566	3,964,497	9.19%
Resources and ICT	2,693,277	90,000	2,783,277	3.34%
Planning Services	1,847,505	366,620	2,214,125	19.84%
Corporate and Democratic Core	1,707,289	112,500	1,819,789	6.59%
<b>TOTAL</b>	<b>12,351,393</b>	<b>1,915,749</b>	<b>14,267,142</b>	<b>15.51%</b>

- 7.3 The Council had undertaken sensitivity analysis on the potential financial impacts of Covid-19 in 2020/21. This analysis showed that if 'pessimistic' assumptions were made, the costs and lost income in 2020/21 could be £3.0m, which was 24% of the Council's approved revenue budget. 'Realistic' assumptions indicated forecast pressures of £1.9m, or 16% of the approved budget. 'Optimistic' assumptions indicated forecast pressures of £1.4m, or 11% of the approved budget.
- 7.4 In response to the Covid-19 pandemic, the Government had made £3.2 billion available to support local authorities in meeting the costs of the activities that they had been asked to deliver. This funding was non-ringfenced and the Council's allocation of the £3.2 billion funding was £993.4k.
- 7.5 It was anticipated that council tax and business rates collection rates would suffer as a result of the economic impacts of Covid-19. The projected Collection Fund income loss of £5.453m was the total impact on the Collection Fund, of which the expected share for the Council was £1.41m. Due to the high levels of uncertainty around forecasting collection rates and in order to provide a consistent approach across the county, the Council had forecast Collection Fund income losses of 5% council tax and 10% collectable business rates, in line with all other Northamptonshire billing authorities.
- 7.6 Members acknowledged that this was an unprecedented time where the full impact was not yet known. The Chief Finance Officer advised that further announcements were expected from the Government shortly and an update would be provided to the next meeting on the impact of Covid-19 on the Collection Fund.

**RESOLVED:**

- (i) That the update on financial monitoring for the year to 31 March 2020 be noted.

**8.0 EAST NORTHAMPTONSHIRE GREENWAY – POTENTIAL TRANSFER OF FUNDING BETWEEN PROJECTS**

- 8.1 The Community Partnerships Manager presented a report which sought approval for transferring the approved funding for the East Northamptonshire Greenway phases 7 and 8 to a different Greenway project aimed at providing a new access facility.
- 8.2 In June 2018, approval was given to allocate £170k from the Council's Community Projects reserve to make a funding stream of £300k to develop phases 7 and 8 of the Greenway. Developing these phases had required extensive and prolonged negotiations with the landowner to agree the project's proposals but these proposals had now attracted a threat of formal objection from the British Horse Society (BHS) which would likely trigger a public inquiry. Officers had now reviewed alternative options in consultation with the Chairman of the Greenway Programme Board.
- 8.3 It was now being proposed to create a new entrance/exit point at Washbrook Road, Rushden, on Greenway phase 1. A feasibility study had been undertaken and the recommended option was for concrete retaining walls to provide the ground structure for constructing a ramp, with estimated costs at around £250-300k. Other funding options, such as S106, would be looked at.

**RESOLVED:**

- (i) That the Equalities Impact Assessment and the Health Impact Assessment be noted.

- (ii) That the transfer of £300k from Greenway phases 7 and 8 project to the Washbrook Road, Rushden project be approved.

**RESOLVED TO RECOMMEND TO FULL COUNCIL:**

- (iii) That the funding of £300k be included in the Capital Programme 2020/21.

**9.0 EXCLUSION OF PUBLIC AND PRESS**

**RESOLVED:**

That the public and press be excluded from the meeting during consideration of the following item of business in accordance with Section 100A of the Local Government Act 1972, because exempt information may be disclosed.

**10.0 ECONOMIC RECOVERY PROSPECTUS**

- 10.1 The Head of Economic and Commercial Development presented a report which provided an overview of and sought approval for the East Northamptonshire Council Economic Recovery Prospectus (Recovery Through Enterprise) and associated work programme and budget proposal, to address the impact of the economic shock resulting from the Covid-19 pandemic.

The report was not for publication in accordance with paragraph 3 of Part 1 of Schedule 12A of Section 100A of the Local Government Act 1972.

**RESOLVED TO RECOMMEND TO POLICY AND RESOURCES COMMITTEE:**

That the Committee recommend to Full Council that it:

- (i) Approves the Economic Recovery Prospectus and associated work streams and the budget and sources of funding detailed in the report including a draw down of £195k from the Business Rates Risk Reserve unless an appropriate external funding stream can be identified to cover this cost.

*(Reason: To put in place measures to support and drive economic recovery across the district to address the economic crisis resulting from the pandemic.)*

- (ii) Delegates authority to the Head of Economic and Commercial Development, in consultation with the Chairman of the Finance and Performance Sub-Committee, to finalise and update the detail of the programme as the basis for driving delivery.

*(Reason: To put in place arrangements to ensure effective management.)*

- (iii) Approves the governance process whereby the Finance and Performance Sub-Committee receives regular updates on progress to monitor performance and agrees any significant changes to the programme.

*(Reason: To put in place arrangements to ensure effective monitoring and governance.)*

## **11.0 ASSET MANAGEMENT UPDATE**

- 11.1 The Head of Economic and Commercial Development presented a report which provided an update on the Council's Asset Management Strategy and sought approval for various actions to be taken in respect to specific assets.

The report was not for publication in accordance with paragraph 3 of Part 1 of Schedule 12A of Section 100A of the Local Government Act 1972.

### **RESOLVED:**

- (i) That the updates detailed in the asset tracker be noted.  
*(Reason: To deliver and monitor the Asset Management Strategy.)*
- (ii) In relation to seeking an alternative approach to the joint working with Corby Borough Council, approved:
  - a) The transfer of the proposed capital budget of £152,653 from the development pool into the approved capital programme.
  - b) The delegation of authority to the Head of Economic and Commercial Development, in consultation with the Chairman of the Finance and Performance Sub-Committee, to undertake the procurement for project management expertise and the associated works including issuing tenders and awarding contracts.  
*(Reason: To ensure effective and timely delivery of the Facilities Management and Property Audit Action Plan.)*
- (iii) In relation to the Totector Site, Rushden, approved the proposed work (funding included in Appendix 2 of the report), to demolish the wall and make it safe and delegated authority to the Head of Economic and Commercial Development, in consultation with the Chairman of the Finance and Performance Sub-Committee, to undertake the work to a satisfactory conclusion.  
*(Reason: To ensure safety of all council assets.)*

## **12.0 MINUTES OF THE MEETINGS OF THE EAST NORTHANTS ENTERPRISE CENTRE WORKING PARTY**

- 12.1 The minutes of the meetings of the East Northants Enterprise Centre Working Party held on 10 February, 19 May and 9 June 2020 were noted.

**Chairman**