



Report of Councillor Malcolm Longley Cabinet Member for Finance

Thursday 15th July 2021

This being my first report as a WNC councillor it is at this point in the electoral cycle of the new council that I am going to use it as the opportunity to outline the basic principals that the finance team will be pursuing. In future I will be reporting on three major topics and adding as a fourth addition any significant item that I believe the members should be aware of that may affect the finances of the council. The three major topics will be the Profit and Loss or Budget account, the Treasury report and the Capital account.

The Profit and Loss or Budget account.

At this stage, the finance team are nearing completion of the settling in of the four different budgets and teams and tidying up any differences in methodology that are discovered. In addition, they are close to finalising the first quarter's results. From these results, which will be presented at the next cabinet meeting, the first estimation of the year end position relative to the budget will be reported on. At this stage in the formulation of the first quarter's outcome there has not been anything discovered that has revealed any significant concerns.

However, this is still very early days and there are two major risks for this year's budget that are immediately worthy of enhanced attention. The first and most obvious is the adherence to the budget of the departments and in particular the 'on demand ' areas. In the case of childrens' care this is a department where WNC has responsibility for finance but limited control. The second area of risk is the possibility of rising interest rates and the impact on the payments based on the borrowings that have been inherited – although there is an inevitable effect on the budget position as a treasury issue they will be reported on below.

The Treasury account.

This report used to be issued on a quarterly basis, but it is intended to now include it monthly due to its significance as it will be a major player in the coming cycle. The main features will be based on two key measures being, the reserve account level and the borrowings level.

The first requirement will be an adherence to the reserves account level which is currently stands at well over a desired figure of £100m. It is an intention that this figure is maintained at or around that figure. Any surplus that may occur in the profit and loss account need not be added to the reserve account but used for an alternative purpose including a reduction in borrowings whilst any deficit will need to be addressed via the profit and loss account.

Regarding the current borrowings level, this is considered too high at present due to the risks associated with increased inflation leading to rising interest rates. The priority for a reduction in borrowings will be based on any of those borrowings with a variable interest rate and in particular the LOBO loans which currently stand at circa £50m. when complete disaggregation has been achieved.

In addition to the borrowings analysis the maturity profile will also be reported with suitable comments on its significance.

The Capital account.

The current Capital programme is clearly set out in the 2021/2022 budget and will be monitored closely via the capital approvals board which will hold its first meeting of the financial year later in the week. The key to the success of this board will be based on a sound assessment of the costs of a project, (ie. no surprises) its source of finance and its benefits to WNC either in financial terms or sound social requirements. In every case any impact on the borrowings position of WNC will need to be understood and agreed upon at that board bearing in mind the comments in the Treasury report.

ASSETS ISSUES

Property Strategy & Estates

The new team is supporting services across WNC as they continue their transformation journey, assisting with formation of locality hubs for adult social care colleagues, taking a leading role in preparing for the relocation of Trading Standards from Wootton Hall Park and also supporting services returning staff to offices as the pandemic conditions changed.

The team is transforming its delivery model and establishing a systematic approach to disposals, acquisitions and asset valuations. It is reviewing its wider operating model to unify the teams from the predecessor authorities with the aim of delivering a robust and consistent service covering all of WNC's assets. Excluding housing, these number about 900, ranging from important heritage buildings and corporate offices to commercial property and open spaces.

In terms of 'business as usual', the team continues actively progress lettings within the Council's significant investment estate and review any vacant properties or sites to minimise the revenue costs of holding vacant estate. The team has a substantial report going to July Cabinet to address legacy property matters carried forward from the predecessor councils and current issues. Highlights of current work include:

Avenue Campus acquisition, Northampton: The team played a central role in establishing the terms and conditions under which the acquisition of the former University of Northampton campus could be acquired.

Mulberry Place, Daventry: Legal documentation of the leases for the restaurants in the new cinema-led complex in Daventry is being prepared. The Council is making a £250k capital contribution.

Homelessness temporary accommodation (Daventry): The former DDC had a budget of £3.888m for acquisition of 18 residential properties to be used as temporary accommodation. 12 were acquired by DDC for £1.825m in 2020/21. The remaining 6 are currently in the process of completing, with a projected underspend of around £1.0m. Works are currently in progress to ensure that the properties are to the appropriate standards for use.

Future Ways of Working: The team is supporting this corporate project on how the Council best works in a post-Covid world.

Facilities management

The new team is continuing to support the safe operation of the new Council. This is a particular challenge during the Covid-19 pandemic, when management and cleaning of spaces have been paramount.

Covid-19: Working with colleagues in Customer Services to ensure Face to Face services could be re-introduced in Daventry and Towcester. Revamping a redundant roof terrace at Lodge Road into a breakout area for staff. Continuing to support the Mass Vaccination Facility at Mouton Park.

Vulcan Works and St Johns: Working to receive and safely manage the properties from the construction contractor.

Member accommodation: Reviewing the portfolio to ensure suitable facilities are available for members across WNC, including venues for full Council, group rooms and member lounges.

Forum Café, Towcester: Progressing with the reopening of the café for September, drawing on resources across the team to achieve this.

Fleet Management: Taking over fleet management service for WNC following the decision of Northamptonshire Fire & Rescue Service, and developing systems to handle this.

Property management and maintenance

The new team is working on establishing systems and data for effective management of the Council's properties, ensuring they are fit for purpose and minimising lifetime costs. This exercise will take time to complete, but at present suggests legacy budgets are not sufficient to hold property in a decent condition. The new Council inherited a significant maintenance backlog.

The Northampton Schools PFI is one of the largest educational PFI projects in the country, with annual spend of around £28m, with a second schools PFI worth £4m per year. Work continues with contractors to ensure that the schools are safe and fit for purpose and provide welcoming and interesting places for pupils to learn in. Officers continue to challenge the manage contractors to ensure that the contract provides best value for money to schools and the public purse.

Highlights of current work include:

Green Lane, Northampton: Work to address the drainage system to reduce the risk of flooding.

Construction

The new team is working on a wide range of projects to former NCC and district and borough properties. Highlights among the construction projects include:

Mulberry Place, Daventry: This new cinema-led complex in is approaching completion. The scheme remains within the £12.75m budget, with opening expected this autumn. Issues with installation of a ceiling support system in the screens has resulted in delay, but the main contractor accepts that this is its responsibility, and it is putting it right. It has also accepted it will meet the costs this has imposed on the cinema operator, Arc. Arc will resume its fitout once the remediation is complete.

New Primary School, Towcester: Work on this new primary school, using off-site construction, is approaching completion. The project remains on budget and should open in September as planned.

Moulton Leisure Centre: The new leisure centre has opened, with only snagging items remaining. The project is within the budget of £7.05m (reduced from the original £8.5m due to projected underspends) including the building purchase price of £3.75m. This is funded from a mixture of S106 and CIL monies. Around £100k of revenue costs on plant repairs have also been incurred. Despite Covid, the indications are that the quality of the new Centre is being well-received by potential users.

Braunston – Daventry Cycle Track: Phase 1 (Middlemore, Daventry to Braunston Tunnel Portal on the Grand Union Canal) is well underway, with work expected to complete in October as planned. The project is within the £0.75m budget, funded from CIL. The Canal & River Trust (CRT) has appointed a project manager to look at solutions for phase 2 (Braunston Tunnel Portal to Dark Lane, Braunston).

Northampton Guildhall: Major scheme of roofing and allied repairs. This will be followed by a scheme to replace the boilers.

Northampton Leisure Centres: Major scheme of replacement plant and equipment. This project is being re-assessed to ensure it delivers the best mix of benefit to cost over time, and controls the Council's risk exposure.

Councillor Malcolm Longley
Cabinet Member for Finance