



Cabinet

9 July 2019

The Covey Room, One
Angel Square

2pm

This agenda is managed by Barbel Gale, Democratic Services.

Tel: (01604) 367730 or 07500 605613 or email: bgale@northamptonshire.gov.uk

* Papers circulated > Papers to follow

🔑 Denotes a key decision

AGENDA

Item No.	Subject	Page No	Responsible Cabinet Member	Contact name & Tel. no. (01604)
01.	Apologies.	--		Barbel Gale 367730
02.	Notification of requests from members of the public to address the meeting.	--		Barbel Gale 367730
03.*	Minutes of the meeting held in public on 11 June 2019	Pack One 5 - 12		Barbel Gale 367730
04.	Declarations of interest by Councillors, if any. Councillors should be reminded of the seriousness of not declaring an interest in any items to be discussed on the agenda, irrespective of whether they are a member of the committee or not. Further guidance is attached to this agenda document.	--		
05.	Announcements			
ITEMS REQUIRING DECISIONS				
06.* 🔑	Outturn Report for the financial year ending 31 st March 2019	Pack One 13 - 42	Councillor Longley	Iain Jenkins 364664
07.* 🔑	Monthly Capital Report (MCR) – Final Outturn for the financial year ending 31 st March 2019	Pack One 43 - 58	Councillor Longley	Andrea Devereux 367348
08.*	Monthly revenue monitoring report for the financial year ending 31 st March 2020, as at period 2	Pack One 59 - 82	Councillor Longley	Iain Jenkins 364664
09.*	Monthly Capital Report (MCR) – Forecast Outturn as at period 2 for the financial year ending 31 st March 2020	Pack One 83 - 96	Councillor Longley	Andrea Devereux 367348
10.*	Corporate Performance Report: 2018-19 Quarter Four	Pack Two 3 - 18	Councillor Golby	Richard Corless 367072

Item No.	Subject	Page No	Responsible Cabinet Member	Contact name & Tel. no. (01604)
11. * 🔑	Schools and DSG 2018-19 Outturn report Information only and for Cabinet to note the position in respect of the schools outturn including the Dedicated Schools Grant (DSG) and maintained school reserves at the end of the 2018-19 financial year.	Pack Two 19 - 30	Councillor Longley and Councillor Baker	Bob Seaman 07825713822
12. * 🔑	Establishment of a 'Minor Works' budget to address condition issues in Northamptonshire maintained schools	Pack Two 31 - 38	Councillor Baker	Chris Wickens 366341
13. * 🔑	Northamptonshire Adult Services: Commissioning Framework for the Provision of Care and Support Services for People with a Learning Disability	Pack Two 39 - 100	Councillor Morris	Catherine O'Rourke 07384 876747
14. * 🔑	Procurement of residential and fostering provision for children in care and young people leaving care and domiciliary care for children with SEND.	Separate Report	Councillor Baker	Catherine Noonan 367908

EXEMPT BUSINESS

In respect of the following items the Chairman may move the resolution set out below, on the grounds that if the public were present it would be likely that exempt information (information regarded as private for the purposes of the Local Government Act 1972) would be disclosed to them: The Committee is requested to resolve:

"That under Section 100A of the Local Government Act 1972, the public be excluded from the meeting for the following item(s) of business on the grounds that if the public were present it would be likely that exempt information under Part 1 of Schedule 12A to the Act of the descriptions against each item would be disclosed to them"

15. * 🔑	Highways Contract	Separate Report	Councillor Smithers	Nick Henstock - 367854
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URGENT BUSINESS

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Susan Zeiss, Proper Officer

Date issued: 1 July 2019

This information can be made available in other formats upon request. Please contact Barbel Gale, Democratic Services Assistant Manager, Democratic Services on Tel. (01604) 367730, Mobile. 07500 605613 or E-mail: bgale@northamptonshire.gov.uk

Public Contribution to Cabinet Meetings

This section of the agenda provides members of the public with information on the role and membership of the Cabinet, and on opportunities to attend and contribute to Cabinet meetings.

What is the Cabinet?

The Cabinet is the body that takes most decisions relating to the running of the services provided by Northamptonshire County Council, within the policies (for example, the Council budget) that have been agreed by the Full Council.

Who are the members of the Cabinet?

The Cabinet consists of the Leader of the Council and 6 other councillors from the political group that has a majority on the Council. Each of these Cabinet members has specific responsibilities (referred to as their “portfolio”) for different Council services, as follows:

Councillor	Responsibilities
Councillor Matthew Golby	Leader of the Council
Councillor Elizabeth Bowen	Deputy Leader
Councillor Fiona Baker	Children, Families and Education
Councillor Malcolm Longley	Finance
Councillor Ian Morris	Adult Social Care and Public Health
Councillor Sandra Naden-Horley	Corporate Services
Councillor Jason Smithers	Highways and Place

When does the Cabinet meet?

Cabinet meetings usually take place on the second Tuesday of each month at 2pm, the venue will be confirmed when the papers for that meeting are published. Cabinet meeting dates in 2019/2020 are as follows:

- Tuesday 9 July 2019
- Tuesday 10 September 2019
- Tuesday 8 October 2019
- Tuesday 12 November 2019
- Tuesday 10 December 2019
- Tuesday 14 January 2020

How do I find out about what is being discussed at future Cabinet meetings?

The agenda papers for all Council committee meetings are published 5 working days in advance and can be obtained from County Hall or downloaded from the County Council website at: <http://cmis.northamptonshire.gov.uk/cm5live/>

Every month the Council also publishes a list of future Cabinet decisions known as the Forward Plan. This provides a summary of upcoming business and sets out when particular items are due to go to Cabinet. Copies of the Forward Plan are available from County Hall or at:

<https://cmis.northamptonshire.gov.uk/cm5live/ForwardPlan.aspx>

Can I take part in Cabinet meetings?

Cabinet meetings are normally held in public and members of the public are welcome to attend to listen to discussion. Members of the public may request to address the Cabinet or ask a question on any item on the agenda for that meeting. Anyone wishing to speak at a meeting should notify the Committee Manager (whose name and contact details are given on the front page of this agenda) by 12 noon at least two working days before the day on which the meeting is due to take place.

Declarations of Interest

Members are reminded that the Code of Conduct contains provisions relating to the declaration of Disclosable Pecuniary Interests, (DPI), and Non-Statutory Disclosable Interests, (NSDI). Please refer to the Members' Code of Conduct in Part 5 of the Constitution for a fuller description of what constitutes a DPI or an NSDI.

Members are asked to note that under the new Code of Conduct, they need only declare the existence of either a DPI or NSDI, if that interest is **not** already listed in their register of Members' interests. Councillors are reminded of the seriousness of failing to declare a DPI or NSDI interest. In addition, Members are reminded that if they have a DPI or a significant NSDI, in a matter to be discussed, whether registered or not, they must not take part in the debate or vote on that matter and should remove themselves from the meeting room irrespective of whether they are a member of the committee.

When declaring an interest at a meeting, councillors are asked to state:

- The item number in which they have an interest;
- The nature of the interest; and
- Whether the interest is a discloseable pecuniary interest, (DPI), or non-statutory disclosable interest, (NSDI).

Seeking Advice...

It is your responsibility to decide whether any of these provisions apply to you in particular circumstances, but you may wish to seek the advice of the Monitoring Officer before the meeting.

Notice of items on this agenda which may be held in private

At times it is necessary for the Council to give consideration to items where the public must be excluded from the meeting. Members of the public are excluded from meetings whenever it is likely that, in the view of the nature of the business to be transacted or the nature of the proceedings that confidential information would be disclosed. This includes exclusion from access to any pertinent documents.

Details of the exemption categories can be found in the 'Access to Information Procedure Rules' section in the Council's Constitution.

The table in this section lists any items which may be considered in private at this meeting, the reason for holding the meeting or part of the meeting in private, any representations made to the Council regarding why the meeting should be held in public along with the Council's response to these representations.

Details of any items of this agenda which may be held in private			
Decision making body:	Cabinet		
Date & Time of meeting:	9 July 2019		
Item in respect of which the meeting or part of the meeting may be held in private	Reason for holding the meeting or part of the meeting may be held in private	Details of any representations made to the Council regarding why the meeting should be held in public	Details of the Council's response to the representations
Item 15, Highways Contract	Contains commercially sensitive information: exempt under Paragraph 3 of Part 1 of 12a of the Local Government Act 1972.	None	None



Democratic Services
One Angel Square
Angel Street,
Northampton, NN1 1ED

CABINET

Minutes of the meeting held on 11 June 2019 at 2pm

Venue: Covey Room, One Angel Square, Northampton (Meeting held in public)

PRESENT (FOR ALL OR PART OF THE MEETING):

Cabinet Member

Councillor Matthew Golby
Councillor Elizabeth Bowen
Councillor Fiona Baker
Councillor Malcolm Longley
Councillor Ian Morris
Councillor Sandra Naden-Horley
Councillor Jason Smithers

Portfolio

Leader of the Council
Deputy Leader
Children, Families and Education
Finance
Adult Social Care and Public Health
Corporate Services
Highways and Place

OTHER COUNCILLORS PRESENT (FOR ALL OR PART OF THE MEETING):

Councillor Richard Auger
Councillor Martin Griffiths
Councillor Stephen Legg
Councillor Bob Scott
Councillor Chris Stanbra
Councillor Winston Strachan

Councillor Wendy Brackenbury
Councillor Eileen Hales
Councillor Victoria Perry
Councillor Mick Scrimshaw
Councillor Danielle Stone

ALSO PRESENT (FOR ALL OR PART OF THE MEETING):

Officer

Dominic Donnini
Ian Duncan
Anna Earnshaw
Barbel Gale
Theresa Grant
Paul Hanson
Paul Helsby
Sally Hodges
Tony McArdle
Susan Zeiss

Role

Director of Commercial & Place
Executive Director Finance
Executive Director Adults, Communities and Wellbeing
Democracy Officer (Minutes)
Chief Executive
Democratic Services Manager
Director of Transformation
Director of Children's Services
Lead Commissioner
Monitoring Officer

There were 4 members of the press and public in attendance.

76/19 Apologies for non-attendance

Apologies were received from the Cabinet Member with responsibility for Finance, Councillor Longley.

77/19 Notification of requests from members of the public to address the meeting

There were none.

78/19 Minutes of the meeting held in public on 14 May 2019

RESOLVED: The minutes of meeting held in public on 14 May 2019 were agreed and signed as a true record with the inclusion of the additional comments to section 75/19 Funding of Unaccompanied Asylum Seeking Children who are Appeal Rights Exhausted (ARE).

79/19 Declarations of Interest by Councillors

There were none.

80/19 Announcements

The Chairman announced there were changes to the Cabinet, the new portfolios were listed below. These changes would take full effect upon the conclusion of this meeting.

- Councillor Matthew Golby - Leader of the Council
- Councillor Elizabeth Bowen - Deputy Leader
- Councillor Fiona Baker - Children, Families and Education
- Councillor Malcolm Longley - Finance
- Councillor Ian Morris - Adult Social Care and Public Health
- Councillor Sandra Naden-Horley - Corporate Services
- Councillor Jason Smithers - Highways and Place

81/19 Capital Approvals

At the Chairman's invitation the Cabinet Member with responsibility for Transport, Highways, Environment & Public Protection, Councillor Morris, introduced the report (copies of which had previously been circulated) and made the following points:

- The final monitoring position for 2018/19 would be presented to Cabinet in July;
- The proposals included £4.85m for schools and highways capital works across 6 schemes which would be funded from Department for Education and Department for Transport annual grant allocations; and
- A capital grant of £2,580,000 from the Highways Maintenance Block Incentive Fund 2019-20 had been received from the Department for Transport.

Councillors made the following points:

- Investment in the Household Waste Recycling Centres Sinking Fund to improve centres was welcomed; and
- It was queried if any funding had been received from Government to cover the Council's investment in the Northampton International Academy.

The Cabinet Member for Children, Families and Education welcomed the agreement from the Northampton International Academy to provide an additional 30 school places for the next 3 years. She was pleased that the Radstone Primary school would be open fully from September 2019.

The Chairman said that he was now a member of the South East Midlands Local Enterprise Board.

In response to a question the Chief Executive explained that the Council had submitted strong evidence to the Government to recover its investment in the Northampton International Academy. The Government had then directed the Council to use the proceeds from the sale of school land to cover the additional costs incurred from the Northampton International Academy project.

RESOLVED: That Cabinet:

- 1. Approved the promotion of six schemes from the development pool into the committed capital programme with investment totalling £8,234k:**
 - i. Highways Maintenance Block Incentive Fund 2019-20 - £2,560k**
 - ii. Household Waste Recycling Centres Sinking Fund - £260k**
 - iii. Community Equipment 2019-20 - £4,000k**
 - iv. Billing Brook Special Needs School Capacity - £250k**
 - v. Huxlow School Mobiles - £164k**
 - vi. Property Minor Works 2019-20 - £1,000k**
- 2. Approved the extension of three schemes within the current committed programme totalling £1,872k:**
 - i. Schools Devolved Formula Capital (DFC) 2018-19 - £1,341k**
 - ii. Northampton Secondary Schools Capacity - £396k**
 - iii. Radstone Primary School - £135k**

Further detail on the above schemes can be found in Section 5.

82/19 Northamptonshire Adult Social Services Strategic Plan 2019-22

At the Chairman's invitation the Cabinet Member with responsibility for Adult Social Care, Councillor Naden-Horley, introduced the report (copies of which had previously been circulated) and made the following points:

- Cabinet were being asked to note the content and objectives of the draft Northamptonshire Adult Social Services Strategic Plan for 2019-22 and approve the commencement of a stakeholder engagement process ensuring the voice of the user was represented;
- The strategy had to be reviewed every 3 years to ensure it was in tune with the Care Act 2014 and the NHS 10 year plan;
- A clear strategy was key for setting out the priorities including setting out the expectations and inform work to be undertaken;
- A 4 stage model would be used based on best practice; and
- Work would be undertaken to ensure that the effects on those with ongoing health needs would be minimised.

Councillors made the following points:

- The model was centred around buying and commissioning services and it was queried if other models were being considered;
- The model made an assumption that people would seek to utilise support from families and communities, many did not have that type of support available; and
- The strategy suggested some ambitious changes to how services would operate therefore it was queried how the Council would ensure that there was adequate resources and capacity within the teams to deliver it.

Councillor Morris thanked Councillor Naden-Horley for her work with the Adult Social Care directorate. He supported the report which would help to reduce needs, define what the needs were and help to meet needs in the future.

The Executive Director Adults, Communities and Wellbeing made the following points in response:

- She explained there were no specific services for black and minority ethnic groups however they were supported through other work streams;
- Healthwatch was being developed to ensure that users of all groups were represented;
- Commissioning was mentioned in the plan in a wider term and could mean engaging with community groups who could deliver services more effectively;
- She explained there was no presumption that people had support within the community;
- Following the move towards unitary provision, she clarified that all decisions were being taken in collaboration with all relevant parties;
- All homecare provision was monitored;
- The Council would need to join up with the district and borough councils and public health to address the issue of homelessness within the county; and
- This was a wholesale review to increase productivity.

The Chairman explained that sessions were being organised on Local Government Reform. He felt this was a once in a generation opportunity to integrate with health and adult social care.

RESOLVED: That Cabinet:

- 1. Noted content and objectives of the draft Northamptonshire Adult Social Services (NASS) Strategic Plan for 2019-22**
- 2. Approved the commencement of a stakeholder engagement process to confirm and agree these objectives and ensure that the voice of the user is represented.**

83/19 Delivering infrastructure-led growth, digital connectivity and business support in Northamptonshire

At the Chairman's invitation the Cabinet Member with responsibility for Transport, Highways, Environment & Public Protection, Councillor Morris, introduced the report (copies of which had previously been circulated) and made the following points:

- The report covered a wide ranging subject matter and highlighted the Council's ability to successfully bid for funding and working with partners;
- The report sets out the short, medium and longer term activities to support the Council's vision for Northamptonshire and Government's ambitions for economic growth, some of these include:
 - The Strategic Infrastructure Plan – work on the new plan setting out the agenda for investment in infrastructure was being done to ensure the county did not miss out on additional funding, new infrastructure projects and improved services;
 - Smart Move Northamptonshire explained how smart technologies and approaches were being deployed within the county;
 - Enhanced digital technology was regarding supporting delivery of rural broadband infrastructure;
 - New development was regarding taking measures to ensure that new developments contribute to the costs of infrastructure;
 - New funding was regarding joint activity with other local authorities and the University to ensure successful bids for funding for the county; and

- He wished Councillor Smithers all the best with the portfolio going forward.

Councillors made the following points:

- The benefits of the relationships with Northampton Enterprise Partnership and South East Midlands Local Enterprise Partnership (SEMLEP) were queried;
- Examples of NCC's support of business growth was requested;
- The report noted that the Northamptonshire Chamber of Commerce had found that key indicators of economic health had weakened in the first quarter of 2019 and it was queried what support was being given by the Council to reverse this trend;
- It was queried what the Council was being done to address the skills shortage in the County;
- Further information on the level of investment delivered to date from the Growth Deal and the Northamptonshire Arc was requested;
- It was asked why Northamptonshire had not been included in the Cambridgeshire-Milton Keynes-Oxford Arc and was the Council represented on the board; and
- Had the Council agreed a 'Growth Deal' with the Government?

The Deputy Leader felt the report was complex and challenging to understand. She noted that there was basic broadband connectivity in many areas of the county and asked what NCC planned to do to encourage the organisations providing the connectivity to fulfil their commitment.

The Chairman explained that SEMLEP was developing a Local Infrastructure Strategy which the Council would feed into and clarified that the Council was fully engaged with the Cambridgeshire-Milton Keynes-Oxford Arc.

Councillor Morris agreed that it was an ambitious paper and much of the detail would be developed as the process progressed. Infrastructure would be harder to develop without funding from SEMLEP. He agreed there was a need to find solutions to the connectivity coverage across the county. He clarified that penalties were being issued regarding delivery of the broadband contract to organisations when targets had not been met.

RESOLVED: That Cabinet:

- 1. Agreed the need to produce a new Strategic Infrastructure Plan for Northamptonshire and the approach outlined in Section 4 of the report.**
- 2. Supported the introduction of Smart City technology to manage the road network, increase travel options, and improve the availability of live travel information, and agrees the approach outlined in Section 5 of the report.**
- 3. Welcomed the £2m additional funding which has been secured by Northamptonshire County Council (NCC) to boost digital connectivity to more rural businesses, and agrees that further investment be made to extend digital coverage as outlined in Section 6 and delegated authority to the Executive Director of Commercial and Place to manage and authorise the necessary variations to contracts to deliver this outcome**
- 4. Noted the important role played by NCC to secure developer contributions for investment in infrastructure, and agrees that the 'Creating Sustainable Communities – Planning Obligations Framework and Guidance' document be refreshed, and that a consultation take place on an revised framework as outlined in Section 7 of the report.**
- 5. Welcomed the positive impact achieved through the two local business support projects involving NCC, and agreed that opportunities should be**

progressed with local partners to continue to support local businesses as outlined in Section 8 of the report.

84/19 East Kettering Junction Improvements

At the Chairman's invitation the Cabinet Member with responsibility for Transport, Highways, Environment & Public Protection, Councillor Morris, introduced the report (copies of which had previously been circulated) and made the following points:

- This report was a good example of how the Council was working together with district and borough colleagues;
- As part of the planning process developer obligations had been secured via Section 106 agreements;
- Kettering Borough Council had received the funding for the project and had asked the Council to undertake the work on their behalf;
- The first junction Windmill Avenue/Deeble Road had already been delivered. The Barton Road/Cranford Road was planned to start in July and other junctions would follow as Kettering Borough council received more funding; and
- All County Councillor's whose wards included those junctions had been offered the opportunity to have a briefing with the scheme project manager.

Councillors welcomed the report and requested that Junction E the Barton Road/Windmill Avenue junction be completed ahead of the other junctions.

RESOLVED: That Cabinet:

- 1. Welcomed the funding secured via Kettering Borough Council for junction improvements.**
- 2. Agreed to the phased implementation of the junction improvements, starting with Barton Road /Cranford Road, as set out in section 4 of this report.**

85/19 New Safeguarding partnership arrangements

At the Chairman's invitation the Cabinet Member with responsibility for Children, Families and Education, Councillor Baker, introduced the report (copies of which had previously been circulated) and made the following points:

- The report listed the changes in legislation that had required this proposal along with the opportunities it would bring;
- The new arrangements would create a more flexible and proactive approach to holding each other to account;
- The board would agree its own scrutiny arrangements and its own independent structure;
- The proposals would strengthen the previous arrangements; and
- It was proposed that the board would hold 2 conferences a year with the first being held on 26th September 2019 centring on child exploitation and gang activity.

Councillors made the following points:

- The report was welcomed;
- It was queried when the effectiveness of the of the new arrangements would be evaluated;
- The costs of the new arrangement was queried;
- The lack of trust in the council by all agencies including schools needed to be addressed;

- There was a need to reflect why partnerships were not working and it was felt that stability within the council and its partners was needed;
- It was queried if the child exploitation team had been consulted with regarding the decision on Funding of Unaccompanied Asylum Seeking Children who are Appeal Rights Exhausted (ARE) taken on 14 May 2019;
- Concern was expressed regarding certain cohorts such as children missing from education or those who were off role or home educated; and
- It was queried how the independent scrutineer would be appointed.

In response to questions the Director of Children's Services made the following points:

- She was satisfied that the new arrangements provided a strong partnership;
- There was a strong commitment to ensure the partnership arrangements were robust going forward;
- The scrutiny committee would appoint the independent scrutineer;
- She shared the Councillor concern about those cohorts of children however there was a good process for identifying and tracking those particular children;
- Relationships with partners were improving over time; and
- There was a shared commitment from all to ensure that things improved.

Councillor Baker agreed that trust was being rebuilt with partners. She offered her thanks to the Independent Chair of the Northamptonshire Safeguarding Children Board, Keith Makin for all of his very good work.

RESOLVED: That Cabinet noted the contents of the Local Safeguarding Arrangements, Plan 2019-21.

86/19 Children's Services Improvement Plan

At the Chairman's invitation the Cabinet Member with responsibility for Children, Families and Education, Councillor Baker, introduced the report (copies of which had previously been circulated) explaining that a lot of work had been carried out on the plan which would be circulated to all members.

Councillors made the following points:

- Disappointment was expressed at the late availability of the document;
- The Council was 6 years into its improvement journey and improvements were expected;
- There was a need to carry out research into what was considered good practice and test processes to see if they work before implementation;
- It was felt that services should be co-designed and co-delivered rather than be commissioned;
- Further information regarding the unaccompanied asylum seeking children's accommodation was sought;
- It was queried who owned the document and who was responsible for delivery of the plan;
- It was asked how would the council ensure that the required resources and capacity was available;
- The report was welcomed but acknowledged the reliance on the workforce to deliver it;
- Feedback on the Overview and Scrutiny review of progress with Children First Northamptonshire improvement work was overdue; and

- It was queried why the performance information dashboard from Children’s Services was not be received by the Overview and Scrutiny Committee on a monthly basis.

The Chairman indicated the Children’s Improvement Plan would be considered by the Overview and Scrutiny Committee and explained this was the current improvement plan that needed to be adhered too and everyone had the aspiration to move the service on.

The Director of Transformation made the following points:

- He clarified that ownership of the plan sat within the corporate management team and the plan set out the responsibilities;
- Part of transformation was to discover what worked that could be replicated; and
- There was a need to build the infrastructure and ensure there was capacity within the service.

The Director of Children’s Services indicated that feedback on the Overview and Scrutiny review of progress with Children First Northamptonshire improvement work and the performance information dashboard would be shared with members. She indicated that plans were reviewed on a monthly basis by senior officers and a broad range of partners had oversight. It was clarified that Children’s Services and the Transformation team were working together and supporting each other to understand the impact of what had been done previously.

Councillor Baker felt there was a very dedicated team of senior officers in Children’s Services who were all working hard to move the service forward.

RESOLVED: That Cabinet received the Children’s Services Improvement Plan and noted its contents.

87/19 Contract extension for services to support young people in Northamptonshire that are not or at risk of not being in education, training or employment (NEET).

The Chairman announced that the special urgency rule had been applied to this item therefore this item is not subject to the normal call-in procedure.

At the Chairman’s invitation the Cabinet Member with responsibility for Children, Families and Education, Councillor Baker, introduced the report (copies of which had previously been circulated) explained this was a support services contract extension. Due to funding restrictions the amount of funding paid to the current provided had been reduced.

RESOLVED: That Cabinet agreed that delegated authority be given to the Director of Children’s Services, in consultation with the Cabinet Member for Children, Families and Education to extend the current contract for NEET services to 31 March 2021.

There being no further business the meeting concluded at 3.10PM

Barbel Gale
Democratic Services

Signed: _____ Dated: _____



CABINET

9 July 2019

EXECUTIVE DIRECTOR OF FINANCE: IAN DUNCAN

CABINET MEMBER WITH RESPONSIBILITY FOR FINANCE:

COUNCILLOR MALCOLM LONGLEY

Subject:	Outturn Report for the financial year ending 31 st March 2019.
Recommendations:	<p>Cabinet is requested to:</p> <ol style="list-style-type: none"> 1. Note the Council's Outturn position for 2018-19 and associated risks; 2. Note and endorse the transfer to General Fund and the transfers to/from Earmarked Reserves as set out in Section 10, including service requests for draw downs from the Budget Delivery Reserve in 2019-20 as per paragraph 10.13; 3. Note the Council's receipt of a settlement of £100k from Shaw Healthcare (Northamptonshire) Limited following resolution of a contract dispute in relation to contract performance in 2018-19; 4. Note the ongoing work on the Council's Control and Suspense Accounts as set out in paragraphs 12.24 and 12.27 as well as the discussions with the external auditor as set out in paragraph 13.1 of this report.

1 Purpose of Report

1.1 This report provides a summary of the Council's Outturn position for the financial year ending 31st March 2019.

2 How this Decision Contributes to the Council Plan

2.1 The Council's vision is for Northamptonshire to be a county where everyone looks after each other and takes responsibility, where the vulnerable are protected and supported and where the people who can help themselves receive the assistance they need to stay independent and healthy.

This initiative helps the Council to deliver this vision through the following strategic priorities outlined in the Council Plan:

- Working in partnership with other public sector organisations (such as the seven district and borough councils, the local NHS bodies, and Northamptonshire Police).
- Enabling individuals and communities to achieve better outcomes.
- Using innovation to find better and more sustainable ways of delivering services ensuring they are efficient and affordable in the long term.
- Focusing resources on prevention and early intervention.
- Commissioning and procuring services and goods with partners.

- | |
|---|
| <ul style="list-style-type: none">• Utilising the Council's assets effectively. |
|---|

3 Background

- 3.1 The Financial challenges faced in the year 2018-19 are unprecedented in the Council's history and arguably in the history of local government. During the year it emerged that the Council was in fact in deficit at 31st March 2018, and had serious short comings in the 2018-19 budget. The requirement to make a further £60m to £70m of savings, while managing the significant demand-led budgets in social care and fulfilling other statutory services, meant that in-year intervention programmes were put in place to deliver the 2018-19 budget. This included issuing the Section 114 (s114) Notice; drawing up the Stabilisation Plan which set out savings proposals totalling £18.2m for delivery in 2018-19 to close the gaps; approval of £2.8m of resource required to deliver a more forward looking Transformation Strategy through the development and implementation of a series of business cases (this is in addition to the base budget).
- 3.2 Within the Stabilisation Plan, the Commissioners set out their intention to apply to the Ministry of Housing, Communities and Local Government (MHCLG) for a capital dispensation, which was approved by ministers on 28th November 2018. The conditions of the dispensation require the Council to fund the deficit brought forward from 2017-18, to create an unallocated revenue reserve of £20m, and to use it to manage the risk associated with the delivery of the Stabilisation Plan. The dispensation is for £70m.
- 3.3 Even anticipating this it was recognised that further steps were needed to balance the budget. In January 2019 the Executive Team met and agreed a further series of savings. The urgent delivery of which has been instrumental in achieving a balanced budget for 2018-19.

4 Spending Controls

- 4.1 The s114 notice agreed in August 2018 was issued as a result of concerns about the Council's ability to manage its in-year budget (including the likely deficit from the previous year) and also to meet a forecast shortfall in the 2019-20 budget. All told, the forecast deficit was £125m for the three years 2017-18 to 2019-20. In addition, budgeted savings of £35.4m were required in 2018-19.
- 4.2 Since that time the Council has made significant improvements in its financial position. Given these improvements, and the position reported below, the Council's s151 Officer, in consultation with the Commissioners, considered that the s114 notice could be lifted with effect from 1st April 2019.
- 4.3 This does not mean the Council has made a full recovery; its financial position remains extremely fragile. Nevertheless the Council has demonstrated a commitment to live within its available resources and for this reason a s114 notice is no longer considered necessary.
- 4.4 The Council has considerable financial risk because the demand for its statutory, services is volatile in nature and difficult to predict. The Council is faced with a

requirement to live within its means, improve and transform the Council's services and prepare for local government reorganisation. As a result, the Council will continue with its strict spending controls and strive to demonstrate best value in fulfilling the Council's objectives.

5 Financial Summary

- 5.1 The Council's Outturn position for the financial year ending 31st March 2019, is an underspend of £4.5m. This is an improvement of £34.6m on the position reported in the July 2018 s114 Notice of £30.1m, and an improvement of £3.5m from the Provisional Outturn report approved by the cabinet on 14th May.
- 5.2 The £4.5m balance will be transferred to a Budget Delivery Reserve to support the Council's ongoing financial health in 2019-20. See section 10 of this report for further details of the Council's reserves.
- 5.3 The Capital Dispensation has been applied as follows:
- £41.5m to cover the deficit balance from 2017-18
 - £20m to create a general fund reserve for 2019-20
 - £3.7m to address legacy issues (see section 12)
 - £4.8m to create a budget delivery reserve. This Earmarked Reserve will be used, if necessary, to deal with any further legacy issues and/or to support the Council's ongoing financial sustainability.
- 5.4 After applying the Capital Dispensation, the Council will have £36.8m in General and Earmarked reserves, as set out in Table Six.
- 5.5 Table One shows:
- The net budget approved by the Council for the year.
 - The net spend for the year based on spend to the end of March 2019.
 - The difference between the two, being the variance at year end.
 - The changes that have occurred between periods eleven and twelve.
 - The estimated variance when the s114 Notice was issued on 24th July 2018.
 - The final column shows the change in the year-end position since the s114 Notice was issued.

Table One:

Outturn 2018-19 by Directorate	Net Budget £'000	Net Spend at 31/03/19 £'000	Outturn Variance at 31/03/19 £'000	Period 12 Forecast Variance £'000	Movement from prior month. (favourable) / adverse £'000	Estimated variance in s114 Notice £'000	Movement in variance. (favourable) / adverse £'000
Chief Executive Services	7,374	6,845	(529)	(501)	(28)	1,445	(1,974)
Children First Northamptonshire	121,898	119,077	(2,821)	(2,866)	45	1,873	(4,694)
LGSS	14,624	14,553	(71)	(71)	0	514	(585)
Northamptonshire Adult Social Services (NASS)	184,007	177,981	(6,026)	(4,489)	(1,537)	5,820	(11,846)
Place Services	104,777	101,916	(2,861)	(2,409)	(452)	1,120	(3,981)
Wellbeing and Prevention	4,918	3,812	(1,106)	(1,104)	(2)	671	(1,777)
Corporate costs: Treasury, Insurance and Technical Services	3,675	(14,304)	(17,979)	(16,501)	(1,478)	(10,997)	(6,982)
Shortfall on budgeted transformational expenditure 18-19	0	30,542	30,542	30,542	0	29,700	842
Total budgeted expenditure	441,273	440,422	(851)	2,601	(3,452)	30,146	(30,997)
Less funding	(441,273)	(444,882)	(3,609)	(3,592)	(17)	0	(3,609)
Net Outturn Position 2018-19	0	(4,460)	(4,460)	(991)	(3,469)	30,146	(34,606)

Table Two:

Capitalisation Direction	Treatment and Application	£000
Section 2 (i) of the Capitalisation Dispensation Expenditure which is incurred by the Authority to recover the deficit on revenue reserves in the 2017-18 financial accounts	To provide for unfunded deficit brought forward from 17-18 (See <i>Table Seven</i>)	41,479
To create an unallocated revenue reserve	Creation of General Fund balance	20,000
To manage the risk that the financial savings identified in the Stabilisation Plan are not realised in full	Legacy Financial Issues – details provided in Section 12.	3,719
	Transfer to budget delivery reserves (See <i>Table Six</i>)	4,802
Total use of Capital Dispensation		70,000

5.6 **Chief Executive Services** are reporting an underspend of £529k. This is a favourable movement of £28k from the position shown in the provisional outturn report.

5.7 The movement is mainly due to New Burdens grant funding from the MHCLG, (£12k), and an additional allocation from the Transformation Fund to offset base budget expenditure, (£17k).

5.8 The total variations to budget in 2018-19 are as follows:

Pressures	£000
• Under-delivery of 2018-19 savings proposals:	325
- Review of commercial activity	
- Digitalisation	
• Overspend in Business Intelligence team due to increased licence costs, a reduction in target income and redundancy costs.	198
• Additional External Audit work relating to 2017-18 closure of accounts, (total External Audit costs, related Legal fees and Best Value Inspection fees for 2018-19 are £512k).	342
• Overspend in Communications and Marketing due to redundancy costs and the centralisation of four unfunded posts.	238
• Other overspends across Chief Executive Services.	<u>15</u>
	1,118
 Mitigations	
• Underspend on elections budget as the year-end balance will not be transferred to reserves.	(89)
• Underspend within Democratic Services due to a decrease in members' allowances, a cost neutral approach to civic events, vacancies and an increase in income.	(254)
• Underspend in Executive Services due to vacancies and a general reduction in expenditure.	(93)
• Underspend in Professional Finance due to vacancy Management and an allocation from the Transformation Fund.	(90)
• Underspend due to over accrual of prior year external audit costs	(74)
• Underspend in Customer Services due to additional income (£216k), an underspend on staffing (£146k) and a reduction in professional fees (£36k).	(398)
• Transformation Fund allocation to offset redundancy costs (£48k) and the net cost of staff solely working on transformation projects which releases a base budget (£530k).	(578)
	<u>(1,576)</u>
Position before Stabilisation Plan	<u>(458)</u>
Stabilisation Plan proposals assessed as deliverable:	(71)
- funding for Public Health post in Communications and Marketing (£22k)	
- savings from voluntary redundancies (£49k)	
Net Position including Stabilisation Plan	<u>(529)</u>

5.9 **Children First Northamptonshire (CFN)** are reporting an underspend of £2,821k. This is an adverse movement of £45k from the position shown in the provisional outturn report.

5.10 The movement of £165k is due to an invoice for 2018-19 teachers pensions costs which was identified in the closedown review process and had not been included in the provisional outturn report.

5.11 There is a favourable movement of £120k on staffing budgets due to further management information allowing for the reduction of the accrual of expenditure into 2018-19. The service has requested for this to be drawdown from the Budget Delivery Reserve in 2019-20. See paragraph 10.13.

5.12 The total variations to budget in 2018-19 are as follows:

Pressures	£000
• In year demand pressures on Agency Placements due to entrants into care being higher than anticipated.	2,041
• Slippage in the implementation of delivery of the New Models of Care proposal.	1,453
• Additional in year demand pressures for social care Transport provision.	650
• The First Point of Contact saving is no longer viable given the resource required to address issues that have arisen about the effectiveness of the proposed service model and the operational, strategic and reputational risk to the organisation since the proposal was agreed.	500
• Undeliverable efficiencies in services to disabled children and joint funded complex care packages.	500
• Additional in year demand pressures for services to disabled children.	455
• Targeted Early Help savings proposal partly undeliverable.	300
• Teachers' pension costs.	165
• Fostering and adoption care provision demand pressure.	159
• Troubled Families payment by results income shortfall.	97
• No Recourse to Public Funds overspend due to demand for support above budgeted levels.	93
• Educational Psychology income shortfall.	71
• Other minor variances.	<u>259</u>
	6,743
 Mitigations	
• Net staffing budgets underspend due to the difficulty in recruiting to Qualified Social Worker posts / vacancy management in Early Help, Learning Skills Education and Quality & Performance. (One off in year mitigation).	(2,305)
• Underspend due to fewer numbers of anticipated Children's	

Social Care agency staff converting to NCC terms and conditions and recruitment of International Social Workers, therefore resulting in a reduction in the anticipated conversion costs which were included in the base budget. (One off in year mitigation).	(447)
• Agency Placement historic over accrual, made up of a volume of smaller over accruals. (One off in year mitigation).	(1,726)
• Unaccompanied Asylum Seeking Children placement savings and grant income.	(762)
• Commissioning & Strategy additional income.	(570)
• International Social Worker Recruitment over-achievement of planned savings.	(500)
• Reinvestment from Public Health in prevention programmes. (£300k relates to one off in year mitigation).	(437)
• One off non-ring-fenced grants not required in year. (One off in year mitigation).	(412)
• Refinancing schools revenue contributions to capital through prudential borrowing.	(378)
• Residential short breaks income from the Clinical Commissioning Groups (CCGs).	(300)
• Underspend on discretionary training. Universal training to enable and equip staff to carry out their roles remains unaffected.	(177)
• Release of Human Rights Act Complaints Compensation provision. A review of supporting information concludes that this provision is no longer required and the risk will be met through revenue. (One off in-year mitigation).	(151)
• General supplies underspend.	(124)
• Virtual School underspend.	(110)
• Other minor variances.	<u>(142)</u>
	(8,541)
Position before Stabilisation Plan	<u>(1,798)</u>
Stabilisation Plan proposals delivered to date	(1,023)
- Underspend on non-ring-fenced grant (One off in-year Mitigation) (£435k)	
- Agency Staff conversion (£208k)	
- Agency Transformation Staff (£144k)	
- Senior Leadership Team (SLT) and Senior Management review (£100k)	
- Restructuring and Independent Social Workers (ISW) recruitment (£123k)	
- Includes voluntary redundancy savings (£13k)	
Net Position including Stabilisation Plan	<u>(2,821)</u>

5.13 **LGSS** is reporting an underspend of £71k. There have been a small number of low value offsetting movements from the position shown in the provisional outturn report but the overall position remains unchanged.

5.14 The total variations to budget in 2018-19 are as follows:

Pressures	£000
• Under-delivery of 2018-19 savings proposals – reduction in Internal Audit days no longer taking place.	137
• Agreed spend for the Diesel Rotary Uninterruptible Power Supply (DRUPS) generator refurbishment which has been partially absorbed within budget leaving £33k pressure. The generator is designed to provide an uninterrupted supply of power to the servers and network equipment in the event that the power to the data centre fails.	33
• IT resource saving from support to NCC specific business systems that will now be delivered in 2019-20	36
• Net shortfall against budgeted LGSS Trading, due to some anticipated agreements not coming to fruition. This has been partially offset by improvement on other trading	40
• Pre-Stabilisation Plan pressures from June 2018 addressed are made up of: IT contract and team savings £98k; Democratic services savings £18k before return to NCC; plus unidentified savings £50k. All of these savings have since been delivered. In addition, a £45k pressure from direct income has been moved to Adults where the budget correctly sits, and there is an underspend of £13k against the £150k Internal Audit pressure.	224
• Other minor variance	<u>25</u>
	495
Mitigations	
• Underspend on Occupational Health budget due to low level of external referrals in year.	(175)
• Underspend on LGSS operational budgets and contributions from the LGSS partnership contingency.	(156)
• Public Health Grant contribution to staff wellbeing service support costs	<u>(11)</u>
	(342)
Position before Stabilisation Plan	153
Stabilisation Plan pressures addressed	
- LGSS Balanced Budget	(224)
Net Position including Stabilisation Plan	<u>(71)</u>

5.15 **Northamptonshire Adult Social Services (NASS)** are reporting an underspend of £6,026k, a favourable movement of £1,537k from the position shown in the provisional outturn report.

5.16 There is a favourable movement of £1,437k on care budgets due to further management information allowing for the reduction of the accrual of expenditure into 2018-19. The service has requested for this to be drawdown from the Budget Delivery Reserve in 2019-20. See paragraph 10.13.

5.17 Settlement of £100k has been reached with Shaw Healthcare in respect of a dispute. This income is recognised in the Outturn position.

5.18 The total variations to budget in 2018-19 are as follows:

Pressures	£000
• Older People Independent Care – an increase in pressure of £441k since the last report	5,384
• Slippage of Brokerage savings on reduced package of care costs	3,450
• Learning Disability Independent Care – a reduction of £307k due to lower costs than anticipated at year end	1,661
• Slippage of Shaw utilisation saving	1,500
• Transitions Independent Care – the pressure on transitions has marginally increased by £22k	1,394
• Mental Health pool pressure on the Adult Social Care element.	1,257
• Undeliverable Community Equipment contract efficiency	800
• Increased use of NCC owned care home beds has driven a reduction in income from self-funders	778
• Impact of 2018/19 aged debt provision movement	607
• Service improvement costs including High Impact & Short Term Review Teams & Commissioning	513
• Impact of bad debt write offs	369
• Day Centre self-funder income reduction	236
• Reduction in non-invoiced deferred income	78
• Others minor variances across the service	<u>60</u>
	19,124
 Mitigations	
• Service contingency released	(4,419)
• Release of contract inflation	(3,489)
• Additional Adult Social Care grant funding	(2,717)
• Release of provision for 2017-18 sleep-in costs	(2,015)
• Residential care block contract related to the over provision of inflationary elements built into the budget of block contracts	(1,168)
• Staff vacancies/turnover management	(1,031)

• Over achievement of income targets	(977)
• Release of contract inflation to mitigate Community Equipment Contract pressure	(800)
• Public Health funding for prevention services within the Mental Health pool	(500)
• Physical Disability Independent Care – A reduction in forecast	(829)
• Benefit of Provision change of deferred non invoiced income	(330)
• Personal Health Budget reconciliation of account	(137)
• Savings associated with prevention contracts re-commissioning	(228)
• Intermediate Care Team being provided in-house	(204)
• Public Health funding towards carers contract	(200)
• Increased utilisation of Block Contracts	(189)
• Mental Health Independent Care underspend	(164)
• Release of disbursement budget	(155)
• Dispute settlement from Shaw Healthcare	(100)
• Public Health funding towards the Wellbeing payments within Extra Care services	(80)
• Other minor variances across the service	<u>(80)</u>
	(19,312)
Position before Stabilisation Plan	<u>(188)</u>
Stabilisation Plan proposals assessed as deliverable	
- Community Equipment capitalisation	(3,100)
- Demand and Capacity Management System	(700)
- Olympus Asset benefit returned to NCC on Liquidation of Company	(461)
- Voluntary redundancy savings	(40)
Net position including Stabilisation Plan	<u>(6,026)</u>

5.19 **Place** is reporting an underspend of £2,861k, an improvement of £452k from the position shown in the provisional outturn report.

5.20 There is a favourable movement of £445k on Waste Management due to further management information allowing for the reduction of the accrual of expenditure into 2018-19. The service has requested for this to be drawdown from the Budget Delivery Reserve in 2019-20. See paragraph 10.13.

5.21 There is also a net £7k favourable movement within Property Services due to a catering stock adjustment and an additional allocation from the Transformation Fund to offset base budget expenditure.

5.22 The forecast position shown within this report includes the use of £3.1m of Section 38 developers' contributions to finance highways maintenance expenditure. This income is recognised on the basis that at the point that the s38 agreement is signed an exchange occurs between the Council and the developers, and the Council takes responsibility for repairing and maintaining the

particular roads in perpetuity. In return the developer makes a payment which the Council considers as compensation for NCC taking on this responsibility. Therefore the Council has recognised this income, similarly to its treatment of grant income.

5.23 It should be noted that discussions are currently being undertaken with the external auditors on this accounting treatment. However the Council is satisfied that having taken legal advice and having had regard to the Code of Practice on Local Government Accounting and the relevant accounting standards that it is appropriate to recognise this income and has prepared the forecasts accordingly.

5.24 The total variations to budget in 2018-19 are as follows:

Pressures	£000
• Under-delivery of 2018-19 savings proposals:	1,374
- Reduction in receipt of income from sub-letting One Angel Square (£375k).	
- Property rationalisation programme (£95k)	
- Delayed implementation of the Trading Standards service restructure (£332k)	
- Delay in implementing the additional on-street parking schemes (£352k)	
- Commercialisation of assets (£220k)	
• Changed approach to the implementation of a Managing Agent delivery model.	1,000
• Property Services – unavoidable delays in exiting buildings.	463
• Changed approach to generation of commercial income.	526
• Knuston Hall – lower income than planned, partly offset by vacancy savings.	32
• Grendon Hall overspend due to a decrease in income and increase in repair costs.	140
• Home to School Transport - overspends on mainstream provision (£118k), SEN provision (£56k), excluded pupil (£116k), and post 16 transport (£60k).	350
• Highways Maintenance	785
• Highways Contract	327
• Winter Maintenance	134
• Energy and Carbon Management	119
• Year-end contribution to bad debt provision.	<u>99</u>
	5,349
Mitigations	
• Additional parking penalty charge income (£276k), vacancies within the Parking team (£76k), reduced expenditure on traffic management scheme (£50k), income regarding road suspensions (£68k) and additional general income (£7k).	(477)

- Waste Management underspend based upon activity to date (3,285) (£2,029k), reduced cost of recycling credits due to withdrawal of the premium for kitchen food waste and reduced cost of green waste due to a dry summer (£830k), a reduction in environmental protection costs due to a revised approach to paint disposal and deferred activity at closed landfill sites (£181k), and vacancies and managed expenditure reduction in line with the s114 Notice (£240k).
- Underspend on Highways contract renewal budget. (375)
- Additional New Roads & Street Works Act income, contract reconciliation payments, and reduction in Netcom telephone costs. (416)
- Development, Infrastructure & Funding - vacancy management, s106 administration income and an increase in capitalisation of salary costs. (508)
- Environment, Planning & Transport - reduction in consultancy and legal costs. (235)
- Archives and Heritage underspend due to salary capitalisation and vacancy management. (327)
- Flood & Water Management underspend due to one-off income and reduced expenditure on reactive works. (160)
- Concessionary fares reduced expenditure (£413k) and underspends on road safety (£132k), and transport planning (£43k), offset by an overspend on bus subsidies, (£217k). (371)
- Street lighting PFI scheme - expenditure in excess of PFI credits which can no longer be met from a sinking fund offset by contract penalty deductions and capitalisation of additional contract works. (173)
- Property Services underspends on hard facilities management and reactive maintenance (£106k), soft facilities management (£84k), staff travel plan (£73k), stationery (£50k), strategic planning (£123k), staff vacancies (£273k) and business rates refunds (£113k). (819)
- Schools PFI – the undeliverable savings from previous years have now been offset in year by additional contract penalty deductions (£1.7m), an insurance rebate, (£404k), and other savings across staff costs, professional fees, fixtures and fittings and repairs. (127)
- Other in-year underspends relating to: (517)
Transport (£117k), Outdoor Learning (£20k), Country Parks (£91k), Trading Standards (£138k), Environmental Management (£79k) Customer and Communities (£19k) and Archaeology (£53k, including drawdown of £36k provision).
- Transformation Fund allocation to offset redundancy and pension strain costs arising from the Trading Standards restructure. (203)

• Drawdown of provision no longer required for potential additional pay costs relating to 2017-18.	(105)
	<u>(8,098)</u>

Position before Stabilisation Plan (2,749)

Stabilisation Plan proposals assessed as deliverable: (112)

- renegotiation on Highways Contract (£88k)

- savings from voluntary redundancies (£24k)

Net position including Stabilisation Plan (2,861)

5.25 **Corporate costs** - Treasury, Insurance and Technical Services are reporting an underspend of £17,979k. This is a £1,478k favourable movement from the position shown in the provisional outturn report.

5.26 During the year a benefit from the Minimum Revenue Provision (MRP) policy change of £10.5m had been reported, and this has been delivered as expected. This followed the change to the MRP policy which was approved by Council in March 2018. MRP is a statutory requirement for local authorities to charge to their revenue account for each financial year a prudent amount for the principal cost of debt in that financial year. Following the change in the policy, the forecast £10.5m benefit was based upon an initial expectation that the MRP charge for 2018-19 would be £1.2m. This was to continue to repay the Council's debt whilst the over-provision from the change in MRP policy was utilised. In order to support the financial recovery of the Council for 2018-19, the MRP charge was reduced from £1.2m to £0.1m as there was still sufficient over-provision from prior years to be drawn on. This has generated a further benefit of £1.1m which has been included in the revenue position.

5.27 The Council has undertaken a due diligence process on the completeness and accuracy of its Balance Sheet control and suspense accounts reconciliation process. A control account is a summary account within the Balance Sheet that equals the sum of related transactions within the General Ledger, whilst a suspense account is used because the appropriate general ledger account could not be determined at the time that the transaction was recorded. These accounts require regular review to provide assurance on the integrity of the financial accounts. This review has identified a net credit balance £591k which has been released from the balance sheet. This has arisen from transactions that occurred a number of years ago. The review found that improvements were required in the suspense and control account reconciliation process. New documented procedure rules based on best practice are being drafted. These rules set out the responsibilities of each nominated individual for monthly monitoring and for resolving and escalating reconciliation issues.

5.28 The remaining movement of £213k is made of minor variances which are individually under £100k.

5.29 The total variations to budget in 2018-19 are as follows:

5.30 Pressures	£000
• Under delivery of 2018-19 savings proposals	850
- Car mileage proposal (£500k)	
- Aged debt reduction (£350k)	
• Apprentice Levy efficiency proposal with no agreed plan for delivery in 2018-19	666
• Shortfall on Insurance budget compared to activity	335
• Top-up of insurance fund to level suggested in actuary report	667
• Social Impact Bonds – income proposal from 2017-18 which is unlikely to be realised in 2018-19	1,250
• Cost of Commissioners	216
• Additional CIPFA resources and corporate finance expertise	233
• Cost of external reviews	10
• Others minor variances across the service	<u>213</u>
	4,440
Mitigations	
• Release of Asset Utilisation Reserve	(460)
• Business Rates Retention Reserve	(1,048)
• Redundancy Reserve release	(975)
• Benefit of change to Minimum Revenue Provision policy	(11,600)
• Release of Sleep-In contingency	(3,787)
• Additional interest receivable due to an increased cash position following OAS sale	(300)
• A reduction in borrowing costs	(400)
• Release of items identified in balance sheet review	(591)
• Release of corporately held growth proposals to support transformation costs and performance management growth requirements.	(1,680)
• Other minor variances	<u>(48)</u>
	(20,890)
Position before Stabilisation Plan	<u>(16,450)</u>
Stabilisation Plan proposals delivered to date excluding £500k funding included in section 6.4;	(1,529)
- Overhead contribution from the Public Health grant for NCC support costs included in Cross Service (£515k)	
- Interest receivable (£540k)	
- Deferred income from the sale and leaseback of One Angel Square (£474k)	
- Note that the Voluntary Redundancy savings of £126k	

which are reported as Cross Service on the savings tracker are shown within the respective directorate sections within this report.

Net position including Stabilisation Plan **(17,979)**

Wellbeing and Prevention is reporting an underspend of £1,106k. There has been a £2k favourable movement from the position shown in the provisional outturn report. This movement is result of minor variances across services following the finalisation of the monitoring position.

5.31 The total variations to budget in 2018-19 are as follows:

5.32 Pressures	£000
<ul style="list-style-type: none"> • Under delivery of 2018-19 savings proposal: 	
Libraries Savings	542
• Libraries – Judicial Review Costs	215
• Public Health Grant assurance review (Social Wellbeing contract)	241
• Other minor variances	<u>221</u>
	1,219
Mitigations	
• Libraries mitigations including pausing book fund spend and staffing restructure / vacancies	(1,184)
• Redundancy and pension strain costs funded through transformation	(391)
• Registration - underspend on expenditure and income over achievement	(187)
• Library Transformation Team costs – deemed as transformation expenditure	(50)
• Northamptonshire Sport hosting fee	<u>(16)</u>
	(1,828)
Position before Stabilisation Plan	<u>(609)</u>
Stabilisation Plan proposals delivered to date	(497)
- Emergency Planning (£73k)	
- Service alignment with Public Health (£424k)	
Net position including Stabilisation Plan	<u>(1,106)</u>

6 Funding

6.1 The net cost of council services are funded from three areas: council tax, business rates, and government grants, as set out in the table below.

Table Three:

Funding	Net Budget	Final Income at 31/03/19	Movement since prior month	Estimated variance in s114 Notice	Movement since s114 Notice was issued
	£000	£000	£000	£000	£000
Council Tax income	(302,336)	(302,336)	0	0	0
Business Rates income	(92,680)	(96,224)	0	0	(3,544)
Revenue Support Grant and other Central Government Grants	(46,257)	(46,322)	(17)	0	(65)
Total NCC Funding	(441,273)	(444,882)	(17)	0	(3,609)

6.2 The Council Tax income is based upon the budgeted Council Tax precept amount, together with tax base and collection rate information provided by district and borough councils who collect Council Tax.

6.3 The Council is a member of Northamptonshire's business rates pool. Based upon the final pool returns there has been an increase in the business rates income above the budgeted amount in 2018-19 of £1.0m. This includes the £500k of additional business rates income shown within the Stabilisation Plan.

6.4 The Government pays Section 31 grant to local authorities in respect of Business Rates Relief, to reimburse them for any loss of income due to tax changes. Interim payments of S31 grant had been made based on 2017-18 forecasts, to re-compensate authorities for the reduction in non-domestic ratings income for that year. Following receipt of year end business rates returns, the Government has undertaken a reconciliation process and a final grant determination has been made for 2017-18. Following this reconciliation process, a total of £1.2m in relation to Section 31 grant has been received by the Council from the Ministry for Housing, Communities and Local Government in 2018-19.

6.5 In addition, and as announced in the 2019-20 Local Government Finance Settlement, the Council has received an additional income of £1.4m from the surplus generated within the Business Rates Levy Account.

7 Transformation

7.1 A report introducing the Council's Transformation Strategy was presented to Cabinet on 13 November 2018. This set out the approach to the Council's Transformation Programme, which documents the objectives of the programme together with the projects and programmes being initiated. The Transformation Strategy was subsequently approved by the full Council meeting on 22nd of November.

- 7.2 A number of projects that were forecast to deliver savings in 2018-19 already approved for support through the Transformation Programme were reported to the November meeting. The costs associated with the delivery of each of these projects will be met through the flexible use of capital receipts.
- 7.3 The delivery of these projects and their forecast outcomes were monitored closely in order to ensure that benefits were realised.
- 7.4 Appendix B sets out the budget and year end actuals for the Council's transformation projects approved by full Council on 14th February 2019 which will be funded by flexible use of capital receipts.

8 2018-19 Savings Delivery Performance

- 8.1 The Council has a savings requirement of £35.4m within its 2018-19 budget set in February 2018. The deliverability of these proposals is being monitored by each accountable service lead, budget manager and senior officers. Corporate oversight is through monthly review by NCC Leadership Team as part of the sign-off process of the financial monitoring position.
- 8.2 The deliverability of these proposals is set out in Table Four below, by directorate. Further detail on non-deliverable or part-deliverable proposals and corresponding mitigating actions is set out in Appendix A.
- 8.3 The Stabilisation Plan as approved by Council on the 9th October 2018 is also included within Appendix A, and is monitored as part of the existing process.
- 8.4 Savings rated as red, non-deliverable and a risk adjusted proportion of amber rated savings have been reflected in directorate positions.

Table Four: 2018-19 savings proposals

RAG analysis by directorate	Saving Target	Green	Amber	Red
	£'000	£'000	£'000	£'000
Chief Executive Services	1,349	1,024	0	325
Children First Northamptonshire	*6,732	4,479	0	2,753
Treasury, Insurance & Technical Services	4,800	3,950	0	850
Wellbeing and Prevention	792	250	0	542
LGSS	2,207	1,976	0	231
Northamptonshire Adult Social Services (NASS)	12,798	7,848	0	4,950
Place	6,682	5,308	0	1,374
Total	35,360	24,835	0	11,025

*Note: Includes over-delivery of £500k on proposal 17-002-10.

Key: Green = Deliverable.
Amber = Deliverable, with risks.
Red = Unlikely to be delivered

8.5 Stabilisation Plan Proposals

8.6 The table below sets out the additional saving proposals that form part of the Stabilisation Plan, these proposals provide a further £19.9m of savings in additional to the 2018-19 Budget. The £19.9m includes £18.2m of savings from the Stabilisation Plan and a further £1.7m identified since the Stabilisation Plan was approved.

Table Five: 2018-19 Stabilisation Plan proposals

RAG analysis by directorate	Saving Target	Green	Amber	Red
	£'000	£'000	£'000	£'000
Chief Executive Services	45	22	0	23
Children First Northamptonshire	*1,424	1,010	0	549
Treasury, Insurance & Technical Services	9,441	1,514	0	7,927
Wellbeing and Prevention	*494	497	0	0
LGSS	336	191	0	0
Northamptonshire Adult Social Services (NASS)	*4,102	4,261	0	0
Place	400	88	0	312
Cross Service	3,693	641	0	3,052
Total	19,935	8,224	0	11,863

*Note: Includes £177k over-delivery: £135k on proposal NCC58, £3k on proposal NCC03, £39k on Proposal NCC26 and £90k on proposal NCC38.

8.7 Of the £19.9m proposals, £8.2m of proposals which are green rated have been completed and are therefore included in the outturn position. The remaining £11.9m of proposals are red rated and Directors continue to work on the development of mitigations.

8.8 Of the £11.9m red rated proposals;

- £0.3m of this relates to a central non-essential spending target which has not been allocated out to directorates, however, savings have been achieved through the spending control panel and are included in the respective directorate's outturn position.
- £7.8m relate to the Council Tax Collection Fund surpluses due to the County Council and held by the Districts and Boroughs in their capacity as billing authorities. Nearly three quarters of Council Tax collected by Districts and Boroughs is payable to NCC. These council tax surpluses will not be paid over earlier than has previously been the case. There are conflicting legal views as to whether the Regulations would permit the surpluses to be paid earlier to the County Council by the Districts and Boroughs. It is clear though that in order to clarify the interpretation of the Regulations the Council would have to make recourse to the Courts. In order to avoid unnecessary costs to the County Council, the County Council will account for the Council Tax surpluses in 2019-20 and reduce the savings target for that year to a more manageable level.

8.9 The remaining savings included in the Stabilisation Plan that were subsequently not delivered are set out in Appendix A.

9 Capitalisation Dispensation

9.1 Within the Stabilisation Plan, the Commissioners set out their intention to apply to the Ministry of Housing, Communities and Local Government (MHCLG) for a Capital Dispensation. On 28th November 2018 the Council was informed that the application had been approved and a formal Direction was issued. The conditions of this Direction require the Council to fund the deficit brought forward from 2017-18, to create an unallocated revenue reserve of £20m, and to use it to manage the risk associated with the delivery of the Stabilisation Plan. The maximum dispensation is for £70m, and this is a one-off injection to the Council's resources.

9.2 The capital receipts using the flexibility provided by the Capital Dispensation will be applied as set out in Table Two.

10 Reserves

10.1 The table below sets out the opening balances on the Council's earmarked reserves as at 1st April 2018, the movements during the year, and the closing balances as at 31st March 2019 to be carried forward into 2019-20. Note this does not include Schools reserves.

Table Six:

	<i>Memorandum: Unfunded deficit from 2017-18 £000</i>	Opening Balance April 2018 £000	Capital Dispensation £000	Transfers to Reserve £000	Transfers from Reserve £000	Closing Balance March 2019 £000
General Fund:						
Deficit brought forward from 2018-19	(39,667)	(39,667)	39,667			0
Creation of General Fund reserve			20,000			20,000
Earmarked Reserves:						
Budget Delivery Reserve		0	4,802	4,460		9,262*
Insurance reserve: Shortfall against 17-18 actuary report	(1,812)					
Insurance reserve: In year movement		983	1,812	718		3,512
LGSS reserves		381		426	(135)	671
Redundancy reserve		975			(975)	0
Service Carry Forwards of Partnership Funding		0		23		23
Asset Utilisation reserve		0		1,114	(1,114)	0
Business Rates Reserve		1,782			(1,782)	0
Public Health Reserve		2,797		2,742		5,539
Other Earmarked reserves		688		159		847
Total General Fund and Earmarked Reserves	(41,479)	(32,062)	66,281	9,642	(4,006)	39,854
Revenue Items:						
Capital Dispensation applied to address legacy issue			3,719			
Grand Total	(41,479)	(32,062)	70,000	9,642	(4,006)	39,854

*Note: See paragraph 10.13.

- 10.2 The only change from the position shown in the provisional outturn is the update of the budget delivery reserve to incorporate the Outturn underspend of £4.46m
- 10.3 The principal movements during the year on earmarked reserves are as follows:
- 10.4 A transfer of £51k to the Insurance Reserve is in respect of a self-insurance premium, to pay for any future claims due to accidental damage, malicious damage and theft. The remaining transfer to the Insurance Reserve of £667k is in order to take the year end balance on the whole Insurance Fund (including the insurance provision) to the level advised by the actuary in their recent assessment of the Fund in January 2019.
- 10.5 The Redundancy Reserve has been released in full, as reported in the Corporate Finance section earlier in this report. Similarly, the Business Rates Reserve has also been released in full. This comprises a budgeted release of £734k to fund the deficit on the 17-18 Business Rates Collection Fund as per the MTFP; and the release of the remaining £1,048k of the reserve as set out in the Corporate Finance section of this report.
- 10.6 Unspent ring-fenced partnership funding of £23k is transferred to an earmarked reserve, to be spent in 2019-20. This comprises £9k for the Community Equipment Pool, and £14k for the Northamptonshire Safeguarding Adults Board (NSAB).
- 10.7 Unspent Public Health Grant income received in 2018-19 has been transferred to the earmarked reserve for investment in future years in line with the grant conditions. The grant has not been spent in full in 2018-19 due to in-year staffing vacancies, contract underspends returned from First for Wellbeing and in-year contract changes to stop non-compliant grant spend. This position has been discussed with Public Health England, and plans are being drawn up for the use of this funding in future years.
- 10.8 The Asset Utilisation Reserve is used to fund the costs of asset disposal and exiting buildings under the Council's Property Asset Management Plan. Of the £1,114k balance, £654k has been spent on exit and disposal costs in-year, leaving a balance of £460k which will be released to support the revenue outturn position.
- 10.9 LGSS ring-fenced reserves arise from underspends within LGSS in previous years which have been retained to fund service developments and improvements within LGSS, plus in year unspent funding in the LGSS partnership contingency budget. During 2018-19, £135k of previously committed reserve funding was drawn down to support developments in Revenues and Benefits services. In addition, the partnership contingency budget had an unspent balance of £426k at the end of 2018-19 which was transferred to reserves. This is largely committed to support LGSS service developments in 2019-20 and 2020-21. Use of this reserve requires approval from the constituent

members of LGSS (Northamptonshire Country Council, Cambridgeshire County Council and Milton Keynes Council).

10.10 The £159k movement of Other Earmarked Reserves is a transfer to the Adult Learning Reserve. This is unspent ESFA grant (Education Skills Funding Agency), to be utilised in future years, in line with grant conditions.

10.11 £20m of the Capital Dispensation has been applied to create an unallocated revenue reserves. This is in the form of the General Fund balance.

10.12 As set out in Table Two, a further £4.8m has been applied from the Capital Dispensation in respect of the savings identified in the Stabilisation Plan. This will be transferred to a Budget Delivery reserve to support the Council's ongoing financial health.

10.13 Together with the £4.46m from the outturn position this means that the year end balance in the Budget Delivery Reserve is £9.262m. Services have requested the following drawdowns from the Budget Delivery Reserve in 2019-20:

- Place £445k
- NASS £1,537k
- CFN £120k
- Total £2,102k**

10.14 These values will be set aside within the Budget Delivery Reserve to be drawdown by these service areas in 2019-20.

11 Governance and Financial Management Improvements

11.1 Following the publication of the Best Value Inspection Report and the change in Senior Leadership Team, the Council has recognised through its own internal management reviews, feedback from Commissioners and External Auditors (through their Value for Money audit ISA260 recommendations) that significant improvements have been required in improving its governance and financial management.

11.2 The Council aspires to have the highest level of professional standards and transparency in the way it delivers its priority objectives for the citizens of Northamptonshire and local partners.

11.3 Some key improvements in financial management and governance during the year, include the following;

- A Transformation Strategy, which provides a consolidated strategic framework for the key service improvement required in the coming year, which is suitably resourced and supported by Project Management Office, using best practice Project Management approaches, funded in part by a flexible use of capital

receipts strategy that all key officers and Cabinet members understand and are supportive of.

- Significantly improved financial controls - The Expenditure Control Panel has been in place all financial year and strengthened to ensure all spend over £500 is scrutinised before being incurred. Specific Social Care Expenditure Panels have also been introduced to allow more focused service discussions on each type of expenditure request.
- Refreshed guidance on procurement rules and additional financial management training delivered throughout the organisation.
- Specific Grants will be monitored more closely within the Finance Business Partner teams, with a greater understanding of individual terms and conditions of each grant agreement.
- All key legal advice is reviewed by the Monitoring Officer to inform the Council's decision making process when interpreting the legal advice provided.
- More timely reviews of the Council's annual actuary review of its Insurance Fund, with any shortfalls in the Fund topped up in a timely and prudent manner.
- Greater leadership transparency of any private companies that the Council has a financial shareholding in.
- A more robust reconciliation process for control and suspense accounts is currently being finalised to ensure the completeness of the General Fund for reporting purposes.
- A more collaborative approach with the Council's new External Auditors, proactively discussing issues and opportunities as they arise, rather than at the latter stage of the audit
- A more prudent view on aged debt, through a revised and more considered approach to bad debt provisioning

11.4 Through the actions outlined above, this has highlighted some legacy issues with a financial impact which are set out in the section below.

12 Legacy issues:

12.1 2017-18 Statement of Accounts and unfunded deficit

12.2 Adjustments to the 2017-18 Statement of Accounts amounting to £40m have been agreed with the external auditor. A further deficit of £1.8m was identified in the insurance fund carried forward to the Gallagher Bassett actuarial valuation of £9.1m. The £1.8m deficit will be funded from capital receipts. This means that after applying the remaining usable reserves, a deficit of £41.5m will be brought forward from 2017-18 to be recovered in 2018-19.

- 12.3 This is £7.5m more than had been anticipated in the s114 Notice due to a higher amount of non-qualifying transformation expenditure than previously forecast and a higher level of reserves incorrectly applied, as set out in Table Seven.

Table Seven:

Estimated unfunded deficit brought forward from 2017-18	£000
Capitalised transformation expenditure	16,998
Use of Section 106 receipts for revenue purposes	13,500
Use of Section 38 receipts for revenue purposes	2,900
Public Health provision	8,000
Less Reduced MRP charge relating to PFI assets	(1,355)
Total	40,043
Adjustments: Use of reserves	(376)
Unfunded Deficit Carried Forward to 2018-19	39,667
Deficit on Insurance Fund compared to the Gallagher Bassett actuarial valuation of a required £9.1m	1,812
Total Unfunded Deficit Carried Forward to 2018-19	41,479

- 12.4 The closing position for 2017-18 cannot be confirmed until the audit of the 2017-18 accounts has been concluded. At the present time, conversations with the external auditor suggest there will not be any material changes to these figures.

12.5 Aged Debt

- 12.6 The Council has been actively reviewing its provision for outstanding aged debt throughout the course of the year. This detailed review has now concluded, resulting in a more prudent and realistic calculation model to support the assessment of doubtful debt across all Council services.

- 12.7 The Council's existing method of debt provisioning is historic, and overly simplified, providing for all adult social care specific debt over 365 days at 80%, with all other sundry debt provided for at 60% (over 365 days). This results in a blunt 'cliff edge' provisioning model, irrespective of well understood risk factors associated with different categories of debt. This also results in large (rather than smaller incremental) increases in provisioning being required, making budgeting and forecasting more difficult to predict. This methodology is also somewhat at odds with general practice in that the older the debt gets, generally the more difficult it is to collect. It is also generally accepted that using a staged provisioning methodology prior to a debt being 365 days old is a more prudent approach.

- 12.8 To address these issues, the Council's new calculation basis separately considers pre 2017-18 debt (over 365 days), and 2018-19 debt (under 365 days). This ensures that a higher provision for aged debt (over 365 days) is calculated, alongside a more favourable provision for recent debt (under 365 days) which was not previously considered. The key assumptions are made by categorising the debts based on their current stage in the recovery process. As a wider cleansing process continues the recoverability of debt categories will be revised

monthly in order to predict better year end outturn provisions. Current categorisation is as follows:

Table Eight:

Description	Pre 2018 debt (over 365) provision	2018-19 (Mostly under 365 provision)
NASS -Collectable Adult Social Care (ASC) Debt	50%	20%
NASS - Deceased Adult Social Care (ASC) Debt	100%	40%
NASS - With Legal providers for further action / Court of protection / Appointee-ship	75%	30%
NASS - Likely write Off	100%	100%
NASS - Deferred income (not invoiced) – unsecured	80%	N/A
Sundry Debtors -Collectable Sundry Debtors	50%	5%
Sundry Debtors -Deceased Sundry Debtors	100%	N/A
Sundry Debtors -Other Sundry Debt Status	80%	50%
Sundry Debtors –Likely write Off	100%	100%

12.9 These assumptions are based on the experience and knowledge of successful collection strategies, however an uplift has been applied to reflect that the historic aged debt is still to be cleansed and the write-off rate may be higher than would usually be expected for this type of aged debt due to previous working practices and policy decisions.

12.10 As a result of this change in methodology, the Council will need to provide for an additional £2.973m, which is an increase of £2.570m on the provision for Adult Social Care specific debt raised with 2018-19, not previously provisioned. The increase against Sundry Debtors is £0.403m with 2018-19, not previously provisioned. As stated before best practice indicates provisions should be made for all arrears and not just those over 365 days. In allowing for smoothing the provision is recognition that there will always be an element of invoices that will not be recovered even at the time that they are raised. Regular detailed monitoring of debts, allows for robust analysis of collectability of the aged debt rather than a blanket provision as previously adopted at 365 days. Further analysis of the success in recovering debt at all ages and stages will take place during the coming year so that the calculation may be refined to provide a robust and realistic provision can be made for future years.

12.11 Table Nine provides the revised adjusted provisions made as part of the review of aged debt as at April 2019:

Table Nine:

Description	New Bad Debt Provision (BDP)	Former Bad Debt Provision (BDP)	Difference
	£000	£000	£000
Adult Social Care pre 2018-19 (aged debt over 365 days)	6,098	6,242	(144)
Sundry Debtors pre 2018-19 (aged debt over 365 days)	903	1,025	(121)
Adult Social Care 2018-19	2,714	0	2,714
Sundry Debtors 2018-19	525	0	525
Total Provision	10,240	7,267	2,973
*Excludes March 2019 billed on ASC (not yet due)			
*Excludes March 2019 billed on Sundry Debts (not yet due)			

12.12 LGSS Law

12.13 The Council's legal provision is delivered through a Social Enterprise Law Firm, LGSS Law. LGSS Law was granted the ability to become a company owned by Non-Lawyers as an 'Alternative Business Structure' (ABS) on 1 April 2015, wholly owned by Cambridgeshire County Council and Northamptonshire County Council, and subsequently Central Bedfordshire Council (who joined in April 2016) as the third local authority owner.

12.14 The organisation was provided with an overdraft facility from the Council in April 2015 of up to £1m, of which £0.95m has been drawn down, the loan agreement has been subject to a daily commercial interest rate of the State Aid Reference Rate, plus a margin of 0.6%, payable each month. The overdraft facility did not stipulate a date for repayment of the capital element, and at present the organisation is relying on this resource for working capital.

12.15 There have been a number of long standing, historic billing issues between LGSS Law and Northamptonshire County Council, and the Council continues to work with LGSS Law to resolve these outstanding queries as a priority, making payment for services which can be suitably evidenced.

12.16 LGSS Law currently have outstanding debt with the Council of £1.78m, of which £1.55m relates to historic recharges of agency workers from 2015-16 financial year, which are not in dispute.

12.17 At present, the Company's cash flow position is not at a sufficient level to be able to repay this outstanding debt to Northamptonshire County Council, and as such, recovery of these sums are at risk.

12.18 The Company's financial position is being closely monitored through the Board of Directors and Shareholders, with the expectation that LGSS Law will continue to prioritise improving its financial position, and work with Northamptonshire

County Council as one of its Shareholders to provide an acceptable financial solution in the repayment of sums owed. However, because of the current uncertainty around recovery of these balances, the Council feels it prudent to make a provision of 20% against the overdraft facility and current aged debt balance, which totals £0.546m, with the aged debt element (£0.356m) being in addition to the Council's revised Sundry debt provision outlined above.

12.19 Municipal Bonds Agency

12.20 The Council has an equity investment in the Municipal Bonds Agency (MBA) of £200k, which it has held since the inception of the MBA. The intention of the MBA is to bring borrowing requirements from local authorities together to issue bonds to generate an alternative source of funding to the PWLB.

12.21 To date the MBA has not yet made a bond issue which is creating a level of material uncertainty as to whether a bond issue will be achieved. During this time the MBA utilised much of its available funding and is now in the position of relying on support from the Local Government Association (LGA). In addition, the MBA is actively reviewing its approach to try to achieve a first issue, meaning that a first issue remains some time away.

12.22 These conditions create a greater level of uncertainty as to whether the MBA will secure any bond issues which, if not, means the Council's investment is potentially at risk of being lost. For this reason the Council is creating a provision for the full £200k investment in the event that the MBA ceases to exist.

12.23 Suspense and Control Account

12.24 The Council has undertaken a due diligence process on the completeness and accuracy of its Balance Sheet control and suspense accounts reconciliation process. A control account is a summary account within the Balance Sheet that equals the sum of related transactions within the General Ledger. While a suspense account is used because the appropriate general ledger account could not be determined at the time that the transaction was recorded. These accounts require regular review to provide assurance on the integrity of the financial accounts.

12.25 As stated earlier in this report, £591k has been able to be released from the balance sheet following this review. This consists of a build-up of historic balances that have previously been unapplied.

12.26 The review has found that improvements are required in the suspense and control account reconciliation process. New documented procedure rules based on best practice are being drafted. These rules set out the responsibilities of each nominated individual for monthly monitoring and for resolving and escalating reconciliation issues.

12.27 The suspense account review is still ongoing and any additional legacy issues that are identified will be reported to Cabinet in future monitoring reports.

13 External Audit

13.1 The Council's Statements of Accounts are being prepared and will be subject to audit in due course. Dialogue is already taking place with the new external auditors, Ernest & Young, on the areas including; Minimum Revenue Provision (MRP); use of Section 38 receipts and flexible use of capital receipts. The outcome of this will be reported in due course.

14 Consultation and Scrutiny

14.1 All 2018-19 Budget proposals were consulted on prior to the budget being approved by Full Council in February 2018.

14.2 Any management interventions that require a policy change, will be subject to a consultation before any decision is taken.

14.3 Where consultation is necessary, full details will be presented to Cabinet separately. Cabinet can only make a decision after taking careful account of the results of such consultation in order to reach an informed decision.

15 Equality Screening

15.1 Where material mitigating actions may have an impact upon specified groups of service users, an equality impact assessment will be carried so as to ensure that the implications of change are fully understood.

Reason that no EqlA is required	✓ as appropriate
The paper is for information only	✓
The proposal/activity/decision has no impact on customers or the service they receive	
The proposal impacts upon staff but the proposed staffing changes will not affect the service that customers receive*	
Other (Please explain further)	

Appendices

Appendix A – 2018-19 Savings Proposals tracker

Appendix B – Transformation Expenditure

Author:	Name: Iain Jenkins Team: Finance
Contact details:	Tel: 01604 364664 Email: IJenkins@northamptonshire.gov.uk
Background Papers:	Stabilisation Plan presented to 9 th October Cabinet.
Does the report propose a key decision is taken?	YES
If yes, is the decision in the Forward Plan?	N/A
Will further decisions be required? If so please outline the timetable here	Yes, future Cabinet Meetings.
Does the report include delegated decisions? If so, please outline the timetable here	N/A
Is this report proposing an amendment to the budget and/or policy framework?	NO
Have the financial implications been cleared by the Strategic Finance Manager (SFM)? Have any capital spend implications been cleared by the Capital Investment Board (CIB)	YES Name of SFM: All N/A
Has the report been cleared by the relevant Director?	YES Name of Director: All
Has the relevant Cabinet Member been consulted?	YES Cabinet Member: Cllr Longley
Has the relevant scrutiny committee been consulted?	Finance and Resources Scrutiny Committee can review if required in their work programme
Has the report been cleared by Legal Services?	YES Name of solicitor: Debbie Carter-Hughes
Have any communications issues been cleared by Communications and Marketing?	YES Name of officer: Simon Deacon
Have any property Issues been cleared by Property and Asset Management?	NO
Procurement/ Contractual Implications: <ul style="list-style-type: none"> • Have you evidenced compliance with the Council's Contract Procedures Rules? • Have you identified where you are seeking Cabinet to approve an exemption from the Contract Procedure Rules and detailed the risks and mitigations? • Have you identified any EU or UK legislative risks associated 	NO

<p>with the exemption process such as non-compliance with the Public Contract Regulations Act 2015, transparency and open competition?</p> <ul style="list-style-type: none"> • Have you identified the procurement or contractual risks associated with a contract? • Has the contract/procurement been subjected to the Council's Commercial Board? 	
Are there any community safety implications?	NO
Are there any environmental implications:	NO
Are there any Health and Safety Implications:	NO
Are there any Human Resources Implications:	NO
Are there any human rights implications:	NO
Constituency Interest:	All



CABINET

9 JULY 2019

EXECUTIVE DIRECTOR OF FINANCE: IAN DUNCAN

**CABINET MEMBER WITH RESPONSIBILITY FOR FINANCE: COUNCILLOR
MALCOLM LONGLEY**

Subject:	Monthly Capital Report (MCR) – Final Outturn for the financial year ending 31st March 2019.
Recommendations:	Cabinet is requested to note the final capital outturn expenditure of £89.4m for 2018-19.

1. Purpose of Report

1.1 This report sets out the capital outturn for the financial year 2018-19 and the approved capital programme for future years.

2. How this decision contributes to the Council Plan

2.1 The Council’s vision is for Northamptonshire to be a county where everyone looks after each other and takes responsibility, where the vulnerable are protected and supported and where the people who can help themselves receive the assistance they need to stay independent and healthy.

<p>The Council’s capital programme helps the Council to deliver this vision through the following strategic priorities outlined in the Council</p> <ul style="list-style-type: none"> • Working in partnership with other public sector organisations (such as the seven district and borough councils, the local NHS bodies, and Northamptonshire Police). • Enabling individuals and communities to achieve better outcomes. • Engaging with partners and communities to co-design and co-deliver services. • Using innovation to find better and more sustainable ways of delivering services ensuring they are efficient and affordable in the long term. • Focusing resources on prevention and early intervention. • Using technology and digital solutions to meet the needs of residents. • Commissioning and procuring services and goods with partners. • Utilising the Council’s assets effectively. • Reducing inequalities and disparity of opportunities.
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3. Background

3.1 The Capital Programme is the Council’s plan for investing in assets to efficiently deliver its statutory services and to improve the infrastructure of Northamptonshire, with the benefits lasting over a number of years. Resources come from grants and contributions, capital receipts from surplus land and buildings, and where there is no other funding source available, short and long term borrowing. These sources of income are generally not permitted to be used for day to day revenue expenditure.

3.2 The Capital Programme has links to the revenue budget through the repayment of any loans taken out to fund capital investment. Given this impact on revenue, there is a detailed due diligence process for reviewing capital schemes before being recommended to Cabinet and full Council for approval.

4. Governance

4.1 The governance of the capital programme comprises:

- A Capital Projects Board chaired by the Executive Director for Place and Commercial, aimed at reviewing scheme progress through project management reporting and identifying issues and risks which require support to resolve or escalation to the Northamptonshire Leadership Team (NLT) and Finance Director.
- The Place Shaping Board and the Transformation Board, chaired by the Chief Executive, review and consider business cases for new capital investment and funding prioritisation. New capital schemes or extensions to existing schemes are then recommended to Cabinet for approval. The Place Shaping Board also ensures that new developments, disposals, investments and acquisitions are taken forward by the County Council (independently or in partnership) supporting strategic objectives for financial sustainability, economic growth and regeneration across the County

4.2 A Capital Review Panel reviews and approves planned expenditure on committed schemes to ensure actual planned expenditure is appropriate and demonstrates value for money.

5. Capital Budget

5.1 The Council's Capital Strategy 2018-19 to 2022-23, agreed by Council on 22 February 2018 approved a forecast Capital Programme of £595m.

5.2 This consisted of committed Capital Programme of £114m and a development pool of £481m for planned new schemes over the five year plan period. The development pool is the Council's medium term capital budget for schemes that still require full business case review and/or confirmation of funding and as such are subject to Cabinet approval.

Capital Monitoring Summary

5.3 The 2018-19 to 2022-23 forecast capital budget expenditure of £114m reported in the Capital Strategy increased to £130m as a result of reprofiled expenditure and new schemes entering the programme which have been approved by Cabinet between publication of the budget and the end of the financial year.

5.4 In addition, Cabinet has also approved new schemes into the capital programme, granted extensions to current schemes, and removed schemes to give a net increase of £65m. This gives a current agreed capital programme budget of £194m as at the end of March 2019. The Council's 2018-19 Capital Programme budget and forecast expenditure are shown in the table over the page.

Summary of 2018-19 capital programme budget and outturn expenditure by service area (Table 1)

	Opening Budget 2018-19 to 2022-23	2018-19 Cabinet Approvals (multi-year)	Current Budget 2018-19 & Future Years	2018-19 Final Outturn
	£000's	£000's	£000's	£000's
Place - Environment Planning & Transport	63,328	45,033	108,361	51,797
Place - Fire & Community Safety	1,055	35	1,090	33
Place - Asset & Capital Management	19,941	1,186	21,127	1,662
Place - Children's, Families and Education	40,396	12,689	53,085	29,537
Place - Adult Social Care Services	2,886	5,978	8,864	6,252
Place - Public Health and Wellbeing	440	-	440	132
LGSS - IT Infrastructure/ Development	(269)*	1,167	898	(17)
NCC Group - Chief Executive	1,820	(1,570)	250	(8)
Total	129,597	64,518	194,115	89,388

Note 1: The Fire position shown in table 1 is the closing position in relation to capital expenditure incurred under NCC. The governance of the Fire and Rescue Service has now moved to the Office of the Police, Fire and Crime Commissioner and the remaining unspent ring-fenced capital grants held within reserves will be transferred.

Note 2(*): The negative bought forward budget against LGSS IT is due to a prior year overspend of £590k on the Next Generation Working project. This was linked to One Angel Square works is now confirmed as funded from the Project Angel budget.

5.1 There has been no movement in the outturn position since the 2018-19 provisional outturn report to Cabinet in May. The detailed service expenditure summaries are attached as Appendix A.

Capital Programme Funding

5.2 The detail over the page explains how the expenditure budgets detailed in Table 1 are funded i.e. by NCC borrowing in relation to discretionary funding and the initial funding for repayable borrowing or from external contributions and grants including s106 developer contributions.

Current Capital Programme Funding 2018-19 to 2022-23 (Table 2)

	Discretionary Funding (inc investments) (borrowing)	Repayable (borrowing)*	Grant Funding	s106	Developer, District & Other Contributions	Total Funding Requirement for 2018-19 Onwards
	£000's	£000's	£000's	£000's	£000's	£000's
Place -Environment, Planning & Transport	22,230	10,700	47,607	17,249	10,575	108,361
Place - Fire & Community Safety	0	0	1,055	0	35	1,090
Place - Asset & Capital Management	19,941	0	1,186	0	0	21,127
Children, Families and Education	2,509	0	38,745	11,831	0	53,085
Place – Adult Social Care Services	6,964	0	1,900	0	0	8,864
Place - Public Health and Wellbeing	160	0	150	60	70	440
LGSS - IT Infrastructure/ Development	898	0	0	0	0	898
NCC Group - Chief Executive	250	0	0	0	0	250
TOTAL	52,952	10,700	90,643	29,140	10,680	194,115
%	27.28%	5.51%	46.70%	15.01%	5.50%	100%

*Note: repayable borrowing is short term gap funding awaiting repayment linked to contract agreement trigger points

5.3 A key planning assumption of the development pool was that £75m of discretionary funding was required over the period April 2018 to March 2023 (subject to Cabinet approval). Including the current committed capital programme at the time of budget setting the overall total borrowing required was £117m. Based on the latest forecast this has now been revised to £35m and further detail can be found in the tables in Appendix B.

5.4 In total there has been a £81.9m reduction in planned prudential borrowing from when the 2018-19 budget was set, this is summarised in table 3 and as a result of the following significant changes (over £5m) to the original budget assumptions:

- £12m of discretionary funded schemes removed from the Development Pool as a consequence of a review in the first quarter of 2018-19 (as shown in Appendix B).
- £11m of discretionary funding budgeted as required to replace S106 funding for specific schools capital schemes now removed. This is not now required due to a change in the agreed accounting treatment in relation to the S106 contributions in the 2016-17 and 2017-18 final accounts.
- £18.9m of prudential borrowing for Highway Management/Asset Management over the MTFP period now removed following the 2019-20 Capital Strategy work.
- £12.5m to cover a gap funding risk in relation to new Secondary School requirements now removed. A report to April 2019 cabinet outlined the approach

in relation to Secondary School provision in Northampton which removes the need for this funding.

- £6m contingency removed as part of the 2019-20 Capital Strategy work. Improved project management will ensure schemes remain within the contingences already within individual project budgets.
- Assumption that £5.5m approved as discretionary funding for the A43 Northampton to Kettering phase 1b will be funded from DFT grants to reduce the cost of borrowing for the Council.

Prudential Borrowing Requirement over the MTFP Period (including Development Pool). (Table 3)

	Opening Budgeted Position	Quarter 4	Change in Borrowing Requirement
	£000's	£000's	£000's
Approved Discretionary Funding for the schemes within the Development Pool over the medium term period to 2022-23	75,018	11,900	(63,118)
Current programme further commitments (net position of assumed receipts and repayment assumptions)	42,310	23,500	(18,810)
Total new borrowing requirement approved (MTP period)	117,328	35,400	(81,928)

6. Capital Dispensation and Use of Capital Receipts

6.1 Within the Stabilisation Plan, the Commissioners set out their intention to apply to the Ministry of Housing, Communities and Local Government (MHCLG) for a Capital Dispensation. On 28th November 2018 the Council was informed that the application had been approved in full and a formal direction was issued. The conditions of this Direction require the Council to fund the deficit brought forward from 2017-18, to create an unallocated revenue reserve of £20m, and to use it to manage the risk associated with the delivery of the Stabilisation Plan. The maximum dispensation is for £70m.

The Capital Dispensation has been applied as follows:

- £41.5m to cover the deficit balance from 2017-18
- £20m to create a general fund reserve for 2019-20
- £3.7m to address legacy issues
- £4.8m to create a budget delivery reserve. This Earmarked Reserve will be used, if necessary, to deal with any further legacy issues and/or to support the Council's ongoing financial sustainability.

After applying the Capital Dispensation, the Council will have £36.8m in General and Earmarked reserves

6.2 In addition to this, on 21st February 2019 Full Council approved the flexible use of capital receipts budget of £3.8m within 2018-19 to fund the Council's Transformation Programme. The expenditure against this budget at outturn is £2.8m.

6.3 The Capital Receipts table below shows the total available capital receipts at the end of 2018-19 based on receipts not utilised from previous years and new receipts from the sale of property during 2018-19.

Capital Receipts available to spend or allocate 2018-19

	£000's
Unused capital receipts brought forward from 2017-18	16,998
Useable capital receipt from sale of One Angel Square, April 2018	* 47,368
Other 2018-19 capital receipts received to date/due in year	11,701
Total Available Capital Receipts	76,067

** The valuation method has now been discussed and agreed in principle with the external auditors. The details of the valuation will be reviewed by the external auditors in due course.*

7. 2019-20 Capital Strategy

The 2019-20 Capital Strategy was presented to February Cabinet as part of the Medium Term Financial Plan and will update future capital plans and borrowing requirements. The Strategy received approval at Full Council in February.

The key objectives of the Capital Strategy are as follows:

- The delivery of a medium term capital programme which is affordable and sustainable, ensuring that the Council's internal resources and application of external borrowing are utilised to fund capital expenditure where it supports the delivery of the Council's financial sustainability and where there are statutory requirements such as health & safety;
- New capital investment will only be permitted if it contributes to the achievement of the Council's strategic aims and objectives;
- The use of external funding is prioritised against the areas of greatest need within the County, in the main supporting highways maintenance and the delivery of education places within the county. In the current financial climate priority will be given to schemes that also deliver transformation and/or revenue savings;
- Maximise the use of the Council's assets, and where possible working with local partner organisations to maximise the efficiency of assets across the public sector and Northamptonshire.

8. Consultation and Scrutiny

8.1 The 2018-19 Capital Strategy and planned capital expenditure was subject to consultation and scrutiny process prior to approval by Full Council in February 2018.

9. Equality Screening

9.1 Where a scheme may have an impact upon customers with protected characteristics an equality impact assessment will be carried out by the service prior to the scheme being implemented to ensure that these implications are understood.

10. Alternative Options Considered

10.1 The deliverability of the 2018-19 Capital Strategy is monitored by each accountable project manager and senior officer up to Director Level. There is further review throughout the financial year through the operation of the Place Shaping Board and corporate oversight is provided through monthly NCC Leadership Team reviews.

10.2 If any overspends, or emerging pressures are identified during the year then mitigating actions will be sought and management interventions undertaken. Details of pressures, risks and mitigating actions implemented are provided as part of the finance monitoring reports as the year progresses.

11. Risk and Business Continuity Management

11.1 There are internal control processes in place to ensure that the Council does not spend beyond the resources available. Risk will be managed and monitored throughout the organisation during the delivery of the Council's budget plans.

12. List of appendices

12.1 Two appendices to this document are included. All information to enable a decision is included within the main report.

Appendix A – Detailed Service Summaries

Appendix B – Additional Funding Information

Author:	Name: Andrea Devereux Team: NCC Finance – Place and NCC Group
Contact details:	Tel: 01604 367348 Email: adevereux@northamptonshire.gov.uk
Background Papers:	
Does the report propose a key decision is taken?	YES
If yes, is the decision in the Forward Plan?	NO
Will further decisions be required? If so, please outline the timetable here	NO
Is this report proposing an amendment to the budget and/or policy framework?	NO
Have the financial implications been cleared by the Strategic Finance Manager (SFM)?	Yes Name of SFM: Rosemary Pallot
Have any capital spend implications passed through Capital Programme governance procedures?	YES
Has the report been cleared by the relevant Director?	YES Name: Ian Duncan
Has the relevant Cabinet Member been consulted?	YES Cabinet Member: Cllr Malcolm Longley
Has the relevant scrutiny committee been consulted?	NO
Has the report been cleared by Legal Services?	Name of solicitor: Shahin Ismail
	Solicitor's comments:
Have any communications issues been cleared by Communications and Marketing?	YES Name of officer: Simon Deacon
Have any property issues been cleared by Property and Asset Management	NO
Has an Equalities Impact Assessment been carried out in relation to this report?	NO
Are there any community safety implications?	NO
Are there any environmental implications:	NO
Are there any Health & Safety Implications:	NO
Are there any Human Resources Implications:	NO
Are there any human rights implications:	NO
Constituency Interest:	ALL

Agenda Item No: 07 - Appendix A - Detailed Service Summaries

The Place Directorate has responsibility for all aspects of County Council services which comprise a physical, tangible or place-based asset within the geography of Northamptonshire. This enables the bringing together, and delivery of, the Council's capital programme, all PFIs and the management of the County Council's Estate, allowing economies of scale to be reaped from a consolidated and coordinated approach.

Place - Children, Families and Education (Table 1)

Children, Families and Education 2018-19 Expenditure	£000's
Opening Forecast	35,403
New Schemes/Removals/Uplifts (additional spend)	
Northampton International Academy	0
Kilsby Primary School	97
Latimer Arts College	90
Sir Christopher Hatton Extension	418
West Haddon Primary	634
Sponne School	217
Flore Primary Remedial Works	56
Early Years Locality Model	112
Guilsborough Academy	36
Greatworth School	130
Prioritisation of Income	(3,000)
Stanton Cross Primary	361
Kettering Secondary Schools Extensions	123
Naseby Primary	40
Magdalen College School	120
Healthy Pupil Capital Fund	282
Moulton School	8
Schools DFC Programme	1,272
Thornton House	70
Social Care Mobile IT Solutions	31
Revised Capital Budget 2018-19	36,388
Net movement in spend (includes project overspends, underspends and reprofiling)	(6,851)
Final Outturn	29,537

The following major schemes have been progressed in 2018-19 (Table 2)

Scheme	Final Outturn £000's	Commentary
Northampton International Academy	12,377	The school opened in its new building in September 2018. Increased final costs to deliver the scheme of £11.7m are currently funded from £9m Basic Needs Grant and £2.7m s106, which will put a pressure on funding new schools. An updated appeal was submitted to

Scheme	Final Outturn £000's	Commentary
		ESFA/DFE in July 2018 which has been unsuccessful, a final appeal is being planned.
Corby SEN Free School	3,920	School opened in September 2018. Revised final account forecast.
Isebrook SEN School	2,689	Construction of four classrooms and additional parking. Project completed in November 2018.
Radstone Fields Primary School	2,602	School opened in September 2018.
Other (under £1.5m)	7,959	Two projects within the schools portfolio (Silverstone & Radstone Fields) are both subject to pressures due to extended delivery timescales and extension of time claims from the main contractor which are currently being challenged. Silverstone is reporting a £400k overspend linked to this, although risks and claims across the two contracts are in excess of £2m.
Total	29,537	

Place – Environment, Planning & Transport (Table 3)

Environment, Planning & Transport 2018-19 Expenditure	£000's
Opening Forecast	51,052
New Schemes/Removals/Uplifts (additional spend)	
Eskdaill Street	1,960
Pothole Fund 2017	758
A45 Daventry Development Link	1,700
A43 Northampton to Kettering - Phase 1b	3,762
Highways Integrated Transport Block 2018-19	2,503
Highways Maintenance Block 2018-19	11,542
Pothole Fund 2018-19	1,631
Highways Maintenance Incentive Fund 2018-19	2,580
St James Mill Link Road	90
National Productivity Investment Fund (NPIF) – Cliftonville	600
HS2 Road Safety Fund (feasibility stage)	83
Northampton North West Relief Road	1,318
A43 Corby Link Road	1,788
Local Highways Maintenance	3,948
Crick Canal Bridge	13
Highways Street Lighting	429
Revised Capital Budget 2018-19	85,757
Net movement in spend (includes project overspends, underspends and reprofiling)	(34,040)
Final Outturn	51,797

The following major schemes have been progressed in 2018-19 (Table 4)

Scheme	Final Outturn £000's	Commentary
Highways Maintenance Block 2018-19	7,370	A DfT grant for highway maintenance. The £3m remaining unspent budget will be spent in 2019-20
Local Highways Maintenance	3,130	This is part of £6.7m grant profiled across 2 years received by NCC as part of the additional £420m new government funding announced in the November budget. This will meet the backlog of works in specific areas laid out in the grant conditions including potholes, bridge and carriageway structural works. Some works have now slipped into 2019-20 from original plan.
A43 Northampton to Kettering - Phase 1b	3,830	Moulton bypass section. Land purchase delays have resulted in slippage to the scheme. Main works started on site January 2019.
A45 Northampton to Daventry Development Link (DDL)	13,060	New road opened November 2018. Additional £4.3m costs over and above budget in 2018-19, these additional costs will be met from unspent DfT grants. DDL Funding agreement with DDC in operation, contributing approx. £20m in total of the £45m cost and runs until 2033.
Northampton Superfast Broadband	2,608	Suppliers have revised milestone dates targets resulting in payments slipping into 2019-20.
Chester Farm	2,850	The current forecast identifies a £280k pressure with a total risk exposure linked to extension of time claims and increased costs to complete the scheme in excess of £3m. This is being actively managed and reported to the Project Board. A further adjudication took place in February which resulted in a request for further evidence from the contractor, therefore the level of risk remains unchanged.
Local Transport Plan Maintenance Block 2017	2,875	A DfT capital grant for highway maintenance.
Highway Maintenance Incentive Fund	2,321	A DfT capital grant based on returns to recognise local authorities following an asset management approach and adopting efficiency and best practice principles.
Highways Integrated Transport Block 2018-19	1,321	Minor highway improvement, road safety, traffic management works funded by DfT grant. Annual programme.
Eskdail Street	1,776	Conversion of road from one-way to two-way operation. Work has now been completed.
A43 Corby link road	2,288	Road opened May 2014. Land compensation and remaining land purchase payments still to be settled. Reassessment has increased forecast of land purchase payments in 2018-19. Payments reprofiled into 2019-20.
Other (under £1.5m)	8,363	
Total	51,797	

Place – Fire & Community Safety (Table 5)

Fire 2018-19 Expenditure	£000's
Opening Forecast	1,055
New Schemes/Uplifts (additional spend)	
Fire Multi Agency Assessment Vehicle	35
Revised Capital Budget 2018-19	1,090
Net movement in spend (includes project overspends, underspends and reprofiling)	(1,057)
Final Outturn	33

Place – Asset & Capital Management (Table 6)

Asset & Capital Management 2018-19 Expenditure	£000's
Opening Forecast	18,383
New Schemes/Uplifts (additional spend)	0
Northamptonshire Energy Saving Scheme	300
Revised Capital Budget 2018-19	18,683
Net movement in spend (includes project overspends, underspends and reprofiling)	(17,021)
Final Outturn	1,662

Note: The (£17,021k) movement includes £16,366 of budget currently on hold in respect of the Investment Properties scheme.

Place – Adult Social Care Services (Table 7)

Adult Social Care Services 2018-19 Expenditure	£000's
Opening Forecast	2,873
New Schemes/Uplifts (additional spend)	0
Community Equipment	4,300
Saxon Court Lift	75
Eleanor Lodge	290
Adult Social Care Demand and Capacity System	700
Olympus Care Assets	461
Revised Capital Budget 2018-19	8,699
Net movement in spend (includes project overspends, underspends and reprofiling)	(2,447)
Final Outturn	6,252

The following major scheme has been progressed in 2018-19 (Table 8)

Scheme	Final Outturn £000's	Commentary
Community Equipment	4, 653	Equipment that is used by Social Care & Health clients
Other (under £1.5m)	1,599	
Total	6,252	

Place - Wellbeing and Prevention Services (Table 9)

Wellbeing and Prevention Services 2018-19 Expenditure	£000's
Opening Forecast	152
New Schemes/Uplifts (additional spend)	0
Revised Capital Budget 2018-19	152
Net movement in spend (includes project overspends, underspends and reprofiling)	(20)
Final Outturn	132

IT Infrastructure / Development (Table 10)

IT Infrastructure/Development 2018-19 Expenditure	£000's
Opening Forecast	304
New Schemes/Uplifts (additional spend)	
Carefirst Oracle Upgrade	35
Revised Capital Budget 2018-19	339
Net movement in spend (includes project overspends, underspends and reprofiling)	(356)
Final Outturn	(17)

Chief Executive Services (Table 11)

Chief Executive Services 2018-19 Expenditure	£000's
Opening Forecast	745
New Schemes/Uplifts/Removed Schemes(-)	
Digital Northamptonshire	-590
Data Management Solution Capita	250
Revised Capital Budget 2018-19	405
Net movement in spend (includes project overspends, underspends and reprofiling)	(413)
Final Outturn	(8)

Agenda Item No: 07 - Appendix B – Additional Funding Information

1. Funding of the Capital Programme

The Annual Treasury Strategy includes a supporting section identifying 'actual and estimates of the ratio of financing costs to net revenue stream' as a performance indicator. This is an estimate only and a ceiling of 9% needs to be maintained over the life of the current plan period. The 2018 Treasury Management Strategy, which went to February Cabinet, gave a forecast of 7% for 2018-19, increasing to 7.8% for 2019-20.

The Capital and Treasury Management Strategy for 2019-20 has now been updated alongside the Council's 2019-20 budget.

2. Development Pool Schemes with Discretionary Funding

The tables below show an update from the 2018 Capital Strategy as at Period 9 prior to the full refresh for the 2019-20 strategy. This interim review was based on affordability and necessity.

As part of the preparation of the Capital Strategy for 2019-20, all projects within the Development Pool were reviewed. The 2019-20 Capital Strategy was presented to February Cabinet as part of the Medium Term Financial Plan and will update future capital plans and borrowing requirements.

2018-19 Capital Strategy - Development Pool bids for Discretionary Funding - Summary update (Table 1)

This table shows the outcome of a review process by the Capital Approvals Board at the time based on affordability and necessity of schemes and their current delivery status. This was as a result of a review of the Council's financial position at the end of 2017-18.

	Approvals to date (inc. this report)	Remaining with approval required 2018-19 to 2022-23 (*)	Total budgeted 2018-19 to 2022-23
	£000's	£000's	£000's
In Delivery/Under Review	9,896	45,695	55,591
Schemes Removed – 1 st qtr review	0	11,967	11,967
Contingency	0	7,460	7,460
Total Budget allowed in Treasury Strategy	9,896	65,122	75,018

Scheme Detail – Development Pool Schemes in delivery/reviewed as part of the 2019 Capital Strategy development (Table 2)

The schemes below will be further reviewed and considered as the full business cases are brought forward for consideration and support by NLT, in relation to whether the not the Council still considers them a priority scheme and value for money.

	Approvals to date (inc. this report)	Remaining with approval required 2018-19 to 2022-23 (*)	Total budgeted 2018-19 to 2022-23
	£000's	£000's	£000's
Property Minor Works	0	5,000	5,000
Octigo Phase 3 & 4	0	140	140

	Approvals to date (inc. this report)	Remaining with approval required 2018-19 to 2022-23 (*)	Total budgeted 2018-19 to 2022-23
	£000's	£000's	£000's
A43 Northampton to Kettering Phase 1b (funding gap)	5,456	0	5,456
Chester Farm (funding gap)	2,200	0	2,200
Daventry Development Link Rd. Pressure	1,700	0	1,700
Angel Square - Maximise Utilisation	0	500	500
Highway Management	0	10,900	10,900
Highway Asset Maintenance Strategy (capitalisation)	0	8,000	8,000
New Schools to support Housing Growth funding shortfall	0	16,000	16,000
IT Infrastructure	540	5,155	5,695
Total Discretionary Funding in delivery/under review in line with Capital Strategy	9,896	45,695	55,591

3. Approved Capital Programme - Sources of Funding (Opening Monitoring Position 2018-19) (Table 5)

The table below shows the funding received to date in relation to current and previous year's expenditure within the current committed capital programme. It is an indicator to monitor that funding is being received in line with expectations and to comment on where there may be areas of concern.

	£m
Total funding requirement across Current Programme (all years)	634.5
Council borrowing previous years	(120.3)
Funding received to end of 2017-18 - grants/external contributions	(321.5)
Total still to be funded 2018-19 onwards	192.7
Discretionary council funding 2018-19 onwards (including capital receipts)	(66.3)
External funding due from 2018 onwards	126.4
External funding received in 2018-19	(53.95)
Remaining balance of funding still to be received in Table 6 below	72.45

Analysis of the balance of funding still to be received (Table 6)

	£m
Expenditure not incurred	22.25
Short term financing (including Daventry Development Link Road £20m and Castle Station £5m) in advance of income from related developments.	29.05
S106 Outstanding Contributions (to be paid in line with S106 trigger points which are linked to progress on specific developments, therefore payments will be received over a number of future years)	21.15
Total	72.45

4. Sources of Funding for the Current Capital Programme (Opening Monitoring Position 2018-19) (Table 7)

The table below relates to the total funding requirement, shown in Table 5, of £634.5m across all years.

Type of Funding	Key Schemes	£ (%)
Prudential Borrowing	Project Angel, Highway Asset Management Maintenance, East Northants Schools Restructure, Superfast Broadband, S106 Education refinancing, William Knibb Refurb., Chester Farm, Investment Portfolio	£178.6m (28%)
Prudential Borrowing Repayable	Castle Station gap funding, Daventry Development Link Agreement, Moray Lodge Invest to Save, Superfast Broadband reinvestment	£29.7m (5%)
S106	Various schools & developer contributions to Highway works	£88m (14%)
DFE Grants	Includes Basic Need Grant, Northampton International Academy and Corby SEN Free School grant	£110.1m (17%)
DFT Grants	Includes Integrated Transport & Maintenance grant Corby Link Road, A605 Thrapston Scheme grant	£120.5m (19%)
Local Growth Fund (LGF)	A43 Northampton to Kettering Phase 1b and Phase 1c Smart Commuter and Smart Corridor, Daventry Development Link	£37.4m (6%)
Other Specific Grants/Funding	Includes Superfast Broadband Grant, Chester Farm Children's Centres, Daventry Development Link	£32.6m (5%)
Other Contributions works	Northampton Growth Management, District Council Developer works, Superfast Broadband district contributions	£28.6m (5%)
Other funding	Includes school contributions, East Northants Reorganisation capital receipts	£9m (1%)
Total		100%



CABINET

9 JULY 2019

EXECUTIVE DIRECTOR OF FINANCE: IAN DUNCAN

CABINET MEMBER WITH RESPONSIBILITY FOR FINANCE:

COUNCILLOR MALCOLM LONGLEY

Subject:	Monthly revenue monitoring report for the financial year ending 31 st March 2020, as at period 2.
Recommendations:	<p>Cabinet is requested to;</p> <ol style="list-style-type: none"> 1. Note the Council's forecast outturn position for 2019-20, and associated risks. 2. Note the risk assessment of the 2019-20 saving proposals in Appendix A 3. Await a further report to the next meeting of the Cabinet to provide a fuller explanation of the current position and actions being taken in response.

1 Purpose of Report

1.1 This report provides a summary of the forecast outturn position for the 2019-20 financial year, based on income and expenditure up to the end of May 2019.

2 How this Decision Contributes to the Council Plan

2.1 The Council's vision is for Northamptonshire to be a county where everyone looks after each other and takes responsibility, where the vulnerable are protected and supported and where the people who can help themselves receive the assistance they need to stay independent and healthy.

This initiative helps the Council to deliver this vision through the following strategic priorities outlined in the Council Plan:

- Working in partnership with other public sector organisations (such as the seven district and borough councils, the local NHS bodies, and Northamptonshire Police).
- Enabling individuals and communities to achieve better outcomes.
- Using innovation to find better and more sustainable ways of delivering services ensuring they are efficient and affordable in the long term.
- Focusing resources on prevention and early intervention.
- Commissioning and procuring services and goods with partners.
- Utilising the Council's assets effectively.

3 Summary

3.1 The report provides detailed commentary on the Council's current forecast financial position, as at the end of period 2 (May 2019). This initial forecast is for an overspend of £5.8m against an approved budget of £417.7m (1.38%). It

should be noted that no assumption has been made at this stage about the use of the contingency budget of £2.2m.

3.2 This point requires further due diligence and due process before it would be prudent to incorporate the financial effects in the revenue monitoring position. This work will be completed by the end of Period 3 in time for the first quarter revenue monitoring.

3.3 Nonetheless, this forecast is clearly of concern for the Council. There has been increased reporting rigour throughout the organisation and as such, the current position has been identified and understood a lot earlier than would have been the case in previous years, which provides more time to develop further management actions to mitigate the overspend position in order to successfully balance 2019-20 budget.

3.4 There are two main areas that account for more than the forecast overspend position:

a) Children's services (section 5.26 of report)	£5.6m
b) Cross cutting savings programme (section 5.75)	£1.6m
	<hr/>
	£7.2m

3.5 The Leadership Team and Cabinet are treating this with the utmost priority. Mitigating actions are being identified and a number of these are included in this early report. It is intended that a fuller report is brought to the next meeting of the Cabinet to articulate activity going on across the Council and provide an updated assessment of the forecast financial position.

4 Background

4.1 This is the first monitoring report for the financial year 2019-20. It is worth noting that this is the most difficult assessment of the budget position to give as it is early in the financial year with only two months of activity on which to base forecasts.

4.2 This report includes an early analysis of the deliverability of the £41.4m savings proposals agreed within the 2019-20 budget, in-year variations to budgeted assumptions, and a set of management actions to reduce the overspend position. It is essential that the Council is conscious of the risks associated with delivering its budget, and the consequences of those risks materialising, in order to proactively take further management actions to address any shortfalls.

5 Estimated Outturn

5.1 The Council's forecast outturn for 2019-20, based on spending to the end of May, is an overspend of £5.8m.

5.2 Table One shows:

- The net budget approved by the Council for the year.

- The forecast net spend for the year based on spend to the end of May 2019.
- The difference between the two, being the forecast variance at year end.

Table One: Forecast Outturn 2019-20 by Directorate

	Net Budget	Forecast Net Spend at 31/03/20	P2 Forecast Variance at 31/03/20
	£'000	£'000	£'000
Chief Executive Services	7,600	7,364	(236)
Children First Northamptonshire	116,610	122,048	5,438
LGSS	14,207	14,131	(76)
Northamptonshire Adult Social Services (NASS)	159,172	159,915	743
Place Services	90,130	89,724	(406)
Wellbeing and Prevention	4,137	4,137	0
Corporate costs: Treasury, Insurance and Technical Services	25,864	27,314	1,450
Total budgeted expenditure	417,720	424,633	6,913
Less funding	(417,720)	(418,856)	(1,136)
Net Position 2019-20	0	5,777	5,777

5.3 **Chief Executive Services** are forecasting an underspend of £236k.

5.4 The budget pressure within Chief Executive Services in the main arises from additional staffing costs in the Transformation Team which are needed in order to address capacity issues within the Council, and bring about change. There are some further costs relating to the on-going review of LGSS and an independent review of the standard of financial management across the Council. In the current year, these pressures are more than offset by staffing underspends in the Customer Services and Business Intelligence Teams. In addition there is an underspend on Democratic Services mainly due to a decrease in Members' allowances.

5.5 The total variations to budget in 2019-20 are as follows:

Budget Delivery Pressures:	£000
Budget pressure within Chief Executive Services due to additional staffing resource required.	169
In year pressure due to costs associated with the review of LGSS and financial management within NCC.	60
Forecast overspend on the elections budget.	4
	<hr/> 233 <hr/>
Management Actions:	
Underspend within Democratic Services due to a decrease in members' allowances, a cost neutral approach to civic events and vacancies.	(84)
Underspend in Customer Services due to a reduction in staff costs through vacancy management and a reduction in the use of agency staff.	(180)
Underspend within Business Intelligence due to staff vacancies.	(205)
	<hr/> (469) <hr/>
Net Position – Chief Executive Services	<hr/> (236) <hr/>

5.6 **Children First Northamptonshire (CFN)** is forecasting an overspend of £5,438k.

5.7 The Children's service area has been under close scrutiny and the subject of intense activity since the budget for 2019-20 was originally drafted. The arrival of the Children's Commissioner, a new Chief Officer and a recent OFSTED inspection have resulted in a renewed focus on the wellbeing of the child, including arrangements in the MASH, unallocated cases, service improvement and a planned restructure.

5.8 The reported position includes a £5,561k pressure due to the non-delivery of savings proposals, of which £3,406k are associated with staffing proposals, and £2,155k related to legal, review Appeals Rights Exhausted / No Recourse to Public Funds accommodation, and agency placement related savings proposals. There are pressures due to demand for social care services of £4,095k, offset by underspends of £4,218k.

Budget Delivery

- 5.9 The Agency Staff Conversion saving of £1,624k relating to the full year effect of staff converting onto NCC terms and conditions in 2018-19 has been delayed. This is because the conversion campaign is dependent on the completion of the CFN Social Worker Career Pathway which is in development. Until this is done, the whole offering for agency staff conversion is not fully agreed, and therefore it may not meet the savings target.
- 5.10 The Reorganisation saving of £1,207k will not be delivered as this was predicated on the dissolution of dedicated teams with their functions transferring into the wider social care teams. This is no longer planned, therefore the saving in its original form is unachievable. The restructure is currently being implemented, and progress will continue to be reported on an ongoing basis. However, at this point the pressure is forecast to be mitigated by underspend on staff vacancies.
- 5.11 The continuation of the International Social Worker (ISW) recruitment programme is expected to deliver £150k. This is due to a lower take-up level than anticipated. In addition there are some double running costs in the short term, as it is necessary for agency workers to work alongside the ISW as they complete their induction.
- 5.12 Of the £1,200k placement sufficiency savings proposal only £240k is currently expected to be achieved. This is due to slippage in the implementation of the projects. Furthermore there is a requirement for lower than anticipated occupancy levels whilst one of the new facilities is opened. As a consequence, only the part-year effect of savings will be realised.
- 5.13 The negotiation with non-framework providers proposal totalling £300k is not expected to deliver at all. Whilst negotiations with providers have taken place, these have been unsuccessful to date. Mitigations are currently being considered.
- 5.14 The review of Unaccompanied Asylum Seeking Children (UASC) accommodation saving totalling £200k is currently expected to deliver £40k. Whilst the first new provision is now operational, there has been some slippage in implementation of the full offering. Further planned provisions are currently being fast tracked and progress will be reported on an ongoing basis.
- 5.15 The success of both the UASC accommodation proposal and placement sufficiency savings are dependent on sustained occupancy levels across the full year, and therefore risk remains in delivery of these proposals.
- 5.16 The expected reduction in legal spend totalling £750k is currently forecast to be £450k. Whilst there is evidence that demand for legal proceedings is falling, there is uncertainty around the duration of existing cases making it difficult to determine when the benefit of the reduced demand will be realised fully.

- 5.17 The review of Mother and Baby Assessments proposal totalling £400k is expected to deliver £240k in year. The demand for Mother and Baby Assessments has reduced compared to last year with a focus on improving practice in this area, however this trend needs to be sustained in order to realise savings. A small increase in volume would make it difficult to meet the target in full.
- 5.18 Of the total £350k savings proposed in relation to the review of appeals rights exhausted / no recourse to public funds accommodation, £75k is expected to be realised. A change in the Appeals Rights Exhausted (ARE) policy was recently agreed by Cabinet, later than originally intended, therefore the shortfall represents slippage in implementation.

In-Year Budget Variations

- 5.19 An in-year estimated demand pressure of £2,500k has been identified, arising from the extent of the use of external agencies to find appropriate placements for children. £1.3m is in relation to an increase in the demand profile of placements after setting the final budget, where the number of less expensive placements such as care leavers and foster placements decreased but the number of expensive secure and residential placements increased. The remaining £1.2m pressure relates in part to an increase in the average weekly cost of residential placements, which have increased by approximately £120 per placement per week compared to average cost used to set the budget. This higher average cost has been incorporated into the forecast.
- 5.20 Demand pressures are forecast for both social care transport (£650k) and services to disabled children (£221k), based on trend analysis of the prior year. Detailed analysis is difficult to review at this stage due to a lack of robust activity data to support forecasting. This has been identified as an area for improvement with the service through the Transformation Programme.
- 5.21 Planned improvements to the Business Support service are adding staffing costs of £500k in year. However, these additional costs will mean that qualified social work staff will be relieved of administrative tasks, allowing a focus on practice and improvement.
- 5.22 There is a forecast net underspend on staffing of £3,287k. This is net of staffing pressures relating to the reinstatement of some posts deemed essential to support required improvements in service.
- 5.23 The Government has increased the grant rates for under 18 Unaccompanied Asylum Seeking Children (UASC). An additional £655k of grant income is expected in-year based on existing budgeted assumptions.

Management Actions

5.24 A drawdown of £120k from the budget delivery reserve is included within the forecast outturn.

5.25 Due to the high demand that exists across looked after children which has resulted in high placement costs and lengthy legal proceedings, work is currently underway to introduce an access to resources panels which will engage the care planning elements of the service early in the 'path of the child'. With the focus on driving better outcomes for all, the number of children and young people entering care is expected to reduce and those that are able to return home should increase, thus generating savings.

5.26 The total variations to budget in 2019-20 are as follows:

Budget Delivery Pressures:	£'000
Non-delivery of staffing related savings proposals:	3,406
- Agency Staff conversion 18-002-03 (£1,624k)	
- Reorganisation 18-002-04 (£1,207k)	
- Continuation of international social worker recruitment 18-002-09 (£575k)	
Review of UASC accommodation - 18-002-13	160
Placement Sufficiency - 18-002-14	300
Agency placements - 18-002-18	960
A reduction in the savings anticipated from the legal spend proposal 18-002-05	300
A reduction in the savings anticipated from the review of mother and baby assessments proposal 18-002-10.	160
A reduction in the savings anticipated from the review of appeals rights exhausted / no recourse to public funds accommodation proposal 18-002-08.	275
	5,561
In-Year Budget Variations – Overspends:	
In-year demand pressures on Agency Placements due to rising average costs and the number of entrants into care being higher than anticipated.	2,500
Additional in year demand pressures for social care transport provision.	650
Business support restructure: additional staffing costs.	500
Additional in year demand pressures for services to disabled children.	221
Additional management capacity to support improvement	224
	4,095

In Year Budget Variations – Underspends:

Net staffing budgets underspend due to the difficulty in recruiting to Qualified Social Worker posts / vacancy management.	(3,287)
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Additional UASC grant income	(655)
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Other minor variances.	(157)
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	(4,099)
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Management Actions:

Drawdown of budget delivery reserve.	(120)
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	(120)
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Net Position – CFN

	5,438
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Childrens Services Improvement Programme

5.27 Childrens Services have developed an Improvement Programme which looks at driving improvements to its leadership, workforce and practice across the directorate. At this stage, the plan has outlined the requirement for additional management capacity and for a financial review to be undertaken at a cost of £224k, which is included as a budget pressure within the period 2 position. The transformation management of the Improvement Programme is funded via the Flexible use of Capital receipts, explained in section 7 of the report. Any additional resource requirements as a result of new activity to deliver the Improvement Programme will be included in future finance reports.

5.28 **LGSS** is forecasting an underspend of £76k.

5.29 There is an underspend within Occupational Health of £76k as a result of the lower than anticipated levels of external referrals.

5.30 The total variations to budget in 2019-20 are as follows:

Budget Delivery Pressures:	£000
There are no pressures to report at this stage.	0
	0

In Year Budget Variation:

Underspend on Occupational Health managed budget due to lower than anticipated levels of external referrals.	(76)
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Net Position – LGSS	(76)
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5.31 **Northamptonshire Adult Social Services (NASS)** are forecasting an overspend of £743k.

5.32 The reported position includes a net pressure of £649k due to the non-delivery of savings and a further £8,444k of in year overspends mainly driven by forecast pressures within the independent care sector. The majority of this pressure is offset by the release of the budget for contractual inflation (£3,176k) and management actions totalling £8,250k. This includes drawdown of £1,537k from the budget delivery reserve.

Budget Delivery

5.33 This month NASS are reporting non-delivery of savings of £649k, with the most significant being a reported pressure of £367k against the Shaw Contract Compliance saving of £1,192k. This forecast non-delivery of £367k reflects the delays in agreeing a new contract variation with Shaw Healthcare (Northamptonshire) Limited. It is now estimated that this will come on stream in November 2019. Bed utilisation of the PFI beds has improved from last year's 51% to 66%. This has assisted in reducing the pressure.

5.34 The budget saving of £240k for Mental Health Section 117 contributions is now not expected to be delivered in the form described in the current business case. This is due to changes in the recognised chargeable customer cohort. Reviews are taking place to re-scope the project to mitigate the £240k.

5.35 The delivery of £166k, savings proposal relating to Saxon Court will now not be achieved. This private development has been delayed until the next financial year resulting in the savings being undeliverable this year.

5.36 Of the £248k budgeted savings relating to Shaw Funded Nursing Care (FNC), £198k will be achieved resulting in a pressure of £50k. This is due to delays in agreeing the revised contractual arrangements for the claiming of Funded Nursing Care in line with nationwide practice. This saving is now forecast to come on stream by August 2019.

5.37 The pressures against savings in NASS have been offset by additional savings from two projects. The re-provisioning of Shaw Day Care is forecasting savings of £115k due to an increased monthly yield. Revised day care arrangements are now projected to cost less than originally planned compared to the Shaw Healthcare (Northamptonshire) Limited charges.

5.38 There is an additional over delivery of budgeted saving against Older People's Continuing Healthcare Optimisation. This is over delivering by £59k as a result of increased numbers of clients being awarded Health funding than originally anticipated.

In Year Budget Variations

- 5.39 There is a forecast pressure of £4,743k against the Independent care budgets for Older People. This is being driven by higher cost packages across Residential and Domiciliary care reflecting a higher proportion of clients coming through hospitals. A total of 64% of care packages originate from hospital discharge compared to those coming through the community.
- 5.40 There is a forecast pressure of £1,362k for Transitions Independent care budgets. Residential packages are being transferred from CFN at a higher cost than originally budgeted. NASS and CFN will continue to work together with clients and their families to ensure appropriate packages of care are in place to meet eligible needs over the time of transition to Adults services. The average cost of a Residential package has increased in unit cost from budget setting by up to 19%.
- 5.41 The Learning Disability Independent care budget is forecast to overspend by £1,804k. There remains a deficit in market capacity in Northamptonshire that is driving higher cost packages across care provisions.
- 5.42 There is a historical non-deliverable budget reduction of £350k relating to staff training. Since the budget saving was set in 2017-18 duplicate saving proposals were proposed and delivered by LGSS. This will need to be incorporated as required growth in the 2020-21 budget.
- 5.43 There is a small forecast overspend against Mental Health independent care of £88k and other minor variances across the service of £97k.
- 5.44 The reported position includes a £3,176k release of 2019-20 contract inflation. This was part of the 2019-20 budget setting process where a total of £4.928m was allowed for inflationary uplifts across Independent care. Inflation was based on current CPI and average weekly earnings. In the current financial climate it is considered appropriate to offset some of the demand pressure the service is facing with some of this budget. The award of inflationary increases has been agreed following a year by year assessment of demand and market pressures by client cohort and types of care. Last year the award was limited to supporting the Council's expected pay rates.
- 5.45 The budget for Physical Disability Independent care has a forecast underspend of £1,321k. The review of direct payment accounts and forecast 'High Balance' recovery is expected to generate £700k of the £1,321k. The remaining underspend is driven by more packages of care being eligible for Continuing Health Care (CHC) funding than were provided for in the budget.
- 5.46 There is a forecast increase in client contributions of £899k. This is driven by both an increase to welfare benefits and higher care expenditure forecasts.
- 5.47 The initial budget build for 2019-20 assumed Better Care Fund inflation at 1.79% pending future announcements. There is now information that suggests that the

BCF increase will likely be in the region of a 5% increase. This has yet to be confirmed and will be dependent on a region by region (CCG base) basis. The indicative increase to 5% has been assumed for forecasting purposes and would result in additional income of £422k for NASS.

- 5.48 There is a contribution of £250k to the Better Care Fund to support public health outcomes.
- 5.49 There is a forecast underspend on prevention contracts of £234k due to a number of contracts ending. This is over and above the MTFP saving for Discretionary contracts in 2019-20
- 5.50 A further £219k underspend is forecast for a number of small block contracts across Learning Disability and Very Sheltered Housing due to a number of contracts being reviewed and ended.
- 5.51 The Intermediate Care contract is forecast to underspend by £204k as the contract is now being provided in house.
- 5.52 The reported position include £88k of forecast underspend from staff vacancies across NASS. This includes achieving all the staff related savings in the MTFP that total £850k in 2019-20.

Management Actions

- 5.53 A drawdown of £1,537k from the NASS budget delivery reserve is included within the forecast outturn.
- 5.54 The total variations to budget in 2019-20 are as follows:

Budget Delivery: Pressures

Shaw Contract Compliance (18-001-18) due to delays in agreeing a revised contract variation with Shaw	367
Savings associated with the Mental Health S117 Contributions budget delivery will not be delivered due to revised cohort assessments (18-001-30)	240
Non delivery of Saxon Court savings (18-001-28) as development is delayed	166
Pressures on the delivery of Shaw FNC proposal (18-001-20) due to timing delays in implementation of contractual payment streams	50
	<hr/> 823

Budget Delivery: Over-delivery

Shaw Day Care proposal 18-001-21	(115)
Older People's Continuing Healthcare Optimisation (18-001-23)	(59)
	<hr/> (174) <hr/>

Net Budget Delivery Pressures	649
<hr/>	
In Year Budget Variations – Overspends	
Older People Independent Care – Cost of packages driven by higher acuity and increased Hospital discharges/pressures	4,743
Learning Disability Independent Care - Lack of market capacity	1,804
Transitions Independent Care - Pressure continues to be driven by Looked after children (LAC) cost	1,362
Non delivery of historical staff training budget saving that was set in 2017-18. This was a duplicate saving proposal proposed and delivered by LGSS	350
Others minor variances across the service	97
Mental Health Independent care packages –Higher unit cost driving higher cost packages	88
	8,444
<hr/>	
In Year Budget Variations – Underspends	
Release of 19/20 budgeted contract inflation	(3,176)
Physical Disability Independent care	(1,321)
Forecast additional client contributions in line with increased care expenditure	(899)
Forecast increase in Better Care fund inflation for 2019-20	(422)
Better Care funding no longer required to fund Public Health posts	(250)
Forecast underspend on Prevention budgets due to a number of contracts ending and not being re commissioned at this point.	(234)
Forecast underspend across small Care block contracts as a number have been ended in 2018-19.	(219)
Intermediate Care contract saving as the service is now provided in house.	(204)
Forecast staff vacancies across NASS	(88)
	(6,813)
<hr/>	
Management Actions	
Drawdown of budget delivery reserve	(1,537)
	(1,537)
<hr/>	
Net Position – NASS	743
<hr/>	

- 5.55 **Place** is reporting a forecast underspend of £406k.
- 5.56 The reported position includes £799k pressure due to the non-delivery of savings proposals and in-year pressures of £127k, offset by underspends of £1,332k as detailed below.
- 5.57 The forecast position shown within this report includes the use of £2.4m of Section 38 developers' contributions to finance highways maintenance expenditure. This accounting treatment is fully explained in the Outturn report which is also on the same agenda as this report.
- 5.58 It should be noted that discussions are currently being undertaken with the external auditors on this accounting treatment. However the Council is satisfied that having taken legal advice and having had regard to the Code of Practice on Local Government Accounting and the relevant accounting standards that it is appropriate to recognise this income and has prepared the forecasts accordingly.

Budget Delivery Pressure

- 5.59 The rental income proposal of £500k for One Angel Square (OAS) will not be delivered. The potential tenant is undertaking a review of their estate before making a decision.
- 5.60 Delays in the Property rationalisation programme, have led to a £25k shortfall in delivery of this proposal as Sessions House is still in use. Property Services have however fully mitigated this saving and there is no budget pressure.
- 5.61 The street lighting lantern replacement programme has been delayed due the time required to agree a Deed of Variation to the PFI scheme and the lead-in time for the purchase of the lanterns. This has resulted in a £50k pressure this financial year. It is still anticipated that the savings will be fully delivered in future years.
- 5.62 The Commercialisation of Assets initiative has not been as successful as originally envisaged, due to the withdrawal of the preferred contractor, and the savings will not be fully met in this financial year. This is due to lower than anticipated return on contract arrangements for advertising on roundabouts, street lighting and NCC properties. There is an ongoing shortfall in the budget of £180k.
- 5.63 The £44k saving with regard to the rent waiver at Kettering Household Waste Recycling Centre has not yet been agreed. There is still potential for this saving to be delivered if negotiations take place and an agreement is reached.

Management Actions

- 5.64 The Home to School Transport saving of £300k for 2019-20 is currently reporting an over-delivery of £139k. It is considered that further work in this area could

potentially deliver significant additional savings and progress will be reported in future monitoring reports.

5.65 The total variations to budget in 2019-20 are as follows:

Budget delivery - pressures:	£000
Rental Income - One Angel Square (17-006-15)	500
Commercialisation of Assets initiative (17-004-02)	180
Delayed implementation of the street lighting lantern replacement programme (18-006-09)	50
Rent waiver at Kettering Household Waste Recycling Centre (18-006-04)	44
Delay in property rationalisation programme (17-006-22)	25
	<u>799</u>
Budget delivery - underspend:	
Over-achievement on the delivery of savings from Home to School Transport initiatives (18-006-03)	(139)
	<u>(139)</u>
Net budget delivery	<u>660</u>
In year variations - overspend:	
Energy and Carbon Management reduced rebate income.	108
Grendon Hall residual costs following closure.	19
	<u>127</u>
In year variations - underspend:	
Net underspend on the schools PFI budget due to continuing under-performance contract deductions.	(283)
Development and Infrastructure - additional income of £60k due to a s106 service level agreement with the Office of the Police, Fire and Crime Commissioner and the receipt of Construction Skills Centre grant. Also, an underspend due to staff vacancies (£116k).	(176)
Full year impact of the restructure across the Place Directorate	(175)
Property Services - absorption of the shortfall within the property rationalisation programme (£25k), and staff vacancies (£90k)	(115)
Archives and Heritage - underspend on the operational start up budget for Chester Farm due to delays in project completion (£50k), and staff vacancies (£59k).	(109)
Underspend across the Directorate due to other staff vacancies	(69)
Other non-staffing underspends including: Countywide Traveller Unit (£14k), Home To School Transport (£29k) Environmental Protection (£12k), Asset and Traffic Management (£1k), Transport Planning refund from Uno (£11k).	(67)
Forecast underspend on street lighting PFI unitary charge.	(54)
Forecast underspend on street lighting PFI energy costs	(50)
Surplus budget for the management of Social Care transport	(50)
Underspend on the cross-Directorate stationery budget.	(45)
	<u>(1,193)</u>

Management Mitigations

0

Net Position – Place

(406)

- 5.66 **Corporate costs** - Treasury, Insurance and Technical Services are reporting a £1,450k overspend.
- 5.67 The reported position includes a pressure of £1,578k due to the non-delivery of savings proposals; as well as a Fees & Charges RPI inflationary uplift not achieved of £687k and £77k due to a new post of Assistant to the Chief of Staff that has been created to support the Commissioners. This is offset by management actions of £792k and a £100k reduction in costs relating to the Single Person Discount review based on the latest business case.

Budget Delivery

- 5.68 RPI inflationary uplift totalling £687k relating to fees and charges was included within the 2019-20 budget as a general planning principle. It has not yet been possible to allocate this inflation to services, due to the statutory limitations placed upon some of the fees and charges that are levied by the Council. Therefore this income inflation budget is being held centrally until services can identify their service provision charges which have been increased in line with the Council's fees and charges schedules approved by Full Council, as part of the annual Budget setting process.
- 5.69 There are several cross-cutting proposals that are being held centrally within the Corporate Services section of the budget. This includes the remainder of the Voluntary Redundancy (VR) saving proposal. Of the £1,460k VR target savings, only £738k is forecast to be delivered. This is due to a reduced number of applications for Voluntary Redundancy than anticipated, and some of those posts remain essential; therefore could not be deleted, leaving an overall shortfall in savings compared to the budgeted amount. Where staff have had VR requests accepted and have subsequently left the Council the base budget for the relevant service area has been reduced accordingly; as those posts will not be replaced. The remainder of the VR saving is held centrally within the Corporate Services budget. Currently there is £722k of this saving remaining and this is being reported as a pressure.
- 5.70 The saving proposal of £1m from the procurement review is also held centrally. In addition to this there is a savings of £250k within the base budget from a proposal in 2018-19 for a council-wide commercial review. To date, only £544k estimated savings have been identified against this combined target of £1.25m therefore leaving a pressure of £706k. Further discussions are being undertaken in order to identify areas where contract savings can be achieved.
- 5.71 Of the £250k budgeted costs relating to Single Person Discount, only £150k of this is now required in 2019-20 due to a reduction in the forecast cost.

5.72 There remains a pressure of £150k in relation to savings proposals related to staff travel / car mileage. This proposal is currently being reviewed and business plans are being drawn up.

5.73 A new post of Assistant to the Chief of Staff has been created to support the Commissioners in their work. The forecast cost of this new post is £77k including on-costs.

Management Actions

5.74 A budgeted contribution to reserves of £292k has been able to be released. This was originally budgeted to replenish earmarked reserve but is no longer required as the reserves were replenished in 2018-19 through the use of the capital dispensation. A central growth proposal of £500k within the base budget has also been released, to partly offset the pressures set out above.

5.75 The total variations to budget in 2019-20 are as follows

Budget delivery pressures:	£000
Under-delivery of savings proposals:	1,578
- 17-008-07 car mileage proposal (£150k)	
- 18-003-05 / 17-004-07 procurement review (£706k)	
- 18-003-04 voluntary redundancy (£722k)	
Fees & Charges RPI inflationary uplift not achieved	687
New Assistant Chief of Staff post	77
	2,342
In year variation:	
Single Person Discount review – reduction in costs	(100)
	(100)
Management mitigation:	
Reserve replenishment no longer required - reserves replenished through use of the capital dispensation in 2018-19	(292)
Release of corporate growth proposal	(500)
	(792)
Net Position – Corporate	1,450

5.76 **Public Health & Wellbeing (PHW)** is reporting a forecast which is in line with budget.

5.77 The Public Health savings proposal totalling £537k is deemed undeliverable as the description in the MTFP does not reflect the way in which the saving will be now be achieved. This saving has been mitigated in full and therefore there is no impact on the PHW position.

5.78 Of the libraries savings proposal totalling £381k, £21k is deemed undeliverable relating to the property elements of the proposal. This is due to delays in the consultation process. However, the slippage will be mitigated within the Library Service and therefore there is no impact on the PHW position.

Management Actions

Public Health are working with services across the Council to closer review preventative services for further synergies with the Public Health grant.

5.79 The total variations to budget in 2019-20 are as follows:

Budget Delivery Pressures:	£000
Non deliverable Public Health Proposal with saving not being achieved as published	537
Non deliverable libraries saving proposal due to slippage in implementation meaning an element of the property related savings will not be realised as expected	21
	558
Management Actions:	
General Public Health contribution to NCC support costs	(296)
One off additional Public Health contribution to NCC support costs	(204)
Northamptonshire Sport grant hosting fee	(25)
Additional underspend due to the full year effect of a 2018-19 contract reduction	(12)
Library Service – mitigation of property saving under delivery through potential one-off staffing underspend due to vacancies	(21)
	(558)
Net Position – Public Health & Wellbeing	0

6 Funding

6.1 The net cost of council services are funded from three areas: council tax, business rates, and government grants, as set out in the Table Two below.

Table Two: Funding 2019-20

Funding	Net Budget	Forecast Income at 31/03/20	Forecast Variance at 31/03/20
	£000	£000	£000
Council Tax income	(310,995)	(310,995)	0
Business Rates income	(102,820)	(103,956)	(1,136)
New Homes Bonus	(3,905)	(3,905)	0
Total NCC Funding	(417,720)	(418,856)	(1,136)

6.2 Forecast council tax income is based upon the budgeted council tax precept amount, together with tax base and collection rate information provided by district and borough councils who collect council tax. The Council Tax income is a fixed amount for the year, as is New Homes Bonus

6.3 The Council is a member of Northamptonshire's business rates pool. Following initial discussions with district and borough councils, it has been confirmed that the Council will receive an additional £1.1m above the amount originally budgeted. This is partly due to the amount of Section 31 grant due to be received being higher than originally forecast, and the Business Rates collection fund being in surplus at the end of 2018-19, rather than the deficit that had been forecast when the budget was set.

6.4 The above is based upon forecast information and therefore subject to change.

7 Transformation

7.1 A report introducing the Council's Transformation Strategy was presented to Cabinet on 13th November 2018. This report set out the approach to the Council's Transformation Programme, which documents the objectives of the programme together with the projects and programmes being initiated. The Transformation Strategy was subsequently approved by the full Council meeting on 22nd November 2018.

7.2 A number of projects that are forecast to deliver savings in 2019-20 already approved for support through the Transformation Programme were reported and approved by Full Council. The costs associated with the delivery of each of these projects will be met through the flexible use of capital receipts, subject to having sufficient capital receipts available. There are strict rules that must be followed in identifying expenditure that qualifies to be funded in this way, and the Council is now complying with those rules.

7.3 The delivery of these projects and their forecast outcomes are being monitored closely in order to ensure that benefits are realised and that they continue to qualify for funding through this route. Finance officers continue to work closely with colleagues across the Council to review and analyse the activity that is being undertaken so as to deliver improved outcomes for the Council and reduce its cost base. Part of this process includes an evaluation of any additional resources

required to deliver further transformation, which is subject to internal governance, review and approval.

7.4 An updated Flexible Use of Capital Receipts Strategy was presented to Council on 20th June 2019 for approval. This updated strategy from February 2019 included the latest listing of transformation activity that meets the criteria for funding through the application of capital receipts. Any subsequent changes to transformation projects will be reported to Council in subsequent updates to the Flexible Use of Capital Receipts strategy as appropriate.

7.5 Table Three sets out the budget and latest forecast of the Council's Transformation projects for 2019-20 approved by full Council on 20th June 2019 which will be funded by flexible use of capital receipts. This includes some projects that commenced in 2018-19 and continue into 2019-20. The savings generated through this funding will be realised in 2019-20 and in future years. Some projects are enablers and savings will be delivered in other areas due to them being in place.

Table Three: Transformation Projects 2019-20

Transformation Projects 2019-20	Original Estimate 2019/20 £000			Planned Saving 2019/20 £000
	B/fwd. £000	2019/20 £000	Total £000	
Agency Staff Conversion: Reduce the number of agency staff in social work teams through enabling their transfer into the Council's staffing establishment	293	-	293	1,624
Renegotiation of Contract: Appointment of legal advisors who will deliver the renegotiation of the Shaw PFI contract - savings to accrue from 2020/21 onwards	53	115	168	-
Local Government Reorganisation: Costs associated with the proposed local government reorganisation in Northamptonshire	375	575	950	-
Estimated voluntary redundancy costs associated with reducing the size of the workforce	-	1,000	1,000	1,460
A review of the pricing and delivery of Learning Disability services, changing the way we buy care services for adults with learning disabilities from private providers, to meet the increasing demand in the most cost-effective way. This will ensure we have more certainty of our cost and can consider better ways of providing improved outcomes.	289	434	723	2,800
Annual Cost of the Transformation Programme, as per Transformation Strategy	-	2,598	2,598	-
Committed Cost of the Unitary Programme	-	298	298	-
Libraries Transformation Programme- delivering provision of a fully comprehensive and efficient service	-	272	272	381

Transformation Roles in Children's service. Building delivery capacity	-	180	180	-
Single handed project - Reducing the level of resource associated with home care by using specialist equipment and training to reduce existing care or reduce care packages.	-	260	260	1,000
Canary Pilot - Installing monitoring systems to enable long term care package savings.	-	53	53	400
Total	1,010	5,785	6,795	12,580

7.6 The application of this strategy relies on the availability of sufficient capital receipts to fund the qualifying transformation expenditure. The latest capital receipt forecast indicates the following:

Table Four

	£000
Unused capital receipts brought forward from 2018-19	3,232
Estimated receipts from sales 2019-20 (Risk-adjusted forecast).	4,000
Forecast of Total Available Capital Receipts	7,232

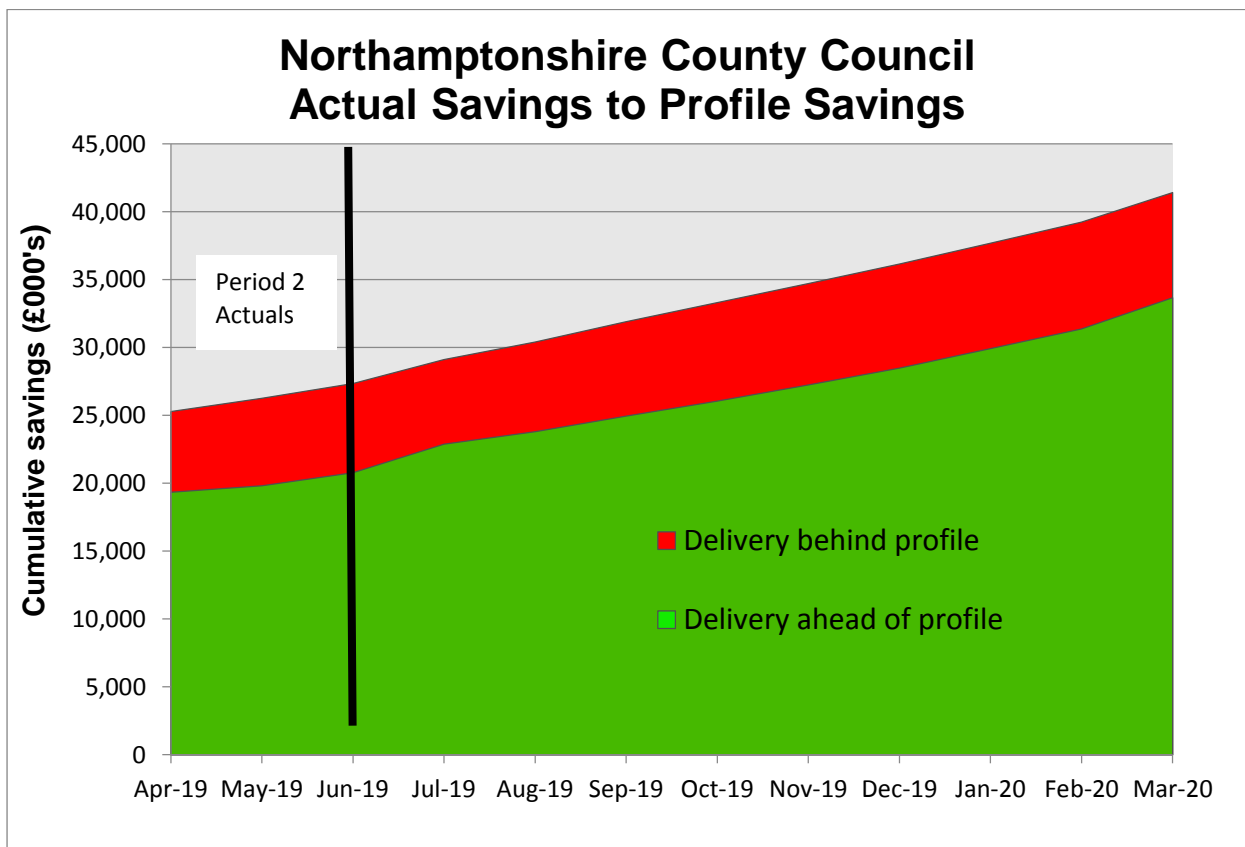
8 2019-20 Savings Delivery Performance

- 8.1 The Council has a savings requirement of £41.4m within its 2019-20 budget set in February 2019. The deliverability of these proposals is being monitored by each accountable service lead, budget manager and senior officers.
- 8.2 The Transformation Programme is divided into four work streams – Children's, Adults, Place and Corporate. Each work stream has its own Programme Board led by the Senior Responsible Officer, which will meet on a monthly basis throughout the year. The role of the Board is to provide robust governance and assurance by monitoring and managing programme progress, savings, impacts, risks, issues, interdependencies and benefits. This is to ensure that transformation and savings are delivered in line with corporate priorities, agreed savings targets and the Medium Term Financial Plan. Each programme Board will report to the central Transformation Board, chaired by the Chief Executive.
- 8.3 The latest assessment on the deliverability of the £41.4m savings proposals is set out in the Table five, by work stream. Further detail on non-deliverable or part-deliverable proposals and corresponding mitigating actions is set out in Appendix A.

Table Five: 2019-20 Savings Proposals

	Forecast to Year-End		
	Target Savings £000	Savings budgeted to be delivered at Period 12 £000	Variance currently forecast at Period 12 <i>Under/(Over)delivery</i> £000
Childrens Programme	(10,296)	(4,735)	5,561
Place Programme	(2,522)	(2,517)	5
Adults Programme	(23,284)	(22,635)	649
Corporate Programme <i>(includes PHW and LGSS)</i>	(5,313)	(3,577)	1,736
Total:	(41,415)	(33,464)	7,951

Delivery of Savings - Analysis of Variance Between Original Budget Profile and Expected Delivery to Period 12.



9 Consultation and Scrutiny

- 9.1 All 2019-20 Budget proposals were consulted on prior to the budget being approved by Full Council in February 2019.
- 9.2 Any management interventions that require a policy change will be subject to a consultation before any decision is taken.
- 9.3 Where consultation is necessary, full details will be presented to Cabinet separately. Cabinet can only make a decision after taking careful account of the results of such consultation in order to reach an informed decision.

10 Equality Screening

- 10.1 Where material mitigating actions may have an impact upon specified groups of service users, an equality impact assessment will be carried out so as to ensure that the implications of change are fully understood.

Reason that no EqlA is required	✓ as appropriate
The paper is for information only	✓
The proposal/activity/decision has no impact on customers or the service they receive	
The proposal impacts upon staff but the proposed staffing changes will not affect the service that customers receive*	
Other (Please explain further)	

Appendices

Appendix A – NCC Budget Savings Tracker 2019-20

Author:	Name: Iain Jenkins Team: Finance
Contact details:	Tel: 01604 364664 Email: IJenkins@northamptonshire.gov.uk
Background Papers:	
Does the report propose a key decision is taken?	YES
If yes, is the decision in the Forward Plan?	N/A
Will further decisions be required? If so please outline the timetable here	Yes, future Cabinet Meetings.
Does the report include delegated decisions? If so, please outline the timetable here	N/A
Is this report proposing an amendment to the budget and/or policy framework?	NO

<p>Have the financial implications been cleared by the Strategic Finance Manager (SFM)?</p> <p>Have any capital spend implications been cleared by the Capital Investment Board (CIB)?</p>	<p>YES</p> <p>Name of SFM: All</p> <p>N/A</p>
<p>Has the report been cleared by the relevant Director?</p>	<p>YES</p> <p>Name of Director: All</p>
<p>Has the relevant Cabinet Member been consulted?</p>	<p>YES</p> <p>Cabinet Member: Cllr Longley</p>
<p>Has the relevant scrutiny committee been consulted?</p>	<p>Finance and Resources Scrutiny Committee can review if required in their work programme</p>
<p>Has the report been cleared by Legal Services?</p>	<p>YES</p> <p>Name of solicitor: Debbie Carter-Hughes</p>
<p>Have any communications issues been cleared by Communications and Marketing?</p>	<p>YES</p> <p>Name of officer: Liam Beasley</p>
<p>Have any property Issues been cleared by Property and Asset Management?</p>	<p>NO</p>
<p>Procurement/ Contractual Implications:</p> <ul style="list-style-type: none"> • Have you evidenced compliance with the Council's Contract Procedures Rules? • Have you identified where you are seeking Cabinet to approve an exemption from the Contract Procedure Rules and detailed the risks and mitigations? • Have you identified any EU or UK legislative risks associated with the exemption process such as non-compliance with the Public Contract Regulations Act 2015, transparency and open competition? • Have you identified the procurement or contractual risks associated with a contract? • Has the contract/procurement been subjected to the Council's Commercial Board? 	<p>NO</p>
<p>Are there any community safety implications?</p>	<p>NO</p>
<p>Are there any environmental implications:</p>	<p>NO</p>
<p>Are there any Health and Safety Implications:</p>	<p>NO</p>

Are there any Human Resources Implications:	NO
Are there any human rights implications:	NO
Constituency Interest:	All



CABINET

9 JULY 2019

EXECUTIVE DIRECTOR OF FINANCE: IAN DUNCAN

**CABINET MEMBER WITH RESPONSIBILITY FOR FINANCE: COUNCILLOR
MALCOLM LONGLEY**

Subject:	Monthly Capital Report (MCR) – Forecast Outturn as at period 2 for the financial year ending 31st March 2020.
Recommendations:	<p>Cabinet is requested to:</p> <ol style="list-style-type: none"> 1. Note the forecast capital expenditure of £77m for 2019-20. 2. Approve the promotion of the Schools Condition Allocation scheme from the development pool into the committed capital programme to create a 2019-20 Schools Minor Works programme with investment totalling £2,893k. Further detail on the above scheme can be found in Section 7.

1. Purpose of Report

- 1.1 This report sets out the capital outturn for the financial year 2019-20 and the approved expenditure within the capital programme for future years.
- 1.2 The report also seeks Cabinet approval for the promotion of the Schools Condition Allocation scheme from the Development Pool to be included in the Council’s committed capital programme following recommendation from the Executive Director for Place and Commercial.

2. Background

- 2.1 The Capital Programme is the Council’s plan for investing in assets to efficiently deliver its statutory services and to improve the infrastructure of Northamptonshire, with the benefits lasting over a number of years. Resources come from grants and contributions, capital receipts from surplus land and buildings and, where there is no other funding source available, short and long term borrowing. These sources of income are generally not permitted to be used for day to date revenue expenditure.
- 2.2 The Capital Programme has links to the revenue budget through the repayment of any loans taken out to fund capital investment. Given this impact on revenue, there is a detailed due diligence process for reviewing capital schemes before being recommended to Cabinet and full Council for approval.

3. How this decision contributes to the Council Plan

- 3.1 The Council’s vision is for Northamptonshire to be a county where everyone looks after each other and takes responsibility, where the vulnerable are protected and supported and where the people who can help themselves receive the assistance they need to stay independent and healthy.

The Council's capital programme helps the Council to deliver this vision through the following strategic priorities outlined in the Council

- Working in partnership with other public sector organisations (such as the seven district and borough councils, the local NHS bodies, and Northamptonshire Police).
- Enabling individuals and communities to achieve better outcomes.
- Engaging with partners and communities to co-design and co-deliver services.
- Using innovation to find better and more sustainable ways of delivering services ensuring they are efficient and affordable in the long term.
- Focusing resources on prevention and early intervention.
- Using technology and digital solutions to meet the needs of residents.
- Commissioning and procuring services and goods with partners.
- Utilising the Council's assets effectively.
- Reducing inequalities and disparity of opportunities.

4. Governance

4.1 The governance of the capital programme comprises:

- A Capital Projects Board chaired by the Executive Director for Place and Commercial, aimed at reviewing scheme progress through project management reporting and identifying issues and risks which require support to resolve or escalation to the Northamptonshire Leadership Team (NLT) and Finance Director.
- The Place Shaping Board and the Transformation Board, chaired by the Chief Executive, review and consider business cases for new capital investment and funding prioritisation. New capital schemes or extensions to existing schemes are then recommended to Cabinet for approval. The Place Shaping Board also ensures that new developments, disposals, investments and acquisitions are taken forward by the County Council (independently or in partnership) supporting strategic objectives for financial sustainability, economic growth and regeneration across the County

4.2 A Capital Review Panel reviews and approves planned expenditure on committed schemes to ensure such expenditure is appropriate and demonstrates value for money.

5. Capital Budget

5.1 The Council's Capital Strategy 2019-20 to 2022-23 agreed by Council on 21 February 2019 approved a forecast Capital Programme of £389m.

5.2 This consisted of a committed capital programme of £80m and a development pool of £309m for planned new schemes over the four year plan period. The development pool is the Council's medium term capital budget for schemes that still require full business case review and/or confirmation of funding and as such are subject to Cabinet approval.

5.3 A key planning assumption of the development pool was that £24.5m of discretionary funding was required over the period April 2019 to March 2023 (subject to Cabinet approval). Further detail on the schemes can be found in Appendix B.

5.4 The key objectives of the Capital Strategy are as follows:

- The delivery of a medium term capital programme which is affordable and sustainable, ensuring that the Council's internal resources and application of external borrowing are

utilised to fund capital expenditure where it supports the delivery of the Council's financial sustainability and where there are statutory requirements such as health & safety;

- New capital investment will only be permitted if it contributes to the achievement of the Council's strategic aims and objectives;
- The use of external funding is prioritised against the areas of greatest need within the County, in the main supporting highways maintenance and the delivery of education places within the county. In the current financial climate priority will be given to schemes that also deliver transformation and/or revenue savings;
- Maximise the use of the Council's assets, and where possible working with local partner organisations to maximise the efficiency of assets across the public sector and Northamptonshire.

Capital Monitoring Summary

5.5 The 2019-20 to 2022-23 forecast capital budget expenditure of £80m reported in the Capital Strategy increased to £97m as a result of reprofiled expenditure and new schemes entering the programme, after Cabinet approval, prior to the start of the financial year.

5.6 In addition, April and May Cabinet reports further approved new schemes into the committed capital programme, granted extensions to current schemes, and removed schemes to give a net increase of £25m. This gives a current agreed capital programme budget of £123m as at the end of May 2019.

5.7 The Council's 2019-20 Capital Programme budget and forecast expenditure are shown in Table 1 below.

Summary of 2019-20 capital programme budget and outturn expenditure by service area (Table 1)

	Opening Budget 2019-20 to 2023-24	2019-20 Cabinet Approvals (multi-year)	Current Budget 2019-20 & Future Years		2019-20 Spend to P2	2019-20 Forecast Spend
	£000's	£000's	£000's		£000's	£000's
Place - Environment Planning & Transport	53,785	19,105	72,890		(3,169)	53,727
Place - Children's, Families and Education	20,920	3,709	24,629		797	18,316
Place - Asset & Capital Management	18,845	521	19,366		(219)	2,595
NCC Group - Chief Executive	0	2,000	2,000		0	1,500
Place - Adult Social Care Services	2,697	0	2,697		(474)	227
LGSS - IT Infrastructure/ Development	760	0	760		112	540
Place - Public Health and Wellbeing	237	0	237		(1)	155
Total	97,244	25,335	122,579		(2,954) *	77,060

* Note: the negative values in the year to date actuals relate to works completed and accounted for in 2018-19 for which invoices have yet to be received and/or processed in 2019-20.

The detailed service expenditure summaries are attached as Appendix A.

5.8 Capital Programme Funding

The detail below explains how the expenditure budgets detailed in Table 1 are funded i.e. by NCC borrowing in relation to discretionary funding and the initial funding for repayable borrowing or from external contributions and grants including s106 developer contributions.

Current Capital Programme 2019-20 to 2022-23 (Table 2)

	Discretionary Funding (inc investments) (borrowing)	Repayable (borrowing)*	Grant Funding	s106	Developer, District & Other Contributions	Total Funding Requirement for 2018-19 Onwards
	£000's	£000's	£000's	£000's	£000's	£000's
Place - Environment, Planning & Transport	13,660	2,774	37,225	16,487	2,744	72,890
Children, Families and Education	0	0	16,062	8,567	0	24,629
Place - Asset & Capital Management	17,846	0	1,520	0	0	19,366
Place – Adult Social Care Services	1,689	0	1,008	0	0	2,697
NCC Group - Chief Executive	2,000	0	0	0	0	2,000
LGSS - IT Infrastructure/ Development	760	0	0	0	0	760
Place - Public Health and Wellbeing	87	0	150	0	0	237
TOTAL	36,042	2,774	55,965	25,054	2,744	122,579
%	29.40%	2.26%	45.66%	20.44%	2.24%	100%

*Note: repayable borrowing is short term gap funding awaiting repayment linked to contract agreement trigger points

5.9 Prudential Borrowing Requirement over the MTFP Period (including development pool). (Table 3)

	Budget Position £000's	Forecast £000's
Approved Discretionary Funding for the schemes within the Development Pool over the medium term period to 2022-23	29,010	24,557
Current programme further commitments (net position inc. assumed £9m capital receipts over MTFP period and repayments assumptions*)	(500)	(450)
Total new borrowing requirement approved (MTP period)	28,510	24,107

5.10 The £4.4m reduction in table 3 is driven by the following changes to the original budget assumptions:

- £4m for Mortuary Facilities reconsidered from the development pool plans due to additional works needed to explore options and come to a fully costed business case proposal.

5.11 The repayment assumptions (*) in table 3 include:

- £2m from Daventry District Council in respect of Daventry Development Link Road funding agreement; and
- £2m repayment from contract provisions for take-up clawback contact in respect additional investment in Superfast Broadband.

6. Capital Receipts and Use of Resources

6.1 The Capital Receipts table below shows the total forecast available capital receipts at the end of 2019-20 based on receipts not utilised from previous years and new receipts from the sale of property during 2019-20.

	£000's
Unused capital receipts brought forward from 2018-19	3,232
2019-20 capital receipts forecast	4,000
Total Available Capital Receipts	7,232

6.2 On 20th June 2019 Full Council approved the Flexible Use of Capital Receipts Strategy 2020 including a budget of £6.8m within 2019-20 to fund the Council's Transformation Programme.

7. Recommendations and Updates to the Capital Programme

The Northamptonshire Leadership Team has recommended the following capital schemes be added to the Capital Programme.

No.	Scheme Status	Capital Scheme Title	Capital Budget Increases/ (Decreases) Requiring Approval £000's	Funding Source
1	Promotion from the Development Pool	Schools Minor Works Programme 2019-20	2,894	Schools Condition Allocation Grant
Total			2,894	

Table 4 - Summary of capital schemes recommended for inclusion in the capital programme.

1. Schools Minor Works Programme 2019-20 - £2,893,548

The Schools Condition Allocation capital grant received from DfE is not ring fenced but is intended to be used for the maintenance of the 83 schools across Northamptonshire for which NCC has responsibility. There is a separate paper elsewhere on this Cabinet agenda which seeks approval for the establishment of a minor works budget for schools, informed by a rolling programme of condition

surveys, which will allow NCC to take a more pro-active approach to this statutory responsibility.

8. Consultation and Scrutiny

8.1 The 2019-20 Capital Strategy and planned capital expenditure were subject to consultation and scrutiny process prior to approval by Full Council in February 2019.

9. Equality Screening

9.1 Where a scheme may have an impact upon customers with protected characteristics an equality impact assessment will be carried out by the service prior to the scheme being implemented to ensure that these implications are understood.

10. Alternative Options Considered

10.1 The deliverability of the 2019-20 Capital Strategy is monitored by each accountable project manager and senior officer. There is further review throughout the financial year through the operation of the Place Shaping Board and corporate oversight is provided through monthly NCC Leadership Team reviews.

10.2 If any overspends, or emerging pressures are identified during the year then mitigating actions will be sought and management interventions undertaken. Details of pressures, risks and mitigating actions implemented are provided as part of the finance monitoring reports as the year progresses.

11. Risk and Business Continuity Management

11.1 There are internal control processes in place to ensure that the Council does not spend beyond the resources available. Risk will be managed and monitored throughout the organisation during the delivery of the Council's budget plans.

12. List of appendices

12.1 Two appendices to this document are included. All information to enable a decision is included within the main report.

Appendix A – Detailed Service Summaries

Appendix B – Additional Funding Information

Author:	Name: Andrea Devereux Team: NCC Finance – Place and NCC Group
Contact details:	Tel: 01604 367348 Email: adevereux@northamptonshire.gov.uk
Background Papers:	
Does the report propose a key decision is taken?	YES
If yes, is the decision in the Forward Plan?	NO
Will further decisions be required? If so, please outline the timetable here	NO
Is this report proposing an amendment to the budget and/or policy framework?	NO
Have the financial implications been cleared by the Strategic Finance Manager (SFM)?	Yes Name of SFM: Rosemary Pallot
Have any capital spend implications passed through Capital Programme governance procedures?	YES
Has the report been cleared by the relevant Director?	YES Name: Ian Duncan
Has the relevant Cabinet Member been consulted?	YES Cabinet Member: Cllr Malcolm Longley
Has the relevant scrutiny committee been consulted?	NO
Has the report been cleared by Legal Services?	Name of solicitor: Shahin Ismail
	Solicitor's comments:
Have any communications issues been cleared by Communications and Marketing?	YES Name of officer: Simon Deacon
Have any property issues been cleared by Property and Asset Management	NO
Has an Equalities Impact Assessment been carried out in relation to this report?	NO
Are there any community safety implications?	NO
Are there any environmental implications:	NO
Are there any Health & Safety Implications:	NO
Are there any Human Resources Implications:	NO
Are there any human rights implications:	NO
Constituency Interest:	ALL

Agenda Item No: 09 - Appendix A - Detailed Service Summaries

The Place Directorate has responsibility for all aspects of County Council services which comprise a physical, tangible or place-based asset within the geography of Northamptonshire. This enables the bringing together, and delivery of, the Council's capital programme, all PFIs and the management of the County Council's Estate, allowing economies of scale to be reaped from a consolidated and coordinated approach.

Place - Children, Families and Education (Table 1)

Children, Families and Education 2019-20 Expenditure	£000's
Opening Forecast	14,607
New Schemes/Removals/Uplifts (additional spend)	
East Northants Education Restructure-Prince William	800
Northampton Secondary Schools Capacity	2,300
Woodford Halse Primary School	129
Schools Strategic Maintenance-PFI Blinds	480
Revised Capital Forecast	18,316
Net movement in forecast spend (includes project overspends, underspends and reprofiling)	0
New Forecast Outturn	18,316

The following major schemes are being progressed in 2019-20 (Table 2)

Scheme	2019/20 Forecast £000's	Commentary
Kettering Secondary School Extensions	7,823	Project to increase pupil capacity in three schools.
Northampton Secondary Schools Capacity	2,689	Project to add temporary pupil capacity.
Latimer Arts College	1,876	School managed project to construct a new sports hall and all weather pitch.
Other Schemes (under £1.5m)	5,928	
Total	18,316	

Place – Environment, Planning & Transport (Table 3)

Environment, Planning & Transport 2019-20 Expenditure	£000's
Opening Forecast	34,622
New Schemes/Removals/Uplifts (additional spend)	
Northampton Growth Management Scheme Phase 1	4,080
LTP Integrated Maintenance Block 2019-20	11,542
LTP Integrated Transport Block 2019-20	1,791
Pothole Fund 2019-20	812
Barton Road/Cranford Road Junction	880
Revised Capital Forecast	53,727
Net movement in forecast spend (includes project overspends, underspends and reprofiling)	0
New Forecast Outturn	53,727

The following major schemes are being progressed in 2019-20 (Table 4)

Scheme	2019/20 Forecast £000's	Commentary
Local Transport Plan Maintenance Block 2019	11,542	A DfT capital grant for highway maintenance.
A43 Northampton to Kettering - Phase 1b	10,027	Moulton bypass section. Main works started on site January 2019.
Northampton Superfast Broadband	4,236	Suppliers have revised milestone dates targets resulting in some not being achieved and paid until 2019-20.
Northampton Growth Management Scheme	3,943	A scheme to improve the A45 junctions in Northampton.
Local Highways Maintenance	3,641	This is part of £6.7m grant profiled across 2 years received by NCC as part of the additional £420m new government funding announced in the November 2018 budget. This will meet the backlog of works in specific areas laid out in the grant conditions including potholes, bridge and carriageway structural works.
Highways Maintenance Block 2018-19	3,151	A DfT grant for highway maintenance.
Chester Farm	2,203	The current forecast identifies a £720k pressure with a total risk exposure linked to extension of time claims and increased costs to complete the scheme in excess of £3m. This includes the assumption that all HLF funding will be received in line with the grant offer. The main contractor has now gone into administration, the impact of which is still being assessed in relation to financial and project completion risks. This being actively managed and reported to the Project Board.
National Productivity Fund - Cliftonville	2,000	A project to widen and improve Cliftonville Road in Northampton. Funded from the National Productivity Improvement Fund.
Chipping Norton Relief Road	2,000	NCC contribution funded from a combination of utilising non ring-fenced DfT grants and from discretionary borrowing.
Northampton North West Relief Rd	1,867	Design and planning works funded from NBC contributions.
Smart Commuters	1,697	A fully funded scheme funded through the Local Growth Fund to bring live and user-focused travel information to Northamptonshire.
A43 Corby link road	1,508	Road opened May 2014. Land compensation and remaining land purchase payments still to be settled. Reassessment has increased forecast of land purchase payments in 2018-19. Payments reprofiled into 2019-20.
A45 Northampton to Daventry Development Link (DDL)	0	New road opened November 2018. Additional £4.3m costs over and above budget in 2018-19 with these additional costs met from unspent DfT grants. An update on further potential costs is awaited and a report on the scheme is planned for a future cabinet.
Other (under £1.5m)	5,912	
Total	53,727	

Place – Asset & Capital Management (Table 5)

Asset & Capital Management 2019-20 Expenditure	£000's
Opening Forecast	2074
New Schemes/Uplifts (additional spend)	
Denton Primary School Mobile Refurbishment	21
Angel Square Optimisation	500
Revised Capital Forecast	2,595
Net movement in forecast spend (includes project overspends, underspends and reprofiling)	0
New Forecast Outturn	2,595

Place – Adult Social Care Services (Table 6)

Adult Social Care Services 2019-20 Expenditure	£000's
Opening Forecast	227
New Schemes/Uplifts (additional spend)	0
Revised Capital Forecast	227
Net movement in forecast spend (includes project overspends, underspends and reprofiling)	0
New Forecast Outturn	227

Place - Wellbeing and Prevention Services (Table 7)

Wellbeing and Prevention Services 2019-20) Expenditure	£000's
Opening Forecast	155
New Schemes/Uplifts (additional spend)	0
Revised Capital Forecast	155
Net movement in forecast spend (includes project overspends, underspends and reprofiling)	0
New Forecast Outturn	155

IT Infrastructure / Development (Table 8)

IT Infrastructure/Development 2019-20 Expenditure	£000's
Opening Forecast	540
New Schemes/Uplifts (additional spend)	0
Revised Capital Forecast	540
Net movement in forecast spend (includes project overspends, underspends and reprofiling)	0
New Forecast Outturn	540

Chief Executive Services (Table 9)

Chief Executive Services 2019-20 Expenditure	£000's
Opening Forecast	0
New Schemes/Uplifts/Removed Schemes(-)	
Social Care System Replacement	1,500
Revised Capital Budget 2019-20	1,500
Net movement in forecast spend (includes project overspends, underspends and reprofiling)	0
New Forecast Outturn	1,500

Agenda Item No: 09 - Appendix B – Additional Funding Information

1. Funding of the Capital Programme

The Annual Treasury Strategy includes a supporting section identifying 'actual and estimates of the ratio of financing costs to net revenue stream' as a performance indicator. This is an estimate only and a ceiling of 9% needs to be maintained over the life of the current plan period. The 2019 Treasury Management Strategy, which went to February Cabinet, gave a forecast of 5.1% for 2019-20, increasing to 5.7% by 2022-23. This includes the benefits of the change in the MRP Policy on 22 March 2018.

2. Development Pool Schemes with Discretionary Funding

The tables below show the development pool Schemes requiring discretionary funding, which have been through a prioritisation process.

Discretionary Funded Development Pool Schemes approved to date and now part of the Committed Capital Programme (Table 1) - as at the end of Period 2.

All figures £000's						
Schemes	Service Area	2019-20 £000's	2020-21 £000's	2021-22/ 2022-23 £000's	Total Discretionary Funding £000's	Reason for funding
Angel Square Optimisation	PLACE	500	0	0	500	Income generation
Carefirst Replacement	CEx	2,000	0	0	2,000	Statutory Service support
Total Development Pool Discretionary Funding now in Committed Capital Programme		2,500	0	0	2,500	

Discretionary Funded Development Pool not yet approved into the Committed Capital Programme (Table 2) – as at the end of Period 2.

All figures £000's						
Schemes	Service Area	2019-20 £000's	2020-21 £000's	2021-22/ 2022-23 £000's	Total Discretionary Funding £000's	Reason for funding
Community Equipment	ASC	4,000	0	0	4,000	Revenue saving
Beech Close Elderly Care	ASC	310	0	0	310	Revenue saving
Single Handed/ Assistive Tech. Project	ASC	500	0	0	500	Revenue saving
Schools Capital	CFE	427	0	0	427	Revenue saving
Emergency Placement Provision	CFE	245	0	0	245	Revenue saving
Housing for children with complex needs	CFE	1,000	1,000	0	2,000	Revenue saving
Highways Depot Winter Maintenance	PLACE	100	0	0	100	Revenue saving
Household Waste Recycling Sinking Fund	PLACE	65	65	130	260	Revenue saving

Property Asset Management Minor Works	PLACE	1,000	1,000	2,000	4,000	Statutory H&S and Service Provision
Carefirst Replacement	CEx	0	2,000	4,000	6,000	Statutory Service support
Tablet Refresh	LGSS	200	200	400	800	Operational Efficiency
PC Refresh	LGSS	0	0	400	400	Operational Efficiency
Security Solutions to meet new standards	LGSS	70	100	0	170	Statutory Requirements/ Standards
SAN Replacement	LGSS	0	0	1,000	1,000	Statutory Service support
Netscaler Replacement	LGSS	0	0	200	200	Statutory Service support
Ncloud Server	LGSS	140	130	130	400	Statutory Service support
Office 365 implementation resources	LGSS	170	0	0	170	Statutory Service support
Compute' capacity disaster recovery	LGSS	200	0	0	200	Statutory Service support
Community Libraries Programme	PHWB	250	0	0	250	Revenue saving
Library Self-Service Terminals renewal	PHWB	350	0	0	350	Revenue saving
Additional Mortuary Capacity	PHWB	75	0	0	75	Statutory Service Support
Modernisation of Court Facilities	PHWB	120	0	0	120	Statutory Service support
Coroners IT system	PHWB	80	0	0	80	Statutory Service support
Total Discretionary Requirement		9,302	4,495	8,260	22,057	

Total Development Pool Discretionary Funding per Capital Strategy		11,802	4,495	8,260	24,557	
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3. Approved Capital Programme - Sources of Funding (Opening Monitoring Position 2019-20) (Table 3)

The table below shows the funding received to date in relation to current and previous year's expenditure within the current committed capital programme. It is an indicator to monitor that funding is being received in line with expectations and to comment on where there may be areas of concern.

	£m
Total funding requirement across Current Programme (all years)	663.2
Council borrowing previous years	(137.5)
Funding received to end of 2018-19 - grants/external contributions	(383.4)
Total still to be funded 2019-20 onwards	142.3
Discretionary council funding 2019-20 onwards (including capital receipts)	(42.9)
External funding due from 2019 onwards (Table 3 below)	99.4

Analysis of the balance of funding still to be received (Table 4)

	£m
Expenditure not incurred	40.9
Short term financing (including Daventry Development Link Road £20m and Castle Station £5m) in advance of income from related developments.	28.0
S106 Outstanding Contributions (to be paid in line with S106 trigger points which are linked to progress on specific developments, therefore payments will be received over a number of future years)	28.3
2019 Grants & Contributions (expected by 31/3/2020) expenditure incurred	0
Balance – not fully analysed to the above categories	2.2
Total	99.4