Democratic Services
One Angel Square
Angel Street
Northampton
NN1 1ED

Northamptonshire County Council

Cabinet	10th November 2020	Virtual meeting via Zoom	2pm

The meeting will be available for the public to view here:
https://www.youtube.com/channel/UCOtMXYpYYhvEHxYkCiUdtqw

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Contact: democraticservices@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.
01.	Apologies.	- -		Sofia Neal-Gonzalez 07920 416211
02.	Notification of requests from members of the public to address the meeting.	- -		Sofia Neal-Gonzalez 07920 416211
03.*	Minutes of the meeting held in public on 8th September 2020	Pack One 5 - 14		Sofia Neal-Gonzalez 07920 416211
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. *	Revenue monitoring report for the financial year ending 31st March 2021, as at Period 6	Pack One 15 - 34	Councillor Longley	Iain Jenkins 01604 364664
07. * 🔑	Capital Monitoring Report: Forecast Outturn as at Period 6 for the financial year ending 31st March 2021	Pack One 35 - 46	Councillor Longley	Andrea Devereux 01604 367348
08. *	Treasury Management Strategy Update	Pack One 47 - 66	Councillor Longley	Biyi Adegbola 07958 249 927
09. *	An Update on the Children First Northamptonshire Social Care Improvement Plan	Pack Two 3 - 6	Councillor Baker	Tracy Bottomley 07500 881868
10. *	Corporate Parenting Board 2019 - 20	Pack Two 7 - 56	Councillor Baker	Tom Norford 01604 364010

Item No.	Subject	Page No	Responsible Cabinet Member	Contact name & Tel. no.
11. *	Additional funding for the School Minor Works 2020/21 budget to address condition issues in Northamptonshire's maintained schools estate.	Pack Two 57 - 62	Councillor Baker	Jackie Desmond 07545 420556
12. *	Determination of the admission arrangements for the 2022 intakes in schools where Northamptonshire County Council is the admission authority.	Pack Three 3 – 50	Councillor Baker	Jan Baines 01604 367026
13. *	Approval for the Procurement of an Education Management Solution and ongoing support for a period of three years	Pack Three 51 - 58	Councillor Baker	Mark Salisbury 07540 671466
14. *	Care home commissioning intentions - residential and nursing care services for older people aged 65 and over.	Pack Three 59 - 72	Councillor Morris	Robert Mackenzie-Wilson 01604 361987
15. *	A community based approach to addressing health inequalities in Northamptonshire.	Pack Four 3 – 16	Councillor Morris	Chloe Gay 07894299732
16. *	Update on Chester Farm	Pack Four 17 - 56	Councillor Bowen	Kerry Purnell 07787 266210
17. >	Modern Slavery - (The General Exception Rule has been applied)		Councillor Naden-Horley	Martin Scofield 01604 361357
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"				
18.*	Shaw Healthcare (PPP) Contract Variation	Pack Five 3 – 30	Ian Morris	Tracy Lockwood 07825 700331
URGENT BUSINESS				

Edwina Adefehinti, Proper Officer Date issued: 2 November 2020

This information can be made available in other formats upon request. Please contact Sofia Neal-Gonzalez, Democratic Services Officer on Tel. 07920 416211 or email: democraticservices@northamptonshire.gov.uk

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 7 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 Wendy Brackenbury	Local Government Reorganisation
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 meeting dates in 2020/2021 are as follows:

- Tuesday 9 February 2021

The venue will be confirmed when the papers for a particular meeting are published, but at the moment meetings are taking place virtually. Members of the public who wish to view the meeting can do so via the Northamptonshire Democracy YouTube Channel here:
https://www.youtube.com/channel/UCOtMXYpYYhvEHxYkCiUdtqw

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 downloaded here: http://cmis.northamptonshire.gov.uk/cmis5live/

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/cmis5live/ForwardPlan.aspx

Can I take part in Cabinet meetings?
Cabinet meetings are normally held in public. At present, members of the public may watch the proceedings via YouTube (see link above) in place of attending meetings in person. Members of the public may request to make a statement on any item on the public part of the agenda. Anyone wishing to make such a statement should notify Democratic Services 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 my be held in private			
Decision making body:	Cabinet		
Date & Time of meeting:	None		
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
Shaw Healthcare (PPP) Contract Variation	Report contains information that is exempt under Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972	None.	None.

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

CABINET

Minutes of the meeting held on 8 September at 2pm

Venue: Covey Room, One Angel Square, Northampton (Meeting held in public), as well as Remote participation.

PRESENT (FOR ALL OR PART OF THE MEETING):

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

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

Councillor Jane Birch
Councillor Eileen Hales
Councillor Anjona Roy
Councillor Judith Shephard
Councillor Michael Tye
Councillor Julie Davenport
Councillor Graham Lawman
Councillor Bob Scott
Councillor Danielle Stone

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

Officer	Role
Chrissie Farrugia	Commissioners Chief of Staff
Barbel Gale	Democratic Services Assistant Manager
Theresa Grant	Chief Executive
Cathi Hadley	Director for Children's Services
Graeme Kane	Executive Director for Strategy, Delivery and Transformation
Sofia Neal-Gonzalez	Democracy Officer (minutes)
Kerry Purnell	Assistant Director for Corporate Services
Brian Roberts	Finance Commissioner
James Smith	Assistant Director, Strategic Finance Deputy S151 Officer
Lucy Wightman	Director of Public Health
Susan Zeiss	General Counsel

88/20 Apologies for non-attendance

No apologies

89/20 Notification of requests from members of the public to address the meeting

James Hill, Northampton Borough Councillor for Rectory Farm addressed the committee with regards to Item 12.

90/20 Minutes of the meeting held in public on 7th July 2020

RESOLVED: The minutes of meeting held in public on 7th July 2020 were agreed and signed as a true record

91/20 Declarations of Interest by Councillors

There were none

92/20 Announcements

The Chairman advised that there were a large number of items on the agenda and as such questions should be kept as brief as possible. It was advised that Kettering and Corby were now classed as requiring ‘enhanced support’ with reference to the number of Covid-19 cases. There had been work carried out using various forms of communication, including social media, to continue to encourage the public to follow Government guidelines. The Chairman advised that he had received various questions from Councillors and wished to remind everyone that questions were welcome at any time, not just during Cabinet meetings.

93/20 Revenue monitoring report for the financial year ending 31st March 2021, as at Period 4.

At the Chairman’s invitation, Councillor Longley presented the report, copies of which had previously been circulated. It was advised that there was a predicted £3.3 million underspend. The implication of Covid-19 had been taken into account with £8.7 million put aside to help with recovery.

Councillors Made the following comments.

- It was noted that the report was a positive one from a financial point of view, and did highlight the impact of Covid-19 and the extra financial implications.
- It was understood that some income would be lost.
- The report made it clear that there would be possible future implications.

The Chairman advised that the full financial implication of Covid-19 was still unknown.

RESOLVED: That Cabinet:
1. **Noted the Council’s forecast outturn position for 2020-21, and associated risks.**
2. **Noted the deliverability assessment of 2020-21 saving proposals in Appendix B.**
3. **Noted the financial impact due to covid-19, and associated risks as set out in Section 7**

94/20 Capital Monitoring Report (CMR) – Forecast Outturn as at Period 4 for the financial year ending 31st March 2021

At the Chairman's invitation, Councillor Longley presented the report, copies of which had previously been circulated. The most significant point made in the report was the £83 million expenditure that was planned, which was similar to last year. It was advised that many of the details found in the report had been through the committee process.

RESOLVED: That Cabinet:

1. **Noted the forecast capital expenditure of £83m for 2020-21.**
2. **Approved and recommended the promotion of eleven schemes from the Development Pool into the Capital Programme with investment totalling £6,662k:**
    i. **Headlands Primary ASD Unit Expansion for £448k**
    ii. **Southfield Primary ASD Unit £329k**
    iii. **Isebrook SEND College Expansion £50k**
    iv. **Dedicated Formula Capital 20-21 £700k**
    v. **Disaster Recovery £150k**
    vi. **Capita ONE to Cloud £82k**
    vii. **Office365 Implementation £275k**
    viii. **Sharepoint 2007 Migration £158k**
    ix. **IT Security Solutions £170k**
    x. **Community Equipment 20-21 £4,000k**
    xi. **Assistive Technology 20-21 £300k**
3. **Approved the extension of two schemes within the current Capital Programme with investment totalling £388k**
    i. **Northampton Secondary Schools Capacity – Kingsthorpe College School Bulge Capacity – £200k**
    ii. **Moulton School & Science College expansion - £188k**

95/20 Final Outturn Report for the financial year ending 31st March 2020

At the Chairman's invitation, Councillor Longley presented the report copies of which had previously been circulated. The report advised that the outturn had shown the books were balanced and they would break even.

The Chairman concurred that the report showed a good outcome for the end of year.

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RESOLVED: That Cabinet:

1. **Noted the Council's final outturn position of £141k underspend for 2019-20.**
2. **Approved the transfers to/from Earmarked Reserves, including service requests for carry forward as set out in Section 8.**

96/20 Capital Monitoring Report (CMR) – Final Outturn for the financial year ending 31st March 2020

At the Chairman's invitation Councillor Longley presented the report, copies of which had been previously circulated. It was advised that there would be a £63 million final outturn, and that there would be more of a focus on productivity and less on borrowing.

RESOLVED: That Cabinet noted the final capital outturn expenditure of £63m for 2019-20

97/20 Update on Temporary Mortuary Site

At the Chairman's invitation Councillor Naden-Horley presented the report, copies of which had been previously circulated. It was advised that the lack of mortuary space had long been a concern, and that positive support had been received from the local community. Councillor Naden-Horley asked for any questions to be emailed and she would respond to them.

Councillors made the following points.

- It was noted that there had been lack of capacity for many years, with a need for a more permanent site.
- It was asked whether the report needed to go to full council.

The Chairman concurred that the local residents had been welcoming of the proposals.

RESOLVED: That Cabinet noted:

1. **The covid-related spending in relation to the set up and operation of the temporary mortuary site as part of the county-wide covid response.**
2. **The update on the operation of the site to date and the ongoing work on the options for its future use**

98/20 Northamptonshire Children's Trust

The Chairman presented the report, copies of which had been previously circulated. The Chairman stated that he wished to note the ongoing support the Council had received from Lincolnshire County Council. This support had occurred through the Partners in Practice arrangement. The Council also wished to note the support received from the Department for Education (DfE).

Councillor Smithers, councillor for Highways and Place, advised that he had serious concerns regarding the appointment of the new Chair of the Children's Trust from Nottingham County Council, and made the following comments.

- The BBC and Guardian had reported on the 'institutional blindness' of Nottingham County Council's leadership, this leadership had included the new chair of the Children's Trust.
- It was advised that an investigation had been carried out at Nottingham County Council which was then published in 2019. This report had been conducted on child sexual exploitation, and "highlighted the lack of organisational learning from these horrific historic cases" at the council.
- It was noted that NCC had turned itself around over the last two years, and had learnt from mistakes of the past. Councillor Smithers advised that it would be concerning for this to now be placed at risk through this new appointment.
- The new Chair of the Children's Trust had previously failed to effectively manage a company the cost of this had been £30million.
- Councillor Smithers asked the Chairman to seek assurances from the Children's Commissioner Andrew Christie and the DFE to ensure that NCC would be protected.

The Chairman advised that in was correct to challenge this appointment, especially as previous administrations had been accused of not challenging government decisions enough. The Chairman advised that he would write to Andrew Christie and advise of the response when received.

Councillors made the following points.

- Assurances received from Andrew Christie would be welcome.
- It was noted that the setting up of the Children's Trust had been one of the most significant changes to occur at NCC.
- It was asked if any financial implications found in the contracts would be stated..

Councillor Baker, councillor for Children, Families and Education, made the following comments.

- It noted advised that there had been very short timelines with regards to the completion of work.
- Wished to thank the whole of Children's Services for their hard work.

The Chief Executive of NCC made the following observations.

- There would be no additional budget available, however there had been an extra £20,000 contribution to the Children's Trust budget.
- The price stated on the contract is the final price, there would be no complexity.
- There had been consultations with the two new unitary authorities.
- It was advised that information had been shared with the relevant peoples.
- It was noted that maximum effort had been made to ensure the benefit of value for money.

The Chairman advised that although the Scrutiny committee would not be involved in the contract, they would have access to it before it is signed.

RESOLVED: Cabinet noted the content of this report and progress with the establishment of the Northamptonshire Children's Trust.
Cabinet is asked to endorse the appointment of the Directors and Non-Executive Directors to the Trust Board.

Cabinet agreed that delegated authority be given to the Chief Executive, in consultation with the Leader, Section 151 officer, Cabinet Member for Children's Services and MHCLG Commissioners to:

1. **Take all necessary actions to finalise the contractual arrangements and agree the contract sum;**
2. **Approve and enter into the documentation between the Council and Northamptonshire Children's Trust, which consists of the Service Delivery Contract, Support Services Agreement and any other related documents;**
3. **Approve the Governance Side Agreement between the Council and the Department for Education and agree to enter into the Agreement, this includes the list of Reserved Matters which the Council is unable to exercise without DfE consultation or consent respectively during the period of intervention (Appendix 1);**
4. **Authorise the giving of a guarantee to the LGPS to enable the Trust to benefit from designated body status as an employer under the Local Government Pension Scheme;**
5. **Approve and sign Deeds and documents for Novation of third party contracts to the Trust on behalf of the Council;**

6. **Sign the final version of the contractual documentation on behalf of the Council; and**
7. **Agree the final version of the Articles of Association and make or agree future appointments to the Northamptonshire Children's Trust Board**

Cabinet agreed that delegated authority be given to the Executive Director, Strategic Delivery and Transformation, in consultation with the Leader, Cabinet Member of Finance, Chief Executive, Section 151 officer and MHCLG Commissioners to:

8. **Agree the terms of, and authorise the entering in to all agreements required for the Children's Trust to occupy Council buildings under this process;**

Cabinet noted that the Unitary Councils will replace Northamptonshire County Council as the contracting authority on Vesting Day in the documentation entered into between the parties

<u>99/20 Emergency Active Travel Fund</u>

At the Chairman's invitation Councillor Smithers presented the report , copies of which had been previously circulated. It was advised there had been an update to the active travel infrastructure, which included cycle lane. An extra £351,000 had been given to NCC from the Emergency Travel Fund, this had been introduced during lockdown. Urban cycle lanes and allocation of cycle lanes were discussed, consolation of these programmes would take place if they were to go forward. These would be developed in Northampton South , Northampton West and Rushden. It was noted that scooter trials had taken place, and that there were currently 300 scooters in circulation.
The point below was made.

- It was asked how the plans for the one-way system mentioned in the report would help in an effective manner. It was asked if it is known what effects this could have, a concern regarding public safety was noted.

Councillor Davenport made the following comments on behalf of the residents of Rushmere road.

- The segregation of Rushmere road had left very little room for road users.
- A concern was raised regarding the ability of Emergency Service vehicles to use the road in a safe way. It had been noted that there was not enough room for drivers to pull over to let the emergency services through.
- A concern had been raised regarding the limitation of accessibility for people with disabilities.

Councillor James Hill from Northampton Borough Council made the following points.

- Wished to state that the Borough Council supported the idea for greener transport and believed it could be successful.
- The Borough Council was concerned that they had not been consulted regarding the new greener transport incentives. The Borough Council did accept that as it was conducted on a trial basis and as such fast moving.
- It was advised that the Borough are very willing partners and wished to work with NCC.

The Chairman advised that there had been widespread support, with funding received from the Government. The Chairman wished to state that Northampton Borough Council had been sent formal notification some time ago.

Councillor Smithers made the following points.

- It was asked for any questions to be emailed to him and would endeavour to answer them.
- It was advised that no plans would be set in stone, and they would be changed if needed.
- There had been over 15,000 sign ups so far for the scooter trial.

The Chief Executive made the following points.

- It was advised that the decision making process had improved and that a significant amount of work had been put into this.
- Officers had worked with and been in contact with the various district councils, including Northampton Borough Council, regarding the greener transport plans.
- It was advised that communication between the officers of each district council was expected to occur.

RESOLVED: That Cabinet:

1. **Welcomed the publication of the Cycling and Walking Plan for England;**
2. **Noted the funding received and the schemes delivered using Tranche 1 of the Emergency Active Travel Fund**
3. **Welcomed the bid submitted for Tranche 2 of the Emergency Active Travel Fund and notes that approval will be sought to add the schemes for Tranche 2 of the Emergency Activity Travel Fund (see section 5 of this report) and the Towns Fund (see Section 8 of this report), to the Capital Programme, up to the amount of the grant funding received, through Capital Approvals Board recommendation to Cabinet via the Capital Monitoring Report;**
4. **Agreed to progress Local Cycling and Walking Infrastructure Plans for Corby and Wellingborough as described in section 6 of this report;**
5. **Welcomed the opportunity for Northamptonshire to host one of the UK's e-scooter trials**

100/20 Future Plans for Northamptonshire Falls Prevention Programme.

At the Chairman's invitation Councillor Morris presented the report, copies of which had been previously circulated. It was advised that following a falls assessment, there were found to be some gaps in the service. These reports had then helped with plugging of these gaps. The value of the contract for the programme was £291,000 and would start from 1st April 2020 and end 31st March 2024, the contract will move from NCC to the two unitaries. Councillor Morris wished to note the help that NSPORT had given, both in the 'falls area' and also during the Covid-19 crisis. The report noted that there were three parts to the new falls service. The service would come in-house from 1st April 2021, this would in turn allow the service to line up with other providers, including Adult Social Care. It was noted that it should also provide good value for money.

A question regarding the report was.

- Why were the needs assessments and gaps in the service not picked up previously.

Councillor Morris agreed that there had been gaps, and the work that had been carried to plug these gaps had already happened.

RESOLVED: That Cabinet:

1. **Agreed that delegated authority be given to the Director of Public Health in consultation with the Cabinet Member for Public Health and Wellbeing to continue Strength and Balance activity provision (OTAGO) from 1st April 2021 to 31st March 2024 and that the service should be provided by NSport, the County's sole "Active Partnership" provider as part of their health and physical activity remit under the guidance of Sport England.**
2. **Agreed that delegated authority be given to the Director of Public Health in consultation with the Cabinet Member for Public Health and Wellbeing to bring the delivery of therapy led falls prevention in-house as part of an integrated falls pathway within core public health provision from April 1st 2021.**
3. **Agreed that in line with other services commissioned from in-house departments, monthly performance management meetings would be held to ensure that service level agreements were being adhered to.**

<u>101/20 Notification of a decision taken under Section 3 of Part 3 of the Constitution 'Procedure for Taking Urgent Decisions'</u>

The Chairman presented the report copies of which had been previously circulated. It was advised that this was a technical procedure, due to the need to nominate a proper officer under section 16 of the Public Health Act. It was advised that Rebecca Peck had taken on this role originally, Kerry Purnell then took on the role from the 1st September 2020.

RESOLVED: That Cabinet:

1. **Noted the contents of the report and the decision taken under the Procedure for Taking Urgent Decisions as set out in Section 4 below**
2. **Noted that the Commissioners had been consulted and supported the decision taken**

<u>102/20 2020/21 Update to procurement of weight management services</u>

At the Chairman's invitation Councillor Morris presented the report, copies of which had been previously circulated. It was advised that this report had been due to come to cabinet earlier, but due to Covid-19 and the response that was required it had been postponed. Councillor Morris advised that the report gave an update on the timescales of the Tier 2 programmes, which were run by Weight Watchers and Slimming World. The report highlighted the need for weight management, it was noted that the there was a problem with obesity in the county.

RESOLVED: Cabinet was asked to note the update on the procurement of Tier 2 Weight management Services and the updated timetables.

103/20 Quarterly Corporate Performance Report.

At the Chairman's invitation Councillor Bowen presented the report, copies of which had been previously circulated. The report gave a complete overview of every area of NCC, including the impact of Covid-19 on all services. The impact of Covid-19 on services has meant that some of the figures presented in the report might have changed. It was advised that the latest data had been available since the 31st August 2020. The delay in the two tier transfer of care had been partly due to the NHS suspending data collecting due to Covid-19.

- The report on NCC's response to Covid-19 had been put together at the request of councillors.
- Cabinet was advised that the adult statistics, that shown a reduction in requests for new services and long term care, but should be viewed with caution. These figures appeared low, this had been due to the changes in hospital discharge due to covis-19.
- There had been an increase in employment and training in education, which had gone up to 64.8% from 46%.
- The area which covered adoptions had seen a positive change, adoption orders were 28 for quarter 1 alone, this is an increase compared to last year where there were 47 for the whole year.
- The report showed a drop in the number of school exclusions, these figures should be ignored, they were not a true reflection as the schools had been closed.
- An increase in out of work benefits both on a local and national level had been cause for concern. These rates had gone from 2.5% to 6%, which equated to 30,000 people, much of this was thought to be due to Covid-19.
- The Public Health Check Programme had not been operational during Quarter 1 due to Covid-19. Councillor Bowen wished to point out the positive progress of the Smoking Quit rate, which had increased to 69% for quarter 1.
- It was noted that visitor number to One Angel Square were down in Quarter 1, this had been mainly due to many services not being open. The online Covid-19 specific information pages had seen 35,000 visits in Quarter 1.
- It was advised that there would be a public announcement regarding the library service and its updating, this would happen in the next quarter.

Councillors made the following comments.

- It was asked if there could be more information regarding volunteering and the work that had been in this sector, throughout the pandemic.
- It was asked if there had been a strategy put in place with regards to the out of work benefits, there was a possibility that the number of people accessing this help would increase.
- It was noted that the Job Club had been working hard to provide services to people who find themselves out of work.

104/20 Youth Justice Plan

At the Chairman's invitation Councillor Baker presented the report, copies of which had been previously circulated. It was advised that the Crime and Disorder Act from 2019/20 was included in the report for review purposes. The report noted that a knife crime initiative had taken place. NCC had been the largest contributor to the budget of the youth justice plan. It was advised that the Youth Justice team would be part of the Children's Trust after the move to unitaries. Councillor Baker asked for any questions or queries to be emailed to her.

Councillors made the following points.

- It was noted that there seemed to be a disproportionate amount of children in care, and it was asked if there had been enough done to support those young people.
- It was noted that apart from early intervention there did not seem to be much put in place for disadvantaged children.

RESOLVED: Cabinet noted the content of the plan for 2020-21 and agreed its submission to Full Council.
The Crime and Disorder Act requires every Local Authority to publish a Youth Justice Plan outlining how Youth Justice Services will be delivered. This plan covers the period 2020-21 and reviews the 2019-2020 plan outcomes.

There being no further business the meeting concluded at 3:53pm

Sofia Neal-Gonzalez
Democratic Services

Signed: ______________________________ Dated: ________________________

Agenda Item No: 06

CABINET

10^{TH} NOVEMBER 2020

EXECUTIVE DIRECTOR OF FINANCE: BARRY SCARR

CABINET MEMBER WITH RESPONSIBILITY FOR FINANCE:

COUNCILLOR MALCOLM LONGLEY

Subject:	Revenue monitoring report for the financial year ending 31st March 2021, as at Period 6.
Recommendations:	Cabinet is requested to; 1. Note the Council's forecast outturn position for 2020-21, and associated risks. 2. Note the deliverability assessment of 2020-21 saving proposals in Appendix B. 3. Note the financial impact due to Covid-19, and associated risks as set out in Section 7 4. Note the total debt write-off of £2.8m as set out in paragraph 5.65; and approve individual write-offs over £25k (as per the financial regulations within the Council's constitution) totalling £111,454 as set out in paragraph 5.66

1 Purpose of Report

1.1 This report is an assessment of the Council's financial performance against its approved 2020-21 budget, also incorporating the anticipated financial exposure to the Covid-19 pandemic.

1.2 In addition, this report sets out the material financial issues identified since the 2020-21 budget was set in February 2020, and a detailed assessment based on the income and expenditure as at end of September 2020 (Period 6).

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 Background

3.1 The Council's budget for 2020-21 is £445.7m and was approved on 20th February 2020. This included £22.9m of savings and £2.3m of income proposals. This report includes an analysis of the deliverability of these savings proposals, and the in-year variations to budgeted assumptions.

3.2 The coronavirus (Covid-19) has had considerable impact on the way services are provided by the Council and its partners, as well as presenting significant financial challenges due to the Council's crisis response. The implementation of a nationwide lockdown in late March has meant that the financial impact of the virus was not materially felt in the 2019-20 financial year; but the impact on the 2020-21 budget, and the medium term financial outlook is expected to be significant. Therefore, this report provides a detailed commentary on the anticipated spending pressures and loss of income as a result of the coronavirus, as well as the utilisation of government grant funding.

4 Summary

4.1 The report provides detailed commentary on the Council's current forecast financial position, as at the end of September 2020.

4.2 The Council's overall outturn forecast for 2020-21, as at Period 6, is a **forecast underspend of £3.6m** against the approved budget of £445.7m.

4.3 It is important to note that in addition to the above there is a contingency within the base budget of £4.1m.

4.4 The Council has received £35.4m in emergency Covid-19 funding from the government, along with forecast £2.7m reimbursement from government of lost sales, fees and charges income. This is funding the following forecast pressures.

Covid-19 specific financial issues:

- in year additional costs of £20.4m
- under-delivery of budgeted savings of £8.2m
- income reductions of £4.4m
- £5.0m set aside for the recovery phase of the virus.

4.5 **However, there are expected to be additional financial implications on future years' budgets as follows:**

- Collection Fund (£18.2m due to Covid-19)**:** This comprises of a forecast loss of £2.2m on Business Rates income, and £16.0m on Council Tax. This is due to forecast reductions in collection rates and reduced tax base growth and yield. The government has recently announced that these shortfalls in Business Rates and Council Tax could be spread over three years, rather than one.

- 2021-22 service revenue budgets: At this stage it is difficult to quantify the financial implications on revenue budgets given that the funding for 2021-22 has not yet been confirmed (the government announcements in 2020-21 has been for one year only). The Council will continue to monitor this, and updates will be included in future reports as information becomes available. Officers are currently modelling a number of scenarios as part of the development of the 2021-22 draft budget for the two Unitaries.

4.6 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 September 2020.
- The difference between the two, being the forecast variance at the year end.

Table One: Forecast Outturn 2020-21 by Directorate

	Net Budget £'000	Forecast Net Spend at 31/03/21 £'000	P6 Forecast Variance at 31/03/21 £'000	P4 / Last Cabinet Report Forecast Variance at 31/03/21 £'000	Movement from last Cabinet Report (P4) £'000
Corporate Services	13,938	12,594	(1,344)	(1,067)	(277)
Children First Northamptonshire	127,684	126,313	(1,371)	(999)	(372)
LGSS	13,489	13,323	(166)	(144)	(22)
Northamptonshire Adult Social Services (NASS)	166,930	165,758	(1,172)	(1,133)	(39)
Place Services	91,719	91,469	(250)	112	(362)
Public Health & Wellbeing	(25)	(25)	0	0	0
Technical Finance, Treasury and Insurance	31,970	32,626	656	(57)	713
Total budgeted expenditure	**445,705**	**442,058**	**(3,647)**	**(3,288)**	**(359)**
Less funding	(445,705)	(445,705)	0	0	0
Net Position 2020-21	**0**	**(3,647)**	**(3,647)**	**(3,288)**	**(359)**
Covid-19 Service Impact:					
Adverse impact on savings delivery			8,205	7,825	380
Adverse impact on service demand			20,437	19,444*	993
Adverse impact on Income/Funding			4,393	4,113	280
Emergency funding set aside for recovery phase			5,018	3,983*	1,035
Emergency Funding allocation from Gov't			(35,365)	(35,365)	0
Forecast reimbursement of lost Sales, Fees and Charges by Gov't			(2,688)	0	(2,688)
Net Forecast cost of Covid-19			**0**	**0**	**0**
NCC Net Position 2020-21			**(3,647)**	**(3,288)**	**(359)**
Forecast Collection Fund exposure 2021-22			**18,207**	**18,207**	**0**

** see note at paragraph 7.11*

5 Detailed Directorate Forecasts

5.1 This section of the report provides a detailed analysis of the forecast variations against 2020-21 budget and the anticipated financial implications of Covid-19 pandemic by directorate.

5.2 **Corporate Services – Net Budget 13.9m**

Forecast variance - £1.3m underspend

5.3 There is a forecast underspend of £0.6m due to the fact that local elections planned for May 2020 did not go ahead, and there will be no by-elections this year.

5.4 There is a forecast underspend of £0.3m on Library Services relating to agency services (£0.1m) and permanent staffing (£0.2m).

5.5 There are also forecast underspends in Business Intelligence and Performance, due to delays in recruitment as a result of Covid-19 work (£0.1m), and in Coroners, due to vacancies and operational changes resulting in reduced costs, (£0.1m)

5.6 There are also other minor forecast variances which amount to a net £0.13m underspend.

Financial Risks Identified

5.7 There is a financial risk in relation to exit costs on the storage and archive contract. The current forecast includes the service estimate of these costs, but negotiation is still ongoing with the contractor.

Covid-19 Financial Exposure - £4.2m:

5.8 There are additional costs of £2.2m in Corporate Services. £1.2m relates to Personal Protective Equipment (PPE) costs as Emergency Planning have taken on the purchasing and distribution of PPE for all of NCC. A further £0.8m relates to the setting up of the Leys temporary mortuary facility. These costs are being incurred by both the Coroners Service and Property Services, but are all reported together within this Directorate.

5.9 There is a forecast loss of income of £1.9m due to services being temporarily closed down or unable to operate due to Covid-19. The most significant of these losses relate to Registration Services (£0.7m), Knuston Hall (£0.7m) and Libraries (£0.2m). Country Parks, Everdon and NSport are also impacted upon. Of the £1.9m it is currently estimated that £1.3m will be funded from the sales, fees and charges funding stream and £0.6m from general Covid funding.

5.10 The budget proposal for the generation of additional income of £0.05m within the Registration Service has been identified as undeliverable due to the impact of Covid-19 on the ability to conduct wedding ceremonies, which are the main source of income to the service. In addition, the £0.065m budget proposal for savings on complaints investigations is undeliverable due to the continued delay in being able to deliver training to in-house staff due to Covid-19.

5.11 **Children First Northamptonshire (CFN) – Net budget £127.7m**

Forecast Variance- £1.4m underspend

5.12 The directorate is reporting an underspend of £1.4m. This is a net favourable movement of £0.4m since the forecast position reported at period 4.

5.13 The reported underspend is currently based on the full year forecast for CFN therefore the expected transfer to the Children's Trust in November 2020 will mean that any ongoing underspend to NCC will be reduced and reflected within the Trust's financial position. Work is ongoing to fully quantify this part year benefit alongside the management of the risks and mitigations as outlined in section 5.19.

5.14 The directorate is including forecast overspend of £0.3m relating to the costs of supporting care plans of our looked after children. This has previously been a pressure within CFN that has been mitigated through underspends on the cost of supporting care plans of our care leaver cohort. However, growth within our care leaver cohort means the pressure cannot be mitigated this financial year, and the budget deficit will be addressed through the MTFP.

5.15 CFN is currently operating with a higher reliance on Agency Staff than planned for in the budgets. However, this additional cost is offset by underspends due to vacancies above those being covered by Agency staff. The forecast underspend reported in period 6 is £0.6m, and it is expected that this may further increase based on current assumptions. The staffing position will continue to be monitored alongside recruitment plans.

5.16 There is a further projected shortfall against proposal 19-002-02 In House Foster Carers of £0.07m. The service has experienced normal levels of foster carer leavers however, due to the impact of Covid-19 on the recruitment of foster carers these have not yet been replaced. Half of these carers (5 out of 10) have adopted or become special guardians for the children in their care, so whilst there is an adverse financial impact, outcomes for these children and young people have been improved through securing permanence.

5.17 This shortfall was mitigated by a further £0.1m additional savings realised through provider price negotiations which brings the total mitigations to £0.5m. There is scope for further potential savings through this activity which is ongoing and will continue to be monitored with any further benefits being recorded. Other minor variances account for favourable movement of £0.02m this period.

5.18 Detailed work to inform the Directorate forecasts is ongoing and modelling the impact of Covid-19 alongside BAU demand presents additional complexities. There are some underlying variations which are being closely monitored using the latest business intelligence.

Financial Risks Identified

5.19 The external agency placement position currently indicates a forecast underspend, despite shortfalls in the delivery of related savings. Further work is required to determine whether the favourable forecast is expected to be sustained into the future, or whether it is a short term side effect of the pandemic, suppressing the number of looked after children.

5.20 CFN is reporting a staffing forecast underspend of £0.6m due to a high number of vacancies, above those being covered by agency staff. There are recruitment plans to fill some of these positions but it is expected that the forecast underspend may further increase based on current assumptions.

5.21 There are a number of indications, including high numbers of requests for pre-birth assessments, which represent a risk that Parent and Child residential assessment placements could become a cost and volume financial pressure. Social distancing measures have contributed to this risk, making it harder for social workers to detect expectant mothers early. As such cases will need to be reviewed to determine whether additional costs are attributable to the impact of Covid-19. An estimate of the potential impact has been provided for in the Covid-19 forecast.

5.22 The Educational Psychology Service has seen an increase in the volumes of statutory work required, which in turn has impacted on the capacity to undertake income generating work. The service is currently forecasting reduced income due to Covid-19, however there is a risk that with the current structure income generation will fall short of targets once Covid restrictions are lifted. The review to ensure the service is structured in the most efficient and effective way has now concluded and the financial implications are being assessed.

Covid-19 Financial exposure - £6.5m:

5.23 The CFN service are yet to see significant impact in the actuals to date of additional costs/demand due to Covid-19 over and above business as usual expenditure. At this stage, it is still difficult to forecast what the future impact of demand will be, following the recent return of schools and regular health services, however, referrals are expected to increase. For this reason, the estimated additional demand forecasts as outlined in table three have been based on prior year trends of increased demand following schools’ summer holidays. It is also recognised that the ability to improve outcomes for families so they no longer need social care support has been impacted because of social distancing and self-isolating requirements. The forecast is therefore subject to change upon being able to evidence Covid related increases in demand based on actual data. The service, Business Intelligence and Professional Finance are working together to model the latest impacts, along with drawing on benchmarking information from other regional and national colleagues to inform forecast assumptions.

5.24 There has been reduced applicants for foster carers during lock down and whilst Covid-19 is still prevalent. As a result, CFN are forecasting a shortfall in savings delivery for both 19-002-10 ‘In-House Foster Carers’ (£0.271m) and 19-002-02 ‘Improvement in capacity building in foster care’ (£0.560m). The current forecast assumes that applications will return to normal levels in the early autumn.

5.25 The prioritisation of the service response to Covid-19 has also meant that work on 19-002-07 ‘Improved Children’s outcomes’ and 19-002-08 ‘Reduction in residential care’ has not been able to commence, with an estimated savings delivery shortfall of £0.424m and £0.164m respectively resulting from the slippage. Similarly, engagement with health partners to agree funding formulas has been put on hold until the Covid-19 situation further settles, and the options appraisal for the new model of delivery for the Contact service has been delayed. Therefore, the associated savings 19-002-03 ‘Disabled Childrens review’ £0.200m and 19-002-06 ‘New Contact Offer’ £0.100m, are currently forecast not to achieve this financial year,

5.26 Additional demand pressure in the CFN services due to Covid-19 is estimated to generate costs of £1.951m. This includes additional home care support during school closures for children with disabilities (£0.200m), less children leaving care due to restrictions on placements moves including those with a status of ‘All Rights Exhausted’ (£0.871m). The largest proportion of this cost being due to additional children coming into care, with referral rates anticipated to increase above normal levels as lockdown restrictions are lifted (£0.880m).

5.27 The requirement for additional staffing to process the increased case work resulting from the anticipated rise in referrals, together with the estimated cost to cover staff sickness in order to maintain service delivery during the pandemic has been identified as further Covid-19 pressure. The combined financial impact of the Covid staffing pressures is estimated to be £2.083m.

5.28 The CFN directorate generates income by providing traded services to schools such as Educational Psychology. Income is also generated through penalty notices for unauthorised school absences. School closures due to the pandemic is estimated to lose the directorate income of £0.800m.

5.29 **LGSS – Net budget £13.5m**

Forecast Variance - £0.2m underspend

5.30 LGSS is forecasting an underspend of £0.166m.

5.31 There are forecast savings on the Occupational Health managed budget of £0.166m. This is a demand led budget but savings are expected to be achieved from using the in-house Physician Associate to triage cases which has historically resulted in only the most complex cases being referred externally.

Covid-19 Financial exposure - £0.5m

5.32 There is a pressure on the IT managed budget of £488k from significantly increased mobile phone and data usage during the pandemic as a result of remote working arrangement.

5.33 **Northamptonshire Adult Social Services (NASS) – Net budget £166.9m**

Forecast Variance - £1.2m underspend

5.34 The Directorate are forecasting an underspend of £1.2m taking into account areas of underspend and reduced demand in care in the first 6 months of the financial year that have been offset by a range of pressures from delayed savings and areas of high demand. However, it should be noted that the service may still face further financial risks as a result of the continued uncertainty around any future impacts of Covid and potential impacts of the winter pressures when combined with Covid risks.

5.35 The period 6 position includes forecast underspends of £4.5m of which Independent Care packages account for £3.7m. This has largely been driven by lower demand over the first half of the year as a result of Covid-19 and associated reduction in both over 65 and Physical Disability care packages.

5.36 Forecast underspends have been identified against Prevention contracts, Sheltered Housing contracts and Learning Disability block care contracts totalling £0.5m. These underspends reflect where contracts have been ceased in prior years and have been considered in the MTFP 2021-22 for both unitary authorities.

5.37 Further savings, over and above the 2020-21 savings in the MTFP are forecast against the Learning Disability Programme of £0.4m mainly due to successful step down of clients into suitable accommodation, and the full year impact of 2019-20 savings.

5.38 There is a total of £2.6m of forecast in-year pressures, where £1.3m is attributable to the Social Care element of the Mental Health pool. This significant pressure is driven from additional clients and higher cost of packages in line with the emerging national picture. The service is working with Health colleagues to review packages under the pooled arrangements.

5.39 £0.5m of the forecast pressures have been driven by reduced provider sales income, where in house places continue to be utilised for NCC clients rather than private clients. (This is reflected in the reduced independent care spend specifically for Older Persons care).

5.40 A pressure of £0.2m is included for Shaw contract inflation. There was no provision in the 2020-21 budget for inflation as it was expected that the contract variation would be delivered on 1st April 2020. This is now expected in October 2020.

5.41 There is a forecast delay in savings of £1.1m (non Covid-19) which is largely driven by an expected 6 month delay in concluding the Shaw contract variation which is now expected in October 2020. This is due to delays in agreeing the final legal terms and conditions of the future variation following engagement from Shaw's funders/banks. The savings impact is a profile issue not an inability to achieve the savings.

Financial Risks Identified:

Independent Care

5.42 The most significant risk remains accurately forecasting of independent care costs (c£176m) during the year given the current uncertainty and potential for further effects of Covid and/or a second wave or challenging winter. There are considerable unknowns around the impact of these things on social care clients and in terms of deteriorating mental health or where individuals have delayed seeking support. The service will continue to monitor activity and track requests for services to quickly establish any emerging unusual patterns.

Strengths Based Working Proposal

5.43 The work on the service transformation and new Target Operating Model (TOM) using the strengths based working is progressing well despite having to re-profile the work and delays in some elements of the programme (such as the Acute work stream) during Covid. Delays in the savings as a result of this have been built into the forecast and offset using Covid funding. The service is now undertaking a full rebaselining of the savings previously identified which will reflect the impact of COVID and the revision of the programme timeline.

Covid-19 Financial exposure £13.4m:

5.44 There is a forecast shortfall of in year savings of £5.2m due to the direct impact of Covid-19 on how services were delivered during the pandemic. The shortfall relates initially to the following proposals;

- Strengths Based Working (19-001-14) – as described above we have had to delay some areas of work during the Covid situation,
- Rapid Response Falls and Admission Avoidance Service (19-001-08) as normal hospital admissions and processes were suspended and demand was held back during the Covid peak period, and
- Care Home Review (19-001-05) as we were unable to progress the changes planned to Evelyn Wright Care home during Covid and when the additional capacity had to be maintained to help support the hospital discharge processes.
- Specialist centre for – Step down Care Mental Health and Acquired brain injury (18-001-16) – Revised build completion date of February 2021 due to COVID (Savings were based on a September 2020 completion).
- Learning Disability New provision (Billing Brook) (19-001-06) Revised completion date in early 2021-22

5.45 There are significant anticipated additional costs of £8.1m in NASS with the majority of this related to the costs of the clients discharged from hospital under the Governments Covid discharge guidelines and initially paid for by Health. The national guidance issued on 19th March 20 set out a clear direction for a discharge to assess (DTA) model and that all appropriate steps should be taken to get people home with support or, if required, to move those who were fit for discharge to care homes temporarily if they could not return to their normal care setting or home.

5.46 To date there have been 611 such placements since March and although of 311 now remain in their placements we estimate that 70% of all the clients placed will become the responsibility of Social Care when health funding ends as at 1st September, creating a significant extra cost in year of around £3.5m (currently funded by one off Covid grants).

5.47 The level of placements made during, and since Covid-19, and taking into account the likely client numbers for NASS, is now in excess of what the service would normally see over a normal full year meaning that any further placements would constitute additional demand. While all these residents have been remotely reviewed and in some cases we have been able to move people on or return them home, for those that remain in the CCG commission beds it is unlikely that the service can now move them or renegotiate their rates creating a significant new pressure. CHS will no longer discharge clients on behalf of social care under the new DHSC discharge guidance published in August 2020 and we have started to progress a joint brokerage approach to future placements as part of adult social care and system transformation.

5.48 The Department for Health and Social Care announced a 2nd Infection Control grant in late September to continue to support care providers in tackling the incidence and spread of COVID-19 in care settings. The Council has been allocated a further £6.8m and is in the process of arranging to passport 80% of this to all care homes and community care providers in line with the grant conditions including those providers where the County Council does not have a contract with. The other 20% of the funding must be used to support care providers to take additional steps to tackle the risk of COVID-19 infections but can be allocated at the Local authority's discretion.

5.49 The Council has also received £8.0m Infection Control Fund (Round 1) 75% (£6,122,213) of the total £8m funding the County Council received was passported directly to Care homes based on key qualifying criteria and evidence being provided retrospectively by providers to demonstrate that the money had been used. The Council will be using the remaining 25% to support community based providers with Infection control similar to other regional authorities.

5.50 **Place – Net Budget £91.7m**

Forecast Variance - £0.25m Underspend

5.51 There is a net forecast budget delivery pressure of £0.5m on the Schools PFI budget, predominantly due to a significant reduction in the actual and forecast level of monthly performance deductions since the budget was set.

5.52 There is a forecast underspend of £0.3m within Strategic Assets due to one-off reductions on service charges, business rates relief due to Covid-19, reduced costs for schools kitchen pods due to the contract end and a budget re-baselining exercise.

5.53 Waste are forecasting a net underspend of £0.3m due to over-accrual of costs from 2019-20 (£0.17m) and additional third party income (£0.19m), offset by minor forecast pressures totalling (£0.05m).

5.54 There is a forecast underspend of £0.1m within Development, Infrastructure and Funding. This is partly due to staff vacancies, but mainly due to additional income from a s106 SLA with the Fire Authority, external funding to cover staff time in relation to the Construction Skills Centre and other local authority contributions to the England's Economic Heartland subscription.

5.55 There is a forecast underspend on staffing within Environment, Planning and Transport (EPT) management of £0.1m, the majority of which relates to two management posts which have never been filled following the Place staffing restructure

5.56 There is a forecast underspend of £0.1m within Concessionary Fares due to payments to bus companies being lower than normal during the summer period as a result of the agreed payment mechanism during the Covid-19 outbreak.

5.57 There is a forecast underspend on Property Services of £0.1m due to reactive maintenance and facilities management savings.

5.58 There is a forecast underspend on staffing within Parking of £0.1m due to the vacancies resulting from the delayed implementation of the bus lane enforcement scheme.

5.59 There are also other minor forecast variances which amount to a net £0.4m overspend.

Financial Risks Identified

5.60 No significant financial risks have been identified at this stage.

Covid-19: Financial Exposure - £8.0m:

5.61 The majority of the forecast additional costs of £5.2m relate to the anticipated costs associated with Home to School Transport social distancing arrangements from the start of the autumn term, (£3.1m). NCC has been allocated £0.7m s31 grant for the specific purpose of funding additional transport capacity primarily needed due to the impact of social distancing in the first Autumn half term. It is anticipated that further grant allocations will be made for the other three half terms in the current financial year, potentially removing the need to fund any of the additional expenditure from the general emergency funding. There are other significant cost increases within Waste, (£1.3m) and highways maintenance (£0.5m), as well as increased expenditure by Property Services on additional cleaning and on the utilities costs for premises brought back into use (£0.3m).

5.62 There is a forecast shortfall of £1.1m across four budget proposals - bus lane enforcement (£0.3m), increase in s106 income (£0.1m), Home to School Transport (£0.6m), and schools PFI deductions (£0.1m). This is due to the general downturn in the economy, reduction in footfall and school closures as a result of the Covid-19 outbreak.

5.63 A number of services across the Directorate are suffering from the effects of reduced footfall, school closures and the economic downturn with the most significant forecast income losses within a total of £1.7m being Parking (£0.7m), Asset and Traffic Management (£0.4m), Home to School Transport (£0.1m) and Waste (£0.3m). Of the £1.7m it is currently estimated that £0.9m will be funded from the sales, fees and charges funding stream and £0.8m from general Covid funding.

5.64 **Technical Finance, Treasury and Insurance – Net budget £32.0m**

BAU Forecast Variance - £0.7m overspend

5.65 As part of the Council's preparation for the transfer into the new Unitary Authorities a detailed review of the Council's aged debt portfolio has been undertaken including an updated assessment on collectability. Through this review process the Council has identified legacy debts that having been through the recovery cycle are now assessed as being non-collectable and are therefore being recommended for write-off. Of the proposed write-off, 94% relates to legacy debt from 2018-19 and prior years. In total, £2.8m of Adult Social Care debt has been identified for write-off in-year. This comprises 5,127 invoices relating to 1,554 customers. Within this, £1.9m will be written off and offset against the bad debt provision with the balance of £0.9m being written off against revenue and included within the Technical Finance position

5.66 Within the above Adult Social Care debt write-off there are two invoices that exceed the £25k threshold stated within the financial regulations that form part of the Council's Constitution. These require specific approval by Cabinet, both relate to individual Adults Social Care clients and through the review process these invoices have been classed as non-recoverable debt (invoice values of £71,066 and £40,388). Additionally, on an individual Adult Social Care client basis there are 15 clients where total debt write-off per customer exceeds £25k.

5.67 There are minor variances within Technical Finance of -£0.2m.

5.68 **Public Health & Wellbeing (PHW) – Net budget £0.0m**

Forecast Variance - £0.0m

5.69 The majority of PHW is funded via the Public Health Grant (PHG), except for a Base Budget in relation to the Healthwatch contract of £0.2m which is funded by an overhead contribution from the Adult Learning Service.

5.70 Public Health is forecasting an underspend against the PHG grant of £0.7m, made up of underspends on staffing within the public health provider service, Smoking Cessation Service and the core public health team of £0.2m, a £0.1m underspend against the Weight Management budget, and a £0.4m underspend against the Social Wellbeing budget due to the service being on hold due to COVID-19.

5.71 Public Health has built up a reserve of PHG over 4 years of £7.0m. Currently Public Health services have earmarked £4.0m of this reserve to be spent in 2020-21 made up of £2.5m to launch the Population Health programme and related software, £0.2m to country parks, £0.8m contraceptive prescribing bill from out of area providers, £0.2m Health & Wellbeing Grants to local Health and Wellbeing Fora, £0.1m to undertake social marketing training and associated campaign, and a few other smaller projects which make up the remaining value. Due to the ongoing impact of COVID-19 there will be a need to further earmark reserve funding to support the on-going local health protection response.

5.72 The Public Health Reinvestment balance is £6.3m with planned expenditure for 2020-21 of £3.2m across the following; Support Costs Contribution to NCC £0.2m, embedding Public Health Principals £0.3m, Carers and Extra Care contracts £0.3m, Active Travel and Road Safety £0.3m, Healthy Schools £0.2m, Family Intervention Programme £0.7m, Training to Support Foster Carers £0.7m, Care Leavers Mental Health £0.2m, Social Prescribing SIB £0.2m and other totalling £0.1m.

5.73 **Additional funding for COVID-19:** The government announced an additional £300m COVID-19 Test and Trace Service Support Grant; of which £3.27m was allocated to Northamptonshire in June 2020. This will be used to fund the community infection prevention control team and support the implementation of the Northamptonshire COVID-19 Outbreak Prevention and Control Plan to ensure that this funding is targeted locally and on emerging issues. The current spend and commitment on the grant is £0.2m to date. This is to fund the Infection prevention control team and for a range of communications resources. Additional spend is planned to support the district and borough council and the NCC public health team with additional resources to respond to outbreaks.

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. There are no variances to report at this stage.

Table Two: Funding 2020-21

Funding	Net Budget £000	Forecast Income at 31/03/21 £000	Forecast Variance at 31/03/21 £000
Council Tax income	(324,463)	(324,463)	0
Business Rates income	(98,562)	(98,562)	0
New Homes Bonus	(4,137)	(4,137)	0
Other Government Grants	(18,543)	(18,543)	0
Total NCC Funding	**(445,705)**	**(445,705)**	**0**

6.2 Council Tax and Business Rates precepts are received on a monthly basis from Borough and District Councils, based upon budgeted amounts set prior to the start of the financial year.

7 Covid-19 Expenditure / Funding

7.1 On 20th March 2020 the Chancellor announced initial funding of £1.6bn to Local Government for emergency support to deal with the coronavirus (Covid-19). Northamptonshire County Council received its allocation of £17.2m from this funding in Period 12 2019-20. Further funding to Local Government of an additional £1.6bn was announced on 18th April 2020 (Council's allocation £13.4m); a further £500m funding for Local Government was announced on 2nd July (Council's allocation £4.7m); making overall total £35.4m

7.2 The Prime Minister announced an additional £1bn of financial support for Local Authorities in a statement to Parliament on 12th October 2020. The Council's allocation from this funding is still to be confirmed.

7.3 In addition to the above, the government has announced a scheme to compensate Local Authorities for the unprecedented impact that the pandemic has had on their fees and charges income. The government will recompense 75% of fees and charges income shortfalls, over and above losses of 5% of budgeted income by an Authority. The Council's latest forecast is that £2.7m of income losses can be recovered through these funding stream. Claims are to be submitted to the Government periodically throughout 2020-21 and the final amount to be recovered through this route will be confirmed later in the year.

7.4 The latest forecast of expenditure against this funding allocation is shown in Table Three.

7.5 Additional exceptional costs are forecast to be £20.4m. Under-delivery of budgeted savings due to Covid-19 are forecast to be £8.2m. Income/funding reductions are forecast to be £4.4m (of which £2.7m is forecast to put funded through the sales, fees and charges reimbursement from government as set out above); and the remaining £5.0m set aside for recovery phase.

7.6 There will also be an effect on 2021-22 budgets, due to the knock-on impact on Council Tax and Business Rates collection. Council Tax collection is forecast to reduce on the basis that the economic impact of lockdown and isolation would mean that people would be less able to pay. An increase in the number of people applying for Council Tax discount is also expected to erode the tax base, and a stagnation in the property market would mean that new properties would not be developed as expected.

7.7 The Council is liaising closely with colleagues at Borough and District Councils with regard to monitoring Council Tax collection rates throughout 2020-21. Initial indications for 2020-21 were that Council Tax levels were holding up for April and May. Early indications are that there are emerging collection issues on Business Rates.

7.8 Borough and District Councils are expected to be able to pay Council Tax precepts at budgeted levels. However, Collection Funds across the county areas are forecast to be in deficit at the end of the 2020-21 financial year. This is due to a combination of payment failure, reduced tax base growth, and the effect of the Local Council Tax Support Scheme (LCTS). The Council's share of the deficit is forecast to be £2.2m for Business Rates, and £16.0m for Council Tax. Therefore the impact on 2021-22 budgets is forecast to be £18.2m. It should be noted that this is an initial early forecast, and the impact on 2021-22 will be reviewed and modelled in conjunction with Borough and District Finance colleagues as part of the 2021-22 budget setting process.

Market Underwriting

7.9 Government guidance issued by the Cabinet Office requires Local Authorities to support markets and continue to pay contractors despite not receiving a service in some instances. The County Council has supported this objective in the main within Adult Social Care at £2.2m and Place (highways maintenance at £1.1m, home to school transport at £4.6m, concessionary fares at £2.9m and waste disposal at £0.3m). This market underwriting is estimated at £11.3m in total.

7.10 Market underwriting has not been included in the total forecast monitoring position for 2020-21, and is included as a memorandum item in Table Three, as at this stage it is assumed that the costs will be contained within existing budgets.

Table Three: Financial Implications of Covid-19 on 2020-21

	Additional costs due to Covid-19 £'000	Under-delivery of budgeted saving proposals due to Covid-19 £'000	Income reductions due to Covid-19 £'000	Total £'000		Memorandum item: Cost of Market underwriting £'000
Directorate						
Corporate Services	2,218	115	1,890	4,223		205
Children First Northamptonshire	4,014	1,718	800	6,532		0
LGSS	488	0	0	488		0
Northamptonshire Adult Social Services (NASS)	8,127	5,235	0	13,362		2,153
Place Services	4,590	1,137	1,703	7,430		8,988
Public Health & Wellbeing	0	0	0	0		0
Technical Finance, Treasury and Insurance	0	0	0	0		0
Council-wide						
Increase in bad debt provisioning	1,000			1,000		
Total forecast impact of Covid-19	**20,437**	**8,205**	**4,393**	**33,035**		**11,346**
Emergency Funding allocation from Gov't				(35,365)		
Forecast reimbursement of lost Sales, Fees and Charges by Gov't				(2,688)		
Emergency funding set aside for recovery phase				5,018		
Net Forecast cost of Covid-19				**0**		

Impact on future years		
Forecast impact on Business Rates		2,159
Forecast impact on Council Tax		16,048
Total Shortfall from 2021-22 and onwards		**18,207**

7.11 It should also be noted that the corresponding table in the previous Cabinet report contained an error. The additional costs due to Covid was incorrectly quoted as being £14.717m when it should have been £19.444m, and the amount set aside for recovery phase was quoted as being £8.710m when it should have been £3.983m. The prior period comparators in Table One of this report have been updated to correct this error.

7.12 The covid forecast in the period 4 report included £1m of funding being set aside for the potential cost of legal and contractual disputes. No such disputes have arisen, and therefore this funding is being repurposed towards any potential increase in bad debt provisioning that may arise due to Covid.

7.13 In addition to the County's £35.4m share from the £3.7bn additional funding announced nationally, there have also been the following measures announced by the Government for Local Authorities:

- £600m for infection control in care homes. Northamptonshire's allocation from this funding is £8.16m. This funding has been received by the County Council and will be passported to care homes; therefore it does not form part of the outturn forecast shown in this report.

- £300m to support the new test and trace service. Northamptonshire's allocation of this is £3.27m as per paragraph 5.73.

- £1.8bn of section 31 grant compensation brought forward from business rates reliefs – this is a cash flow measure split between Districts and the County, and reflects early payment of existing funding.

- £2.6bn in deferred local authority payments of the Central Share of retained business rates – this is a cash flow measure, not additional funding, and would only relate to District Councils in a two tier setting.

- £850m upfront payment in social care grants – this is a cash flow measure, and reflects early payment of existing funding.

- £3.2m of initial emergency funding for local authorities to support rough sleepers – this is additional funding payable to District Councils in a two tier setting.

- £63m to be distributed to Local Authorities to help those struggling to afford food and other essentials due to Covid-19. The Council is due to receive £771k from the total funding.

- A phased proposal which will enable Authorities to spread Collection Fund deficits over 3 years. No direct financial support has been announced for the anticipated significant shortfalls in Council Tax or Business Rates income and any other ongoing expenditure pressures falling into 2021-22 financial year, although the Government has confirmed it will assess these issues in the Spending Review later this year.

- £45m Section 31 grant distributed to local transport authorities to provide additional transport capacity for journeys to school and college for the first autumn half term. The Council is due to receive £681k of this funding.

- On 22nd September 2020 it was announced that £60m would be made available nationally to Local Authorities and Police to support Covid compliance and enforcement activities. Within two tier settings this funding has been provided to Borough and District Councils. Within Northamptonshire the Borough and District Councils have received a combined £360k.

Risks – Covid-19

7.14 A number of initial high level financial risks have been identified for Covid-19, and these will be included in relevant risk registers:

- The figures are estimates and although we are now transitioning from lockdown, there is still some uncertainty and government policies may change; which would affect the accuracy of forecasts. The figures are being reviewed on an ongoing basis as the situation develops.

- There could be a permanent shift in citizen’s habits that will impact on corporate objectives and resources.

- Material uncertainty on the quantum of government funding of costs that remain after the crisis has ended.

8 Summary of Savings delivery

8.1 The Council has a savings requirement of £25.2m (including income proposals) within its 2020-21 budget. The deliverability of these proposals is being monitored by each accountable service lead, budget manager and senior officer, up to Service Director level. The initial assessment on the deliverability of these proposals is set out in Table Four by Directorate and shows a forecast under-delivery of £10.2m.

8.2 This £10.2m forecast under-delivery comprises of £8.2m under-delivery due to Covid-19, and £2.0m as reflected in the detailed directorate financial section. In total, this means at this stage, the Council is forecasting to deliver 60% of its 2020-21 savings target by the end of the year.

8.3 Those savings that are non-deliverable following the Covid-19 pandemic are being offset against the emergency funding.

Table Four: 2020-21 Savings Proposals

	Target Savings £000	**Savings budgeted to be delivered at Period 12 £000**	**Variance currently forecast at Period 12 (*Under)/Over delivery* £000**
Corporate Services	(1,158)	(1,093)	(65)
Children First Northamptonshire (CFN)	(3,593)	(1,386)	(2,207)
Place	(4,241)	(3,504)	(737)
Northamptonshire Adult Social Services (NASS)	(12,929)	(6,980)	(5,949)
LGSS	(970)	(970)	0
Total, 2020-21 savings:	**(22,891)**	**(13,933)**	**(8,958)**
Income proposals	**(2,338)**	**(1,081)**	**(1,257)**
Total: NCC	**(25,228)**	**(15,013)**	**(10,215)**

9 Consultation and Scrutiny

9.1 All 2020-21 Budget proposals were consulted on prior to the budget being approved by Full Council in February 2020.

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 EqIA 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 – 2020-21 Variation to Budget

Appendix B – 2020-21 NCC Budget Savings Tracker

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
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 report been cleared by Legal Services?	YES Name of solicitor: Edwina Adefehinti
Have any communications issues been cleared by Communications and Marketing?	YES Name of officer: Annalee Bougourd
Have any property Issues been cleared by Property and Asset Management?	NO

Procurement/ Contractual Implications: • 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?	NO
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

Agenda Item No: 07

CABINET

10 NOVEMBER 2020

EXECUTIVE DIRECTOR OF FINANCE: BARRY SCARR

CABINET MEMBER WITH RESPONSIBILITY FOR FINANCE: COUNCILLOR MALCOLM LONGLEY

Subject:	Capital Monitoring Report (CMR) – Forecast Outturn as at Period 6 for the financial year ending 31st March 2021.
Recommendations:	Cabinet is requested to: 1. Note the forecast capital expenditure of £93m for 2020-21. 2. Approve and recommend the promotion of four schemes from the Development Pool into the Capital Programme with investment totalling £1,365k: i. Parker E-ACT Academy SEND expansion - £496k ii. Homes to support fostering - £250k iii. S106 Flore Traffic Calming - £159k iv. Corby Town Fund Walking & Cycling - £460k 3. Approve the extension of three schemes within the current Capital Programme with investment totalling £8,870k i. Northampton Secondary Schools Capacity – Northampton School for Girls Bulge Capacity - £200k ii. Superfast Broadband - £7,363k iii. Schools Minor Works 2020-21 - £1,307k Further detail on the above schemes can be found in Section 8. 4. Note the approval and inclusion in the Capital Programme of a further £2.0m of DFT Block Grant allocations for 2020-21 as per the approved delegated authority within the March 2020 'Highways and Transport Block Funding' Report.

1. Purpose of Report

1.1 This report sets out the forecast capital outturn for the financial year 2020-21 and the approved forecast expenditure within the Capital Programme for future years.

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 local infrastructure of Northamptonshire with the benefits lasting over a number of years. Resources come from Government grants and contributions, capital receipts from surplus land and buildings, and where there is no other funding source available, short and long term borrowing as appropriate.

2.2 The Capital Programme has links to the revenue budget through the repayment of any loans taken out to fund capital investment. As such, there is a comprehensive 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 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. • 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 of;

- A Capital Approvals Board chaired by the S151 Officer, and attended by the Executive Director for Strategic Delivery and Transformation, the Cabinet members for Finance and Highways and Place, and the relevant senior officers with subject matter expertise. The group reviews requests for new capital schemes to inform recommendations to Cabinet
- A Capital Projects Board chaired by the Executive Director for Strategic Delivery and Transformation, 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 S151 Officer.

- A Place Shaping Board which 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.

- The Councils Financial Regulations relating both specifically to capital approval processes and those wider regulations in relation to overarching financial governance and procurement.

- The Capital Programme monitoring undertaken monthly by managers in line with the Financial Management SORP which sets out budget manager responsibilities. The outcome of the capital financial monitoring forms part of this report which includes up to date projections for capital expenditure and funding in the current financial year, identifying financial and service delivery risks in relation key capital schemes.

5. Capital Strategy

5.1 The Council's Capital Strategy 2020-21 to 2023-24 agreed by Council on 20 February 2020 approved a forecast Capital Programme of £310m. This consisted of a committed Capital Programme of £54m, and a development pool of £256m for new schemes identified over the four-year plan period.

5.2 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, require Cabinet approval. A key planning assumption of the development pool was that £21.6m of discretionary funding (borrowing) was required over the period April 2020 to March 2024 (subject to Cabinet approval).

5.3 In support of the Council's vision and the budget commitment the key objectives for 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 priorities;

- 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;

- Maximisation of 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.

6. Capital Monitoring Summary

Original 2020-21 Capital Forecast

6.1 The Council's forecast £54m of capital expenditure over the years 2020-21 to 2023-24, reported in the Capital Strategy in February 2020, increased to £96m as a result of subsequent reprofiled expenditure from 2019-20.

6.2 Cabinet have also approved new schemes into the Capital Programme (including £29m of investment for the North West Relief Road approved at Cabinet in March 2020), granted extensions to current schemes, and removed schemes, which results in an approved Capital Programme of £153m, of which £97m relates to 2020-21.

6.3 The Council's 2020-21 Capital Programme and forecast expenditure are shown in Table 1.

Summary of 2020-21 Capital Programme and forecast outturn expenditure by service area (Table 1)

	Current Budget 2020-21 & Future Years	**Original 2020-21 Forecast ***	**Revised 2020-21 Forecast**	**Movement between Opening & Revised Forecast**	**2020-21 Spend to P6**
	£000's	**£000's**	**£000's**	**£000's**	**£000's**
Environment Planning & Transport	101,460	58,012	58,846	834	16,506
Children First Northamptonshire	38,682	25,404	22,814	(2,590)	9,539
Asset & Capital Management	1,746	1,652	1,315	(337)	422
NASS	4,332	4,300	4,300	0	1,838
Corporate and Community Services	5,486	5,426	4,061	(1,365)	595
IT Infrastructure/ Development	1,599	1,618	1,638	20	360
Public Health and Wellbeing	150	150	150	0	0
Total	**153,455**	**96,562**	**93,124**	**(3,438)**	**29,260**

*The original 2020-21 forecast is the in-year capital programme approved in the capital strategy, updated for scheme changes approved by Cabinet and new schemes approved into the programme based on their original expenditure profile.

Revised 2020-21 Forecast

6.4 The £3.4m decrease in the Table above represents the change in the 2020-21 capital expenditure forecast since the beginning of the financial year.

6.5 The change in the 2020-21 forecast capital expenditure since the period 4 monitoring report is a net increase of £9.9m, as a result of the following significant scheme movements in excess of £0.5m:

- Community Equipment 2020-21 – increase of £4.0m as a result of the approval of the scheme to capitalise small pieces of equipment at September Cabinet.
- DFT Highways additional works 2020-21 – increase of £2.0m as a result of the delegated approval of the final £2m of DFT grant 2020-21 based on an agreed priority work programme.
- Dedicated Formula Capital 2020-21 - increase of £0.7m as a result of the approval of this grant scheme at September Cabinet.
- The remaining £3.2m increase is due to various minor scheme changes across the Capital Programme including the approval of 11 schemes and scheme extensions under £0.5m and totalling £2.4m at September Cabinet.

6.6 Table 2 shows the Capital Programme sources of funding by Directorate over the medium term horizon.

Capital Programme Funding 2020-21 to 2023-24 (Table 2)

	Discretionary Funding (borrowing)	Discretionary Repayable (borrowing)*	Grant Funding	s106	Other Contributions	Total Funding Requirement for 2020-21 Onwards
	£000's	£000's	£000's	£000's	£000's	£000's
Environment, Planning & Transport	10,449	2,000	51,607	33,202	4,202	**101,460**
Children First Northamptonshire	2,805	0	16,537	19,340	0	**38,682**
Asset & Capital Management	1,331	0	415	0	0	**1,746**
NASS	4,332	0	0	0	0	**4,332**
Corporate and Community Services	3,306	0	1,246	834	100	**5,486**
IT Infrastructure/ Development	1,599	0	0	0	0	**1,599**
Public Health and Wellbeing	0	0	150	0	0	**150**
TOTAL	**23,822**	**2,000**	**69,955**	**53,376**	**4,302**	**153,455**
%	**15.53%**	**1.30%**	**45.59%**	**34.78%**	**2.80%**	**100%**

**Note1: repayable borrowing is short term gap funding awaiting repayment linked to contract agreement trigger points. This means that NCC will undertake borrowing to initially fund the scheme with repayment coming at a future date.*

6.7 The Councils discretionary funding requirement for its Medium Term Capital Programme is £25.8m, of which £11.8m relates to NCC borrowing, including the repayable element, with the following additional sources of finance:

- £5m of ring-fenced capital receipts related to the East Northants restructure scheme previously delivered as part of the Capital Programme. These are currently forecast to be received over 2020-21 & 2021-22 and relate to sites connected to the schools reorganisation.
- £9m of forecast repayments in relation to upfront funding agreements in the current MTP Period related to:

  a) Daventry Development Link Road reimbursement by Daventry District Council (DDC) from development related income from housing development enabled by the highways scheme, 1st £2m of approx. £20m forecast up to 2031. This is supported by a funding agreement between NCC and Daventry District Council (DDC) signed in 2015 whereby NCC agreed to gap/upfront fund the road and be reimbursed from Community Infrastructure Levy (CIL) and New Homes Bonus (NHB) or equivalent, received by DDC from the housing expansion it supports.

  b) Castle Station reimbursement by Northampton Borough Council (NBC) from enhanced levels of business rates related to the Waterside Enterprise Zone which is supported by the train station improvements £5m. This is supported by a funding agreement with NBC.

  c) Superfast Broadband extension repayable element. This will come from additional income forecast to be received by NCC from BT in relation to increased take-up of services £2m.

6.8 The prudential borrowing requirement over the MTFP period is shown in Table 3 below and varies to the discretionary funding requirement shown in Table 2 as it takes into consideration:

- Schemes within planned programme (development pool) in the Capital Strategy but not yet approved to be within the current Capital Programme and,
- Receipts from previously delivered schemes as detailed in paragraph 6.7.

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

	£000's
Capital Programme borrowing requirement	11,800
Forecast Discretionary funding for the schemes within the Development Pool over the medium term period to 2023-24.	15,268
Total new borrowing requirement approved (MTP period)	**27,068**

7. Capital Receipts and Use of Resources

7.1 Table 4 shows the total forecast capital receipts position as at the end of 2020-21, based on receipts not utilised from previous years, new receipts received in year and a forecast from the sale of property during 2020-21. The new forecast represents a reduction of £80k on the P4 reported position.

Table showing the capital receipts the Council expects to have available at the end of 2020-21 (Table 4)

	£000’s
Unused capital receipts brought forward from 2019-20	3,452
2020-21 receipts received to date	2,205
2020-21 forecast capital receipts remainder of year	9,719
Total Available Capital Receipts *	**15,376**

*this figure excludes forecasts for ring-fenced capital receipts which are noted under 6.7 above.

7.2 A report to Full Council on 17th September 2020 indicated a Revised Flexible Use of Capital Receipts forecast expenditure of £13.25m for 2020-21. This revised forecast shows an increase of £3.15m from the original £10.1m in the February 2020 budget papers. This forecast expenditure will fund the Council’s Transformation Programme and full details are shown in the report to September Council. This plan does not include the utilisation of the ring-fenced receipts referred to in 6.7 above as this is a historic commitment.

8. Recommendations and Updates to the Capital Programme

The Capital Approvals Board has recommended the following capital schemes be added to the Capital Programme.

Summary of capital schemes recommended for inclusion in the Capital Programme (Table 5).

No.	Scheme Status	Capital Scheme Title	Capital Budget Increases/ (Decreases) for Approval £000's	Funding Source
1	Promotion from Development Pool	Parker E-ACT Academy SEND Expansion	496	SEND Grant
2	Promotion from Development Pool	Homes to support fostering	250	Discretionary
3	Promotion from Development Pool	S106 Flore Traffic Calming	159	S106
4	Promotion from Development Pool	Corby Town Fund Waking and Cycling	460	Grant
5	Extension of Scheme	Northampton Secondary Capacity – Northampton School for Girls Bulge Capacity	200	Basic Needs Grant
6	Extension of Scheme	Superfast Broadband	7,363	Grant & Superfast Investment Fund
7	Extension of Scheme	Schools Minor Works 2020-21	1,307	DFE Grant
	Total		**10,235**	

1. **Parker E-ACT Academy SEND Expansion - £495,930**
   NCC's 'SEND Sufficiency Strategy' identified a number of gaps in Special Educational Needs and Disability (SEND) provision across the county and one of these gaps is a substantial deficit of places for pupils with needs characterised as 'anxious school refusers' in the Daventry area, for which there is currently no provision. This proposal will establish an emotional and mental health (SEMH) unit at the academy (which is within the Daventry area) for 20 students. Providing in-house provision is expected to deliver a saving/reduced pressure of approximately £16,000 per placement as opposed to external provision.

2. **Homes to support fostering - £250,000**
   The Local Authority has a duty to provide sufficient accommodation for looked after children. There is also a requirement for the Local Authority to ensure that looked after children are placed in foster or adoptive homes with their siblings, unless there is a child welfare reason not to do so. The grant funding will complement the existing range of support provided to foster carers, and is another step forward in securing local and stable placements for children.

The scheme will

- Build extensions to the existing homes of foster carers and adopters.
- Improve the facilities in foster carers and adopter's homes to make placements viable.

Based on previous experience it is expected that the scheme will support in the region of 4 to 5 schemes and will alleviate pressure on the revenue budget by reducing the need for multiple or external placements. Legal agreements will be in place to secure a legal charge on the carers property for 5, 7 or 10 years depending on the individual circumstance and will ensure the Councils' investment is secure.

3. S106 Flore Traffic Calming - £158,666

This proposal will provide traffic calming measures in Flore to discourage through traffic following the opening of the A45 Daventry Development Link. Designs are being developed in consultation with Flore Parish Council and funding will be wholly from S106 receipts received for this purpose from Daventry District Council.

4. Corby Town Fund Walking & Cycling - £460,000

This forms part of the Cycle Networks schemes identified within the Development Pool of the Capital Strategy and is funded from grant received by Corby Borough Council. It will enable improvements to George Street pedestrian and parallel crossings and improvements to cycle paths through parks and woodlands. Works will be managed by NCC delivered through the KierWSP contract.

5. Northampton Secondary Capacity – Northampton School for Girls Bulge Capacity - £200,000

Bulge capacity refers to short term capacity prior to the new freeschool for Northampton being built and coming into operation, this short term provision ensures sufficient secondary school places are available in the coming year. This funding will be utilised for the refurbishment of the stand-alone theatre building that forms part of the NSG school site. The proposed works will make the space fit for the delivery of 'lecture' style learning and the teaching of more than one class (although within one 'bubble') in subjects such as Science and Maths. Multiple classes being taught within the one room will in turn free up classrooms in the main school building and allow the school to provide temporary 'bulge' capacity for the 2021/22 academic year, which is urgently required.

6. Superfast Broadband - £7,363,398

The Superfast Broadband Programme is a BDUK grant match funded programme and has an approved budget prior to this approval of £22.4m of which 90% approximately is already spent or committed under current contracts. Within these prior budget approvals is £6m of NCC Discretionary funding and £2m of repayable upfront funding with the remaining £14m coming from grants and external contributions.

This further £7.4m uplift takes into account the additional external funding which has been secured. Detailed proposals for the commitment of the funding (beyond the £4.5m below) will be the subject of a further report to Cabinet.

£4.5m relates to the update on Superfast Broadband rollout agreed by Cabinet in June 2019 as part of the 'Support for Economic Growth in Northamptonshire' paper. This will extend NCC's contracts with Gigaclear through £2m of funding secured from the government through the Rural Payments Agency initiative to help rural businesses and communities to build new superfast broadband networks in poorly served areas. The remaining £2.5m comes from Investment Fund payments made by BT and arising from increased take up in BT Contract 1. Due to the urgency under the grant timescales to sign the contract for this work this element has had provisional authority to move forward from the S151 Officer and Lead Councillor for Finance prior to formal Cabinet approval.

The remaining £2.8m funding is also from BT Contract 1 and represents further investment funds as an outcome of additional take up. These funds are held by NCC but require further review of the current rollout with BDUK before proceeding to procurement

7. **Schools Minor Works 2020-21 - £1,306,826**
   This is an extension to the previously approved £2.8m scheme and is as a result of a further round of 'top-up' allocations of grant from DFE made to Local Authorities across the country in August 2020. This increase will allow the progression of an increased number of schemes urgently required to address remedial works such as replacement of roofs & boilers at maintained schools in the county. There is separate report elsewhere on this Cabinet agenda covering the scheme in more detail.

9. Consultation and Scrutiny

9.1 The 2020-21 Capital Strategy and Capital Programme were subject to consultation and overview and scrutiny process review prior to approval by Full Council in February 2020.

10. Equality Screening

10.1. 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.

Reason that no EqIA 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) as described above this is a finance approval report only and the service will ensure an EqIA is completed as appropriate prior to any changes to service delivery.	✓

11. Alternative Options Considered

11.1. The deliverability of the 2020-21 Capital Programme 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.

11.2. 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.

12. Risk and Business Continuity Management

12.1. 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.

13. List of appendices

13.1. None

Author:	Name: Andrea Devereux Team: NCC Finance – Place and Corporate Services
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)? Have any capital spend implications passed through Capital Programme governance procedures?	YES Name of SFM: Rosemary Pallot YES
Has the report been cleared by the relevant Director?	YES Name: Barry Scarr
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: Debbie Carter-Hughes Solicitor's comments:
Have any communications issues been cleared by Communications and Marketing?	YES Name of officer: Liam Beasley
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: 08

Northamptonshire County Council

CABINET

10 NOVEMBER 2020

EXECUTIVE DIRECTOR OF FINANCE: BARRY SCARR

CABINET MEMBER WITH RESPONSIBILITY FOR FINANCE:

COUNCILLOR MALCOLM LONGLEY

Subject:	Treasury Management Report, Quarter 2 2020/21.
Recommendations:	That Cabinet notes the Treasury Management Report.

1. Purpose of report

1.1 The purpose of this report is to provide a Quarter 2 update position on the Council's Treasury Management Strategy, which was approved by Council in February 2020.

2. How this decision contributes to the Council's 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:
• Utilising the Council's assets effectively.

3. Background

3.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Treasury Management recommends that members be updated on treasury management activities through periodic reports to Cabinet and Council. This report provides an update on the progress against the Treasury Management Strategy for the Q2 period ended 30 September 2020.

3.2 The coronavirus (Covid-19) pandemic has had a considerable impact upon the way services are provided by the Council and its partners, as well as presenting significant financial challenges due to the need for the Council to response to the public health crisis. This pandemic has given rise to significant economic implications, which have been wide reaching on a national, and local level that were not envisaged when the Treasury Management Strategy was approved by Council in February 2020.

3.3 At a national level the UK government announced a fiscal package in March that was two-and-a-half times the size of that seen in the banking crisis of 2008/09.

- This fiscal and monetary support estimated to be worth £119b (5.3% of GBP) to provide various measures that included Term funding scheme to support small and medium enterprises with cash flow problems.
- The Bank Rate was cut from 0.75% to 0.10% and the Bank of England restarted quantitative easing (QE); to support demand and aid the smooth operations of the financial markets.
- There was a significant tightening in financial conditions; with signals of recession looming and reduction in economic activity.
- Equity prices and sterling plunged; due to a delayed response to the pandemic compared to other countries and remnants of Brexit deal issues still undecided.

3.4 The Council's Treasury Team took action to mitigate against the risk of adverse impacts to the Council, through the following measures;

- The Team liaised closely with its treasury adviser, Link Asset Services (LAS) to ensure that the investment of surplus cash was made in financial instruments that were not exposed to the immediate risks presenting in financial markets.
- The sharp fall in interest rates also meant that the Council followed the pragmatic approach stated in the Treasury Strategy, and only explored short term rates for borrowings that we raised in the last quarter of the financial year.
- National concerns regarding the reduction in local authority income streams and sharp increases in the need to spend on the response to the pandemic, led to many local authorities holding on to cash, thus impacting the circulation of inter local authority lending and borrowing.
- More frequent and detailed cash flow monitoring and forecasting was undertaken and reported weekly to senior management to ensure the Council's maintained adequate cash balances.
- A short term PWLB loan facility of £10m was raised in April to mitigate any unforeseen cash flow issue during this unprecedented period.

4. Economic Climate

4.1 The Covid-19 pandemic has continued to have a major impact upon the UK and worldwide economy through the period of the first quarter to 30 September 2020 and is expected to continue in the foreseeable future.

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4.2 A detailed commentary by LAS covering first quarter to 30 September is provided at Appendix A to this report, which sets out the outcome of the Bank of England's Monetary Policy Committee (MPC) meeting on 6th August 2020. In summary the key issues include:

- The Bank rates unchanged at 0.10% since it was March 2020.
- The level of quantitative easing unchanged at £745bn.
- A revision of the forecast fall in GDP in the first half of 2020 from 28% to 23% (subsequently revised to -21.8%).
- A revised down forecast peak in the unemployment rate from 9% in Q2 to 7½% by Q4 2020.
- A forecast that there would be excess demand in the economy by Q3 2022 causing CPI inflation to rise above the 2% target in Q3 2022, (based on market interest rate expectations for a further loosening in policy). Nevertheless, even if the Bank were to leave policy unchanged, inflation was still projected to be above 2% in 2023.

4.3 Given that the economy was recovering better than expected, the MPC indicated that negative interest rates are unlikely to be used as stimulus for the economy in the next 6 months or more.

4.4 It is anticipated that the amount of economic damage caused by spikes in the virus infection would be limited by localised measures rather than a national lockdown, as in March.

4.5 The wind down of the initial furlough scheme through to the end of October, could cause the Bank to review the need for more support for the economy later in the year.

4.6 The Chancellor announced in late September, a second six-month package from 1st November of government support for jobs whereby it will pay up to 22% of the costs of retaining an employee working a minimum of one third of their normal hours. There was further help for the self-employed, freelancers and the hospitality industry. However, this is a much less generous scheme than the furlough package and will inevitably mean there will be further job losses from the 11% of the workforce still on furlough in mid-September.

4.7 Brexit uncertainties ahead of the year-end deadline will potentially impact recovery.

5. Summary NCC Treasury Portfolio Position

5.1 The main highlight in relation to treasury performance for the first half of the year operating in the context of the worldwide pandemic is that In-house investment returns on cash balances yielded 0.12%, which is slightly better than the 6 month LIBID benchmark. For further information, please refer to Section 9.

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5.2 Presented below in Table 1 is forecast snapshot of the Council's borrowing and investment position as at Quarter 2 2020/21 against approved budget set in the Treasury Management Strategy (TMSS), with the subsequent sections of this report providing further explanation of the numbers:

Table 1: Summary Portfolio Position

	TMSS Approved Budget (Council Feb 2020)		Forecast Outturn (2020/21)	
	£m	Av. Rate	£m	Av. Rate
Long Term Borrowing (>1yr):				
PWLB	421.3	3.7%	412.2	3.7%
PWLB (HM Treasury guaranteed)	17.7	2.2%	18.3	2.2%
Market Bank loans	20	3.9%	20.0	3.9%
Other Local Authorities	5	1.2%	5.0	1.2%
Lender Option Borrower Option (LOBO)	95	4.2%	95.0	4.2%
Total Long Term Borrowing	**559**	**3.0%**	**550.6**	**3.0%**
Short Term Borrowing (<1yr)	13.00	2.4%	13.0	1.7%
Total Gross Borrowing	**572.0**	**3.3**	**563.6**	**2.8%**
Total Investments				
Investments (excl Third Party Loans)	**5.5**	**0.7**	**68.3**	**0.1%**
Third Party Loans	***18.7***	***2.4***	***19.5***	***2.4%***
Total Net Borrowing	**547.8**	**3.3**	**475.8**	**2.8%**

5.3 As planned for the first half year, NCC have made a number of loan repayments and received settlement of two loans issued to a third parties that are detailed below:

- Repayment of Local Authorities loans of £12m in April.
- Repayment of HSBC (LOBO) loan of £5m in July.
- Northampton County cricket repaid 2 loans totalling £0.92m in July.

5.4 The forecast position shows that overall borrowing will be £563.6m. This is £ (8.4)m less than the gross borrowing than was reported in the TMSS that was approved in February.

This is partly due to:

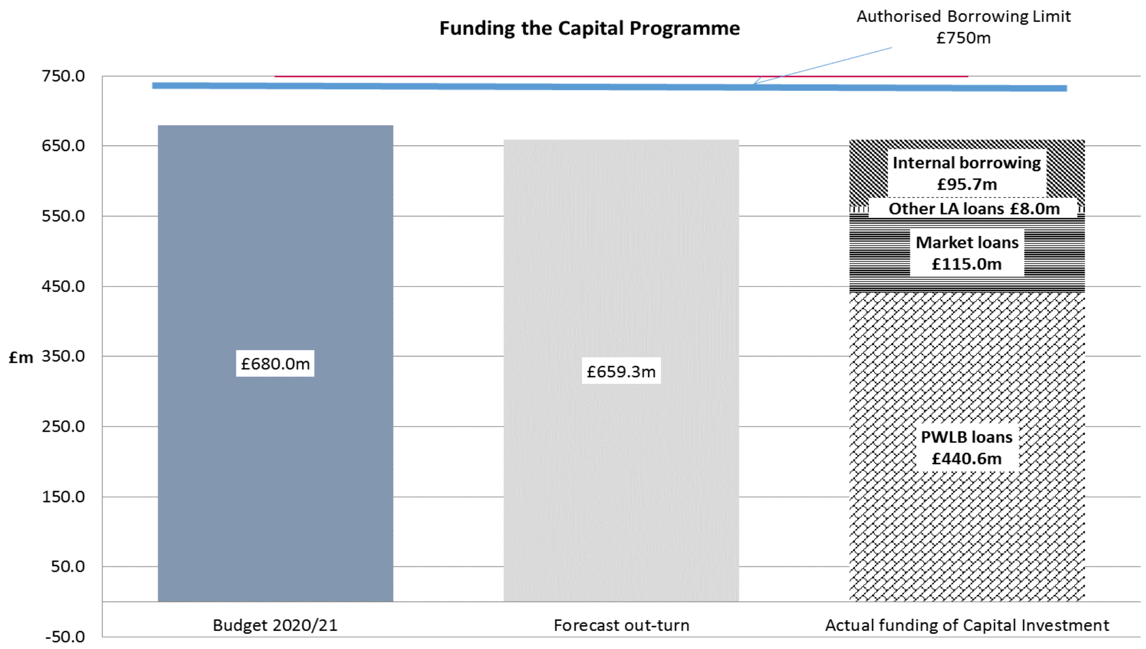
- revisions to the capital programme related to slippage of schemes and a better than forecast working capital surplus contribution negating the need to undertake additional borrowing that was expected.
- the receipt of Covid -19 related government grants to enable it to respond to the additional cost pressures

which have contributed to additional surplus cash of £62.8m when compared to the budget assumptions.

5.5 The TMSS identified the Council's expected borrowing and investment levels, it was anticipated that the Capital Financing Requirement (CFR) excluding PFI liabilities (the Council's underlying liability for financing the agreed Capital Programme) would be £680.0m.

5.6 This figure is subject to change as a result of amendments to the capital programme and slippage in programme delivery that occurs during the year. The latest forecast for the 2020/21 outturn CFR is £659.3m at 31 March 2020-21. Chart 1 compares this forecast outturn CFR against external borrowing as at Q2:

Chart 1: Funding the Capital Programme



5.7 The chart above demonstrates that at Q2 the Council's gross external borrowing position of £563.6m is below the forecast outturn CFR of £659.3m by £95.7m which represents the amount of internal borrowing.

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5.8 Appendix C states the council's current performance against the treasury and prudential indicators.

6. Interest Rate Forecast

6.1 The latest forecast for UK Bank Rate along with PWLB borrowing rates (certainty rate) from the Council's treasury advisors is set out in Table 2 below.

PWLB Rates

6.2 PWLB rates varied within a relatively narrow range between April and July but the longer end of the curve rose during August. This increase came in two periods; the first in the second week of the month was on the back of hopes for fresh US stimulus. This saw investors switch monies out of government bonds and into equities. The second shift higher at the longer end of the curve came in the latter stages of the month as investors reacted to the announcement of the tweak to the Fed's inflation target. Despite moves further out in the yield curve, the short end remained anchored on the basis of no fundamental change to the interest rate outlook.

6.3 The 50-year PWLB target rate for new long-term borrowing was unchanged at 2.30%.

6.4 The PWLB rates shown in Table 2 below, are inclusive of the new increased margins and certainty rate discount (more detailed commentary on interest rates forecast in appendix B of the report).

6.5 The coronavirus outbreak has done huge economic damage to the UK and economies around the world. After the Bank of England took emergency action in March to cut the Bank Rate to first 0.25%, and then to 0.10%, it left Bank Rate unchanged at its meeting on 6th August (and the subsequent September meeting), although some forecasters had suggested that a cut into negative territory could happen. However, the Governor of the Bank of England has made it clear that he currently thinks that such a move would do more damage than good and that more quantitative easing is the favoured tool if further action becomes necessary. No increase in Bank Rate is expected within the forecast horizon ending on 31st March 2023, as economic recovery is expected to be only gradual and, therefore, prolonged.

Table 2: Interest Rate Forecast (%)

Link Group Interest Rate View 11.8.20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
Bank Rate View	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
3 month average earnings	0.05	0.05	0.05	0.05	0.05	-	-	-	-	-
6 month average earnings	0.10	0.10	0.10	0.10	0.10	-	-	-	-	-
12 month average earnings	0.15	0.15	0.15	0.15	0.15	-	-	-	-	-
5yr PWLB Rate	1.90	2.00	2.00	2.00	2.00	2.00	2.10	2.10	2.10	2.10
10yr PWLB Rate	2.10	2.10	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.30
25yr PWLB Rate	2.50	2.50	2.50	2.60	2.60	2.60	2.70	2.70	2.70	2.70
50yr PWLB Rate	2.30	2.30	2.30	2.40	2.40	2.40	2.50	2.50	2.50	2.50

7. Borrowing

7.1 The Council has the ability to raise cash through borrowing in order to fund expenditure on its capital programme. The amount of new borrowing needed each year is determined by capital expenditure plans and projections of the Capital Financing Requirement, underlying borrowing requirement, forecast cash-backed reserves and both current and forecast economic conditions.

7.2 As mentioned above the council borrowed a PWLB loan of £10m for 5 years in April, as a response to the pandemic and unforeseen cash flow issues.

7.3 Based upon on the latest estimates, the Council does not expect to borrow for capital purposes again until 2021/22 and only to partly replace existing maturing loans.

7.4 Table 3 below sets out the maturity profile of the Council's borrowing portfolio at the end of Q2.

Table 3: Borrowing Maturity Profile – Q2 2020/21

Term Remaining	Borrowing		
	£m	%	
Under 12 months	24.3	4%	
1-2 years	10.2	2%	
2-5 years	20.7	4%	
5-10 years	21.3	4%	
10-20 years	23.3	4%	
20-30 years	9.4	2%	
30-40 years	234.4	42%	86%
40-50 years	183.0	32%	
Over 50 years	37.0	7%	
TOTAL	**563.6**	**100%**	

7.5 Market LOBO loans are included in Table 3 above. In the current low interest rate environment, the likelihood of lenders exercising their option to increase the interest rates on these loans - and so triggering the Council's option to repayment at par - is considered to be low.

8. Borrowing Restructuring

8.2 Rescheduling opportunities have been limited in the current economic climate. No debt rescheduling has therefore been undertaken to date in the current financial year. Officers continue to monitor the position regularly.

9. Investments

9.1 The approved Treasury Management Strategy Statement (TMSS) for 2020/21, includes the Annual Investment Strategy. It sets out the Council's investment priorities as being:

1. Security of Capital;
2. Liquidity; and then
3. Yield

9.2 The Council will aim to achieve the optimum return (yield) on investments commensurate with proper levels of security and liquidity.

9.3 At 30 September 2020, investment balances totalled £77.2m, held in Money Market Funds and Call/Notice accounts. This excludes third party loans and share capital classed as capital expenditure, which totalled £19.5m. Due to the nature of various Government funding streams and timing of capital expenditure, the average level of funds available for investment purposes during Q2 was £76.7m. We expect this to reduce to £68.3m by the end of year as shown in Table 1 above.

9.4 Table 4 below summarises the maturity profile of the Council's investment portfolio at the end of Q2 2020/21 (excluding third party loans and share capital):

Table 4: Investment maturity profile at end of Q2 2020/21

		Maturity Period				
		0d	0-3m	3-6m	Total	
Product	**Access Type**	**£m**	**£m**	**£m**	**£m**	**%**
Money Market Funds	Same-Day	52.2			**52.2**	**68%**
Bank Call Account	Instant Access	5.0			**5.0**	**6%**
Certificate of Deposits	Fixed Term / Tradeable		20.0		**20.0**	**26%**
	Total	**57.2**	**20.0**	**-**	**77.2**	**100%**
	%	**74%**	**26%**	**0%**	**100%**	

9.6 Set out below are details of the amounts outstanding on loans and share capital totalling £19.5m that are classed as capital expenditure advanced to third party organisations at the end of Q2:

- University of Northampton (UoN) - £18.3m - the Council has acted as a conduit to advance PWLB funding to the university. These loans are fully guaranteed by HM Treasury and repayments funded by UoN at no cost to the Council;
- LGSS Law - £0.95m – 50% share capital and 50% loan at commercial rates to aid the cash flow and financing of the company;
- UK Municipal Bonds Agency (MBA) – £0.2m – advance of seed capital shares to establish the agency to raise bond finance as an alternative to PWLB & markets;

9.7 Investment balances are forecast to reduce slightly by the financial year end as the cash is applied to fund expenditure demands in lieu of fully funding the borrowing requirement (internal borrowing) on a net basis. This process of internal borrowing effectively reduces the cost of carrying additional borrowing at a higher cost than the income that could be generated through short term investment of those balances, as well as reducing investment counterparty credit risk.

9.8 The Council’s investments are slightly better than the most comparable weighted duration benchmark during the first half of the year. Latest revenue budget projections for investment returns for the financial year are reported through the Budget Monitoring process.

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Table 5: Benchmark Performance – Q2 2020/21

Benchmark	Benchmark Return	Council Performance
3m LIBID	0.10%	0.16%
6m LIBID	0.10%	0.12%

9.9 Market conditions aside, the Council's return on investments is influenced by a number of factors, the largest contributors being the duration of investments and the credit quality of the institution or instrument:

- Credit risk is the consideration of the likelihood of default and is controlled through the creditworthiness policy approved by Council.
- The duration of an investment introduces liquidity risk; the risk that funds can't be accessed when required.
- Interest rate risk; the risk that arises from fluctuating market interest rates.

9.11 These factors and associated risks are actively managed by the Council's Treasury team.

10. Consultation and Scrutiny

10.1 This report has been developed in consultation with the Council's external treasury advisors, Link Asset Services.

11. Equality Screening

11.1 There are no equalities implications for this report.

Reason that no EQIA 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)	

* Where a proposal affects staff, the appropriate HR processes will be followed, which have already been subject to the EqIA process and will be compliant with HR legislation

12. Alternative Options Considered

12.1 This report has been based on factual information in accordance with requirements.

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13. Financial Implications

13.1 The financial implications are set out within the report above.

14. Risk and Business Continuity Management

14.1 The risk to the Council is that it does not adhere to the policies and criteria set out in the Treasury Management Strategy Statement with regards to lending and borrowing decisions. There are internal control processes in place to ensure the Council treasury management operations function within the policies set. Treasury Management risks are managed and monitored daily.

15. List of Appendices

Appendix A: Economic Commentary; Treasury Advisers (Link Asset Services)
Appendix B: Interest Rate Forecast Commentary; Treasury Advisers (Link Asset Services)
Appendix C: Treasury and Prudential Indicators

Author:	Name: Biyi Adegbola Team: Professional Finance
Contact details:	Tel: 01604 362271

	Email: Badegbola@northamptomshire.gov.uk
Background Papers:	N/A
Does the report propose a key decision is taken?	NO
If yes, is the decision in the Forward Plan?	N/A
Will further decisions be required? If so please outline the timetable here	N/A
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 passed through Capital Programme governance procedures?	YES Name of Assistant Director of Finance: James Smith N/A
Has the report been cleared by the relevant Director?	YES Name of Director: Barry Scarr
Has the relevant Cabinet Member been consulted?	YES Cabinet Member: Cllr Longley

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Has the relevant scrutiny committee been consulted?	YES/NO Scrutiny Committee:
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: Liam Beasley
Have any property Issues been cleared by Property and Asset Management?	N/A
Have the Procurement Implications below been referenced in the Paper: • Have you evidenced compliance with the Council's Contract Procedures Rules? • Have you made clear in this paper 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 such as non-compliance with the Public Contract Regulations Act 2015,	N/A
transparency and open competition? Have you identified the procurement risks associated with a contract?	
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:	COUNTYWIDE

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Appendix A Economic Commentary; Extract from Treasury Advisors (Link Asset Services)

UK

- As expected, the Bank of England's Monetary Policy Committee kept Bank Rate unchanged on 6th August. It also kept unchanged the level of quantitative easing at £745bn. Its forecasts were optimistic in terms of three areas:

    - The fall in GDP in the first half of 2020 was revised from 28% to 23% (subsequently revised to -21.8%). This is still one of the largest falls in output of any developed nation. However, it is only to be expected as the UK economy is heavily skewed towards consumer-facing services – an area which was particularly vulnerable to being damaged by lockdown.
    - The peak in the unemployment rate was revised down from 9% in Q2 to 7½% by Q4 2020.
    - It forecast that there would be excess demand in the economy by Q3 2022 causing CPI inflation to rise above the 2% target in Q3 2022, (based on market interest rate expectations for a further loosening in policy). Nevertheless, even if the Bank were to leave policy unchanged, inflation was still projected to be above 2% in 2023.

- It also squashed any idea of using negative interest rates, at least in the next six months or so. It suggested that while negative rates can work in some circumstances, it would be "less effective as a tool to stimulate the economy" at this time when banks are worried about future loan losses. It also has "other instruments available", including QE and the use of forward guidance.
- The MPC expected the £300bn of quantitative easing purchases announced between its March and June meetings to continue until the "turn of the year". This implies that the pace of purchases will slow further to about £4bn a week, down from £14bn a week at the height of the crisis and £7bn more recently.
- In conclusion, this would indicate that the Bank could now just sit on its hands as the economy was recovering better than expected. However, the MPC acknowledged that the "medium-term projections were a less informative guide than usual" and the minutes had multiple references to downside risks, which were judged to persist both in the short and medium term. One has only to look at the way in which second waves of the virus are now impacting many countries including Britain, to see the dangers. However, rather than a national lockdown, as in March, any spikes in virus infections are now likely to be dealt with by localised measures and this should limit the amount of economic damage caused. In addition, Brexit uncertainties ahead of the year-end deadline are likely to be a drag on recovery. The wind down of the initial generous furlough scheme through to the end of October is another development that could cause the Bank to review the need for more support for the economy later in the year. Admittedly, the Chancellor announced in late September a second six month package from 1st November of government support for jobs whereby it will pay up to 22% of the costs of retaining an employee working a minimum of one third of their normal hours. There was further help for the self-employed, freelancers and the hospitality industry. However, this is a much

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less generous scheme than the furlough package and will inevitably mean there will be further job losses from the 11% of the workforce still on furlough in mid-September.

- Overall, the pace of recovery is not expected to be in the form of a rapid V shape, but a more elongated and prolonged one after a sharp recovery in June through to August which left the economy 11.7% smaller than in February. The last three months of 2020 are now likely to show no growth as consumers will probably remain cautious in spending and uncertainty over the outcome of the UK/EU trade negotiations concluding at the end of the year will also be a headwind. If the Bank felt it did need to provide further support to recovery, then it is likely that the tool of choice would be more QE.
- There will be some painful longer term adjustments as e.g. office space and travel by planes, trains and buses may not recover to their previous level of use for several years, or possibly ever. There is also likely to be a reversal of globalisation as this crisis has shown up how vulnerable long-distance supply chains are. On the other hand, digital services is one area that has already seen huge growth.
- One key addition to the Bank's forward guidance was a new phrase in the policy statement, namely that "it does not intend to tighten monetary policy until there is clear evidence that significant progress is being made in eliminating spare capacity and achieving the 2% target sustainably". That seems designed to say, in effect, that even if inflation rises to 2% in a couple of years' time, do not expect any action from the MPC to raise Bank Rate – until they can clearly see that level of inflation is going to be persistently above target if it takes no action to raise Bank Rate
- The Financial Policy Committee (FPC) report on 6th August revised down their expected credit losses for the banking sector to "somewhat less than £80bn". It stated that in its assessment "banks have buffers of capital more than sufficient to absorb the losses that are likely to arise under the MPC's central projection". The FPC stated that for real stress in the sector, the economic output would need to be twice as bad as the MPC's projection, with unemployment rising to above 15%.
- US. The incoming sets of data during the first week of August were almost universally stronger than expected. With the number of new daily coronavirus infections beginning to abate, recovery from its contraction this year of 10.2% should continue over the coming months and employment growth should also pick up again. However, growth will be dampened by continuing outbreaks of the virus in some states leading to fresh localised restrictions. At its end of August meeting, the Fed tweaked its inflation target from 2% to maintaining an average of 2% over an unspecified time period i.e. following periods when inflation has been running persistently below 2%, appropriate monetary policy will likely aim to achieve inflation moderately above 2% for some time. This change is aimed to provide more stimulus for economic growth and higher levels of employment and to avoid the danger of getting caught in a deflationary "trap" like Japan. It is to be noted that inflation has actually been under-shooting the 2% target significantly for most of the last decade so financial markets took note that higher levels of inflation are likely to be in the pipeline; long term bond yields duly rose after the meeting. The Fed also called on Congress to end its political disagreement over providing more support for the unemployed as there is a limit to what monetary policy can do compared to more directed central government fiscal policy. The FOMC's updated economic and rate projections in mid-September showed that officials expect to leave the fed funds rate at near-zero until at least end-2023 and probably for another year or two beyond that. There is now some expectation that where the Fed has led in changing its inflation

target, other major central banks will follow. The increase in tension over the last year between the US and China is likely to lead to a lack of momentum in progressing the initial positive moves to agree a phase one trade deal.

- EU. The economy was recovering well towards the end of Q2 after a sharp drop in GDP, (e.g. France 18.9%, Italy 17.6%). However, the second wave of the virus affecting some countries could cause a significant slowdown in the pace of recovery, especially in countries more dependent on tourism. The fiscal support package, eventually agreed by the EU after prolonged disagreement between various countries, is unlikely to provide significant support and quickly enough to make an appreciable difference in weaker countries. The ECB has been struggling to get inflation up to its 2% target and it is therefore expected that it will have to provide more monetary policy support through more quantitative easing purchases of bonds in the absence of sufficient fiscal support.
- China. After a concerted effort to get on top of the virus outbreak in Q1, economic recovery was strong in Q2 and has enabled it to recover all of the contraction in Q1. However, this was achieved by major central government funding of yet more infrastructure spending. After years of growth having been focused on this same area, any further spending in this area is likely to lead to increasingly weaker economic returns. This could, therefore, lead to a further misallocation of resources which will weigh on growth in future years.
- Japan. There are some concerns that a second wave of the virus is gaining momentum and could dampen economic recovery from its contraction of 8.5% in GDP. It has been struggling to get out of a deflation trap for many years and to stimulate consistent significant GDP growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy. The resignation of Prime Minister Abe is not expected to result in any significant change in economic policy.
- World growth. Latin America and India are currently hotspots for virus infections. World growth will be in recession this year. Inflation is unlikely to be a problem for some years due to the creation of excess production capacity and depressed demand caused by the coronavirus crisis.

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Appendix B Interest Rate Forecast Commentary; Extract from Treasury Advisors (Link Asset Services)

The coronavirus outbreak has done huge economic damage to the UK and economies around the world. After the Bank of England took emergency action in March to cut Bank Rate to first 0.25%, and then to 0.10%, it left Bank Rate unchanged at its meeting on 6th August (and the subsequent September meeting), although some forecasters had suggested that a cut into negative territory could happen. However, the Governor of the Bank of England has made it clear that he currently thinks that such a move would do more damage than good and that more quantitative easing is the favoured tool if further action becomes necessary. As shown in the forecast table above, no increase in Bank Rate is expected within the forecast horizon ending on 31st March 2023 as economic recovery is expected to be only gradual and, therefore, prolonged.

GILT YIELDS / PWLB RATES. There was much speculation during the second half of 2019 that bond markets were in a bubble which was driving bond prices up and yields down to historically very low levels. The context for that was heightened expectations that the US could have been heading for a recession in 2020. In addition, there were growing expectations of a downturn in world economic growth, especially due to fears around the impact of the trade war between the US and China, together with inflation generally at low levels in most countries and expected to remain subdued. Combined, these conditions were conducive to very low bond yields. While inflation targeting by the major central banks has been successful over the last 30 years in lowering inflation expectations, the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers. This means that central banks do not need to raise rates as much now to have a major impact on consumer spending, inflation, etc. The consequence of this has been the gradual lowering of the overall level of interest rates and bond yields in financial markets over the last 30 years. Over the year prior to the coronavirus crisis, this has seen many bond yields up to 10 years turn negative in the Eurozone. In addition, there has, at times, been an inversion of bond yields in the US whereby 10 year yields have fallen below shorter term yields. In the past, this has been a precursor of a recession. The other side of this coin is that bond prices are elevated as investors would be expected to be moving out of riskier assets i.e. shares, in anticipation of a downturn in corporate earnings and so selling out of equities.

Gilt yields had therefore already been on a generally falling trend up until the coronavirus crisis hit western economies during March. After gilt yields spiked up during the initial phases of the health crisis in March, we have seen these yields fall sharply to unprecedented lows as major western central banks took rapid action to deal with excessive stress in financial markets, and started massive quantitative easing purchases of government bonds: this also acted to put downward pressure on government bond yields at a time when there has been a huge and quick expansion of government expenditure financed by issuing government bonds. Such unprecedented levels of issuance in “normal” times would have caused bond yields to rise sharply. At the close of the day on 30th September, all gilt yields from 1 to 6 years were in negative territory, while even 25-year yields were at only 0.76% and 50 year at 0.60%.

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From the local authority borrowing perspective, HM Treasury imposed two changes of margins over gilt yields for PWLB rates in 2019-20 without any prior warning. The first took place on 9th October 2019, adding an additional 1% margin over gilts to all PWLB period rates. That increase was then at least partially reversed for some forms of borrowing on 11th March 2020, but not for mainstream General Fund capital schemes, at the same time as the Government announced in the Budget a programme of increased infrastructure expenditure. It also announced that there would be a consultation with local authorities on possibly further amending these margins; this was to end on 4th June, but that date was subsequently put back to 31st July. It is clear HM Treasury will no longer allow local authorities to borrow money from the PWLB to purchase commercial property if the aim is solely to generate an income stream (assets for yield).

Following the changes on 11th March 2020 in margins over gilt yields, the current situation is as follows: -

- PWLB Standard Rate is gilt plus 200 basis points (G+200bps)
- PWLB Certainty Rate is gilt plus 180 basis points (G+180bps)
- PWLB HRA Standard Rate is gilt plus 100 basis points (G+100bps)
- PWLB HRA Certainty Rate is gilt plus 80bps (G+80bps)
- Local Infrastructure Rate is gilt plus 60bps (G+60bps)

It is possible that the non-HRA Certainty Rate will be subject to revision downwards after the conclusion of the PWLB consultation; however, the timing of such a change is currently an unknown, although it would be likely to be within the current financial year.

As the interest forecast table for PWLB certainty rates, (gilts plus 180bps), above shows, there is likely to be little upward movement in PWLB rates over the next two years as it will take economies, including the UK, a prolonged period to recover all the momentum they have lost in the sharp recession caused during the coronavirus shut down period. Inflation is also likely to be very low during this period and could even turn negative in some major western economies during 2020/21.

The balance of risks to the UK

- The overall balance of risks to economic growth in the UK is probably relatively even, but is subject to major uncertainty due to the virus.
- There is relatively little UK domestic risk of increases or decreases in Bank Rate and significant changes in shorter term PWLB rates. The Bank of England has effectively ruled out the use of negative interest rates in the near term and increases in Bank Rate are likely to be some years away given the underlying economic expectations. However, it is always possible that safe haven flows, due to unexpected domestic developments and those in other major economies, could impact gilt yields, (and so PWLB rates), in the UK.

Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- UK - second nationwide wave of virus infections requiring a national lockdown
- UK / EU trade negotiations – if it were to cause significant economic disruption and a fresh major downturn in the rate of growth.
- UK - Bank of England takes action too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.

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- A resurgence of the Eurozone sovereign debt crisis. The ECB has taken monetary policy action to support the bonds of EU states, with the positive impact most likely for "weaker" countries. In addition, the EU recently agreed a €750bn fiscal support package. These actions will help shield weaker economic regions for the next year or so. However, in the case of Italy, the cost of the virus crisis has added to its already huge debt mountain and its slow economic growth will leave it vulnerable to markets returning to taking the view that its level of debt is unsupportable. There remains a sharp divide between northern EU countries favouring low debt to GDP and annual balanced budgets and southern countries who want to see jointly issued Eurobonds to finance economic recovery. This divide could undermine the unity of the EU in time to come.
- Weak capitalisation of some European banks, which could be undermined further depending on extent of credit losses resultant of the pandemic.
- German minority government & general election in 2021. In the German general election of September 2017, Angela Merkel's CDU party was left in a vulnerable minority position dependent on the fractious support of the SPD party, as a result of the rise in popularity of the anti-immigration AfD party. The CDU has done badly in subsequent state elections but the SPD has done particularly badly. Angela Merkel has stepped down from being the CDU party leader but she intends to remain as Chancellor until the general election in 2021. This then leaves a major question mark over who will be the major guiding hand and driver of EU unity when she steps down.
- Other minority EU governments. Austria, Sweden, Spain, Portugal, Netherlands, Ireland and Belgium also have vulnerable minority governments dependent on coalitions which could prove fragile.
- Austria, the Czech Republic, Poland and Hungary now form a strongly anti-immigration bloc within the EU. There has also been a rise in anti-immigration sentiment in Germany and France.
- Geopolitical risks, for example in China, Iran or North Korea, but also in Europe and other Middle Eastern countries, which could lead to increasing safe haven flows.
- US – the Presidential election in 2020: this could have repercussions for the US economy and SINO-US trade relations.

Upside risks to current forecasts for UK gilt yields and PWLB rates

- UK - stronger than currently expected recovery in UK economy.
- Post-Brexit – if an agreement was reached that removed the majority of threats of economic disruption between the EU and the UK.
- The Bank of England is too slow in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.

Appendix C Treasury and Prudential Indicators

Prudential Indicator	**2020/21 Indicator**	**2020/21 Q2**
Authorised limit for external debt *[Excluding PFI and Finance Lease Liabilities]*	----- £750.0m -----	
Operational boundary for external debt *[Excluding PFI and Finance Lease Liabilities]*	----- £730.0m -----	
Capital Financing Requirement (CFR) *[Excluding PFI and Finance Lease Liabilities]*	£680.m	£659.3m
Ratio of financing costs to net revenue streams	4.35%	4.35%
Upper limit of fixed interest rates based on net debt	150%	83%
Upper limit of variable interest rates based on net debt	65%	17%
Principal sums invested > 365 days *[Excluding third party loans]*	£20.0m	£nil
Maturity structure of borrowing limits:-		
Under 12 months	Max. 80% Min. 0%	4%
12 months to 2 years	Max. 50% Min. 0%	2%
2 years to 5 years	Max. 50% Min. 0%	4%
5 years to 10 years	Max. 50% Min. 0%	4%
10 years and above	Max. 100% Min. 0%	86%

Note: The Treasury Management Code of Practice guidance notes requires that maturity is determined by the earliest date on which the lender can trigger repayment, which in the case of LOBO loans is the next break/call point. This approach differs to Table 3 at paragraph above, which instead shows the Council’s LOBO loan at maturity date as the likelihood of the option being exercised is low.

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