

NORTH NORTHAMPTONSHIRE SHADOW AUTHORITY

SHADOW EXECUTIVE COMMITTEE MEETING

7th December 2020

Report Title	Draft Budget 2021-22 and Medium Term Financial Plan
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1. Purpose of Report

- 1.1. This report sets out the first draft Revenue Budget 2021-22 and Medium Term Financial Plan for North Northamptonshire Council. The proposed budget commences the budget consultation process. Residents, local partners and other stakeholders will have the opportunity to review the proposed budget and provide feedback during the seven week consultation period. The draft budget will also be presented to the Shadow Overview and Scrutiny Committee for comment and there will be wider engagement with the elected members for North Northamptonshire.
- 1.2. After considering the outcomes of both the review by the Shadow Overview and Scrutiny Committee and the wider consultation feedback, the Shadow Executive Committee will consider the proposals in the draft final budget and the Council Tax Resolution report for 2021-22 for recommendation to the North Northamptonshire Shadow Authority budget meeting on 25th February 2021. The Council Tax Resolution report will contain the final information from all the precepting authorities required to propose the Council Tax for all areas of North Northamptonshire.
- 1.3. The budget report sets out the latest estimated funding position, service budget pressures, key financial risks and challenges influencing the development of the new North Northamptonshire Council's financial plans for 2021-22 and the ongoing financial impact of those plans, together with the longer term estimates of funding and spending requirements.

2. Executive Summary

- 2.1. This report presents the first draft revenue budget and Medium Term Financial Plan for the new North Northamptonshire Council. The draft budget for North Northamptonshire Council will provide a range of services to residents and businesses across the area including care to vulnerable adults and children, education, the disposal and collection of waste, household waste recycling, economic development, housing and support for the homeless.
- 2.2. The creation of a new single tier council provides the opportunity to transform and improve local services for the residents of North Northamptonshire. The Council will work with businesses and other partners to support economic recovery following the COVID-19 pandemic and promote growth, and will support our communities and vulnerable people through our work with the voluntary and community sector. The draft budget and Medium Term Financial Plan has been developed in this context.
- 2.3. The draft budget and Medium Term Financial Plan which has been prepared continues the improvement journey set out in the Future Northants Programme Prospectus for Change with investment in transformation for services, particularly within adults and children's services. The budget approach has been to provide a 'safe and legal plus' transition from the sovereign councils through the Blueprint. There are resources for the most vulnerable to provide support through the current COVID-19 pandemic. The budget includes efficiencies arising from a review of the senior management restructure and also recognises these are uncertain times by setting aside resources to respond to unexpected pressures.
- 2.4. The new Council will continue to face financial pressures. It is recognised nationally that there are significant budget pressures for local government, not only from the longer-term impact of COVID-19 on costs and income, but also Social Care demand and other cost pressures which pre-date the pandemic.
- 2.5. Whilst the creation of the new Unitary Council creates a number of opportunities to benefit the region, it is also recognised that there are some risks and costs, both upfront and legacy, associated with the implementation of local government reform.
- 2.6. The Spending Review announced by the Chancellor on 25th November 2020 set out the funding for local government at a national level for 2021-22. On the face of it there is recognition of some of the pressures facing the sector, including COVID-19, however, a large proportion of the funding announced is one-off in nature. This, together with changes to the funding regime for local government planned from 2022-23 onwards, leads to a great deal of uncertainty when developing medium-term financial plans. The main ongoing resource made possible through the Spending Review is the ability to be able to increase Council Tax by up to 5%, inclusive of a 3% precept for Adult Social Care, for the next financial year.
- 2.7. In the face of these challenges, risks and uncertainties over the short and medium term, the five predecessor councils have assisted to develop initial draft revenue budget plans for consultation which cover the period up to 2024-

25. These plans will need to be continually reviewed, monitored and assessed, including post Vesting Day.
- 2.8. The draft budget and Medium Term Financial Plan incorporates the initial financial benefits and economies of scale arising from amalgamating five councils into one. There will be further opportunities for savings in the future as service provision continues to be reviewed and transformed building on the work already undertaken as part of the Future Northants Programme.
- 2.9. However, the Council continues to face a forecast funding gap of £18m for 2021-22 having incorporated the Spending Review announcements where there is most certainty, financial benefits arising from economies of scale and government flexibilities for spreading the collection fund deficit over the three years 2021-22 to 2023-24.
- 2.10. To help maintain and protect levels of service provision the Shadow Authority will consult on a core Council Tax increase of 1.99% which is up to the level set by the government without triggering a referendum and utilising the allowable social care precept increase of 3% in full. This would contribute around £8m per annum and would represent a Band D level of Council Tax for North Northamptonshire Council of £1,532.90 in 2021/22, equivalent to £29.48 per week. This Band D figure does not include the Council Tax for individual town and parish councils or the Council Tax set for fire and police by the Northamptonshire Police, Fire and Crime Commissioner.
- 2.11. Members are reminded that the County Council's Band D Council Tax level was the lowest in the country for a County Council in 2020-21. The Council Tax for the Unitary Authority from 2021-22 will consist of both the County Council's precept requirements and a harmonised amount¹ for the District and Borough Councils across the North, so that there is a single level of Council Tax for the new Unitary Authority. Based on 2020-21 Council Tax levels this would result in the North Northamptonshire Unitary Band D being in the lowest quartile for England.
- 2.12. To help put this into context the national average for a unitary council's Band D in 2020-21 was £30.17 per week which is £2.12 (or 7.5%) higher than the 2020-21 rate in North Northamptonshire (applying this average Band D level, the additional yield would have been around £12.2m). Council Tax income is key to the ongoing financial sustainability of the Council and the delivery of vital services to its residents alongside investment in its Neighbourhoods.
- 2.13. After the proposed increase in Council Tax there is still a funding gap to bridge of around £10m for 2021-22. To fund the remaining gap the Council will continue to work with government to receive a fair financial settlement. The Local Government Finance Settlement is expected to be announced in mid December, and alongside this the Council will continue to develop ways in which it can produce a balanced budget for 2021-22 and over the medium term.
- 2.14. Following the consultation on the draft budget the full suite of budget reports will be presented to the Shadow Executive Committee on 10th February 2021.

¹ The Council Tax harmonisation proposals were reported to the Shadow Executive on 27th August 2020

This will include the Revenue Budget 2021-22 and Medium Term Financial Plan, the Housing Revenue Account Budget 2021-22, the Capital Strategy and Capital Programme, and the Treasury Management Strategy. The Draft Housing Revenue Account Budget 2021-22 will be considered by the Shadow Executive Committee on 7th January 2021 before consultation with the Tenants Forums in Kettering and Corby. These reports together will provide a framework for revenue and capital planning for 2021-22 and into the medium term. The aforementioned suite of budget reports, including the Council Tax Resolution will be considered by the Shadow Authority on 25th February 2021. The budget timetable is set out in the table below.

Milestone	Date
Shadow Executive Committee Considers Draft Budget and MTFP	7 th December 2020
Shadow Overview and Scrutiny Committee Considers Approach to Budget Consultation	10 th December 2020
Budget Consultation Commences	11 th December 2020
Provisional Local Government Finance Settlement Announcement	w/c 14 th December 2020
Shadow Executive Consider Treasury Management Strategy and Housing Revenue Account Budget Reports	7 th January 2021
Shadow Overview and Scrutiny Committee Responds to Budget	28 th January 2021
Budget Consultation Ends	29 th January 2021
Shadow Executive Committee Considers Budget for Recommendation to Shadow Authority	10 th February 2021
Shadow Authority Consider Budget and Council Tax Resolution for Approval	25 th February 2021
North Northamptonshire Council Vesting Day	1 st April 2021

2.15. The North Northamptonshire Medium Term Financial Plan and Budget Task and Finish Group (NN MTFP & Budget T&F Group) established a set of guiding principles to steer the budget setting process. The key themes underpinning the draft 2021-22 budget as established by the NN MTFP & Budget T&F Group are as follows:

- Being safe, legal and compliant.
- Resources are focussed on priorities.
- A financially balanced budget for 2021-22 and over the medium term.
- Value for money provided to the taxpayer and rent payer.
- An acceptable level of risk which is proactively managed.
- Transparent decision making.

3. Recommendations

3.1 It is recommended that the Shadow Executive Committee:

- a) Notes the 2021-22 Draft Budget which will be consulted upon, which includes:

- i. an estimated net revenue budget of £600.78m (£284.78m excluding Dedicated Schools Grant) as set out in Appendix A, this is subject to further update following the publication of the Local Government Finance Settlement
 - ii. Council Tax harmonisation for North Northamptonshire using the alternative notional amount approach over the shortest possible period
 - iii. Local Council Tax Reduction Scheme changes as outlined in the report in section 10.12 – 10.16
 - iv. a Band D Council Tax of £1,532.90 for North Northamptonshire Council, (1.99% increase in ‘core’ Council Tax and 3% Adult Social Care Precept)
 - v. savings and income generation proposals of £17.10m as set out in Appendix A
 - vi. harmonised fees and charges as detailed in the schedule at Appendix D
 - vii. maximised Council Tax Long Term Empty Property Premium as set out in section 10.17-10.18
 - viii. the potential remaining budget gap of £10m which will be addressed alongside the Local Government Finance Settlement.
- b) Endorses the consultation process outlined at section 16.8-16.14 which commences on 11th December 2020.
- c) Notes the Draft Fees and Charges Policy at Appendix C.
- d) Notes the planned utilisation of the Dedicated Schools Grant (DSG) for 2021-22 pending the final DSG settlement.
- e) Following consultation with the Schools Forum, delegates authority to the Director for Children’s Services in consultation with the Portfolio Holder for Children’s Services, the Portfolio Holder for Finance and the Executive Director of Finance (S151 Officer) to determine the DSG 2021-22 schools funding formula, high needs funding arrangements and the Early Years Funding Formula in line with Department for Education guidance.
- f) Notes the provisional allocations of increased funding for the Schools Block and High Needs Block for 2021-22 and reduced Central Schools Services Block for the Dedicated Schools Grant (DSG) allocations.

3.2 Reason for Recommendations:

- *To ensure that the Shadow Authority complies with its Constitution in setting the budget for North Northamptonshire.*

4. Report Background

- 4.1 The budgets of the new North Northamptonshire Council will comprise a general fund revenue account, a housing revenue account, a Dedicated Schools Grant (DSG) budget and a capital programme. The general fund includes all revenue income and expenditure, including day to day running costs, financed from Council Tax, Business Rates, government grants and fees and charges, excluding those related to council housing. The housing

revenue account includes all revenue expenditure and income on activities related to being a housing landlord. The DSG focuses on the funding for schools and Early Years settings as well as other specific Education related costs. The capital programme includes all capital expenditure and income, including the acquisition, replacement and enhancement of assets financed from government grants, external contributions, revenue contributions, capital receipts and borrowing.

- 4.2 This report focuses on the Council's general fund budget and notes the planned use of the DSG for 2021-22 and into the medium term. A separate report containing full details of the proposed draft budgets for the housing revenue account, which will be considered by the Shadow Executive Committee on 7th January 2021 and the capital programme, which will be considered under item 5b) elsewhere on the agenda for this meeting.

National and Economic Context to the 2021-22 Budget

- 4.3 The Chancellor delivered a one year Spending Review on 25th November 2020, noting that the economic emergency caused by COVID-19 had only just begun. The government is expected to borrow £394bn in 2020-21, the highest level in the peacetime history of the UK. Borrowing is predicted to fall to £164bn next year and £105bn in 2022-23. The latest figures, as at the date of the Spending Review, show 1.62m people in the UK are unemployed, a number which has risen by more than 300,000 since last year. The Chancellor warned that UK unemployment is expected to increase to 7.5%, or 2.6m, by mid-2021.
- 4.4 The economy is predicted to contract by 11.3% in the current year, the largest fall in output for over 300 years, and grow by 5.5% next year and 6.6% in 2022. UK economic output is not expected to return to pre-crisis levels until quarter four of 2022, with lasting economic damage predicted. The UK will leave the EU single market and customs area on 31st December 2020. The Office for Budget Responsibility has said that if no deal is reached, and the UK and EU traded under World Trade Organisation rules, including tariffs, this could "reduce real GDP" by 2% in 2021, on top of the economic damage caused by COVID-19.
- 4.5 Full details of the Spending Review announced by the Chancellor are available using the link below. The paragraphs which follow summarise the main points for local government and, where applicable, the estimated impact for North Northamptonshire Council. It should be noted that the individual allocations to each council will only be confirmed as part of the Local Government Finance Settlement which is anticipated to be published mid-December 2020.

<https://www.gov.uk/government/publications/spending-review-2020-documents>

Core Spending Power

- 4.6 Core Spending Power (CSP) is a measure of the resources available to local authorities to fund service delivery. It sets out the money that has been made available to local authorities and is a combination of both central and local

government decisions. CSP is forecast to increase by £2.1bn (4.5%) in 2021-22 – the composition of these changes is as follows;

- A 2% referendum level for the increase in “core” Council Tax plus a further 3% increase for the Adult Social Care Precept is estimated to generate **£1.6bn**, this assumes nationally a 0.9% increase in tax base and the maximum increase in Band D is applied by all authorities. For North Northamptonshire an increase in Council Tax of 4.99% generates around £8.1m of additional income.
- There is **£300m** funding for adult and children’s social care. This has been funded from £150m of new resources and £150m transferred from New Homes Bonus monies. This is in addition to the existing adult social care grant and the Improved Better Care Fund. The 2019 Spending Review allocated £1bn for Social Care in 2020-21, and it has now been confirmed that this amount remains in the base for 2021-22. It is estimated that North Northamptonshire will receive around £1.4m of this grant (based on the relative needs formula for Adult Social Care). The allocation will be confirmed as part of the Finance Settlement in December 2020.
- There is **£200m** for indexation. This has two elements: inflation for Revenue Support Grant (RSG), and the effect of cap compensation on business rates income and baselines. The basis for these calculations has not been confirmed and therefore remains provisional for now.

COVID-19 associated funding

4.7 The government has made available around £3bn of funding of around £3bn for local government in 2021-22 in response to the impact of COVID-19. This funding is separate from the CSP. The composition of the **£3bn** is as follows:

- **£1.55bn** has been made available to fund local government’s expenditure pressures in the first quarter of 2021-22. The basis for the distribution of this funding is likely to be announced alongside the Finance Settlement. The current assumption is that this funding will be distributed on the same basis as the 3rd tranche formula used in 2020-21². At this stage the draft budget reflects £7.5m. However, the total allocation for the Council and the timing of receiving these monies are still to be confirmed by government. It is important to note that this is one-off funding and that the COVID-19 support package was created after the vaccine news – so the package reflects some optimism that the future impact of COVID on local government and the wider economy will be reduced. The assumption regarding the funding allocation to North Northamptonshire will remain a risk until the Ministry of Housing, Communities and Local Government (MHCLG) confirm the position.
- A compensation scheme for Collection Fund tax-income losses has been announced. The Tax Income Guarantee Scheme will fund 75% of irrecoverable losses for Business Rates and Council Tax. The details of this scheme are expected to be announced alongside the Settlement. The

² The tranche 4 payments for COVID-19 support paid to Local Government in 2020-21 included an adjustment to ensure that the overall COVID funding paid to each Council aligned to the proportions within tranche 3.

Treasury has estimated that the cost of the scheme will be **£762m**. Authorities will still have to spread their collection fund deficits over three years but the spreading will be after the deduction of the irrecoverable losses. The Council will await further guidance from MHCLG regarding how these losses will be compensated and the associated timing and budgetary impact. The draft budget currently assumes only the spreading of the Collection Fund deficit over three years.

- A further **£670m** in grant funding has been announced for local authorities in respect of residents claiming Council Tax Support. This scheme is to reflect the extra costs from increased take-up. The allocations are still to be confirmed and are likely to be consulted on in the provisional Finance Settlement.
- The Sales, Fees and Charges (SFC) income compensation scheme will be extended into the first three months of 2021-22. Further guidance will be issued in relation to the baseline against which the losses will be measured. Currently, the scheme is expected to operate the same as that in place for 2020-21, where 75% of the loss in income will be reimbursed and there will be a 5% disregard, which will be calculated on the first quarter only.

Other Budget Changes

- 4.8 The proposals for New Homes Bonus (NHB) in 2021-22 are that there will be a further year of reward for bringing more houses into use. This is the same approach as taken in 2020-21, but as with 2020-21 there will be no associated legacy payment. There will be two legacy payments in 2021-22 relating to 2018-19 and 2019-20 – these will continue as planned. The Council's 2021-22 budget and MTFP is modelled on these assumptions as detailed in the table below:

	2021/22	2022/23
	£'000	£'000
Yr8 (2018-19)	2,380	0
Yr9 (2019-20)	1,819	1,819
Total	4,199	1,819

- 4.9 As part of the Spending Review 2020 the Chancellor announced that most public sector workers will have their pay frozen in 2021-22, with only those earning less than £24,000 and NHS workers seeing any increase in salary. The National Living Wage is set to increase by 2.2%, or a minimum of £345 to £8.91 per hour. The local government pay award is not determined by central government. A pay increase contingency has therefore been built into the budget at this stage until there is further clarity on the impact on local government arising from national pay negotiations.
- 4.10 It was announced in April 2020 that the government would not proceed with the implementation of the Review of Relative Needs and Resources (formerly referred to as the Fair Funding Review) and Business Rates reform which included 75% Retention in 2021-22. The reset of accumulated Business

Rates growth has also been postponed and will not take place in 2021-22. The delay is likely to be positive for Northamptonshire as the County has seen above average business growth in recent years. Significant uncertainty around levels of government funding after 2021-22 and into the medium term therefore remains.

4.11 Other announcements from the Spending Review include:

- Funding for the Troubled Families scheme will continue on a roll over basis
- Funding of £254m was announced to reduce rough sleeping and homelessness. Of this £103m had been announced earlier this year for accommodation and substance misuse support.
- Public Works Loan Board (PWLB) lending rate cut back to 100 basis points from 26 November 2020 but with additional restrictions. This is discussed further in the Capital Strategy report elsewhere on this agenda.
- Levelling up funding - this is a bidding process and must be spent within this parliament term.

4.12 Due to the fact it is a one-year Settlement and many of the announcements are for one-off funding only, the position for 2022-23 and beyond remains uncertain and extremely challenging. Therefore, the Council will still need to deliver planned savings in 2021-22 to contribute towards a sustainable position for the future.

5. Governance

5.1 Governance processes which have been established in the development of the draft budget have included:

- the establishment of member led Task and Finish Groups to oversee progress and plans for:
 - Council Tax Harmonisation
 - Disaggregation of the County Council's balance sheet and revenue budget
 - The development of the Budget and Medium Term Financial Plan.
- regular budget development sessions with members of the Shadow Executive
- officer led budget working groups for North Northamptonshire and for the North, the West and the County Council
- further budget development sessions with the North Northamptonshire Corporate Leadership Team

5.2 The approach taken to set the 2021-22 Draft Budget and Medium Term Financial Plan for North Northamptonshire Council has been to:

- Establish the baseline budget for 2020-21 through the disaggregation of Northamptonshire County Council's budget and the aggregation of the four District and Borough councils' budgets for Kettering, Corby,

Wellingborough and East Northamptonshire. This work was undertaken under the oversight of the Disaggregation Task and Finish Group, which presented a progress report to the North Northamptonshire Shadow Executive Committee on 27th August 2020.

- Identify pressures and savings in 2021-22 and into the medium term from the existing sovereign councils, including the disaggregated split of the County Council's pressures and savings, and the full year effects of previous decisions.
- Identify efficiency opportunities arising from the Future Northants transformation programme and the draft Blueprint for North Northamptonshire, such as savings arising from senior management restructure.
- Review the funding position and assumptions, including risks and uncertainty around the announcements included in the Spending Review.
- Establish forecasts of Council Tax yield based on an assumption of harmonisation in the first year adopting the Alternative Notional Amount methodology (the average Council Tax approach) where the referendum principles are applied to the average Council Tax for the area, as recommended to the Shadow Executive Committee by the Council Tax Harmonisation Task and Finish Group on 27th August 2020.

6. Developing the Budget Proposals - Issues and Choices

- 6.1 The budget proposals contained within this report have been developed with reference to the guiding principles of the NN MTFP & Budget T&F Group, as set out in section 2.15 of this report.
- 6.2 A key requirement as part of formulating the 2021-22 draft budget has been to develop a process for allocating the existing Medium Term Financial Plans to the new organisations. For North Northamptonshire Council this process entails the aggregation of the budgets for the existing District and Borough councils and the disaggregation of the County Council's budget into the new Unitary authorities.
- 6.3 The existing plans were carefully scrutinised to identify and budget for changes related to:
- COVID-19 pressures
 - Contract and other inflation
 - Demographic and service demand
 - Full year impacts of previous decisions
 - Technical and legislative changes
 - The implementation of the service Blueprint for North Northamptonshire and the Council's drive for further transformation and improvement.

Future Northants Programme

- 6.4 The Future Northants Programme has been in place to support the delivery of the two new Unitary Authorities, with dedicated programmes set up to deliver

key objectives that have been identified through extensive analysis of the requirements of the new Councils. First and foremost, all programmes must achieve a safe and legal day one transition. This means that each organisation must have the staff, systems, budgets, procedures and policies to deliver their statutory duties. This is to avoid disruption to services to residents and businesses and ensure that nothing falls through the net in the transfer, especially protecting vulnerable residents.

- 6.5 Wherever it is safe and practical, the Future Northants programme has sought to find ways and opportunities to transform and deliver “plus” elements in the programme, allowing improvements to be delivered in time for Vesting Day on 1 April 2021. This transformational activity will continue beyond Vesting Day, when the majority of service and process improvements will be delivered. To this end, a Transformation team will be set up within both of the new Unitary Authorities, led by a Director of Transformation who is already in post and leading the drive towards delivering ‘safe and legal (plus)’ arrangements by April and the further and more significant transformation of the future.

Future Northants Benefits Realisation

- 6.6 As previously reported to the Shadow Executive Committee, an analysis of the impact of the current health crisis on the realisation of financial benefits has been undertaken on each of the Business Rates Retention Pilot schemes and NCC savings on the basis of what is currently known or assumed.
- 6.7 Although there may be some delay in delivering the benefits due to COVID impacts it is still expected that annual benefits rising to £85m a year will be achieved across Northamptonshire. With one off costs of £53.3m this still represents a significant return on investment and a positive legacy for the two new Unitary Councils. Of the total £85m it is expected that £35m will be delivered after Vesting Day.
- 6.8 The £35m savings which are forecast to be delivered after Vesting Day have been disaggregated in line with the principles set out in section 6.12 below, and are included in the Medium Term Financial Plans for the North and West.
- 6.9 Further work will be undertaken between the draft and final budget to understand any potential movements on individual schemes and savings plans. Any other opportunities for savings will continue to be explored, including the ongoing work to shape the North Northamptonshire transformation programme. An update will be provided as part of the final budget proposals.

Disaggregation of the Northamptonshire County Council Budget

- 6.10 As part of the process of disaggregating the County Council’s complex service budgets, a number of key overarching disaggregation principles were agreed. Individual services have been reviewed and analysed with the appropriate disaggregation principle being applied.
- 6.11 Whilst the majority of disaggregation principles have been agreed there are still some areas to be finalised particularly in relation to the balance sheet, corporate and support service budgets, capital financing, reserves,

investments and the pensions deficit. This work is being undertaken in conjunction with the Council's external treasury advisers and the pension fund actuary. Further details will be presented as part of the final budget proposals

6.12 The disaggregation principles applied in order to split the County Council budget between West and North Northamptonshire can be grouped by the following categories:

- **Ordinary Residence** – Used to split Adult Social Care budgets based upon home postcode of service user, taken from CareFirst system. The allocation of client contributions towards care packages is also split based on ordinary residence.
- **Geographic Location** – Based upon the location used to deliver the service, for example location of Country Parks.
- **Cost drivers** – Underlying cost drivers for particular service areas, for example the Highways budget has been split by road length
- **Population** – for demand led services where costs are based upon usage. Using population data from the Office for National Statistics. For adult social care the allocation of grant and other income has been proposed to be split by population.
- **Funding Formula** – Where the split is prescribed within funding terms and conditions. For example, Dedicated Schools Grant (DSG) and Public Health Grant have used specific grant formula / data to allocate the funding.
- **Staff numbers** – Used to pro-rata for support services, where the driver will be based upon the size of each Unitary Authority, for example the cost of Payroll service.

		Budget disaggregation based upon:					
		Ordinary Residence	Geographic location	Cost drivers	Population	Funding Formula	Staffing numbers
NCC budget element	Adult Social Care	X			X		
	Children's Social Care		X	X	X		
	Place		X	X	X		X
	Corporate Services		X		X		
	Back Office Support Services						X
	Corporate items		X	X			X
	Revenue Funding					X	
	DSG					X	
	Public Health		X		X	X	
	Balance Sheet		X	X		X	

6.13 The data sets used to calculate the budget allocation have been taken at a point in time, therefore there is a risk that with more demand led budgets such as Adults Social Care there may be variations in volume trends over the remainder of the financial year when compared to the original data utilised.

6.14 Following the application of the disaggregation principles the County Council's brought forward revenue budget as at 1st April 2020 of £471.3m has been disaggregated across both Unitary organisations, as follows:

	North Northamptonshire (£m)	West Northamptonshire (£m)
County Council Baseline Budget	224.1	247.2

Disaggregation of Northamptonshire County Council Balance Sheet

- 6.15 There are linkages between items on the balance sheet, service revenue budgets, and the capital programme. Therefore, the principles used to disaggregate the balance sheet need to be consistent with the principles used to disaggregate revenue budgets and the capital programme.
- 6.16 The disaggregation of the County Council's Balance Sheet has been undertaken on a principles-based approach. It is important to note that the opening values for North Northamptonshire Council's Balance Sheet cannot be confirmed until the final audits of the previous sovereign councils' accounts has been completed, and this will be after Vesting Day.
- 6.17 Disaggregation principles have been applied in order to split the County Council's Balance Sheet. These can be grouped by the following categories:
- **Unitary Geography**– Fixed Assets (eg Land and Buildings) have been allocated based upon the geographic location of the asset.
 - **Link to Capital programme / Capital Financing Requirement (CFR)** – For example borrowing to support historic capital expenditure. Further work is ongoing to determine the final split of budgets which are linked to the capital programme.
 - **Link to corresponding service disaggregation** – Where balance sheet items are linked to particular service areas, for example service related provisions, these have been disaggregated on the same basis as the corresponding service budget.
 - **Caretaker authority** – Outstanding legacy items such as debtor/creditor balances which will transfer to one of the Unitary authorities to be managed after Vesting Day.
 - **District/Borough Council areas** – Collection Fund related balances can be allocated to specific Borough/District council areas.
- 6.18 As noted previously, whilst the majority of disaggregation principles have been agreed there is still some further work being undertaken to disaggregate some areas of the County Council's budgets and balance sheet. Further details will be presented as part of the final budget proposals.

Aggregation of County Council and District and Borough Budgets

- 6.19 The aggregation of the four District and Borough councils' budgets together with the disaggregated County Council position for the North was undertaken under the oversight of the Disaggregation Task and Finish Group, which presented a progress report to the North Northamptonshire Shadow Executive Committee on 27th August 2020.

- 6.20 The initial aggregated position was established based on the 2020-21 approved revenue budgets, which was then reviewed and updated to incorporate budget proposals as set out in section 6.3 above to develop the draft 2021-22 budget.
- 6.21 The development of the draft budget was overseen by the North Northamptonshire Medium Term Financial Plan and Budget Task and Finish Group.

7. Revenue Budget Overview

7.1 COVID-19 Impacts

7.2 Dealing with the impact of COVID-19 has resulted in significant additional costs and lost income for the sovereign councils in 2020-21. These pressures are forecast to continue into 2021-22 and beyond for the new Council as a result of the impact of local tier restrictions and national lockdowns in the short term and longer term economic impacts on businesses and residents as a result of business closures and increased unemployment. The impact of the pandemic could not have been foreseen and the new Council, like many other authorities across the country is facing a significant and long-term challenge. Substantial new funding has been provided in 2020-21 to the existing sovereign councils to support COVID-19 pressures, and therefore it is forecast that the main financial impacts resulting from the pandemic will occur in 2021-22, both in terms of the revenue budget and the collection fund.

7.3 Some of the main pressures which are forecast to occur as a result of COVID-19 include costs relating to Clinical Commissioning Group discharge packages (£3,912k), increased mental health costs (£569k), demand pressures in children's' and education services (£719k) additional pressures relating to the running of leisure centres in North Northamptonshire (£962) and lost investment income (£1,502k).

Contract and Pay Inflation Assumptions

7.4 Inflation and service demand pressures have been reviewed throughout the year to ensure these costs are accurately reflected in the medium term financial position. The key planning assumptions are set out below.

General pay inflation

7.5 In 2021-22 a 0.75% increase to cover the 2.75% 2020-21 pay award, of which only 2% was included in the base budget, has been included in forecasts. A provision for the National Living Wage (NLW) is included at £8.91 per hour for over-25 year olds, based on NLW rates for 2021-22. A pay contingency has been incorporated into the budget.

Children's Social Care

7.6 An inflation provision of 2% for Children's Services care providers has been applied, with a 1.3% increase applied to in-house fostering allowances. The inflationary increase is included within the overall contractual agreement with the Children's Trust.

Adult Services

- 7.7 The projected inflation requirement is based on two main factors:
- The underlying Northamptonshire demographic four-year trend in adult social care placements, an increase of 6% year on year. This reflects the increase in the number of placements (or packages) not the increase in clients which is projected as part of demographic pressures/changes. Placements increase (volume and/or price) due to changes in the long term care needs of existing individuals perhaps from increased independence or increased acute care needs.
 - A provision for the National Living Wage (NLW) to increase across the board by 5.6% in line with average increases seen in 2020-21 and current consultation from Low Pay Commission.

Place

- 7.8 The Highways contract specifies the use of the Baxter's construction industry indices (2.3%) and the Confederation of Passenger Transport UK (CPT) figure (4.0%) is used for Home to School Transport. The waste collection and disposal contracts are re-priced through a combination of RPI All Items Index Excluding Mortgage Interest (RPIX) and industry related indices as specified in the contracts. Concessionary Fares are repriced through the use of a rolling average of cost reimbursement based on actual journey data.

Demographic and Service Demand Pressures

Adult Services Demographic Growth

- 7.9 Demographic growth for Adult Social Care is budgeted to cover the anticipated increased costs due to additional clients requesting support from the service. Within Adult Social Care there is a growth proposal of £1.0m for demographic growth, this is driven by the forecast number of additional clients requesting care. The past four years' growth in adult social care costs in Northamptonshire have been driven by two factors, general market inflation (predominately wage related) and acute care needs for existing clients, rather than increased clients due to demographic changes, this is anticipated to continue into 2021-22.
- 7.10 However, in line with a national ageing population Northamptonshire is projected to have an additional 14,900 (11%) residents aged 65 and older by 2025. It is therefore likely that additional pressures will result from demographic increases over the medium to long term planning period. The budget requirements for Adult Social Care will continue to be monitored between the draft budget and the final budget proposals.

Children's Services Demographic Growth

- 7.11 Demographic growth for Children's Services is budgeted to cover the anticipated 0-17 population increase and subsequent increase in children in care and care leavers. Within Children's services there is a growth proposal

for demographic growth of £0.7m, along with a re-baselining growth to reflect to current in year demand of £0.1m.

- 7.12 Demographic growth is driven by the forecast number of children in care. The number of children aged 0-17 years is set to increase in the immediate future which in turn could potentially see a further increase in the number of children in care. However, the latest trends show a lower child in care rate per 10,000 of the population than in previous years, which is expected to result in a more marginal increase in the number of children in care. The data to July 2020 shows that Northamptonshire had 1,141 children in care which equated to 65.4 per 10,000 population (a reduction from the 2019-20 yearly rate of 67.7 per 10,000).

Place Services Demand Growth

- 7.13 Within Place the key budgets affected by demand/volumes are Home to School Transport, Concessionary Fares and Waste Disposal and Collection. There is a budget proposal related to each of these areas based on the outputs from forecasting models which process information on both past activity and projected trends.
- 7.14 The forecast increased costs of homelessness and rough sleeping services are reflected in the proposals relating to COVID pressures in Appendix B.

Full Year Effect of Previous Decisions

- 7.15 This reflects the full year impact to the Unitary budget of decisions already made and approved by the sovereign councils. Where required these budget proposals have already been consulted on as part of the 2020-21 budget setting process. These proposals total £11.309m and include pressures of £0.407m and both existing and new savings proposals and income generation proposals of £11.716m.
- 7.16 Proposals that are classified as the full year effect of previous decision include the re-baselining of demand led service budgets. The re-baselining is to address remaining legacy issues including under-delivery of prior year savings and pressures reported in 2020-21.
- 7.17 Within Adult Services there is a proposed reduction to care budgets of £3.2m which is to realign the base budget to the position reported for 2020-21, where the service has seen a reduced demand against its original budget. There will be further monitoring of the budget requirements for Adult Services between the draft budget and the final budget proposals.
- 7.18 The existing savings programmes of the County Council are also included within this proposal category and include saving proposals being delivered over a number of financial years. These include savings proposals within Adult and Children's Services that form part of Future Northants Transformation Programme:
- Admissions Avoidance Service (£1.9m), which is a new service (initially funded by the business rates pilot fund) provided by Adult Social Care with health partners. The Admission Avoidance care model focuses on

patients/clients presenting at acute hospitals with relevant conditions who can be rapidly assessed, diagnosed and treated without being admitted to a ward, if clinically safe to do so. Currently the Crises Response Team supports the back door discharges at the acute hospitals, where Admission Avoidance will focus on the significant opportunity to provide care on/at the front door to avoid hospital admissions and care costs increases client outcomes.

- Strength Based Working Project (£2.4m) which is the Transformation of Adults Services pathways and processes to ensure focus on client outcomes, independence, better decision making and best practice approaches reduce delays and spend. Business Rate Pilot funded assessment stage and now out for tender for implementation of new Target Operating Model (TOM) service design.

7.19 A detailed list of all proposals is provided within Appendix B to this report.

Implementation of the Service Blueprint

7.20 It was recognised that there would be some structural costs and benefits to the aggregation and disaggregation of the eight Local Authorities into the two new Unitary Authorities.

7.21 The costs of disaggregation of £1.9m largely reflect the need for additional posts that will be required due to current County Council functions needing to be delivered in the two Unitaries. These will be offset by savings generated on the senior leadership structure, which as reported to the November Executive, are anticipated to be approximately £2m.

7.22 An additional saving of £0.044m has been identified by the project group for Housing Options after deciding that the allocations policy could be harmonized across the North, thereby delivering a more efficient Housing Options Allocation System.

Costs Pressure of Local Government Reform

7.23 In addition to realising all of the opportunities that Local Government Reform (LGR) provides there will be cost pressures of £2.9m that the Council has provided for in the 2021-22 budget and medium term plans. The cost pressures include:

- Dis-economies of scale arising from disaggregating NCC services, totalling £1.9m in 2021-22, as set out in section 7.21 above.
- Disaggregation of NCC baseline deficit, £1m in 2021-22.

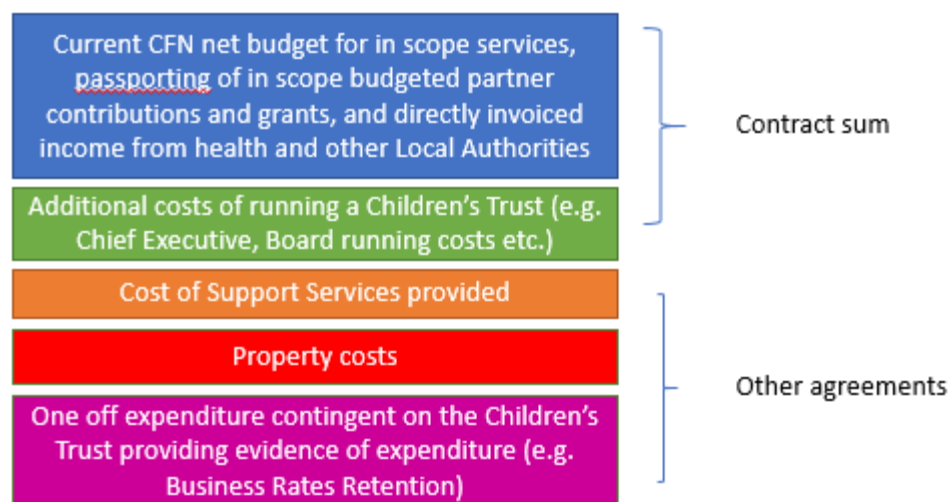
7.24 In addition to these cost pressures the Council has a smoothing strategy of £1.5m per annum from 2021-22 to 2024-25 to provide for the Minimum Revenue Provision (MRP), which follows a previous decision made by the County Council to take a defer MRP following the agreement of a new MRP Policy.

7.25 There are likely to be further costs of change arising from LGR that the new Council is likely to incur which at this stage are currently being worked

through, for example re-branding and service transformation after Vesting Day. The Council has sought to provide for these costs in its draft budget through the establishment of contingency and/or reserves. The position will be reviewed between draft and final budget.

Children’s Trust

- 7.26 The Northamptonshire Children’s Trust (NCT) was established from 1st November 2020 as a company wholly owned by Northamptonshire County Council, to deliver early help and social care services for children and families on behalf of the Council. From 1st April 2021 the ownership of NCT will transfer to the two new Unitary Authorities.
- 7.27 Northamptonshire County Council remains responsible and accountable for the delivery of Children’s statutory duties (as will the two successor councils for North and West), employing a Director of Children’s Services who assures that the Council’s duties are met via the Trust. The Council sets the strategic outcomes and priorities. The Trust is responsible for delivering those outcomes. The Trust remains “operationally independent” and decides how those outcomes are met.
- 7.28 The Children’s Trust budget is made up of the following components, in the diagram CFN stands for Children First Northamptonshire:



- 7.29 An initial Contract Sum will be agreed for the 17 month period from 1st November 2020 to 31st March 2022. The budgeted figure for the contract is £136.37m for 2021-22. This includes a provisional figure for support services. This is split £60.36m (44%) to North Northamptonshire Council and £76.01m (56%) to West Northamptonshire Council.

8. Capital Strategy 2021-22

- 8.1 The Capital Strategy demonstrates how the Council will make expenditure and investment decisions in line with service objectives and properly take account of stewardship, value for money, prudence, sustainability and affordability. It sets out the key objectives and broad principles to be applied by the Council when considering capital investment and its funding, and provides the context for how the Medium Term Capital Programme seeks to support the realisation

of the Council's vision and corporate objectives. The Strategy also provides details of the Council's planned future capital programme and capital funding expectations.

8.2 The Baseline Programme has been put together by taking the already approved schemes in year from each of the North sovereign councils and the North share of NCC's 2021-22 schemes including already approved slippage from the councils' 2020-21 programme. This has resulted in a Capital Programme of £201m over the four year period, which comprises:

- A Baseline Programme totalling £54m including the completion of key projects including the Northamptonshire Superfast Broadband project and the completion of works at Chester House Estate;
- A Development Pool totalling £99m and the prioritisation of 37 key schemes against the associated funding streams making up the Pool;
- An HRA Baseline Programme totalling £48m across Kettering and Corby including nearly £22m for Corby's Housing Development Programme.

8.3 The Strategy has been developed with reference to the requirements of the updated Prudential Code and Treasury Code of Practice and forms a separate report later on the agenda.

Governance Process and Approval of New Capital Schemes

8.4 Within the Capital Strategy there is a proposed Governance Structure for approving new capital schemes between now and the final budget report and for the new Council post Vesting Day. Within this proposed structure new capital investment will only be permitted if it contributes to the achievement of the Council's strategic priorities. The use of external funding will be prioritised against the areas of greatest need within the North Northamptonshire area, such as supporting highways maintenance and the delivery of education places. In the current financial climate priority will be given to schemes that also deliver transformation and/or revenue savings.

9. Treasury Management Strategy

9.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) has defined treasury management as "the management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

9.2 The new Council (as with its predecessors) will borrow and invest substantial sums of money and will therefore be exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the new Council's treasury management strategy.

9.3 Work is still underway through Treasury Advisors, Link Asset Services, regarding the Debt split and Capital Financing Requirement (CFR) split of NCC's Balance Sheet, which will help inform the MRP policy. The results of this will be shared at a later committee once available.

10. Overview of Funding Assumptions

- 10.1 The new Council's net budget will be funded from three main sources, which are Council Tax, Business Rates and government grants. In recent years Central Government Funding has reduced and the ability to grow and maintain resources raised locally, such as Council Tax, has become even more important for local authorities' financial sustainability, particularly when considered against the change in local government funding and short-termism of financial settlements which does not facilitate medium term financial planning.
- 10.2 The headline figures for local authorities announced as part of the Spending Review are set out in section 4.3 - 4.11. Detailed funding allocations for the new Council will only be made available as part of the provisional Local Government Finance Settlement, which is expected in mid December 2020 and therefore the figures remain draft at this stage.
- 10.3 The funding assumptions which have been made in the draft budget are set out under the relevant headings below.

Council Tax

- 10.4 Council Tax is the most stable, sustainable and significant source of income for North Northamptonshire Council and the impact of the pandemic must be taken into consideration. The following could all impact the Council Tax Yield for 2021-22:
- Increase in caseloads for Local Council Tax Support (LCTS)
 - Lower Collection rates
 - Slowdown in housing growth

Taxbase

- 10.5 Each sovereign Council has calculated its own taxbase, the process involved applying a set of consistent parameters some of which are yet to be approved by the Shadow Executive Committee such as the LCTS rate which is currently out for Public Consultation and the harmonised discounts and exemptions which are due to be approved on 7th January 2021. The provisional taxbase for North Northamptonshire is 111,892 dwellings this is based on a Band D and includes projected growth and an average collection rate of 98.5%.
- 10.6 The government Spending Review has indicated that the referendum thresholds for 2021-22 are a 2% increase in 'core' Council Tax plus a further 3% increase in the Adult Social Care Precept. For 2020-21 the levels were 2% (plus 2% on Adult Social Care precept). Any increase above these thresholds would be subject to a local referendum.

Council Tax Rate Harmonisation

- 10.7 Across the North of Northamptonshire area different levels of Council Tax have previously been raised by in each of the existing sovereign councils. Whilst the Council Tax level set by NCC is the same for all parts of the County,

the rates set by the Districts and Boroughs are different. In order to set a single rate of Council Tax for North Northamptonshire there is a requirement to harmonise Council Tax. This is a process whereby the rates are adjusted over an agreed period to arrive at a single consistent rate.

- 10.8 Detailed regulations governing the transition process are made by Statutory Instrument, the latest being SI 2018 no.1296. There are two options to harmonise Council Tax. The Council Tax Harmonisation Task and Finish Group have recommended using a referendum limit based on overall Council Tax for North Northamptonshire (alternative notional amount, or ANA), which uses a weighted average of all Council Tax based on Band D using the shortest harmonisation period. This approach generates the highest Council Tax yield. The Shadow Executive Committee noted the progress made by the Task and Finish Group at its meeting 27th August 2020 and the draft budget has been prepared using the ANA method.
- 10.9 The Council Tax for 2020-21 levied for each of the individual areas (based on a Band D property) is set out below and includes the County Council's element of the charge and Special Expenses for the area of Wellingborough Town. The Harmonised Rate is £1,460.04, the composition of this being the weighted average of sovereign councils:

Corby Borough Council	£1,474.92
East Northamptonshire Council	£1,434.07
Kettering Borough Council	£1,490.81
Borough Council of Wellingborough	£1,441.30

- 10.10 It should be noted that these figures do not include the Council Tax for individual town and parish councils or the Council Tax set for fire and police by the Northamptonshire Police, Fire and Crime Commissioner. It is a requirement to have harmonised Council Tax across the area by the start of the eighth year of the new organisation. The maximum period to achieve this is therefore seven years from Vesting Day. The draft budget assumes harmonisation from 1st April 2021.
- 10.11 The Council will consult on a Council Tax increase up to the level of the government limits, without triggering a referendum, of 1.99% and utilising the allowable adult social care precept increase of 3% in full. This would result in a 2021-22 Band D Council Tax for North Northamptonshire Council, excluding the Council Tax for individual town and parish councils and the Council Tax set for fire and police by the Northamptonshire Police, Fire and Crime Commissioner, of £29.48 per week, an increase of £1.40 per week compared to the 2020-21 Harmonised Rate of £28.08.

Local Council Tax Reduction Scheme

- 10.12 The Local Council Tax Reduction Scheme (LCTRS) replaced Council Tax benefit in 2013. Council Tax benefit was a nationally prescribed scheme, whereas LCTRS is a local scheme set at the discretion of the relevant district or borough council.

10.13 The scheme applies to working age claimants. Eligible pensioners continue to receive up to 100% Council Tax support depending on the levels of income they are in receipt of.

10.14 The greater the level of support granted the greater the contribution from the Council. The schemes are different across the four district and borough councils in the North by some margin as set out in the table below:

	Minimum Contribution from Taxpayer	Maximum Contribution from Council
Corby Borough Council	8.5%	91.5%
East Northamptonshire Council	20%	80%
Kettering Borough Council	45%	55%
Borough Council of Wellingborough	20%	80%

10.15 The Task and Finish Group recommended that the harmonised scheme should be cost neutral for the new Council. Based on current caseloads this figure would be 25%. Each 1% decrease would result in a reduction in Council Tax income of c£110k. It should be noted that the cost neutral position could change from the beginning of the Consultation process to the end of the process due to the change in caseloads. The budget is based on a 25% scheme, subject to the outcome of the Consultation, which would be financially neutral.

10.16 Any changes to the LCTRS scheme require a Consultation Process. The key dates are set out below.

Milestones	Date
Consultation on Proposed Scheme Commenced	5 th October 2020
Consultation on Proposed Scheme Concluded	30 th November 2020
Consultation Responses Analysed and Considered	1 st December onwards
Final Scheme Planned to be Considered by the Shadow Executive Committee, for approval	7 th January 2021
Scheme Operational	1 st April 2021

Council Tax Long Term Empty Property Premium

10.17 The Task and Finish Group also discussed the level of the Long Term Empty Property Premium. It was recognised that whilst this is harmonised across all councils in North Northamptonshire, the discretion to maximise the premium as set out in Section 11b of the Local Government Finance Act 1992, amended by the Local Government Finance Act 2012 was not currently being utilised. Therefore the new Council has the option to increase the premium. It was noted by the Task and Finish Group that this could also have a positive impact on bringing empty properties back into use to increase housing supply. It was also noted that if all existing long term empty properties in North Northants continued to be empty this could generate an additional revenue stream of up to £0.5m. However, the additional cost of the premium could lead to a change in behaviour such that the financial benefit may not reach this level.

10.18 The recommendation to the Shadow Executive was to maximise the Long Term Empty Property premium to an extra 100% for 2-5 years, an extra 200% for 5-10 years and an extra 300% for over 10 years. The draft budget includes an estimate of £0.25m additional funding as a result of increasing the Long Term Empty Property Premium.

Business Rates

10.19 Business Rates yield could be significantly lower in 2021-22 and this will be dependent on the following factors:

- The growth in businesses
- The number of businesses that cease trading
- Reduction in the collection rate.

10.20 Whilst the volatility is recognised, this will not directly impact the 2021-22 budget due to the accounting mechanisms of the Collection Fund whereby the demand from the Collection Fund is reflected in year regardless of what is collected and the impact is felt in future years.

10.21 The draft budget shows funding from Business Rates to be £73m, this includes the baseline funding, growth and s31 grants.

10.22 Northamptonshire has benefitted well under the present system due to an above average increase in business growth across the County. Northamptonshire has also benefitted from a Pooling arrangement whereby there has been a nil levy and growth has been retained locally.

10.23 The way that the business rate retention scheme operates in future years could have major financial implications for Councils. Members will recall that all Northamptonshire authorities participated in a single Pilot for 75% Business Rates Retention in 2019-20. The financial benefit of being in a Pilot for all Northamptonshire authorities amounted to around £18m.

10.24 It was expected that the government was going to announce a move for all Councils to move to 75% Business Rates retention for 2021-22, however, this will not now be going ahead as announced in the Spending Review. This is however planned for 2022-23 and could significantly disadvantage North Northants owing to their above average growth, however this will be dependent on both the next Spending Review and the Fair Funding Review.

10.25 The government's Spending Review announced that there would be a freeze in the National Multiplier (this is used to calculate the Business Rates paid by businesses by multiplying it to the Rateable Value of the property). The Councils will be recompensed for the loss in income through a S31 Grant. There will also be no reset of the Business Rates Baselines being the point from which growth is measured. Since 2013-14 the baselines have remained unchanged – for future years this is a substantial risk.

10.26 Any gains that are not lost through the economic slowdown could be lost following a reset. A reset could result in a significant proportion of our increased Business Rates funding being taken away and effectively re-

allocated to other areas as part of this and the Fair Funding Review. This is a very significant funding risk and the outcome of this will be determined by the methodology used to redistribute any remaining growth in the system.

10.27 The three key variables in any changes to the Business Rates System are as follows:

- The resetting of the Business Rates Baselines – the point from which growth is measured
- Funding Levels
- Business Rates Yield

Business Rates Revaluations

10.28 The government announced that the business rates revaluation which is a review of the rateable values of all non-domestic properties would be postponed and has confirmed that the next business rates revaluation will take place in 2023, to better reflect the impact of COVID-19. It is intended that this revaluation will be based on property values as of April 1, 2021 and this will be the basis for calculating what businesses pay in rates.

Impact of COVID-19 on Collection Fund

10.29 It is important that members are aware of the impact that COVID-19 could have on the Collection Fund for both Council Tax and Business Rates as a result of the short and medium term economic impacts of the pandemic. The impact on Council Tax would be a reduced yield as result of a reduction in collection rates, lower housing growth and increased Council Tax Support caseloads. For Business Rates the impact of COVID-19 would be businesses ceasing to trade and increase in the number of businesses applying for reliefs and a reduction in Collection Rates.

10.30 Due to the mechanics of the Collection Fund this means that what is actually collected in 2020-21 will not impact on the 2020-21 budget as the precepts and demands have been set for the year, however any changes in collection rates are accounted for in the following year and this could have a significant impact for the new Unitary authority. The implications of existing and future bad debt and appeals provisions will also need to be factored in.

10.31 The impact of COVID-19 on the Collection Fund will result in an overall deficit position. Councils will estimate the deficit for 2020-21 and budget for it in 2021-22, the deficit position has raised concerns that an additional significant budget pressure would be created especially during time of uncertainty.

10.32 Therefore, the government announced that they would amend secondary legislation and allow Authorities to spread the estimated deficit on the 2020-21 Collection Fund in equal instalments over 3 years – 2021-22 to 2023-24, after taking into account the impact of irrecoverable losses funding announced in the Spending Review on 25th November 2020. Further announcements regarding the irrecoverable losses funding are expected alongside the Local Government Financial Settlement.

- 10.33 The estimated Collection Fund deficit for Council Tax for 2020-21 is £3m, before spreading. A final figure will be calculated by 15th January 2021 in accordance with The Local Authorities (Collection Fund: Surplus and Deficit) (Coronavirus) (England) Regulations 2020.
- 10.34 For Business Rates the estimated deficit is considerably higher in the first year, this is due to the Extended Retail Relief Scheme which was introduced as part of the government's COVID-19 response. This resulted in many retail and hospitality businesses getting 100% rate relief. A s31 grant has been made available by the government to reduce any cashflow pressures arising from the scheme. The estimated Business Rates deficit for 2020-21, after retail reliefs but before spreading is £3.2m, the final figure will be calculated by 31st January 2021.

Revenue Support Grant

- 10.35 Revenue Support Grant is a central government grant given to local authorities which can be used to finance revenue expenditure on any service. The amount of Revenue Support Grant to be provided to authorities is established through the Local Government Finance Settlement.
- 10.36 Revenue Support Grant was due to end in 2019-20, however, as the Spending Review was delayed, payments continued into 2020-21.
- 10.37 No announcements have been made regarding Revenue Support Grant for 2021-22, however, as the Spending Review covered only one year it is expected that payments will continue as part of a one year roll over settlement. In 2020-21 £4.73m was received. It is assumed that an additional £0.85m will be received in 2021-22, and therefore the draft budget assumes £5.58m. The actual amount of funding will be confirmed as part of the Final Settlement.
- 10.38 If Revenue Support Grant were removed in the Settlement this could lead to Business Rates Baseline Funding Levels being increased.

New Homes Bonus

- 10.39 New Homes Bonus was introduced in 2011 to encourage local authorities to grant planning permission for new houses in return for additional revenue. It is a grant paid by central government to local authorities to reflect and incentivise housing growth in their areas.
- 10.40 It is based on the amount of extra Council Tax revenue raised for new-build homes, conversions and long-term empty homes brought back into use and it is based on the national average for a Band D property. There is also an extra payment for providing affordable homes, which amounts to £350 per home. Payments are split 80/20 in two tier areas between Districts and Counties. In Unitary areas no split exists.
- 10.41 Payments of New Homes Bonus were originally made for six years, however payments were reduced to five years from 2017-18 and then to four years from 2018-19. A national baseline of 0.4% housing growth was also introduced, below which grants will not be made.

10.42 Central government have previously announced that New Homes Bonus payments will be phased out from four years to two years in 2021-22 and to one year from 2022-23. The amount of funding which is included in the draft 2021-22 budget from New Homes Bonus pre-announced legacy payments is £4.199m.

Adult Social Care Grant

10.43 In the Spending Review of September 2019 the government announced an additional £1bn of funding for Local Authorities through a grant to be made in 2020-21. Of this funding, £850m was allocated using Adult Social Care Relative Needs Formula (RNF), with the remaining £150m allocated based on Adult Social Care precept flexibility. The 2019 Spending Review announcement also stated that existing £2.5bn of social care funding for 2019-20 would continue for 2020-21 at the same level. These elements were all rolled up together into the Social Care Grant for 2020-21. The 2020-21 allocation for Northamptonshire in totality was £15.3m. The draft budget assumptions include the continuation of this funding into 2021-22, at the same level as 2020-21 and £15.3m has been disaggregated between West and North Northamptonshire Councils, with £7.678m allocated to the North.

10.44 The Spending Review announced on 25th November 2020 confirmed an additional £300m of funding nationally for Adult and Children's Social Care. The allocations of this funding for each local authority are awaited and will be confirmed as part of the Provisional Local Government Finance Settlement in December 2020. The current budget assumes that this funding is distributed in accordance with the Adult Social Care Relative Needs Formula (RNF) adjusted for precept flexibility.

Improved Better Care Fund (iBCF)

10.45 The original funding for the improved Better Care Fund was confirmed as part of the Local Government Finance Settlement 2016-17 as funding for 2017-18 onwards, and supports the integration of Health and Adult Social Care support services. It is managed as a pooled budget with the local Clinical Commissioning Group (CCG). Further funding for the improved Better Care fund was announced as part of the Spring Budget 2017 with an additional £2bn made available to Councils over a three-year period. The purpose of this funding is:

- Meeting adult social care needs.
- Reducing pressures on the NHS, including supporting more people to be discharged from hospital when they are ready.
- Ensuring that the local social care provider market is supported.

10.46 The improved Better Care Fund for 2021-22 will be confirmed in the Local Authority Provisional Financial Settlement for 2021-22. Within the draft budget this funding is forecast to continue at existing 2020-21 levels.

10.47 Both iBCF and Adult Social Care Grant are calculated by the government using a 'needs' and a 'resources' element. The needs element has been disaggregated based upon an estimate of each district's share of Adult Social Care Relative Needs Formula (RNF), which takes account of deprivation. The

resources element has been disaggregated based upon taxbase split (Band D equivalent dwellings) for 2020-21. Based upon this methodology, the disaggregation of this funding is as follows:

Funding Stream	NCC Budget 2020-21	Needs element	Resources element	North	West
	£m	£m	£m	£m	£m
IBCF	20.958	+43.902	-22.945	11.186	9.772
Social Care Grant	15.305	+20.606	-5.301	7.678	7.627

11. Dedicated Schools Grant

11.1 The Dedicated Schools Grant (DSG) is a ringfenced grant allocated to Local Authorities by the government to support a range of education related services. The majority (>90%) of the DSG is allocated to the Local Authority and paid to providers based on a national formula which funds direct education provision including schools (Local Authority maintained and academies), early years' providers and high needs education in Further Education (age 16 to 25). The remaining 10% is paid to nurseries, schools and higher education institutions. The individual school's budgets for academies and funding for high needs 'places' in academies (set prior to the start of academic year) are paid to academies directly from the Education Skills and Funding Agency (ESFA). This funding is taken off the Dedicated Schools Grant before the grant is paid to LAs and is termed 'recoupment'.

11.2 Due to the majority of DSG funding being formula driven to arrive at the Local Authority's funding allocation, disaggregation has to therefore replicate the national formulae used by the DFE for the North and West Unitaries. The work to arrive at indicative allocations for the two new Unitaries has been completed working closely alongside the ESFA.

11.3 The following table sets out the indicative disaggregated DSG funding based on the provisional settlement:

Schools Block	Early Years Block	High Needs Block	Central Schools Services Block (CSSB)	Total
£243m	£21m	£48m	£4m	£316m

Full details of the DSG are included in Appendix E.

12. Fees and Charges

12.1 Income from fees and charges represents an important source of funds to the Council and enable a range of services to be provided within the area and beyond. The Fees and Charges Policy establishes the framework by which fees and charges levied by the new Council are agreed and regularly reviewed. The Draft Fees and Charges Policy is attached at Appendix C.

- 12.2 Due to this being the first year of setting the Fees and Charges policy and indeed the first budget for the new Council, fees and charges within the previous District and Borough Councils have been reviewed as to whether harmonisation is required based on statute, recharging and revised costs from an aggregated team moving forward. Certain categories of fees and charges have been prioritised to be harmonised for Vesting Day including Pre-Planning fees, Bulky Waste Collections and Taxi and Houses in Multiple Occupation Licencing. This in addition to fees for Environmental Health licencing which are already harmonised across North Northamptonshire. A schedule of fees and charges which have been prioritised for harmonisation in 2021-22 is included at Appendix D.
- 12.3 Where these fees and charges have not been harmonised for Day 1, separate rates between areas of North Northamptonshire will remain in place and these will be reviewed either during the year or prior to the setting of the 2022-23 budget setting with a view to harmonise where possible over the next 2 -3 years.
- 12.4 The previous County Council fees and charges are also being reviewed for any required changes and will form part of the overall Fees and Charges Schedule.

13. Reserves

- 13.1 The reserves are subject to further review and monitoring and it is anticipated that the position will change as a result of the use of reserves during the year, ongoing audit work and further work on the disaggregation of County Council reserves. The forecast position on reserves including intended usage will be reported in February as part of the final budget recommendations.

14. Budget Gap

- 14.1 The composition of the budget pressures are shown in Appendix A. These amount to around £35.7m for 2021-22. The council has identified budget savings amounting to £17.1m these are also set out in Appendix A. This results in a net budget movement of around £18.6m before the consideration of other funding resources, including a Council Tax increase. As outlined in section 10.11 the budget assumes a 4.99% Council Tax increase which reduces the budget gap to £9.9m.
- 14.2 Whilst the recent Spending Review provided some high level figures for how the sector may be funded in 2021-22 it lacked detail around how this would be distributed at an individual authority level. The Local Government Financial Settlement should provide the detail required. There are a number of key areas for which clarification is needed these include:
- COVID 19 Funding – The Council is currently modelling £7.5m of additional one-off funding for COVID-19. However, at this stage MHCLG have not confirmed how much will be distributed or the distribution mechanism.
 - In addition to the service budget pressures the budget reflects a reduction in funding from New Homes Bonus of around £4.8m from 2020-21 to 2021-22. The Spending Review indicated there could be additional funding for

one year for New Homes Bonus in 2021-22 as was the case in 2020-21. This could increase the level of funding and will be notified as part of the Settlement.

- 14.3 The Council will continue to explore future opportunities for further efficiencies between now and issuing any revisions to the draft budget.
- 14.4 The budget includes a contingency of around £4.5m and also includes £3.2m to help manage any pressures in social care and associated risks from the disaggregation of the County Council's budget. The Council will continue to review the level of risk and realign budgets to reflect this, however the scale of the financial challenges should not be underestimated. Whilst a balanced budget has not been presented at this stage, work will continue to identify how this can be best achieved whilst ensuring that the budget provides sufficient coverage for risks that may arise and provides a basis for the financial sustainability required for future years.
- 14.5 Senior officers continue to work with MHCLG for support for setting up the new council and the associated set up costs this brings.

15. CIPFA Financial Management Code

- 15.1 CIPFA published a Financial Management Code (FM Code) in October 2019, to be fully implemented in 2021-22. The FM Code requires authorities to demonstrate that the processes they have in place satisfy the principles of good financial management. The Council will demonstrate how it is compliant with the FM Code as it moves forward into the delivery of the 2021-22 budget.

16. Implications (including financial implications)

Resources and Financial

- 16.1 The resource and financial implications of the Shadow Authority's draft plans are set out in the body of, and appendices to, this report.

Legal

- 16.2 The provisions of the Local Government Finance Act 1992 set out what the Shadow Authority has to base its budget calculations upon for the new Council, and require the Shadow Authority to set a balanced budget with regard to the advice of its Chief Finance Officer (Section 151 Officer).
- 16.3 The robustness of the proposed estimates and the adequacy of the proposed reserves must be addressed in the formal report to be made in February 2021 to both the Shadow Executive and the Shadow Authority by the Chief Finance Officer (Section 151 Officer). This report is required under Section 25 of the Local Government Act 2003 prior to the Shadow Authority agreeing its 2021-22 budget.

Risk

- 16.4 The task of planning how the new North Northamptonshire Council will use its financial resources in an unprecedented and challenging economic climate

with significant uncertainty around funding into the medium term results in high budget delivery risks.

- 16.5 Significant risks for the 2021-22 budget include the disaggregation of the County Council's service delivery budgets and balance sheet between the North and West, which could give rise to significant budget pressures and the ongoing impact of COVID-19 on the Council's resources and transformation programme.
- 16.6 Any risks or benefits crystallising in 2021-22 will be managed within the wider budget and the Medium Term Financial Plan will be updated accordingly.
- 16.7 The risks associated with the budget proposals are set out in Appendix F.

Consultation

- 16.8 Part E Financial Rules, Section 6 Budget Setting for 2021-22 of the Shadow Authority Constitution requires, inter alia, for a budget strategy and timetable to be prepared for engagement with the Shadow Executive Committee, Shadow Authority, Shadow Overview and Scrutiny Committee, stakeholders and the public, for consideration by the Shadow Executive.
- 16.9 This report sets out the terms of consultation on these budget proposals with the Shadow Overview and Scrutiny Committee (further details of which are contained in section 16.15 below), stakeholders and the public in order to meet those requirements. As such, a seven week period of consultation on the proposals contained within the Draft Budget 2021-22 will begin on 11th December 2020 and conclude on 29th January 2021.
- 16.10 If there are any changes made to any of these proposals following the consultation process, then the effect of this upon the overall budget position will be considered for the final budget paper in February 2021. This does not predetermine any decision that the Council may make in February 2021.
- 16.11 The structure and design of the consultation will set out the budget proposals and will enable both online and non-digital means of participation, in accordance with good practice.
- 16.12 To ensure the widest possible reach, a variety of consultation methods will be used to maximise the range of accessible channels for consultees:
 - Online survey – available free at NCC libraries for those without internet access (with hard copies and copies in other formats available on request)
 - An email address and telephone number
 - Social media - including Facebook, Twitter and LinkedIn
 - Postal address
 - Emails to the following key stakeholders, inviting them to comment through the above consultation channels and asking them to promote the consultation to their members/community: partner organisations, MPs,

MEPs, Town and Parish Councils, Voluntary Sector Infrastructure Organisations, Voluntary Sector organisations representing groups with protected characteristics and Chamber of Commerce

- Emails to Residents' Panel members and other stakeholders who have registered to receive consultation alerts, inviting them to comment through the above consultation channels
- A toolkit has been developed to enable user groups/forums to hold their own discussions. This will allow debates to be tailored to individual group needs.

16.13 The purpose of the consultations (the main budget consultation and any targeted consultations with service users) is to ensure that, when the Final Budget is considered by the Shadow Authority on 25 February 2021, Shadow Authority Members are fully aware of the consultation feedback and are in a position to conscientiously take it into account when making final decisions. This includes full consideration of any viable alternatives for ways to save money/generate income, if provided.

16.14 In addition to the main budget consultation, there will be specific consultation for any budget proposals that require targeted consultation with service users. Consultation on the North Northamptonshire Local Council Tax Support Scheme (LCTSS) was open from 5th October to 30th November 2020, and the results of this consultation will be considered as part of the process outlined previously in 10.12.

Consideration by Overview and Scrutiny Committee

16.15 A Budget Scrutiny process will run as part of the overall consultation process. The Shadow Authority's Constitution further sets out the process of engagement that the Shadow Executive Committee must undertake with the Overview and Scrutiny Committee and is outlined here.

16.16 The Shadow Executive Committee must consider the draft budget and agree budget proposals which will be submitted to the Shadow Overview and Scrutiny Committee for review, before the end of January 2021. The Shadow Executive Committee must then make recommendations on the final, scrutinised, budget and Council Tax proposals to the Shadow Authority for approval on 25th February 2021.

16.17 Scrutiny is a means for councillors not on the Shadow Executive Committee to influence the development of Council policies and services and hold decision-makers to account. Budget Scrutiny involves councillors reviewing significant proposals from across the draft budget and reporting their conclusions about the deliverability and service impact of these proposals to the Shadow Executive. In this way Budget Scrutiny contributes to the development of the final budget proposals and supports local democracy.

16.18 Members of the public, representatives of community groups and other stakeholders can contribute to Budget Scrutiny by giving councillors their views about which proposals they should scrutinise and about how particular budget proposals may affect services. There will be opportunities to address

the North Northamptonshire Shadow Overview and Scrutiny Committee at its public meetings taking place online at the following times:

- 10th December 2020 at 7pm.
- 28th January 2021 at 7pm.

16.19 Requests to address those meetings must be received no later than two working days prior to those meetings, further details of which will be set out in the agenda for those meetings which will be published in due course at:

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

Equality Screening

16.20 Before taking decisions on the budget overall, and on savings proposals in particular, it is important that there is awareness of the potential implications of the proposals on people with protected characteristics, in order to comply with the Equality Duty.

16.21 Equality Impact Assessments (EqIAs) will be prepared for all savings proposals that directorates have determined may or will have an impact on service users and residents. These will be available in draft form by following the link below. The detail contained in the EqIAs will assist in the decision-making process by allowing Members and Officers to have due regard to the three aims of the Equality Duty when considering the budget proposals by understanding their impact on people with protected characteristics.

<https://futurenorthantsnorth.org/publications-and-background-documents/>

16.22 Further work undertaken during the consultation period (including findings from the consultation) will be used to inform the final EqIAs which will need to be conscientiously considered as part of the final decision-making process on the budget in February, including the cumulative impact of more than one savings proposal on the same group of people, if applicable. This will be an essential step in ensuring that the consultation findings are used to demonstrate the impact of proposals when the final decisions on the budget are being taken.

Climate Impact

16.23 Among the new Council's priorities will be putting in place fresh plans to improve the local environment and tackle the ongoing climate emergency.

16.24 A 'North Northants Climate Change Task and Finish Group' has been set up by the Shadow Overview and Scrutiny Committee to enable proposals to be provided to the Shadow Executive Committee in order to create a framework to move these preparations forward in the run-up to Day One of the new Council.

16.25 The aims of the Group are to:

- Identify best practice in environmental enhancement within local authorities locally and nationally.
- Identify areas in which the new authority can demonstrate environmental enhancement.
- Develop an environmental framework which North Northamptonshire Council can use to guide its decision making, policy development and service delivery in relation to environmental enhancement and Climate Emergency commitments.

16.26 Members of the public are being encouraged to give their ideas and suggestions on how the new North Northamptonshire Council should tackle climate change and improve the local environment, including how the new Council can change its investment approach, and the way it spends its money to support the climate. More details can be found using the following link:

<https://futurenorthantsnorth.org/acting-on-climate-change-in-north-northamptonshire-give-your-views/>

16.27 The budget proposals in this report will be assessed against the Council's climate initiatives when they are available.

Community Impact

16.28 No distinct community impacts have been identified as a result of the proposals included in this report. The impact on communities will continue to be monitored in the development of the final budget.

17. Background Papers

17.1 The following documents disclose important facts on which the report is based and have been relied upon in preparing the report.

- Spending Review Announcement 25th November 2020:
<https://www.gov.uk/government/publications/spending-review-2020-documents>
- Previous reports to North Northamptonshire Shadow Executive 27th August 2020:
<https://cmis.northamptonshire.gov.uk/cm5live/MeetingsCalendar/tabid/73/ctl/ViewMeetingPublic/mid/410/Meeting/3666/Committee/458/Default.aspx>

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Base Gross Budget (excluding DSG Funded)	266,203	284,777	287,914	299,316
Base Gross Budget (DSG Funded)	316,000	316,000	316,000	316,000
Total Base Gross Budget	582,203	600,777	603,914	615,316
Adjustments to Base Budget				
Budget Pressures				
Contract & other inflation	8,448	7,161	7,527	7,653
Demographic/service demand	7,558	4,805	4,355	4,304
Full year effects of previous decisions	407	92	449	100
Pay Related	4,433	2,894	3,095	3,226
Technical changes	3,528	(142)	366	293
Covid pressures	9,396	0	0	0
LGR	1,900	0	0	0
Total Budget Pressures	35,670	14,810	15,792	15,576
Budget Savings				
Demographic/service demand	(1,567)	(10)	(2,260)	(10)
Legislative changes	(260)	(467)	0	0
Full year effects of previous decisions	(11,716)	(5,273)	(1,275)	(146)
Pay Related	(826)	0	0	0
Technical changes	(683)	0	0	0
Reversal of Covid pressures	0	(5,923)	(855)	0
LGR	(2,044)	0	0	0
Total Budget Savings	(17,096)	(11,673)	(4,390)	(156)
Net Budget Movement	18,574	3,137	11,402	15,420
Base Gross Budget (excluding DSG Funded)	284,777	287,914	299,316	314,736
Base Gross Budget (DSG Funded)	316,000	316,000	316,000	316,000
Net Budget	600,777	603,914	615,316	630,736
Funded By:				
New Homes Bonus	(4,199)	(1,819)	0	0
Business Rates Funding Baseline	(73,001)	(66,683)	(66,683)	(66,683)
Business Rates Collection Fund	2,050	575	575	0
Council Tax	(171,519)	(173,233)	(174,966)	(176,713)
Collection Fund (Council Tax)	1,934	533	533	0
Revenue Support Grant	(5,580)	(5,580)	(5,580)	(5,580)
Social Care Grant	(7,678)	(7,678)	(7,678)	(7,678)
DSG Grant	(316,000)	(316,000)	(316,000)	(316,000)
Improved Better Care Fund	(11,186)	(11,186)	(11,186)	(11,186)
One off Covid Funding	(7,500)	0	0	0
Other Government Funding - Adults	(1,400)	(1,400)	(1,400)	(1,400)
Transfer to / (From) Reserves	3,200	0	0	0
Total Funding	(590,879)	(582,471)	(582,385)	(585,240)
Remaining Savings Requirement	9,898	21,443	32,931	45,496

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Contract & Other Inflation							
Directorate	Proposal Ref	Proposal Title	Proposal Description	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Adults, Communities & Wellbeing	01-01-01-02	Contractual Inflation Adult Social Care	Contractual Inflation for independent care placements incorporating National Living Wage pressures for social care providers.	6,261	5,038	5,362	5,362
Adults, Communities & Wellbeing	01-01-01-03	Shaw PPP inflation	Contractual annual inflation obligations for Shaw Public Private Partnership (PPP) contract.	258	267	274	287
Children & Education	01-02-01-01	Contractual Inflation Children First Northamptonshire	Contractual inflationary pressures in existing care placements contracts and in house allowance uplifts.	367	372	402	440
Enabling & Support Services	01-04-01-01	Rates - Transitional Arrangements	Additional Costs relating to transitional Business Rates arrangements	20	0	0	0
Enabling & Support Services	01-04-01-02	Contract inflation	General Contract Inflation	190	200	200	200
Place & Economy	01-06-01-01	Place Contract Inflation	Contract inflation in relation to Place Directorate.	942	871	861	931
Place & Economy	01-06-01-02	Utilities Inflation	Inflationary pressure on utilities contracts.	17	3	3	3
Place & Economy	01-06-01-03	Home to School Transport Inflation	This increase reflects inflationary pressures in existing contracts.	322	334	347	350
Place & Economy	01-06-01-04	Street Lighting PFI Inflation	Contractual inflation for Street Lighting Private Finance Initiative	71	76	78	80
Total Pressures				8,448	7,161	7,527	7,653
		Total		8,448	7,161	7,527	7,653

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Demographic/service demand

Directorate	Proposal Ref	Proposal Title	Proposal Description	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Adults, Communities & Wellbeing	03-01-01-01	Demographic and prevalence pressures adult social care	Budgeted growth to cover: the increased cost of new clients eligible for care with increased acuity and complex needs, and the population growth for older people and clients with learning disability and physical disability needs.	1,014	1,079	1,149	1,219
Adults, Communities & Wellbeing	03-01-01-02	Mental Health Demographic Pressures	Budgeted growth to cover the increased cost of new mental health clients eligible for care.	332	515	526	530
Adults, Communities & Wellbeing	03-01-01-03	Service provision following one-off funding reduction	Budget growth to fund the ongoing cost from 2022-23 of the Rapid response service following the cessation of the one-off funding from Business Rates Retention.	0	469	0	0
Children & Education	03-02-01-01	Children's Services Demographic Growth	Budgeted growth to cover the increasing population of children in care and Special Guardianship Order arrangements.	682	604	518	440
Children & Education	03-02-01-02	Children's Services Rebaselining	Rebaselining of Children First Northamptonshire (CFN) budgets to reflect current in year demand	104	0	0	0
Enabling & Support Services	03-04-01-01	MRP	Increase in the Minimum Revenue Provision (MRP) budget reducing the Council's Capital Financing Requirement	1,582	1,549	1,538	1,535
Enabling & Support Services	03-04-01-06	Contingency Budget	Increase Contingency by £3.350m to £4.5m for 2021-2022.	3,350	0	0	0
Enabling & Support Services	03-04-01-02	NNDR costs	Increased budget to reflect actual NNDR costs for Corporate Properties	30	0	0	0
Enabling & Support Services	03-04-01-05	Insurance Contract	Estimated Insurance Contract Inflation	0	30	30	30
Place & Economy	03-06-01-01	Stock Condition Works	Works to be undertaken to Corporate Properties	100	150	150	150
Place & Economy	03-06-01-02	Volume changes on Waste Budgets	Forecast based on projections of how much waste will be produced in the county including recycling, composting and food waste tonnages.	264	262	288	300
Place & Economy	03-06-01-03	Home to School Transport Demography	Change required reflecting the population trend in the county, including the projected increase in the Special Educational Needs (SEN) / Education Health & Care Plan (EHCP) population. Trend analysis has been used to provide a forecast position. (Ref 03-06-02-	0	47	56	0
Transformation	03-07-01-01	IT Costs	Increase in IT Costs due to increased licencing costs.	100	100	100	100
Total Pressures				7,558	4,805	4,355	4,304
Enabling & Support Services	03-04-02-01	Contingency Budget	50% Reduction in Contingency Budget in 2023- 2024 to £2.250m 2023-2025.	0	0	(2,250)	0
Enabling & Support Services	03-04-02-05	Insurance Contract	Estimated reduction in the Insurance Contract due to self insuring	(750)	0	0	0
Place & Economy	03-06-02-01	additional income	Additional income from fees and charges relating to additional demand	(230)	(10)	(10)	(10)
Place & Economy	03-06-02-03	Recycling Credits	Realignment of Recycling Credits Budget	(565)	0	0	0
Place & Economy	03-06-02-02	Home to School Transport Demography	Change required reflecting the population trend in the county. Trend analysis has been used to provide a forecast position. (Ref 03-06-01-	(22)	0	0	0
Total Savings				(1,567)	(10)	(2,260)	(10)
Total				5,991	4,795	2,095	4,294

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Legislative changes

Directorate	Proposal Ref	Proposal Title	Proposal Description	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Legal & Democratic Services &	07-05-02-01	Local Elections	Removal of one off increases in budget to cover local elections, subsequently deferred to May 2021.	(260)	(467)	0	0
Total Savings				(260)	(467)	0	0
Total				(260)	(467)	0	0

Full year effects of previous decisions

Directorate	Proposal Ref	Proposal Title	Proposal Description	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Adults, Communities & Wellbeing	04-01-01-01	Reversal of One off Budget	Reversal of one-off income from Greatwell Homes in base budget	100	0	0	0
Children & Education	04-02-01-01	Family Group Conferencing	Removal of one off income in respect of DfE grant funding for the Supporting Families: investing in practice programme. The DfE are working with a number of local authorities, including NCC, to test a model of Family Group Conferencing to gather robust and usable evidence on the effectiveness in keeping children and parents together.	142	0	0	0
Children & Education	04-02-01-02	UASC	Changes to the Council subsidy required in addition to Home Office funding of support for Unaccompanied Asylum Seeking Children (UASC) and former UASC (those aged 18 and over). (Ref 04-02-02-08)	0	92	9	0
Place & Economy	04-06-01-01	Norse Pension Adjustment	Increase reflects the agreed Contract Cost for Norse.	165	0	0	0
Place & Economy	04-06-01-02	High Street HAZ Project	Resources required for the Heritage Action Zone Scheme as previously approved in the funding bid	0	0	0	100
Place & Economy	04-06-01-03	Superfast Broadband	Reversal of one off income in 2022/23	0	0	440	0
Total Pressures				407	92	449	100
Adults, Communities & Wellbeing	04-01-02-01	Theatre Interim Mgt Costs	Reduction in Contract Costs relating to the Castle Theatre	(8)	(98)	0	0
Adults, Communities & Wellbeing	04-01-02-02	Specialist centre for – Step down Care Mental Health and Acquired brain injury	Moray Lodge development providing specialist and step down supported living for people with an Acquired Brain Injury and Mental Health support needs.	(154)	0	0	0
Adults, Communities & Wellbeing	04-01-02-03	Rapid response falls & admission avoidance service	A new service (initially funded by business rate pilot fund) provided by health, social care and East Midlands Ambulance Service providing support following falls in the home to reduce hospital admissions and likelihood of long term social care.	(1,918)	(647)	0	0
Adults, Communities & Wellbeing	04-01-02-04	Strengths based working	Transformation Adults pathways and processes to ensure focus on client outcomes, independence, better decision making and best practice approaches reduce delays and spend. Business Rate Pilot funded assessment stage and now out for tender for implementation of new Target Operating Model (TOM) service design.	(2,379)	(2,379)	(649)	0
Adults, Communities & Wellbeing	04-01-02-05	Rebaselining	This reduction in care budgets is to realign the base budget to the position reported for 20-21, where the service has seen a reduced demand against original budget.	(3,209)	0	0	0
Adults, Communities & Wellbeing	04-01-02-06	Prevention contract cessation/redesign	The NASS TOM has resulted in the decision to cease (following their termination dates expiring) a number of prevention contracts. These services will now be delivered through an overarching approach to service delivery, which the TOM provides.	(149)	0	0	0
Adults, Communities & Wellbeing	04-01-02-07	Sheltered Housing Contracts cessation/redesign	The NASS TOM has resulted in the decision to cease (following their termination dates expiring) a number of sheltered housing contracts. These services will now be delivered through an overarching approach to service delivery, which the TOM provides.	(71)	0	0	0
Adults, Communities & Wellbeing	04-01-02-08	Independent Care - Physical Disability	Rebaselining based on latest monitoring position against the Physical Disability cohort budget.	(762)	0	0	0

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Full year effects of previous decisions (Continued)

Directorate	Proposal Ref	Proposal Title	Proposal Description	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Adults, Communities & Wellbeing	04-01-02-09	Learning Disability Provider Framework efficiencies	Additional base budget savings were identified by NCC in 20-21 of £406k over the original target of £1.1m. This proposal recognises the North's share of the saving in the budget as a permanent reduction.	(213)	0	0	0
Children & Education	04-02-02-01	Improvement in capacity building in foster care	Business rate pilot funded - Ensuring that adolescents are not placed in residential home settings due to lack of in house fostering capacity, skill and abilities through the development of an in house specialist fostering service. Positive impact on children placed in a family setting, and savings will through reduced reliance on residential placements.	(458)	(161)	0	0
Children & Education	04-02-02-02	Reducing Reliance on Agency Staff	Business Rate pilot Funded proposal to increase the proportion of permanent staffing within Children First Northamptonshire and reduce reliance on agency staff. Through a refreshed Workforce Strategy and Quality Assurance Framework that creates a stable and effective workforce.	(115)	(247)	(161)	(35)
Children & Education	04-02-02-03	Reduction in Residential Care	Step down from high end residential places to Independent Fostering Agencies through reviews and joint working/incentives that drive better outcomes. Will drive reduced placement costs and more children will be cared for in a family setting.	(179)	(255)	(123)	0
Children & Education	04-02-02-04	Improved children's outcomes	Ensure that only children and young people who need to be in public care are, and are placed as a result of improved Edge of care support and intervention with families. Working towards minimising the amount of time a child is in care before they are united with their parents, and if not possible that alternative arrangements are in place, including where possible, Special Guardianship Order, Child Arrangement Order or adoption solutions.	(273)	(420)	(66)	0
Children & Education	04-02-02-05	Supported Accommodation	New model of progressive semi-independent accommodation through renewed contract for independent supported accommodation providers to support transitions for young people to self-supported housing.	(85)	(85)	0	0
Children & Education	04-02-02-06	In-House Foster Carers	Increase use of in-house fostering through improved recruitment and retention strategy for standard carers. This will reduce reliance on agency placement.	(194)	(197)	(93)	0
Children & Education	04-02-02-07	Transport Optimisation	Review of transport requirements to reduce costs to ensure an efficient use of service.	(97)	0	0	0
Children & Education	04-02-02-08	UASC	Changes to the Council subsidy required in addition to Home Office funding of support for Unaccompanied Asylum Seeking Children (UASC) and former UASC (those aged 18 and over). (Ref 04-02-01-02)	(277)	0	0	0
Enabling & Support Services	04-04-02-01	Removal of ICT, FM & General Risk Budgets	Removal of specific Contingency Budgets owing to the creation of a corporate contingency.	(493)	0	0	0
Enabling & Support Services	04-04-02-02	Reductions in Technical Finance	Removal of base budget relating to Commissioners costs.	(230)	0	0	0
Place & Economy	04-06-02-01	Reduction in Grants	This reflects a reduction due to a one off increase in Grants in 2020/21 returning to the substantive budget.	(140)	0	0	0
Place & Economy	04-06-02-03	Enterprise Centre Business Case	Increase in income based on appointed operators business case.	(202)	(178)	(64)	(11)
Place & Economy	04-06-02-04	Land charges	Adjustment to budget to reflect the closure of Land and Property Data Project	0	(48)	0	0
Place & Economy	04-06-02-05	Concessionary Fares	Removal of surplus budget for Concessionary Fares based on forecast underutilisation of the scheme.	(95)	(118)	(119)	0
Place & Economy	04-06-02-06	Superfast Broadband	Increase the optimisation of Superfast Broadband to over 50%, which will trigger further sharing of one off benefits in 2022-23.	0	(440)	0	0
Place & Economy	04-06-02-07	Country Parks	Annual revenue benefit of capital investment in Sywell Country Park sewage treatment plant.	(15)	0	0	0

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Full year effects of previous decisions (Continued)

Directorate	Proposal Ref	Proposal Title	Proposal Description	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Place & Economy	04-06-02-08	High Street HAZ Project	One off funding for the Heritage Action Zone Project previously	0	0	0	(100)
Total Savings				(11,716)	(5,273)	(1,275)	(146)
Total				(11,309)	(5,181)	(826)	(46)

Pay Related

Directorate	Proposal Ref	Proposal Title	Proposal Description	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Adults, Communities & Wellbeing	05-01-01-03	Realignment of Better Care Fund (BCF) funded Public Health (PH) posts	Realignment of base budget for Public Health posts.	128	0	0	0
Adults, Communities & Wellbeing	05-01-01-04	Establishment Unfunded Base	TOM restructure has identified key areas of the service that have no base budget funding, including the DOLS team, Community Health Partnerships team and service management.	387	0	0	0
Children & Education	05-02-01-03	Social Worker pay review	Full year effect of budget growth in respect of locally negotiated pay inflation relating to the previous investment in an integrated career progression and pay strategy to improve qualified social worker recruitment and retention.	31	9	10	0
Children & Education	05-02-01-06	Additional Management Capacity	Establishing Assistant Director post previously funded by one off Business Rates Retention funding.	62	0	0	0
Corporate	05-03-01-01	Forecast pay inflation	Budget growth in respect of pay including inflation in National Living Wage incorporating consultation on hourly rates by Low Pay	3,408	2,885	3,085	3,226
Children & Education	05-02-01-01	Pension contributions	Based on contribution rate calculated by actuary following staff transfer to Children's Trust (Ref 05-04-02-02)	417	0	0	0
Total Pressures				4,433	2,894	3,095	3,226
Corporate	05-04-02-02	Pension contributions	Reduction in Council contribution payment to Pension Fund following transfer of staff to Children's Trust (Ref 05-02-01-01)	(463)	0	0	0
Children & Education	05-02-02-02	Innovate Team and PIP (Partners in Practice) team	Removal of one off expenditure for additional social worker capacity in the duty and assessment team throughout April-May 2020 to safely manage current demand and stabilise the service, and an extension of the Court Team throughout April-June 2020 as provided by Partners in Practice to ensure skills transfer and an exit strategy are in place.	(113)	0	0	0
Enabling & Support Services	05-04-02-01	Vacancy Factor	Increase in the Council's Vacancy Factor by £250k to £1.6m	(250)	0	0	0
Total Savings				(826)	0	0	0
Total				3,607	2,894	3,095	3,226

List of Proposals

APPENDIX B

Technical changes							
Directorate	Proposal Ref	Proposal Title	Proposal Description	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Adults, Communities & Wellbeir	06-01-01-01	Single Handed & Assistive Technology Project Equipment	Proposal to change the way Single Handed & Assistive Technology Equipment is funded from capital borrowing (previous years), now proposed to be funded through revenue.	138	0	0	0
Adults, Communities & Wellbeir	06-01-01-02	Shaw PFI Programme - Funded Nursing Care	Prior year savings proposal adjustment to the base budget reflecting actual delivery.	129	0	0	0
Adults, Communities & Wellbeir	06-01-01-03	Direct Payment High balance review	One-off savings proposal from 2020/21 which now needs to be removed from the base budget for 2021/22 in line with Council approval	247	0	0	0
Children & Education	06-02-01-01	Central Schools Services Block DSG funding reduction	The Government have announced a 20% annual reduction in the historical funding element of the Central Schools Services Block. This funding supports expenditure on statutory education services which the authority are unable to reduce in line with the reduction in Central Government funding. This proposal therefore replaces DSG funding of these services with Council general fund.	529	458	366	293
Children & Education	06-02-01-02	Investment in community resilience	Reversal of one off Public Health Reinvestment Fund contribution.	26	0	0	0
Enabling & Support Services	06-04-01-01	Closure of Accounts resources	One-off resources for legacy closure and accounts, and subsequent	600	(600)	0	0
Enabling & Support Services	06-04-01-02	Technical Finance Rebaselining	Rebaselining of Technical Finance budget. Removal of any residual balances from previous cross-cutting savings proposals which are still in the base.	77	0	0	0
Place & Economy	06-06-01-01	Place-based Public Health Offer	End of alternative funding of projects with outcomes aligned with the Public Health Business Plan and Joint Health and Wellbeing Strategy.	116	0	0	0
Place & Economy	06-06-01-02	Highways Contract Renewal	Additional budget required to cover the estimated cost of Highways contract re-procurement, (excluding demobilisation).	381	0	0	0
Place & Economy	06-06-01-03	Highways Contract Renewal	Final phase in planned removal of original budget for Highways contract re-procurement costs, (see updated proposal on line above).	(75)	0	0	0
Place & Economy	06-06-01-04	Management of Closed Landfills	Risk based approach to the management of historic closed landfill sites during 2020-21 relating to inspection and assessment costs.	51	0	0	0
Place & Economy	06-06-01-05	Waste	Budget for advance procurement work on new Waste contracts	50	0	0	0
Place & Economy	06-06-01-06	Emergency Planning	Realignment of income target	13	0	0	0
Place & Economy	06-06-01-07	Coroner Service	Reversal of one-off saving for 2020-21 only, due to cost sharing agreement for staff with Northamptonshire Police.	46	0	0	0
Place & Economy	06-06-01-08	Highways Contract	Realignment of overheads.	378	0	0	0
Place & Economy	06-06-01-09	Place Rebaselining	Rebaselining of budgets for property investment income, capitalisation of salaries, waste and highways contract overheads to reflect current in-year position.	632	0	0	0
Place & Economy	06-06-01-11	Car Parking	Reduction in income relating to car parking	85	0	0	0
Adults, Communities & Wellbeir	06-01-01-10	New Learning Disability Service provision	Proposal to build 8 specialist bungalows for clients to live more independently creating savings from less use of residential care. Build funded from Homes England and Health.	105	0	0	0
Total Pressures				3,528	(142)	366	293

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Technical changes

Directorate	Proposal Ref	Proposal Title	Proposal Description	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Children & Education	06-02-02-01	Family Group Conferencing	Removal of one off expenditure in respect of DfE grant funding for the Supporting Families: investing in practice programme. The DfE are working with a number of local authorities, including NCC, to test a model of Family Group Conferencing to gather robust and usable evidence on the effectiveness in keeping children and parents together.	(142)	0	0	0
Corporate	06-03-02-02	Fees and Charges	Inflationary Uplift of Fees and Charges owing to a new charging	(260)	0	0	0
Corporate	06-03-02-01	Fees and Charges	Harmonisation of Prioritised Fees and Charges	(281)	0	0	0
Total Savings				(683)	0	0	0
Total				2,845	(142)	366	293

Covid pressures

Directorate	Proposal Ref	Proposal Title	Proposal Description	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Adults, Communities & Wellbeing	02-01-01-01	Homelessness and Rough Sleeping Pressures	Additional costs relating to Homelessness and Rough Sleeping	200	0	0	0
Adults, Communities & Wellbeing	02-01-01-02	Leisure	Additional pressures relating to the running of Leisure Services across North Northamptonshire	962	0	0	0
Adults, Communities & Wellbeing	02-01-01-03	CCG Discharge Packages Covid 19	Additional costs (volume and price) of the CCG discharges that have occurred during the covid 19 period.	3,912	0	0	0
Adults, Communities & Wellbeing	02-01-01-04	Mental Health Pool demand	Additional costs on the Mental Health pool with the CCG due to increased volume of clients which has occurred during the covid 19	569	0	0	0
Children & Education	02-02-01-01	Additional Demand	The forecast full year effect of 20-21 covid-19 additional demand pressures.	719	0	0	0
Corporate	02-03-01-01	PPE	Forecast cost of Personal Protective Equipment (PPE) in 2021-22	280	0	0	0
Corporate	02-03-01-02	Additional costs of remote working.	Additional costs as a result of remote working requirements following national pandemic.	250	0	0	0
Enabling & Support Services	02-04-01-01	Treasury Management	Reduction in Interest rates resulting in reduced income	342	0	0	0
Place & Economy	02-06-01-01	Planning Fees	Net Reduction in Income from Planning Applications	28	0	0	0
Place & Economy	02-06-01-02	Building Control Income	Net Reduction in Income from Building Control Applications	7	0	0	0
Place & Economy	02-06-01-03	Commercial Income	Reduction in Income from Commercial Investments	1,502	0	0	0
Place & Economy	02-06-01-04	Household Waste Collection	Increased Tonnages and higher disposal costs	200	0	0	0
Place & Economy	02-06-01-05	Household Waste Collection	Increased Fleet cleansing and other safety measures implemented.	25	0	0	0
Place & Economy	02-06-01-06	Recycling Disposal Costs	Increase in the gate fee for the disposal of co-mingled recycling.	400	0	0	0
Total Pressures				9,396	0	0	0
Adults, Communities & Wellbeing	02-01-02-01	Leisure	Reversal of one off Covid Pressure in 2021/22 (Ref 02-01-01-02)	0	(876)	0	0
Adults, Communities & Wellbeing	02-01-02-02	CCG Discharge Packages Covid 19	Reversal of one off Covid Pressure in 2021/22 (Ref 02-01-01-03)	0	(3,399)	(513)	0
Corporate	02-03-02-01	Additional costs of remote working.	Reversal of one off Covid Pressure in 2021/22 (Ref 02-03-01-02)	0	(250)	0	0
Enabling & Support Services	02-04-02-01	Treasury Management	Reversal of one off Covid Pressure in 2021/22 (Ref 02-04-01-01)	0	0	(342)	0
Place & Economy	02-06-02-01	Planning Fees	Reversal of one off Covid Pressure in 2021/22 (Ref 02-06-01-01)	0	(114)	0	0
Place & Economy	02-06-02-02	Building Control Income	Reversal of one off Covid Pressure in 2021/22 (Ref 02-06-01-02)	0	(7)	0	0
Place & Economy	02-06-02-03	Commercial Income	Reversal of one off Covid Pressure in 2021/22 (Ref 02-06-01-03)	0	(1,252)	0	0
Place & Economy	02-06-02-04	Household Waste Collection	Reversal of one off Covid Pressure in 2021/22 (Ref 02-06-01-05)	0	(25)	0	0
Total Savings				0	(5,923)	(855)	0
Total				9,396	(5,923)	(855)	0

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LGR

Directorate	Proposal Ref	Proposal Title	Proposal Description	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Corporate	08-03-01-02	Staffing Pressure	Diseconomies of scale relating to the disaggregation of NCC services	1,900	0	0	0
Total Pressures				1,900	0	0	0
Corporate	08-03-02-01	Staffing Savings	Estimated savings related to the Senior Leadership Structure	(2,000)	0	0	0
Corporate	08-03-02-03	Housing Options Saving	Saving relating to the harmonisation of the Housing Options Allocation System	(44)	0	0	0
Total Savings				(2,044)	0	0	0
Total				(144)	0	0	0

North Northamptonshire Council

Draft Fees and Charges Policy December 2020

North Northamptonshire Council Fees and Charges Policy

1 Introduction

- 1.1 Income from fees and charges represent an important source of funds to the Council, and enable a range of services to be provided within the area and beyond. This policy establishes the framework by which fees and charges levied by the Council are agreed and regularly reviewed.
- 1.2 The policy allows the Council to have a properly considered, consistent and informed approach to all the fees and charges it levies for its services. This supports the delivery of the Corporate Plan and the annual budget decision.
- 1.3 The setting and review of fees and charges is incorporated into the annual budget setting timetable. Incorporating the review into the service and planning process also permits consideration of cross-cutting issues and impacts in the context of wider policy objectives. There will be one consolidated schedule of all the Council's fees and charges for each year, which will be approved as part of the budget setting process at Full Council in February each year.

2 Background - Statutory and discretionary charges legislation

- 2.1 Statutory services are those services that an authority is mandated to or has a duty to provide and are excluded from this fees and charges policy as they are either directly funded by Government grants, local taxation or exempt from fees and charges.
- 2.2 The Local Government Act 2003 provides a general power to charge for discretionary services (services that an authority has the power, but is not obliged to, provide). Additions or enhancements to mandatory services above the standard that an authority has a duty to provide may be provided as discretionary services.
- 2.3 North Northamptonshire Council (NNC) may generate income from the public through charging and trading for services that exceed the statutory requirements or are added value optional services. Commercial and income generating activity cannot be applied directly to core statutory or essential services, however as noted, there is the opportunity to charge for any added value services provided in excess of the statutory function.
- 2.4 The Council may not make a profit on its charging activities, or subsidise other services and cannot charge for services that customers do not choose to use. A profit may be defined as a surplus received in excess of the full cost of delivering the service. Full cost includes all direct costs, such as pay and materials, and also indirect costs including overheads such as finance, accommodation, Human Resources (HR) and Information Technology (IT).
- 2.5 In accordance with the Localism Act 2011 and 'general powers of competence' contained within it, local authorities may trade in any eligible service permitted by the Council's constitution. But if such authorities seek to raise profits that can be used for reinvestment or other services, they must conduct this commercial activity via a separate trading

company. However, services can be traded across the public sector environment, without having to establish a trading company.

- 2.6 In addition, the Localism Act 2011 allows a local authority to do “anything that individuals generally may do” that is a lawful activity. Although the Act gives local authorities greater power, the authority is a public body and accountable for its actions to provide best value for its constituents. The standard procurement and contract regulations also apply.
- 2.7 This approach has been fully considered within the Council’s Corporate Plan whilst ensuring compliance with the principles, regulations and legislation outlined above.
- 2.8 More detailed information regarding the applicable legislative framework is contained in Appendix 1.

3 Local Government Reorganisation (LGR)

- 3.1 Due to the implementation of LGR in Northamptonshire this is North Northamptonshire’s first year of setting this policy and indeed it’s first budget process. Fees and Charges within the previous District & Borough Councils have been reviewed as to whether harmonisation is required based on statute, recharging and revised costs from an aggregated team moving forward perspective and certain categories of fees and charges have therefore been prioritised to be harmonised for vesting day including, Pre-Planning fees, Bulky Waste Collections and Taxi and Houses in Multiple Occupation (HMO) Licencing. This is additional to the already harmonised fees for Environmental Health licencing across North Northamptonshire
- 3.2 Where these fees and charges were not deemed a priority to harmonise for Day 1, separate rates between areas of North Northamptonshire will remain in place and these will be reviewed either during the year or prior to the setting of the 2022/23 budget with a view to harmonise where possible over the next 2 -3 years.

4 Charging Models

- 4.1 When determining how to charge for the services being undertaken, there should be a clarity on the legal basis for charging, and supporting justification for the model chosen. The main charging models are set out in the table below.

Full commercial – the default position	The Council seeks to maximise revenue within an overall objective of recovering the full cost of provision, including all overheads, investments, cost of sales and development.
Full commercial with discounts	As above, but with discounts being given to reflect market conditions and enable trade. Discounted costs are met out of service budgets.
Full commercial with concession	As above, but with concessions being given to enable disadvantaged groups to access the service. There needs to be a clear case for this.
Subsidised	Council policy is to make the service widely accessible, but believes users of the service should make some contribution from their own resources. Could also be due to the adverse impact a

	commercial charging policy would have on other Council services.
Nominal	The Council wishes the service to be fully available, but sets a charge to discourage frivolous usage.
Free	Council policy is to make the service fully available without charge.
Statutory	Charges are set in line with legal obligations and charges are only made for added value services.
Property Rental / Lease	Properties that are rented or leased to third parties should be done so at a commercial rate. Where this does not occur, it should be highlighted and an explanation provided to Cabinet

5 Application of Fees and Charges Policy

- 5.1 Existing fees must be reviewed at least annually. The default assumption is that fees and charges should be inflated annually by the Consumer Price Index (CPI). If CPI is negative, the rate should be deemed to be zero for the purposes of calculating fees and charges.
- 5.2 Managers have discretion to use professional judgement to deviate from this approach where market conditions or other practicalities dictate. However, where this discretion is applied, it should be included in the budget report, with appropriate explanation.
- 5.3 The requirement to report deviations from a CPI uplift does not include immaterial adjustments to allow for the use of rounded amounts for the convenience of end users or for other practical considerations.
- 5.4 Proposals for new fees and charges must be considered within the annual service and financial planning processes or, where necessary, submitted to Cabinet for approval as an in-year change.
- 5.5 Reasonable notice should be given to service users to consult on the fees, before any new charge or significant change is implemented, together with clear advice on any discounts or concessions that will be available. It is likely that such changes will also be subject to the requirement to do an Equality Impact Assessment (EqIA) with guidance provided via the Council's Equalities Intranet page.
- 5.6 The effects of any new (or substantially revised charges) on service usage and income generated should be monitored regularly over the first 12 months and reviewed within the framework of the next service and financial planning cycle.
- 5.7 Appendix 2 sets out the overall planning and budgeting process and the relevant timescales for the review of fees and charges.

6 In Year Changes

- 6.1 Given the uncertain nature of the economy, the need for price changes later in the year cannot be ruled out. If officers judge that limited changes are needed to respond to operational issues and the changing market, the services will need the flexibility to do so in a timely manner. Also, officers are well aware of the need to investigate opportunities to offer incentives that will encourage greater use of services and therefore increase overall income generated.
- 6.2 Possible changes might include the introduction of promotions to stimulate demand as necessary, making offers for limited timescales or linking two services, for example, if you pay for a birth certificate, a naming ceremony comes at a discount. They might include offering discounts at a country park for people who have purchased another service, or discounts on certain goods to people who subscribe as friends of that service. Such discounts and promotions will need to rest with the service to introduce as part of being market-led and responsive.
- 6.3 The Budget Report where the annual charges are agreed will seek to delegate authority to approve any fee increase from the levels set within the report in year, up to a maximum of a 10% increase for any individual fee or a maximum of £50 increase, to the relevant director responsible for the service at the time, in consultation with the relevant Cabinet member and the S151 Officer.

7 Responsibility and recording

- 7.1 Directorates have the responsibility for reviewing, calculating, consulting and updating the fees and charges in accordance with the annual fees and charges cycle. It is expected that all fees and charges are in line with and form part of the directorates' income generating strategy and this supports the Council's wider plans. The practicalities of fee invoicing and collection are deemed to be inclusive to the fee setting, consultations and approval.
- 7.2 Directorates will have the appropriate delegated powers to act in accordance with the Council's Constitution and within the current statutory legislation. If there are any doubts it would be advisable to contact democratic support and legal services.
- 7.3 The annual cycle flowchart sets out the steps to follow to meet the publication and final approval of the annual fees and charges by Full Council in February.
- 7.4 In conjunction with the annual budgeting cycle and Medium Term Financial Plan (MTFP) monitoring, finance will maintain a central record of all the Council's fees and charges. It is the directorates' responsibility to update finance with any changes and ensure that the data held is accurate and up to date.

Appendix 1 -Local authority legislation

The Localism Act 2011

Section 1 of the Act provides for a general power of competence for local authorities in England, giving them the power to act in the same way as an individual can, and allowing for innovative thinking when doing so. The Act also allows authorities to charge for, and trade in, services offered under the general power, in line with the powers already available to them under sections 93 and 95 of the Local Government Act 2003. However, authorities cannot trade in services that they already have a statutory requirement to provide, but may charge enough to recover costs for discretionary services.

Section 5 gives a wider power to the Secretary of State to remove or change any statutory provisions that prevent or restrict the use of the general power, and to remove similar provisions that overlap with the general power. The clause also allows the Secretary of State to restrict what local authorities can do under the general power, or to provide conditions.

The Localism Act includes a 'general power of competence'. It gives local authorities the legal capacity to do anything that an individual can do that is not specifically prohibited; they will not, for example, be able to impose new taxes, as an individual has no power to tax.

The new, general power gives councils more freedom to work together with others in new ways to drive down costs. It gives them increased confidence to do creative, innovative things to meet local people's needs. The general power of competence does not remove any duties from local authorities - just like individuals they will continue to need to comply with duties placed on them. The Act does, however, give the Secretary of State the power to remove unnecessary restrictions and limitations where there is a good case to do so, subject to safeguards designed to protect vital services.

Similar powers have been given to Fire and Rescue Authorities, Integrated Transport Authorities, Passenger Transport Executives, Combined Authorities and Economic Prosperity Boards.

Local Government Act 2003

The Local Government Act 2003 (the 2003 Act) provides a general power to charge for discretionary services. It has a number of key features:

- Authorities are under a duty to ensure that, taking one year with another, the income from charges do not exceed the costs of provision.
- Authorities must already have the power to provide the service.
- The recipient of the discretionary service must have agreed to its provision and to pay for it.
- It does not apply to services which an authority is mandated or has a duty to provide at no extra cost.
- Charges may be set differentially, so that different people are charged different amounts.
- Authorities are not required to charge for discretionary services. They may provide them for free if they so decide.

To be able to make use of the power to charge for a discretionary service, authorities must have an existing power to provide that service. Under ordinary legal principles, an authority has power to do anything reasonably incidental to its express powers. In circumstances where an authority wishes to charge, for example for works or supplies, the authority will need to satisfy itself that the enactment which authorises provision of a particular service would also permit the provision of anything reasonably incidental to that service. Where an authority is relying on subsidiary powers under section 111(1) of the Local Government Act 1972 to authorise the provision of a service to facilitate the discharge of a specific function, then the authority may charge under section 93(1) of the 2003 Act for that function related service by virtue of the dis-application at section 93(7)(a) of the 2003 Act.

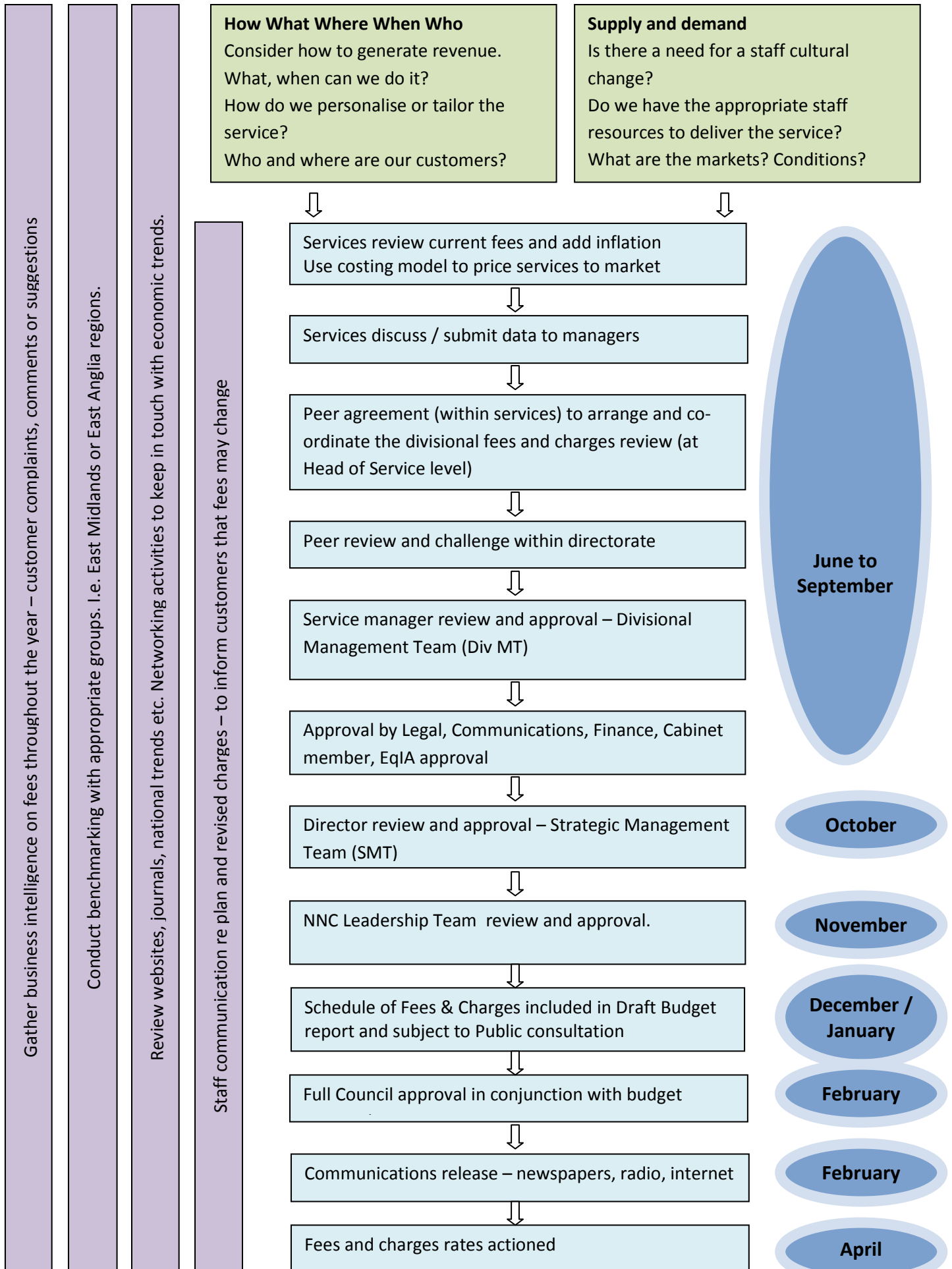
Local Government Act 2000

Local Authorities have wide powers to provide discretionary services including powers in the Local Government Act 2000 (section 2) to do anything they consider likely to achieve the promotion or improvement of the economic, social and environmental wellbeing of their areas. For the purposes of the power to charge in the 2003 Act, the prohibition on raising money in relation to their power to promote wellbeing is to be disregarded. This dis-application of the prohibition on raising money fulfils the commitment to provide a general power to charge for services provided under well being.

Local Authority (Goods and Services) Act 1970

Local authorities are enabled to trade with other local authorities and designated public bodies for the supply of goods or materials; provision of any administrative, professional or technical services; use of any vehicle plant or apparatus including appropriate staff; works of maintenance in connection with land or buildings. Under this act, authorities can make a profit on services, if sold to another local authority, but are not allowed to trade with private sector or individual customers for profit.

Appendix 2 - Fees and charges planning flowchart



Draft Harmonised 2021-22 Fees & Charges

	BCW	ENC	CBC	KBC
	Proposed Charge 2021-22 £	Proposed Charge 2021-22 £	Proposed Charge 2021-22 £	Proposed Charge 2021-22 £
<u>Cremation Fees</u>		no crematorium	no crematorium	
Adult Cremation (over 16 years)	920			920
Child cremation (up to 16 years)	no charge			no charge
Off peak funerals (to finish before 10am and to start after 4pm)	850			850
Evening and weekend funerals	1,070			1,203
No service required at the crematorium	690			690
Extended service (total length of 1 hour 20 minutes) Pre-paid Cremation Plan	200			850
<u>Interments-Public & Purchased Graves (Monday - 11.30 Friday) Over 16 years</u>				
Depth to 4.5 ft.				700
Depth to 6 ft.	600		700	1,050
Chamber - Single Interment	600		600	600
Chamber - Double or Second Interment	800		800	800
Cremated Remains	250		250	800
Memorial Chambers	390		390	
Prepurchased mausoleum	1,200			5,000
Construction and installation of a timber pack (supplied by trained personnel) to enable a shroud burial and entry to a grave	600			

	BCW	ENC	CBC	KBC
	Proposed Charge 2021-22 £	Proposed Charge 2021-22 £	Proposed Charge 2021-22 £	Proposed Charge 2021-22 £
<u>Interments-Public & Purchased Graves (Friday after 11.30am to 3.30pm, Saturday 9.00am -10.30 am)</u>				
Depth to 4.5 ft.				700
Depth to 6 ft.	800		800	1,050
Burial that takes place within 24 hours (subject to availability of trained personnel)	1,250		1,250	
Per additional ft.	150			
Chamber - Single Interment	700		700	700
Chamber - Double or Second Interment	1,000		1,000	1,000
Cremated Remains	350		350	800
Memorial Chambers	390			390
Prepurchased mausoleum	1,600			5,000
Construction and installation of a timber pack (supplied by trained personnel) to enable a shroud burial and entry to a grave	900			
<u>Interments-Public & Purchased Graves (Saturday after 10.30am, Sundays and bank holidays)</u>				
Depth to 4.5 ft.				700
Depth to 6 ft.	1,000		800	1,050
Burial that takes place within 24 hours (subject to availability of trained personnel)	1,500		1,500	
Per additional ft.	200			
Chamber - Single Interment	800		800	800
Chamber - Double or Second Interment	1,200		1,200	1,200
Cremated Remains	450		450	800
Memorial Chambers	400			400
Prepurchased mausoleum	1,800			5,000
Construction and installation of a timber pack (supplied by trained personnel) to enable a shroud burial and entry to a grave	1,200			

	BCW	ENC	CBC	KBC
	Proposed Charge 2021-22 £	Proposed Charge 2021-22 £	Proposed Charge 2021-22 £	Proposed Charge 2021-22 £
<u>Exclusive Rights</u>				
Earth Graves (9 ft. x 4 ft.)	700		700	700
Childs Plot (4 ft. x 3 ft.)	350		350	350
Memorial Garden (2 ft. x 2 ft.)	175			
Chamber - Single Interment	700		700	700
Chamber - Double or Second Interment	1,000		1,000	1,000
Memorial Chamber, Ashes (Including Plaque)	820			820
Mausoleum - Purchase, facia tablets and inscription	3,580			5,000
Green Burial				1,028
Exhumation - burial plot				2,190
Exhumation - cremation plot				423

	BCW	ENC	CBC	KBC
	Proposed Charge 2021-22 £	Proposed Charge 2021-22 £	Proposed Charge 2021-22 £	Proposed Charge 2021-22 £
<u>Memorials</u>				
Vase or Tablet	100		100	100
Headstone or other monument	200		200	200
Kerb	125		125	125
Additional inscriptions	100		100	100
Replacement of headstones	125			125
Commemorative Bench			500	
Commemorative Tree			400	
Use of chapel	150			150
Use of organ	65			
Search Fee	75			
Copies of Deeds/Register entries - per copy			6	
<u>Special Conditions</u>				
Purchaser has not lived in the Borough for at least one year in the past ten years - 100% uplift in charges (applies to purchase of exclusive rights only)	✓		✓	basic x4
Deceased has not lived in the Borough for at least one year in the last five years - 100% uplift in charges (applies to interment fee and memorial applicants)	✓		✓	basic x5
<u>Maintenance of Graves</u>				
Levelling and turfing grassed graves on one occasion	120			
Maintaining other graves for 25 years	1,000			
Planting on a single occasion	90			
Spring & Summer flowers for 25 years	2,000			

	BCW	ENC	CBC	KBC
	Proposed Charge 2021-22 £	Proposed Charge 2021-22 £	Proposed Charge 2021-22 £	Proposed Charge 2021-22 £
<u>Bulky Waste Collection</u>				
Up to 5 items	30	30	30	30
<u>Pre Planning Application</u>				
<u>Minor Applications</u>				
Householder applicants	65	65		65
Householder applicants + site visit		110		
Adverts	75	75		75
Adverts + site meeting		155		
Listed Building	75	75		75
Listed Building + site meeting		120		
Change of use	200	200		
Change of use + site meeting		265		265
Up to an hour meeting if requested	30% of "initial fee"			30% of "initial fee"

	BCW	ENC	CBC	KBC
	Proposed Charge 2021-22 £	Proposed Charge 2021-22 £	Proposed Charge 2021-22 £	Proposed Charge 2021-22 £
<u>Taxi Licensing</u>				
<u>Hackney Carriage / Private Hire</u>				
Vehicle licence	255	255	255	255
Driver's Licence original (3years)	190	190	190	190
Driver's Licence renewal (3years)	185	185	185	185
Operator's Licence, original and renewal (5 years)	280	280	280	280
Trailers	125	125		
Hackney Carriage Knowledge Test	65	65	65	
Private Hire Drivers Test	20			
Transfer of Vehicle Licence (paperwork only, no plates)	55	55	55	55
Temporary Vehicle Transfer (plates included)	60	60	60	60
Personal Plate Application (plates included)	60	60	60	
In Year Permanent Vehicle Replacement	55	55	55	
Short Term Drivers Badge (previously Temporary)	25	25	25	25
Transfer of Vehicle Ownership	55	55	55	
Vehicle Inspection Fee			60	
Combined MOT and licensed vehicle inspection fee			65	
Vehicle Inspection Fee Surcharge			30	
Vehicle Inspection Retest			25	
Medical				95
Motor Salvage Repair Registration				150
Advertising on rear passenger doors				60
Criminal records check fee		50		50
Exemption from display of PH plates (subject to authority requirements)				35
<u>Houses in Multiple Occupation: Mandatory Licence</u>				
Application fee (Due on Application)	800	800	800	800
Grant Fee (Payable once your application has been successful)	440	440	440	
Variation Fee – No Inspection Required	325	325	325	
Variation Fee – Inspection Required	740	740	740	
Renewal Application	800	800	800	800
Renewal Grant Fee	440	440	440	
Change of Details	32	32	32	
Copy Licence	32	32	32	
Accommodation Certificate			95	
Environmental Search Information in relation to house purchase			65	
Environmental Search Information in relation to commercial enquiry			155	

Dedicated Schools Grant (DSG)

1. Background

1.1 The Dedicated Schools Grant (DSG) is a ring fenced grant allocated to the authority by the Government to support a range of education related services. The majority (>90%) of the DSG is allocated to the Local Authority (LA) and paid to providers based on a national formula which funds direct education provision including schools (Local authority maintained and academies), early years' providers and high needs education in Further Education (age 16 to 25). The remaining 10% is paid to nurseries, schools and higher education institutions for:

- pupils and students with special education needs and disabilities (referred to as high needs 'top ups'),
- funding to cover increases i.e. in-year increases in pupil and student numbers (referred to as 'growth funding')
- maintained school de-delegations (funding top sliced from the maintained individual school budgets (ISB) at their approval, and managed centrally by the LA, for example trade union facility time), and
- funding for historic and ongoing commitments.

The individual school's budgets (ISB) for academies and funding for high needs 'places' in academies (set prior to the start of academic year) are paid to academies directly from the Education Skills and Funding Agency (ESFA). This funding is taken off the Dedicated Schools Grant before the grant is paid to LAs and is termed 'recoupment'.

1.2 The Department for Education (DfE) currently operate a 4 block funding model for funding schools and pre-16 education including early years as set out in the following table:

DEDICATED SCHOOLS GRANT			
Schools Block	Early Years Block	High Needs Block	Central Schools Services Block (CSSB)

Each of the blocks covers different elements of education funding with the respective funding allocations being based on different underlying formulae and data sets.

The total DSG that the Authority receives is largely based on all schools' pupil and children numbers as per census data for the county whether maintained or academy. But each of the four blocks is allocated to the LA on a different basis.

- **Schools Block**
 - 96.8% of funding allocated to the LA is driven by pupil numbers and the Primary Unit of Funding (PUF) and Secondary Unit of Funding (SUF)
 - allocated to schools for day to day spending in their individual school budgets through the schools funding formula, and includes the Pupil Growth Fund for new and growing schools.

- **Early Years Block**
 - 93.6% Allocated to the LA based on January Early Years Censuses and the Early Years National Funding Formula (EYNFF).
 - funds all early years' settings for 2, 3 and 4 year olds with a statutory minimum of 95% allocated to schools, other private, voluntary and independent early years education providers and childminders through the Early Years funding formula. Schools Forum annually approve up to the remaining 5% of the block funding to be used to fund LA central functions to manage and administer the early years' arrangements.

- **High Needs Block**
 - 53.9% of funding is allocated to LAs based on proxy indicators (population, deprivation, ill health, disability, prior attainment), 33.7% of funding is historically based (on 2017-18 spend) and 10.1% of funding is based on special school pupils from autumn census
 - largely covers funding for the education of pupils with special educational needs and disabilities. For example those with an Education, Health and Care Plan. This covers ages 0-25 in a range of provision including special schools, special educational needs units in mainstream schools, alternative provision and independent specialist provision. This block also funds teams within the authority that support the high needs sector to meet the needs of high needs pupils.

- **Central Schools Services Block (CSSB)**
 - 35% of funding allocation to the LA is based on the schools autumn census data and 65% of funding is Historically based (this is being unwound by Government and is reducing 20% each year).
 - funds historic commitments previously agreed between the Schools Forum and the LA for example pensions costs and ongoing responsibilities that the authority has in respect of education for example School Admissions.

1.3 Maintained schools continue to receive funding directly from the LA through the DSG. However, the authority's DSG grant is reduced in respect of academies who receive their funding direct from the DfE, reflecting the shift in

responsibility for the funding of academies. The removal of grant funding from the DSG paid to NCC to pay directly to academies is termed “recoupment”. Academies are independent of the local authority and are accountable directly to the DfE. The DfE agency responsible for all school related funding is the Education and Skills Funding Agency (ESFA).

1.4 Within North Northamptonshire, there are currently 5 maintained nursery schools, 42 primary, 1 secondary and 1 special maintained schools. There were also 69 primary, 18 secondary, 1 All-through and 6 special academies.

1.5 Schools Forum membership is made up of representatives from maintained and academy, primary and secondary schools, nurseries, Council Officers. The meetings are open to the public and are held every 2-3 months. The Forum have a statutory role in ensuring that school funding across the county is equitable and fair by considering proposals from the council for such areas as the school funding formula and central expenditure from the DSG.

1.6 The LA consults with Schools Forum each year on the allocation of DSG funding in accordance with the legislation and guidelines issued by the DfE. This includes the local formula factors to be applied in the calculation of the school’s individual budgets. As well as the requirement to consult with the Schools Forum on changes to formula funding, the Forum authorises the central expenditure budgets for ongoing commitments, movements of funding between blocks and the growth fund policy.

1.7 The Shadow North Northamptonshire Schools Forum was appointed to in October 2020. This was required not only for vesting day readiness to assume formal roles, but to make decisions, and receive information on the budget setting and policies for schools, academies, high needs and early years’ providers that will take effect post vesting. From Vesting Day the ‘Shadow’ element will be removed from the Schools Forum label and the roles and membership will formally assume. Membership will be valid for 4 years, to which when its due to expire each role will go out to recruit following the standard Schools Forum and Operational Good Practice Guide.

2. 2021-22 Funding Summary

2.1 In July 2020 the DfE published 2021-22 indicative allocations for three of the four DSG funding blocks. Early Years funding is based on pupil counts at different times of the year meaning allocations are published to a different timetable.

2.2 The latest DSG funding announcements for 2021-22 are provisional. The Schools and High Needs Block allocations will be updated for October 2020

pupil numbers, with an announcement published by the ESFA expected in the third week of December 2020. This is the point at which individual school budgets can be set through Northamptonshire’s schools’ funding formula.

2.3 The national provisional allocations included the following headlines:

- Schools block funding will increase by £4.8bn and £7.1bn in 2021-22 and 2022-23 respectively, compared to 2020-21
- School funding through the National Funding Formula (NFF) is increasing by 4% overall in 2021-22
- The minimum per pupil funding levels will ensure that every primary school receives at least £4,000 per pupil, and every secondary school at least £5,150 per pupil, delivering on the Government’s pledge to level up the lowest funded schools
- High needs funding will increase by a further £730m, or 10%, in 2021-22. The high needs NFF will ensure that every local authority receives a further increase of at least 8% per head of population, compared to this year, with some authorities receiving up to 12%
- Central Schools Services Block funding in 2021-22 will increase by 4% for the ongoing responsibilities that local authorities continue to have for all schools however funding for historic commitments will decrease by 20% for those local authorities in receipt of this funding
- LAs are expected to set a Minimum amount of funding per pupil which is an increase from the per pupil guarantee in 2021-22. The minimum per-pupil funding level in primary schools will be at least £4,000 (was £3,750) and in secondary schools, at least £5,510 (was £5,000).

2.4 Due to the majority of DSG funding being formula driven to arrive at the LAs funding allocation, disaggregation has to therefore replicate the national formulae used by the DFE for each North and West unitary. The work to arrive at indicative allocations for the two new unitaries has been completed working closely alongside the ESFA.

2.5 The following table sets out the indicative disaggregated DSG funding based on the provisional settlement:

Schools Block	Early Years Block	High Needs Block	Central Schools Services Block (CSSB)	Total
£243m	£21m	£48m	£4m	£316m

2.6 The vast majority of the disaggregation of the DSG will be through the national funding formula, as set out in paragraph 1.2. above which are based on the relevant censuses for each cohort in each Unitary area.

2.7 There are two historical parts to the DSG funding which are based on prior year's expenditure, these are within the high needs block and Central Schools Services Block. The basis of the disaggregation for the high needs historical block has been to the 2019-20 expenditure outturn, which gives the percentage of the High Needs Historical funding as 45.9% for the North Northamptonshire Council (NNC).

2.8 The basis of the split for the Central Schools Services Block is more complex to split but relates to less than 1% of the overall DSG being disaggregated. Each budget has been reviewed individually and NNC receives either 50%, 46.4% or 43.1% (or with the PFI scheme of £300k, 0% as this is in West Northamptonshire Council).

3. Budgetary Pressures in the High Needs Block

3.1 The most significant pressure within the DSG is the growth in the funding needed for young people with special educational needs and disabilities (SEND). It is six years since reforms were introduced to better support children and young people with special educational needs and disabilities (SEND) but the allocation of funding available to support pupils with high needs has become a national issue.

There is a Government led review currently underway aimed at improving the services available to families who need support, and to equip staff in schools and colleges to respond effectively to their needs. The review also aims to ensure that public money is spent in an efficient, effective and sustainable manner, placing a premium on securing high quality outcomes for those children and young people who need additional support the most.

3.2 The latest forecast overspend for the 2020-21 financial year is £5.2m across Northamptonshire of which 46% (estimated to be £2.4m) will pass to North Northamptonshire on vesting day.

3.3 The pressures which have resulted in the High Needs block overspend are expected to continue into future years and this presents risks around affordability of provision for pupils with high needs.

3.4 The level of overspend is not currently at a level that requires a recovery plan to be submitted to the ESFA however active management in order to bring the overall high needs budget in to balance is required. Work is being progressed to look at the high needs system and provision as a whole.

3.5 ESFA regulations allow up to 0.5% of the Schools Block funding to be moved to the High Needs Block to cover the ever increasing costs to support pupils with high needs. Following consultation with schools and approval by Schools Forum at the December 2019 meeting, £1.25m was moved between the 2 blocks for 2020-21 (0.25%). Consideration is being given to the ongoing requirement to transfer from the Schools Block for 2021-22 given the indicative allocations from the DfE and high needs pressures.

3.6 The proposals being discussed are to consult on the following:

- The ability to transfer 0.5% of the Schools Block allocation to the High Needs Block. For North Northamptonshire, this equates to approximately £1.2m in 2021-22 and will be required to offset the forecast carried forward High Needs deficit from 2020-21, and fund the continuing pressure in 2021-22,
- The value at which the Minimum Funding Guarantee should be set, for 2021-22 this can be set between +0.5% and +2% which means that the per pupil funding must increase by between +0.5% and +2% from the 2020-21 level.
- Whether North Northamptonshire Council should operate a funding cap on a per pupil, year on year increase, if required, to ensure affordability of the overall formula (2021-22 NFF includes a 12% cap),
- The continued use of the Central Schools Services Block on a line by line basis, some of which has a direct impact on the budgets for these services in the authority.
- The use of any surplus within the CSSB funding
- The financing arrangements for 2020/21 high needs overspend (it is currently assumed that a part of the high needs block increase for 2021-22 and 2021-22 will be needed to cover the 2020-21 carried forward deficit).

3.7 The results of the consultation will be presented to, and voted on at the Shadow Schools Forum meeting on the 15 December.

3.8 However, the final schools funding formula remains a local authority decision. The time between the final DSG settlement from Government in December 2020 and the submission deadline for the individual schools' budgets on 21st January 2021 is not long enough to allow for adequate budget calculation, presentation to Schools Forum and Shadow Schools Forum on the 19th of January 2021 and presentation to North Northamptonshire Council Shadow Executive to review for final ratification. As a result of these short deadlines over a time when schools and academies usually have two weeks holiday, the LA is proposing to delegate authority to the Director for Children's Services in consultation with the Cabinet Member for Children's Services and the Executive Director of Finance (s151 Officer) following consultation with the Schools Forum and Shadow Schools Forum to determine:

- a) the 2021-22 school funding formula for Northamptonshire to enable the required submission to the Education and Skills Funding Agency on 21st January 2021;
- b) North Northamptonshire Council's funding arrangements for 2021-22 for pupils with high needs in line with Department for Education guidance; and
- c) North Northamptonshire Council's funding arrangements for 2021-22 for the Early Years National Funding Formula in line with Department for Education guidance.

3.9 North Northamptonshire Shadow Schools Forum have been briefed at the October 2020 Forum and will be considering the announcements and impacts

at the December 2020 meeting where relevant approvals will be sought and following which the LA will set the schools' budgets.

2021-22 Budget and Medium Term Financial Plan Risks

The table below sets out the risks which have been identified around the 2021-22 Budget and Medium Term Financial Plan. Given the significant uncertainty around levels of Government funding beyond 2021-22 there is a high degree of risk associated with the delivery of the Council's financial plans over the medium term. Risk assessment has been undertaken by the informed judgement of experienced Officers.

Local Risks

Risk	Mitigation	Residual RAG Risk
Council Tax and Business Rates Collection Fund deficits are higher than forecast as a result of the ongoing economic impacts of COVID-19.	<ul style="list-style-type: none"> • Additional Government funding for irrecoverable local tax losses in 2020-21, although the amount of funding is uncertain. • Use of reserves. 	Red
Non delivery or under delivery of savings.	<ul style="list-style-type: none"> • Use of reserves. • Lobbying of Central Government for additional funding. • Maximise annual Council Tax increases to provide stability. 	Red
The ongoing impact of COVID-19 on the Council's available resources and transformation programme is not yet known.	<ul style="list-style-type: none"> • Internal COVID-19 risk management meetings. • Robust financial management and reporting processes to be developed and implemented to give early warning of potential risks and issues. 	Red
The disaggregation of income, expenditure and service delivery is inaccurately split between the North and West, giving rise to significant budget pressures.	<ul style="list-style-type: none"> • Contingencies have been built into the budget baseline • Maximise annual Council Tax increases to provide stability. • Use of reserves 	Red

<p>The Band D average harmonised Council Tax is low compared to national average rates for Unitary councils, restricting the ability to maximise income from Council Tax due to restrictions imposed by national referendum principles.</p>	<ul style="list-style-type: none"> • Maximise annual Council Tax increases to provide stability. 	<p>Red</p>
<p>If Council Tax is not maximised then there is a risk that services will need to be reduced.</p>	<ul style="list-style-type: none"> • Maximise annual Council Tax increases to provide stability. 	<p>Red</p>
<p>Unplanned and unforeseen consequences and costs arising from the implementation of new or changed systems and processes across service areas within the new Council.</p>	<ul style="list-style-type: none"> • Reviews of services and the budgets associated with them will be carried out throughout 2021-22 to ensure that priorities are deliverable within the approved budgets. • Maximise annual Council Tax increases to provide stability. 	<p>Red</p>
<p>Council Tax taxbase is less than forecast as a result of an increase in Local Council Tax Support or inaccurate growth assumptions.</p>	<ul style="list-style-type: none"> • Use of reserves. • Additional Government funding for Council Tax hardship in 2021-22 	<p>Amber</p>
<p>Uncertainty around the funding for the operation of the Children's Trust in the short to medium term following the establishment of the new Trust on 1st November 2020.</p>	<ul style="list-style-type: none"> • Use of reserves. • Lobbying of Central Government for additional funding. 	<p>Amber</p>
<p>The Sovereign Councils are unable to deliver a balanced outturn position for 2020-21, therefore impacting on reserves available to the new council.</p>	<ul style="list-style-type: none"> • Additional savings proposals will need to be identified by reducing or redesigning services. • Maximise annual Council Tax increases to provide stability. 	<p>Amber</p>

Budget proposals identified for 2021-22 will not be fully deliverable within the planned timeline.	<ul style="list-style-type: none"> • Robust financial management and reporting processes to be developed and implemented to review the budget proposals with action plans in place to give early warning of potential risks and issues. • Maximise annual Council Tax increases to provide stability. 	Amber
Risk of contractors going out of business and needing to re-tender at potentially higher cost.	<ul style="list-style-type: none"> • Robust contract management and monitoring of key suppliers financial performance. • Use of reserves. 	Amber
Assumptions around availability of staff resources are incorrect resulting in increased agency costs.	<ul style="list-style-type: none"> • Additional savings proposals will need to be identified by reducing or redesigning services. 	Amber
Projected levels of income from fees and charges are not achieved.	<ul style="list-style-type: none"> • Further opportunities for raising additional funds through the harmonisation of fees and charges will need to be explored and implementation plans accelerated. 	Amber
Reduced or uncertain cashflow as a result of lower Council Tax and Business Rates collection rates.	<ul style="list-style-type: none"> • Increased use of short term borrowing. • Robust cashflow management and monitoring. 	Green
Assumptions around the budgeted pay award and timing of the harmonisation of terms and conditions are unrealistic.	<ul style="list-style-type: none"> • Additional savings proposals will need to be identified by reducing or redesigning services. 	Green

National Risks

Medium Term funding is less than forecast.	<ul style="list-style-type: none"> • Additional savings proposals will need to be identified by reducing or redesigning services. • Maximise annual Council Tax increases to provide stability. 	Red
COVID-19 pressures continue for a longer period of time into the medium term than included in budget forecasts.	<ul style="list-style-type: none"> • Maximise annual Council Tax increases to provide stability. • Increased lobbying for Government support, use of reserves or reduction in services. 	Red
Changes to the Local Government funding system as a result of the Fair Funding Review and changes to Business Rates Retention negatively impact on medium term funding forecasts	<ul style="list-style-type: none"> • Additional savings proposals will need to be identified. • Maximise annual Council Tax increases to provide stability. 	Red
Volatility of business rates funding given the uncertainty around the impact of COVID-19 on the economy and the potential impact of change of circumstances and successful appeals.	<ul style="list-style-type: none"> • Use of reserves. 	Red
Retail hospitality and leisure businesses will no longer be benefitting from business rates reliefs, therefore there is an increased risk of non-payment.	<ul style="list-style-type: none"> • Use of reserves. 	Amber
Funding in the Local Government Finance Settlement is less than expected.	<ul style="list-style-type: none"> • Additional savings proposals will need to be identified by reducing or redesigning services. • Maximise annual Council Tax 	Amber

	increases to provide stability.	
The full impact of Brexit on the Council's resources is not yet known.	<ul style="list-style-type: none"> • Internal Brexit contingency planning and preparedness meetings. • Robust financial management and reporting processes to be developed and implemented to give early warning of potential risks and issues. 	Amber
Inflation increases at a higher rate than anticipated.	<ul style="list-style-type: none"> • Use of reserves. 	Amber
Unforeseen demand or volatility in social care.	<ul style="list-style-type: none"> • Robust financial management and monitoring of demand. • Additional savings proposals will need to be identified by reducing or redesigning services. 	Amber
The results of the Public Works Loan Board (PWLB) consultation on revised lending terms may result in changes to planned borrowing profiles.	<ul style="list-style-type: none"> • Use of reserves. 	Green
Interest rate volatility adversely impacts treasury budgets.	<ul style="list-style-type: none"> • Use of reserves 	Green

NORTH NORTHAMPTONSHIRE SHADOW AUTHORITY

SHADOW EXECUTIVE COMMITTEE MEETING

7th December 2020

Report Title	Draft Capital Programme 2021-25 and Capital Strategy
Report Author	Glenn Hammons Interim Chief Finance Officer, North Northamptonshire Shadow Authority ghammons@east-northamptonshire.gov.uk

List of Appendices

- Appendix 1 – Baseline Capital Programme 2021-25**
- Appendix 2 – Baseline HRA Capital Programme 2021-25**
- Appendix 3 – Baseline Development Pool**
- Appendix 4 – Capital Strategy**

1. Purpose of Report

- 1.1. This report sets out the Capital Strategy and baseline Capital Programme as at the end of November 2020 leading to consideration of the Final Programme by the North Northamptonshire Shadow Authority, for approval on 25th February 2021 alongside the Council’s Revenue Budget Report.
- 1.2. The report identifies the key factors and challenges influencing the development of North Northamptonshire Council’s future commitments for 2021-22 and beyond, and the governance process in place to successfully manage the review and approval of new schemes moving forward.
- 1.3. This will form part of the 7-week public consultation alongside the Draft Budget proposals following review by Shadow Executive and by the Overview and Scrutiny Committee. After considering the outcomes of both the Overview and Scrutiny review and the feedback received from local partners and the general public, the Shadow Executive Committee will recommend the proposals in the Final Capital Programme and Final Budget to the North Northamptonshire Shadow Authority meeting on 25th February 2021.

2. Executive Summary

- 2.1. This report presents a draft Capital Programme for 2021-25 including the Housing Revenue Account (HRA) Capital Programme 2021-25 and a Baseline Development Pool based on the Capital Strategy principles agreed by the newly appointed Senior officers, The North Northamptonshire Budget and Medium Term Financial Plan Task and Finish Group (NN Budget & MTFP T&F Group) and Shadow Executive Committee.
- 2.2. The full suite of budget reports will be presented to the Shadow Executive Committee on 10th February 2021, which will include the Revenue Budget 2021-22 and Medium Term Financial Plan; the Housing Revenue Account Budget 2021-22; the Capital Strategy and Capital Programme; and the Treasury Management Strategy. These reports together will provide a framework for revenue and capital planning for 2021-22 and into the medium term.
- 2.3. North Northamptonshire Council has not yet established a Corporate Plan. The NN Budget & MTFP T&F Group established a set of guiding principles to steer the budget setting process.
- 2.4. The key principles underpinning the Capital Strategy in compiling the Capital programme 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;
 - The Capital Strategy should make explicit the links to, and integration with, the Council's other strategies. New capital investment will only be permitted if it contributes to the achievement of the Council's corporate priorities;
 - The use of external funding is prioritised against the areas of greatest need, in the main supporting highways maintenance, the delivery of education places, the Corby Town Plan and Tresham Garden Village within North Northants. 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 North Northants;
 - Take into account external influences such as the South East Midlands Local Enterprise Partnership, Oxford Cambridge Arc, Health and joint working with other partner authorities etc;
 - Key integration and links with the council's other corporate strategies including Corporate Plan, Treasury Management, Investment Strategy, and Asset Management Plan;
 - Set out the Council's regeneration and economic development ambition and additional objectives;
 - Set out the governance and risk management arrangements.

- 2.5. The Spending Review at the end of November announced £100 billion of capital spending next year to kickstart growth and support jobs. Schools, hospitals and transport scheme projects will receive multi-year funding certainty, and the government will centre its spending around three objectives: economic recovery, 'levelling-up' and meeting the UK's net zero emissions target by 2050. £7.1 billion of Housing investment was also announced over a 4 year period to unlock up to 860,000 homes through capital grants and loan financing. The impact for North Northamptonshire is not yet known but will become clearer before the Final Capital Programme is set in February 2021.
- 2.6. HM Treasury ran a consultation on the future lending terms of the Public Works Loan Board (PWLB) with the aim of developing a proportionate and equitable way to prevent local authorities from using PWLB loans to buy commercial assets primarily for yield, without impeding their ability to pursue service delivery, housing, and regeneration under the prudential regime as they do now. The outcome is that PWLB will no longer lend to local authorities that plan to buy commercial assets primarily for yield. PWLB will still be available to all local authorities for refinancing.
- 2.7. The Council wants to invest in regeneration and economic development schemes and this is included in the Development Pool with further work to be undertaken as the strategy develops alongside the overall council priorities and objectives post vesting day.

3. Recommendations

- 3.1 It is recommended that the Shadow Executive Committee:
- a) notes the Capital Strategy, Capital Programme 2021-25, HRA Capital Programme 2021-25 and Baseline Development Pool which will be consulted upon, with the understanding that these will change for any schemes that are not complete by the current predecessor authorities as at the end of March 2021 and for any new schemes submitted through the agreed governance process between now and February 2021.
- 3.2 *Reason for Recommendation:*
- *The option proposed has taken into account the relevant officers and members steer regarding agreeing the principles that most closely align with the New Unitary Council's Safe and Legal perspective whilst including relevant transformation projects and maximising the delivery of currently agreed objectives.*

4. Report Background

- 4.1 The Capital Strategy demonstrates how the Council will make expenditure and investment decisions in line with service objectives and properly take account of stewardship, value for money, prudence, sustainability and affordability. It sets out the key objectives and broad principles to be applied by the Council when considering capital investment and its funding, and provides the context for how the Medium Term Capital Programme seeks to support the realisation of the Council's vision and corporate objectives. The Strategy also provides details of the Council's planned future capital programme and capital funding expectations.

- 4.2 This being the first year and first time this strategy is being set for the new authority, alongside the first Budget being set, and bearing in mind the disaggregation of the County Council and aggregation of the districts and boroughs in the north, this strategy is very much an initial one to ensure the council meets its statutory obligations with new capital investment for schemes contributing to the achievement of the Council's strategic priorities and the areas of greatest need within the North Northants area as well as schemes that also deliver transformation and/or revenue savings.
- 4.3 This strategy will be developed significantly during the council's first 12 – 18 months as the council's management team's visions, strategies and priorities are agreed and developed and following the disaggregation and aggregation of the final balance sheets following the final outturns and audit of accounts of the previous councils. This will, in-turn, inform the medium to longer term capital strategy for the new unitary council and the revenue and capital priorities to be delivered and financed.
- 4.4 The Baseline Capital Programme, HRA Capital Programme and Development Pool have been consolidated from the predecessor councils taking the North Northants relevant share for the previous Northamptonshire County Council (NCC) schemes. These will also bring with them the relevant sources of funding as currently designated at each sovereign council.
- 4.5 Work is still underway on the overall available funding for 2021/22 onwards from both a forecast balances at the end of 2020/21 position and from a capital grants to be allocated to North Northants from 2021/22 and future years perspective. Announcements from Government will come over the coming months following the Spending Review, giving further clarity to funding for 2021/22 onwards in advance of final approval of the Capital Programme in February 2021.
- 4.6 Minimum Revenue Provision (MRP) – The Capital Assets, balances and debt to be allocated between North Northants Council and West Northants Council from NCC is still being determined with support from Link Asset Services. The MRP policies are substantially different between the County Council and the North D&B's and this has been considered in a measured way as part of the Capital Strategy and the Draft Budget process to ensure a manageable impact.

5. Issues and Choices

Capital Strategy 2021-25

- 5.1 The Capital Strategy and the key principles have been agreed in the context of this being the initial year of the new council coming into existence disaggregating NCC between north and west and aggregating the north Districts and Borough's (D&B's) and ensuring all statutory responsibilities continue to be delivered from vesting day. The Strategy has also been developed with reference to the requirements of the updated Prudential Code and Treasury Code of Practice.

5.2 The key principles underpinning the Capital Strategy in compiling the Capital programme 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;
- The Capital Strategy should make explicit the links to, and integration with, the Council's other strategies. New capital investment will only be permitted if it contributes to the achievement of the Council's corporate priorities;
- The use of external funding is prioritised against the areas of greatest need, in the main supporting highways maintenance, the delivery of education places, the Corby Town Plan and Tresham Garden Village within North Northants. 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 North Northants;
- Take into account external influences such as the South East Midlands Local Enterprise Partnership, Oxford Cambridge Arc, Health and joint working with other partner authorities etc;
- Key integration and links with the council's other corporate strategies including Corporate Plan, Treasury Management, Investment Strategy, Asset Management Plan;
- Set out the Council's regeneration and economic development ambition and additional objectives;
- Set out the governance and risk management arrangements.

Governance Process and Approval of New Capital Schemes

5.3 Within the Capital Strategy there is a proposed Governance Structure for approving new capital schemes between now and the Final Budget report and for the new Council post Vesting Day. New capital investment will only be permitted if it contributes to the achievement of the Council's strategic priorities. The use of external funding will be prioritised against the areas of greatest need within the North Northants area, in the main supporting highways maintenance and the delivery of education places. In the current financial climate priority will be given to schemes that also deliver transformation that the council is aiming to deliver generating revenue savings or income streams to support the MTFP.

Capital Programme 2021-25, HRA Capital Programme 2021-25 and Development Pool

5.4 The Baseline Programme has been put together by taking the already approved schemes in year from each of the north sovereign councils and the north share of NCC's 21/22 schemes including already approved slippage from the councils' 20/21 programmes. This has resulted in a Total Capital Programme of £201m over the four year period, which comprises:

- A Baseline Programme totalling £54m including the completion of key projects including the Northamptonshire Superfast Broadband project, the completion of works at Chester House Estate, various schools' minor works and extensions, highways schemes across North Northants and various property and environmental projects across all previous district and borough areas.

There is also an earmarked amount for housing and homelessness investment of £6m which can be delivered through discretionary funding supported by further business cases coming forward alongside the appropriate due diligence being conducted to enable this to be approved;

- A Development Pool totalling £99m and the prioritisation of 37 key schemes against the associated funding streams making up the Pool. The key themes are Children's Services including Basic Needs, increasing capacity for pupil numbers, schools maintenance, looked after children placements and fostering support, Place including highways maintenance, new road or extension schemes, cycleways, flood alleviation, regeneration and economic development projects and property asset management, Adults community equipment and Corporate Projects mainly corporate IT and service systems;
- A HRA Baseline Programme totalling £48m across Kettering and Corby grouped into statutory and priority works, decent homes, health, safety and compliance works, pre-planned stock investment, enhancements and new builds and a significant investment of nearly £22m for Corby's Housing Development Programme.

5.5 Bearing the above in mind, there will no doubt be changes between now and February 2021 of some of the current capital projects being delivered by the sovereign councils which will impact the 2021/22 baseline position from a slippage perspective or for new projects that will come through the governance process for inclusion into the programme and confirmed announcements from Government regarding funding for North Northamptonshire, so please consider this as part of this draft position shown.

Minimum Revenue Provision

5.6 The Capital Assets, balances and debt to be allocated between North Northants Council and West Northants Council from NCC is still being determined with support from Link Asset Services. The MRP policy will be finalised following the completion of this work and this will include the previous NCC policy for their share of the debt that will be transferred to this council, in that a previous overpayment of previous MRP paid (Voluntary Revenue Provision (VRP)) is currently reducing the MRP to be paid to a minimal figure but when this runs out, currently forecast to be 2024/25, a lump sum would need to be built back in for this. The previous District & Borough Councils' debt will continue to be provided for on an asset life basis.

5.7 A phasing strategy for the previous NCC debt has already been reviewed and it has been proposed to include an additional £1.5m MRP for 2021/22 and to increase this annually in advance of 2024/25 to enable this to be delivered in a

manageable and gradual way as part of the overall MTFP Budget process in future years.

- 5.8 As we are awaiting the work to be completed by Link Asset Services, Debt, the Capital Financing Requirement (CFR) and MRP have not been split. This has affected the Treasury Management Strategy being finalised and the full impacts for the Council moving forward but an estimate is included in the Draft Revenue Budget and the strategy will be brought to a January 2021 Shadow Executive Committee meeting as part of a budget update.
- 5.9 HM Treasury ran a consultation on the future lending terms of the Public Works Loan Board (PWLB) between March and July 2020. The aim of this consultation was to develop a proportionate and equitable way to prevent local authorities from using PWLB loans to buy commercial assets primarily for yield, without impeding their ability to pursue service delivery, housing, and regeneration under the prudential regime as they do now.
- 5.10 The outcome is that PWLB will no longer lend to local authorities that plan to buy commercial assets primarily for yield. PWLB will still be available to all local authorities for refinancing. In order to borrow from the PWLB, local authorities will now be required to submit a summary of their planned capital spending and PWLB borrowing for the following three years including a commentary outlining the expenditure plans of the Council.
- 5.11 Alongside these new lending terms, the Chancellor has announced that the PWLB Standard and Certainty rates will be cut by 100 basis points for new loans arranged from 26 November 2020. This takes offered rates back to where they were in early October 2019. This will lower the costs of borrowing for local authorities and help them to move ahead with planned infrastructure projects. North Northamptonshire Council will need to apply as a new Council to be eligible for this preferential rate.

Funding

- 5.12 Work is still underway on the overall available funding for 2021/22 onwards from both a forecast balances at the end of 2020/21 position and from a capital grants to be allocated to North Northamptonshire from 2021/22 and future years perspective. Announcements from Government will come over the coming months following the Spending Review giving further clarity to funding for 2021/22 onwards in advance of final approval of the Capital Programme in February 2021.

6. Implications (including financial implications)

6.1 Resources and Financial

- 6.1.1 The resource and financial implications of the Capital Strategy and Capital Programme are set out in the body and appendices of this report. Staff capacity/external support will need to be ensured to deliver the Council's capital projects and support the expansion of the programme and the Council's ambitions moving forward.

6.2 Legal

6.2.1 There are no legal implications arising from the proposals set out in this report.

6.3 Risk

6.3.1 The following risks are associated with the budget proposals:

Risk	Mitigation	Residual RAG Risk
Funding in the Local Government Finance Settlement is less than expected.	Amendments or reduced delivery of schemes will need to be undertaken	Amber
Capacity to deliver	Ensure co-ordinated delivery teams for the capital programme and sufficient resources for external support as required	Amber
Further significant slippage from sovereign councils leading to a significantly increased programme to be delivered	Will put extra pressure on the above risk but will need to be managed accordingly and should be a short-term issue to complete projects	Amber
Disaggregation not being agreed	Agreements on most splits are in place reducing the impact of remaining items	Amber
MRP policy not complete	Estimates based on current policies of current debt plus a phasing strategy included to reduce future one-off impact	Amber
Historic Commercial Schemes/Change in Government Policy	Commercial Assets to be managed to maximise performance and changes to policy will be paramount to future capital strategy and programme	Amber
Condition of assets transferring to the Council	Condition likely to be variable across the estate. Will need to be reviewed as part of the One Public Estate workstream to rationalise and prioritise investments and sales of assets	Amber

New Schemes agreed by sovereign councils	Need to come through North Northants Governance process for consideration and minimal time and meetings left for these to be approved	Amber
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6.4 Consultation

6.4.1 The Capital programme proposals will sit alongside the Draft Budget 2021-22 seven week period of consultation on the proposals contained within these reports and will begin on 11 December 2020 and conclude on 29 January 2021.

6.4.2 If there are any changes made to any of these proposals following the consultation process, then the effect of this upon the overall capital programme will be considered for the final capital programme report in February 2021. This does not predetermine any decision that the Council may make in February 2021.

6.5 Consideration by Overview and Scrutiny

6.5.1 A Budget Scrutiny, including the capital strategy and programme, process will also run simultaneously with the consultation process outlined here. Scrutiny is a means for councillors not in the Shadow Executive to influence the development of Council policies and services and hold decision-makers to account. Budget Scrutiny involves councillors reviewing significant proposals from across the draft budget and the capital programme proposals and reporting their conclusions about the deliverability and service impact of these proposals to the Shadow Executive Committee. In this way Budget Scrutiny contributes to the development of the final budget and capital programme proposals and supports local democracy.

6.6 Climate Impact

6.6.1 The current sovereign councils are all supportive of the key principles of raising awareness of the issues of climate change and its impact on the local area, reducing emissions of greenhouse gases across the area and planning for and adapting to the impacts of climate change and these were all considered as part of setting the initial capital programmes that have subsequently led to the baseline capital programme within this report.

6.7 Community Impact

6.7.1 No distinct community impacts have been identified as a result of the proposals included in this report, however, the successful delivery of various projects will have a positive result in the local communities once completed.

7. Background Papers

7.1 Sovereign Councils' Capital Programmes and Strategies

Appendix 1

Committed Capital Programme Forecast Expenditure 2021-22 onwards

Scheme	Council/ Directorate	2021-22 Spend	2022-23 Spend	2023-24 Spend	2024-25 Spend	Total Spend	Disaggregation Principle (see below)	Funding
		£	£	£	£	£		
Chester House Estate	NCC/Corp Servs	1,352,000				1,352,000	A	Discretionary
Country Parks Minor Developments	NCC/Corp Servs	10,287				10,287	I	Donations held
Kettering Secondary School Extensions	NCC/CFN	400,000				400,000	A	DFE Grant
Isebrook School	NCC/CFN	900,599				900,599	A	S106
Schools Minor Works - 2020-21	NCC/CFN	1,155,948				1,155,948	H	DFE Grant
Schools Capitalisation of Revenue Contributions	NCC/CFN	214,000				214,000	A	Discretionary
Capitalisation of Community Equipment	NCC/NASS	1,844,000				1,844,000	A	Discretionary
A43 Corby Link Road	NCC/PLACE	847,000	100,000	45,000		992,000	A	S106
Northamptonshire Superfast Broadband	NCC/PLACE	2,955,040	1,144,000	1,254,440		5,353,480	D	Discretionary, Grant and
Contribution to HWRC Sinking Fund	NCC/PLACE	29,866	29,866			59,732	C	Discretionary
S106 Funded Highways Schemes	NCC/PLACE	3,802,049				3,802,049	B	S106
Minor Works 2020-21	NCC/PLACE	150,500				150,500	H	Discretionary
NCC Total	NCC Total	13,661,289	1,273,866	1,299,440	-	16,234,595		
Tithe Barn Road Office Refurbishment	BCW/Corp Property	1,876,000				1,876,000	A	Capital Receipts
Disabled Facilities Grant	BCW/PLACE	717,000	500,000	500,000	500,000	2,217,000	A	DFG
Castle Theatre	BCW/LEISURE	500,000				500,000	A	Capital Receipts
CPO Fund	BCW/PLACE	551,000				551,000	A	Capital Receipts
Empty Properties	BCW/PLACE	132,000				132,000	A	Capital Receipts
Crematorium - Pathways and Garden Infrastructure	BCW/PLACE	418,000				418,000	A	Capital Receipts
PPF Leisure	BCW/LEISURE	175,000				175,000	A	Capital Receipts
Tithe Barn Phase 2	BCW/Corp Property	180,000				180,000	A	Capital Receipts
Property Renovations	BCW/Corp Property	633,000				633,000	A	Capital Receipts
Open Spaces/ Parks/ Brooks and Waterways	BCW/PLACE	355,000				355,000	A	Capital Receipts/S106
Car Parking - Kettering Town Centre	KBC/PLACE	20,000	20,000	20,000	20,000	80,000	A	Capital Receipts
Warren Hill Works	KBC/Community	150,000	150,000			300,000	A	Discretionary
Rockingham Road Pavillion	KBC/Community	300,000				300,000	A	Discretionary
Small and other capital works and grants	KBC/Community	292,000	292,000	292,000	292,000	1,168,000	A	Capital Grants
Borough Wide - Recycling Project	KBC/Service Delivery	100,000	100,000	100,000	100,000	400,000	A	Capital Receipts
Infrastructure / Flexi & Remote Working	KBC/Service Delivery	220,000	220,000	220,000	220,000	880,000	A	Capital Receipts
New Depot	KBC/Service Delivery	2,000,000	1,500,000			3,500,000	A	Discretionary
Recycling Project / Facility	KBC/Service Delivery	500,000	2,500,000	2,500,000		5,500,000	A	Discretionary

Stock Improvement & Compliance	KBC/Service Delivery	60,000	250,000	10,000	750,000	1,070,000	A	Capital Receipts
Housing and Homelessness Prevention	KBC/Service Delivery	2,000,000	2,000,000	1,000,000	1,000,000	6,000,000	A	Discretionary
Disabled Facilities Grant	KBC/PLACE	500,000	500,000	500,000	500,000	2,000,000	A	DFG
Woodland Improvements	CBC/PLACE	63,000	63,000	63,000	63,000	252,000	A	Grants
Replacement Wheelie Bins	CBC/PLACE	52,000	52,000	52,000	52,000	208,000	A	Capital Reserves
Disabled Facilities/Home Repair Grants	CBC/PLACE	400,000	400,000	400,000	400,000	1,600,000	A	DFG
Shire Lodge Cemetery Extension	CBC/PLACE	1,320,000				1,320,000	A	Capital Reserves
ICT Hardware Replacement	CBC/Corporate	150,000	150,000	150,000	150,000	600,000	A	Capital Reserves
Disabled Facilities Grants	ENC/PLACE	500,000	500,000	500,000	500,000	2,000,000	A	DFG
Regeneration & Economic Development	ENC/Regeneration	85,000				85,000	A	Earmarked Reserves
Leisure and Tourism Projects	ENC/LEISURE	120,000	103,500	89,000	108,000	420,500	A	Discretionary
Environment Projects	ENC/PLACE	185,000	105,000	80,000	2,995,000	3,365,000	A	Discretionary
D&B Total		14,554,000	9,405,500	6,476,000	7,650,000	38,085,500		
North Northants Total		28,215,289	10,679,366	7,775,440	7,650,000	54,320,095		

Discretionary Funding	10,021,464	6,853,134	4,147,174	4,103,000	25,124,772
Capital Receipts	8,578,948	1,073,000	833,000	1,573,000	12,090,948
Earmarked Reserves	95,287	-	-	-	95,287
DFG	2,117,000	1,900,000	1,900,000	1,900,000	7,817,000
S106 and Other Grant Funding	7,402,590	853,232	895,266	74,000	9,192,088
Total	28,215,289	10,679,366	7,775,440	7,650,000	54,320,095

Disaggregation Principles - Key
A - Geography.
B - Road Length (57% West and 43% North)
C - Whole County Population (54% West and 46% North)
D - Council Tax Base (56% West and 44% North)
E - Children in Care (57% West and 43% North)
F - Planned Scheme split from service manager
G - 2019-20 payments (55% West and 45% North)
H - 50:50 split

Appendix 2

Committed Capital Programme Forecast Expenditure 2021-22 onwards

Scheme	Council/Directorate	2021-22 Spend	2022-23 Spend	2023-24 Spend	2024-25 Spend	Total Spend
		£	£	£	£	£
Smoke Detectors	Statutory	103,825	81,525	81,525	81,525	348,400
Heating Works	Statutory	196,226	196,226	196,226	196,226	784,904
Electrical Wiring	Statutory	70,000	350,000	350,000	350,000	1,120,000
Asbestos Inspections & Work	Statutory	75,000	75,000	75,000	75,000	300,000
Additional Gas Inspections & Work	Statutory	33,600	33,600	33,600	33,600	134,400
Additional Electric Inspections & Work	Statutory	75,000	-	-	-	75,000
Disabled Adaptations	Statutory	225,000	180,000	180,000	180,000	765,000
Sub Total Statutory Works		778,651	916,351	916,351	916,351	3,527,704
Lifts	Priority	75,000	-	-	-	75,000
Other Smaller Schemes	Priority	34,880	22,880	22,880	22,880	103,520
Sub Total Prioritised Works		109,880	22,880	22,880	22,880	178,520
Bathrooms	Decent Homes	52,816	52,816	52,816	52,816	211,264
Central Heating Boilers	Decent Homes	168,040	168,040	168,040	168,040	672,160
External Doors (Dwellings)	Decent Homes	67,740	67,740	67,740	67,740	270,960
Fire Doors for Flats/Blocks	Decent Homes	60,000	39,267	39,267	39,267	177,801
Kitchens	Decent Homes	136,693	136,693	136,693	136,693	546,772
Wall Finishes	Decent Homes	-	100,000	100,000	100,000	300,000
Unallocated Labour & Overheads	Decent Homes	750,000	750,000	750,000	750,000	3,000,000
Other Smaller Schemes	Decent Homes	69,180	70,980	70,980	70,980	282,120
Sub Total Decent Homes Works		1,304,469	1,385,536	1,385,536	1,385,536	5,461,077
Compliance (Radon)	AMS	70,000	70,000	70,000	70,000	280,000
Compliance (Fire)	AMS	40,000	40,000	40,000		120,000
Compliance (Water)	AMS	15,000	15,000	15,000	15,000	60,000
Estate Maintenance	AMS	20,000	20,000	20,000	20,000	80,000
Sub Total AMS Works		145,000	145,000	145,000	105,000	540,000
Housing Development Programme	Development	5,300,000	5,300,000	5,500,000	5,500,000	21,600,000
CBC HRA Total		7,638,000	7,769,767	7,969,767	7,929,767	31,307,301

Housing Association Grant	New Build	985,000	985,000	985,000	985,000	3,940,000
Desborough & Rothwell	New Build	889,000	-	-	-	889,000
Future Schemes	New Build	-	928,000	758,000	843,000	2,529,000
New Build Schemes		1,874,000	1,913,000	1,743,000	1,828,000	7,358,000
Decent Homes - Kitchen & Bathroom Renewal	Pre-Planned Stock Investment	400,000	400,000	400,000	400,000	1,600,000
Window Renewal	Pre-Planned Stock Investment	50,000	100,000	100,000	100,000	350,000
Central Heating Renewal	Pre-Planned Stock Investment	500,000	500,000	500,000	500,000	2,000,000
Decent Homes - Electrical Upgrades	Pre-Planned Stock Investment	400,000	400,000	400,000	400,000	1,600,000
External Door Replacements	Pre-Planned Stock Investment	50,000	50,000	50,000	50,000	200,000
Roof Renewals	Pre-Planned Stock Investment	100,000	100,000	100,000	100,000	400,000
External Insulation	Pre-Planned Stock Investment	100,000	100,000	100,000	100,000	400,000
Pre-Planned Stock Investment		1,600,000	1,650,000	1,650,000	1,650,000	6,550,000
Improving access for disabled people	Adaptations	200,000	200,000	200,000	200,000	800,000
						-
Heath & Safety and Fire Precautions	Health, Safety and Compliance	20,000	20,000	20,000	20,000	80,000
						-
Environmental Improvements	Enhancements	100,000	100,000	100,000	100,000	400,000
Sheltered Housing - "Sparkle" Programme	Enhancements	50,000	50,000	50,000	50,000	200,000
Enhancement Schemes		150,000	150,000	150,000	150,000	600,000
Voids Repairs and Improvements	Reactive Stock Investment	400,000	400,000	350,000	350,000	1,500,000
KBC HRA Total		4,244,000	4,333,000	4,113,000	4,198,000	16,888,000
North Northants Total		11,882,000	12,102,767	12,082,767	12,127,767	48,195,301

Funded By	2021-22	2022-23	2023-24	2024-25	Total Funding
	£000's	£000's	£000's	£000's	£000's
Revenue Contribution	4,893,000	5,104,767	5,186,767	5,231,767	20,416,301
Capital Receipts	4,339,000	4,348,000	4,146,000	4,146,000	16,979,000
Social Housing Borrowing/Use of Reserves	2,650,000	2,650,000	2,750,000	2,750,000	10,800,000
Total	11,882,000	12,102,767	12,082,767	12,127,767	48,195,301

Appendix 3

Development Pool Forecast Expenditure 2021-22 Onwards

Scheme	Likely to Proceed		Scheme Description	2021-22 £000's	2022-23 £000's	2023-24 £000's	Total £000's	Funding Source
Stanton Cross New Primary	G	CFN	New school connected to housing development.	1,900	0	0	1,900	S106
Primary School extensions	G	CFN	The Grange Desborough and Oakley Vale.	0	6,000	1,500	7,500	DFE/S106
Secondary Schools: extensions for new pupil places	G	CFN	Prince William Phase 3 and Corby Secondary.	2,000	0	0	2,000	DFE/S106
Devolved Formula Capital	G	CFN	Maintained schools capital grant, allocated by school by DFE.	310	306	302	918	DFE
S106 'non essential' Schools Schemes	G	CFN	Based on S106 contributions.	1,000	1,000	1,000	3,000	S106
Schools Strategic Repairs and Maintenance	G	CFN	Funded from 'Schools Condition Allocation' Grant based on condition surveys for maintained schools.	850	750	0	1,600	DFE
Schools Temporary Accom./Mobile Classrooms	A	CFN	As described.	25	25	0	50	DFE
Housing for children with complex needs	A	CFN	Emergency placements for looked after children. Assumption of 1 x 5 bed unit or house.	215	0	0	215	Discretionary
Homes to support fostering	A	CFN	Adaptations to support fostering placements - multi-child and disability - estimate 5 @ £50k each.	108		0	108	Discretionary
LTP Maintenance	G	PLACE	Non ring-fenced DfT grant for the maintenance of highways assets.	4,963	4,963	4,963	14,889	DfT
Highways Asset Management	G	PLACE	Funded in advance scheme, funded from LTP Maintenance grant.	323	323	323	969	DfT
LTP Integrated Transport	G	PLACE	Non ring-fenced DfT grant for small scale improvements delivering the objectives of the Local Transport Plan.	1,324	1,324	1,324	3,972	DfT
Incentive fund	G	PLACE	Non ring-fenced DfT grant for the maintenance of highways assets.	1,101	860	860	2,821	DfT
Pothole Fund	G	PLACE	Ring-fenced DfT grant for the repair of potholes.	344	344	344	1,032	DfT
Highway Maintenance Challenge Fund	A	PLACE	Bid process for major maintenance projects.	TBA	TBA	-	-	DfT
S106 Developers Contribution Schemes	G	PLACE	Developments/S106 agreements will inform the schemes detail.	1,759	909		2,668	S106
A509 Wellingborough Development Link Phase 1 (Isham Bypass)	A	PLACE	Road scheme.	15,500	19,500	4,035	39,035	DfT, Developer, LA
A43 Northampton to Kettering Phase 3 (Overstone Grange to Holcot/Sywell)	A	PLACE	Dualling of the A43 Northampton to Kettering (his section spans the boundary between Daventry and Wellingborough).	728	4,124	850	5,702	DfT, Developer, LA
A34/A43/A45 Smart Technology	A	PLACE	A34/A43/A45 Corridor - Highways England route.	TBA	TBA	TBA	-	External
Smart Northamptonshire Initiative	A	PLACE	New technology, applications and services to support the optimal use of the network, improve asset management, provide live information and reduce congestion.	TBA	TBA	TBA	-	External
Cycle Network	A	PLACE	Spanning the area and connecting local networks such as NORBITAL and Greenway.	TBA	TBA	TBA	-	External
Flood Alleviation	G	PLACE	As bid for from Environment Agency and funding secured from external bodies e.g. Anglian Water.	135	357	-	492	External
Property Asset Management Minor Works	G	PLACE	Expenditure on NCC properties relating to replacement and repair of boiler and ventilation systems, roofs and building fabric works. Also covers health and safety, water quality and fire regulations requirements.	500	500	500	1,500	Discretionary
Regeneration and Economic Development Schemes	A	PLACE	Schemes to be developed in line with the council's overall objectives and ambitions	TBA	TBA	TBA	-	Discretionary

Development Pool Forecast Expenditure 2021-22 Onwards

Scheme	Likely to Proceed		Scheme Description	2021-22 £000's	2022-23 £000's	2023-24 £000's	Total £000's	Funding Source
Community Equipment	G	NASS	Capitalisation of small pieces of equipment provided to Adult Social Care clients to support them living at home (includes equipment purchased for health clients).	1,840	1,840	1,840	5,520	RCCO 2021-22 onwards
Device Management	G	LGSS	End of life replacement.	375	375	0	750	Discretionary
PC Refresh	G	LGSS	End of life replacement.	200	0	0	200	Discretionary
SAN Replacement	G	LGSS	End of life replacement of the Storage Area Network which holds all of NCC's data.	500	0	0	500	Discretionary
Netscaler Replacement	G	LGSS	End of Life - Netscalers enable applications to run up to five times faster and makes sure that applications are always available with its application load balancing capabilities.	100	0	0	100	Discretionary
Ncloud Server	G	LGSS	End of life replacement.	65	0	0	65	Discretionary
CapitaOne Cloud	G	LGSS	Migration of the CapitaOne system into the Cloud.	50			50	Discretionary
NARP - Northants Analytics and Reporting Programme	A	LGSS	Integrating systems into the NHCP Analytics solution for system wide reporting.	100			100	Discretionary
Northants Care Record	A	LGSS	Integrating systems into the NHCP Northants Care Record for a single view of the patient/citizen for social workers and clinicians.	100	50		150	Discretionary
LGSS Review	A	LGSS	Supporting the repatriation of the shared LGSS systems into NCC	50			50	Discretionary
Leisure and Tourism Projects		ENC	Pemberton, Splash and Nene Leisure Centres	0	15	0	15	Discretionary
Corporate Systems		ENC	Mainly Corporate IT Systems	273	313	243	829	Discretionary
Asset Management Plan		ENC	General Asset Mgt	20	49	30	99	Discretionary
Central Services Projects		ENC	Print Room	30	0	0	30	Discretionary

Totals

36,788	43,927	18,114	98,829
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Discretionary Funding	2,686	1,302	773	4,761
External Funding	135	357	-	492
Revenue Funding	1,840	1,840	1,840	5,520
Grant Funding	27,468	38,519	14,501	80,488
S106	4,659	1,909	1,000	7,568
Total	36,788	43,927	18,114	98,829

Disaggregation Principles - Key
A - Geography.
B - Road Length (57% West and 43% North)
C - Whole County Population (54% West and 46% North)
D - Council Tax Base (56% West and 44% North)
E - Children in Care (57% West and 43% North)
F - Planned Scheme split from service manager
G - 2019-20 payments (55% West and 45% North)
H - 50:50 split

North Northamptonshire Council

Capital Strategy 2021-22



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1. INTRODUCTION

- 1.1 The Council's vision is a North Northants where we look after each other and take responsibility, where the vulnerable are protected and supported, and where people who can help themselves receive the assistance they need to stay independent and healthy. The Council's budget commitment to support this vision is to deliver a balanced budget, optimise the use of assets so they have a positive impact on costs and help to address the pressures faced in the social care markets, helping to transform services so they are sustainable for the future.
- 1.2 The Capital Strategy sets out the key objectives and broad principles to be applied by the Council when considering capital investment and its funding. It provides the context for how the Council's Medium Term Capital Programme seeks to support the realisation of the Council's vision and corporate objectives.
- 1.3 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;
 - The Capital Strategy should make explicit the links to, and integration with, the Council's other strategies. New capital investment will only be permitted if it contributes to the achievement of the Council's corporate priorities;
 - The use of external funding is prioritised against the areas of greatest need, in the main supporting highways maintenance, the delivery of education places, the Corby Town Plan and Tresham Garden Village within North Northants. 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 North Northants
 - Take into account external influences such as the South East Midlands Local Enterprise Partnership, Oxford Cambridge Arc, Health and joint working with other partner authorities etc.
 - Key integration and links with the council's other corporate strategies including Corporate Plan, Treasury Management, Investment Strategy, Asset Management Plan.
 - Set out the Council's regeneration and economic development ambition and additional objectives.
 - Set out the governance and risk management arrangements.
- 1.4 The updated Prudential Code and Treasury Management Code of Practice (both issued by CIPFA in December 2017) include new requirements in relation to the setting of a Capital Strategy that covers specific subject areas. In line with the Prudential Code, the aim of this Capital Strategy is to demonstrate how the Council will make capital expenditure and investment decisions in line with service objectives and properly take account of stewardship, value for money, prudence, sustainability and affordability. The Capital Strategy sets out the immediate to long

term context in which capital expenditure and investment decisions are made, and ensures the Council will give due consideration to risk, reward, and impact on the achievement of priority outcomes.

- 1.5 The Council's Capital Programme represents significant investment over the medium term in the acquisition or improvement of long term assets such as land, buildings, infrastructure, and equipment and information technology and is a key financial planning tool.

2. LOCAL GOVERNMENT REFORM

- 2.1 Back in 2018, the sovereign councils at the time resolved to respond to the Secretary of State's invitation in favour of the Northamptonshire local government reform proposal made. This was to abolish the 7 district and borough councils and the county council and to replace them with 2 new unitary councils for North and West Northamptonshire.
- 2.2 This being the first year and first time this strategy is being set for the new authority and bearing in mind the disaggregation of the county council and aggregation of the districts and boroughs in the north, this strategy is very much an initial one to ensure the council meets its statutory obligations based on the latest known position at which this will need to be published for approval.
- 2.3 This strategy will be developed significantly during the council's first 12 – 18 months as the council's management team, visions, strategies and priorities are agreed and developed and following the disaggregation and aggregation of the final balance sheets following the final outturns and audit of accounts of the previous councils.
- 2.4 This development will be achieved by the newly appointed senior management team working with the newly elected members in 2021 and agreeing the corporate priorities for the short, medium and long term which will in turn, inform the longer term capital strategy for the medium to long term of this new unitary council and the revenue and capital priorities to be delivered and financed.

3. GOVERNANCE

- 3.1 Governance covers the policies and frameworks related to capital expenditure and the processes and structures by which decisions are made.

Committed Capital Programme Approval Process

- 3.2 The Capital Strategy sets out the Council's objectives in respect of its future capital programme plans and budget commitment, and is approved by Full Council as part of the Council's annual budget-setting process in February each year.
- 3.3 The approval of the Capital Strategy provides the future programme of planned capital works over the medium term period, this plan is known as the Development Pool. The Development Pool comprises the schemes that the Council would be prepared to take forward, subject to final negotiations, confirmation and evidencing of funding and submission of robust business cases to the Capital Approvals Board for approval by Cabinet.

- 3.4 Schemes move forward to delivery (The Committed Capital Programme) following formal approval through the Monthly Capital Report (MCR). Schemes will have usually been identified as part of the Capital Strategy but it is possible for completely new schemes to come forward in year. Schemes will be reviewed at this point against the latest vision and Council priorities which may have changed since the Capital Strategy was approved.
- 3.5 For schemes in excess of £100k, which were not approved as part of the Council's Capital Strategy, there is a requirement for them to also receive approval from Full Council as part of a Capital Approvals report to the next Full Council meeting. Those new schemes of £100k or less can proceed with just Cabinet approval.
- 3.6 A separate Cabinet report is required for any capital scheme which has a capital expenditure value of £500k or above, regardless of the funding source.
- 3.7 The approval of funding agreements, e.g. developer contributions, which contractually commit the Council to undertaking new capital schemes, (such as school builds), are required to follow the same approval process
- 3.8 Each scheme must be under the control of a nominated budget/project manager and officers are not authorised to commit expenditure without prior formal approval for the scheme as outlined above.
- 3.9 All capital expenditure must be carried out in accordance with the Council's Constitution, Financial Procedure Rules and Contract Procedure Rules, and must comply with the statutory definition of capital purposes as set out within Section 16 of the Local Government Act 2003.

Virements

- 3.10 Virement of funding from one capital scheme to another is permitted within the Council's capital governance arrangements only with the relevant officer (including sign off by the S151 Office) or Cabinet approval as laid down in financial procedures. Cabinet approval is required for any virements over £500k.

Decision making

The Capital Approvals Board

- 3.11 The overarching objective for the Board is to review and challenge capital schemes in order to be able to recommend to Cabinet that they move from the planning stage into delivery.
- 3.12 The Capital Approvals Board governance process will:
- Provide visible leadership in relation to the implementation of the Capital Strategy.
 - Ensure funding is confirmed, secure and wherever possible received fully in advance of works commencing/being approved and that responsibility for this is taken by the project manager.
 - Monitor performance against the Council's agreed capital discretionary funding levels.
 - Escalate concerns and issues to Leadership Team.
 - Optimise the funding for schools capital projects.
 - Ensure other reporting and approval requirements have taken place, particularly in respect of schemes outside of the agreed Capital Strategy over £100k, ensuring schemes in excess of £500k have their own Cabinet report and that the Executive Director of Place is aware and supports schemes over £2m.

- Ensure that the revenue implications of all capital schemes are taken into consideration and that options appraisals have been carried out/considered.

Assessment of the revenue implications of capital investment

3.13 In the interests of properly evaluating the affordability of a project, the revenue implications of capital bids are also included on the Business Case proforma which is submitted to the Capital Approvals Board as part of the review and challenge process. This ensures that an evaluation can be made on the overall financial business case of the capital project (revenue and capital cost/savings). It also ensures capital and revenue budgeting are aligned for financial planning purposes.

Risk Management

3.14 As part of the business case, contingencies will be included as part of the budget costing exercise and expected costings for similar schemes will be considered as a benchmark. These will cover ordinary, but not extraordinary, risks/changes to the cost of delivering the project. Pressures outside of this will be reported through the monthly reporting to Cabinet and project closure reports will be utilised to provide learning for future schemes. Risks and mitigations are recorded at each approval stage in the capital project process and challenged appropriately by the officers and members that represent each board/committee. Any risk to the council's partial exemption threshold is also captured and evaluated as part of this process.

Transformation and Place

3.15 The Executive Director of Place and the Director of Transformation will be members of the Capital Approvals Board and will be included on all decisions involving transformation, developments, land & property disposals, investments and acquisitions that are taken forward in support of the financial strategy whilst also supporting strategic priorities for growth and regeneration across North Northants.

North Northamptonshire Leadership Team

3.16 The North Northamptonshire Leadership Team reviews and provides sign off for the Monthly Capital Report as well as strategic direction on the use of funding sources.

Capital Projects Board

3.17 The Capital Projects Board monitors progress on schemes in delivery. It challenges delivery and contracts and updates the North Northamptonshire Leadership Team on any significant financial and delivery risks.

Knowledge and Skills

3.18 The Council aims to ensure that all staff have the appropriate skills and knowledge to perform their roles. Where the necessary expertise is not available in house the Council will procure the skills and knowledge it requires from advisors or consultants.

3.19 The Council will work in collaboration with its external auditors in relation to changes to technical accounting requirements and/or treatment.

3.20 The Council will use a mixture of in-house and external legal support. Where a particular legal speciality is required external legal advice may be procured.

3.21 The Council has a list of 'Approved Contractors' who it will utilise to support capital projects to ensure preliminary surveys & works identify risks around costs and delivery in relation to the land, buildings, etc. elements for each project before main contracts are procured.

3.22 The Council will undertake background checks to ensure all contractors are suitably qualified, have a proven delivery background in similar projects before awarding contracts.

3.23 The Council takes advice from its external treasury partners/advisors in making decisions related to its Treasury Strategy.

Completion of Capital Schemes and Lessons Learned

3.24 For significant projects periodic updates should be taken through the capital projects board to ensure appropriate progress and budgetary controls are being adhered to. Following completion of these schemes, a post evaluation report should be brought back to the board to assess how well the scheme was delivered and what went well and not so well to ensure the learning from these schemes carries forward into future schemes and efficiencies are gained and risks and mitigations can be planned for at an earlier stage where relevant.

Carbon Reduction and Climate Change Commitment

3.25 The Council is fully committed to the Carbon Reduction and Climate Change Strategy and assess all capital projects against the key criteria to ensure delivery towards this agenda is prioritised and achieved as per the key objectives;

- 1. Raise awareness of the issues of climate change;**
- 2. Reduce emissions of greenhouse gases; and**
- 3. Plan for and adapt to the impacts of climate change.**

4. CAPITAL EXPENDITURE

4.1 In England and Wales, there are three routes by which expenditure can qualify as capital under the prudential framework:

- The expenditure results in the acquisition, construction or enhancement of fixed assets (tangible and intangible) in accordance with 'proper practices'. Fixed assets are defined as those that have an economic life of more than one year.
- The expenditure meets one of the definitions specified in regulations made under the 2003 Local Government Act.
- The Secretary of State makes a direction that the expenditure can be treated as capital expenditure.

4.2 The Council's capitalisation policy looks to capitalise expenditure on eligible items with a cost over £10,000 in relation to a single item or in relation to a large quantity of smaller value items. In Local Government this can also include spending on assets owned by other bodies, as well as loans and grants paid over to other bodies that enable them to buy assets.

4.3 An assessment of the previous councils' capitalisation policies has been conducted to ensure minimal detrimental impact to the council's revenue position in setting its initial MTFP, mainly in respect of funding of Adults & Communities equipment.

Committed Capital Programme

Committed Programme Expenditure

4.4 The Council's Medium Term Capital Programme (MTCP) shows the committed expenditure on schemes that have been approved by Cabinet/Full Council.

4.5 Reporting on the current Capital Programme and progress of schemes within the Development Pool into the Programme occurs through the MCR. The report sets out the most up to date projection for capital expenditure and funding in the current financial year and articulates financial and service delivery risks in relation to the delivery of key capital schemes. (Full details of the Development Pool schemes for 2021-22 to 2024-25 are included in appendix 10.2)

4.6 The Table below sets out the forecast capital expenditure (in relation to schemes in the Committed Programme i.e. in delivery rather than Development Pool).

Council/ Directorate	2021-22 Spend	2022-23 Spend	2023-24 Spend	2024-25 Spend	Total Spend
	£	£	£	£	£
NCC/Corp Servs	1,362,287				1,362,287
NCC/CFN	2,670,547				2,670,547
NCC/NASS	1,844,000				1,844,000
NCC/PLACE	7,784,455	1,273,866	1,299,440		10,357,761
NCC Total	13,661,289	1,273,866	1,299,440	-	16,234,595
BCW/Corp Property	2,689,000				2,689,000
BCW/PLACE	2,173,000	500,000	500,000	500,000	3,673,000
BCW/LEISURE	675,000				675,000
KBC/PLACE	520,000	520,000	520,000	520,000	2,080,000
KBC/Community	742,000	442,000	292,000	292,000	1,768,000
KBC/Service Delivery	4,880,000	6,570,000	3,830,000	2,070,000	17,350,000
CBC/PLACE	1,835,000	515,000	515,000	515,000	3,380,000
CBC/Corporate	150,000	150,000	150,000	150,000	600,000
ENC/PLACE	685,000	605,000	580,000	3,495,000	5,365,000
ENC/Regeneration	85,000				85,000
ENC/LEISURE	120,000	103,500	89,000	108,000	420,500
D&B Total	14,554,000	9,405,500	6,476,000	7,650,000	38,085,500
North Northants Total	28,215,289	10,679,366	7,775,440	7,650,000	54,320,095

Selected Major Scheme Details (committed programme)

4.7 Below are the larger schemes (in excess of £5m) within the Council’s current committed programme that are already in delivery and will complete over the course of the plan period:

Scheme	Council/ Directorate	2021-22 Spend	2022-23 Spend	2023-24 Spend	2024-25 Spend	Total Spend
Northamptonshire Superfast Broadband	NCC/PLACE	2,955,040	1,144,000	1,254,440		5,353,480
Recycling Project / Facility	KBC/Service Delivery	500,000	2,500,000	2,500,000		5,500,000
Housing and Homelessness Prevention	KBC/Service Delivery	2,000,000	2,000,000	1,000,000	1,000,000	6,000,000

Committed Programme Funding

4.8 All capital expenditure must be financed. This could be from a single source or a combination of:

- external sources (government grants and other contributions);
- the Council’s own resources (revenue, reserves and capital receipts);
- debt (borrowing, leasing and Private Finance Initiative)

4.9 Prudential Borrowing (Council Discretionary Funding) - The introduction of the Prudential Code in 2004 allowed the Council to undertake unsupported borrowing itself. This borrowing is subject to the requirements of the ‘Prudential Code for Capital Expenditure for Local Authorities’.

4.10 Total Council investment, (discretionary funding, ring-fenced capital receipts and gap funding) accounts for £37m (68%), of the overall committed Capital Programme over the plan period.

4.11 The summary table below shows the funding for the Current Committed Capital Programme across current and future years and the funding source

	2021-22 Plan	2022-23 Plan	2023-24 Plan	2024-25 Plan	Total 2021-22 to 2024-25
	£m	£m	£m	£m	£m
Discretionary borrowing	10.0	6.9	4.1	4.1	25.1
Capital Receipts	8.6	1.1	0.8	1.6	12.1
S106 and Other Grants	7.5	0.8	0.9	0.1	9.3
DFG’s Grants	2.1	1.9	1.9	1.9	7.8
TOTAL FUNDING	28.2	10.7	7.7	7.7	54.3

Development Pool

4.12 The table below shows a summary of the Development Pool Schemes for 2021-22 to 2024-25 requiring discretionary funding which has been through a prioritisation process with the NCC Leadership Team taking into consideration the latest funding announcements and governance process that was in place.

4.13 The scheme detail can be found in the appendices.

All figures £m				
Service Area	2021-22	2022-23	2023-24/ 2024-25	Total Discretionary Funding
Children's Services	0.3	0.0	0.0	0.3
Place	0.5	0.5	0.5	1.5
Corporate	1.6	0.4	0.0	2.0
ENC Place	0.3	0.4	0.3	1.0
Total	2.7	1.3	0.8	4.8

IFRS 16 - Leases

4.14 IFRS16 is being introduced for local authorities from 1 April 2021 which means that the annual accounts for 2021/22 will be the first set of accounts produced in accordance with this standard.

4.15 The main impact of the standard is to remove (for lessees) the traditional distinction between finance leases and operating leases. For finance leases the asset is shown on the balance sheet, together with a liability to pay for the asset. In contrast, operating lease rentals are accounted for in the year they are paid. IFRS 16 requires all lessee leases to be accounted for as finance leases, recognising the rights to use an asset. There are no changes for lessor accounting.

4.16 There are two exemptions for lessees from applying this standard. These are short term leases and those where the value of the asset that the lease relates to is low. Short term leases are those with a lease term of twelve months or less at the commencement date. The Code and IFR16 allow individual councils to determine a monetary amount that would constitute low value. The Council has elected to use £10,000 for this amount as this is the Council's approved de-minimis level for capital expenditure. Exempt leases will continue to be accounted for as operating leases.

4.17 The impact of this accounting change is of previously recognised operating leases will now be recognised as a rights of use asset on the balance sheet with a corresponding liability to recognise the payments made for these.

5. FUNDING SOURCES AND FUTURE GRANT ALLOCATIONS

External Funding

5.1 Section 106 (S106) and External Contributions

- Elements of the Capital Programme are funded by contributions from private sector developers and partners. These contributions relate to developments in the North Northamptonshire area and are agreements by negotiation based on the impact on the public sector infrastructure requirements that are forecast to occur as a consequence of increased activity/population brought by the development. Growth in North Northamptonshire to date has resulted in S106 contributions from developers accounting for significant elements of funding.

Grant Funding

- 5.2 The largest form of capital funding comes through external grant allocations from central government departments, (DFT & DFE). Although these grants are to support specific areas of investment the Government removed capital ring-fencing in 2010, enabling local authorities to prioritise grants to support local needs, pressures and statutory responsibilities. However, need and reporting requirements do limit the Council's ability to work to these more flexible rules. Also the increase in the Freeschool Programme the Council loses some of its flexibility as these schemes are usually funded and managed directly by the DFE.
- 5.3 There are some specific grants such as Local Growth Fund (LGF), Homes England, Arts Council and Sport England that have to be bid for but a difficulty with this type of grant in the current climate can be the requirement to provide match funding.
- 5.4 Due to the recent events regarding Covid, there may be further funding available in the short to medium term and this will be built in to the capital strategy and capital programme once further details are known.

5.5 Department for Education – Capital Grant Settlements

All figures £m	2021-22	2022-23	2023-24	2024-25
Basic Need	TBC	TBC	TBC	TBC
School Condition Allocation (SCA)	TBC	TBC	TBC	TBC
SEND Capital Grant	TBC	TBC	TBC	TBC
Healthy Pupil Premium	TBC	TBA	TBC	TBC
Total LA Direct Funding	-	-	-	-
Devolved Formula Capital (DFC)*	TBC	TBC	TBC	TBC

*DFC is passported directly to schools to enable them to invest in ICT, minor repairs, etc.

- 5.6 There is some uncertainty currently around funding allocations in relation to annual Basic Needs Grant. In recent years allocations have varied from nil to £23m and currently only allocations up to 2020-21 have been confirmed. The nil allocation in 2020-21 reflects a DFE realignment based on a review of previous years allocations.
- 5.7 One of the key drivers for the changes year on year is the Government's Free School Programme which directly funds the building of new academies leading to reduced funding being allocated to Local Authorities.

5.8 Department of Transport Capital Grant Settlements

Department of Transport	Indicative			
All figures £m	2021-22	2022-23	2023-24	2024-25
Integrated Transport Block (ITB)	1.32	1.32	1.32	TBC
Highways Capital Maintenance – Needs Based	5.28	5.28	5.28	TBC
Incentive Fund	TBC	TBC	TBC	TBC
Pothole Fund	TBC	TBC	TBC	TBC
Maintenance Challenge Fund	TBC	TBC	TBC	TBC
HS2 Road Safety Fund	TBC	TBC	TBC	TBC
Total LA Funding	6.60	6.60	6.60	TBC

It is expected that allocations for 2022-23 and future years will be advised towards the end of 2021-22.

5.9 The allocation from the High Speed 2 Rail Project Road Safety Fund is to be spent by 2026 and drawdown of funding is on a scheme by scheme basis as agreed with HS2/DFT.

5.10 In recent years, the Government has allocated funding for a Pothole Action Fund and, while it is possible this may continue, no details are currently available.

Regional Growth Deals (including Local Growth Fund)

5.11 Growth Deals bring together housing, infrastructure and other funding in a single pot put into local hands, via the Local Enterprise Partnerships (LEPs), to realise growth, jobs and educational opportunities.

Rural Development Programme for England (RDPE)

5.12 The RDPE is an initiative of the Department for Environment, Food and Rural Affairs (DEFRA).

5.13 The rural broadband funding is for projects in England which create broadband infrastructure in rural areas and Northamptonshire as a whole secured a grant of £2m secured in 2019-20 to provide next generation broadband access to 750 rural businesses and is due to complete in 2022-23.

Internal Funding (Discretionary Funding) - borrowing and capital receipts

5.14 Revenue Funding

The Council can use revenue resources to fund capital projects on a direct basis. However, given the current financial position no revenue contributions will be utilised to support capital expenditure. Savings generated directly as a consequence of capital investment (Invest to Save) will be reported through revenue monitoring.

The Housing Revenue Accounts (HRA) minimum revenue contribution to capital is equivalent to the level of depreciation being charged in year. The Government recognised that some authorities' revenue contribution to capital was less than the amount of depreciation being charged to the Housing Revenue Account. However, for authorities in this situation the government provided a transitional period of 5 years between 2012/13 and 2016/17 whereby the revenue contribution and the Major Repairs Allowance as a minimum must equal depreciation. The two key variables in determining depreciation are the value of the property and the percentage that is applied when determining the EUV-SH (Set by MHCLG). Therefore, movements in property values impact directly on the revenue resources required to fund the HRA capital programme.

5.15 Capital Receipts

The Council is able to generate capital receipts through the sale of surplus assets such as land and buildings. These capital receipts can be used to reduce down the Council's borrowing liability and be reinvested in the Capital Programme. Alternatively, they can be utilised either within the rules for the current Flexible Use of Capital Receipts guidance to support transformation.

5.16 For 2021-22 onwards, the Council is forecasting the following un-ringfenced potential capital receipts :

2021-22	TBC
2022-23	TBC
2023-24	TBC
2024-25	TBC

5.17 The potential optimal strategy in relation to reuse of property assets for service delivery, sale for development of housing and potential use by a wider public sector partners will be considered in relation to each individual site through the Place Shaping and One Public Estate strategies.

5.18 Capital receipts arising from the disposal of housing assets and for which account is made in the Housing Revenue Account (HRA), are governed by the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003).

- Right to Buy (and similar) sales may be retained to cover the cost of transacting the sales and to cover the debt on the properties sold, but a proportion of the remainder must be surrendered to Central Government;
- As part of the Government's announcement in April 2012 to increase the RTB discounts they also announced the introduction of a scheme referred to as 1-4-1 whereby every additional home sold under the new RTB scheme was to be replaced by a new home for affordable rent.
- The new homes for affordable rent will be financed from receipts from sales, after stipulated deductions, retained by the LA under signed agreement with the Government, limited to funding up to 30% of the cost of the replacement home.
- A time limit of 3 years is given for the replacement homes after which the receipts will have to be paid back to MHCLG at 4% above base rate from the date the receipts arose.
- All other disposals may be retained in full.

5.19 Where the sale of an asset leads to a requirement to repay grant, the capital receipt will be utilised for this purpose. Once this liability has been established and repaid any remaining capital receipts can be used as per 5.15

5.20 The level of capital receipts is dependent upon market conditions. The property market impacts on the:

- Ability of the Council to sell assets and the
- Level of receipts from the asset sale.

Flexible Use of Capital Receipts

5.21 The Spending Review 2015 and its extension announced that to support local authorities to deliver more efficient and sustainable services, the government will allow local authorities to spend up to 100% of their fixed asset receipts over the period 2016-17 to 2021-22 on the revenue costs of transformation projects. The Council intends to take advantage of this concession to use capital receipts in more innovative ways and target disposal receipts where need is greatest.

Long term funding challenges

5.22 The Council faces a number of challenges in its future funding of the Capital Programme:

- The Council has limited levels of future capital receipts, (excluding opportunities from the rationalisation and review arising from the recent unitary restructure).

- A significant proportion of the Council's capital funding comes from central government grants.
- A further proportion of the Council's capital funding comes from external contributions, largely S106 which is dependent on development in the county and the economy.

5.23 The Council in itself only has limited influence over these external and grant funding sources and the Council's Capital Programme will continue to be largely influenced by central government policy.

Gap funding through discretionary borrowing

5.24 These type of schemes require short term funding from the Council to invest in infrastructure that will unlock development which then releases the payment of CIL/S106/business rates, etc. to the Council, which can then repay the investment. The developments enabled will also provide wider economic benefits such as jobs and housing.

5.25 This investment increases the Council's short term financing costs but the Council is compensated by the long term financial and non-cashable future benefits.

5.26 Where these arrangements form part of a business case, the level of gap funding in relation to the overall scheme need and benefits will be considered as part of the risk evaluation.

Funding Summary for the Development Pool (future Capital Programme)

5.27 The summary below shows the total funding confirmed or assumed to be secured to fund the Development Pool shown in section 11.2

Funding Source	2021-22 £m	2022-23 £m	2023-24/ 2024-25 £m	Total £m
Discretionary	2.7	1.3	0.8	4.8
RCCO	1.8	1.8	1.8	5.4
DFE and DFT Grant Settlements/Requirements	27.5	38.5	14.5	80.5
External Contributions, Specific Scheme Grants, S106 (excluding schools S106)	4.8	2.3	1.0	8.1
TOTAL	36.8	43.9	18.1	98.8

6. CAPITAL INVESTMENT

Discretionary Funding Availability

6.1 Prioritisation and an affordability review has taken place as part of the creation of this Capital Strategy. As a result, the Discretionary Funding Pot is now confirmed as:

Discretionary Funding	£m
Baseline Capital Strategy Position	TBC
Less, approvals for discretionary funding to date and forecast to end of 2020-21	25.1
Balance remaining/approved in 2020-21 Strategy for 2021-22 onwards	TBC
Increase in Discretionary Funding	TBC
Total Revised Discretionary Funding Requirement	TBC

6.2 The Capital Financing requirement shows an increase in borrowing of £TBCm in relation to the newly created aggregated/disaggregated baseline position. This revised requirement follows a review of schemes and requirements taking into consideration the 'Key Strategy Guidelines' on page 3.

7. COMMERCIAL INVESTMENTS/ REGENERATION & ECONOMIC DEVELOPMENT

7.1 The practice of investing in property in order to create an additional revenue stream to support service delivery and financial sustainability during a time of reducing settlements from central government has been widely adopted by local authorities, including some of the sovereign councils forming North Northamptonshire Council. The predecessor councils have a significant commercial portfolio that will be carried forward into the new Council's overall asset portfolio.

7.2 The HM Treasury ran a consultation on the future lending terms of the Public Works Loan Board (PWLB) between March and July 2020. The aim of this consultation was to develop a proportionate and equitable way to prevent local authorities from using PWLB loans to buy commercial assets primarily for yield, without impeding their ability to pursue service delivery, housing, and regeneration under the prudential regime as they do now.

7.3 The outcome is that PWLB will no longer lend to local authorities that plan to buy commercial assets primarily for yield. PWLB will still be available to all local authorities for refinancing. In order to borrow from the PWLB, local authorities will now be required to submit a summary of their planned capital spending and PWLB borrowing for the following three years including a commentary outlining the expenditure plans of the Council.

7.4 PWLB has Defined the activities as follow:

- Service spending is activity that would normally captured in the following areas in the MHCLG Capital Outturn Return (COR): education, highways & transport, social care, public health, culture & related services, environmental & regulatory services, police, and fire & rescue services.
- Housing is activity normally captured in the HRA and General Fund housing sections of the COR, or housing delivered through a local authority housing company. This is given separately from 'service spending' because of the relative concentration of cross-subsidy and other innovative financing arrangements in housing projects.
- Regeneration projects would usually have one or more of the following characteristics:
 - a. the project is addressing an economic or social market failure by providing services, facilities, or other amenities that are of value to local people and would not otherwise be provided by the private sector
 - b. the local authority is making a significant investment in the asset beyond the purchase price: developing the assets to improve them and/or change their use, or otherwise making a significant financial investment
 - c. the project involves or generates significant additional activity that would not otherwise happen without the local authority's intervention, creating jobs and/or social or economic value

- d. while some parts of the project may generate rental income, these rents are recycled within the project or applied to related regeneration projects, rather than being applied to wider services
 - Treasury management covers refinancing or extending existing debt from any source, and the externalisation of internal borrowing.
- 7.5 The Council will carefully consider this criteria when prioritising capital projects against the strategic objectives and ensuring affordability and the borrowing position should any decisions be affected.
- 7.6 Alongside these new lending terms, the Chancellor has announced that the PWLB Standard and Certainty rates will be cut by 100 basis points for new loans arranged from 26 November 2020. This takes offered rates back to where they were in early October 2019. This will lower the costs of borrowing for local authorities and help them to move ahead with planned infrastructure projects and will be fully considered by the Council in externalising the current internal borrowing position.

8. PROPERTY ASSET MANAGEMENT PLAN

- 8.1 The Property Asset Management Plan is currently being updated for North Northamptonshire to fully consider the unitary authority changes.
- 8.2 The revised strategy will fully maximise the One Public Estate approach to rationalise its operational estate through increased utilisation and then to dispose surplus assets to generate capital and direct- (property related) revenue savings. There will also be an emphasis to support a business-case approach to target capital investment in new and existing properties in order to unlock ongoing revenue savings or income.
- 8.3 The split between the major classes of fixed assets as at 31/03/2020 is shown in the table below.

Class	Value (£m)
Property Plant and Equipment	TBC
Investment Property	TBC
Heritage Assets	TBC
Intangible Assets	TBC
Assets Under Construction	TBC
Total Assets	TBC

9. DEBT, BORROWING AND TREASURY MANAGEMENT

Treasury Management Strategy

- 9.1 The purpose of the Treasury Management Strategy is to establish the framework for the effective and efficient management of the Council's treasury management activity, within legislative, regulatory, and best practice regimes, and balancing risk against reward in the best interests of stewardship of the public purse.

9.2 The Treasury Management Strategy incorporates:

- The Council's capital financing and borrowing strategy for the coming year;
- The Council's policy on the making of Minimum Revenue Provision (MRP) for the repayment of debt, as required by the Local Authorities (Capital Finance & Accounting) (Amendments) (England) Regulations 2008;
- The Affordable Borrowing Limit as required by the Local Government Act 2003;
- The Annual Investment Strategy for the coming year as required by the MHCLG revised guidance on Local Government Investments issued in 2018.

9.3 The strategy takes into account the impact of the Council's Medium Term Financial Plan (MTFP), its revenue budget and Capital Programme, the balance sheet position and the outlook for interest rates.

9.4 The Council takes advice from its external treasury partners/advisors in making decisions on the current financial climate and markets in relation to whether to undertake short term or long term borrowing and in considering the management of its financial balances.

9.5 The tables on page 8 show the Council's funding commitment and sources in relation to the current Capital Programme as well as the £4.8m discretionary funding for the Development Pool. This includes Invest to Save schemes which would in the past have been only temporarily funded, but which now are permanently funded in order to release savings to support the revenue position. The discretionary funding of £4.8m (see appendices 10.2) represents 4.8% of the total Development Pool schemes of £98.8m.

9.6 Discretionary funding commitments are either financed through capital receipts or borrowing. Any borrowing undertaken must eventually be repaid and this can come from a single source or a combination of the following sources:

- Annual set aside provision of revenue resources (known as Minimum Revenue Provision [MRP]) This represents the repayment of the original debt over the assessed life of the asset;
- Capital receipts from sale of assets.

9.7 The Council's cumulative amount of debt financing outstanding is measured by the Capital Financing Requirement (CFR). This increases with new debt-financed capital expenditure and reduces as MRP and capital receipts are used to replace it. Based on the current committed Capital Programme and Development Pool borrowing requirement the Council's estimated CFR is as follows:

9.8 Table 1 - Prudential Indicator: Estimates of Capital Financing Requirement

	2020-21	2021-22	2022-23	2023-24	2024-25
	Forecast	Estimate	Estimate	Estimate	Estimate
	£m	£m	£m	£m	£m
Total CFR (net of LT Liabilities)	TBC	TBC	TBC	TBC	TBC
Movement in CFR	TBC	TBC	TBC	TBC	TBC

BORROWING

9.9 The Council's primary objective when borrowing money is to achieve a low but certain cost of finance while retaining flexibility should plans change in future. These objectives are often conflicting and the Council therefore seeks to strike a balance between:

- Lower cost short-term loans
- Higher cost long-term loans
- Fixed but certain interest rates
- Variable but reactive interest rates

9.10 Table 2 - Forecast Borrowing and Investment Balances

	2020-21	2021-22	2022-23	2023-24	2024-25
	Forecast £m	Estimate £m	Estimate £m	Estimate £m	Estimate £m
Borrowing at 1 April b/f	TBC	TBC	TBC	TBC	TBC
Net Borrowing Requirement to fund capital programme (see Table 2 below)	TBC	TBC	TBC	TBC	TBC
MRP ¹	TBC	TBC	TBC	TBC	TBC
Internal borrowing (increase)/reduction ²	TBC	TBC	TBC	TBC	TBC
(1) Actual borrowing at 31 March c/f	TBC	TBC	TBC	TBC	TBC
<i>Capital Borrowing</i>	TBC	TBC	TBC	TBC	TBC
<i>Third Party Loans</i>	TBC	TBC	TBC	TBC	TBC
Actual borrowing at 31 March c/f	TBC	TBC	TBC	TBC	TBC
(2) CFR – the borrowing need	TBC	TBC	TBC	TBC	TBC
(3) [2 – 1] Internal Borrowing ²	TBC	TBC	TBC	TBC	TBC
Funds Available for Investment at 1 April b/f ³	TBC	TBC	TBC	TBC	TBC
Change in Funds Available for Investment	TBC	TBC	TBC	TBC	TBC
(4) Investments at 31 March c/f	TBC	TBC	TBC	TBC	TBC
<i>Investment Balances ³</i>	TBC	TBC	TBC	TBC	TBC
<i>Third Party Loans</i>	TBC	TBC	TBC	TBC	TBC
Investments at 31 March c/f	TBC	TBC	TBC	TBC	TBC
(5) [1 – 4] Net borrowing	TBC	TBC	TBC	TBC	TBC

9.11 Statutory guidance states that debt should remain below the Capital Financing Requirement except in the short-term. As demonstrated above, the Council expects to comply with this requirement over the medium term horizon.

9.12 In August 2019 some of the predecessor Councils making up North Northants Council reversed their reliance on short-term Local Authority loans (those under 12 months in duration) with long-term borrowing from the Public Works Loan Board at what were historically low rates. In October 2019 HM Treasury increased PWLB rates for new loans with immediate effect and without prior consultation or warning by 1%. This has locked in significant amounts of borrowing at extremely low rates, therefore this borrowing has proven very timely and fortuitous for the Council.

9.13 Table 3 – Operational Boundary Prudential Indicator. This is the limit which external borrowing is not normally expected to exceed. All things being equal, this could be a similar figure to the CFR, but may be lower or higher depending on the levels of actual borrowing undertaken as impacted by the level of current and future cash resources and the shape of the interest rate yield curve.

Operational Boundary	2020-21	2021-22	2022-23	2023-24	2024-25
	£m	£m	£m	£m	£m
Total Borrowing	TBC	TBC	TBC	TBC	TBC

9.14 Each year, the Council is legally obliged to set an Affordable Borrowing Limit (also termed the Authorised Limit for External Debt). The Council also sets a lower Operational Boundary Limit beneath this to act as a warning indicator should debt approach the legal limit.

FINANCING COSTS

9.15 Although capital expenditure is not charged directly to the revenue budget, the consequential impact is. Interest payments to service loans borrowed and MRP contributions are charged to revenue, offset by any investment income receivable. This net annual charge is known as a financing cost, which can be compared to the Net Revenue Stream (the cost of Council services funded by Council Tax, Business Rates and Government Grants) and, when expressed as a percentage, effectively illustrates the Council's debt gearing ratio.

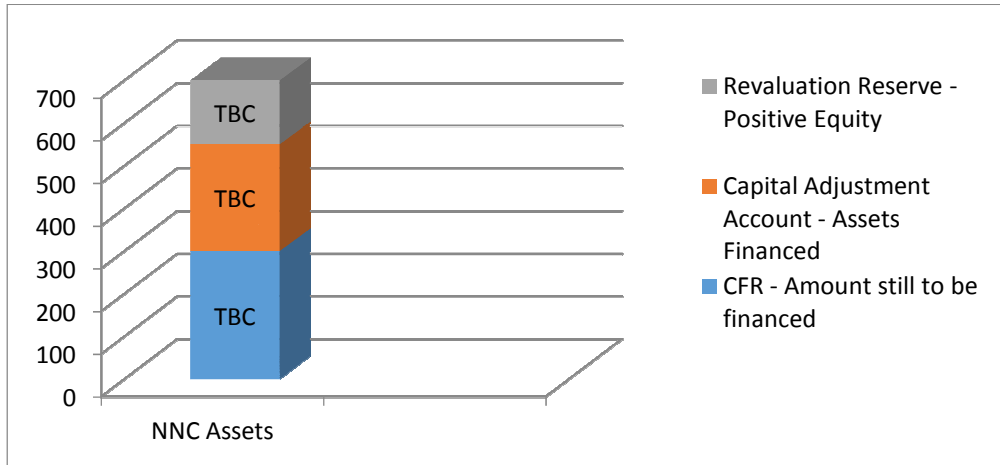
9.16 Table 4 – Prudential Indicator: Proportion of Financing costs to Net Revenue Stream

	2021-22 Budget	2022-23 Budget	2023-24 Budget	2024-25 Budget
	£m	£m	£m	£m
Net Financing Costs (£m)	TBC	TBC	TBC	TBC
Net Revenue Stream (£m)	TBC	TBC	TBC	TBC
PROPORTION OF FINANCING COSTS TO NET REVENUE STREAM (%) *	TBC	TBC	TBC	TBC

9.17 Due to the very long-term nature of capital expenditure and financing decisions, the revenue impact is felt for years into the future.

9.18 Another view to consider is the CFR and its relative size compared to the Long term assets in the balance sheet. The below table shows the total value of the council's long term assets, how much is due to revaluation since acquisition, how much has been paid for and how much remains outstanding to be financed (CFR).

9.19 Table 5 – CFR compared to Long Term Assets on the Balance Sheet



9.20 The full Treasury Strategy will be published as part of the final budget report.

10. APPENDICES

10.1 DEVELOPMENT POOL DISCRETIONARY FUNDING DETAIL OVER MTFP PERIOD

The table below shows the Development Pool Schemes requiring discretionary funding, which have been through a prioritisation process, and the rationale for funding approval.

Appendix 4

Scheme	Likely to Proceed		Scheme Description	2021-22 £000's	2022-23 £000's	2023-24 £000's	Total £000's	Funding Source
Stanton Cross New Primary	G	CFN	New school connected to housing development.	1,900	0	0	1,900	S106
Primary School extensions	G	CFN	The Grange Desborough and Oakley Vale.	0	6,000	1,500	7,500	DFE/S106
Secondary Schools: extensions for new pupil places	G	CFN	Prince William Phase 3 and Corby Secondary.	2,000	0	0	2,000	DFE/S106
Devolved Formula Capital	G	CFN	Maintained schools capital grant, allocated by school by DFE.	310	306	302	918	DFE
S106 'non essential' Schools Schemes	G	CFN	Based on S106 contributions.	1,000	1,000	1,000	3,000	S106
Schools Strategic Repairs and Maintenance	G	CFN	Funded from 'Schools Condition Allocation' Grant based on condition surveys for maintained schools.	850	750	0	1,600	DFE
Schools Temporary Accom./Mobile Classrooms	A	CFN	As described.	25	25	0	50	DFE
Housing for children with complex needs	A	CFN	Emergency placements for looked after children. Assumption of 1 x 5 bed unit or house.	215	0	0	215	Discretionary
Homes to support fostering	A	CFN	Adaptations to support fostering placements - multi-child and disability - estimate 5 @ £50k each.	108		0	108	Discretionary

Scheme	Likely to Proceed		Scheme Description	2021-22 £000's	2022-23 £000's	2023-24 £000's	Total £000's	Funding Source
LTP Maintenance	G	PLACE	Non ring-fenced DfT grant for the maintenance of highways assets.	4,963	4,963	4,963	14,889	DfT
Highways Asset Management	G	PLACE	Funded in advance scheme, funded from LTP Maintenance grant.	323	323	323	969	DfT
LTP Integrated Transport	G	PLACE	Non ring-fenced DfT grant for small scale improvements delivering the objectives of the Local Transport Plan.	1,324	1,324	1,324	3,972	DfT
Incentive fund	G	PLACE	Non ring-fenced DfT grant for the maintenance of highways assets.	1,101	860	860	2,821	DfT
Pothole Fund	G	PLACE	Ring-fenced DfT grant for the repair of potholes.	344	344	344	1,032	DfT
Highway Maintenance Challenge Fund	A	PLACE	Bid process for major maintenance projects.	TBA	TBA	-	-	DfT
S106 Developers Contribution Schemes	G	PLACE	Developments/S106 agreements will inform the schemes detail.	1,759	909		2,668	S106
A509 Wellingborough Development Link Phase 1 (Isham Bypass)	A	PLACE	Road scheme.	15,500	19,500	4,035	39,035	DfT, Developer, LA
A43 Northampton to Kettering Phase 3 (Overstone Grange to Holcot/Sywell)	A	PLACE	Dualling of the A43 Northampton to Kettering (his section spans the boundary between Daventry and Wellingborough).	728	4,124	850	5,702	DfT, Developer, LA
A34/A43/A45 Smart Technology	A	PLACE	A34/A43/A45 Corridor - Highways England route.	TBA	TBA	TBA	-	External
Smart Northamptonshire Initiative	A	PLACE	New technology, applications and services to support the optimal use of the network, improve asset management, provide live information and reduce congestion.	TBA	TBA	TBA	-	External

Cycle Network	A	PLACE	Spanning the area and connecting local networks such as NORBITAL and Greenway.	TBA	TBA	TBA	-	External
Flood Alleviation	G	PLACE	As bid for from Environment Agency and funding secured from external bodies e.g. Anglian Water.	135	357	-	492	External
Property Asset Management Minor Works	G	PLACE	Expenditure on NCC properties relating to replacement and repair of boiler and ventilation systems, roofs and building fabric works. Also covers health and safety, water quality and fire regulations requirements.	500	500	500	1,500	Discretionary
Regeneration and Economic Development Schemes	A	PLACE	Schemes to be developed in line with the council's overall objectives and ambitions	TBA	TBA	TBA	-	Discretionary

Scheme	Likely to Proceed		Scheme Description	2021-22 £000's	2022-23 £000's	2023-24 £000's	Total £000's	Funding Source
Community Equipment	G	NASS	Capitalisation of small pieces of equipment provided to Adult Social Care clients to support them living at home (includes equipment purchased for health clients).	1,840	1,840	1,840	5,520	RCCO 2021-22 onwards
Device Management	G	LGSS	End of life replacement.	375	375	0	750	Discretionary
PC Refresh	G	LGSS	End of life replacement.	200	0	0	200	Discretionary
SAN Replacement	G	LGSS	End of life replacement of the Storage Area Network which holds all of NCC's data.	500	0	0	500	Discretionary
Netscaler Replacement	G	LGSS	End of Life - Netscalers enable applications to run up to five times faster and makes sure that applications are always available with its application load balancing capabilities.	100	0	0	100	Discretionary
Ncloud Server	G	LGSS	End of life replacement.	65	0	0	65	Discretionary
CapitaOne Cloud	G	LGSS	Migration of the CapitaOne system into the Cloud.	50			50	Discretionary
NARP - Northants Analytics and Reporting Programme	A	LGSS	Integrating systems into the NHCP Analytics solution for system wide reporting.	100			100	Discretionary
Northants Care Record	A	LGSS	Integrating systems into the NHCP Northants Care Record for a single view of the patient/citizen for social workers and clinicians.	100	50		150	Discretionary
LGSS Review	A	LGSS	Supporting the repatriation of the shared LGSS systems into NCC	50			50	Discretionary

Scheme	Likely to Proceed		Scheme Description	2021-22 £000's	2022-23 £000's	2023-24 £000's	Total £000's	Funding Source
Leisure and Tourism Projects	G	ENC	Pemberton, Splash and Nene Leisure Centres	0	15	0	15	Discretionary
Corporate Systems	G	ENC	Mainly Corporate IT Systems	273	313	243	829	Discretionary
Asset Management Plan	G	ENC	General Asset Mgt	20	49	30	99	Discretionary
Central Services Projects	G	ENC	Print Room	30	0	0	30	Discretionary
Totals				36,788	43,927	18,114	98,829	