

# **NORTH NORTHAMPTONSHIRE SHADOW AUTHORITY**

## **SHADOW EXECUTIVE COMMITTEE MEETING**

**10<sup>th</sup> February 2021**

<b>Report Title</b>	<b>Final Budget 2021-22 and Medium Term Financial Plan</b>
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### **1. Purpose of Report**

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- 1.1. This report sets out the final revenue budget (2021-22) and Medium-Term Financial Plan for North Northamptonshire Council. The draft budget proposals were considered by the Shadow Executive on 7<sup>th</sup> December 2020 and an update was provided to the Shadow Executive on 7<sup>th</sup> January 2021 following the announcement of individual authority allocations in the Provisional Local Government Finance Settlement which was announced on 17<sup>th</sup> December 2020 and the Final Local Government Settlements published on 4 February 2021.
- 1.2. The budget consultation period commenced on 11<sup>th</sup> December 2020 and ended on 29<sup>th</sup> January 2021. The draft budgets have been subject to scrutiny by the Shadow Overview and Scrutiny Committee. The consultation provided residents, local partners and other stakeholders the opportunity to review the budget proposals and provide feedback during the seven week consultation period.

- 1.3. This report sets out the revenue budget for 2021-22 and the Medium Term Financial Plan for North Northamptonshire Council, including the proposed Council Tax level for 2021-22, for approval by the Shadow Authority on 25<sup>th</sup> February 2021. This is after consideration of the outcome of the Shadow Overview and Scrutiny Committee review, the budget consultation, the Final Local Government Finance Settlement and the ongoing review by officers to ensure that the budget is set based on the latest available information.
- 1.4. The Revenue Budget 2021-22 and Medium Term Financial Plan forms part of a full suite of budget reports being presented to the Shadow Executive Committee on 10<sup>th</sup> February 2021. These include 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. The aforementioned suite of budget reports, including the Council Tax Resolution will be considered by the Shadow Authority on 25<sup>th</sup> February 2021.

## 2. **Executive Summary**

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- 2.1. This report presents the final draft of the 2021-22 revenue budget and Medium Term Financial Plan for the new North Northamptonshire Council prior to its submission to the Shadow Authority at its meeting on 25<sup>th</sup> February. The report includes the outcomes of the budget consultation undertaken between 11<sup>th</sup> December 2020 to 29<sup>th</sup> January 2021.
- 2.2. The 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.
- 2.3. 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.
- 2.4. This is the first budget for the new Unitary Authority for North Northamptonshire. It continues the improvement journey set out in the Future Northants Programme *Prospectus for Change* with investment in transformation for services. The priority for the new Council for Vesting Day on 1 April 2021 was to ensure that the transition from the sovereign Councils to the new Unitary Council was “safe and legal *plus*”. This includes resources for the most vulnerable, to continue to provide support through the current COVID-19 pandemic as well as efficiencies including those arising from a review of the senior management restructure together with savings established from the existing transformation work to date. However, there needs to be a recognition that the financial position in the short to medium term will be very challenging not only from the 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 this budget initially builds on the work and resources of the sovereign councils within North Northamptonshire it also provides the platform on which the new Unitary Council can build as it moves forward. The budget is not just about how to manage within available resources but also where funding should be invested, recognising resident priorities and working with partners to jointly develop service delivery proposals, giving families strengths and self-reliance so they will benefit from greater self-determination and improved life chances. There is a balance to be maintained between encouraging growth, providing high quality universal services and protecting those that are the most vulnerable. It is important to ensure that the position is closely monitored and reviewed throughout the year with mitigating actions taken as necessary. There will be a three-way push to keep the basics on track, prevent problems down the line and tackle complex problems together.
- 2.6. The Council's first draft budget for 2021-22 was reported to the Shadow Executive in December 2020 and identified a budget gap of around £10m. Following further changes and the outcome of the provisional Local Government Finance Settlement for 2021-22<sup>1</sup>, a balanced draft budget was presented at the January meeting of the Shadow Executive. This report continues to build on that position taking into account any subsequent updates to the financial position.
- 2.7. The Local Government Finance Settlement is a one-year settlement only, which assumes an increase of 4.6% in the Core Spending Power for Local Authorities based on the expectation that each Council will increase its Council Tax precept by the maximum amount allowable, i.e. 4.99%, inclusive of a 3% precept for Adult Social Care.
- 2.8. The proposed budget for North Northamptonshire Council includes a core Council Tax increase of 1.99% and applies the maximum allowable social care precept increase of 3% in full. This contributes around £8m per annum towards services and represents 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 by the Northamptonshire Police, Fire and Crime Commissioner.
- 2.9. The Council Tax for the Unitary Authority from 2021-22 will consist of both the County Council's precept requirements and a harmonised amount<sup>2</sup> 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. Council Tax income is important to the ongoing financial sustainability of the Council to support the delivery of vital

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<sup>1</sup> Provisional Local Government Finance Settlement: England 2021-22 Announcement 17<sup>th</sup> December 2020: <https://www.gov.uk/government/collections/provisional-local-government-finance-settlement-england-2021-to-2022>

<sup>2</sup> The Council Tax harmonisation proposals were reported to the Shadow Executive on 27<sup>th</sup> August 2020

services to its residents and communities alongside investment in its Neighbourhoods.

- 2.10. The Finance Settlement also confirmed the continuation of a number of grants from the previous year as well as further funding in recognition for the impact of COVID-19 and the continuing pressures being faced in Social Care. However, a significant proportion of the funding is one-off, and taken together with estimated future cost pressures and a potential reduction in the resources available as a result of Local Government funding reforms, there remains a challenging financial position for the medium term. This will require further work, including continuing a strong programme of transformation, to provide a stable and sustainable financial position for the new council.
- 2.11. North Northamptonshire will have a dedicated transformation team working to deliver the changes required in the North to bring services together effectively in order to move towards single more efficient operating models for services. This will include reviewing how the Council interacts with its customers, residents, partners and other stakeholders and will include contractual arrangements, opportunities to expand and enhance the digital experience and realising property efficiencies, thereby reducing costs and improving services going forward.
- 2.12. The Council will also need to maintain an adequate level of reserves to provide financial resilience over the medium term not only against the inherent risks in the budget, but also to smooth any potential shocks to the financial position, such as those caused by COVID-19. The prudent use of reserves can also assist time limited investment where necessary to promote service improvements at pace.

### **3. Recommendations**

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- 3.1 It is recommended that the Shadow Executive Committee approves for recommendation to the North Northamptonshire Shadow Authority:
  - a) the 2021-22 revenue budget, for approval and adoption, which sets:
    - i. a budget requirement of £608.5m including Dedicated Schools Grant of £316.0m resulting in a net revenue budget requirement of £292.5m as set out in Appendix A.
    - ii. a total Council Tax requirement for the Council's own purposes of £171.5m as contained in paragraph 8.14.
    - iii. a Band D Council Tax of £1,532.90 for North Northamptonshire Council, including a 1.99% increase in 'core' Council Tax and 3% Adult Social Care Precept, noting that a separate Council Tax Resolution Report will be presented at the Shadow Authority meeting 25<sup>th</sup> February 2021 as set out in paragraph 8.16.
    - iv. Council Tax harmonisation for North Northamptonshire using the alternative notional amount approach to harmonise in the first year, as contained in paragraphs 8.19 to 8.22.
    - v. Savings, pressures and income generation proposals of £26.5m net as set out in Appendix A
    - vi. Maximised Council Tax Long Term Empty Property Premium as set out in paragraphs 8.27 to 8.28.

- b) the detailed proposals of savings, pressures and income generation for 2021-22 as set out within the report and Appendix B;
- c) the gross and net budgets for the Directorates and Corporate as set out in Appendix D;
- d) a contingency sum of £5.7m as set out in paragraph 11.1;
- e) corporate budget requirements to cover capital financing costs of £18.2m as set out in paragraph 11.2;
- f) the revisions to fees and charges for 2021-22 as set out in Appendix E, noting the changes contained within section 9 of the report;
- g) the planned use of, contribution to, and movement in, reserves as identified in the report and in Appendix F subject to the final call on reserves after any changes are required to account for final charges etc;
- h) the Treasury Management Strategy for 2021-22 as set out in Appendix K, including the Affordable Borrowing Limit of £824m, and to note an update to the Strategy will be provided once the disaggregation of Northamptonshire County Council's Balance Sheet has been finalised.
- i) the utilisation of the Dedicated Schools Grant (DSG) for 2021-22 as set out in Appendix L;

3.2 It is recommended that the Shadow Executive Committee:

- j) notes that the financial position has been based on the Final Local Government Finance Settlement announced on 4<sup>th</sup> February 2021 together with any further announcements to the date of the publication of this report;
- k) notes the Consultation feedback as at Appendix G as having been taken into consideration;
- l) considers the responses to the Shadow Overview and Scrutiny Committee report from its meeting on 28<sup>th</sup> January 2021, as at Appendix J, and which was presented at the meeting of the Shadow Executive on 3<sup>rd</sup> February 2021, in reaching the final budget recommendations for 2021-22;
- m) notes the Equality Impact feedback as at Appendix H as having been taken into consideration;
- n) notes the Executive Director of Finance's Section 25 Report as at Section 16 including her review of the robustness of the estimates and the adequacy of the reserves;

- o) delegate authority to the Executive Director of Finance to manage any variation in budget prior to 1<sup>st</sup> April 2021 as a result of final confirmation of funding or income, or unforeseen commitments, in consultation with the Finance Portfolio Holder.
- p) delegates authority to the Executive Director of Finance in consultation with the Finance Portfolio Holder to draft the recommended budget resolution for the Shadow Authority in accordance with the necessary legal requirements and to take into account the decisions of the Shadow Executive Committee and any final changes and other technical adjustments;
- q) Approves the implementation of any new business rate reliefs in 2021-22 as announced by Government in the Chancellor's Spring Budget, which will increase the relief offering to businesses.
- r) Notes that the transfer of £21.445m from reserves relates to a timing issue in respect of Business Rates Reliefs to support businesses through COVID-19. These grants were awarded and accounted for in the General Fund in 2020-21 but the reduced yield in Business Rates is not reflected in the Collection Fund until 2021-22.

It is recommended that in order to ensure that there is flexibility to manage the overall budget in year that the Shadow Executive, recommend to the Shadow Authority that they;

- s) delegate authority to the Executive Director of Finance to agree the use of the following reserves in consultation with Portfolio Holder for Finance (see also section 12.7)
  - i. Social Care Reserve
  - ii. Transformation Reserve
  - iii. Public Health Reserve
  - iv. Waste Management Reserve
  - v. COVID-19 related reserves which includes the COVID-19 reserve and those held for the Contain Outbreak Management Fund (COMF) and Test and Trace

### 3.3 Reason for Recommendations:

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

## 4. Report Background

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- 4.1 There is a suite of budget reports that support the budget setting process for North Northamptonshire and these include:
  - Budget and Medium Term Financial Plan 2021-2024, this includes the Treasury Management Strategy, Reserves Strategy and the Chief Finance Officer's Statutory Section 25 Report

- Capital Strategy and Capital Programme
  - Housing Revenue Account 2021-22 and Medium Term Financial Plan
  - Dedicated Schools Grant
- 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.
- 4.3 A separate report containing full details of the proposed budgets for the housing revenue account will be considered elsewhere on the agenda for this meeting.
- 4.4 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.

### **Disaggregation of the Northamptonshire County Council Budget**

- 4.5 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.
- 4.6 Whilst the majority of disaggregation principles have been agreed there are still some areas to be finalised. Positive progress has been made since the draft budget was published for consultation on the outstanding areas, and work continues to finalise the position ahead of Shadow Authority.
- 4.7 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	

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

### **Disaggregation of Northamptonshire County Council Balance Sheet**

- 4.9 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.
- 4.10 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.
- 4.11 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.

4.12 As noted previously, whilst the majority of disaggregation principles have been agreed, and there has been positive progress since the draft budget stage, there is still some further work being undertaken to disaggregate some areas of the County Council's budgets and balance sheet ahead of Shadow Authority.

### **Aggregation of County Council and District and Borough Budgets**

4.13 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 27<sup>th</sup> August 2020.

4.14 The initial aggregated position was established based on the 2020-21 approved revenue budgets, which was then reviewed and updated to incorporate budget proposals to develop the 2021-22 budget.

4.15 The development of the draft budget was overseen by the North Northamptonshire Medium Term Financial Plan and Budget Task and Finish Group.

4.16 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
- Any other pressures or efficiencies
- The implementation of the service Blueprint for North Northamptonshire and the Council's drive for further transformation and improvement.
- Any subsequent amendments to the Blueprint

4.17 The Chancellor of the Exchequer delivered a one year Spending Review on 25<sup>th</sup> November 2020. The Spending Review included high level national indications of local government funding and Council Tax referendum principles for 2021-22, however the allocations for individual councils were not announced until the publication of the Provisional Local Government Finance Settlement on 17<sup>th</sup> December 2020. The Final Settlement was announced on 4<sup>th</sup> February 2021 and will be debated on the 10<sup>th</sup> February.

4.18 The 2021-22 draft revenue budget and Medium-Term Financial Plan and the draft capital programme were considered by North Northamptonshire Shadow Executive Committee on 7<sup>th</sup> December 2020. The draft budget was based on estimated levels of funding following the Spending Review. The draft budget presented in December 2020 highlighted a funding gap of approximately £10m for 2021-22.

- 4.19 A budget update report was presented to the Shadow Executive Committee on 7<sup>th</sup> January 2021. The update report set out the changes to the forecast funding position included in the draft 2021-22 budget following the announcement of the Provisional Local Government Finance Settlement on 17<sup>th</sup> December 2020. The report also proposed strategies to balance the budget gap in 2021-22.
- 4.20 This report sets out the final budget proposals for 2021-22 and the resources allocated to each of the new Council's directorates. The report explains the changes made to the draft position reported to the Shadow Executive Committee on 7<sup>th</sup> January 2021 and it sets out the forecast use of reserves for North Northamptonshire in 2021-22.
- 4.21 This report also considers the Local Council Tax Support Grant that has been allocated to the Council. The provisional allocations to each Council were announced shortly after the Local Government Finance Settlement, with North Northamptonshire being allocated £2.403m based on Q1 and Q2 of the billing authority's share of working-age council tax support caseload. The allocation was subject to consultation and has not yet been confirmed as part of the Final Local Government Finance Settlement published on 4<sup>th</sup> February and therefore remains subject to change. It was reported to the January Shadow Executive that further clarification on its use was required before the final budget was presented to the February Shadow Executive. The grant is to support Local Authorities to mitigate the loss of funding as a result of the increase in those claiming council tax support which has increased sharply in many areas across the country following the prolonged impact of COVID-19.
- 4.22 Included within the report is the Statutory Section 25 report from the Chief Finance Officer (CFO). Section 25 of the Local Government Act 2003 requires that when a local authority is making its budget calculations, the CFO of the authority must report to the Council on the robustness of the estimates made for the purposes of the calculations and the adequacy of the proposed financial reserves. The Council has a statutory duty to have regard to the CFO's report when making decisions about the calculations. The requirement of the CFO is to ensure that the budget being recommended to Council is balanced (i.e. expenditure matches income), is robust and therefore deliverable and has an adequate level of reserves. The Council has a balanced budget, the CFO's report in relation to the robustness of the estimates and adequacy of the reserves is set out in Section 16 of this report.

## **5. Consultation Responses**

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- 5.1 The Council has consulted on the proposals in the draft 2021-22 Budget. Consultation commenced on 11<sup>th</sup> December 2020 and concluded on 29<sup>th</sup> January 2021.
- 5.2 There are three statutory instruments underpinning the need for Budget consultation:
- Section 65 of the Local Government Finance Act (1992);
  - Section 149 of the Equality Act (2010), specifically 'Due regard' to [the] impact of proposed changes;

- Section 3 of the Local Government Act (1999), and Best Value provisions.
- 5.3 In terms of best practice, Consultation Institute guidance emphasises the need for consulters to recognise the 'Doctrine of Legitimate Expectation' as a key component of public sector budget consultation. In short, in terms of public participation, "...the courts...recognise Consultees' right to expect fair process from public bodies...and incorporates much guidance and management promises into the law.<sup>3</sup>"
- 5.4 Opportunities to take part in the consultation were promoted in the local media via press releases. The press release went to over 60 newsrooms (local and national, print and broadcast), plus individual reporters and other local news sites. It was promoted through the sovereign Council's and Future Northants websites, e-newsletters and social media channels, enabling both internal (e.g. staff) as well as external consultees to get involved in the process.
- 5.5 Councillors, local MPs, district and borough councils, parish and town councils, partner organisations, voluntary and community sector organisations, representatives of protected characteristic groups, local business groups, and members of the Northamptonshire Residents' Panel were invited to give their views and asked to promote the consultation to their members, or within their local area where appropriate.
- 5.6 Local people, organisations and other interested parties were able to have their say about the Draft Budget proposals in a range of ways, by:
- Visiting the Draft Budget Consultation webpage and completing the questionnaire or requesting a paper questionnaire
  - Emailing [futurenorthants@northamptonshire.gov.uk](mailto:futurenorthants@northamptonshire.gov.uk)
  - Writing to Budget Consultation Response, North Northamptonshire Shadow Authority, Sheerness House, Meadow Road, Kettering, NN16 8TL
  - Using social media by Tweeting or posting comments on the Future Northants Facebook page
  - Contacting us by telephone to give verbal feedback
  - A toolkit was developed to enable user groups/ forums to hold their own discussions and provide their feedback as a collective group.
- 5.7 Using the various means available to consultees, local people and organisations contributed to the consultation 376 times. Respondents could choose which questions they responded to within the consultation questionnaire, so there are lower response numbers to each question when compared with the overall number of participants, depending on whether participants had a particular interest in the subject matter.
- 5.8 The consultation focused on the draft budget proposals that would likely effect residents and service users. However, respondents were invited to comment on anything within the Draft Budget.
- 5.9 When asked about Council Tax harmonisation a total of 63.56% respondents said that they strongly agree or tend to agree that all Council Tax Bands A–H

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<sup>3</sup> The Consultation Institute Engaging on Public Service Budgets, 17 September 2015

should be harmonised for residents of North Northamptonshire, while 23.31% said they strongly disagree or tend to disagree.

- 5.10 A total of 53.88% of respondents said that they strongly agree or tend to agree that the Council should use an Average Council Tax approach to recalculate the Council Tax Bands A–H, while 31.04% said they strongly disagree or tend to disagree. And 60.38% of respondents said they strongly agree or tend to agree with the proposal to harmonise Council Tax rates for North Northamptonshire in the first year of the new council, while 26.08% said they strongly disagree or tend to disagree.
- 5.11 When asked about a general Council Tax increase of 1.99%, 50.75% of respondents said that they strongly agree or tend to agree with the proposed increase, while 33.84% said they strongly disagree or tend to disagree. And when asked about the proposed 3% precept increase for Adult Social Care, 40.93% of respondents said that they strongly agree or tend to agree with the proposed increase, while 42.49% said they strongly disagree or tend to disagree.
- 5.12 The feedback on all the proposals is analysed in more detail in Appendix G. Members should ensure they read and consider the analysis and redacted comments that have been made available to them before making their decision on the budget.

## **6. Shadow Overview and Scrutiny**

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- 6.1 The Shadow Overview and Scrutiny Committee agreed at its meeting on 10<sup>th</sup> December 2020 to the formation of a Budget Task and Finish Group to assist it in considering the draft budget proposals for 2021-22.
- 6.2 The Task and Finish Group agreed to focus on four key areas for scrutiny, including three of the most significant areas of expenditure. These included considering the Housing Revenue Account (Revenue and Capital) on 13<sup>th</sup> January 2021, Children's and Educational Services on 18<sup>th</sup> January 2021, Adult Services on 21<sup>st</sup> January 2021 and Fees and Charges on 26<sup>th</sup> January 2021.
- 6.3 Detailed below are some of the key areas raised by the Group:-
- 6.4 Housing Revenue Account (HRA)
- The HRA currently consisted of two Neighbourhood Accounts for Corby Borough Council (CBC) and Kettering Borough Council (KBC) and the amalgamation of these accounts was a priority for future years. This could present opportunities for transformation, service improvement and cost efficiencies. It was noted that general management costs for CBC were higher than for KBC.
  - Significant capital funding for development and new build, but currently there was a lack of programme detail regarding the timing of the build and therefore this was not yet reflected in the proposed revenue budget. This would be clarified in the final HRA report.
  - Differential void times between CBC and KBC, due to the type and nature of the units involved. This would continue to be monitored closely.

- Concern over the level of bad debt provision and collection rates with reference to direct and indirect consequences of COVID-19 pandemic.
- CBC and KBC had different strategies for repayment of HRA borrowing. Both systems were working, and no current risks were identified. As with any borrowing, the impact of interest rates needed to be monitored.

#### 6.5 Children's Services

- The two new Unitary Councils for North Northamptonshire and West Northamptonshire respectively would need to review and negotiate the contract with the Children's Trust for 2022-23 onwards.
- The impact of COVID-19 on children's services would need to be continually monitored. It was noted that £720k had been retained by the Council as a specific contingency.
- Clear governance structure in place for dispute resolution and consideration of in-year budget changes.
- The importance of training for new Members was emphasised.

#### 6.6 Adult Services

- Through redesign, Adult Services had achieved significant savings over recent years. Within the budget these savings were forecast to continue from 2021/22 under North Northamptonshire Council. This was included within the budget assumptions.
- The opportunity for cross-service/agency working, particularly with Public Health and NHS/CCG, provided opportunities for greater efficiency and service improvements.
- NCC Adult Services scored 25<sup>th</sup> out of 26<sup>th</sup> in the Budget Benchmarking Group for 2018/19 with other County Councils relating to spend.
- The impact of COVID-19 was noted. The service continued to monitor impact.
- The Target Operating Model (TOM) had been established and to date had been successful.

#### 6.7 Fees and Charges

- Standardisation of pre-application Planning fees was welcomed.
- There was significant concern expressed regarding the harmonisation of Hackney Carriage and Private Hire Fees from 1<sup>st</sup> April 2021, and that trade organisations had not been directly consulted. There was a strong recommendation that this element of the Fees & Charges proposals be reviewed.
- It was noted that in relation to cemetery fees and charges there would be a negative impact for Corby Borough residents and that in general Corby's fees and charges across several service areas were historically lower than other Councils within North Northamptonshire.
- The impact of increased bulky waste charges needed to be closely monitored, alongside the levels of fly tipping and associated costs to NNC.

#### 6.8 General Comments

- The impact of COVID-19 during 2020-21 and into the new financial year was noted in all cases. Provision had been made but this needed to be closely monitored and trends identified.
- There were significant challenges in future years to ensure the Council maintained a balanced budget.

- There were significant opportunities for transformation, efficiency, and innovation within services. Opportunities for “joined-up” service delivery existed to maximise value for money and efficiency.
- The need for robust budget monitoring and scrutiny were of utmost importance. Even minor percentage variations in expenditure and/or income could have significant impact, particularly within service areas such as Adult Services and Children’s Services.
- There would be legacy issues i.e., contracts which would need to be considered, and options identified for the future arrangements.
- There was a need to ensure that the Council Members received appropriate training and information to fulfil their role in the new authority.
- Throughout the year the financial position would be monitored and reported identifying any forecast movements from the budget. Looking ahead there would be a developed, approved budget-setting process for 2022/23, which would include the involvement of the public, Overview and Scrutiny and the wider membership.

6.9 The Chair of the Task and Finish Group, Councillor Adam Henley, presented the above findings on behalf of the Shadow Overview and Scrutiny Committee to the Shadow Executive Committee at its meeting on 3<sup>rd</sup> February 2021.

6.10 Councillor Henley highlighted that fees and charges remained the cause for most concern and it was considered still needed work, particularly in relation to harmonisation. The Shadow Executive and full Shadow Authority was urged to further review these fees and charges and that a full consultation be undertaken before action was taken on this.

6.11 The Leader of the Shadow Authority and Executive Director of Finance thanked Cllr Henley for his presentation and the Overview and Scrutiny Committee for the work it had undertaken. The comments were duly received by the Shadow Executive Committee which in particular noted that:

- A number of the specifics raised in the comments such as in relation to the Housing Revenue Account, and use of the Capital Programme would be referenced in the final draft of the budget report, to be considered by the Shadow Executive on 10<sup>th</sup> February 2021.
- The more significant concerns around fees and charges were also recognised and these would also be considered for review prior to the final budget report being issued.
- The Children’s Trust was aware of the financial constraints within which it would operate, noting that it would have a close relationship with the shared Director of Children’s Services and the two member portfolio holder’s for the North and West Councils. The requirements of the Trust both in respect of its budget and broader requirements would be met, and closely monitored.

6.12 A copy of the detailed responses to the comments of the Shadow Overview and Scrutiny Committee are attached to this report, as Appendix J.

## 7. Revenue Budget Proposals 2021-22

### Budget Proposal Changes from January Draft Report to February Final Budget

7.1 The next sections of the report set out the movements from the position presented to Shadow Executive in January to the final budget presented in this report.

7.2 The final 2021-22 budget builds upon the draft budget presented in the budget update report approved by the Shadow Executive Committee on 7<sup>th</sup> January 2021. The final budget proposals have been informed by:

- Continued review and validation of anticipated levels of demand, future expenditure and funding assumptions, budget robustness and risk analysis.
- The outcome of the consultation process on the proposals in the draft budget.
- The budget scrutiny process undertaken by the Shadow Overview and Scrutiny Committee.

7.3 The table below sets out the changes to the net budget requirement (Excluding DSG) from the January Executive Report. These changes fall into five areas, changes to Existing Proposals, New Proposals, Baseline Changes Capital Financing and Specific Grant Funding. These movements are summarised below with the detail contained in Appendix C.

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
<b>Remaining Savings Requirement January Budget Report</b>	<b>0</b>	<b>20,598</b>	<b>32,086</b>	<b>44,709</b>
Changes to Existing Proposals	(2,627)	460	(163)	(236)
New Proposals	7,592	(6,558)		(200)
Baseline Changes	(810)			
Capital Financing	2,217	(2,217)		
Specific Grant Funding	852	(852)		
<b>NET INCREASE/(DECREASE) IN REVENUE BUDGET</b>	<b>7,224</b>	<b>(9,167)</b>	<b>(163)</b>	<b>(436)</b>
<b>Funded Through:</b>				
Local Council Tax Support Grant (provisional)	(2,403)	2,403		
Movement In Business Rates Collection Fund	21,445	(21,445)		
<u>Transfers To/(From) Reserves</u>				
Transfer From Business Rates Reserve	(21,445)	21,445		
Transfer To Local Council Tax Support Reserve	500	(500)		

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Reduce Planned Use of Reserves for COVID-19 Impact	1,526	(1,526)		
Transfer to General Reserves	115	(115)		
Transfer to Voluntary Sector Reserve	600	(600)		
Transfer to Waste Management Reserve	2,300	(2,300)		
Transfer from Reserves for COMF and Test and Trace	(6,593)	6,593		
Transfer from Reserves for BR Customer Contact and Digital Scheme	(1,875)	1,875		
Transfer from Reserves for Community Projects Capital Schemes	(342)	342		
Transfer from Reserves for revenue grants	(852)	852		
Voluntary Sector Funding from Reserve	(200)			200
<i>Net Transfer To/(From) Reserves</i>	<i>(4,821)</i>	<i>4,621</i>		
<b>NET (INCREASE)/DECREASE IN FUNDING</b>	<b>(7,224)</b>	<b>7,024</b>	<b>0</b>	<b>200</b>
<i>Cumulative Impact of Changes from previous year</i>		<i>0</i>	<i>(2,143)</i>	<i>(2,306)</i>
<b>Feb MTFP Changes Net Increase/Decrease</b>	<b>0</b>	<b>(2,143)</b>	<b>(2,306)</b>	<b>(2,542)</b>
<b>Remaining Savings Requirement</b>	<b>0</b>	<b>18,455</b>	<b>29,780</b>	<b>42,167</b>

### Summary of Overall Movement Since January to this Report

#### **Changes to Existing Proposals (-£2.627m)**

- 7.4 Changes to existing proposals amount to a saving of £2.627m in 2021-22. These include a reduction in the budget requirement for Waste Management of £2.520m, a reversal of the proposal to charge statutory education services previously funded by DSG to the General Fund which amounted to a saving of around £0.529m, offset by a change to the fees and charges increases amounting to a reduction of £0.158m. Other movements amount to £0.264m, details on these can be found in Appendix C.
- 7.5 The most significant change is a reduction to the budget requirement which amounts to £2.520m for Waste Management. The main change for Waste Management follows a recent review of the overall disaggregation of the Waste Budget between the two new Councils, which suggests that the initial budget requirement provided for North Northamptonshire may have been overstated by £2.300m. Further work is currently being undertaken to understand the detail supporting the revised figures and the reasons for the movement since the previous forecast. While this work is ongoing the budget will be changed to reflect the latest estimate, with the subsequent balance being held in a Waste Management Reserve.



- 7.6 The Council adopted a prudent approach in allowing for a general fund provision of £0.529m in the draft budget to offset the Government announced unwinding of the historical funding element of the Central Schools Services Block (CSSB) of the Dedicated Schools Grant (DSG). This is due to the CSSB funding supporting statutory central LA Education services. Following the December 2020 DSG funding announcements from Government, there remains headroom within the reduced CSSB allocation to meet ongoing LA commitments in 2021-22 without drawing on the general fund. With the funding pressure now expected to materialise from 2022-23, this results in the removal of the related £0.529m growth item in 2021-22.
- 7.7 Fees & Charges have reduced by £0.158m from the original income assumptions, the main changes reflect the revisions to the proposed harmonisation of taxi licencing and crematoria and cemeteries fees which will now remain separate for now following feedback from the overview and scrutiny committee and from the consultation process, as well as considering the latest position regarding Covid and the likely future impacts. The position on fees and charges will be subject to further in year review as the Council seeks to harmonise charges across North Northamptonshire where possible.
- 7.8 Within Adult Social Care there are additional costs on the Mental Health pool with the Clinical Commissioning Group, due to increased volume of clients which has occurred during the Covid-19 pandemic. This has been refreshed based upon the position as at December 2020, resulting in a further pressure of £0.173m.

#### **New Proposals and Use of Grants Rolled Over from 2020-21 (£7.592m)**

- 7.9 New proposals amount to £7.592m in 2021-22. The main change reflects fully funded expenditure of £6.593m (relating to Contain Outbreak Management Fund (COMF) and Test and Trace which are carry forwards of grants from 2020-21 into 2021-22.
- 7.10 In the Place Directorate, a growth item of £0.473m has been added for 2021-22 only to reflect the increased tonnages of domestic waste and waste received at Household Waste Recycling Centres together with a reduction in trade and recycle income during the pandemic.
- 7.11 A reduction in the Educational Psychology (EP) service capacity due to the annual year on year increase in the requirement to complete statutory work to timescales results in an additional rebaselining growth item of £0.186m. The requirement for an Education Psychology Assessment to support a Statutory Assessment of a child or young person's educational needs is embedded in the Children and Families Act 2014 and the related Regulations and Statutory Guidance of the SEND Code of Practice 2015. Requests for Education Psychology Assessments has doubled in recent years in line with the increase in the number of Statutory Assessments.
- 7.12 Other changes include £0.200m of additional support to the voluntary sector and £0.140m of other proposals which can be found in Appendix C.

## **Changes to Northamptonshire County Council (NCC) Baseline Disaggregation (-£0.810m)**

- 7.13 As part of budget disaggregation work previously undertaken, a number of items, plus the cost of support services were provisionally split 50:50 in the draft budget, due to the reasons set out below;
- Reliance on outcome of independent expert review i.e. Actuary, Treasury Advisor
  - Re-baselined budgets for NCC as a result of the LGSS Review (repatriated services and lead authority)
  - Key activity data was not available i.e. NCC staffing TUPE list
  - Children's Trust support service SLAs were being developed
- 7.14 A variety of disaggregation principles have been applied which have been based upon available HR staffing data, AP/AR invoice volume data, 2020-21 tax base figures as well as other metrics where appropriate.
- 7.15 Applying these disaggregation principles results in a decrease to North Northamptonshire Council support services budgets of £0.810m.

## **Capital Financing (£2.217m)**

- 7.16 Capital Financing changes amount to £2.217m and reflects revenue contributions to capital which are funded by reserves, this is a technical adjustment through the revenue account, there is a matching transfer from reserves in to the budget to allow the capital funding to be applied in 2021-22.

## **Specific Grant Funding (£0.852m)**

- 7.17 A number of specific grants including funding for the Joint Planning Unit (JPU) and Capacity Funding amounting to £0.852m will be carried forward from the previous financial in to 2021-22. In such instances the unspent grant is taken to a reserve to be applied in future years. Accordingly, there is a matching transfer from reserves in to the budget to allow the grants to be applied in 2021-22.

## **Local Council Tax Support Grant (-£2.403m)**

- 7.18 As part of the provisional Local Government Finance Settlement, an additional £670m was made available for council tax support to enable Councils to cover some of the shortfall in their funding as a result of lower than forecast growth in council tax base. The provisional allocation for North Northamptonshire was £2.403m and it was hoped that the final Local Government Finance Settlement announced on 4<sup>th</sup> February would have confirmed this figure however, this has not been the case and, therefore, there is a risk that the grant allocation may change. This funding was not applied to budget in the January update to Shadow Executive due to uncertainty regarding its use and allocation. In the main the grant will be applied to offset the impact of COVID-19 on Council Tax collection in 2021-22.

## **Collection Fund – Business Rates (£21.445m)**

- 7.19 The is a significant change to business rates in respect of the adjustment for grants under Section 31 of the Local Government Finance Act 2003 totalling £21.445m. This is the forecast award of 2020/21 Section 31 grants to offset the reduction in business rates yield as a result of the changes announced by the Government. This includes grants to facilitate the extension and enhancement of the 100% Small Business Rates Relief, and in 2020/21 Extended Retail Relief which applied 100% relief to retail, hospitality and leisure properties in response to the pandemic for one year only.
- 7.20 On 3<sup>rd</sup> February 2021, the Financial Secretary to the Treasury made a Written Ministerial Statement (WMS) to Parliament. The WMS asks billing authorities to consider waiting until the Chancellor has set out his plans at Budget on 3<sup>rd</sup> March, before issuing bills for 2021-22. The text of the statement is copied below:

*“Local Government is responsible for the administration of non-domestic rates in England. As part of this function, billing authorities will shortly begin preparing to issue annual rates bills to businesses. Nevertheless, as authorities will be aware, my right honourable friend the Chancellor of the Exchequer will make the Budget Statement on 3 March 2021.*

*The Budget will set out the next phase of the Government’s plans to tackle the virus, protect jobs and support business. Billing authorities in England should therefore consider issuing business rates bills after the Chancellor has set out his plan at the Budget. The Government recognises the crucial work local authorities continue to do to support the pandemic response; by their taking this action, it believes it is in the public interest to avoid any potential confusion for businesses and to avoid the cost of having to re-bill businesses in light of any measures that may be included in the Budget.”*

- 7.21 Any additional reliefs announced by the Chancellor in the Spring Budget on 3<sup>rd</sup> March 2021 will reduce business rates income and will be reimbursed as Section 31 grants. It is expected that support for retail, hospitality and leisure businesses will be included in this announcement and a supplementary return will be requested by Government to estimate the increase relief award and business rates grants due to the Council in 2021/22.

## **Release of Planned Drawdown of Reserves (£1.526m)**

- 7.22 As part of the budget update report presented to the January Shadow Executive the Council intended to bridge the gap between the net budget requirement and the resources available through the use of £1.526m of reserves. The net changes to the budget has meant that this drawdown of reserves is no longer required.

## **Transfers to Reserves (£3.515m)**

7.23 The following transfers to reserves are planned for 2021-22

- Local Council Tax Reserve (£0.500m)
- General Fund (£115k)
- Voluntary Sector Reserve (£0.600m)
- Waste Management Reserve (£2.3m)

7.24 Due to the uncertain economic climate, and the continuing constraints of COVID-19 on people's health and ability to work. There is concern that the Council Tax losses may continue to grow during 2021/22, which will affect future years due to how the Collection Fund operates and therefore **£500k** has been set aside from the grant to be held in a reserve for potential future losses.

7.25 Following the allocation of all the budget changes, there remained a small unallocated surplus sum of **£115k** which is proposed to be transferred to the General Fund Reserve.

7.26 The work of the voluntary sector has been invaluable in supporting the residents and communities of North Northamptonshire; throughout the pandemic organisations have supported those that are vulnerable and less able to cope with the restrictions imposed. The Council would like to engage with the sector to focus and enhance the service offer, recognising that in a number of cases the voluntary sector is best placed to work closely with residents to promote resilience (both financial and physical), enhance community engagement and improve health and wellbeing, particularly mental health. It is therefore proposed that the Council invest **£600k** to establish a Voluntary and Community Sector Investment Reserve, which can be drawn down at £200k per annum over the next three years.

7.27 It is intended that this funding be considered alongside other payments made to voluntary and community sector organisations across the area to ensure that all parts of North Northamptonshire are able to access a core offer of services and support. Subject to approval, the detailed arrangements for how the funding will be distributed post Vesting Day will be drawn up by Council Officers for consideration.

7.28 As reported earlier in paragraph 7.5, it is requested that a sum equivalent to the recent reduction in the Waste Management budget requirement of **£2.3m** is set aside in a Waste Management Reserve. This will enable the Council to safeguard against the risk that the budget may be insufficient to meet the actual costs. It is proposed that approval to use of this reserve is delegated to the Executive Director of Finance in consultation with the Finance Portfolio holder.

## **Transfers from Reserves (£31.307m)**

7.29 The following transfers from reserves are now included in the base revenue budget for 2021-22:

- Business Rates (£21.445m)
- for COMF and Test and Trace (£6.593m)
- Customer Contact & Digital Scheme (£1.875m)
- Community Projects Capital Scheme (£342k)
- Revenue Grants (£0.852m)
- Voluntary Sector Investment (£200k)

7.30 There has been a transfer of **£21.445m** from the Business Rates reserve to fund the adjustment to the Business Rates Collection Fund as set out in paragraph 7.19 above.

7.31 The **£6.593m** for the Contain Outbreak Management Fund (COMF) and Test and Trace represents the carry forward of grants from 2020-21 into 2021-22

7.32 The BR Customer Contact and Digital Scheme is part of the Future Northants (FN) Programme for Change. The funding will be used to ensure that the council takes the maximum benefit from digital developments. The funding will be used to make a revenue contribution of **£1.875m** to the capital programme which currently includes this project.

7.33 £0.342m has been brought into the revenue budget from an earmarked reserve for Community Project Capital and will be used as a revenue contribution to fund the corresponding capital expenditure. The total Revenue Contribution to Capital is £2.217m

7.34 Previous revenue grant funding of £0.852m including funding for the Joint Planning Unit (JPU) and Capacity Funding will be carried forward from the previous financial into 2021-22.

## **Changes to Implementation of the Service Blueprint**

7.35 The Service Blueprint is the key document that shows how the functions and services provided by all the constituent authorities will be placed across the two new North and West Unitary authorities. The original blueprint was approved by the Shadow Executive on 24<sup>th</sup> September 2020 and details whether the Council is to be the:

- Lead Authority and provide the service to WNC long term
- Host Authority and provide the service to WNC with the intention of disaggregating the service in full either pre or post 12 months
- Receiver Authority and receive the service from WNC either on a long term or short term basis

On 7<sup>th</sup> January 2021, the Shadow Executive approved 12 changes to the blueprint for the following services as follows:

<b>Service Area</b>	<b>Original Blueprint</b>	<b>Updated Blueprint (all for a period of up to 12 months)</b>
Adults – Learning, Independence, Volunteering and Supported Employment	Disaggregated	Hosted by North Northamptonshire
Adults – Employment and Disability Service	Disaggregated	Hosted by North Northamptonshire
Adults – Shared Lives	Disaggregated	Hosted by West Northamptonshire
Adults – Visual Impairment	Disaggregated	Hosted by West Northamptonshire
Adults – Assistive Technology	Disaggregated	Hosted by West Northamptonshire
Adults – Approved Mental Health Professional & Deprivation of Liberty Safeguards	Disaggregated	Hosted by North Northamptonshire
Adults – Personal Budget Support Services	Hosted by West Northamptonshire – up to 12 months	Hosted by North Northamptonshire
Corporate – HR Traded Services	Disaggregated	Hosted by West Northamptonshire
Place – Highways Adoption Team	Disaggregated	Hosted by West Northamptonshire
Place – S106	Disaggregated	Hosted by North Northamptonshire
Place – Highways Community Liaison	Disaggregated	Hosted by West Northamptonshire
Children’s – Information Advice and Support Service	Disaggregated	Hosted by North Northamptonshire

These changes have been incorporated into the final budget.

## **8. Council Funding**

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- 8.1 The following Table provides a summary of how the 2021-22 Budget is being funded – this section provides narrative around each of these funding streams.

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
<b>Net Budget Requirement</b>	<b>608,505</b>	<b>602,025</b>	<b>613,264</b>	<b>628,248</b>
<b>Funded By:</b>				
New Homes Bonus	(5,638)	(1,819)	0	0
Business Rates Funding Baseline	(76,550)	(66,683)	(66,683)	(66,683)
Business Rates Collection Fund	23,226	575	575	0
Council Tax	(171,519)	(173,233)	(174,966)	(176,713)
Collection Fund (Council Tax)	1,851	475	475	0
Revenue Support Grant	(4,756)	(4,756)	(4,756)	(4,756)
Social Care Grant	(8,408)	(8,408)	(8,408)	(8,408)
DSG Grant	(316,000)	(316,000)	(316,000)	(316,000)
Improved Better Care Fund	(11,186)	(11,186)	(11,186)	(11,186)
Rural Services Delivery Grant	(35)	(35)	(35)	(35)
One off Covid Funding	(9,342)	0	0	0
Lower Tier Support Grant	(403)	0	0	0
Local Council Tax Support Grant	(2,403)	0	0	0
Transfer to / (From) Reserves	(27,342)	(2,500)	(2,500)	(2,300)
<b>Total Funding</b>	<b>(608,505)</b>	<b>(583,570)</b>	<b>(583,484)</b>	<b>(586,081)</b>
<b>Remaining Savings Requirement</b>	<b>0</b>	<b>18,455</b>	<b>29,780</b>	<b>42,167</b>

8.2 The analysis of the funding available is set out in the following paragraphs.

### **New Homes Bonus**

8.3 The Final Settlement confirmed that the cost of NHB nationally will reduce from £907m in 2020-21 to £622m in 2021-22. The reduction nationally has been allocated to fund other pressures, most notably:

- £150m has been included in the additional £300m for Social Care
- £111m Lower Tier Fund (see section 8.43 in the report for further details)
- £4m Rural Service Delivery Grant uplift
- £13m to fund the increase in SFA

8.4 In the December draft budget report the figure for New Homes Bonus (NHB) funding for 2021-22 was based on legacy payments only. The Final Settlement included a further year of reward for bringing more houses into use, (the same approach was taken in 2020-21), but as with 2020-21 there will be no associated legacy payment. Therefore 2021-22 consists of two legacy payments 2018-19 and 2019-20 and a one off payment for 2021-22. The Council's 2021-22 budget and MTFP was modelled on these assumptions in the report to the January Shadow Executive Committee and these assumptions remain unchanged. The Table below summarises the position for both 2021-22 and 2022-23.

<b>Years</b>	<b>2021/22 £m</b>	<b>2022/23 £m</b>
Year 8 (2018/19)	2.380	-
Year 9 (2019/20)	1.819	1.819
<b>Draft Budget (Dec 20)</b>	<b>4.199</b>	<b>1.819</b>
Year 11 (2021/22)	1.439	-
<b>Updated Figures following LGF Settlement</b>	<b>5.638</b>	<b>1.819</b>

- 8.5 The payments for 2020-21 are based on the National Average Council Tax of £1,817.62. The growth in tax base for North Northamptonshire based on a Band D was 745 properties giving a grant of £1.354m. In addition to this the number of Affordable Homes bought back into use was 248 and for this we receive £350 per dwelling, therefore this element of the scheme amounts to £0.087m. The total for Year 11 is £1.439m and when added to the legacy payments would mean the total NHB grant would be £5.638m in 2021-22. Members are reminded that Year 10 payments were made for 2020/21 only.

### **Business Rates**

- 8.6 The baseline position for Business Rates was £250k less than originally modelled, this is a result of the baseline funding levels being frozen in 2021-22 due to the business rate multiplier remaining unchanged. The decision to freeze the multiplier in 2021-22 will increase the compensation that is paid through a Section 31 grant together with compensation payments for previous decisions relating to a 2% cap on the multiplier in 2014-15 and 2015-16 and a switch to using CPI rather than RPI in 2018-19, compensation for this is estimated to be around £1.271m.
- 8.7 The Council's 2021-22 draft budget had reflected retained growth of £12.3m. Recent modelling together with announcements around the national roll out of a COVID-19 vaccine has resulted in the assumptions around growth being revised which has led to net additional growth of around £2.5m being incorporated into the 2021-22 budget. These changes amount to additional income from business rates of around £3.8m, taking the final total to £16.1m.

### **Collection Fund**

- 8.8 As reported in the draft budget report to Shadow Executive in December the Government has recognised the impact that COVID-19 has on the Collection Fund for Council Tax and Business Rates. 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 could see a reduction in yield as result of lower collection rates, lower housing growth and an increase in Council Tax Support caseloads. For Business Rates the impact of COVID-19 could be businesses ceasing to trade and an increase in the number of businesses applying for reliefs and a reduction in collection rates.
- 8.9 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. The 2021-22 draft budget estimates reflect this. The implications of existing and future bad debt and appeals provisions will be closely monitored to assess the impact in future years. In addition, the Valuation Office (VO) has made an interim ruling on Material Changes in Circumstance (MCC) appeals. These appeals have been made by businesses affected by the COVID restrictions. As yet no decisions have been taken on reductions to rateable values as a result of the pandemic. When reductions in valuations are confirmed by the VOA, it is expected that 75% of the reduction would be funded by the Tax Income Guarantee Scheme in 2020-21. We are still awaiting details of the final calculations for the scheme with regards to NNDR.

- 8.10 The impact of COVID-19 on the Collection Fund has resulted in an estimated deficit position for both Council Tax and Business Rates. Councils are required to estimate the deficit at 31<sup>st</sup> March 2021 and budget for this in 2021-22.
- 8.11 For Business Rates the deficit has been estimated to be £23.226m, the main reason for the deficit being so high is due to the extended Retail Relief scheme which was introduced in April 2020. This relief is funded by a S31 grant, however due to the Collection Fund accounting requirements the S31 grant will be put into a reserve in 2020-21 and will be taken out of reserves for 2021-22 to fund the deficit – this has been reflected in the budget
- 8.12 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. The regulations to allow Collection Fund spreading became law on 1<sup>st</sup> December 2020. This has been confirmed in the Final Local Government Finance Settlement. The Business Rates estimated deficit is £1.781m in 2021-22.
- 8.13 The Council Tax Collection Fund deficit is estimated to be £2.801m of which £1.851m is reflected in 2021-22 and in accordance with the Government announcement to spread part of the deficit £0.475m is spread over the following two years 2022-23 and 2023-24. The main reason for the deficit is the lower than originally expected growth and increased Local Council Tax Support caseloads.

### **Council Tax**

- 8.14 Each sovereign Council has calculated its own taxbase, the process involved applying a set of consistent parameters such as the LCTS rate and the harmonised discounts and exemptions which were approved by the Shadow Executive Committee on 7<sup>th</sup> January 2021. The final taxbase for North Northamptonshire is 111,892 dwellings this is based on a Band D property and includes projected growth of 0.86% and an average collection rate of 98.461% resulting in a yield of £171.5m.
- 8.15 Appendix M provides detail on the legal background to setting the Budget and Council Tax, this will form the basis to which the Council Tax Resolution is compiled and this will be reported to the Shadow Authority on the 25<sup>th</sup> February 2021 for approval.

- 8.16 The Final Finance Settlement has confirmed the allowable increases for the Council Tax from precepting authorities, these remain unchanged from those set out in the spending review which were included in the draft budget report for Shadow Executive in December. The budget has been based 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 for fire and police by the Northamptonshire Police, Fire and Crime Commissioner.
- 8.17 The regulations have stated that if North Northamptonshire Council calculates its basic amount of Council Tax for 2021-22 under section 31B(1) of the 1992 Act, the authority's relevant basic amount of Council Tax for 2021-22 is excessive if the amount mentioned in section 52ZC(3A)(a)(a) of the 1992 Act is 5% (comprising 3% for expenditure on adult social care and 2% for other expenditure), or more than 5%, greater than the amount mentioned in section 52ZC(3A)(b) of that Act. The Council Tax Band D which has been proposed meets the guidelines.
- 8.18 A key feature of the Settlement and the Core Spending Power (CSP) is the increased reliance on council tax where 87% of the increase in CSP is assumed to be from council tax increases and is accompanied by relatively low increases in grant funding.

#### Council Tax Rate Harmonisation

- 8.19 Across North Northamptonshire different levels of Council Tax have previously been raised by 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.
- 8.20 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 27<sup>th</sup> August 2020 and the final budget has been prepared for approval using the ANA method.
- 8.21 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 is the weighted average of sovereign councils as follows:

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

- 8.22 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 budget assumes harmonisation from 1<sup>st</sup> April 2021. Following consultation, out of a total of 207 responses, the majority of respondents (60.38%) said they were in favour of the approach and that they strongly agree or tend to agree with the proposal, while just over a quarter of respondents (26.08%) said they strongly disagree or tend to disagree with the proposal. A copy of the full consultation response is contained within Appendix G.

#### Local Council Tax Reduction Scheme

- 8.23 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.
- 8.24 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.
- 8.25 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:

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

- 8.26 At its meeting on 7<sup>th</sup> January, and after considering the outcome of the public consultation, the Shadow Executive approved a harmonised LCTRS scheme at 25%. The new scheme should be cost neutral to the Council.

#### Council Tax Long Term Empty Property Premium

- 8.27 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.

- 8.28 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 as set out.

### **Revenue Support Grant**

- 8.29 As indicated in the December Shadow Executive Report the Revenue Support Grant (RSG) was due to end in 2019-20, however, as the Spending Review was delayed, payments continued into 2020-21.
- 8.30 The 2021-22 provisional financial settlement confirmed the continuation of RSG into 2021-22. Whilst the spending review indicated that a further £200m would be available nationally and the Council's 2021-22 draft budget reflected this position. The Final Local Government Finance Settlement only allocated £13m nationally to RSG, and the Council's share amounted to an additional £26k. This was £0.8m lower than originally anticipated and this was reflected into the figures reported to the January Executive.

### **Social Care Grant**

- 8.31 The Spending Review announced on 25<sup>th</sup> November 2020 confirmed an additional £300m of funding nationally for Adult and Children's Social Care. The allocations for each authority, however, were not confirmed and it was originally estimated that North Northamptonshire would receive £1.4m based upon the allocation methodology that had been used for similar grants in previous years.
- 8.32 The allocations for each local authority have now been confirmed as part of the Final Local Government Finance Settlement and North Northamptonshire's allocation is £0.7m, which is £0.7m less than the amount forecast in the draft budget report. This is due to the allocation methodology being used, with £240m being used to equalise the difference in the ability to raise ASC precept income and the remaining £60m of the funding being allocated based upon Adult Social Care Relative Needs formula (RNF). Previously 85% of the grant had been allocated based upon RNF and 15% based on ASC precept flexibility.
- 8.33 In addition to the new grant as set out above, the Settlement confirmed the 2020-21 allocations for the Social Care Grant have been continued into 2021-22. This is £7.678m for North Northamptonshire (which was in line with the anticipated disaggregation of the original funding for Northamptonshire County

Council of £15.3m in 2020-21). This is unchanged from the assumption in the draft budget report.

- 8.34 In summary, the total allocation of Social Care Grant for North Northamptonshire for 2021-22 is £8.4m.

### **Improved Better Care Fund (iBCF)**

- 8.35 The Final Local Government Finance Settlement has confirmed the Council's iBCF allocation for 2021-22 as being £11.185m. This is unchanged from the assumption in the draft budget report.

### **COVID-19 Related Funding**

- 8.36 As part of the Spending Review, Government announced further funding to meet the challenges posed by COVID-19. Details were published as part of the Final Local Government Finance Settlement regarding the individual support for local authorities in 2021-22. This funding has not been included in the Core Spending Power figures and is therefore viewed to be one-off in nature. This additional funding covers the following three areas:

- Additional Support Grant,
- Local Council Tax Support Grant
- Local Tax Income Guarantee Scheme

- 8.37 **Additional Support Grant** was announced to support COVID-19 related pressures, nationally this amounted to £1.55bn. The allocation for North Northamptonshire is £9.342m as reported in January which is £1.842m higher than assumed in the December draft budget which was a prudent estimate based on the uncertainty of the allocation arrangements for the grant at the time. The grant is being distributed based on the Relative Needs Formula established for COVID-19 as part of the tranche 3 allocations.

- 8.38 **Local Council Tax Support Grant** is a new grant which was announced in the Spending Review but for which little detail was known at the time. The provisional allocations to each Council were announced shortly after the Local Government Finance Settlement, with North Northamptonshire being allocated £2.403m. The grant has been allocated based on working age Local Council Tax Support (LCTS) caseloads for the first two quarters of 2020-21. There is no expectation from Government of a continuation of the Hardship Fund which was delivered in 2020-21 and instead the grant is to cover the potential impact of LCTS.

- 8.39 The **Local Tax Income Guarantee Scheme** has been established by the Government to fund 75% of irrecoverable losses in Council Tax and Business Rates and was announced in the Spending Review, with the Final Local Government Finance Settlement confirming that £790m will be made available. However as this relates to 2020-21 losses this will be accounted for in 2020-21. Therefore, there is no direct impact on the 2021-22 budget. Government have also indicated that this grant will not be paid until January 2022.

- 8.40 For Council Tax it is likely that the guarantee will predominantly cover expected Council Tax liability at the time of budget setting for 2020-21, which did not materialise. This might, for example, be due to an increase in Local Council Tax Support costs or unachieved Council Tax base growth. The fund will not cover a change in bad debt requirements for Council Tax unlike Business Rates.
- 8.41 For Business Rates it is expected to cover Business Rates liability which did not materialise as a result of the closure of businesses and low growth. Losses of Business Rates income in the scope of the guarantee will be measured by comparing an authority's estimated 2020-21 non-domestic rating income with its outturn figure for non-domestic rating income.
- 8.42 The compensation will be by way of a Section 31 grant, so does not feature in the Collection Fund, but is in the General Fund. As the compensation relates to 2020-21, it is currently expected that any accrual would fall to the 2020-21 accounts. The grant is expected to be paid in January 2022. Further guidance is awaited on this.

### **Other Government Funding**

- 8.43 The Provisional Local Government Finance Settlement announced a new grant called the "Lower Tier Support Grant" which was not included within the recent Spending Review announcement. This grant totals £111m nationally and has been allocated based on 2013-14 settlement funding assessment levels. It has been provided to ensure that no authority has total Core Spending Power lower than 2020-21 levels. For North Northamptonshire this grant totals £403k and this is now reflected in the 2021-22 budget.
- 8.44 There has been an increase nationally of £4m for Rural Services Delivery Grant, from £81m in 2020-21, to £85m in 2021-22. For North Northamptonshire this grant totals £35k and this is now reflected in the 2021-22 budget.

### **Dedicated Schools Grant**

- 8.45 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 'recouplement'.
- 8.46 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.

8.47 The December DSG Settlement provides the final figures for the DSG with the exception of the Early Years Block (which is to be updated in July 2021 based on census data) and the Import Export Adjustment on the High Needs Block.

8.48 The draft budget papers presented to Shadow Executive estimated a DSG settlement of £316m. There are a number of variances between the different funding blocks that make up the DSG, however the overall DSG figure in the Settlement is in line with the draft budget. The table below summarises the movements between the provisional and final settlements and the draft 2021-22 budget position. Full details of the DSG are included in Appendix L.

	<b>Schools Block</b>	<b>Early Years Block</b>	<b>High Needs Block</b>	<b>Central Services Schools Block</b>	<b>Total DSG</b>
2020-21	£227m	£21m	£41m	£5m	£294m
Provisional Settlement 2021-22	£243m	£21m	£45m	£4m	<b>£313m</b>
December 20 DSG Settlement	£245m	£22m	£45m	£4m	<b>£316m</b>

8.49 An explanation of the changes from the provisional settlement to the latest in funding relating to the settlement in each of the funding blocks is explained below:

#### **Schools Block**

- Overall North Unitary Authority pupil increase resulting in a funding increase of £1.3m. Of this, Primary pupils decreased by 238 pupils at a rate of £4,400.43 which resulted in a funding decrease of £1m. However, secondary pupils increased by 413 pupils at a rate of £5,626.35 which increased the funding for this sector by £2.3m. Net change is c£1.3m.
- The North Unitary Authority Primary Unit of Funding (PUF) increased resulting in an increase of £8.24 per pupil and the Secondary Unit of Funding (SUF) had an increase of £42.95 per pupil. An overall increase in funding of c£1m.

#### **Early Years Block**

- Increased by £0.63m as compared to 2020-21, an overall increase of 1.35%.
- £0.55m of the increase is on the 3 and 4-year-old rate following the 6p increase in the Early Years base rate.

- £0.06m of the increase is on the 2-year-old rate following the 8p increase in rate.
- There is no increase in the supplementary funding for maintained nursery schools and 7 months of the funding is marked as “conditional and may change”.

### **High Needs Block**

- This remains largely the same as forecast in the provisional settlement with an increase of £1m due to the updated special school pupil numbers from the school census, the rolling in of the Alternative Provision teacher’s pay and pension grant and additional funding for the growth in Special Free Schools.

## **9. Fees and Charges**

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- 9.1 It was reported in December that 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.
- 9.2 Certain categories of fees and charges have been prioritised to be harmonised for Vesting Day including Building Control fees, Pre-Planning fees, Bulky Waste Collections, Cemeteries and Crematoria, Hackney Carriage and Private Hire Licensing and Houses in Multiple Occupation Licensing. This is in addition to fees for Environmental Health Licensing which are already harmonised across North Northamptonshire.
- 9.3 The fees and charges that were previously levied by the County Council have also been reviewed and inflation has been applied to service areas where applicable as per the Fees and Charges Policy.
- 9.4 Following consultation and feedback from the Overview and Scrutiny Committee the Council is recommending changes to the original fees and charges proposals included within the report to December Shadow Executive. Concern was expressed from those consulted about the scale of the increase for some of the proposals at this time as well as the level and type of engagement with those most affected by any change, in particular the changes put forward for Hackney Carriage and Private Hire fees. The Council has also taken into account the impact that COVID-19 continues to have, and which has worsened since the original plans were put forward.
- 9.5 It is now recommended that the proposed changes to Hackney Carriage and Private Hire vehicle fees are withdrawn and the current charges remain in place. Further to this that the charges in respect of cemeteries and crematoria services recognise an inflationary increase only of 2%, which is in line with the changes to the majority of the remaining fees and charges.
- 9.6 Overall, these fees and charges changes have resulted in £383k of additional income through harmonisation and inflationary increases.



- 9.7 The Council remains committed to harmonising fees and charges where it is appropriate to do so as quickly as possible. Where 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 during the year with a view to harmonising where possible over the next 2-3 years. The proposals will be subject to the necessary notification and consultation requirements.
- 9.8 The updated schedule of fees and charges for those that will change outside inflationary increases is set out at Appendix E. The fees and charges of the previous County Council and separate District and Borough Councils will be included on the North Northants Website in their individual schedules for clarity.

## 10. Directorate Budgets for 2021-22

The table below sets out the budgets across the main Directorates.

	Children's & Education	Adults, Communities and Wellbeing Services	Place and Economy	Enabling & Support Services	HR, Legal & Democratic Services	Transformation	Corporate	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Expenditure	397.4	178.0	92.4	87.9	9.9	14.0	25.3	<b>804.9</b>
Income	(337.0)	(57.2)	(36.6)	(77.5)	(2.6)	(0.2)	(1.3)	<b>(512.4)</b>
<b>TOTAL</b>	<b>60.4</b>	<b>120.8</b>	<b>55.8</b>	<b>10.4</b>	<b>7.3</b>	<b>13.8</b>	<b>24.0</b>	<b>292.5</b>

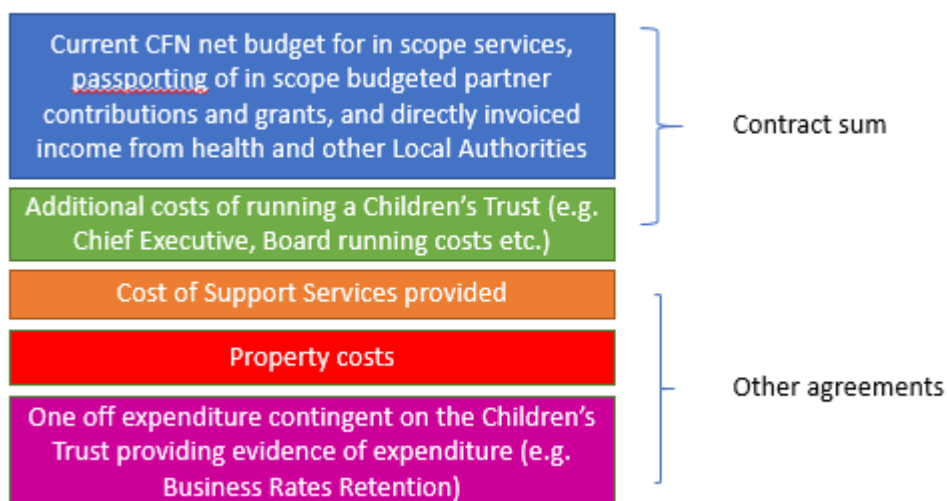
### Children's and Education

- 10.1 The net revenue budget for Children's Services is £60.4m, which includes the Northamptonshire Children's Trust and Education Services not funded by the DSG.
- 10.2 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.
- 10.3 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.
- 10.4 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.

10.5 From 1<sup>st</sup> November 2020, the Northamptonshire Children's Trust has been delivering children's social care and targeted early help services on behalf of Northamptonshire County Council, and from 1<sup>st</sup> April 2021 will do so on behalf of North Northamptonshire Council and West Northamptonshire Council. The Councils set the strategic outcomes and priorities and the Trust is responsible for delivering those outcomes.

10.6 The Children's Trust budget is made up of the following components:



\*CFN = Children First Northamptonshire

10.7 Services provided by the Trust include:

- Targeted early help services to children and families
- Front door and safeguarding services
- Support and placements for Children in Care
- Support and placements for Disabled Children
- In house fostering and residential provision
- Commissioning of external placements and contracts
- Commissioned legal services and transport for children in care

10.8 The Draft Budget included a provisional figure in the Northamptonshire Children's Trust contract sum for support services and property whilst further due diligence was undertaken. This work has now concluded and the revised contract sum has been updated for the initial 17 month period from 1st November 2020 to 31st March 2022.

10.9 The revised budgeted figure for the total contract is £137.18m for 2021-22. This is split £60.57m (44%) to North Northamptonshire Council and £76.61m (56%) to West Northamptonshire Council.

10.10 For North Northamptonshire the contract sum is funded by £54.91m net revenue general fund budget for in scope services, £3.91m grant income and partner contributions and the balance of £1.75m being formed of income back

into the Council by the Trust for support services provided and property related costs.

10.11 The Children's and Education Services remaining in the Council include the Intelligent Client Function for the Northamptonshire Children's Trust and the Local Authority statutory education functions as follows:

- Education inclusion
- Education Psychology
- Support for children with Special Educational Needs and Disabilities (SEND)
- School Improvement
- Virtual Schools (lead in the North Northamptonshire Unitary Authority)
- School admissions and school place planning
- Early Education and Child Care
- Northamptonshire Children's Trust Intelligent Client Function (ICF)

10.12 The net revenue budget for Children's and Education services totals includes a sum of £0.7m in the North Northamptonshire draft budget for the estimated 2021-22 impact of COVID-19. This calculation is based on the full year effect of the staffing and care costs to support the forecast additional children coming into care in 2020-21 due to COVID-19. This is not included in the Northamptonshire Children's Trust contract sum and will be held by the Council contingent upon the Trust providing evidence of demand.

10.13 The full year effect of prior year savings decisions is £1.7m and includes improving the edge of care support and intervention (£0.4m), working to minimise the amount of time a child is in care (£0.3m), step down from high end residential placements to fostering placements (£0.2m), reduced requirement for inflation (£0.3m), reducing agency staff (£0.1m) and capacity building within foster care (£0.4m).

### **Adults, Communities & Wellbeing**

10.14 The net revenue budget for Adults, Communities & Wellbeing includes Adult Social Services, Community Services and Public Health & Wellbeing. The net budget for 2021-22 is £120.8m.

### **Adult Social Services**

10.15 Under the 2014 Care Act, local authority Adults Services have a responsibility to make sure that people over 18 who live in their areas are provided with personal day to day care (helping people get dressed, washed, going to the toilet, eating etc.) where they cannot do things for themselves or access family support. The service also provides other physical or psychological support to people with disabilities in order to help them live a full life. The overriding responsibility is to keep people safe and protect them from harm or neglect.

10.16 At any one time around 3% of the over 65 population receive long term care organised by the council, but over half the population will be known to social care at some point. This service also cares for many younger adults with complex learning disabilities.

- 10.17 Care can take in many forms and can be provided directly by the Council, through contracted organisations or families can receive a personal budget to buy suitable care for themselves. Although receiving formal or long term care is subject to people meeting our eligibility criteria, the service also has a key responsibility around helping people stay independent and preventing or delaying the need for care.
- 10.18 The main proposals for the 2021-22 are set out in the paragraphs which follow and all are set out within Appendix B.
- 10.19 The projected inflation requirements of £6.5m are based on a number of factors. The most significant is 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 (£6.3m) and contractual obligations of £0.2m.
- 10.20 Demographic and service demand 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 £1.3m for demographic growth of which £0.3m relates to Mental Health Services; these are driven by the forecast number of additional clients requesting care. The past four years' growth in adult social care costs in Northamptonshire have tended to be 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.
- 10.21 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.
- 10.22 COVID-19 has had a significant impact in Adult Care budgets with additional pressures forecast in 2021/22 of £4.6m of which £3.9m relates to CCG discharges in to care facilities as part of the rapid response discharge process from hospital and £0.7m relates to pressures within the Mental Health Pooled Fund
- 10.23 An additional £6.4m has been added to the budget for 2021-22 in relation to grant funding that has been carried forward from 2020-21 to support the activity associated with the Contain Outbreak Management Fund and Test and Trace. This figure may increase by year end.
- 10.24 There is also 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. Similarly there is a rebasing of £0.8m for Physical Disability Services based on the activity for the cohort.

10.25 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:

- Rapid Response and Falls and the 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 (£2.2m) 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.

### **Communities**

10.26 Communities functions incorporate The Library Service, Community Safety and Knuston Hall, a Grade II listed adult residential college and conference centre located near Rushden.

10.27 The existing approved savings programme for 2021-22 includes £25k from the book fund. All proposals for savings and pressures are contained within Appendix B.

### **Public Health and Wellbeing**

10.28 Public Health and Wellbeing is supporting substance misuse treatments, sexual health, health protection, health promotion, health improvements, falls and commissioned health which are all part of the approach to public policies across sectors that systematically takes into account the health implications of decisions, seeks synergies, and avoids harmful health impacts in order to improve population health and health equity. It improves accountability of policymakers for health impacts at all levels of policy-making. It includes an emphasis on the consequences of public policies of health systems, determinants of health and wellbeing.

10.29 Public Health and Wellbeing is currently leading Northamptonshire's response to the COVID-19 pandemic. The £16.8m Gross expenditure budget is primarily funded by Public Health England. However, the Public Health grant for 2021-22 is yet to be confirmed.

10.30 The forecast increased costs of homelessness and rough sleeping services relating to COVID-19 pressures and total £0.2m.

10.31 See Appendix B for all proposals.

## **Place**

- 10.32 The Place budget totals £55.8m and broadly covers the two main areas of Asset and Capital Management and Environment, Planning and Transport.
- 10.33 Services with Asset and Capital Management include the management of the Council's corporate assets and the Schools PFI and capital programmes, together with the effective management of the Council's strategic assets and landholdings.
- 10.34 The key components within Environment, Planning and Transport are Waste Management, Highways and Transportation, (including the Streetlighting PFI), Economic Development, Infrastructure and Funding, Trading Standards and Flood and Water Management.
- 10.35 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.
- 10.36 Additional funding has been provided for contract inflation of £1.1m covering Home to School transport (£0.3m), Street Lighting PFI (£0.1m) and general contract inflation (£0.7m). Savings include changes in waste tonnages including recycling, composting and food waste of £2.0m, Recycling credits £0.6m and additional income through fees and charges due to rising demand £0.2m.
- 10.37 The full details of the changes to the Place budget are contained within Appendix B.

## **11. Corporate Resources**

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- 11.1 The total budget is £24m made up of the overall contingency amounting to £5.724m which includes base contingency budgets from the Sovereign Councils and further investment to recognise potential in-year risk.
- 11.2 The capital financing budget for the Council totals £18.226m and includes funding assumptions based on the existing MRP policy of the Sovereign Councils for all the debt which transferred on 1 April.

## **12. Reserves**

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- 12.1 A core element of a financially sustainable and resilient council is to maintain a prudent level of reserves. This is demonstrated by Chartered Institute of Public Finance Accountants (CIPFA) who have stated as part of their Financial Management Code:

*“Local government reserves play a crucial role in good public financial management. They exist so that a council can invest in service transformation for the future or else allow them to respond to unexpected events or emerging needs.”*

- 12.2 Since the publication of the budget update report in January, work has continued with the existing sovereign councils to determine the level of reserves that will be available to North Northamptonshire Council on 1<sup>st</sup> April 2021. The reserves position at 1<sup>st</sup> April 2021 is based on an updated consolidated forecast of the 2020-21 year end position of the of the District and Borough Councils, together with the estimated disaggregated NCC reserves allocated to North Northamptonshire.
- 12.3 At this stage the levels of reserves for the Council are still only an indicative forecast based on the best information available at this time. There are also a number of significant uncertainties that need to crystallise before the level of reserves will be known, including the impact of COVID-19 and any other unexpected events on the outturn positions for the sovereign councils in 2020-21 and finalising the disaggregation of NCC’s Insurance Reserve and the Transformation Reserve. The final reserves will be confirmed following the certification of the final audited accounts of all sovereign councils for 2020-21.
- 12.4 An initial high level review of the forecast reserves available on 1<sup>st</sup> April 2021 has been undertaken to identify where reserves can be consolidated or realigned based on information received from the sovereign councils relating to the purpose of existing reserves and any known future commitments. The outcomes of the review of existing reserves include the following changes:
- Consolidation of Regeneration and Economic Investments Reserve with Enterprise Centre Reserve to provide a Regeneration and Economic Investments Reserve to manage fluctuations in income or other costs relating to Regeneration and Economic Investments, with a forecast balance of £2.25m at 1<sup>st</sup> April 2021.
  - Consolidation of Interest Exposure, Commercial Investments Income and Loss of Rental Reserves to create an Investment Income Reserve to provide protection in relation to fluctuations in income from the Council's investment portfolio due to market uncertainty or uncertain future events and protect against investment income losses. Based on an assessment of known potential future commitments, the opening balance of the Investment Income Reserve has been increased by £500k by a transfer from the Budget Delivery Reserve to give a forecast balance of £3.55m at 1<sup>st</sup> April 2021.
  - An increase of £1.0m to the Recycling Commodities Reserve, which is to provide protection in relation to fluctuations in market prices for recycling commodities, funded by a transfer from the Budget Delivery Reserve to give a forecast balance of £1.93m at 1<sup>st</sup> April 2021.
  - Consolidation of smaller budget delivery and risk based reserves into the Budget Delivery Reserve, including the Medium Term Funding Reserve, Elections Reserve, Waste Risk Reserve, MTFs Savings Reserve and Procurement Reserve to give a forecast balance of £7.11m at 1<sup>st</sup> April 2021.

- An increase of £1.06m to the Homelessness Reserve to provide further protection in relation to uncertain demand for the service, funded from a transfer from the New Homes Bonus Planning Reserve, to give a forecast balance of £1.54m for Homelessness as at 1<sup>st</sup> April 2021.
- Consolidation of smaller sovereign council Transformation Reserves including the Local Government Reform Reserve, Organisational Development Reserve, Invest to Save Reserve, Delivering the Corporate Plan Reserve, Kettering Training Services Reserve and Other Efficiency and Transformation Reserves into a single Other Efficiency and Transformation Reserve to give a forecast balance of £2.35m as at 1<sup>st</sup> April 2021.
- Consolidation of Building Repairs and Investment, Asset Management Plan and Organisational Property Reserves into a Building Repairs and Investment Reserve to manage risks relating to unplanned property repair and investment to give a forecast opening balance of £1.33m as at 1<sup>st</sup> April 2021.
- Consolidation of Capital Financing Reserve and Capital General Fund reserves to provide resources for the repair, replacement and acquisition of General Fund property, to give a forecast opening balance of £2.04m.

12.5 Further work will be undertaken as we move into the delivery of the 2021-22 budget to assess the risks facing the Council and the appropriate levels of earmarked reserves. Further details on the Council's reserves and the Reserves Strategy can be found in Appendix F.

12.6 The transfers to and from reserves proposed in the 2021-22 budget are set out in section 7.23 to 7.34 above.

12.7 There are a number of significant uncertainties around the use of reserves in 2021-22, which include:

- Social Care Reserve – the reserve has been established to manage unbudgeted pressures in Social Care, which is a particular risk in its first year following the disaggregation of budgets.
- Transformation Reserve – whilst it is recognised that there will be additional transformation costs to be funded from the Transformation Reserve in 2021-22 the final breakdown of these costs has not yet been completed.
- Public Health Reserve – due to the impact of COVID-19 on the delivery of public health projects, there are a number of projects which are expected to be funded from the Public Health Reserve in the medium term, however the timing of the approval and delivery of the schemes is uncertain.
- COVID-19 related reserves including the COVID-19 Risks Reserve and the Contain Outbreak Management Fund and Test and Trace Funding – there is significant uncertainty around the levels of opening balances which will be available to North Northamptonshire Council due to the ongoing use of these funds in 2020-21 to respond to the pandemic. The planned use of the funds is being finalised for 2021-22 to support ongoing COVID-19 activities and pressures including test, trace and isolate, equipment, Covid Marshalls and working with partners including health and schools to contain the outbreak.
- Waste Management Reserve – as set out at section 7.5, there has been a reduction to the budget requirement relating to Waste Management



following a recent review of the overall disaggregation of the Waste Budget between the two new Councils. Whilst further work is undertaken to understand the detail supporting the revised figures and the reasons for the movement since the previous forecast the balance of £2.3m is being held in a Waste Management Reserve to mitigate risk.

12.8 In order to ensure that there is flexibility to manage the overall budget in year it is recommended that the Shadow Executive recommend to the Shadow Authority to give delegated authority to the Executive Director of Finance to agree the use of the reserves detailed in section 12.7 in consultation with Portfolio Holder for Finance.

12.9 The latest forecast for the level of general fund revenue reserves for North Northamptonshire available at 31st March 2021 and the budgeted use of reserves in 2021-22 and 2022-23 is summarised in the table below – with further detail set out in the Reserves Strategy at Appendix F.

12.10 The Reserves Strategy includes a range for the level of general fund balances to be at a minimum of 5% and a maximum of 10% of the net revenue budget. The level of reserves include in the budget are £21.9m which is 7.5% of the net revenue budget of £292.5m.

	Opening Balance 01.04.2021	Transfer to Reserve	Transfer from Reserve	Closing Balance 31.03.2022	Transfer to Reserve	Transfer from Reserve	Closing Balance 31.03.2023
	£000	£000	£000	£000	£000	£000	£000
General Fund Balance	(21,911)	(115)	0	(22,026)	0	0	(22,026)
<b>Earmarked Reserves</b>							
Smoothing Reserves	(24,469)	0	450	(24,019)	0	0	(24,019)
Business Rates Retention	(41,418)	0	21,445	(19,973)	0	0	(19,973)
Transformation	(12,920)	0	4,175	(8,745)	0	2,300	(6,445)
Building Maintenance Reserves	(1,325)	0	0	(1,325)	0	0	(1,325)
Planning	(417)	0	0	(417)	0	0	(417)
Regeneration	(5,622)	(600)	542	(5,680)	0	200	(5,480)
Specific Reserves	(14,140)	(6,000)	7,445	(12,695)	0	0	(12,695)
Capital Programme Funding - GF	(2,039)	0	0	(2,039)	0	0	(2,039)
Insurance	(1,195)	0	0	(1,195)	0	0	(1,195)
<b>Total Earmarked Reserves</b>	<b>(103,544)</b>	<b>(6,600)</b>	<b>34,057</b>	<b>(76,087)</b>	<b>0</b>	<b>2,500</b>	<b>(73,587)</b>
<b>Total General Fund Reserves &amp; Balances</b>	<b>(125,455)</b>	<b>(6,715)</b>	<b>34,057</b>	<b>(98,113)</b>	<b>0</b>	<b>2,500</b>	<b>(95,613)</b>

Note: Opening disaggregated balances for the Transformation Reserve and the Insurance Reserve are still subject to agreement with West Northamptonshire Council and are currently reflected on a 50:50 basis.

12.11 The estimated total level of general fund revenue reserves of £125.5m is made up of general balances and earmarked reserves set aside by sovereign councils at 31<sup>st</sup> March 2021. This balance includes Business Rates grants under s.31 of the Local Government Finance Act 2003 totalling £21.455m forecast for 2020-21, which is budgeted to be drawn down in 2021-22 to fund the Business Rates Collection Fund deficit. Whilst the general reserves of £21.9m provide a working balance to help cushion the impact of unexpected events or emergencies, the earmarked reserves balance of £103.5m reflects balances set aside for a specific purpose or risk which will include commitments into future years.

### **13. Flexible Use of Capital Receipts**

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13.1 Certain costs can be funded through the Future Use of Capital Receipts. Qualifying revenue expenditure is time-limited expenditure incurred by the Council on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery in order to reduce costs or demand for services in future years.

13.2 Although set-up and implementation costs of any new processes or arrangements can be classified as qualifying expenditure, the ongoing revenue costs of the new processes or arrangements are excluded.

13.3 The decision to use capital receipts to fund transformational expenditure is one that will be considered by the full authority when considering the final budget proposals.

13.4 Using capital receipts to fund this type of expenditure provides greater flexibility in terms of how our overall capital and revenue resources are utilised and frees up revenue funding.

13.5 The transformation costs referred to above and expenditure required to deliver some of the adult social care efficiencies are areas where we would seek authority to use capital receipts instead of revenue resources.

13.6 A policy on the Flexible Use of Capital Receipts is attached at Appendix I.

13.7 The policy does not dictate that capital receipts have to be used to fund these costs but provide the option to do so if that is deemed to be the most appropriate funding route in order to free up revenue resources.

### **14. Treasury Management Strategy**

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14.1 The Council is required to approve a Treasury Management Strategy on an annual basis. The guidance the council is required to 'have regard' to is set out in the MHCLG Investment Guidance, the MHCLG Minimum Revenue Provision (MRP) Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code. In addition the Council is required to produce a capital strategy (see the Capital Programme and Strategy report later on the agenda) to provide a longer-term focus to the capital plans, and greater reporting requirements surrounding any commercial activity undertaken under the Localism Act 2011.

- 14.2 The Treasury Management Strategy is included at Appendix K and sets out:
- 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 and Accounting) (Amendments) (England) Regulations 2008;
  - The Affordable Borrowing Limit as required by the Local Government Act 2003 and prudential indicators;
  - The Annual Investment Strategy for the coming year as required by the MHCLG revised Guidance on Local Government Investments issued in 2018.
- 14.3 The Treasury Management Strategy, and in particular the prudential indicators, are aligned to the balance sheet for the new council. As noted in the Report Background section the disaggregation of the NCC balance sheet, including the borrowing and investment portfolios, is yet to be finalised. As such the current treasury position and the non HRA related prudential indicators are not included in the strategy at this point. Once the disaggregation is complete and the position crystallises the impact on the strategy and prudential indicators will need to be reviewed, updated and reported to Shadow Authority or Council for full approval. However, it is a statutory requirement for the council to approve an Affordable Borrowing Limit (ABL) each year. To comply with this requirement an informed estimate of the ABL has been made based on an informed range of assumptions and is proposed for approval. In addition to the ABL an Operational Boundary for Debt is also proposed. Further details on the ABL and Operational Boundary is shown in the Prudential Indicator annex of the Treasury Management Strategy.
- 14.4 The table below sets out which aspects of the Treasury Management Strategy are being requested for approval by Shadow Executive and Shadow Authority in February 2021:

<b>Being Considered for Approval</b>	<b>Not Being Considered for Approval</b>
<ul style="list-style-type: none"> <li>• Treasury Management Policy Statement (Appendix K-1)</li> <li>• Treasury Management Scheme of Delegation and role of s151 Officer (Appendix K-2)</li> <li>• Prudential Indicators. HRA, Affordable Borrowing Limit and Operational Boundary only (Appendix K-3)</li> <li>• Minimum Revenue Provision Strategy (Appendix K-4)</li> <li>• Annual Investment Strategy (Appendix K-5)</li> <li>• Policy for attributing income and expenditure and risks between the General Fund and the HRA (Appendix K-6)</li> </ul>	<ul style="list-style-type: none"> <li>• Current Treasury Position</li> <li>• Non HRA Prudential Indicators (Appendix K-3)</li> </ul>

- 14.5 As noted in paragraph 14.1 the council is required to 'have regard' to the guidance when approving its Treasury Management Strategy. Given the position with the disaggregation of NCC's balance sheet and its impact on the Strategy the council is in discussion with MHCLG to ensure compliance with the guidance. Having weighed up the balance of risks this approach is considered the most appropriate way to balance being safe and legal, by having regard to the guidance, without compromising a fair and equitable disaggregation of the NCC balance sheet.
- 14.6 The Chartered Institute of Public Finance and Accountancy (CIPFA) has recently published consultations on proposed revisions to the Prudential Code for Capital Finance in Local Authorities and the Treasury Management Code. The review of these Codes is in part a response to the report last year of the Public Accounts Committee into local authority investment in commercial property and some of the proposed changes seek to tighten the codes' rules over such investments. The consultations close on 12<sup>th</sup> April. There may be changes required once the consultation has concluded to the Treasury Management Strategy during the financial year, and certainly for 2022-23.

## **15. CIPFA Financial Management Code**

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- 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.
- 15.2 The FM Code applies a principle-based approach. It requires that a local authority demonstrates that its processes satisfy the principles of good financial management for an authority of its size, responsibilities and circumstances. The principles are:
- Organisational leadership – demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture.
  - Accountability – based on medium-term financial planning that drives the annual budget process supported by effective risk management, quality supporting data and whole life costs.
  - Financial management is undertaken with transparency at its core using consistent, meaningful and understandable data, reported frequently with evidence of periodic officer action and elected member decision making.
  - Adherence to professional standards is promoted by the leadership team and is evidenced.
  - Sources of assurance are recognised as an effective tool mainstreamed into financial management, including political scrutiny and the results of external audit, internal audit and inspection.
  - The long-term sustainability of local services is at the heart of all financial management processes and is evidenced by prudent use of public resources.

15.3 The Code is structured over seven sections as shown below:

Section 1: The responsibilities of the chief finance officer and leadership team

Section 2: Governance and financial management style

Section 3: Long to medium-term financial management

Section 4: The annual budget

Section 5: Stakeholder engagement and business plans

Section 6: Monitoring financial performance.

Section 7; External financial reporting

15.4 The FM Code has provided a guide and framework in the setting of the annual budget for 2021-22. The Council is compliant with Standard J, which requires the authority to comply with its statutory obligations in respect of the budget setting process, and with Standard K, which requires the budget report to include a statement by the Chief Finance Officer on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves.

15.5 The Council will continue to work towards compliance with the FM Code as it moves forward into the delivery of the 2021-22 budget. A detailed action plan will be developed to assess and monitor progress.

## **16. Section 25 Report – Budget Calculations: Report on the robustness of estimates and adequacy of proposed financial reserves**

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16.1 Section 25 of the Local Government Act 2003 requires that when a local authority is making its budget calculations, the Chief Finance Officer ('CFO') of the authority must report to the Council on the robustness of the estimates made for the purposes of the calculations and the adequacy of the proposed financial reserves. The Council has a statutory duty to have regard to the CFO's report when making decisions about the calculations. The requirement on the CFO is to ensure that the budget recommended to Council is balanced (i.e. expenditure matches income), is robust and therefore deliverable and has an adequate level of reserves. The Council has a balanced budget, the CFO's report in relation to the robustness of the estimates and adequacy of the reserves is set out below

### **Robustness of the Estimates**

16.2 The Council has a duty to act reasonably taking into account all relevant considerations and not considering anything which is irrelevant. This Report together with the other budget related reports on the agenda set out a total picture of the proposals from which members can consider the risks and the arrangements for mitigation set out below.

16.3 The future uncertainty regarding future funding for local authorities makes a robust and evidenced assessment of financial governance and future resilience critical. The CFO has examined the major assumptions used within the budget calculations to ascertain the levels of potential risk in the assumptions being used. The key risks identified to the delivery of a balanced budget and their mitigation were identified in Appendix F to the draft budget report presented in December. A summary of the key risks is set out in the table below.

<b>Risk</b>	<b>Mitigations</b>
Medium Term funding is less than forecast	<p>Additional savings proposals will need to be identified by reducing or redesigning services.</p> <p>Maximise annual Council Tax increases to provide stability.</p>
COVID-19 pressures continue for a longer period of time into the medium term than included in budget forecasts	<p>Maximise annual Council Tax increases to provide stability.</p> <p>Increased lobbying for Government support, use of reserves or reduction in services.</p>
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	<p>Additional savings proposals will need to be identified.</p> <p>Maximise annual Council Tax increases to provide stability.</p>
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	<p>Use of reserves.</p>
Council Tax and Business Rates Collection Fund deficits are higher than forecast as a result of the ongoing economic impacts of COVID-19	<p>Additional Government funding for irrecoverable local tax losses in 2020-21, although the amount of funding is uncertain.</p> <p>Use of reserves.</p>
Non delivery or under delivery of savings.	<p>Use of reserves.</p> <p>Lobbying of Central Government for additional funding.</p> <p>Maximise annual Council Tax increases to provide stability.</p>
The ongoing impact of COVID-19 on the Council's available resources and transformation programme is not yet known.	<p>Internal COVID-19 risk management meetings.</p> <p>Robust financial management and reporting processes to be developed and implemented to give early warning of potential risks and issues.</p>
The disaggregation of income, expenditure and service delivery is inaccurately split between the North and West, giving rise to significant budget pressures.	<p>Contingencies have been built into the budget baseline.</p> <p>Maximise annual Council Tax increases to provide stability.</p>

	Use of reserves.
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.	Maximise annual Council Tax increases to provide stability.
If Council Tax is not maximised then there is a risk that services will need to be reduced.	Maximise annual Council Tax increases to provide stability.
Unplanned and unforeseen consequences and costs arising from the implementation of new or changed systems and processes across service areas within the new Council.	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.

- 16.4 It is the opinion of the CFO that any significant budget risks to the General Fund and the Housing Revenue Account have been identified and that suitable proposals are being put in place to mitigate against these risks where possible. The Council's Budget Monitoring procedures will be embedded across the authority and are designed to specifically monitor high level risks and volatile budgets. An assessment of anticipated business rates income has been carried out based on the information available and provision has been made for outstanding appeals. There is considered to be a prudent provision.
- 16.5 The 2021-22 budget has added complexities brought about from disaggregating the County Council's budget and aggregating the District and Borough budgets. The CFO considers that the assumptions on which the budget have been based and the principles used in disaggregating these budgets are reasonable.
- 16.6 The Council has an increased contingency budget of £3.3m compared to what was included within the budgets for the previous sovereign Councils – this reflects the additional risk associated from disaggregating the County Council's budgets, together with any risks that may arise from service demands.
- 16.7 The Council holds reserves that can be called on if necessary and the CFO is confident that overall the budget position of the Council can be sustained within the overall level of resources available. However, to the degree that the budget savings are not achieved in a timely manner and reserves are called on to achieve a balanced position, further savings will need to be identified and implemented in order to ensure the Council's future financial stability is maintained.
- 16.8 The Council needs to be satisfied that it can continue to meet its statutory duties and meet the needs of vulnerable young people and adults. Proposals

have been drawn up on the basis that Strategic Directors are satisfied that this will enable them to continue to meet their statutory duties and the needs of the most vulnerable.

### **Adequacy of the proposed Financial Reserves**

- 16.9 The General Fund Reserve is held to meet costs arising from any unplanned event. It also acts as a financial buffer to help mitigate against the financial risks the Council faces and can be used to a limited degree to “smooth” expenditure across years. It is currently estimated that the balance on the reserve at 1<sup>st</sup> April 2021 will be £21.9m. This includes an allocation for the split of the County Councils reserves.
- 16.10 The level of General Fund reserves held has been assessed by the CFO and is felt to be prudent given the level of volatility in Council funding streams such as business rates and general uncertainty over the levels of funding available going forwards.
- 16.11 The expected level of the General Reserve is therefore seen as the minimum level required to be held to protect the Council from the financial risks inherent within the proposed budget strategy. Any variation in spend at the year’s outturn will also affect the level of General Fund Reserve available next year.
- 16.12 The Council also has a number of Earmarked General Fund Reserves which are detailed in the 2021-22 budget report. The estimated level of reserves, excluding Schools, at 1st April 2021 is £145.5m of which £20m relates to the HRA. The level of reserves required is assessed as part of the budget setting process and the monitoring of these reserves will take place through the monthly reporting process to Senior Managers and Members during the financial year and at the year-end as part of the closure of accounts.
- 16.13 The Council is an extremely complex organisation with a wide scale and diversity of assets, interests, liabilities and other responsibilities. By their nature many of the risks are unknown and cannot be quantified, particularly in the current challenging financial climate. It is therefore essential that the Council maintains adequate general reserves, particularly as a result of COVID and the challenges that this brings to delivery of key demand led services.
- 16.14 It may be worth emphasising that reserves should not be seen in a short-term context. They should be placed in the context of the long-term funding reductions, service pressures and service delivery problems that the council may face. It is, however, legitimate for the council to call on reserves to mitigate short term pressures, smooth out the impact of extraordinary one- off demands such as government grant reductions, to meet the cost of unforeseen events and to enable any necessary structural budget adjustments to be implemented in a measured and planned way.
- 16.15 The Chartered Institute of Public Finance and Accountancy (CIPFA) have carried out some benchmarking on the level of reserves held by unitary authorities and identified that they tend to maintain unearmarked reserves between 5% and 10% of net revenue expenditure. For North Northamptonshire this would mean maintaining such reserves at between



£14.6m and £29.2m. The estimated level of general reserves at 1 April 2021 is £21.9m.

## **Fiduciary and Statutory Considerations**

16.16 In setting the budget the Council has a duty to ensure:

- it continues to meet its statutory duties
- Governance processes are robust and support effective decision making its Medium-Term Financial Strategy reflects the significant challenges being faced and remains responsive to the uncertainties in the economy by continuing to deliver against its savings targets.
- The Medium-Term Financial Plan is a live document and is a key tool in assessing the financial viability of the Council.
- its savings plans are clearly communicated and linked to specific policy decisions, with the impact on service provision clearly articulated
- it has the appropriate levels of reserves and that it closely monitors its liquidity to underpin its financial resilience
- it continues to provide support to members and officers responsible for managing budgets
- it prepares its annual statement of accounts in an accurate and timely manner

16.17 In coming to decisions in relation to the revenue budget and Council Tax the Council has various legal and fiduciary duties. The Council is required by the Local Government Finance Act 1992 to make specific estimates of gross revenue expenditure and anticipated income leading to the calculation of the council tax requirement and the setting of the overall budget and council tax. The amount of the council tax requirement must be sufficient to meet the Council's legal and financial commitments, ensure the proper discharge of its statutory duties and lead to a balanced budget.

16.18 In exercising its fiduciary duty the Council should be satisfied that the proposals put forward are a prudent use of the Authority's resources in both the short and long term:

- that the proposals strike a fair balance between the interests of Council taxpayers and ratepayers on the one hand and the community's interests in adequate and efficient services on the other and
- that they are acting in good faith for the benefit of the community whilst complying with all statutory duties.
- Officers have addressed the duty to strike a fair balance between the different elements of the community and the interests of council tax and business rate payers in developing the budget proposals.

16.19 Section 25 of the Local Government Act 2003 requires that when a local authority is making its budget calculations, the Chief Finance Officer ('CFO') of the authority must report to the Council on:

- a) the robustness of the estimates made for the purposes of the calculations, and

b) the adequacy of the proposed financial reserves

- 16.20 The Council has a statutory duty to have regard to the CFO's report when making decisions about the calculations and whilst council tax can only be set for one year at a time it is imperative Members give consideration to the Medium Term Financial position when setting Council Tax levels.
- 16.21 Section 28 of the Local Government Act 2003 also imposes a statutory duty on the Council to monitor during the financial year its expenditure and income against the budget calculations. If the monitoring establishes that the budgetary situation has deteriorated, the Council must take such action as it considers necessary to deal with the situation. This might include, for instance, action to reduce spending in the rest of the year, or to increase income, or to finance the shortfall from reserves.
- 16.22 Under Section 114 of the Local Government Finance Act 1988, where it appears to the CFO that the expenditure of the authority incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure, the CFO has a duty to make a report to the Council.
- 16.23 The report must be sent to the Council's External Auditor and every member of the Council and the Council must consider the report within 21 days at a meeting where it must decide whether it agrees or disagrees with the views contained in the report and what action (if any) it proposes to take in consequence of it. In the intervening period between the sending of the report and the meeting which considers it, the authority is prohibited from entering into any new agreement which may involve the incurring of expenditure (at any time) by the authority, except in certain limited circumstances where expenditure can be authorised by the CFO. Failure to take appropriate action in response to such a report may lead to the intervention of the Council's Auditor. Following well publicised difficult financial positions of some local authorities there is a growing scrutiny of the financial position of individual local authorities.

### **Equalities Duties**

- 16.24 In considering the budget for 2020/21 the Council must also consider its ongoing duties under the Equality Act 2010 to have due regard to the need to eliminate discrimination and advance equality of opportunity between all irrespective of whether they fall into a protected category such as race, gender, religion, etc. Having due regard to these duties does not mean that the Council has an absolute obligation to eliminate discrimination but that it must consider how its decisions will contribute towards meeting the duties in the light of all other relevant circumstances such as economic and practical considerations.
- 16.25 The Council will continue to use its Equality Impact Assessment framework as an integral tool to ensure that all relevant services have due regard to the effect that their business proposals will have on protected groups within the City.

## **Financial Governance**

- 16.26 The Council complies in full with the requirements set out in the CIPFA Statement on the role of the Chief Finance Officer. The S151 duties lie with the CFO who is also the Executive Director of Finance and is a full member of the Corporate Leadership Team and fully involved in the Council's governance and decision-making processes.

## **17. Implications (including financial implications)**

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### **Resources and Financial**

- 17.1 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**

- 17.2 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).
- 17.3 The robustness of the proposed estimates and the adequacy of the proposed reserves are addressed in section 16. This report is required to be considered under Section 25 of the Local Government Act 2003 prior to the Shadow Authority agreeing its 2021-22 budget.

### **Risk**

- 17.4 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.
- 17.5 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.
- 17.6 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.
- 17.7 Full details of the risks associated with the budget proposals are set out in Appendix F to the Draft Budget and Medium Term Financial Plan 2021-22 Report presented to the Shadow Executive Committee on 7<sup>th</sup> December 2021.

### **Equality Screening**

- 17.8 The Equality Act (2010) contains a range of rights, powers and obligations to assist in the drive towards equality. Northamptonshire County Council has a duty towards people who share 'Protected Characteristics' to have 'due regard' to:

- Eliminating discrimination;
- Promoting equality;
- Fostering good relations.

17.9 We must demonstrate compliance with the duties in our decision-making processes, which we do by requiring decisions made at Cabinet to be accompanied, where appropriate, by Equality Impact Assessments (EqIAs) to measure the effect of the proposed decision or policy on people with protected characteristics:

- Age
- Disability
- Gender reassignment
- Marriage and civil partnership
- Pregnancy and maternity
- Race
- Religion and belief (including no belief)
- Sex
- Sexual orientation

17.10 The provision of equality impact analysis supports Members to consider the potential impact on groups who are protected under the Equality Act 2010 both before and during consideration of a decision, which is required by law. We do this by using an impact assessment form.

17.11 Equality Impact Assessments (EqIAs) were available throughout the consultation process in draft form:

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

17.12 A summary of the feedback received during the consultation process is included at Appendix H.

### **Climate Impact**

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

17.14 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.

17.15 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.

17.16 The budget proposals in this report will be assessed against the Council's climate initiatives when they are available as we move forward into the delivery phase of the 2021-22 budget.

### **Community Impact**

17.17 No distinct community impacts have been identified as a result of the proposals included in this report.

## **18. Background Papers**

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

- Spending Review Announcement 25<sup>th</sup> November 2020:  
<https://www.gov.uk/government/publications/spending-review-2020-documents>
- Provisional Local Government Finance Settlement: England 2021-22 Announcement 17<sup>th</sup> December 2020:  
<https://www.gov.uk/government/collections/provisional-local-government-finance-settlement-england-2021-to-2022>
- Previous reports to North Northamptonshire Shadow Executive Committee 27<sup>th</sup> August 2020:  
<https://cmis.northamptonshire.gov.uk/cm5live/MeetingsCalendar/tabid/73/ctl/ViewMeetingPublic/mid/410/Meeting/3666/Committee/458/Default.aspx>
- Previous reports to North Northamptonshire Shadow Executive Committee 7<sup>th</sup> December 2020:  
<https://cmis.northamptonshire.gov.uk/cm5live/MeetingsCalendar/tabid/73/ctl/ViewMeetingPublic/mid/410/Meeting/3815/Committee/458/Default.aspx>
- Previous reports to North Northamptonshire Shadow Executive Committee 7<sup>th</sup> January 2021:  
<https://cmis.northamptonshire.gov.uk/cm5live/MeetingsCalendar/tabid/73/ctl/ViewMeetingPublic/mid/410/Meeting/3670/Committee/458/Default.aspx>