

Meeting: North Northamptonshire Shadow Executive Committee

Date: Wednesday 10th February 2021

Time: 7:00 pm

Venue: Virtual meeting via Zoom

Committee Membership:

Councillors Roberts (Chair), Smithers (Vice-Chair), Addison, Beattie, W Brackenbury, Griffiths, Jelley, D Jenney, North, Partridge-Underwood.

SUPPLEMENTARY AGENDA

Item		Report Author	Page Number
04	Minutes of the meeting held 3 February 2021		2 – 12
05	Medium Term Financial Plan and Budget 2021/22 – for recommendation to Shadow Authority		
5a	Housing Revenue Account – Draft 2021/22 Budget and MTFP Proposals	Janice Gotts	13 – 38
5b	Final Budget and Medium-Term Financial Plan 2021-22	Janice Gotts	39 – 218
5c	Capital Programme & Strategy	Janice Gotts	219 – 256
09	Shared Service Arrangements	Adele Wylie	257 – 284

If Members have any queries as to whether a Declaration of Interest should be made please contact the Monitoring Officer at – Adele.Wylie@northnorthants.gov.uk

Other enquiries can be made to democraticservices@northnorthants.gov.uk

North Northamptonshire Shadow Executive Committee

At 7:00 pm on Wednesday 3rd February 2021

Held as a virtual meeting via Zoom

Item:

04

Present: -

Shadow Members

Councillor R Roberts (Leader of the Shadow Authority and Chair)

Councillor J Addison

Councillor T Partridge- Underwood

Councillor D Jenney

Councillor S North

Councillor J Smithers (Deputy Leader of the Shadow Authority)

Councillor W Brackenbury

Councillor T Beattie

Councillor I Jelley

Councillor M Griffiths

Officers

R Bridge – Chief Executive

A Wylie – Monitoring Officer

C Hadley – Director of Children’s Services

G Candler – Executive Director Place & Economy

I Smith – Head of Service, Planning & Development, CBC

B Gordon – Service Development Officer, KBC

M Devlin- Hogg, HR Enabler, Future Northants

F McHugo– North Northamptonshire Democratic Services

J Gotts – Executive Director Finance

D Watts – Director of Adult Services

M Dickenson – Head of Service – Resources KBC

J Conway – Head of Housing KBC

C Hohn –Housing Solutions Manager KBC

J McKinnon – Principal Leisure Officer, CBC

T. Smith – Asset Manager, CBC

K Purnell – Assistant Director Corporate & Community Services, NCC

B Smith – North Northamptonshire Democratic Services

Also in attendance – Councillor A Henley.

The Chair welcomed members and the viewing public to the meeting.

1. **Apologies for Absence**

There were no apologies for absence received.

2. **Notifications of requests to address the meeting**

The Chair informed the meeting that no request to address the meeting had been received.

3. Members' Declarations of Interest

A personal interest was declared by Chief Executive, Rob Bridge, in item 11 of the agenda and it was indicated that he would leave the meeting for the duration of that item. Councillor North declared a personal interest in item 9 in relation to green waste.

4. Minutes of the meeting held on 7th January 2021

The draft minutes of the Shadow Executive Committee meeting held on 7th January 2020 had been circulated.

Councillor W Brackenbury MOVED, and Councillor I Jelley SECONDED that the minutes be approved as a correct record.

RESOLVED that: -

- (i) The minutes of the Shadow Executive Committee meeting held on 7th January 2021 be approved as a correct record and signed by the Chair.

5. Urgent Item – to receive budget consultation feedback from the Shadow Overview and Scrutiny Committee

Councillor A Henley, Chairman of the Shadow Overview and Scrutiny Budget Task and Finish Group was welcomed to the meeting and presented Scrutiny's consultation feedback in respect of the draft budget for 2021-22.

Members noted that the Shadow Overview and Scrutiny Committee had agreed at its meeting on 10th December 2020 to the formation of a Budget Task and Finish Group to assist it in considering the draft budget proposals for 2021-22.

The Task and Finish Group had 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 13th January 2021, Children's and Educational Services on 18th January 2021, Adult Services on 21st January 2021 and Fees and Charges on 26th January 2021.

It was noted that some of the key areas raised by the Group was as follows:-

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.

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.

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 25th out of 26th 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.

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 1st 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.

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.

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.

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 10th 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.

It was RESOLVED that:-

- (i) The Shadow Overview & Scrutiny Committee response to the budget be noted.

(Reasons for Decision – to enable Overview and Scrutiny recommendations to be incorporated into the consultation responses for the 2021/22 budget process.)

6. TRANSFORMATION TASK & FINISH GROUP UPDATE

The Chair invited Councillor S North, Chair of the Transformation Task & Finish Group to introduce this report.

Councillor North outlined the 9 months of work carried out by the group and suggested that transformation was a key opportunity for savings in the new authority. Members were directed to the broad spectrum of principles proposed in 4.6 and endorsement for the programme was sought

Members noted that the recommendations were contained in 4.6 not 2.6 as stated in some copies of the report.

Councillor M Griffiths MOVED and Councillor D Jenney SECONDED the recommendations.

It was RESOLVED that:-

- i) The Task & Finish Group recommendations for the principles for the Transformation programme, as outlined in 4.6 of the report be noted and endorsed.

7. Blueprint Change Requests

The Chief Executive introduced the report and outlined the change requests detailed in Appendix A1 and A2.

Members had been presented with the proposed changes that amend the Blueprint to ensure a robust change management and recording process for the Blueprint for the new unitary authorities.

Councillors Griffiths and W Brackenbury expressed support for the report.

Councillor M Griffiths MOVED, and Councillor W Brackenbury SECONDED the recommendations.

It was RESOLVED that:-

- (i) The changes requested to the Blueprint outlined in Appendix A be endorsed

Reason for Decision – To ensure a robust change management and recording process for the Blueprint for the new unitary authorities.

8. Private Sector Housing Policy

The Chair advised that as item 7 had been withdrawn from the agenda by officers, the meeting would move straight to agenda item 8.

9. North Northamptonshire Housing Allocations Policy

Head of Housing at KBC, J Conway to introduced the report. Officers recapped the background to the report which included the endorsement of the draft scheme by the Shadow Executive Committee at its meeting held 29 October.

Officers delivered a presentation which summarised the background, consultation response, exclusions and bands for the new housing allocations scheme.

Paragraph 6.4.14 highlighted a response to consultation concerns over suitable homes being outside of current sovereign areas where current support networks could exist.

Officers provided reassurance that local lettings policies allowed for case by case basis assessments and that policies would be subject to annual review.

Officers offered reassurance to Councillor North that although reregistration would be required for East Northamptonshire residents, reference numbers could be used in uploading evidence for previous applicants and existing waiting times would be honoured.

Councillor Griffiths commended the clear guidance on qualifications and noted the officer response on focused partnership working to support residents in accessing the private sector when a housing need is not identified.

Officers responded to Councillor Beattie's query for the 555 CBC residents that would not be eligible for the scheme and offered evidence, through the historic uptakes for B and E residents, that the impact would be minimal.

Officers assured Councillor Smithers that a flexible policy would ensure fair assessments of ASB issues would be undertaken.

Members also raised concerns over the use of existing sovereign boundaries beyond 1 April and the term 'local'. It was felt that this could lead to confusion when getting used to the new local authority boundary and clarity was needed for residents. It was noted that supplementary work on a case by case basis would ensure suitability for residents.

Councillor Jelley expressed confidence in the scheme and supported the clear guidance of the scheme which would provide an upgraded service for residents.

Councillor I Jelley MOVED and Councillor J Smithers SECONDED the recommendations.

It was RESOLVED that:-

- (i) The final draft housing allocation scheme for North Northamptonshire contained in Appendix A to the report be approved.
- (ii) The aim to launch the new scheme on vesting day, 1 April 2021 be supported.

Reasons For Decision – The alignment of housing allocation schemes will create equality of opportunity to access social housing across North Northamptonshire and bring cost savings and wider benefits to North Northamptonshire Council and its customers.

10. North Northamptonshire Household Waste & Recycling & Street Cleaning Policy

Head of Service, Planning & Development at CBC, Iain Smith, presented the report which summarised the work that had been undertaken by key officers across North Northamptonshire which defined a set of policies for the waste, recycling and street

cleansing services to be delivered from 1 April 2021. It presented a harmonised set of standards to be implemented within North Northamptonshire where possible.

Officers summarised the need to provide reassurance to residents, cost implications, prohibited items, item sizes as some services that would not be harmonised on day 1.

Councillor North queried the household waste policy on sack collections outlined in 1.2 and queried the 5 item collection limit on bulky items. The proposed policy outlined in paragraph 4.2 to only maintain and empty council bins was questioned in relation to the service currently provided to town and parish councils.

Officers reassured members that individual situations would be honoured and reviewed to ensure the most suitable service was offered for the resident's need. The regular review programmes for assisted collections were also to be continued including feedback from waste collection crews.

Councillor W Brackenbury asked for reassurance that any changes in timing for collections would be widely advertised. It was noted that an agreed communications campaign was in place and ready to be rolled out to households.

Councillor I Jelley MOVED and Councillor D Jenney SECONDED the recommendations.

It was RESOLVED that:-

- (i) The Household Waste and Recycling Policy be approved.
- (ii) The Street Cleansing Policy be approved.
- (iii) The future polices in relation to the delivery of garden waste and food waste service be reviewed.

Reasons for Decision - To ensure North Northamptonshire has an agreed set of waste and recycling and street cleansing policies to ensure clarity for residents on the service standards to be delivered and provide harmonised policies where possible from 1 April 2021. To enable enforcement action to be taken where appropriate and allow a review of services where harmonisation is not currently possible and provide future recommendations on the delivery of these services.

11. Borough Council of Wellingborough Street Scene Service – Future Strategic Level Options

Head of Service, Planning & Development at ,CBC, Iain Smith presented the report.

The report presented to members advised that current street scene arrangements within the Wellingborough area were delivered via a joint venture partnership with NORSE as WNORSE. It was stated that the arrangements would expire on 28 February 2022 and a review should be undertaken before that date. Members were asked to authorise the North Northants Waste and Streets Officers Group to undertake a current state assessment, Strategic Case for Change and Options Identification and Appraisal for stages 1-3 and to arrive at a preferred option.

Councillor M Griffiths praised the WNORSE arrangements and urged officers to use best practices from all sovereign councils in future arrangements to ensure best services for North Northamptonshire residents.

Councillors Jelley and Addison welcomed the report and shared support for successful in-house services. It was suggested that the in-house services gave the authority a greater level of control over the service and allowed environmental issues to be more readily considered.

Officers assured Councillor D Jenney that members involvement would be sought and referenced the member key stakeholder group (stage 2). The preferred options would also be returned to the Executive for decision. Councillor Addison highlighted the vital role for member involvement as a key link between the council and service users.

Councillor J Smithers commented that the current standards of service across North Northamptonshire was reassuring and indicated that the great service should be continued.

Councillor J Smithers MOVED and Councillor I Jelley SECONDED the recommendations

It was RESOLVED that:-

- (i) The North Northants Waste and Streets Officers Group be authorised to undertake a current state assessment, Strategic Case for Change and Options Identification and Appraisal (Stages 1-3) to arrive at a preferred option in relation to the future delivery of street scene services within the Wellingborough area, prior to developing a business case for consideration.
- (ii) The potential source of funding for such work be noted.
- (iii) It be noted that a future paper will be brought back regarding a preferred option(s) following completion of stages 1-3 with a suggested approach to stage 4 (outline/full business case).

12. Elections- Scale of Fees and Charges

[Rob Bridge left the meeting for the duration of the item due to his personal financial interest.]

Director of Legal & Democratic Services A Wylie introduced the report and outlined the returning officer fees and fees for staff managing elections. It was stated that the substantive and independent role sat outside the remit of Chief Executive and attracted an additional fee. A Wylie explained that the combination of consulting with districts and boroughs across the midlands and similar size councils, considering the complexity of 3 member wards and the acknowledgment that the Chief Executive would be answerable to courts and have personal liability was used to determine the proposed fees.

Members were advised that it would be prudent for the Executive to also note the proposed scale of fees outlined in Appendix A for administration of the election.

Members were advised that the level of support required to be provided in successfully and safely administering the election during the pandemic was subject to regular monitoring on the risk register and that additional processes and procedures were in place, including staff engagement.

Councillor D Jenney MOVED and Councillor M Griffiths SECONDED the recommendations

It was RESOLVED that:-

- (i) The Returning Officer fees listed at Appendix A to this report be approved
- (ii) All other fees and charges within the Scale of Fees at Appendix A be noted.

Reasons for Decision - To ensure that there is a consistent and transparent approach to payments for administering elections within North Northamptonshire

[Rob Bridge returned to the meeting.]

13. Approval for Delegated Authority – Intention to Tender for Complex Autism Services.

Executive Director Adults, Communities & Wellbeing, D Watts, introduced the report. He outlined that the report addressed the challenge of many local authorities and assured members that the policy provided a proactive way of supporting children and adults with complex needs relating to autism, where policy can flex and adapt to individual needs. It was stated that the decrease in urgent service referrals should lead to a cost decrease. The approach to involving the service user voice in commissioning was being developed.

Members offered full support for the proposals and Councillor Smithers identified that this was a significant step in being a caring new authority.

Councillor W Brackenbury MOVED and Councillor T Beattie SECONDED the recommendations.

It was RESOLVED that:-

- (i) Authority be delegated to Katie Brown, Interim Director of Adult Social Services to give permission to proceed with the tender for complex autism services for autistic people over the age of 14 years.

Reasons for Decision - The proposed option aligns most closely with previous decisions relating to Adult Social Service routes to procurement where procurement of care and support services is necessary to meet unmet need. The future Council and customers will receive the maximum benefit from the option proposed and the proposal is aligned to the adult and children's care transformation agenda.

14. Eclipse: Contract and budget changes

Executive Director Adults, Communities & Wellbeing, D Watts, introduced the report. Officers raised the sensitive nature of the information and the impact on the programme as a result of experiences over the last year. It was stated that the recommendations sought to address system weaknesses in supporting vulnerable autistic individuals with complex needs and would result in a redirection of resources. Decisions for the 3 instances outlined would result in additional system implementation and licensing costs. Appendix A and B to the report outlined the additional costs.

Councillor D Jenney and Councillor Smithers queried the shortfall and its location within the forthcoming budget. Officers confirmed that the additional costs were identified in the budget to be considered by the Shadow Executive Committee on 10 February 2021.

Councillor W Brackenbury MOVED and Councillor T Beattie SECONDED the recommendations.

It was RESOLVED that:-

- (i) Proceeding with a new contract on a 2+1+1 G Cloud framework with OLM be endorsed.
- (ii) Proceeding with change control procedures with Northamptonshire Children's Trust to manage the impact of the changes be endorsed.

The impacts to the Capital Programme and ongoing revenue impacts be noted

Reasons for Decision - Consistency with previous decisions

15. HR Policies- Delegation of Policies

The Chair invited HR Enabler, M Devlin-Hogg to introduce the report.

The report briefly outlined work completed to date and set out recommendations for the North Northamptonshire Shadow Executive to delegate responsibility for the negotiation of Day 1 employee pay arrangements, terms and conditions and employment policies. It was stated that this would provide clear and consistent transparent policies to support and manage the workforce.

Councillor Jelley commended the approach and commented that it was a vital step for North Northamptonshire in the run up to Vesting Day.

Officers reassured Councillor North that a single job evaluation system was captured in the ongoing negotiations with Trade Unions and that a clear policy drawing on best practice would be sought.

Councillor Beattie echoed support for the approach.

Councillor M Griffiths MOVED and Councillor T Beattie SECONDED the recommendations.

It was RESOLVED that:-

- (i) Authority to the Head of Paid of Service to negotiate with the Council's recognised Trade Unions regarding "Day One Terms & Conditions" be delegated.
- (ii) The finalised "Day One Terms and Conditions and associated financial considerations shall be considered by the Shadow Executive in late March 2021(excluding those relating to the Chief Officers) be noted.
- (iii) Authority to the Head of Paid Service in consultation with the relevant Portfolio Holder to approve the employment policies listed in Appendix One be delegated.

Reasons for Decisions - To ensure that the Council has terms and conditions of employment and necessary policies in place for the 1st April 2021 to enable it to recruit and manage staff.

16. Exclusion of the Press and Public

It was RESOLVED that:-

- (i) The public and press be excluded from the meeting during consideration of the following item of business, 'Assets, Capital Schemes and Reserves Notification', in accordance with Section 100A of the Local Government Act 1972, because exempt information may be disclosed.

17. Assets, Capital Schemes and Reserves Notification

Executive Director for Finance, J Gotts introduced the report and directed members to the outlined decisions made by CBC. As part of the Assets, Capital Schemes & Reserves Notification procedure rules, the report which had been circulated, asked members to consider the notification. The report was not for publication by virtue of paragraph 3 of Schedule 12 A of the Local Government 1972.

Councillor J Smithers MOVED, and Councillor J Addison SECONDED the recommendation.

It was RESOLVED that:-

- (i) The decisions made by Corby Borough Council at its meeting held on 12th January 2021 regarding Community Facilities be noted and endorsed.

Reason for Decision:- Consistency with the Assets, Capital Schemes and Reserves Notification process.

18. Close of Meeting

Meeting closed at 8:47 pm

NORTH NORTHAMPTONSHIRE SHADOW AUTHORITY

SHADOW EXECUTIVE COMMITTEE MEETING

10th February 2021

Report Title	Housing Revenue Account – Draft 2021/22 Budget and MTFP Proposals
Report Author	Janice Gotts Executive Director Finance, North Northamptonshire Shadow Authority janice.gotts@northnorthants.gov.uk

List of Appendices

Appendix A – Draft Housing Revenue Account Budgets for 2021/22

Appendix B – Draft Housing Revenue Account – Medium Term Financial Plan

Appendix C – Summary of Reserves

Appendix D – Overview and Scrutiny

1. Purpose of Report

- 1.1. The Housing Revenue Account (HRA) is a separate ring-fenced account within a Council for the income and expenditure associated with its housing stock. The HRA does not directly impact on the Council's wider General Fund budget or on the level of council tax. Income to the HRA is primarily received through the rents and other charges paid by tenants and leaseholders.
- 1.2. Within North Northamptonshire there are currently two HRA accounts, covering the sovereign Councils of Kettering and Corby respectively. As part of the move to a single unitary council for North Northamptonshire, there is a statutory requirement to create a single HRA for the area, which will come into effect from 1 April 2021.
- 1.3. Whilst North Northamptonshire Council must only operate one HRA it will, for a limited period of time, operate two separate Neighbourhood Accounts, these being:
 - the Corby Neighbourhood Account - responsible for the stock that was managed by Corby Borough Council and
 - the Kettering Neighbourhood Account - responsible for the stock that was managed by Kettering Borough Council.
- 1.4. The Ministry of Housing, Communities and Local Government (MHCLG) have indicated that it is a local decision to operate neighbourhood accounts within a single overarching HRA.

- 1.5. A future decision will be required around the timeframe for which two Neighbourhood Accounts continue – typically these interim arrangements would cover a two to three-year period. This will be considered post vesting day and will be subject to a further report.
- 1.6. Preliminary work is underway on preparing a Housing Strategy for North Northamptonshire. This will consider the challenges faced by the new Council across the local housing market and will set out measures to enhance housing options for local residents. This document will form a key element of the overarching strategy for North Northamptonshire which will be reported to Members during 2021/22.
- 1.7. This report seeks recommendation to North Northamptonshire Shadow Authority of the proposed draft budget for the HRA for 2021/22 and the key principles on which it is based together with the Medium-Term Financial Plan (MTFP) that covers the following four years (2022/23 – 2025/26).
- 1.8. This report also sets out the proposals regarding rent increases for 2021/22 as required by the Housing Act 1985. The following table summarises the recommended average rent levels for 2020/21 and 2021/22 and the proposed increase of 1.50% in rent levels for 2021/22

Neighbourhood Account	20/21 Average Rent Levels £	Increase in Average Rent Levels £	21/22 Average Rent Levels £
Corby	76.73	1.15	77.88
Kettering	80.96	1.21	82.17

2. Executive Summary

- 2.1 The draft HRA Budget have been discussed and debated at Shadow Overview and Scrutiny and with tenants representing each of the Neighbourhood Accounts. The final budgets reflect a slightly lower rental increase of 1.5% rather than 1.7% as reported in the January draft budget and this accords with the Government's Rent Setting Policy and has been clarified with the Rent Regulator. The draft Budget proposals and Medium-Term Financial Plan for the new North Northamptonshire Council are set out in Appendix A and Appendix B.
- 2.2 The overriding approach to transitioning to the new single unitary council for North Northamptonshire has been to ensure that the arrangements are 'safe and legal'. It was determined that for the HRA this could, in the first instance, be best achieved through operating two Neighbourhood Accounts to be combined under a single HRA for North Northamptonshire.
- 2.3 To help maintain and protect levels of service provision and to continue investment into the housing stock the proposed average rent increase is 1.50% for each of the Neighbourhood Accounts. This is in accordance with the Government's Rent Setting Policy. Taking into account this increase, the draft Neighbourhood Accounts show a balanced position for 2021/22. A final

budget report for the HRA will be presented to the Shadow Authority on 25th February 2021.

- 2.4 Beyond 2021/22, the Medium-Term position (2022/23 to 2025/26) for the Corby Neighbourhood Account shows a deficit of around £1.070m whilst the Kettering Neighbourhood Account shows a surplus of around £200,000. This assumes that rent increases of 2% are applied each year over the Medium-Term. Rent increases will be subject to an annual consultation with tenants.
- 2.5 A series of sessions have been held with the North Northamptonshire Medium Term Financial Plan and Budget Task and Finish Group (NN MTFP & Budget T&F Group) on the Housing Revenue Account. The approach taken to the 2021/22 budget setting process together with the draft budgets were presented to the Task and Finish Group.
- 2.6 The scrutiny process for the Draft HRA Budget Proposals was undertaken by the Shadow Overview and Scrutiny Budget Task and Finish Group at a meeting on the 13th January 2021. This was reported to the public Overview and Scrutiny meeting on the 28th of January 2021 and for ease of reference Appendix D provides a summary of comments made at this meeting.
- 2.7 The Kettering Tenants Forum and Corby Tenant Voice Members were consulted and agreed a 1.50% increase in rent levels of 2021/22.

3. Recommendations

- 3.1 It is recommended that the Shadow Executive Committee propose the following to the Shadow Authority for consideration at the meeting on 25th February 2021.
 - a. The draft 2021/22 Housing Revenue Account Budgets consisting of the Corby Neighbourhood Account and the Kettering Neighbourhood Account as set out in Appendix A.
 - i. an increase in dwelling rents for 2021/22 of 1.5% (based on the Consumer Price Index (CPI) for September 2020 + 1%) which is in line with the Ministry of Housing, Communities and Local Government (MHCLG) Policy statement on rents for social housing published in February 2019.
 - ii. The draft Housing Revenue Account Medium Term Financial Plan consisting of the Corby Neighbourhood Account and the Kettering Neighbourhood Account, for 2022/23 to 2025/26 as set out in Appendix B.
- 3.2 Reason for Recommendations
 - a. To ensure that the Shadow Authority complies with its Constitution in setting the budget for North Northamptonshire and meets its statutory duties.

4. Report Background

Resources and Financial

- 4.1 Each year social landlords must set rent levels and budgets for the forthcoming financial year and provide each individual tenant with 28 days statutory notice of any proposed changes to their rent. This report sets out the proposals regarding the rents, as well as the expenditure plans for the 2021/22 rent year, together with a draft Medium-Term Financial Plan (MTFP) covering the four- year period 2022/23 to 2025/26.
- 4.2 The Council housing stock in the Corby Neighbourhood Account comprises 4,614 tenanted and 623 leasehold properties (as at 1 April 2020) with a rent roll of £18.6m in 2020/21. The Kettering Neighbourhood Account comprises 3,625 tenanted and 225 leasehold properties (as at 1 April 2020), with a rent roll of around £15m. East Northants and Wellingborough Councils have no housing stock having made the decision several years ago to sell their stock. The composition of the Housing Stock for both the Corby and Kettering Neighbourhood Accounts is set out in Table 1 and Table 2.

Type of Property	Number of Bedrooms				Total
	One	Two	Three	Four +	
Flats-Low Rise	648	339	51	1	1,039
Flats-Medium Rise	131	178	114	16	439
Houses	1	674	1,680	251	2,606
Bungalows	309	178	43	0	530
Total	1,089	1,369	1,888	268	4,614

Type of Property	Number of Bedrooms				Total
	One	Two	Three	Four +	
Flats-Low Rise	720	458	3	0	1,181
Flats-Medium Rise	235	120	10	0	365
Houses	26	486	1,058	32	1,602
Bungalows	200	275	2	0	477
Total	1,181	1,339	1,073	32	3,625

- 4.3 The Council is required by law (Local Government and Housing Act 1989, Section 76) to avoid budgeting for a deficit on the HRA. This means the budget must not be based on the total HRA revenue reserves falling below zero. In practice the Council is expected to maintain a reasonable balance of HRA reserves to cover contingencies. The minimum level of reserves for the HRA at Corby Borough Council was £800,000 and for the HRA at Kettering Borough Council was £300,000 – these levels were set following previous risk assessments of key items affecting income / expenditure – these levels remain unchanged for the two Neighbourhood Accounts and will be reviewed by the new Council in line with the Risk Management Strategy. Details of Reserves and the purpose and any estimated movements are set out in Appendix C.

- 4.4 It was not feasible to merge the two neighbourhood accounts into one when the legacy councils merge and create the operational changes that were required to ensure a safe and legal service. It is also necessary to develop a 30 Year Business Plan for a single HRA. The Council's Corporate Strategy is being developed and will set out its priorities, the objectives to achieve these, key actions, and measures of success. The services delivered within the HRA will support this strategy and will be developed over the forthcoming financial year.
- 4.5 The approach to the HRA budget setting has focused on three key areas for 2021/22 and the following sections of the report take items (i) and (ii) in turn, however, it should be noted that item (iii) will be covered in a separate report to this meeting that covers both the General Fund and HRA Capital Programmes.
- (i) Revenue income and rent and service charge levels;
 - (ii) Revenue expenditure plans that reflect service delivery patterns;
 - (iii) Capital expenditure plans that will deliver essential maintenance to the stock as well as ensuring the Decent Homes Standard is maintained and support the affordable homes new build programme

Revenue Income

- 4.6 The HRA receives income primarily from rents paid by tenants and from service charges levied. The draft budgets for 2021/22 reflect a rent increase of 1.5% - which is in accordance with the nationally recommended increase for 2021/22. When considering the rental increase it is important to recognise the long-term impact as income foregone is compounded over future years.
- 4.7 The MHCLG policy statement on rents published in February 2019 announced that rents would increase by CPI + 1% from April 2020 and this would be for a period of five years (2020/21 to 2025/26). Members are reminded of the announcement that was made in the July 2015 budget statement where all social rents would decrease by 1% each year over the four year period 2016/17 – 2019/20 during which the cumulative loss of rental income was around £70m for the Corby Neighbourhood Account and around £60m for the Kettering Neighbourhood Account. This will continue to have a significant cumulative impact on the level of income that will be available to the HRA over the course of the 30-year business plan.
- 4.7.1 The number of Right to Buy (RTB) sales assumed during 2021/22 for the Corby Neighbourhood Account is 40 and for the Kettering Neighbourhood Account is 30 and the part year income associated from these sales has been deducted from the 2021/22 income budget. Assumptions have been made around the number of RTB sales each year over the Medium Term, for both neighbourhood accounts and it is assumed that the number of sales are 40 for the Corby Neighbourhood Account and 30 for the Kettering Neighbourhood Account – these assumptions will be kept under review.
- 4.7.2 For 2021/22 it is assumed that 0.9% of the Corby Neighbourhood housing stock will be void at any one time and it is assumed that 1.90% of the

Kettering neighbourhood housing stock will be void at any one time and therefore rent cannot be charged. The higher void rate in the Kettering Neighbourhood Account is reflective of the older stock and when a property becomes void it generally requires more work prior to it being relet. This is consistent with the approach taken in previous years and reduces the total income expected to be achieved by c£160,000 for the Corby Neighbourhood Account and c£290,000 for the Kettering Neighbourhood Account.

4.7.3 Acquisition and new build programmes increase the stock of affordable housing for the HRA. The Corby Neighbourhood Account reflects the additional income expected from the delivery of 26 new homes in 2021/22 across Stanion Close (3 homes) Cheltenham Road (18 homes) and Cannock Road (5 homes) sites. The Kettering Neighbourhood Account reflects the additional income from the delivery of 28 homes across the Scott Road (22 homes) and Albert Street (6 homes) sites.

4.7.4 Whilst both Neighbourhood Accounts have provision for new build schemes in the Capital Programme for 2022/23 to 2025/26, the detail of these schemes are still to be developed therefore at this stage the MTFP reflects a prudent approach and doesn't reflect the additional rental yield from new schemes, when there is more certainty over these schemes the MTFP will be updated accordingly.

4.7.5 In April 2012, the Government "reinvigorated" its Right to Buy (RTB) policy by reducing the eligibility period for RTB sales and increasing the maximum levels of discount. At the same time, the Government introduced a new mechanism that allowed local authorities to retain 100% of the RTB receipts (after some deductions) from the sale of Council Houses sales above a specified number of RTB sales set by Government each year for each council (the "RTB threshold"). These are referred to as 1-4-1 Receipts.

4.7.6 There are two core principles for using 1-4-1 Receipts:

- 1) That 1-4-1 Receipts can only be used to fund no more than 30% of eligible expenditure for the provision of new homes; and
- 2) That 1-4-1 Receipts must be utilised within 3 years of them occurring. In order for the Government to enforce the time period in which expenditure must be accounted for, the standard agreement signed by Councils requires any 1-4-1 Receipts not utilised within the 3 year timeframe to be paid over to the Government, plus interest charged at 4% above base rate compounded every 3 months.

4.7.7 Both Corby Borough Council and Kettering Borough Council opted into this agreement. COVID-19 has meant that a number of planned new build schemes nationally were delayed as contractors and companies rescheduled their projects and the need to maintain social distancing could see a reduction in staff on site which could result in a delay in delivery. In response to this the Government temporarily lifted the time period for which 1-4-1 receipts need to be utilised by granting a six-month extension, this extension has recently been increased to nine months. Both Neighbourhood Accounts include new build schemes and the use of 1-4-1 receipts will be an area that will be closely monitored during 2021/22.

Service Charges

- 4.8 The Council can set its own charges for items that attract service charges but must review annually the costs that drive these charges as well as how that money can be utilised.
- 4.9 Leasehold service charges cover costs that are recharged to leaseholders in year to reflect either the cost of maintaining the fabric of the building or the cost of maintaining the communal areas. These charges must reflect the full cost that is incurred by the HRA, but no profit should be achieved through the levelling of these charges. Given this, the income budgets proposed reflect only an indicative level and actual charges will be reconciled the following year against actual costs incurred. Within both the Corby Neighbourhood Account and the Kettering Neighbourhood Account leasehold charges for each building will be estimated and leaseholders will be notified of the charges to be applied for 2021/22. This process is in line with that undertaken in previous years.

Revenue Expenditure

- 4.10 The HRA manages expenditure that covers delivery of the general housing management function as well as overheads and capital financing charges. The expenditure costs are categorised into the following six headings, further details are set out in paragraphs 4.11 – 4.23 which follow.
- Repairs & Maintenance
 - General Management
 - Special Services
 - Self Financing Payments
 - Revenue Contribution to Capital Expenditure
 - Other
- 4.11 The Repairs and Maintenance budget includes the general cost of maintaining the Council's housing stock on a day to day basis. It includes, repairs requested by tenants, gas repairs and servicing and costs associated with void property repairs and cleaning.
- 4.12 General Management costs include the cost of managing the housing service. They include the cost of running the landlord service efficiently and effectively including rent collection and allocating and managing tenancies.
- 4.13 Special Services represents the cost of running the Council's sheltered housing schemes for vulnerable residents. It includes all costs of maintaining sheltered housing and the services provided to residents. There are 562 properties across 10 sheltered housing schemes in the Corby Neighbourhood Account and 406 properties across nine sheltered housing schemes in the Kettering Neighbourhood Account.
- 4.14 Fundamental changes to the HRA were implemented in April 2012 – this was referred to as 'Self-Financing'. The Self-Financing settlement abolished the subsidy system and redistributed debt between authorities based on a

Government assessment of their ability to service the debt. This had the effect of increasing the debt held by most authorities, but in return they no longer had to pay into the national subsidy pot. Nationally there were 136 authorities who were making subsidy payments and these authorities were required to make a payment to the government that amounted to around £13bn. Conversely 35 authorities received a payment of £6bn from Government as they would no longer be receiving a subsidy payment. The self-financing determinations resulted in Corby Borough Council taking on debt of £70.6m and Kettering Borough Council taking on debt of £72.9m.

- 4.15 The self- financing system allows authorities to plan better over the longer term as they no longer face the uncertainty of annual subsidy determinations which were typically announced around December each year notifying authorities of what they will have to pay or receive in subsidy. This means that all authorities now get to keep all the rent they receive from tenants and are fully responsible for managing their own income and expenditure.
- 4.16 The Government on 29 October 2018 revoked the indebtedness limits that were introduced for HRAs in December 2010 by the Localism Bill under self-financing determinations, by lifting the HRA borrowing cap. This means the Corby and Kettering Neighbourhood Accounts will not be subject to a limit on borrowing.
- 4.17 All borrowing must conform to the Prudential Code which requires that borrowing be affordable and prudent. Total borrowing within the Corby Neighbourhood Account at 31 March 2021 is forecast to be £70.6m and reflects the level of debt the Council took on when the self-financing transaction was enacted. The 2021/22 budget provides for the repayment of a loan of £10.646m, for which monies have been set aside annually for loan repayments in the HRA Debt Management Reserve. The outstanding debt at 31st March 2022 is estimated to be £60m.
- 4.18 The Kettering Neighbourhood Account is forecast to have debt of £48.724m as at 31st March 2021 this is a combination of debt from self-financing which amounts to £45.903m and new loans amounting to £2.821m to fund new build schemes. The 2021/22 budget provides for the repayment of a loan of £3m, which will reduce the self-financing debt that is outstanding at 31st March 2022 to £42.903m.
- 4.19 Business cases that set out how and when the HRA will borrow will be developed and submitted for approval when Business Cases arise, this will need to be in accordance with the Council's Capital Strategy Approval Process.
- 4.20 Under the self-financing regime the HRA holds a depreciation charge that recognises the cost of managing and maintaining the Council stock at the current level. This funding represents a revenue cost to the HRA that is then used to support the capital programme to deliver the required enhancements to the stock to keep it fit for purpose. The revenue contribution as a minimum must equal the depreciation charge.
- 4.21 One of the main areas of risk for the HRA going forward is rent arrears and the management of debt within the rent account. There is a specific risk around

the ability to collect this debt due to COVID-19 and also as national welfare reform changes are rolled out. The spare room subsidy changes have now been in place for several years and work to manage under occupation is now business as usual.

- 4.22 A key risk is Universal Credit (UC) which went live for Corby in February 2017 and for Kettering in October 2018. Evidence from other areas, along with our experience so far, shows the level of arrears increase in the short to medium term following implementation. This in part is due to the timing delay in claimants receiving payment. As a result of the potential impact from COVID-19 and UC the 2021/22 Corby Neighbourhood Account includes an additional £70,000 for Bad Debts and a further £80,000 in 2022/23. The Kettering Neighbourhood Account includes provision of £150,000 for Bad Debts – this is an area that will be closely monitored, and the levels of provision will continue to be reviewed over the MTFP. The contribution to Bad Debts is shown under the ‘other’ expenditure heading which also includes Contingencies, Rents, Rates, Taxes and Other Charges and interest payable.
- 4.23 The 2021/22 budget includes a 0.75% increase to cover the 2.75% 2020/21 pay award, of which only 2% was included in the 2020/21 base budget. In addition, both Neighbourhood Accounts have incorporated a pay contingency for 2021/22 of 2.50%.

Budget Changes

- 4.24 The rent regulator is responsible for setting the maximum rent increase permitted under the Rent Standard and Policy Statement. The Rent Regulator has confirmed that the maximum increase in rent levels for 2021/22 is 1.50%. The council’s draft budget reported to the 7 January 2021 meeting of the Shadow Executive Committee had modelled a 1.70% increase – the impact of this is a reduction in the rental yield of £37k for the Corby Neighbourhood Account and a reduction in the rental yield of £29k for the Kettering Neighbourhood Account – the increase in the Repairs and Maintenance Budgets compared to the previous year has now been reduced by the respective amounts resulting in a change in the Repairs and Maintenance Budget of around 0.7% for both of the Neighbourhood Accounts. It is envisaged that having two Neighbourhood Accounts will enable operational efficiencies to be delivered during the course of 2021/22 and this will be reflected in future Medium-Term Financial Plans. As a result the reduction in the Repairs and Maintenance budget should not impact on service delivery. The position will be closely monitored in year.

Medium Term Financial Plan (MTFP)

- 4.25 The MTFP for both the Corby Neighbourhood Account and the Kettering Neighbourhood Account are detailed at Appendix B and have been updated to reflect the change in rent levels for 2021/22 as detailed in 4.24. The MTFP’s contain several assumptions, the main ones are set out in Table 3 below – these assumptions will continue to be reviewed and updated but enable an initial medium-term position to be determined for both Neighbourhood Accounts.

Table 3 - MTFP Assumptions		
Assumption	Corby Neighbourhood Account	Kettering Neighbourhood Account
Income		
Rent Levels	Assumes a 2% increase each year (CPI 1% + 1%)	
RTB Sales	40	30
Void Levels	0.90%	1.50%
Expenditure		
Pay Contingency	2.50%	2.50%

- 4.26 The Medium-Term position for the HRA has more certainty than that of the General Fund – largely in part to the self-financing system. Medium Term Financial Planning is more difficult for the General Fund owing to the annual local government finance settlement being announced very late in the budget process and currently only having one-year settlements.

Legal

- 4.27 The Housing Revenue Account (HRA) is a separate account within the Council that ring-fences the income and expenditure associated with the Council's housing stock and the 2021/22 Draft Budgets and MTFP adhere to this – the HRA can buy support services from the General Fund such as Finance, IT, HR etc and the draft 2021/22 budgets and MTFP reflect this.
- 4.28 The Council is required by law (Local Government and Housing Act 1989, Section 76) to avoid budgeting for a deficit on the HRA. This means the budget must not be based on total HRA revenue reserves falling below zero. The draft budgets show a balanced budget for both the Corby and Kettering Neighbourhood Accounts with no reliance on reserves.
- 4.29 Under the self-financing regime the HRA holds a depreciation charge that recognises the cost of managing and maintaining the Council stock at the current level. This funding represents a revenue cost to the HRA that is then used to support the capital programme to deliver the required enhancements to the stock to keep it fit for purpose. The revenue contribution as a minimum must equal the deprecation charge – the Draft 2021/22 Budget reflects this for both Neighbourhood Accounts and the MTFP reflects assumptions around future property values which reflect this – although this will be subject to change when future valuations are known.
- 4.30 Borrowing must conform to the Prudential Code which requires that borrowing be affordable and prudent. The draft 2021/22 budgets for both Neighbourhood Accounts comply with this. Business cases will be compiled for any future borrowing that clearly sets out the revenue implications – these will be

modelled in the MTFP to ensure affordability and will be the subject of future reports to the new Unitary authority.

- 4.31 Whilst there is no statutory requirement to consult on rent levels specifically, there is a statutory requirement to consult on "housing management matters". Historically, Kettering and Corby have engaged and consulted with tenants on the annual HRA budget and rent levels. Kettering via their Tenants Forum and Corby via their Corby Tenant's Voice Scrutiny Panel. The approach for the 2021/22 budget continued with previous practices by consulting with tenants via the Tenants Forum and the Tenant's Voice Scrutiny Panel.
- 4.32 Council housing landlords are required to give 28 days' notice to all tenants of changes to rent levels ahead of the new financial year. The Draft HRA Budget and Rent levels for 2021/22 will be set at the Shadow Authority meeting on the 25th February 2021 – which will enable the 28 days notice period to be achieved.

Risk

- 4.33 The self-financing valuation and settlement is based on the Council continuing to implement the Government's Rent Setting formula and deviation from this could potentially undermine the financial viability of the two Neighbourhood Accounts. The compound impact from rent increases will be fundamental to the sustainability of the two Neighbourhood accounts – annual rent increases for the Corby Neighbourhood Account amount to around £280k and for the Kettering Neighbourhood Account amount to around £225k. If rents were not increased in line with the government formula in 2021/22 this could amount to around a loss of income of £8.4m and £6.4m respectively over the 30-year business plan.
- 4.34 The MTFP assumes annual rent increases of 2% (CPI + 1%) across both Neighbourhood Accounts – a lower level of CPI would reduce in a lower rental yield.
- 4.35 The ability to aggregate housing service functions and strategies to ensure consistency across North Northamptonshire remains a challenge going forward.
- 4.36 The investment in the existing stock will be based on updated Stock Condition Survey reports – there is a risk that the investment need is greater than resources – if this were the case a further review of the capital programme would be undertaken.
- 4.37 In future years there will be a need to harmonise rents as the new authority migrates from the two neighbourhood accounts into a single account. This must recognise the resource requirements needed to deliver a consistent level of housing services.
- 4.38 COVID-19 has had less of an impact on the HRA compared to the General Fund – however it is recognised that it may impact on rent arrears for the two Neighbourhood Accounts.

- 4.39 The Welfare Reform Act changes have affected the payments being made to the HRA and further changes associated with the roll out of Universal Credit (UC) could affect levels of tenant income and further increase rent arrears within the HRA.
- 4.40 The end of automatic payment of Housing Benefit direct to Landlords, could significantly reduce rent income levels and increase the level of bad debts within the HRA as UC continues to roll out.
- 4.41 Compliance with regulatory standards and changes to health and safety legislation particularly regarding fire safety will provide additional challenges over the next few years and could lead to increased costs.

Consultation

- 4.42 The consultation with local residents regarding the HRA and proposed rent levels was undertaken via the Kettering Tenants Forums Panel and Corby Tenant's Voice Scrutiny Panel.

Consideration by Overview and Scrutiny

- 4.43 A Budget Scrutiny process formed part of the overall consultation process. The Shadow Authority's Constitution further sets out the process of engagement that the Shadow Executive Committee must undertake with the Overview and Scrutiny Committee and is outlined here.
- 4.44 The Shadow Executive Committee considered the draft budget and agreed budget proposals which were submitted to the Shadow Overview and Scrutiny Committee for review. The Shadow Executive Committee must then make recommendations on the final, scrutinised, budget and Rent proposals to the Shadow Authority for approval on 25th February 2021.
- 4.45 Scrutiny is a means for councillors not on the Shadow Executive Committee to influence the development of Council policies and services and hold decision-makers to account. Budget Scrutiny involves councillors reviewing significant proposals from across the draft budget and reporting their conclusions about the deliverability and service impact of these proposals to the Shadow Executive. In this way Budget Scrutiny contributes to the development of the final budget proposals and supports local democracy.

Climate Impact

- 4.46 The ongoing maintenance of existing stock, such as heating replacement, insulation and low energy LED lighting in communal areas also help to increase the energy efficiency of the existing stock. Consideration will be given to new methods of building construction, recent developments of the Hampden Crescent Site resulted in air source heat pumps being used.
- 4.47 National and international good practice will be considered as technology is changing constantly in this fast-moving sector but it is clear that the HRA housing stock will embrace this issue within its programme going forward.

Community Impact

- 4.48 The draft 2021/22 HRA Budgets should not impact on front line service provision and should enable the Council to meet the needs of disabled and older residents to have aids and adaptations fitted to support their independence.
- 4.49 Tenants should be positively affected by the investment in dwelling insulation, energy efficiency and changes to heating and communal utility charges. Many have benefited from reduced personal heating charges and a lower split of communal utility costs between all residents benefiting from these services.
- 4.50 There is a clear correlation between effective housing and better health outcomes. Community development work undertaken seeks to minimise isolation, particularly with older residents, contributing to improved physical and mental health outcomes and more active communities. We will continue to work with community and voluntary groups, promoting their services and offering practical help where feasible.
- 4.51 There are many reasons why tenants may struggle to maintain their tenancies including substance misuse and mental health. We will seek to support tenants in their homes to ensure that they are able to maintain successful tenancies and to reduce the number of evictions and staff will provide support for tenants including financial advice.

5. Conclusions

- 5.1 The proposals contained in this report seek to ensure that the HRA business plan provides a sound basis of managing the existing stock, whilst also identifying the potential risks that need to be monitored on an ongoing basis.
- 5.2 The budget proposals will allow for continued service delivery and investment as set out and within the confines of the available resources.
- 5.3 Under the provisions of the Local Government and Housing Act 1989, the Authority must ensure that the HRA does not result in a debit balance (deficit). The proposed budget for 2021/22, together with the indicative budget for the medium term, is attached at Appendices A and B respectively. A balanced budget will be achieved through base budget mitigations and use of reserves as required each year. These will be finalised as part of the budget setting process for those years.
- 5.4 The HRA continues to hold a prudent level of reserves as set out in Appendix C. Based on forecasts, over the medium term as outlined in this report the HRA can continue to fund existing debts, together with the ongoing management and maintenance costs whilst also maintaining a positive reserves position. The medium/longer term forecast position is affected by a number of factors, most notably the level of rental income.

6. Background Papers

- Previous reports to North Northamptonshire Shadow Executive Committee 7th January 2021:

<https://cmis.northamptonshire.gov.uk/cm5live/MeetingsCalendar/tabid/73/ctl/ViewMeetingPublic/mid/410/Meeting/3670/Committee/458/Default.aspx>

- Previous reports to North Northamptonshire Overview and Scrutiny Committee 28th January 2021:

<https://cmis.northamptonshire.gov.uk/cm5live/MeetingsCalendar/tabid/73/ctl/ViewMeetingPublic/mid/410/Meeting/3754/Committee/460/Default.aspx>

HOUSING REVENUE ACCOUNT ESTIMATES 2021/22

	Corby Neighbourhood Account 2021/22	Kettering Neighbourhood Account 2021/22	North Northants HRA 2021/22
	£'000	£'000	£'000
INCOME			
Rents - Dwellings Only	18,956	15,066	34,022
Service Charges	622	430	1,052
HRA Investment Income	69	7	76
Total Income	19,647	15,503	35,150
EXPENDITURE			
Repairs and Maintenance	5,550	4,041	9,591
General Management	5,176	2,784	7,960
HRA Self Financing	14,663	4,585	19,248
Revenue Contribution to Capital	3,791	2,555	6,346
Transfer To / (From) Reserves	(10,646)	(119)	(10,765)
Special Services	692	1,111	1,803
Other	421	546	967
Total Expenditure	19,647	15,503	35,150
Net Operating Expenditure	0	0	0

CORBY NEIGHBOURHOOD ACCOUNT

	Original Budget 2020/21	Original Budget 2021/22	Movement	Budget Assumptions
	£000	£000	£000	
INCOME				
Rents - Dwellings Only	18,593	18,956	363	Rent Increase per Government Guidelines CPI +1% - adjusted for RTB Sales
Service Charges	622	622	0	
HRA Investment Income	69	69	0	
Total Income	19,284	19,647	363	
EXPENDITURE				
Repairs and Maintenance	5,400	5,550	150	Pay award £137k + £13k Supplies & Services
General Management	5,077	5,176	99	Pay award £49k, Premises £33k, Insurance £17k
HRA Self Financing	3,967	14,663	10,696	Repayment of Loan £10.696m
Revenue Contribution to Capital	3,646	3,791	145	RCCO £145k - Historic £79k & £66k
Transfer To / (From) Reserves	0	(10,646)	(10,646)	Trans from £10.696m Trans to £50k - Total
Special Services	671	692	21	Pay award £21k
Other	467	421	(46)	Loan Saving (£161k) Contingency £46k Bad Debts £70k
Total Expenditure	19,228	19,647	419	
Net Operating Expenditure	(56)	0	(56)	

KETTERING NEIGHBOURHOOD ACCOUNT

	Original Budget 2020/21	Original Budget 2021/22	Movement	Budget Assumptions
	£000	£000	£000	
INCOME				
Rents - Dwellings Only	14,978	15,066	88	Rent Increase per Government Guidelines CPI +1% - adjusted for RTB Sales
Service Charges	453	430	(23)	Reflects lower level of service charges
HRA Investment Income	7	7	0	
Total Income	15,438	15,503	65	
EXPENDITURE				
Repairs and Maintenance	3,817	4,041	224	Pay award £69k /Stock £21k /Fleet £100k /Subcontractors (£43k) /Depreciation adjustment £77k
General Management	2,741	2,784	43	Pay award £43k
HRA Self Financing	5,162	4,585	(577)	Loan Repayment (£500k) Less in 21/22 / Interest (£77k)
Revenue Contribution to Capital	2,579	2,555	(24)	Realignment of Dep'n to RCCO
Transfer To / (From) Reserves	(500)	(119)	381	Loan Repayment (£500k) in 20/21 Use of Reserves in 21/22 (£119k)
Special Services	1,096	1,111	15	Pay award £15k
Other	543	546	3	Minor £3k
Total Expenditure	15,438	15,503	65	
Net Operating Expenditure	0	0	0	

Corby Neighbourhood Account	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
INCOME					
Total Dwelling Rents	18,956	19,207	19,413	19,619	19,826
Total Service Charges	622	622	622	622	622
Other Income	69	20	30	40	51
Total Income	19,647	19,849	20,065	20,281	20,499
HRA Net Budget	19,228	19,647	20,170	20,564	21,064
MTFP CHANGES					
Salary Inflation	207	164	168	173	177
General Inflation / Pressures	62	50	50	50	50
Depreciation / MRR (Add Cap Exp)	145	69	71	72	73
- HRA Self Financing Loan	10,696	(10,596)	0	150	150
Transfer to / (from) Reserves	(10,646)	10,646	0	0	0
Interest Payments - Loan	(161)	55	55	55	55
Contingency	46	55	50	0	0
Contribution to Bad Debts	70	80	0	0	0
HRA Net Revenue Budget	19,647	20,170	20,564	21,064	21,569
Cumulative (Surplus) / Deficit	0	321	499	783	1,070
Annual (Surplus) / Deficit	0	321	178	284	287

Notes

The amounts shown in the Medium Term Financial Plan (MTFP) reflect the annual change to the budget.

The Council is required by law (Local Government and Housing Act 1989, Section 76) to avoid budgeting for a deficit on the HRA. The Cumulative (Surplus) / Deficit Line reflects the cumulative savings required over the period of the MTFP - whilst this would not be permissible legally it is shown to provide an indication of the scale of savings required over the MTFP. Whereas the Annual (Surplus) / Deficit Line shows the level of savings required annually following a balanced position being set in the previous year.

Kettering Neighbourhood Account	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
INCOME					
Total Dwelling Rents	15,066	15,383	15,620	15,799	15,979
Total Service Charges	430	430	430	430	430
HRA Investment Income	7	7	7	7	7
Total Income	15,503	15,820	16,057	16,236	16,416
HRA Net Budget From Previous Year	15,438	15,503	16,018	16,209	16,388
MTFP CHANGES					
Salary Inflation	127	101	104	106	108
General Inflation / Pressures	101	79	82	83	83
Subcontractors	(43)	0	0	0	0
Fleet	100	0	0	0	0
Depreciation / MRR (Add Cap Exp)	(24)	80	82	85	89
Interest Payments - Loan	(77)	(72)	(77)	(95)	(95)
Loan Repayment	(500)	0	500	403	0
Transfer to / (from) Reserves	381	327	(500)	(403)	(208)
HRA Net Revenue Budget	15,503	16,018	16,209	16,388	16,365
(Surplus) / Deficit	0	198	152	152	(51)
Cumulative (Surplus) / Deficit	0	198	(46)	0	(203)

Notes

The amounts shown in the Medium Term Financial Plan (MTFP) reflect the annual change to the budget.

The Council is required by law (Local Government and Housing Act 1989, Section 76) to avoid budgeting for a deficit on the HRA. The Cumulative (Surplus) / Deficit Line reflects the cumulative savings required over the period of the MTFP - whilst this would not be permissible legally it is shown to provide an indication of the scale of savings required over the MTFP. Whereas the Annual (Surplus) / Deficit Line shows the level of savings required annually following a balanced position being set in the previous year.

Corby Neighbourhood Account - Reserves

Appendix C

CBC Reserves	Estimated 31/03/20 £'000	Trans to / (from) Reserves 20/21 £'000	Projected 31/03/21 £'000	Trans to / (from) Reserves 21/22 £'000	Projected 31/03/22 £'000	Trans to / (from) Reserves 22/23 £'000	Projected 31/03/23 £'000	Trans to / (from) Reserves 23/24 £'000	Projected 31/03/24 £'000	Trans to / (from) Reserves 24/25 £'000	Projected 31/03/25 £'000
HRA Balance	3,590	0	3,590	0	3,590	0	3,590	0	3,590	0	3,590
HRA Earmarked Revenue Reserves											
HRA - Solar FITs Reserve	2	(2)	0	0	0	0	0	0	0	0	0
Housing Property Sinking Fund	55	(55)	0	0	0	0	0	0	0	0	0
HRA Debt Management Reserve	7,900	1,650	9,550	(8,946)	604	2,006	2,610	2,006	4,616	2,156	6,772
Housing Stock Reserves	3,401	57	3,458	0	3,458	0	3,458	0	3,458	0	3,458
Total HRA Earmarked Revenue Reserves	11,358	1,650	13,008	(8,946)	4,062	2,006	6,068	2,006	8,074	2,156	10,230
Total Revenue Reserves	14,948	1,650	16,598	(8,946)	7,652	2,006	9,658	2,006	11,664	2,156	13,820
HRA Capital Reserves											
Housing Stock Reserves	2,355	0	2,355	0	2,355	0	2,355	0	2,355	0	2,355
1-4-1 Receipts	4,737	0	4,737	0	4,737	0	4,737	0	4,737	0	4,737
Total HRA Capital Reserves	7,092	0	7,092	0	7,092	0	7,092	0	7,092	0	7,092

Purpose for Reserve

HRA - Solar FITs Reserve- Reserve for receiving feed in tariff on solar panels

Housing Property Sinking Fund - service charges on New Build that cover items such as grey water systems

HRA Debt Management Reserve - Reserve to provide resources for the future repayment of borrowing costs for the HRA self-financing transaction.

Housing Stock Reserves - Reserve for future Capital Investment

Kettering Neighbourhood Account - Reserves

Appendix C

Reserves	Actual 31/03/20 £'000	Trans to / (from) Reserves 20/21 £'000	Projected 31/03/21 £'000	Trans to / (from) Reserves 21/22 £'000	Projected 31/03/22 £'000	Trans to / (from) Reserves 22/23 £'000	Projected 31/03/23 £'000	Trans to / (from) Reserves 23/24 £'000	Projected 31/03/24 £'000	Trans to / (from) Reserves 24/25 £'000	Projected 31/03/25 £'000
HRA Balance	850	0	850	0	850	0	850	0	850	0	850
HRA Earmarked Revenue Reserves											
HRA Self Financing Reserve	779	(500)	279	0	279	208	487	(292)	195	(195)	0
Capital (Investment - HRA)	637	0	637	(119)	518	0	518	0	518	0	518
Total HRA Earmarked Revenue Reserves	1,416	(500)	916	(119)	797	208	1,005	(292)	713	(195)	518
Total Revenue Reserves	2,266	(500)	1,766	(119)	1,647	208	1,855	(292)	1,563	(195)	1,368
HRA Capital Receipts											
1-4-1 Receipts	2,203	(401)	1,802	0	1,802	0	1,802	0	1,802	0	1,802
Attributable debt	1,336	250	1,586	0	1,586	0	1,586	0	1,586	0	1,586
Total HRA Capital Reserves	3,539	(151)	3,388	0	3,388	0	3,388	0	3,388	0	3,388

Purpose for Reserve

HRA Self Financing Reserve - Reserve to provide resources for the future repayment of borrowing costs for the HRA self-financing transaction.

Capital Investment - HRA - Reserve to provide resources for the repair, replacement and acquisition of Housing Revenue Account property.

OS Committee Budget Group – HRA – Summary of Presentation - 13th January 2021

Attendance: -

Members	Cllrs A Henley, A Mercer, C Stanbra, R Beeby, M York, L Bunday, S Naden-Horley
Officers	J Gotts, M Dickenson, G Hammons, S Darcy, I Smith, I Cooke, J Conway, P Goult, F McHugo

Overview of Presentation

1. The Budget Group received a presentation from officers regarding the Housing Revenue Account (HRA) for 2021/2022. The presentation covered both Revenue and Capital. This was based on the HRA Budget Report presented to the Shadow Executive Committee on 7th January 2021.
2. The budget proposals assumed there would be one HRA Account, however within this would be two Neighbourhood Accounts, one for Corby and one for Kettering.
3. Officers explained the components that were included within HRA Expenditure. These included: - Repairs and Maintenance, General Management, Special Services, Self-financing, Revenue contribution to Capital and Other Expenditure.
4. HRA Income included Dwelling Rents and Service Charges.
5. Officers provided details of the current HRA Budget for both Corby and Kettering. This showed that the total expenditure in 2020/2021 for HRA was £34.666m (CBC £19.228m & KBC £15.438m). Estimated outturns for both accounts were provided. This currently showed a deficit of £302k for Corby in 2020/2021, and a surplus of £5k for KBC in 2020/2021.
6. The presentation also provided proposed Budget Changes from 2020/2021 to 2021/2022 in both accounts. This showed that the CBC budget was to increase from £19.228m to £19.684m, with KBC's budget increasing from £15.438m to £15.532m. The combined budget for £2021/2022 was proposed at £35.216m.
7. In relation to the Medium-Term Financial Plan (MTFP) for both accounts' details were provided. This showed the CBC account projected to rise to £21.606m by 2025/2026, and the KBC account rising to £16.394m by that year.
8. In relation to Rent Setting, the rule from 2020/21 assumed CPI + 1%. It was noted that previous years reductions in rent had a significant impact on the level of income to both CBC and KBC.
9. The presentation included details of Rental Income (existing and New Build) for both Corby and Kettering Accounts over the period 2021/2022 to 2025/2026. For the Corby Account, rental income would rise from £18.993m to £19.863m. For the Kettering Account, rental income would rise from £15.095m to £16.008m.

10. In relation to Loans, it was noted that Kettering had current borrowing from the PWLB of £72.9m, whilst Corby's figure was £70.6m. This borrowing had followed the Government's decision for Housing Authorities to purchase existing stock. Both current sovereign councils had repayment plans in place. The overall figure was now closer to £110m following repayments by KBC. Officers confirmed that there were no current self-financing risks for either account.
11. In relation to Budget Risks, the following was highlighted: - COVID-19, Income (Rent Levels and Rent Collection), and Expenditure (Property Values).
12. It was noted that the merging of the two accounts over the Medium-Term would provide opportunities for savings, for service improvements and greater value for money. These would be explored after Vesting Day.
13. Details of the proposed Capital Programme were provided. The approved Capital Programmes of both Corby and Kettering had been incorporated into the Budget Proposals. This showed the Capital Programme for NNC in 2021/2022 of £11.882m. The total over the period 2021-2025 would be £48,195,301.

Questions/Comments

a) Slide – HRA Expenditure

Under this Cllr Henley asked how many individual sheltered schemes would be operated by NNC?

Officers – There were a total of 968 properties in total. Consisting of 10 schemes in Corby and 9 schemes in Kettering

b) Slide – HRA Income

Under this Cllr Henley raised collection rates and the disparity in void figures between CBC & KBC.

Officers – It was noted that Kettering had older stock. When a property became void it generally required more work to it prior to re-letting.

c) Slide – 2020/21 CBC Estimated Outturn

Under this Cllr Mercer queried the bad debt provision, and what factors were included. Cllr Mercer suggested that this may be set too low.

Officers – it was recognised that dependent upon the duration of the current pandemic, bad debt provision would need to be monitored.

d) Slide – Corby Neighbourhood Account Budget Changes 2020/21 to 2021/22

Under this Cllr Henley noted service charges of £622k were flat.

e) Slide – Kettering Neighbourhood Account Budget Changes 2020/21 to 2021/22

Under this Cllr Stanbra questioned the difference between CBC & KBC General Management costs? Why was CBC's so much higher? What was included under this heading?

Officers – General Management was a generic title, and currently the accounts had variations in operation. It was noted that Corby had a larger stock; this would be reflected in costs.

f) Slide – Corby Neighbourhood Account MTFP 2021/22 to 2025/26

Under this there were queries under the summary rows at foot of table. Perhaps these could be reformatted, or explanatory notes provided for clarity?

Officers – agreed to consider reformatting to provide clarity.

g) Slide – Corby Neighbourhood Account 2021/22 Rental Income

Under this Cllr Henley queried the terminology “New Build”. From what date are units classified as “New Build”?

Officers – Following the introduction of the self- financing system in April 2012 any homes built after this date are referred to as New Build.

Under this Cllr Stanbra queried why there was no provision indicated for new properties, when a significant capital programme budget had already been agreed? Why were there no estimates for 2022/23 onwards?

Officers – a significant amount was proposed for new properties over the period of the MTFP. This was dependent upon schemes being approved by NNC after Vesting Day.

h) Slide – Corby Neighbourhood Account Loans

Under this Cllr Henley queried whether there was an ability to refinance loans?

Officers – Whilst Corby and Kettering had applied different strategies, both were on course to repay. Application to amend existing arrangements would result in a cost and was not currently being advised by officers.

i) Slide – Budget Risks

Under this Cllr Mercer raised the scenario of negative interest rates, and what would happen?

Officers – if this occurred it was likely that Government would make provision, however it was recognised this was a risk. Officers would consider the level of potential risk and what mitigation may be available.

Under this Cllr Mercer felt that the risks arising out of Covid-19 needed to be emphasised i.e., number of people out of work, long-term sickness due to Covid-19 etc.

Officers – this was recognised. Unemployment among tenants may increase, however tenants would be able to access benefits in those circumstances.

j) Slide – Baseline HRA Capital Programme Position

Under this Cllr Henley queried why the budget under “Smoke Detectors” did not reduce more rapidly between 2021/22 to 2024/25?

Officers – There was a higher investment in 21/22 owing to the need to replace the older smoke detectors the budget over the next three years has been evenly profiled which enables the planned replacement of existing smoke detectors to be undertaken over this period – this doesn’t compromise safety and allows for a full replacement to be undertaken’

Under this Cllr Henley queried why there was a significant uplift in budget for “Electrical Wiring” from 2021/22 onwards?

Officers – Due to the continuing impact of the Covid-19 pandemic, it was likely that the Capital Programme in 2021/2022 would not be fully completed.

Under this Cllr Mercer queried the budget under “Disabled Adaptations”. What was the backlog? When was this likely to be cleared?

Officers – It was recognised there would be a significant backlog, particularly as many applicants were among those who needed to self-isolate and access to their properties discouraged.

General Point – need to build-in slippage to programme resulting from Covid-19 pandemic.

Under this Cllr Mercer queried “Housing Association Grant”. What was this?

Officers – monies provided by Associations for the Housing Authority to manage properties on their behalf.

Under this Cllr Stanbra again queried what were the number of projected “New Builds” over the lifetime of the Capital Programme?

Officers – a significant amount was proposed for new properties over the period of the MTFP. This was dependent upon schemes being approved by NNC after Vesting Day.

General Query over what in the Programme was going to be paid by borrowing, reserves etc? The following Table shows how the Corby Neighbourhood Account Capital Programme is estimated to be funded - the Social Housing Borrowing / Use of Reserves – assumes this is all from borrowing.

CBC Funded By	2021-22	2022-23	2023-24	2024-25	Total Funding
	£000's	£000's	£000's	£000's	£000's
Revenue Contribution	2,338,000	2,469,767	2,469,767	2,429,767	9,707,301
Capital Receipts	2,650,000	2,650,000	2,750,000	2,750,000	10,800,000
Social Housing Borrowing/Use of Reserves	2,650,000	2,650,000	2,750,000	2,750,000	10,800,000
Total	7,638,000	7,769,767	7,969,767	7,929,767	31,307,301

k) Slide – Questions

Under this Cllr Stanbra requested more detail on the projection for HRA Reserves?

Kettering Reserves

Capital Investment - HRA - Reserve to provide resources for the repair, replacement and acquisition of Housing Revenue Account property.

HRA Self Financing Reserve - Reserve to provide resources for the future repayment of borrowing costs for the HRA self-financing transaction.

Corby Reserves

HRA Debt Management Reserve - Reserve to provide resources for the future repayment of borrowing costs for the HRA self-financing transaction.

Housing Stock Reserve – Reserve for future capital investment.

HRA - Solar FITs Reserve- Reserve for receiving feed in tariff on solar panels

Housing Property Sinking Fund - service charges on New Build that cover items such as grey water systems

Housing Stock Reserves - Reserve for future Capital Investment

Under this Cllr Stanbra queried why the total entries for reserves for CBC & KBC so different? (cross reference to Shadow Executive HRA Report para 4.1.3)

Under this Cllr Stanbra queried the differences in void figures between CBC & KBC stock?

Officers – It was noted that Kettering had older stock. When a property became void it generally required more work to it prior to re-letting.

NORTH NORTHAMPTONSHIRE SHADOW AUTHORITY

SHADOW EXECUTIVE COMMITTEE MEETING

10th February 2021

Report Title	Final Budget 2021-22 and Medium Term Financial Plan
Report Author	Janice Gotts Executive Director of Finance, North Northamptonshire Shadow Authority janice.gotts@northnorthants.gov.uk

List of Appendices

- Appendix A – Budget Summary**
- Appendix B – Budget Proposals Listing**
- Appendix C – Budget Changes Summary**
- Appendix D – Budget Subjective Analysis**
- Appendix E – Fees and Charges Policy and Schedule**
- Appendix F – Reserves Strategy and Planned Use of Reserves**
- Appendix G – Consultation Feedback Summary**
- Appendix H – Equality Impact Feedback Summary**
- Appendix I – Flexible Use of Capital Receipts Strategy**
- Appendix J – Overview & Scrutiny Committee Budget Task and Finish Group Report**
- Appendix K – Treasury Management Strategy 2021-22**
- Appendix L – Dedicated Schools Grant**
- Appendix M – Legal Background to Setting the Budget and Council Tax**

1. Purpose of Report

- 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 7th December 2020 and an update was provided to the Shadow Executive on 7th January 2021 following the announcement of individual authority allocations in the Provisional Local Government Finance Settlement which was announced on 17th December 2020 and the Final Local Government Settlements published on 4 February 2021.
- 1.2. The budget consultation period commenced on 11th December 2020 and ended on 29th 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 25th 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 10th 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 25th February 2021.

2. **Executive Summary**

- 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 25th February. The report includes the outcomes of the budget consultation undertaken between 11th December 2020 to 29th 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 2021-22¹, 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 amount² 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

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

² The Council Tax harmonisation proposals were reported to the Shadow Executive on 27th 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

- 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 25th 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 4th 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 28th January 2021, as at Appendix J, and which was presented at the meeting of the Shadow Executive on 3rd 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 1st 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

- 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 27th 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 25th 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 17th December 2020. The Final Settlement was announced on 4th February 2021 and will be debated on the 10th 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 7th 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 7th 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 17th 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 7th 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 4th 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

- 5.1 The Council has consulted on the proposals in the draft 2021-22 Budget. Consultation commenced on 11th December 2020 and concluded on 29th 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.³"
- 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
 - 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

³ 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

- 6.1 The Shadow Overview and Scrutiny Committee agreed at its meeting on 10th 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 13th January 2021, Children's and Educational Services on 18th January 2021, Adult Services on 21st January 2021 and Fees and Charges on 26th 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 25th out of 26th 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 1st 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 3rd 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 10th 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 7th 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
Remaining Savings Requirement January Budget Report	0	20,598	32,086	44,709
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)		
NET INCREASE/(DECREASE) IN REVENUE BUDGET	7,224	(9,167)	(163)	(436)
Funded Through:				
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>		
NET (INCREASE)/DECREASE IN FUNDING	(7,224)	7,024	0	200
<i>Cumulative Impact of Changes from previous year</i>		<i>0</i>	<i>(2,143)</i>	<i>(2,306)</i>
Feb MTFP Changes Net Increase/Decrease	0	(2,143)	(2,306)	(2,542)
Remaining Savings Requirement	0	18,455	29,780	42,167

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 4th 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 3rd 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 3rd 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 3rd 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 24th 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 7th January 2021, the Shadow Executive approved 12 changes to the blueprint for the following services as follows:

Service Area	Original Blueprint	Updated Blueprint (all for a period of up to 12 months)
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

- 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
Net Budget Requirement	608,505	602,025	613,264	628,248
Funded By:				
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)
Total Funding	(608,505)	(583,570)	(583,484)	(586,081)
Remaining Savings Requirement	0	18,455	29,780	42,167

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.

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

- 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 31st 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 1st 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 7th 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 25th 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 27th 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 1st 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:

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

- 8.26 At its meeting on 7th 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 25th 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.

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

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

- 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	804.9
Income	(337.0)	(57.2)	(36.6)	(77.5)	(2.6)	(0.2)	(1.3)	(512.4)
TOTAL	60.4	120.8	55.8	10.4	7.3	13.8	24.0	292.5

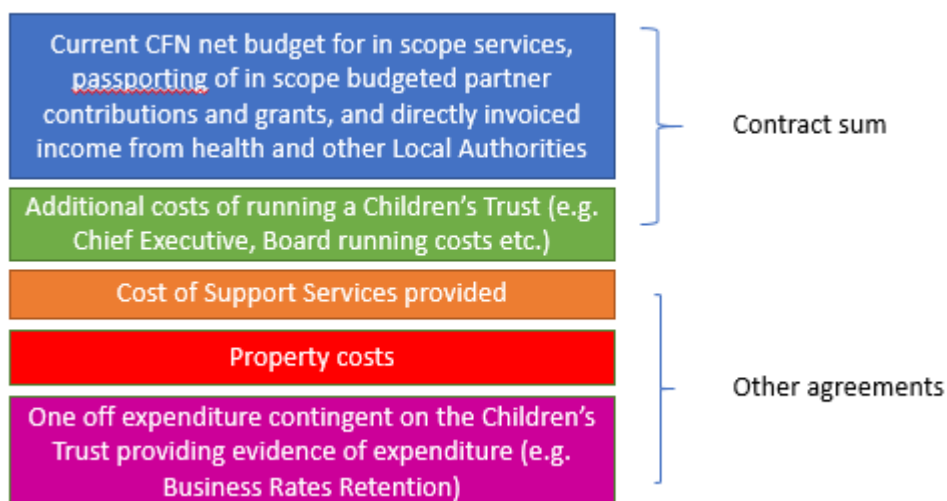
Children's and Education

- 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 1st 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 1st 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 been driven by two factors, general market inflation (predominately wage related) and acute care needs for existing clients, rather than increased clients due to demographic changes, this is anticipated to continue into 2021-22.
- 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 addition £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

- 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

- 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 1st April 2021. The reserves position at 1st 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 1st 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 1st 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 1st 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 1st 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 1st 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 1st 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 1st 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 1st 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)
Earmarked Reserves							
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)
Total Earmarked Reserves	(103,544)	(6,600)	34,057	(76,087)	0	2,500	(73,587)
Total General Fund Reserves & Balances	(125,455)	(6,715)	34,057	(98,113)	0	2,500	(95,613)

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 31st 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

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

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 show 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:

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

- 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 12th 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

- 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

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.

Risk	Mitigations
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 1st 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)

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 7th 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

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 25th November 2020:
<https://www.gov.uk/government/publications/spending-review-2020-documents>
- Provisional Local Government Finance Settlement: England 2021-22 Announcement 17th 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 27th 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 7th 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 7th January 2021:
<https://cmis.northamptonshire.gov.uk/cm5live/MeetingsCalendar/tabid/73/ctl/ViewMeetingPublic/mid/410/Meeting/3670/Committee/458/Default.aspx>

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Base Budget (excluding DSG Funded)	265,993	292,505	286,025	297,264
Base Budget (DSG Funded)	316,000	316,000	316,000	316,000
Total Base Budget	581,993	608,505	602,025	613,264
Adjustments to Base Budget				
Budget Pressures				
Contract & other inflation	8,222	7,049	7,400	7,515
Demographic/service demand	7,519	4,656	4,257	4,206
Legislative changes	0	0	0	0
Full year effects of previous decisions	407	92	449	100
Pay Related	4,433	2,894	3,095	3,226
Technical changes	4,682	(1,301)	366	93
Covid pressures	16,635	(6,593)	0	0
LGR	3,775	(1,875)	0	0
Total Budget Pressures	45,673	4,922	15,567	15,140
Budget Savings				
Demographic/service demand	(3,592)	(10)	(2,260)	(10)
Legislative changes	(356)	(450)	0	0
Full year effects of previous decisions	(11,518)	(5,019)	(1,213)	(146)
Pay Related	(826)	0	0	0
Technical changes	(525)	0	0	0
Reversal of Covid pressures	0	(5,923)	(855)	0
LGR	(2,344)	0	0	0
Total Budget Savings	(19,161)	(11,402)	(4,328)	(156)
Net Budget Movement	26,512	(6,480)	11,239	14,984
Resources Required				
Contingency	5,724	5,724	3,474	3,474
Technical Adjustments (MRP, Interest, Revenue Contribution to Capital)	18,226	20,443	18,568	18,226
Subtotal Corporate Costs	23,950	26,167	22,042	21,700
Directorate Costs	268,555	259,858	275,222	290,548
Base Budget (excluding DSG Funded)	292,505	286,025	297,264	312,248
Base Budget (DSG Funded)	316,000	316,000	316,000	316,000
Net Budget Requirement	608,505	602,025	613,264	628,248
Funded By:				
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
Other Government Funding - Adults	0	0	0	0
Transfer to / (From) Reserves	(27,342)	(2,500)	(2,500)	(2,300)
Total Funding	(608,505)	(583,570)	(583,484)	(586,081)
Remaining Savings Requirement	0	18,455	29,780	42,167

List of Proposals

APPENDIX B

Contract & Other Inflation

Directorate	Proposal Ref	Proposal Title	Proposal Description	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Adults, Communities & Wellbeing	01-01-01-02	Contractual Inflation Adult Social Care	Contractual Inflation for independent care placements incorporating National Living Wage pressures for social care providers.	6,261	5,038	5,362	5,362
Adults, Communities & Wellbeing	01-01-01-03	Shaw PPP inflation	Contractual annual inflation obligations for Shaw Public Private Partnership (PPP) contract.	258	267	274	287
Children & Education	01-02-01-01	Contractual Inflation Children First Northamptonshire	Contractual inflationary pressures in existing care placements contracts and in house allowance uplifts.	367	372	402	440
Enabling & Support Services	01-04-01-01	Rates - Transitional Arrangements	Additional Costs relating to transitional Business Rates arrangements	20	0	0	0
Enabling & Support Services	01-04-01-02	Contract inflation	General Contract Inflation	190	200	200	200
Place & Economy	01-06-01-01	Place Contract Inflation	Contract inflation in relation to Place Directorate.	700	713	684	760
Place & Economy	01-06-01-02	Utilities Inflation	Inflationary pressure on utilities contracts.	(37)	18	20	3
Place & Economy	01-06-01-03	Home to School Transport Inflation	Contractual inflation for home to school transport provision	322	334	347	350
Place & Economy	01-06-01-04	Street Lighting PFI Inflation	Contractual inflation for Street Lighting Private Finance Initiative scheme.	73	107	111	113
Place & Economy	01-06-01-05	Energy Rebate Income	Removal of energy rebate income.	68	0	0	0
Total Pressures				8,222	7,049	7,400	7,515
		Total		8,222	7,049	7,400	7,515

List of Proposals

APPENDIX B

Demographic/service demand

Directorate	Proposal Ref	Proposal Title	Proposal Description	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Adults, Communities & Wellbeing	03-01-01-01	Demographic and prevalence pressures adult social care	Budgeted growth to cover the increased cost of new clients eligible for social care with increased acuity and complex needs.	1,014	1,079	1,149	1,219
Adults, Communities & Wellbeing	03-01-01-02	Mental Health Demographic Pressures	Budgeted growth to cover the increased cost of new mental health clients eligible for care.	332	515	526	530
Adults, Communities & Wellbeing	03-01-01-03	Service provision following one-off funding reduction	Budget growth to fund the ongoing cost from 2022-23 of the Rapid response service following the cessation of the one-off funding from Business Rates Retention.	0	469	0	0
Children & Education	03-02-01-01	Children's Services Demographic Growth	Budgeted growth to cover the increasing population of children in care and Special Guardianship Order arrangements.	682	604	518	440
Children & Education	03-02-01-02	Children's Services Rebaselining	Recognition of the impact of financial issues and the on-going changes in service demand identified in 2020/21	104	0	0	0
Children & Education	03-02-01-03	Education Psychology	Reduction in capacity to meet budgeted traded income due to the annual year on year increase in the requirement to complete statutory work to timescales.	186	0	0	0
Enabling & Support Services	03-04-01-01	MRP	Increase in the Minimum Revenue Provision (MRP) budget reducing the Council's Capital Financing Requirement	1,582	1,549	1,538	1,535
Corporate	03-04-01-06	Contingency Budget	Increase Contingency Budget by £3.350m to £5.7m for 2021-2022.	3,350	0	0	0
Enabling & Support Services	03-04-01-02	NNDR costs	Increased budget to reflect actual NNDR costs for Corporate Properties	30	0	0	0
Enabling & Support Services	03-04-01-05	Insurance Contract	Estimated Insurance Contract Inflation	0	30	30	30
Place & Economy	03-06-01-01	Stock Condition Works	Works to be undertaken to Corporate Properties	100	150	150	150
Place & Economy	03-06-01-02	Volume changes on Waste Budgets	Forecast based on projections of how much waste will be produced in the area including recycling, composting and food waste tonnages.	0	113	190	202
Place & Economy	03-06-01-03	Home to School Transport Demography	Change required reflecting the population trend in the county, including the projected increase in the Special Educational Needs (SEN) / Education Health & Care Plan (EHCP) population. Trend analysis has been used to provide a forecast position. (Ref 03-06-02-02)	0	47	56	0
Transformation	03-07-01-01	IT Costs	Increase in IT Costs due to increased licencing costs.	100	100	100	100
Total Pressures				7,480	4,656	4,257	4,206
Adults, Communities & Wellbeing	03-01-02-01	Library Book Fund	Reduction in budget spent on book supplies for libraries - reflection of move to on line resources	(25)	0	0	0
Corporate	03-04-02-01	Contingency Budget	Reduction in Contingency Budget in 2023- 2024 in line with expected reduction in risk.	0	0	(2,250)	0
Enabling & Support Services	03-04-02-05	Insurance Contract	Estimated reduction in the Insurance Contract due to self insuring	(750)	0	0	0
Place & Economy	03-06-02-01	additional income	Additional income from fees and charges relating to additional demand	(230)	(10)	(10)	(10)
Place & Economy	03-06-02-03	Recycling Credits	Realignment of Recycling Credits Budget	(565)	0	0	0
Place & Economy	03-06-02-02	Home to School Transport Demography	Change required reflecting the population trend in the county. Trend analysis has been used to provide a forecast position. (Ref 03-06-01-03)	(22)	0	0	0
Place & Economy	03-06-02-04	Volume changes on Waste Budgets	Forecast based on projections of how much waste will be produced in the area including recycling, composting and food waste tonnages.	(1,961)	0	0	0
Total Savings				(3,553)	(10)	(2,260)	(10)
Total				3,927	4,646	1,997	4,196

List of Proposals

APPENDIX B

Legislative changes

Directorate	Proposal Ref	Proposal Title	Proposal Description	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Legal & Democratic Services & H	07-05-02-01	Local Elections	Removal of one off increases in budget to cover local elections, subsequently deferred to May 2021.	(356)	(450)	0	0
Total Savings				(356)	(450)	0	0
Total				(356)	(450)	0	0

Full year effects of previous decisions

Directorate	Proposal Ref	Proposal Title	Proposal Description	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Adults, Communities & Wellbeing	04-01-01-01	Reversal of One off Budget	Reversal of one-off income from Greatwell Homes in base budget	100	0	0	0
Children & Education	04-02-01-01	Family Group Conferencing	Removal of one off income in respect of DfE grant funding for the Supporting Families: investing in practice programme. The DfE are working with a number of local authorities, including NCC, to test a model of Family Group Conferencing to gather robust and usable evidence on the effectiveness in keeping children and parents together. (Ref 06-02-02-01)	142	0	0	0
Children & Education	04-02-01-02	Unaccompanied Asylum Seeking Children	Changes to the Council subsidy required due to changes in Home Office funding.	0	92	9	0
Place & Economy	04-06-01-01	Norse Pension Adjustment	Increase reflects the agreed Contract Cost for Norse.	165	0	0	0
Place & Economy	04-06-01-02	High Street HAZ Project	Resources required for the Heritage Action Zone Scheme as previously approved in the funding bid	0	0	0	100
Place & Economy	04-06-01-03	Superfast Broadband	Reversal of one off income in 2022/23	0	0	440	0
Total Pressures				407	92	449	100
Adults, Communities & Wellbeing	04-01-02-01	Theatre Interim Mgt Costs	Reduction in Contract Costs relating to the Castle Theatre	(8)	(98)	0	0
Adults, Communities & Wellbeing	04-01-02-02	Specialist centre for – Step down Care Mental Health and Acquired brain injury	Moray Lodge development providing specialist and step down supported living for people with an acquired brain injury and mental health support needs.	(154)	0	0	0
Adults, Communities & Wellbeing	04-01-02-03	Rapid response falls & admission avoidance service	A new service (initially funded by business rate pilot fund) provided by health, social care and East Midlands Ambulance Service providing support following falls in the home to reduce hospital admissions and likelihood of long term social care.	(1,918)	(647)	0	0
Adults, Communities & Wellbeing	04-01-02-04	Strengths based working	Transformation of adult social care pathways and processes to ensure focus on client outcomes, independence, better decision making and best practice approaches to reduce delays and spend.	(2,153)	(2,153)	(587)	0
Adults, Communities & Wellbeing	04-01-02-05	Rebaselining	This reduction in care budgets is to realign the base budget to the position reported for 20-21, where the service has seen a reduced demand against original budget.	(3,209)	0	0	0
Adults, Communities & Wellbeing	04-01-02-06	Prevention contract cessation/redesign	The new adult social care Target Operating Model has resulted in the decision to cease (following their termination dates expiring) a number of contracts. These services will now be delivered through an overarching approach to service delivery.	(149)	0	0	0
Adults, Communities & Wellbeing	04-01-02-07	Sheltered Housing Contracts cessation/redesign	The adult social care Target Operating Model has resulted in the decision to cease (following their termination dates expiring) a number of sheltered housing contracts. These services will now be delivered through an overarching approach to service delivery.	(71)	0	0	0
Adults, Communities & Wellbeing	04-01-02-08	Independent Care - Physical Disability	Rebaselining based on latest monitoring position against the Physical Disability cohort budget.	(762)	0	0	0

List of Proposals

APPENDIX B

Full year effects of previous decisions (Continued)

Directorate	Proposal Ref	Proposal Title	Proposal Description	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Adults, Communities & Wellbeing	04-01-02-09	Learning Disability Provider Framework efficiencies	Review activity to support progression for people with a Learning Disability, including implementation of new provider framework with improved pricing strategy, outcomes and incentivised step down	(213)	0	0	0
Children & Education	04-02-02-01	Improvement in capacity building in foster care	Ensuring that adolescents are not placed in residential home settings due to lack of in house fostering capacity, skill and abilities through the development of an in house specialist fostering service. Positive impact on children placed in a family setting, and savings will through reduced reliance on residential placements.	(458)	(161)	0	0
Children & Education	04-02-02-02	Reducing Reliance on Agency Staff	A proposal to increase the proportion of permanent staffing within the Children's Trust, reducing reliance on agency staff, through a refreshed Workforce Strategy and Quality Assurance Framework that creates a stable and effective workforce.	(115)	(247)	(161)	(35)
Children & Education	04-02-02-03	Reduction in Residential Care	Step down from high end residential places to Independent Fostering Agencies through reviews and joint working/incentives that drive better outcomes. This will drive reduced placement costs and more children will be cared for in a family setting.	(179)	(255)	(123)	0
Children & Education	04-02-02-04	Improved children's outcomes	Ensuring that only children and young people who need to be in public care are placed, as a result of improved Edge of care support and intervention with families. Working towards minimising the amount of time a child is in care before they are united with their parents.	(301)	(392)	(66)	0
Children & Education	04-02-02-05	Supported Accommodation	A new model of progressive semi-independent accommodation to support the transition for young people to self-supported housing.	(85)	(85)	0	0
Children & Education	04-02-02-06	In-House Foster Carers	Increase use of in-house fostering through an improved recruitment and retention strategy for standard carers. This will reduce reliance on agency placement.	(194)	(197)	(93)	0
Children & Education	04-02-02-07	Transport optimisation	Review of transport requirements to reduce costs to ensure an efficient use of service.	(97)	0	0	0
Children & Education	04-02-02-08	UASC	Changes to the Council subsidy required in addition to Home Office funding of support for Unaccompanied Asylum Seeking Children (UASC) and former UASC (those aged 18 and over). (Ref 04-02-01-02)	(277)	0	0	0
Enabling & Support Services	04-04-02-01	Removal of ICT, FM & General Risk Budgets	Removal of specific Contingency Budgets owing to the creation of a corporate contingency.	(493)	0	0	0
Enabling & Support Services	04-04-02-02	Reductions in Technical Finance Budgets	Removal of base budget relating to the cost of Commissioners.	(230)	0	0	0
Place & Economy	04-06-02-01	Reduction in Grants	This reflects a reduction due to a one off increase in Grants in 2020/21 returning to the substantive budget.	(140)	0	0	0
Place & Economy	04-06-02-03	Enterprise Centre Business Case	Increase in income based on appointed operators business case.	(202)	(178)	(64)	(11)
Place & Economy	04-06-02-04	Land charges	Adjustment to budget to reflect the closure of Land and Property Data Project	0	(48)	0	0
Place & Economy	04-06-02-05	Concessionary Fares	Removal of surplus budget for Concessionary Fares based on forecast underutilisation of the scheme.	(95)	(118)	(119)	0
Place & Economy	04-06-02-06	Superfast Broadband	Increase the optimisation of Superfast Broadband to over 50%, which will trigger further sharing of one off benefits in 2022-23.	0	(440)	0	0
Place & Economy	04-06-02-07	Country Parks	Annual revenue benefit of capital investment in Sywell Country Park sewage treatment plant.	(15)	0	0	0

List of Proposals

APPENDIX B

Full year effects of previous decisions (Continued)

Directorate	Proposal Ref	Proposal Title	Proposal Description	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Place & Economy	04-06-02-08	High Street HAZ Project	One off funding for the Heritage Action Zone Project previously approved.	0	0	0	(100)
Total Savings				(11,518)	(5,019)	(1,213)	(146)
Total				(11,111)	(4,927)	(764)	(46)

Pay Related

Directorate	Proposal Ref	Proposal Title	Proposal Description	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Adults, Communities & Wellbeing	05-01-01-03	Realignment of Better Care Fund (BCF) funded Public Health (PH) posts	Realignment of base budget, funded by BCF, for deleted Public Health posts that have been removed from the establishment as no longer required.	128	0	0	0
Adults, Communities & Wellbeing	05-01-01-04	Establishment Unfunded Base	TOM restructure has identified key areas of the service that have no base budget funding, including the DOLS team, Community Health Partnerships team and service management.	387	0	0	0
Children & Education	05-02-01-03	Social Worker pay review	Full year effect of budget growth in respect of locally negotiated pay inflation relating to the previous investment in an integrated career progression and pay strategy to improve qualified social worker recruitment and retention.	31	9	10	0
Children & Education	05-02-01-06	Additional Management Capacity	Establishing Assistant Director post previously funded by one off Business Rates Retention funding.	62	0	0	0
Children & Education	05-02-01-01	Pension contribution	Based on contribution rate calculated by actuary following staff transfer to Children's Trust (Ref 05-04-02-02)	417	0	0	0
All Directorates	05-03-01-01	Forecast pay inflation	Budget growth in respect of pay including inflation in National Living Wage incorporating consultation on hourly rates by Low Pay Commission	3,408	2,885	3,085	3,226
Total Pressures				4,433	2,894	3,095	3,226
Adults, Communities & Wellbeing	03-01-02-02	Library Agency Staff	Removal of budget only required during transformation period	(46)	0	0	0
Children & Education	05-02-02-02	Innovate Team and PIP (Partners in Practice) team	Removal of one off expenditure for additional social worker capacity in the duty and assessment team throughout April-May 2020 to safely manage current demand and stabilise the service, and an extension of the Court Team throughout April-June 2020 as provided by Partners in Practice to ensure skills transfer and an exit strategy are in place.	(113)	0	0	0
Enabling & Support Services	05-04-02-01	Vacancy Factor	Increase in the Council's Vacancy Factor by £250k to £1.6m	(250)	0	0	0
Enabling & Support Services	05-04-02-02	Pension contributions	Reduction in Council contribution payment to Pension Fund following transfer of staff to Children's Trust (Ref 05-02-01-01)	(417)	0	0	0
Total Savings				(826)	0	0	0
Total				3,607	2,894	3,095	3,226

List of Proposals

APPENDIX B

Technical changes

Directorate	Proposal Ref	Proposal Title	Proposal Description	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Adults, Communities & Wellbeing	06-01-01-01	Single Handed & Assistive Technology Project Equipment	Proposal to change the way Single Handed & Assistive Technology Equipment is funded from capital borrowing, which is now proposed to be funded through revenue.	138	0	0	0
Adults, Communities & Wellbeing	06-01-01-02	Shaw PFI Programme - Funded Nursing Care	Prior year savings proposal adjustment to the base budget reflecting actual delivery.	129	0	0	0
Adults, Communities & Wellbeing	06-01-01-03	Direct Payment High balance review	One-off savings proposal from 2020/21 which now needs to be removed from the base budget for 2021/22 in line with Council approval in Feb	247	0	0	0
Adults, Communities & Wellbeing	06-01-01-10	New Learning Disability Service provision	Proposal to build 8 specialist bungalows for clients to live more independently creating savings from less use of residential care. The build is funded from Homes England and contributions from the Health Service.	105	0	0	0
Children & Education	06-02-01-01	Central Schools Services Block DSG funding reduction	The Government have announced a 20% annual reduction in the historical funding element of the Central Schools Services Block. This funding supports expenditure on statutory education services which the authority are unable to reduce in line with the reduction in Central Government funding. This proposal therefore replaces DSG funding of these services with Council general fund.	0	458	366	293
Children & Education	06-02-01-02	Investment in community resilience	Reversal of one off Public Health Reinvestment Fund contribution.	26	0	0	0
Children & Education	06-02-01-03	Schools capitalisation	Reversal of prior year refinancing schools revenue contributions to capital through prudential borrowing.	197	0	0	0
Enabling & Support Services	06-04-01-01	Closure of Accounts resources	One-off resources for legacy closure and accounts, and subsequent	600	(600)	0	0
Enabling & Support Services	06-04-01-02	Technical Finance Rebaselining	Rebaselining of Technical Finance budget. Removal of any residual balances from previous cross-cutting savings proposals which are still in the base.	77	0	0	0
Enabling & Support Services	06-04-01-03	Grant Funded Expenditure	Community Projects Revenue Contribution to Capital and revenue grants unapplied	791	(791)	0	0
Place & Economy	06-06-01-01	Place-based Public Health Offer	End of alternative funding of projects with outcomes aligned with the Public Health Business Plan and Joint Health and Wellbeing Strategy.	116	0	0	0
Place & Economy	06-06-01-02	Highways Contract Renewal	Additional budget required to cover the estimated cost of Highways contract re-procurement, (excluding demobilisation).	325	0	0	0
Place & Economy	06-06-01-03	Highways Contract Renewal	Final phase in planned removal of original budget for Highways contract re-procurement costs, (see updated proposal on line above).	(75)	0	0	0
Place & Economy	06-06-01-04	Management of Closed Landfills	Risk based approach to the management of historic closed landfill sites during 2020-21 relating to inspection and assessment costs.	51	0	0	0
Place & Economy	06-06-01-05	Waste	Budget for advance procurement work on new Waste contracts	50	0	0	0
Place & Economy	06-06-01-06	Emergency Planning	Realignment of income target	13	0	0	0
Place & Economy	06-06-01-07	Coroner Service	Reversal of one-off saving for 2020-21 only, due to cost sharing agreement for staff with Northamptonshire Police.	46	0	0	0
Place & Economy	06-06-01-08	Highways Contract	Realignment of overheads.	378	0	0	0
Place & Economy	06-06-01-09	Place Rebaselining	Rebaselining of budgets for property investment income, capitalisation of salaries, waste and highways contract overheads to reflect current in-year position.	637	0	0	0
Place & Economy	06-06-01-11	Car Parking	Reduction in income relating to car parking	85	0	0	0
Transformation	06-06-01-12	Eclipse	Rollout of the Eclipse social care case management system across Children's and Adults Social Care, to replace the Carefirst system.	64	35	0	0
Place & Economy	06-06-01-13	Shared Service rebaselining	Pressure relating to existing shared service arrangements	79	0	0	0
Place & Economy	06-06-01-15	Grant Funded Expenditure	Grant funded expenditure for the Joint Planning Unit and Capacity Fund	403	(403)	0	0
Total Pressures				4,482	(1,301)	366	293

List of Proposals

APPENDIX B

Technical changes

Directorate	Proposal Ref	Proposal Title	Proposal Description	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Children & Education	06-02-02-01	Family Group Conferencing	Removal of one off funding in respect of DfE grant funding for the Supporting Families: investing in practice programme. The DfE are working with a number of local authorities, including NCC, to test a model of Family Group Conferencing to gather robust and usable evidence on the effectiveness in keeping children and parents together.	(142)	0	0	0
Place & Economy	06-03-02-02	Fees and Charges	Inflationary Uplift of Fees and Charges owing to a new charging strategy.	(346)	0	0	0
Place & Economy	06-03-02-01	Fees and Charges	Harmonisation of Prioritised Fees and Charges	(37)	0	0	0
Adults, Communities & Wellbeing	06-01-01-14	Voluntary Sector Support	Additional Support to the Voluntary Sector	200	0	0	(200)
Total Savings				(325)	0	0	(200)
		Total		4,157	(1,301)	366	93

Covid pressures

Directorate	Proposal Ref	Proposal Title	Proposal Description	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Adults, Communities & Wellbeing	02-01-01-01	Homelessness and Rough Sleeping Pressures	Additional costs relating to Homelessness and Rough Sleeping	200	0	0	0
Adults, Communities & Wellbeing	02-01-01-02	Leisure	Additional pressures relating to the running of Leisure Services across North Northamptonshire	962	0	0	0
Adults, Communities & Wellbeing	02-01-01-03	CCG Discharge Packages Covid 19	Additional costs (volume and price) of the CCG discharges that have occurred during the covid 19 period.	3,912	0	0	0
Adults, Communities & Wellbeing	02-01-01-04	Mental Health Pool demand	Additional costs on the Mental Health pool with the CCG due to increased volume of clients which has occurred during the covid 19 period.	742	0	0	0
Adults, Communities & Wellbeing	02-01-01-05	COMF Test & Trace	Fully funded expenditure relating to COMF Test & Trace	6,593	(6,593)	0	0
Children & Education	02-02-01-01	Additional Demand	The forecast full year effect of 20-21 covid-19 additional demand pressures.	719	0	0	0
Enabling & Support Services	02-03-01-01	PPE	Forecast cost of Personal Protective Equipment (PPE) in 2021-22	280	0	0	0
Transformation	02-03-01-02	Additional costs of remote working.	Additional costs as a result of remote working requirements following national pandemic.	250	0	0	0
Corporate	02-04-01-01	Treasury Management	Reduction in Interest rates resulting in reduced income	342	0	0	0
Place & Economy	02-06-01-01	Planning Fees	Net Reduction in Income from Planning Applications	28	0	0	0
Place & Economy	02-06-01-02	Building Control Income	Net Reduction in Income from Building Control Applications	7	0	0	0
Place & Economy	02-06-01-03	Commercial Income	Reduction in Income from Commercial Investments	1,502	0	0	0
Place & Economy	02-06-01-04	Household Waste Collection	Increased Tonnages and higher disposal costs	200	0	0	0
Place & Economy	02-06-01-05	Household Waste Collection	Increased Fleet cleansing and other safety measures implemented.	25	0	0	0
Place & Economy	02-06-01-07	Covid impact on Waste volumes.	Impact of covid on Waste volumes.	473	0	0	0
Place & Economy	02-06-01-06	Recycling Disposal Costs	Increase in the gate fee for the disposal of co-mingled recycling.	400	0	0	0
Total Pressures				16,635	(6,593)	0	0
Adults, Communities & Wellbeing	02-01-02-01	Leisure	Reversal of one off Covid Pressure in 2021/22 (Ref 02-01-01-02)	0	(962)	0	0
Adults, Communities & Wellbeing	02-01-02-02	CCG Discharge Packages Covid 19	Reversal of one off Covid Pressure in 2021/22 (Ref 02-01-01-03)	0	(3,399)	(513)	0
Transformation	02-03-02-01	Additional costs of remote working.	Reversal of one off Covid Pressure in 2021/22 (Ref 02-03-01-02)	0	(250)	0	0
Corporate	02-04-02-01	Treasury Management	Reversal of one off Covid Pressure in 2021/22 (Ref 02-04-01-01)	0	0	(342)	0
Place & Economy	02-06-02-01	Planning Fees	Reversal of one off Covid Pressure in 2021/22 (Ref 02-06-01-01)	0	(28)	0	0
Place & Economy	02-06-02-02	Building Control Income	Reversal of one off Covid Pressure in 2021/22 (Ref 02-06-01-02)	0	(7)	0	0
Place & Economy	02-06-02-03	Commercial Income	Reversal of one off Covid Pressure in 2021/22 (Ref 02-06-01-03)	0	(1,252)	0	0
Place & Economy	02-06-02-04	Household Waste Collection	Reversal of one off Covid Pressure in 2021/22 (Ref 02-06-01-05)	0	(25)	0	0
Total Savings				0	(5,923)	(855)	0
		Total		16,635	(12,516)	(855)	0

List of Proposals

APPENDIX B

LGR

Directorate	Proposal Ref	Proposal Title	Proposal Description	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
All Directorates	08-03-01-02	Staffing Pressure	Diseconomies of scale relating to the disaggregation of NCC services	1,900	0	0	0
Corporate	08-03-01-03	BR Scheme - Customer Contact & Digital	Revenue Contribution to Capital for Customer Contact & Digital Scheme	1,875	(1,875)	0	0
Total Pressures				3,775	(1,875)	0	0
All Directorates	08-03-02-01	Staffing Savings	Estimated savings related to the Senior Leadership Structure	(2,300)	0	0	0
Adults, Communities & Wellbeing	08-03-02-03	Housing Options Saving	Saving relating to the harmonisation of the Housing Options Allocation System	(44)	0	0	0
Total Savings				(2,344)	0	0	0
		Total		1,431	(1,875)	0	0

Expenditure

Directorate	Proposal Category	Proposal Ref	Proposal Title	Proposal Description	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
-------------	-------------------	--------------	----------------	----------------------	-----------------	-----------------	-----------------	-----------------

Draft Budget Position (excluding DSG Funded) as per January Executive Report	285,281	287,968	299,370	314,790
---	----------------	----------------	----------------	----------------

Changes to existing proposals

Adults, Communities & Wellbeing	Covid pressures	02-01-01-04	Mental Health Pool Demand	Additional costs on the Mental Health pool with the CCG due to increased volume of clients which has occurred during the covid 19	173			
Adults, Communities & Wellbeing	Full year effects of previous decisions	04-01-02-04	Strength based working	Transformation Adults pathways and processes to ensure focus on client outcomes, independence, better decision making and best practice approaches reduce delays and spend. Business Rate Pilot funded assessment stage and now out for tender for implementation of new Target Operating Model (TOM) service design.	226	226	62	
Place & Economy	Contract & other inflation	01-06-01-01 01-06-01-02 01-06-01-04	Place Contract Inflation	Reduction in the Contract inflation in relation to Place Directorate including Utilities and Street Lighting.	(294)	(112)	(127)	(138)
Place & Economy	Demographic/service demand	03-06-01-02 03-06-02-04	Volume changes on Waste Budgets	Forecast based on projections of how much waste will be produced in the county including recycling, composting and food waste tonnages.	(2,520)	(149)	(98)	(98)
Place & Economy	Technical changes	06-06-01-02	Highways Contract Renewal	Reduction in additional budget required to cover the estimated cost of Highways contract re-procurement, (excluding demobilisation).	(56)			
Finance	Pay	05-04-02-02	Pension contributions	Realignment of the Council contribution payment to Pension Fund following transfer of staff to Children's Trust	46			
Children's Services	Technical changes	06-02-01-01	Central Schools Services Block DSG funding reduction	A reversal of the proposal to fund statutory education services expenditure which was previously funded through DSG funding.	(529)			
Children's Services	Technical changes	06-02-01-03	Schools capitalisation	Reversal of prior year revenue savings as a result of refinancing schools revenue contributions to capital through prudential borrowing due to uncertainty around the levels of ongoing level of contributions.	197			
Children's Services	Full year effects of previous decisions	04-02-02-04	Improved children's outcomes	Ensure that only children and young people who need to be in public care are placed as a result of improved Edge of care support and intervention with families. Working towards minimizing the amount of time a child is in care before they are united with their parents and if not possible that alternative arrangements are where possible Special Guardianship Order, Child Arrangement Order or adoption solutions.	(28)	28		
Place & Economy	Technical changes	06-03-02-01	Harmonisation of Prioritised Fees and Charges	Reversal of Harmonisation Proposal on Fees and Charges.	158			
Legal & Democratic Services &	Legislative changes	07-05-02-01	Elections	Realignment of future years election costs		467		

Changes to Existing Proposals	(2,627)	460	(163)	(236)
--------------------------------------	----------------	------------	--------------	--------------

Directorate	Proposal Category	Proposal Ref	Proposal Title	Proposal Description	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
New proposals								
Place & Economy	Covid pressures	02-06-01-07	Covid impact on Waste volumes.	Impact of covid on Waste volumes.	473			
Place & Economy	Contract & other inflation	01-06-01-05	Energy Rebate Income	Removal of energy rebate income.	68			
Adults, Communities & Wellbeing	Demographic/service demand	03-01-02-01	Library Book Fund	Reduction in budget spent on book supplies for libraries - reflection of move to on line resources	(25)			
Adults, Communities & Wellbeing	Pay	03-01-02-02	Library Agency Staff	Removal of budget only required during transformation period	(46)			
Children's Services	Demographic/service demand	03-02-01-03	Education Psychology	Reduction in capacity to meet budgeted traded income due to the annual year on year increase in the requirement to complete statutory work to timescales.	186			
Transformation	Technical changes	06-06-01-12	Eclipse	Rollout of the Eclipse social care case management system across Children's and Adults Social Care, to replace the Carefirst system.	64	35		
Place & Economy	Technical changes	06-06-01-13	Shared Service rebaselining	Realignment of existing shared service arrangements	79			
Adults, Communities & Wellbeing	Covid pressures	02-01-01-05	COMF Test & Trace	Fully funded expenditure relating to COMF Test & Trace	6,593	(6,593)		
Adults, Communities & Wellbeing	Technical changes	06-01-01-14	Voluntary Sector Support	Additional Support to the Voluntary Sector	200			(200)
New Proposals					7,592	(6,558)		(200)

Changes to Baseline Position

Adults, Communities & Wellbeing	Baseline Change		Changes to Adults disaggregation	Adjustment to client contribution reallocation, to account for PFI client contributions which have already been disaggregated.	135			
Finance	Baseline Change		Support Services Disaggregation	Disaggregation principles have now been applied to these support service budgets. Applying these principles results in a decrease to North Northamptonshire Council support service budgets.	(1,227)			
Finance	Baseline Change		Realignment of Base Budget	Disaggregation metrics applied to internal NCC budget virements (realignments of budget between service areas) since the initial baseline split was undertaken	(23)			
Children's Services	Baseline Change		Support Services to the Children's Trust	The Children's Trust budget has been increased to reflect support services where staff will TUPE to the Children's Trust on 1st April and lead authority support services which the Trust will buy back delivered under Service Level Agreements	634			
Children's Services	Baseline Change		Support Services to the Children's Trust TUPE	Budgets transferred from respective support services to meet costs where staff will TUPE to the Children's Trust on 1st April following the conclusion of the support services due diligence	(329)			

Baseline Changes					(810)			
-------------------------	--	--	--	--	--------------	--	--	--

Revenue Contribution to Capital - BR Scheme - Customer Contact & Digital	1,875	(1,875)		
Revenue Contribution to Capital - Community Projects Scheme	342	(342)		

Capital Financing					2,217	(2,217)		
--------------------------	--	--	--	--	--------------	----------------	--	--

JPU, Capacity Fund and other revenue grants funded from a reserve	852	(852)		
---	-----	-------	--	--

Other Movements					852	(852)		
------------------------	--	--	--	--	------------	--------------	--	--

<i>Cumulative Impact of Changes</i>		7,224	(1,943)	(2,106)
-------------------------------------	--	-------	---------	---------

Movement	7,224	(1,943)	(2,106)	(2,542)
-----------------	--------------	----------------	----------------	----------------

Final Budget Position (excluding DSG Funded)	292,505	286,025	297,264	312,248
---	----------------	----------------	----------------	----------------

Funding

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Draft Budget Position (excluding DSG Funded) as per January Executive Report	285,281	267,370	267,284	270,081

Core Funding Movements

Business Rates Collection Fund	Increase in Collection Fund Deficit related to S31 Grants Paid in 2020/21	(21,445)			
LCTS (Local Council Tax Support Grant)	Additional Local Council Tax Support Grant	2,403			

Other Movements		(19,042)			
------------------------	--	-----------------	--	--	--

Transfers From Reserves

Transfer from Reserves	Transfer of S31 Grants received in 2020/21 from a reserve	21,445			
Transfer from Reserves	Transfer from Reserve for Voluntary Sector	200	200	200	
Transfer from Reserves	Transfer from Reserves for COMF Test & Trace	6,593			
Transfer from Reserves	Transfer from Reserves for BR Customer Contact & Digital Scheme	1,875			
Transfer from Reserves	Transfer from Reserves for Community Projects Capital Scheme	342			
Transfer from Reserves	Transfer from Reserves for revenue grants	852			

Transfers From Reserves		31,307	200	200	
--------------------------------	--	---------------	------------	------------	--

Transfers To Reserves

Transfer to Reserves	Transfer to Local Council Tax Support Reserve	(500)			
Transfer to Reserves	Reduced reliance on reserves for Covid pressures	(1,526)			
Transfer to Reserves	Transfer to General Reserves	(115)			
Transfer to Reserves	Transfer to Reserve for Voluntary Sector	(600)			
Transfer to Reserves	Transfer to a Waste Reserve	(2,300)			

Transfers To Reserves		(5,041)			
------------------------------	--	----------------	--	--	--

Movement	7,224	200	200	
-----------------	--------------	------------	------------	--

Final Budget Position (excluding DSG Funded)	292,505	267,570	267,484	270,081
---	----------------	----------------	----------------	----------------

Remaining Savings Requirement - Draft Budget Position	0	20,598	32,086	44,709
--	----------	---------------	---------------	---------------

Remaining Savings Requirement - Final Budget Position	0	18,455	29,780	42,167
--	----------	---------------	---------------	---------------

	Childrens & 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
Employees	10.1	24.4	24.2	20.3	8.8	7.2	0.0	95.0
Premises	1.3	2.1	7.0	0.3	0.0	0.3	0.0	11.0
Transport	0.1	0.6	8.3	0.2	0.1	0.0	0.0	9.3
Supplies and Services	1.0	13.5	14.1	5.1	0.6	3.9	0.0	38.2
Third Party Payments	86.0	119.7	39.1	35.5	0.2	2.3	0.0	282.8
Transfer Payments	(0.1)	16.7	0.2	27.3	0.0	0.0	0.9	45.0
Support Costs	0.9	1.5	0.0	0.5	0.0	0.4	0.0	3.3
Technical & Budgeting Codes	298.1	(0.5)	(0.5)	(1.3)	0.2	(0.1)	24.4	320.3
TOTAL EXPENDITURE	397.4	178.0	92.4	87.9	9.9	14.0	25.3	804.9
Income	(337.0)	(57.2)	(36.6)	(77.5)	(2.6)	(0.2)	(1.3)	(512.4)
TOTAL INCOME	(337.0)	(57.2)	(36.6)	(77.5)	(2.6)	(0.2)	(1.3)	(512.4)
NET EXPENDITURE	60.4	120.8	55.8	10.4	7.3	13.8	24.0	292.5

North Northamptonshire Council

Fees and Charges Policy January 2021

North Northamptonshire Council Fees and Charges Policy

1 Introduction

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

2 Background - Statutory and discretionary charges legislation

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

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

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

3 Local Government Reorganisation (LGR)

- 3.1 Due to the implementation of LGR in Northamptonshire this is North Northamptonshire’s first year of setting this policy and indeed it’s first budget process. Fees and Charges within the previous District & Borough Councils have been reviewed as to whether harmonisation is required based on statute, recharging and revised costs from an aggregated team moving forward perspective and certain categories of fees and charges have therefore been prioritised to be harmonised for vesting day including, Building Control, Pre-Planning fees, Bulky Waste Collections and HMO Licencing. This is in addition to the fees for Environmental Health licencing that are already harmonised across North Northamptonshire.
- 3.2 The Council is 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.

4 Charging Models

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

Full commercial – the default position	The Council seeks to maximise revenue within an overall objective of recovering the full cost of provision, including all overheads, investments, cost of sales and development.
Full commercial with discounts	As above, but with discounts being given to reflect market conditions and enable trade. Discounted costs are met out of service budget.
Full commercial with concession	As above, but with concessions being given to enable disadvantaged groups to access the service. There needs to be a clear case for this.

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

5 Application of Fees and Charges Policy

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

6 In Year Changes

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

7 Responsibility and recording

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

Appendix 1 -Local authority legislation

The Localism Act 2011

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

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

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

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

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

Local Government Act 2003

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

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

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

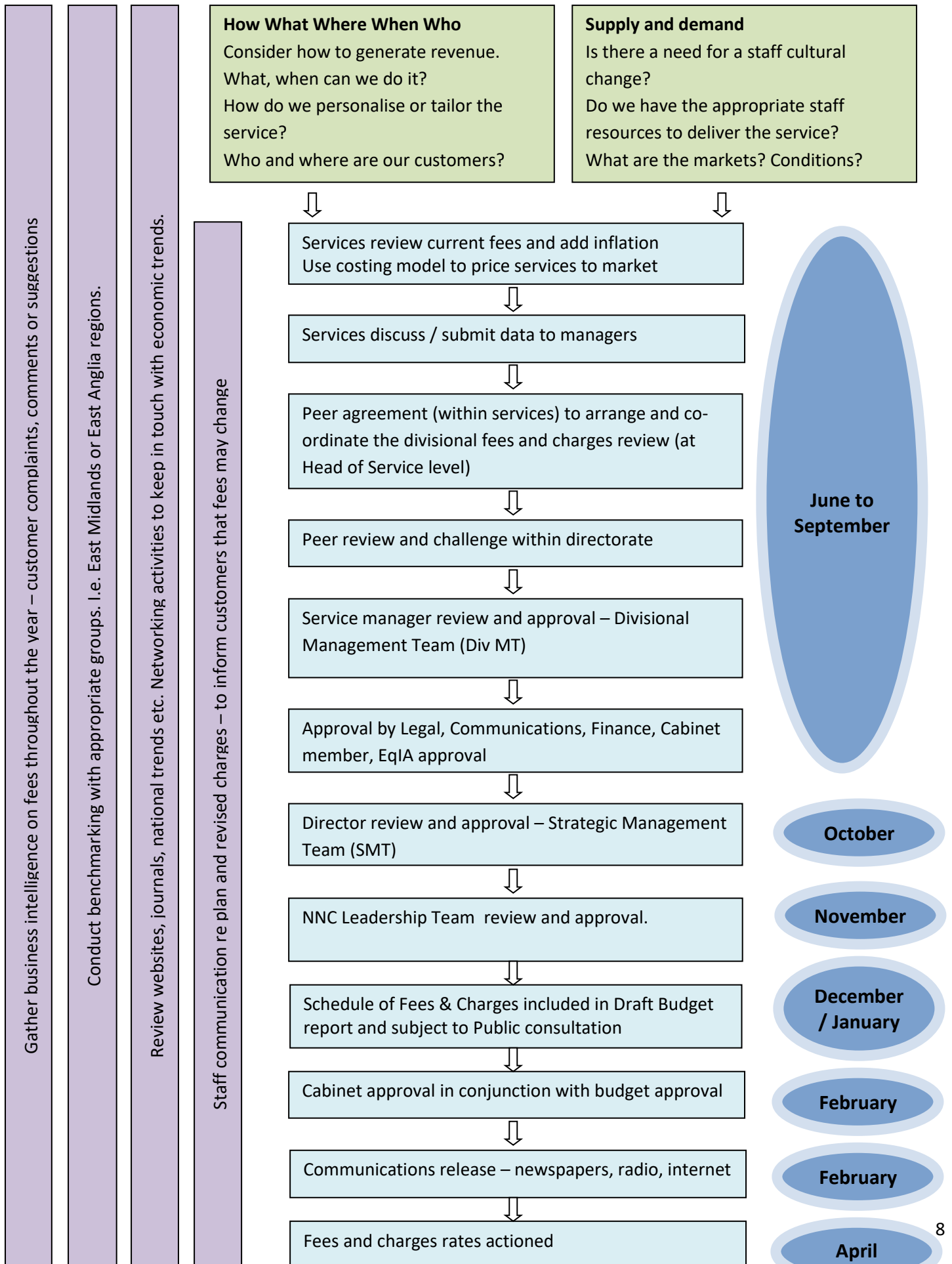
Local Government Act 2000

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

Local Authority (Goods and Services) Act 1970

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

Appendix 2 - Fees and charges planning flowchart



APPENDIX 3
Previous 2020-21 Fees & Charges

	BCW	ENC	CBC	KBC	Harmonised NNC	BCW	ENC	CBC	KBC
	Actual Charge 2020-21 £	Actual Charge 2020-21 £	Actual Charge 2020-21	Actual Charge 2020-21	Proposed Charge 2021-22 £	Proposed Charge Movement 2021-22 %	Proposed Charge Movement 2021-22 %	Proposed Charge Movement 2021-22 %	Proposed Charge Movement 2021-22 %
Building Control									
Hourly Day Rate	65.00	62.67	70.00	65.00	65	0.00%	3.72%	-7.14%	0.00%
Bulky Waste Collection									
Up to 5 items	38.80	29.50	24.00	24.00	30	-22.68%	1.69%	25.00%	25.00%
Pre Planning Application									
Minor Applications									
Householder applicants	65.00	50.00		65.00	65	0.00%	30.00%		0.00%
Householder applicants + site visit		110.00			110		0.00%		
Adverts	65.00	90.90		65.00	75	15.38%	-17.49%		15.38%
Adverts + site meeting		155.90			155		-0.58%		
Listed Building	65.00	50.00		65.00	75	15.38%	50.00%		15.38%
Listed Building + site meeting		110.00			120		9.09%		
Change of use	135.00	200.00			200	48.15%	0.00%		
Change of use + site meeting		265.00		135.00	265		0.00%		96.30%
Up to an hour meeting if requested	30% of "initial fee"			30% of "initial fee"	30% of "initial fee"	0.00%			0.00%
Houses in Multiple Occupation: Mandatory Licence									
Application fee (Due on Application)	768.00	768.00	640.00	768.00	800	4.17%	4.17%	25.00%	4.17%
Grant Fee (Payable once your application has been successful)	432.00	432.00	360.00	432.00	440	1.85%	1.85%	22.22%	1.85%
Variation Fee – No Inspection Required	319.00	319.00	266.00		325	1.88%	1.88%	22.18%	
Variation Fee – Inspection Required	732.00	732.00	610.00		740	1.09%	1.09%	21.31%	
Renewal Application	768.00	768.00	640.00	768.00	800	4.17%	4.17%	25.00%	4.17%
Renewal Grant Fee	432.00	432.00	360.00	432.00	440	1.85%	1.85%	22.22%	1.85%
Change of Details	31.00	31.00	31.00	31.00	32	3.23%	3.23%	3.23%	3.23%
Copy Licence	16.00	16.00	31.00	16.00	32	100.00%	100.00%	3.23%	100.00%
Accommodation Certificate			90.00		95			5.56%	
Environmental Search Information in relation to house purchase			63.00		65			3.17%	
Environmental Search Information in relation to commercial enquiry			153.00		155			1.31%	

APPENDIX F

North Northamptonshire Council Reserves Strategy 2021-22

Background

The requirement for financial reserves is acknowledged in statute. Sections 32 and 43 of the Local Government Act require Precepting Authorities (and Billing Authorities) in England and Wales to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement.

In England and Wales, earmarked reserves remain legally part of the General Reserve, although they are accounted for separately.

There are other safeguards in place that help to prevent local authorities over-committing themselves financially. These include:

- The balanced budget requirement (Local Government Act 1992 s32 and s43).
- Chief Finance Officers duty to report on the robustness of estimates and adequacy of reserves (Local Government Act 2003 s25) when the Council is considering the budget requirement.
- Legislative requirement for each council to make arrangements for the proper administration of their financial affairs and that the Chief Finance Officer has responsibility for the administration of those affairs (section 151 of the Local Government Act 1972).
- The requirements of the Prudential Code.
- External Auditors will consider whether audited bodies have established adequate arrangements to ensure that their financial position is soundly based.

These requirements are reinforced by section 114 of the Local Government Finance Act 1988, which requires the Chief Finance Officer to report to the Council if there is likely to be unlawful expenditure or an unbalanced budget. This would include situations where reserves have become seriously depleted and it is forecast that the Council will not have the resources to meet its expenditure in a particular financial year. The issue of a section 114 notice cannot be taken lightly and has serious operational implications. Indeed, the Council must consider the s114 notice within 21 days and during that period the Force is prohibited from entering into new agreements involving the incurring of expenditure.

Whilst it is primarily the responsibility of the Council and its Chief Finance Officer to maintain a sound financial position, external auditors will, as part of their wider responsibilities, consider whether audited bodies have established adequate arrangements to ensure that their financial position is soundly based. However, it is not the responsibility of auditors to prescribe the optimum or minimum level of reserves for individual authorities in general.

CIPFA's Prudential Code requires the Chief Finance Officers to have full regard to affordability when making recommendations about the Council's future capital programme. Such consideration includes the level of long-term revenue commitments. Indeed, in considering the affordability of its capital plans, the Council is required to consider all of the resources available to it and estimated for the future, together with the totality of its capital plans and revenue forecasts for the forthcoming year and the following two years. There is a requirement for three-year revenue forecasts across the public sector and this is achieved through the Medium Term Financial Plan (MTFP). The Spending Review (SR) has provided the Council with details of proposed revenue grant for one year and capital grant settlement has yet to be announced. This provides limited ability to focus on the levels of reserves and application of balances and reserves.

CIPFA and the Local Authority Accounting Panel do not accept that there is a case for introducing a generally acceptable minimum level of reserves. Councils, on the advice of their Chief Finance Officers, should make their own judgements on such matters taking into account all relevant local circumstances. Such circumstances will vary between local areas. A well-managed organisation, for example, with a prudent approach to budgeting should be able to operate with a level of general reserves appropriate for the risks (both internal and external) to which it is exposed. In assessing the appropriate level of reserves, a well-managed organisation will ensure that the reserves are not only adequate, but also are necessary.

Section 26 of the Local Government Act 2003 gives Ministers in England and Wales a general power to set a minimum level of reserves for authorities. However, the government has undertaken to apply this only to individual authorities in the circumstances where the authority does not act prudently, disregards the advice of its Chief Finance Officer and is heading for serious financial difficulty.

National Context

The UK's economy faces a number of uncertainties, risks and challenges. The primary ones are the response to the global Covid-19 pandemic, the exit from the European Union and the impact of these on the public finances.

In recognition of these uncertainties HM Treasury has provided significant support for the UK economy. In November 2020 the Chancellor announced a one year Spending Review covering the financial year 2021/22, with a further Budget and Spending Review expected during 2021 which is likely to set out government funding over the medium term.

In line with the Spending Review 2020 Local Government has received a one year financial settlement for 2021/22. In addition to uncertainty over the total funding available for the local government sector from 2022/23 there are plans to implement changes to the way in which resources are allocated to councils. It is expected that consultation on changes arising from the Fair Funding Review, Business Rates Retention and New Homes Bonus will be announced during 2021.

Local Context

North Northamptonshire Council is a new Council, commencing services from 1st April 2021. It has been created by amalgamating the former council areas of Corby, East Northamptonshire, Kettering and Wellingborough together with the proportion of Northamptonshire County Council covering the North of Northamptonshire.

The new Council will continue to face financial pressures. As noted above it is recognised nationally that there are significant budget pressures for local government, not only from the longer-term impact of COVID-19 on costs and income, but also Social Care demand and other cost pressures which pre-date the pandemic.

Whilst the creation of the new Unitary Council creates a number of opportunities to benefit the region, it is also recognised that there are some risks and costs, both upfront and legacy, associated with the implementation of local government reform. Specific risks for the 2021-22 budget include the disaggregation of the County Council's service delivery budgets and balance sheet between North and West Northamptonshire, which could give rise to significant budget pressures and the Council's transformation programme. Whilst the Council has prepared a balanced financial position for 2021/22 it faces forecast funding shortfalls over the period of the medium term which must be addressed.

Types of Reserve

The Council holds reserves for specific reasons that are included within the Medium Term Financial Plan. These include a working balance to cover unexpected events and to meet forthcoming events where the precise event, date and amount required cannot accurately be predicted. In addition the Council is required to hold non-cash backed reserves to adhere to proper accounting requirements when preparing its annual Statement of Accounts. There are four types of reserves, each of which are explored in more detail below:

- General Reserves and Minimum Level of Reserves
- Earmarked Reserves
- Earmarked Reserves – Capital
- Non-Cash Backed Reserves for Statement of Accounts

General Reserves & Minimum Level of Reserves

The Council will hold a general reserve which sets out the minimum amount of reserves the council is required to hold for the following purposes:

- To meet forthcoming events where the precise date and amount required cannot be accurately predicted.
- A contingency to cushion the impact of unexpected events or emergencies.

- A reasonable amount to meet peaks and troughs in revenue and capital expenditure requirements.
- A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing.

The general reserves which include a minimum level of reserves will be based on a risk assessment.

Earmarked Reserves

The Council will hold earmarked reserves for the following purposes:

- A means of building up funds often referred to as earmarked reserves, to meet known or predicted requirements; earmarked reserves are accounted for separately but remain legally part of the general reserve.
- To mitigate specific risks in relation to the economic climate and the safety of the Council's financial assets. This would link closely with the Treasury Management and Prudential Code Strategy.
- To meet forthcoming capital expenditure needs where major capital schemes are being planned and the reserve will be utilised to reduce the cost of borrowing and capital charges to the revenue account.
- To meet smaller projects where expenditure is only met from this reserve and which meets specific policy requirements.

Earmarked Reserve – Capital

The Council will hold a Capital Receipts Reserve. This reserve holds the proceeds from the sale of assets and can only be used for capital purposes in accordance with the regulations.

Protocols for Establishing & Reviewing Earmarked Reserves

For each earmarked reserve held by the Council there should be a clear protocol setting out:

- The reason for/purpose of the reserve.
- How and when the reserve can be used.
- Procedures for the reserves management and control.
- A process and timescale for review of the reserve to ensure continuing relevance and adequacy.

When establishing reserves, the Council needs to ensure compliance with the Code of Practice on Local Authority Accounting and in particular the need to distinguish between reserves and provisions. It will also need to pay due regard to the Council's Constitution and Financial Regulations.

When reviewing the Medium Term Financial Plan, preparing the annual budgets and during the end of year accounts process the Council should consider the establishment and maintenance of reserves.

Non-Cash Backed Reserves for Statement of Accounts

The Council also holds other reserves that arise out of the interaction of legislation and proper accounting practice. These reserves are technical in nature and are not cash-backed and cannot be used for any other purpose, are described below:

- The Pensions Reserve – this is a specific accounting mechanism used to reconcile the payments made for the year to various statutory pension schemes.
- The Revaluation Reserve – this is a reserve that records unrealised gains in the value of fixed assets. The reserve increases when assets are revalued upwards, and decreases as assets are depreciated or revalued downwards or disposed of.
- The Capital Adjustment Account – this is a specific accounting mechanism used to reconcile the different rates at which assets are depreciated under proper accounting practice and are financed through the capital controls system.
- The Available-for-Sale Financial Instruments Reserve – this is a reserve that records unrealised revaluation gains arising from holding available-for-sale investments, plus any unrealised losses that have not arisen from impairment of the assets. *Currently none.*
- The Financial Instruments Adjustment Reserve – this is a specific accounting mechanism used to reconcile the different rates at which gains and losses (such as premiums on the early repayment of debt) are recognised under proper accounting practice and are required by statute to be met from the General Fund. *Currently none.*
- The Unequal Pay Back Pay Account – this is a specific accounting mechanism used to reconcile the different rates at which payments in relation to compensation for previous unequal pay are recognised under proper accounting practice and are required by statute to be met from the general fund. *Currently none.*
- Collection Fund Adjustment account – this is specific to the changes in accounting entries relating to the Collection Fund Accounts held by the Billing Authorities.
- Accumulated Absences Account – this account represents the value of outstanding annual leave and time off in lieu as at 31st March each year.

Other such reserves may be created in future where developments in local authority accounting result in timing differences between the recognition of income and expenditure under proper accounting practice and under statute or regulation, such as the Capital Grants Unapplied where grants have been received and are held in anti but have not yet been set against relevant spend.

North Northamptonshire Council's Reserves

This document aims to provide an over-arching strategy that defines the boundaries within which the approved budget and Medium Term Financial Plan (MTFP) operate.

The General Reserve & Minimum Level of Reserves

It has previously been established that General Reserves will be maintained at a level above the **minimum of 5.0% of the total net revenue budget**.

The purpose of this reserve is to provide for any unexpected expenditure that cannot be managed within existing budgets. Such expenditure would be one-off and resulting from an extraordinary event.

Similarly the General Reserve should be set at a prudent and not excessive level, as holding a high level of reserves can impact on resources and performance. As such the **maximum** level of General Reserves is set at **10.0% of the total net revenue budget**.

Authorisation to finance such expenditure must be obtained in advance from the Council's Chief Finance Officer, in accordance with the scheme of delegation. The request should be supported by a business case unless there is clear and necessary reason for urgency.

As the net budget position changes and risks are reviewed the level of General Reserve must be monitored to ensure that a minimum level is maintained.

Appendix A provides a comparison of North Northamptonshire's general and earmarked reserves to other similar sized councils and groups of councils.

Earmarked Reserves

Unlike General Reserves earmarked reserves have been identified for specific areas of expenditure where there are anticipated costs that can only be estimated. It is therefore prudent for the Council to identify such areas of expenditure and set aside amounts that limit future risk exposure.

Such expenditure usually arises out of changes in policy or where the organisation is working in collaboration with others to provide a specific service.

Expenditure relating to earmarked reserves has to specifically relate to the purpose of the reserve. There is no set limit to an earmarked reserve as it is to reflect the level of need required.

Appendix B details for each of the earmarked reserves the forecast balances for North Northamptonshire Council in 2021/22 financial year and estimated commitments against these reserves over the medium term.

Procedure for Use of Reserves

The use of reserves requires approval of the Council's Chief Finance Officer.

All requests should be supported by a business case unless there is an approved process for use.

On occasion where an urgent request is being made this should comply with the Council's Constitution and Financial Regulations.

Monitoring

The level of reserves is kept under continuous review. The Chief Finance Officer reports on the levels of reserves as part of the Medium Term Financial Strategy updates together with the Reserves Strategy as part of the budget setting and outturn reports.

The current level of forecast reserves is not significant and if called upon will impact negatively on the financial viability and resilience of the Council. Reserves and their usage is carefully planned for and monitored throughout the year.

Risk Analysis

Any recommendations that change the planned use of reserves reported within the Annual Budget and Outturn Reports will take account of the need for operational service delivery of the Council balanced against the need to retain prudent levels of reserves.

However, there are significant risks, which affect the level of reserves to be maintained, and it is for this reason that a minimum level of 5% of total net revenue budget has been set for the General Reserve.

The significant risks that have been considered, but which will also be kept under review are:

- Significant unforeseen legal costs.
- The budget monitoring report highlights potential risks in being able to achieve the required efficiencies and savings during the year.
- The ability to seek financial assistance from the MHCLG for major incidents has been diminished and can no longer be relied upon.
- The need to finance organisational change and redundancies may have an impact on the use of reserves.
- The ability to recover significant overspends by directorates and services would be very difficult in the current financial climate.
- The instability of the Financial Markets means that the investments we make with balances are currently exposed to greater risk. This is negated by the

Treasury Management Strategy, but returns on investment have reduced significantly

- Should the Council be faced with two or more of the above issues at the same time then the reserves may be needed in full
- Once utilised reserves have limited scope for replenishment. This is usually achieved through a budget underspend or planned as part of the annual budget process.
- There may be exceptional levels of insurance claims that cannot be met from the usual provisions.

STRATEGY REVIEW

This strategy will be reviewed annually as part of the budget process. During the year changes may occur in the MTFs, which affect this strategy. Such changes will be monitored by the Chief Finance Officer and reported through the financial reporting process.

Janice Gotts
Executive Director Finance and Section 151 Officer

APPENDIX A

Comparison of North Northamptonshire's general and earmarked reserves to other similar sized councils and groups of councils

	Population	Net Revenue Budget £000	Unallocated Reserves £000	Earmarked Reserves £000	% Unallocated Reserves as proportion of Net Revenue Budget	% Earmarked Reserves as proportion of Net Revenue Budget
Total England		59,317,712	3,649,308	17,417,862	6.2%	29.4%
Total Unitary		10,283,344	688,702	3,032,220	6.7%	29.5%
Selected Unitary Councils						
Bournemouth, Christchurch and Poole	395,331	284,665	15,350	32,680	5.4%	11.5%
Cheshire East	384,152	280,131	10,316	21,428	3.7%	7.6%
Dorset	378,508	301,289	27,557	117,477	9.1%	39.0%
Cheshire West and Chester	343,071	270,837	23,700	82,828	8.8%	30.6%
East Riding of Yorkshire	341,173	274,138	8,425	126,814	3.1%	46.3%
Northumberland	322,434	270,803	57,434	106,420	21.2%	39.3%
Central Bedfordshire	288,648	200,464	15,733	55,862	7.8%	27.9%
North Northamptonshire	365,000	292,505	21,911	103,544	7.5%	35.4%

Source: <https://www.gov.uk/government/statistics/local-authority-revenue-expenditure-and-financing-england-2020-to-2021-budget-individual-local-authority-data>

[RA Form 2020/21]

	Forecast Balance 01/04/2021 £'000	Transfer to Reserve 2021-22 £'000	Transfer from Reserve 2021-22 £'000	Forecast Balance 31/03/2022 £'000	Transfer to Reserve 2022-23 £'000	Transfer from Reserve 2022-23 £'000	Forecast Balance 31/03/2023 £'000	PURPOSE OF RESERVE
GENERAL FUND BALANCE	(21,911)	(115)	0	(22,026)	0	0	(22,026)	To meet forthcoming events where the precise date and amount required cannot be accurately predicted, including sufficient contingency to cushion the impact of unexpected events or emergencies, a reasonable amount to meet peaks and troughs in revenue and capital expenditure requirements and a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing.
EARMARKED RESERVES								
Smoothing Reserves								
Regeneration and Economic Investments	(2,250)	0	0	(2,250)	0	0	(2,250)	To provide protection in relation to fluctuations in income or other costs relating to regeneration and economic investments.
Investment Income	(3,550)	0	0	(3,550)	0	0	(3,550)	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.
Welfare Reform	(1,498)	0	0	(1,498)	0	0	(1,498)	To offset any revenue costs associated with changes to welfare reform.
Recycling Commodities	(1,931)	0	0	(1,931)	0	0	(1,931)	To provide protection in relation to fluctuations in market prices for recycling commodities.
Homelessness	(1,542)	0	0	(1,542)	0	0	(1,542)	To provide protection in relation to uncertain demand for the service following legislative changes.
Budget Delivery	(7,105)	0	450	(6,655)	0	0	(6,655)	Smoothing reserve to assist in medium term delivery of budget plans.
Covid-19 Related Risks	(6,593)	0	0	(6,593)	0	0	(6,593)	Reserve established to recognise the significant risk and uncertainty around the cost of future Covid related commitments and funding.
Business Rates Retention Reserves								
Business Rates Retention Risks	(41,418)	0	21,445	(19,973)	0	0	(19,973)	To manage smoothing and timing effects of business rates. Includes grants under s.31 of the Local Government Finance Act 2003 totalling £21.445m forecast for 2020/21. Section 31 grants are awarded to offset the reduction in business rates yield due to 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.
Transformation Reserves								
Transformation Reserves	(10,569)	0	4,175	(6,394)	0	2,300	(4,094)	Disaggregated transformation reserve to support continued delivery of transformation activities.
Other Efficiency and Transformation	(2,351)	0	0	(2,351)	0	0	(2,351)	To support efficiency and transformation activities.
Building Maintenance Reserves								
Building Repairs and Investment	(1,325)	0	0	(1,325)	0	0	(1,325)	To manage property repairs and maintenance issues.

Planning Reserves								
Planning Risks	(417)	0	0	(417)	0	0	(417)	To provide resources for revenue costs of the planning service to meet items such as legal costs, specialist advisors or consultants and other one off service costs required to meet statutory guidelines or regulations.
Regeneration Reserves								
Economic Development and Regeneration	(1,490)	0	0	(1,490)	0	0	(1,490)	To provide resources for the Council's planning service, assist with the Council's economic development strategy, provide funding for other one-off projects and to assist with the operation of the Council's asset management plan.
Voluntary Community and Social Enterprise	0	(600)	200	(400)	0	200	(200)	To provide resources to support the Voluntary Community and Social Enterprise sector.
Community Projects	(4,132)	0	342	(3,790)	0	0	(3,790)	Funding for community projects.
Specific Reserves								
LGSS Reserves	(591)	0	0	(591)	0	0	(591)	To provide resources to fund future expenditure associated with the Joint Planning Unit.
Burton Wold	(111)	0	0	(111)	0	0	(111)	The reserve has been created from contributions from the developers of the Burton Wold Wind Farm Project. The Council uses this contribution to award grants for energy efficiency and education works.
Joint Planning Unit	(288)	0	212	(76)	0	0	(76)	To provide resources to fund future expenditure associated with the Joint Planning Unit.
Capacity Fund	(191)	0	191	0	0	0	0	To provide resources to fund future expenditure associated with the Joint Delivery Unit, funded by external capacity funding.
COVID-19 Funding - Contain Outbreak Management Fund and Test & Trace funding	(6,593)	0	6,593	0	0	0	0	Contain Outbreak Management Fund (COMF) and Test & Trace funding.
Public Health Reserve	(4,463)	0	0	(4,463)	0	0	(4,463)	General Reserve comprising unspent Public Health grant to be to utilised in future years.
Adult Social Care Reserve	0	(3,200)	0	(3,200)	0	0	(3,200)	To mitigate risks related to the delivery of Adult Social Care.
Local Council Tax Support Reserve	0	(500)	0	(500)	0	0	(500)	To mitigate risks related to increases in Local Council tax Support claims.
Waste Management	0	(2,300)	0	(2,300)	0	0	(2,300)	To mitigate waste management risks.
Other Earmarked Reserves	(1,903)	0	449	(1,454)	0	0	(1,454)	Various other earmarked reserves.
Capital Reserves - General Fund								
Capital General Fund	(2,039)	0	0	(2,039)	0	0	(2,039)	To provide resources for the repair, replacement and acquisition of General Fund property
Insurance Reserves								
Insurance Risk Reserve	(1,195)	0	0	(1,195)	0	0	(1,195)	Reserve based on actuarial assessment of Insurance Fund.
TOTAL EARMARKED RESERVES	(103,544)	(6,600)	34,057	(76,087)	0	2,500	(73,587)	
TOTAL GENERAL FUND RESERVES AND BALANCES	(125,455)	(6,715)	34,057	(98,113)	0	2,500	(95,613)	

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.

Draft Budget Consultation 2021/22 – Analysis Report

Introduction

1. The purpose of this report is to set out the Draft Budget consultation process, and key consultation findings (including an understanding of who participated in the consultation), the results of which will be used to help inform decisions on the North Northamptonshire Council's Budget for 2021/22.

Shadow Executive decisions and formal consultation

2. The [Draft Budget 2021-22 and Medium Term Financial Plan](#) was approved by the Shadow Executive on 7 December 2020 and consultation on the budget proposals began 11 December 2020. The consultation concluded on 29 January 2021.
3. Following the announcement of individual authority allocations in the Provisional Local Government Finance Settlement on 17 December 2020, an [Update on Draft Budget 2021-22 and Medium Term Financial Plan](#) was presented to the Shadow Executive Committee Meeting on 7 January 2021.
4. The public consultation was conducted by the Future Northants Programme, and supported by the Consultation and Engagement Team based within Northamptonshire County Council's Business Intelligence Team. The structure and design of the consultation set out the budget proposals and enabled both online and non-digital means of participation, in accordance with nationally recognised good practice.

How was the consultation promoted?

5. The consultation was hosted on the [Future Northants Consultation Hub](#) website. 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 including Chamber of Commerce and Federation of Small Businesses, and members of both the Northamptonshire Residents' Panel (circa 1,000 members) and the County Council's Consultation Register were invited to give their views and asked to promote the consultation to their members, or within their local area where appropriate.
6. Opportunities to take part in the consultation were also promoted in the local media via press releases. The press release went to over 60 newsrooms (local and national, print and broadcast including the Northants Telegraph and BBC Radio Northampton), 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. The Facebook post was seen by 923 people and the Twitter post was seen by 1,123 people.

How did consultees have their say?

7. 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
 - Writing to Budget Consultation Response, North Northamptonshire Shadow Authority, Sheerness House, Meadow Road, Kettering, NN16 8TL
 - Using social media by Tweeting (@futureNnorth) 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.

Number and type of responses received

8. During the draft budget consultation period, using the various means available to consultees, local people and organisations contributed to the consultation 376 times. Nearly all of the feedback received was via the questionnaire, with 374 respondents participating via the questionnaire and two respondents submitted a written response.
9. Within the questionnaire, respondents could choose which questions they responded to, and 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.
10. During the consultation period, regular summaries of consultation responses received were circulated to senior Finance officers and all responses received were circulated to decision makers upon conclusion of the consultation to enable them to see each response in full.

What did people say?

11. This report is a summary of the feedback received. It is recommended that it is read in conjunction with the full consultation results, including the detail and suggestions contained within some of the written comments. The full consultation results have been made available to Shadow Authority Members and are available on the [Future Northants Consultation Hub](#).
12. The questionnaire was structured so that respondents could give their views on any of the individual proposals if they chose to do so. This means we were able to summarise views by proposal, and also collate the views from the different consultation channels.
13. An [equality impact assessment for Council Tax Harmonisation](#) was published within the equality impact assessment area of the Future Northants North website and made available via the questionnaire.

Draft Budget 2021/22 Consultation Questionnaire

14. In total, 374 respondents filled out a questionnaire on the draft Budget proposals, either partially or fully. Respondents did not have to answer every question and so the total number of responses for each question differs and is shown in relation to each question.
15. Respondents were asked in what capacity they were responding to the consultation. There were 361 responses to this question, with respondents being able to select more than one option if applicable. Nearly three-quarters of respondents said they were local residents (71.19%), and just over a quarter (27.98%) said they were either a District, Borough or County Council employee. The following table details the various respondent types to the consultation questionnaire. Respondents who said 'Other' mostly identified themselves as volunteers or members of staff of partner and third sector organisations; taxi drivers; or a business owner/Director.

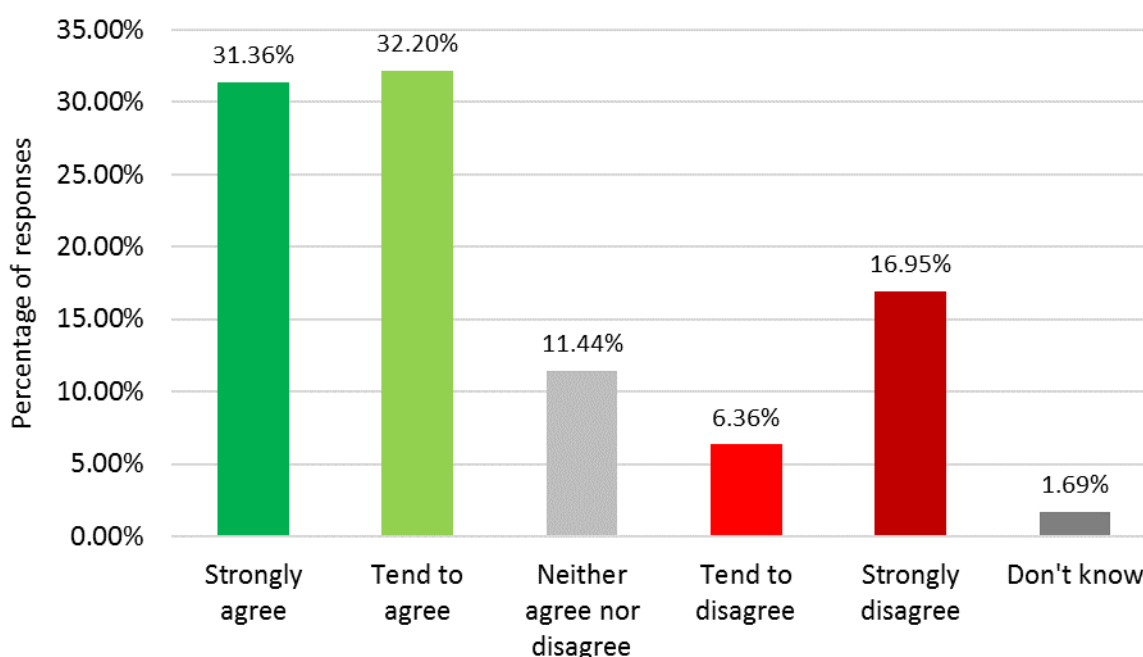
	Response number	Percentage (%)
A service user	47	13.02%
A local resident	257	71.19%
A District, Borough or County Council employee	101	27.98%
District, Borough or County Councillor	8	2.22%
A Town or Parish Councillor	14	3.88%
A representative of the voluntary sector or a community organisation	13	3.60%
A representative of the local business community	10	2.77%
A representative of a Town/Parish Council	3	0.83%
A representative of a health partner organisation	0	0.00%
A representative of a user group	3	0.83%
Other	11	3.05%

Proposed harmonisation in Council Tax

16. As part of the Draft Budget Proposals, the Council was proposing to harmonise all Council Tax Bands A–H to make consistent single rates of Council Tax across North Northamptonshire. Rates residents pay would still depend on which Council Tax Band A–H they fall within but the rate would not differ between the four districts and boroughs of North Northamptonshire.
17. The proposed harmonised rate for Band D (before any annual increase) is £1,460.04, the composition of this being the weighted average of sovereign councils.
- Corby Borough Council £1,474.92
 - East Northamptonshire Council £1,434.07
 - Kettering Borough Council £1,490.81
 - Borough Council of Wellingborough £1,441.30

18. 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. These are not within the scope of this consultation and these amounts are added afterwards before people receive their final bills.
19. Respondents were presented with an explanation of the proposed harmonisation approach and provided with an example of how the new Council Tax precept for North Northamptonshire Council will be calculated based on a Band D property.
20. Respondents were asked to what extent they agree or disagree that all Council Tax Bands A–H should be harmonised for residents of North Northamptonshire. There were 236 responses to this question. Nearly two thirds of respondents (63.56%) said they strongly agree or tend to agree with the proposal, while just under a quarter (23.31%) said they strongly disagree or tend to disagree with the proposal.

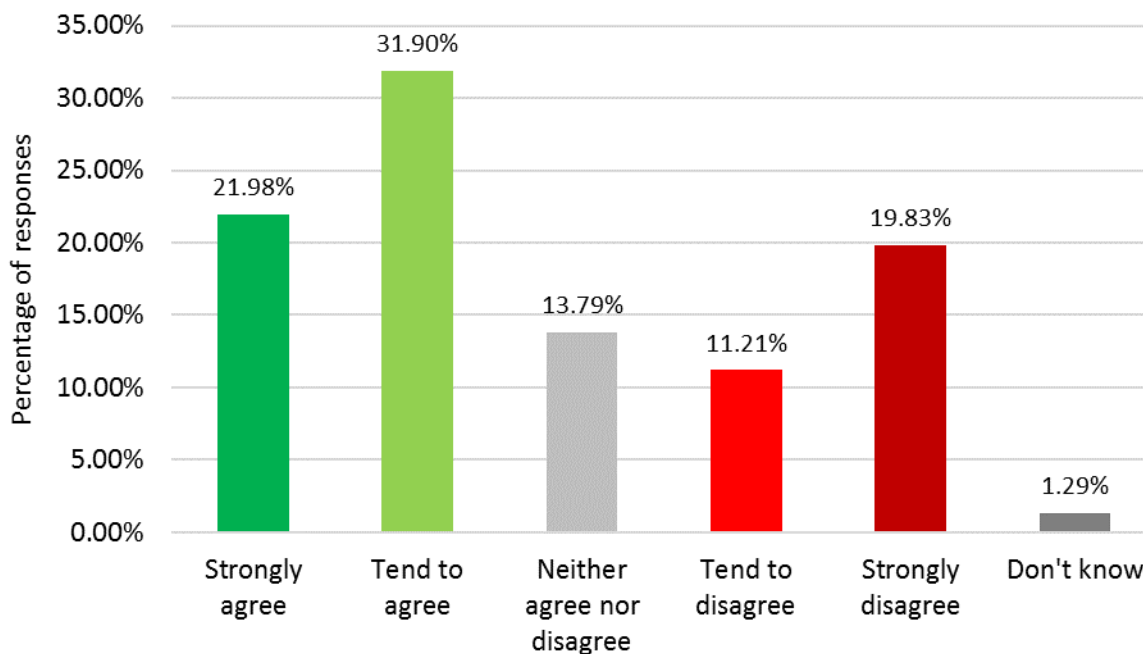
To what extent do you agree or disagree that all Council Tax Bands A–H should be harmonised for residents of North Northamptonshire?



21. The Council is proposing to use the Average Council Tax approach to harmonise Council Tax. This approach uses a weighted average of the current North Northamptonshire Authorities to calculate new Council Tax Bands from A–H. This is the preferred option as it maximises income for the new North Northamptonshire Council. This option would ensure that there are no reductions in service provision as a result of reduced council tax yield. Unlike the alternative approach of the Individual Area Council Tax option, which was dismissed because of this reason.
22. Respondents were asked to what extent they agree or disagree that we should use an Average Council Tax approach to recalculate the Council Tax Bands A–H. There were 232 responses to this question. The majority of respondents (53.88%) were in favour of this approach and said

they strongly agree or tend to agree with the proposal, while 31.04% said they strongly disagree or tend to disagree with the proposal.

To what extent do you agree or disagree that we should use an Average Council Tax approach to recalculate the Council Tax Bands A–H?

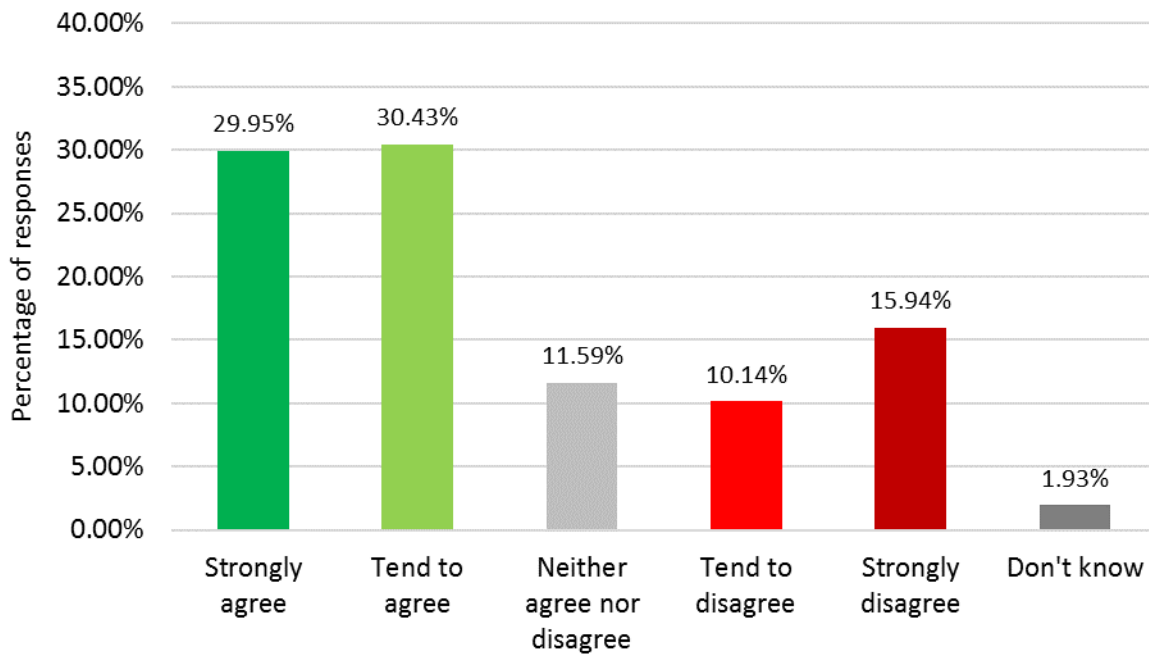


23. Respondents were then asked why they answered the previous question in the way that they did. There were 90 comments made in relation to this question.
24. A total of 43 respondents who agreed with the proposal provided comments. The majority of these respondents felt the approach being considered by the Council as one which was fair. Some qualified their comments by saying that the Council was setting out as a new and fresh authority and that Council Tax bands ought to be the same across all 'old' areas. Respondents acknowledged that there would be winners and losers in the beginning but felt over time this would even out. Some highlighted the differences between the local areas, with some respondents adding that Council Tax had been low for a long time.
25. Some respondents did expressed concern over the financial impact of the approach on families and low income groups, and this, coupled with the current economic times will have an impact on their ability to pay any increased Council Tax. Reference was also made to other Council Tax precepts potentially by other small councils and how this too may affect affordability and services.
26. Many respondents expressed their views about what they feel is a difference in services on offer between urban and rural areas. They said that the same services were not on offer in rural areas even though the Council Tax was the same. Some said it would be fairer for people to pay only for services that they used.

27. Respondents commented on the new council bringing services together and that this should see efficiencies in both services, i.e. reduction of duplicated services, and staffing costs. They said quality services needed to be kept and protected and that services should be improved and not to reduced.
28. Other comments made included that the consistent rises in Council Tax for social care over the years had occurred but it was felt there was still a deficit to meet the social care costs; that there were no other reasonable viable alternatives; and that the council was offering the 'least worst' option. It was commented that the option presented was the best way to keep the Council's funding as high as possible; and that harmonisation was the right way but that it should be phased in over time. They stated that what was considered as a 'postcode lottery' of services should be stopped to achieve equity and that large (physical house size) should pay more i.e. have higher band levels.
29. A total of five respondents who neither agreed nor disagreed with the proposal and made comment. Most felt that affordability was a big issue, in particular those with limited income. Another acknowledged that consistency was needed however they said the impact of increase on their monthly bills was of concern. Another said they thought the information presented was maybe too simple. They felt the impacts of changes in each band would be different and would have different impacts on people which was not comparable.
30. A total of 41 respondents who disagreed with the proposal provided comments. Many of these commented on the general policy of Council Tax, with some saying that it was out of date and that it was too cumbersome to be accurate and that the rates were also outdated.
31. Many comments were made about how to apply fairness as they felt not all services were received or provided fairly across the area and said how they felt rural locations were in receipt of fewer services compared to urban areas. Others commented that they were being asked to pay more for services and were not sure what extra services they were funding.
32. A few respondents stated the proportion of income that low income families would have to pay out of their living expenses would be high compared to those from higher income households. They felt this would be unfair. A few respondents commented on their own affordability to pay.
33. A similar number said they thought the new authorities had been created to save money and expressed their concern at Council Tax increases. Some respondents wanted to introduce harmonisation over a number of years.
34. Other respondents commented on trust and integrity issues. They stated their concerns about past practice and felt that monies had been badly managed in the past. Other comments made included the thought that local information was lacking so they were not able to provide their views as they could not understand the direct impacts the proposal would have on their personal circumstances; another stated they needed time to pay.

35. There was one respondent who answered 'don't know' and made comment. They said they were unsure if the effect would change their Council Tax banding.
36. Any respondents who felt the proposal would have a negative impact were then asked to tell us what they thought the impact would be, along with any suggestions on how any potential negative impacts could be mitigated. A total of 65 respondents provided comment. The issue of cost dominated these comments, especially regarding low-income communities. Respondents commented on financial impacts of Covid 19 and the struggles of making ends meet for some families. Some respondents commented on their perception that rural areas would be impacted more than urban areas as they felt rural communities have access to less service.
37. Residents again expressed the differences in their views of creating a new council, with some respondents stating that their area would be worse off. Some took the opportunity to state their dissatisfaction with Northamptonshire County Council and its historic financial management. A council employee responded saying they had not had a cost of living pay rise yet were expected to pay a 5% Council Tax increase.
38. A few respondents agreed with the proposal and said that the process was positive and this would mean the Council has to 'live within their present income levels'.
39. Other comments included suggestions such as to freeze Council Tax increases for a year due to Covid 19; that a more favourable Council Tax Reduction scheme be implemented to ensure those on lower incomes are not impacted upon, and that the new Council should be prepared to write off the short fall for those who cannot afford. Further suggests included to keep local tax increases within referenda thresholds (freezing taxes in the areas already highest) until equity is achieved over time; to remove funding from cultural/art projects and divert to other crucial areas; to freeze staff pay and review higher salaries with a view to reducing them; and to ring-fence the health and social care Council Tax element.
40. The Council has a statutory requirement to harmonise Council Tax rates for North Northamptonshire. The new Council is proposing to do this in its first year. The rationale for harmonising being that all residents pay the same Council Tax rate for the same services from day one. If the harmonised rate is not implemented in the first year then there would be different rates of Council Tax in all of the four areas of North Northamptonshire.
41. Respondents were asked to what extent they agree or disagree with the proposal to harmonise Council Tax rates for North Northamptonshire in the first year of the new council. There were 207 responses to this question. The majority of respondents (60.38%) were in favour of this approach and said 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.

To what extent do you agree or disagree with the proposal to harmonise Council Tax rates for North Northamptonshire in the first year of the new council?



42. Respondents were then asked why they answered the previous question in the way that they did. There were 50 comments made in relation to this question.
43. A total of 23 respondents who agreed with the proposal provided comments. Many of these respondents said how they felt the approach is fair and it is better than taking a protracted approach. They wanted equity in the process for the whole of the new authority from the outset. Some respondents said that services should be harmonised as well as the Council Tax.
44. Other respondents said that whilst they tended to approve their preference is for a phased approach, with some adding that a blanket approach was not the right approach to adopt. Respondents also raised their concerns about residents' ability to pay, and that the new Council ought not to use aggressive ways of obtaining non-payment.
45. Other comments included questioning whether there was a truly democratic elected body to make the decisions; highlighting historical financial management; and an enquiry as to why taxes/systems need to change as they felt they have previously worked well.
46. The three respondents who neither agreed nor disagreed with the proposal and made comment said they felt there was a disparity in the levels of services; that they were not sure what services were provided in each area; and that residents would require full notice of any changes being bought in to services.
47. The 23 respondents who disagreed with the proposal and provided comment had concerns around the people's ability to afford the Council Tax and any associated increase. Several commented about having a phased approach to harmonisation especially in those geographical areas which would experience a higher increase in rate. Some respondents questioned again the

equity and parity in the services provided between areas. Respondents wanted to make sure that the services which they felt were good were not diluted and opportunities are taken to improve services. Some felt that they would be paying more for less services. Others felt that they could not understand the difference in the services either because there was not enough time to understand or that services had not been disaggregated fully in order to see the impact.

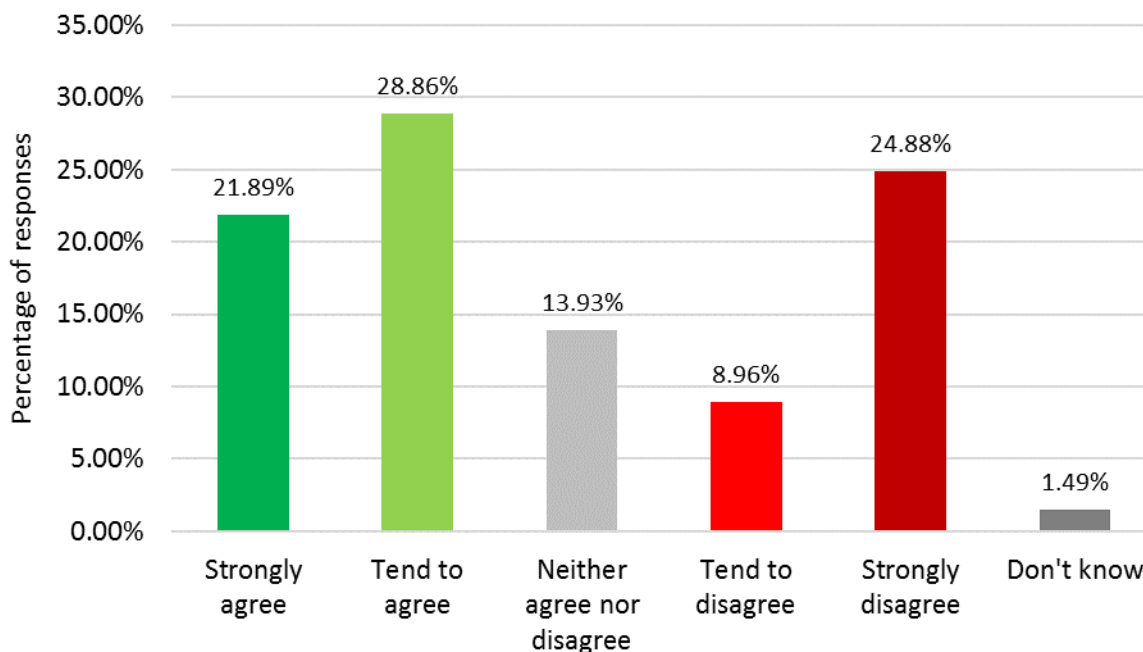
48. The one respondent who commented having said 'don't know' said that not enough information had been provided for them to consider how it would impact them individually. They further added that they were concerned presently about their finances and felt that other residents would be too.
49. Any respondents who felt the proposal would have a negative impact were then asked to tell us what they thought the impact would be, along with any suggestions on how any potential negative impacts could be mitigated. A total of 25 respondents provided comment. Several respondents mentioned the negative impact in relation to the economic times in a pandemic. The financial implication on low and medium income households was also mentioned, with a suggestion that those on low incomes must be offered extra support.
50. Some respondents said the areas with the largest tax increase will begrudge adjoining other areas. The perceived difference in services between urban and rural areas was also mentioned again. It was commented that if harmonisation calculations are not applied fairly then this would cause issues for future calculations, especially where the previous authority had provided a different approach to rural taxation.
51. Other comments included a suggestion that national government should help and offer support for those areas which were previously performing well but whose residents are now being asked to pay more; the need to ensure that services are effective and efficient; and that clear communications were made once the final budget is agreed upon to creative positive media messages rather than negative.

Proposed Council Tax rate increase

52. As well as harmonising Council Tax, the Council is proposing to increase Council Tax up to the level currently allowed by the government, without triggering a referendum – 4.99%. This increased rate includes a general increase of 1.99% and the allowable Adult Social Care precept increase, which is 3%.
53. This 4.99% increase would result in a 2021-22 Band D Council Tax increase for North Northamptonshire Council of £72.86 per year, which is £1.40 per week.
54. The Council's proposal to increase the core council tax rate by 1.99% in 2021/22 means an average (Band D) Council Tax payer's rate would increase £29.06 per year (£0.56 per week) for the North Northamptonshire Council precept.

55. Respondents were asked to what extent they agree or disagree with the proposal to increase Council Tax by 1.99% to help fund services. There were 201 responses to this question. Half of respondents (50.75%) said they strongly agree or tend to agree with the proposal, while a third (33.84%) said they strongly disagree or tend to disagree with the proposal.

To what extent do you agree or disagree that we should increase Council Tax by 1.99% to help fund services?



56. Respondents were then asked why they answered the previous question in the way that they did. There were 74 comments made in relation to this question.

57. A total of 35 respondents who agreed with the proposal provided comments. The most frequently mentioned reason for people agreeing with the proposal was that they acknowledged that services need more funding and that they accepted a Council Tax increase was necessary to do this.

58. Others, while accepting the need to increase Council Tax, added that they would want to see more investment, an improvement in services and to be reassured that the additional funding would be used properly.

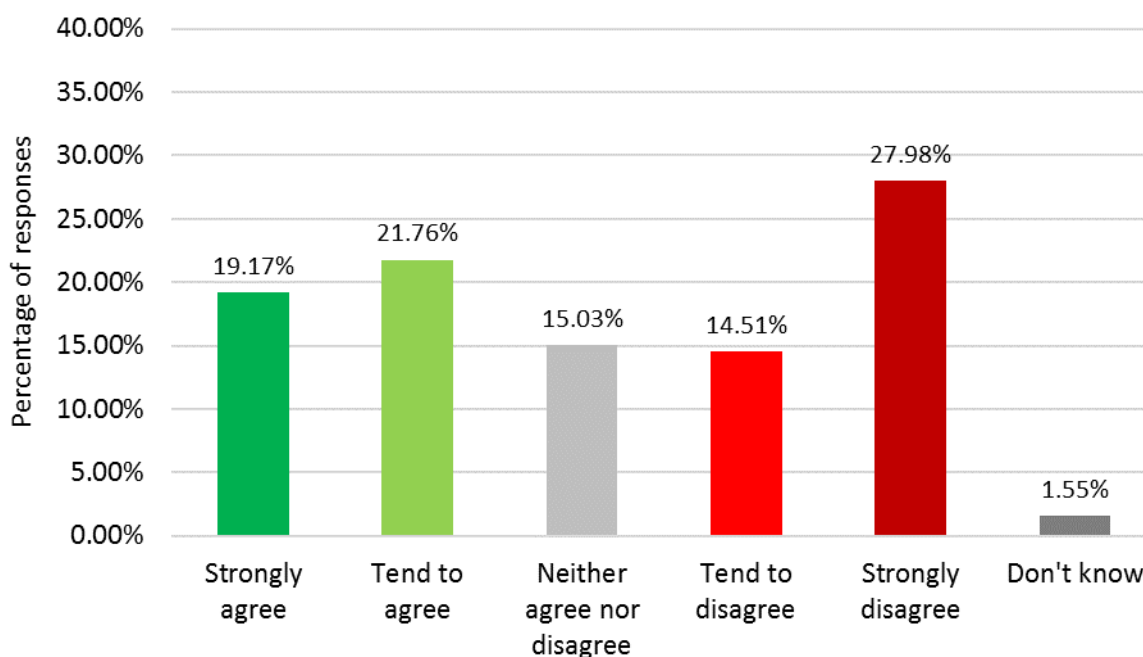
59. Some respondents felt that Council Tax should have been increased sooner, and that the Council might not be in the same financial situation it is in now if it had done so. Some respondents mentioned what they felt were poor previous financial decisions made and added that they hoped better financial decisions and accountability would be made in future.

60. A small number felt that the increase was too much too soon, and a gradual increase and harmonisation programme and process over a number of years was fairer.

61. Other comments, were around concern for the financial impact on people who are already struggling and their ability to pay, along with the view that peoples' wages and income have not increased in the same way.
62. A total of four respondents who neither agreed nor disagreed with the proposal made a comment. Responses centred around making improved financial decisions in the future; a feeling that the increase was inevitable and too fast; and around greater investment/ efficiencies. One respondent raised their concern over how the proposed increase may impact pensioners.
63. There were 35 respondents that commented as to why they disagreed with the proposed increase. The most common reasons were between the increase being too much and too soon, and the concern that financial decision making has not improved. Further common responses centred around concern that the increase would impact those struggling financially, especially given the Covid 19 situation.
64. A small number of comments mentioned the increase being so big now because it was not increased enough in years' prior; that residents were being penalised by the increase; and that many people's wages and family income have not increased at the same rate. One respondent said they felt the increase was not being applied fairly, and another called for a referendum to be held.
65. No comments were received from the respondents who said 'Don't know'.
66. Any respondents who felt the proposal would have a negative impact were then asked to tell us what they thought the impact would be, along with any suggestions on how any potential negative impacts could be mitigated. A total of 33 respondents provided comment. The most common response by far was that the increase would impact those struggling financially, especially given the Covid 19 situation, which was mentioned by over a third of the respondents to this question.
67. A handful of comments were regarding improved financial decision making required in the future, followed by a small number of responses around the need for greater financial transparency and openness around financial decisions.
68. Other comments included concern that the increase is too much too soon; the opinion that service decision making was not improving; and an opinion that the Council offered poor value for money.
69. The questionnaire then outlined the Council's proposal to increase the Council Tax rate by 3% in 2021/22 as part of the Adult Social Care precept, which would be used to directly fund Adult Social Care, means an average (Band D) Council Tax payer's rate would increase £43.80 per year (£0.84 per week) for the North Northamptonshire Council precept.

70. Respondents were asked to what extent they agree or disagree with the proposal to increase Council Tax by 3% as part of the Adult Social Care precept, which would be used to directly fund Adult Social Care. There were 193 responses to this question. There was more of a mixed response to this proposal compared to the previous questions, as 40.93% of respondents said they strongly agree or tend to agree with the proposal, whilst 42.49% said they strongly disagree or tend to disagree.

To what extent do you agree or disagree that we should increase Council Tax by 3% as part of the Adult Social Care precept, which would be used to directly fund Adult Social Care?



71. Respondents were then asked why they answered the previous question in the way that they did. There were 63 comments made in relation to this question.

72. A total of 29 respondents who agreed with the proposal provided comments. The most common responses were around acceptance of the proposals and that Adult Social Care needs sufficient funding. Many respondents also said they felt there was scope for better financial planning in the future. There were strong comments around more funding still being required for Adult Social care and the current situation regarding how the service is performing.

73. A handful of comments were based around more funding still being required, and requests for greater support from Central Government.

74. A total of seven respondents who neither agreed nor disagreed with the proposal made comment. A little over half of these respondents accepted the proposals but said they also wanted to see more investment and the finances used properly. Other comments included acceptance of the proposals but a request for improved decision making; an opinion that the increase is too much, too quickly; concern that people would struggle financially; and the need for greater support from central government to support Adult Social Care funding.

75. A total of 27 respondents who disagreed with the proposal provided comments. The most common responses were around requests for better financial planning in the future and opinions that the increase is too much and too soon.
76. A few comments centred around concerns for people that would struggle with the proposed changes.
77. Other comments were based around the need for greater transparency; the need for greater financial support from central government; for improvement to be made when it comes to service expenditure decision making; and that as a larger authority there should be greater economies of scale.
78. No comments were received from the respondents who said 'Don't know'.
79. Any respondents who felt the proposal would have a negative impact were then asked to tell us what they thought the impact would be, along with any suggestions on how any potential negative impacts could be mitigated. A total of 25 respondents provided comment. By far the most frequently mentioned responses centred on a concern for those that would struggle financially with the increase.
80. A small number of responses continued to cite service and financial decision making as an issue, and wanted to see the benefits of the tax increase. A similar number of respondents felt there should be more transparency as to why the increase is needed.
81. Other comments included a request for more funding in order to deliver quality services.

Fees and charges

82. Respondents were provided with a new [Draft Fees and Charges Policy](#) that has been written to establish a framework by which fees and charges levied by the North Northamptonshire Council are agreed and regularly reviewed.
83. Due to this being the first year of setting this policy and its first budget process, fees and charges within the previous District & Borough Councils were reviewed as to whether harmonisation is required based on statute, recharging and revised costs from an aggregated team.
84. Respondents were provided with the [Draft Harmonisation 2021-22 Fees and Charges schedule](#) outlining a list of proposed fees and charges and were advised where these District & Borough fees and charges have not been harmonised for Vesting Day separate rates between areas of North Northamptonshire will remain in place and these will be reviewed at a later date with a view to harmonise where possible over the next 2-3 years. It is proposed that the District & Borough fees and charges that will not be harmonised within 2021-22 will have an inflationary increase of 2%. There were no proposed changes to the previous County Council fees and charges.

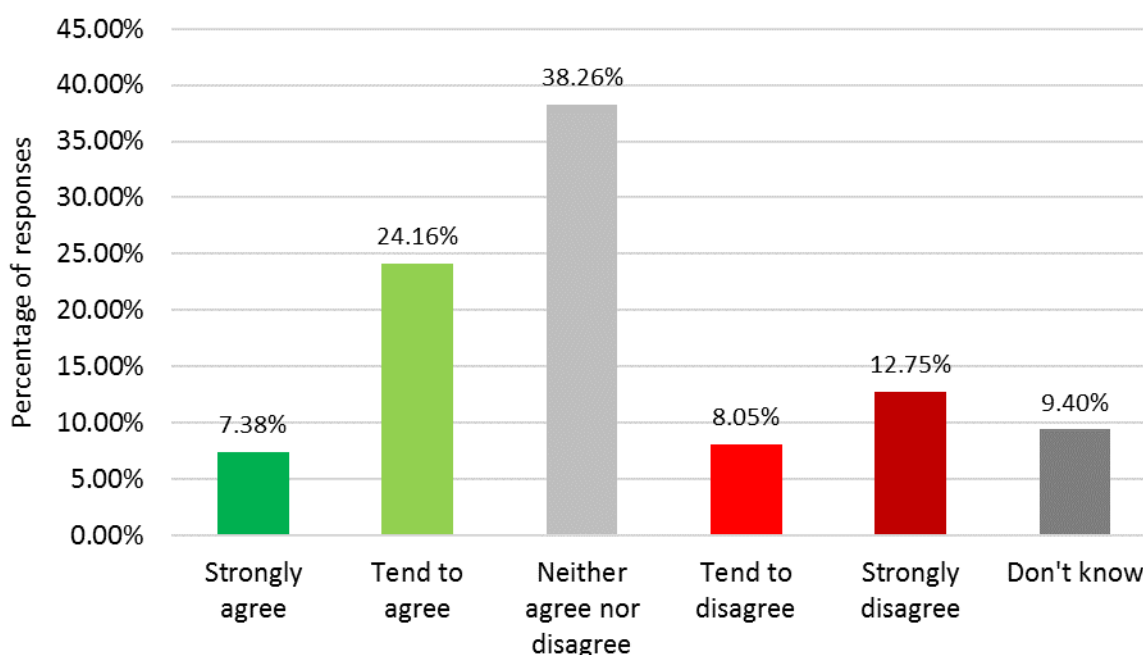
85. Respondents were asked if they had any comments on any of the proposed fees and charges increases. A total of 29 comments were made about fees and charges, covering a range of different services. Named fees or charges included:
- Bulky Waste Collection
 - Houses in Multiple Occupation (HMO)
 - Interments-Public & Purchased Graves
 - Taxi Licensing
86. Over a third of respondents did not name a specific fee or charge but instead offered general thoughts on the proposals. A respondent thought that all fees should be based on cost.
87. Several respondents made comments about the harmonisation of fees and charges. Respondents thought that fees and charges should be harmonised from day one/as soon as possible with all areas of North Northamptonshire paying the same to make it fair and equal for all residents. One respondent highlighted the differences in Interments-Public & Purchased Graves fees/charges between current authorities and thought they should be harmonised on day one. One respondent thought that all fees and charges not subject to open market competition should be harmonised from day one.
88. A third of respondents commented on Taxi Licensing charges. Some of these respondents identified themselves as taxi drivers and Directors of taxi/ Private Hire firms. Several respondents said they felt the proposed increase in charges were too high and questioned how such an increase could be justified, especially with the impacts of the Covid 19 pandemic. Three respondents specifically thought the proposed increase in charges in Wellingborough (with one also referring to Kettering) were too high.
89. A respondent stated that Taxi fees need to remain cost neutral and so cannot be changed and another thought that the charges should not be subject to a blanket increase as they are based on 'cost recovery'. A respondent thought that small, limited company, businesses had not received government support and are 'surviving by the skin of their teeth' and that the proposed increase would have a negative impact.
90. Two respondents suggested alternatives to the taxi licencing proposals. One suggested that the increase be deferred for a year to allow time for businesses to financially recover and for Covid 19 restrictions to be eased and another respondent suggested reducing fees for a year as taxi drivers had not been eligible for Covid 19 support.
91. One respondent suggested that Wellingborough introduce a dual badge system (as used in East Northamptonshire) for Hackney Carriage and Private Hire vehicles, rather than continuing with two driving licences and a payment for each. One respondent questioned why fees/charges for Private Hire vehicles should be the same as Hackney Carriage vehicles as they have different rights (e.g. use of bus lanes).

92. A respondent thought that many communities are not adequately served by buses and suggested that taxi licensing be part of a community travel programme with fees moderated.
93. A few respondents raised concerns that an increase in waste collection/disposal fees could result in an increase in fly tipping, especially in rural areas, and subsequent removal costs if collection was not affordable. One respondent thought that collection fees were expensive for one item when compared to multiple items. A couple of respondents felt it is necessary to ensure harmony of waste disposal fees across North Northamptonshire.
94. Two respondents thought that Houses in Multiple Occupation (HMO) fees should increase, one of these respondents thought that increases would be passed on to tenants and suggested increasing landlord fines to ensure properties are fit for purpose.
95. Respondents also offered miscellaneous comments. A respondent felt that they continue to pay for council mistakes, another criticised the current system, and two respondents said that inflation is not 2%.
96. Other comments included that brown bin collection was a lot of extra money each year and would negatively impact pensioners; that social housing in Corby was not mentioned in the proposals; and a request for parking to remain free in the old Wellingborough area as charges may be detrimental to town centre business. Although these items were not listed in Appendix D – Draft Harmonised 2021-22 Fees & Charges.

Draft Capital Programme 2021-25 and Capital Strategy 2021-22

97. The new Council needs to optimise the use of its assets so they have a positive impact on costs and help to transform services so they are sustainable for the future.
98. The Capital Strategy sets out the key objectives and broad principles to be applied by the Council when considering capital investment and its funding. It provides the context for how the Council's Medium Term Capital Programme seeks to support the realisation of the Council's vision and corporate objectives.
99. Respondents were given the above explanation and provided with the draft [Shadow Executive Committee meeting Draft Capital Programme 2021-25 and Capital Strategy report](#) and its appendices.
100. Respondents were then asked to what extent they agree or disagree with the proposals put forward within the North Northamptonshire Council Capital Strategy 2021-22. There were 149 responses to this question. This question generated a mixed response as 31.54% of respondents said they strongly agree or tend to agree with this proposal, while 20.80% said they strongly disagree or tend to disagree with this proposal. A total of 38.26% said they neither agree nor disagree with the proposals put forward.

To what extent do you agree or disagree with the proposals put forward within the North Northamptonshire Council Capital Strategy 2021-22?



101. Respondents were then asked why they answered the previous question in the way that they did. There were 38 comments made in relation to this question.
102. A total of nine respondents agreed with the proposal provided comments. They commented on wanting their local area to thrive based on its local needs and that this would help to avoid repeating past mistakes. Another respondent felt that the proposals were based on a sound foundation. Whilst another made reference to the carryover of projects from the old councils. Respondents mentioned the new Council needs to have robust and transparent and accountable financial systems.
103. Comments were received on the financial struggle faced by many and that even though the increase in local taxation is a small and isolated cost, the overall cost to the family living budget is increased and may cause financial hardship.
104. Other comments included Covid 19 having a negative impact on the area and the country and that this needs to be factored into the Council's thinking; to see improvements for the local area to aid tourism; and that staff should be awarded regularly a pay rise which captured the cost of living.
105. A total of 13 respondents who neither agreed nor disagreed with the proposal made comment. A few of these respondents said that the information provided and presented was complex and not easy to understand.

106. A respondent said he felt that the Council had not agreed a corporate plan from which it could set its direction and priorities. It was commented that the Council should be using public monies with integrity and accountability, and any spending should be closely monitored.
107. Comments on affordability for local taxation was expressed, these highlighted variances on where people lived within North Northamptonshire with a respondent believing it is unfair for those living in villages as they do not benefit from all services that a town receives. The other variances highlighted for consideration was age and that it was unfair to have a blanket approach for all.
108. There were 11 respondents who disagreed with the proposal who provided comment. Comments included an opinion that the Tithe Barn Phase 2 water feature was not necessary; that rural communities in East Northamptonshire or in general, the rural North, were not sufficiently mentioned; that the development pathways were continuation from the sovereign councils and there was nothing new in the strategy. Other comments included that contributions from each council into the budget should be of an equal amount with benefits fairly distributed to residents; that spending could not be fair until there is a democratic elected body which could be held accountable for allocation of the funds; and an opinion that services were being diminished due to mismanagement.
109. The four respondents who answered 'don't know' said either that there are too many unknowns and very little detail had been provided or that they had not read the full documentation.
110. Respondents were then advised the Council wants to invest in regeneration and economic development schemes, as outlined within the strategy. With further work on the strategy planned alongside the development of overall council priorities and objectives after vesting day.
111. Respondent were then invited to give their comments on these schemes. A total of 42 respondents provided comment. These ranged from lack of information presented, saying that it was too vague to give feedback on to comments of thematic issues or to specific programmes and schemes.
112. Some commented that they did not think Councils should be directing their time and financial resources to economic regeneration and that it should be left to others to do i.e. spending initiatives should be left to market forces without the direct intervention of the Council. Whilst another said regeneration and investment was of vital importance, however any investment must be made with integrity and without interference from outside parties who may benefit unduly.
113. Thematic issues were mentioned such as climate, biodiversity and energy as well as town centres, rural areas and urban brown field sites. 'Green' issues mentioned were regarding a future maintenance fund for the landscape, for cycle and pedestrian access, and funding for natural heritage assets such as waterways, wetlands, nature reserves and country parks. Respondents also expressed the need to fully use technology in order to limit environmental and

climate impacts and that the Council should utilise opportunities for generating zero carbon energy.

114. Respondents expressed concern about the current assets owned by the Council and how they are maintained and any future upgrade of them. They were concerned about the environmental impacts of not maintaining key public buildings.
115. A respondent said developers should be charged a levy and the income from such a levy ought to be redirected into projects such as those to develop local health care in the local hospital and that spending initiatives should be left to market forces without the direct intervention of the Council. One respondent commented that any investments should be put on hold due to Covid 19.
116. Respondents want to keep general council and councillor expenses low; and said that the Council should not have expensive schemes/ projects; and that the Council should be managing and scrutinising contracts and contractors appropriately. They asked for accountability for any spending so that the public could effectively measure progress and appropriate distribution of spending across services/ areas.
117. Respondents mentioned that more houses should be built on the urban brownfield and the greenbelt should be left alone.
118. It was also commented that investment was required in town centres to make them more attractive and they felt there were sufficient number of retail parks within the locality. It was suggested that recreation was important as well as shopping and that transport infrastructure such as a railway station at Rushden be considered. It was requested that good examples of regeneration should be followed and cited Corby as a positive example.
119. A respondent mentioned the benefits of greenways opening connectivity between places for leisure/ wellbeing and retail. They wanted the Council to consider budgeting for maintenance and future extensions to greenways. Another said they wanted investment in the area that attracted different job skills rather than the present skill; another wanted more information on financial investment schemes.
120. Other comments included making sure that the Council followed its duty to consult on development; making documents available in an accessible format; that a corporate vision and direction was required; and ensuring early prevention work with families takes place (with support workers) which would help to maintain positive structures for family life which would contribute to economic regeneration.

Alternative suggestions and other comments

121. Respondents were then reminded that the budget report sets out the latest estimated funding position, service budget pressures, key financial risks and challenges influencing the development of the new North Northamptonshire Council's financial plans for 2021-22 and the

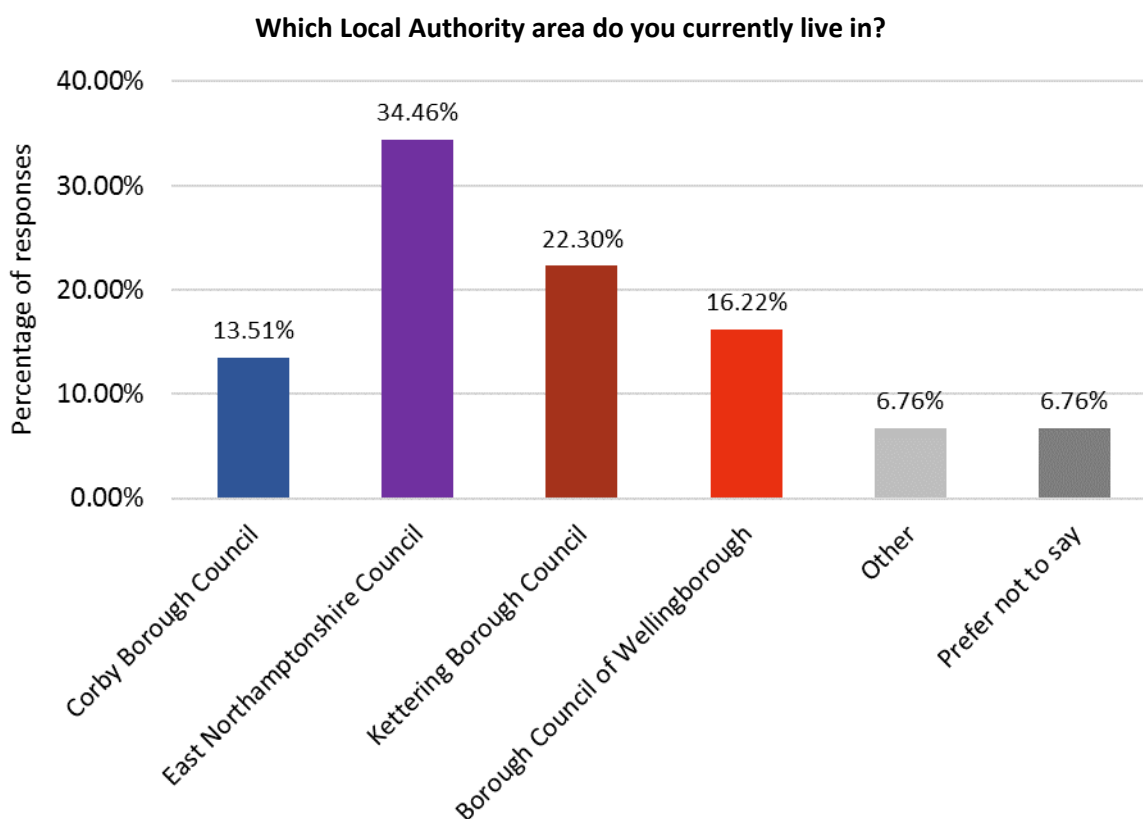
ongoing financial impact of those plans, together with the longer term estimates of funding and spending requirements.

122. Respondents were asked if they had any other ideas about how we could save the same amount of money or generate the same amount of income if we did not go ahead with these proposals. There were 31 comments made in relation to this question, covering a wide range of subjects.
123. Some respondents felt that services could be cut back to a core service to decrease costs. They requested a reduction in the Council Tax and questioned whether in the current climate local taxation was affordable to residents. Others spoke about ways in which the Council could stop wastage and create and operate more efficiently.
124. Respondents wanted to increase transport links; introduce new ways to levy extra money from planning development opportunities and redirect monies back into specific areas such as highway maintenance.
125. Respondents suggested ways in which the Council's democratic process could work. Some felt that efficiencies could be made by reducing the number of councillors; looking at fees and expenses of officers and councillors and ring-fencing income from business rates and redirecting it into care in the community projects. Respondents also wanted all contracts and council spend to be appropriately scrutinised. Some respondents felt the changes to local government and costs associated with them should be borne at a national level and not funded through local taxation.
126. Other suggestions included introducing charges for all council owned car parks; using ways to invest and renovate in large buildings; to use a local lottery to raise funds; and to be more robust with checking the finances of social care applicants.
127. Respondents were then asked if they had any other comments they wanted to make that they have not already told us. There were 15 comments made in relation to this question, covering a range of subjects with few common themes.
128. Respondents pointed out the need to strengthen local democracy in the new Council; and mentioned the opportunities with having a new structure of local government. However, they also mentioned what they felt was previous poor financial management. A respondent said that they did not want to lose or have diluted local services. Comments made reference to openness, transparency and accountability (both financial and democratic) with a request that spending be measured against impact on services.
129. A few comments were made about road infrastructure and public transport. Including a request to recognise the need to invest in public transport as they felt it was currently disjointed in some areas; and wanting to see improved connectivity between where people live, work and shop.

130. Other comments included the impact and experience of Covid 19 and the issues arising from it were mentioned both in terms of pressure on the public purse as well as the pressure for staff, and a request for them to be appropriately rewarded.

Demographic information

131. Within the demographic section of the questionnaire organisational respondents were asked to provide more detail about their organisation by providing their organisations name and their job title/ role. These respondents identified themselves as partner organisations; community groups; and taxi/ Private Hire firms. We have not listed the job titles/ roles of respondents within this report in order to ensure respondents' anonymity is retained.
132. Respondents who were not responding on behalf of an organisation were asked a range of demographic questions about themselves to help us understand the characteristics of people who have taken part in the consultation.
133. Many respondents chose not to provide their demographic information. From the data received by those respondents who did complete this section, the information demonstrates that the respondents are broadly representative of the population of North Northamptonshire. However, the data does show some areas where demographic data is unaligned with known population statistics, such as the majority of consultation respondents are aged 50-64 years, which is higher than the North Northamptonshire locality average of 39. Full statistical data of the responses is available within the Appendix. The following is a brief summary of the data received.
134. Individual respondents were asked in which Local Authority area they live in. There were 148 responses to this question. Most respondents identified themselves as living within East Northamptonshire (34.46%), followed by Kettering (22.30%). The fewest responses came from Wellingborough (16.22%) with Corby being the lowest percentage (13.51%). Nearly all of the respondents who said 'Other' stated they live in the west of the county, with one respondent saying they work in Kettering.



135. The majority of respondents were male (52.03%), with 37.84% being female and 10.14% saying 'Prefer not to say'. The most frequent age given by respondents were those aged between 50 to 64 years (36.49%).
136. A total of 54.48% of respondents were married, with 1.38% in a Civil Partnership; 11.03% co-habiting / living together; 11.03% being single; and 5.52% being widowed.
137. Other identified demographic information provided by respondents demonstrated that 18.92% were disabled, with physical disability being highlighted as the most frequent disability and mentioned by 17 of the 29 respondents who stated their disability. Predominantly respondents identified themselves as White British (86.43%), with 4.98% saying they were from another ethnic background and 8.57% saying 'Prefer not to say'. The most frequent religion identified was Christian (43.75%) with 36.81% of respondents choosing 'None'.
138. The final question within the questionnaire asked respondents how they found out about the consultation. A total of 148 respondents answered this question. The majority of respondents said they were made aware of the consultation via an email alert from their local council (42.47%). Other awareness raising channels included being notified as member of the Northamptonshire Residents' Panel (21.23%), via social media (20.55%), and via the local media i.e. newspaper/ radio (4.79%). Most of the 10.96% that said 'Other' explained they found out about the consultation via an internet search. A few respondents said they were informed of it by either a colleague/ friend or via an internal staff email. A couple of respondents said they felt it was poorly advertised. One respondent received notification via their Parish Council.

Other responses

139. Two written response were received in relation to the draft budget consultation.
140. One email was from a Town Council, who outlined their concerns about lower income residents, and said they felt some had likely experienced reduced income over the last 12 months. The Town Council said they felt East Northamptonshire residents would be subject to a higher than average percentage rise under the budget proposals. They commented on how they had postponed their own discretionary spending programmes and agreed a zero precept rise for 2021-22, and felt the budget proposals under consultation should do similar. They added that the transition to a unitary authority should mean reducing costs and not increasing them.
141. The other email was from an individual who said that due to the current financial situation of the country a large increase in Council Tax would put additional pressure on family's finances.
142. No comments we received via social media or the group discussion facilitator feedback form.



Appendix H

Equality Impact Assessment

Requirement	Detail
Name of proposal / policy	Council Tax Harmonisation
Programme / Service area responsible	Finance
Name of completing officer	Pina Patel
Approved by Programme Lead	Janice Gotts
Shadow Executive Meeting Date	10.02.20
Date EqIA created	26.11.2020

The Equality Act 2010 places a 'General Duty' on all public bodies to have 'Due regard' to:

- Eliminating discrimination, harassment and victimisation
- Advancing equality of opportunity
- Fostering good relations

We do this by undertaking equality impact assessments (EqIAs) to help us understand the implications of policies and decisions on people with protected characteristics – EqIAs are our way of evidencing this.



FUTURE NORTHANTS





PART A

1. Description of current provision/policy and main beneficiaries/stakeholders

The Council Tax bands for each of the Sovereign Councils for 2020/21.

Council Tax Levels 2020/21					
	Taxbase	County Band D Taxbase £	ASC £	District Band D (inc Special Expenses) £	Band D Total £
Corby	20,085	1,170.98	114.44	189.50	1,474.92
East Northants	32,320	1,170.98	114.44	148.65	1,434.07
Kettering	33,060	1,170.98	114.44	205.39	1,490.81
Wellingborough	25,469	1,170.98	114.44	155.88	1,441.30

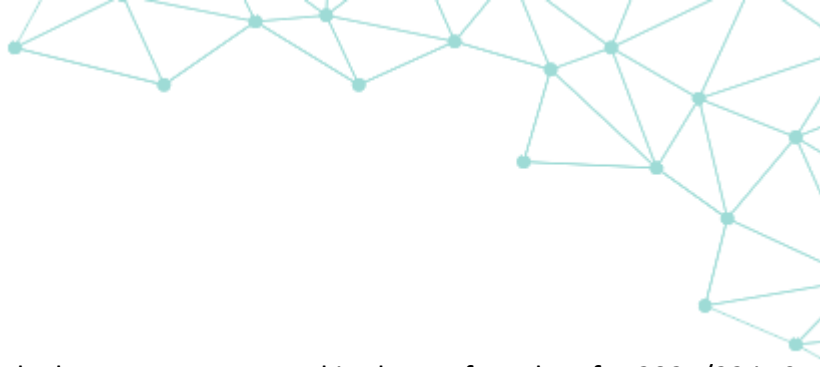


2. Description of proposal under consideration/development

Across the North of Northamptonshire different levels of Council Tax are raised in each of the constituent areas. Whilst the Council Tax levels 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 we would need to harmonise Council Tax which is a process whereby the rates are adjusted over a suitable period to arrive at a single consistent rate, which would maximise Council Tax yield and set an acceptable level single rate of Council Tax for North Northamptonshire. Detailed Regulations governing the transition process are made by Statutory Instrument, the latest being SI 2018 no.1296. There are 2 options to harmonise the Council Tax. The method used in the budget report is the weighted average option over one year. The proposal is to use a weighted average would mean some areas would see an increase in Council Tax and others would see a decrease.

This change will apply to all bands of Council Tax (i.e. all properties through from Bands A-H). This will impact on all residents within North Northamptonshire who are eligible to pay Council Tax. The Draft Budget report has not factored in any Council Tax increases but under the changes that are being made to local government funding there is more emphasis on generating more funding locally (i.e. becoming more self-determinant). However, there is scope to increase Council Tax further, however there are Council Tax rules in place that limit the extent of any Council Tax increases before a referendum is required, the limit for 2021-2022 is below 2% (plus 3% Adults Social Care precept)

The CTR1 data published by the Government for Council Tax for 2020/21 shows there are 58 Unitary Councils in England and the highest Council Tax Band D is £1,848.39, the average Band D for Unitaries is £1,542 therefore, the average for North Northamptonshire based on 2020/21 of £1,460.04 is well



below the highest rate and the average rate in England. The amount proposed in the Draft Budget for 2021/22 is £1,532.90 which includes an increase up to the referendum limit.

3. Data used in this Equality Impact Assessment

Data Source (include link where published) – quantitative or qualitative	What does this data tell us?
Information from District/Boroughs provides the estimated number of properties analysed by Band D equivalent.	The current draft budget tax base for Band D equivalent properties in 2021-22 is estimated at 111,892 dwellings. This figure is to be finalised for the January Shadow Executive report.

4. Please give details about planned consultation or engagement with communities and other stakeholders that are likely to be affected by the policy/decision/service change. If you are not carrying out any consultation or engagement activity, please provide reasons why you think this is not necessary.

The proposed changes to the Council Tax for North Northamptonshire will form part of the Budget Consultation from 11th December 2020 to 29th January 2021.

5. If consultation or engagement has been carried out in the past, please provide details. If so, what were their views and how have their views influenced the work to date?

Consultation on the proposed changes in Council Tax is undertaken each year as part of the Draft Budget Consultation.



6. Protected characteristics as set out in the Equality Act 2010: Based on the above information, what is the likely impact on the following groups? Please explain why you have made this assessment. If you are unsure, set out what you will do to get enough information to make an assessment.

Characteristic	Impact	Explanation	Mitigations/Actions
Sex	Neutral	<p>Neutral impact Explanation: Central Government (Ministry of Housing, Communities & Local Government) specify the amount Council Tax can be increased before it is necessary to hold a referendum with the general public. For 2021-22 the increase which can be applied to before a referendum needs to be held is below and not including 2% (plus 3% Adult Social Care precept in 2021-22)</p> <p>As part of our budget consultation process, we will be gauging the views of residents on this proposed council tax changes.</p> <p>In terms of impact, since Council Tax is applicable to all properties it is not considered that the increase targets any one particular group, rather it is an increase that is applied across the board. As the increase is applied to all properties it is not possible to exempt any particular groups. It will affect geographical areas differently to each other in comparison to their current rates, rather than impacting a particular equality group. The statutory discounts and exemptions will still apply; for example if someone is getting an exemption because they meet the Severely Mentally Impaired criteria, they would still get a full exemption no matter what the increase in council tax charge is.</p> <p>There are also local reduction schemes which do offer some support for individuals on low incomes who meet the criteria for the support schemes. These Council Tax support schemes are also due to be harmonised. A Consultation is currently being conducted and is due to end 30th November 2020. The final scheme will be approved by Shadow Executive 7th January 2021. The link for the consultation follows:</p>	
Gender reassignment	Neutral		
Age	Neutral		
Disability	Neutral		
Race & Ethnicity	Neutral		
Sexual Orientation	Neutral		
Marriage and Civil Partnerships	Neutral		
Religion or Belief (or No Belief)	Neutral		
Pregnancy & Maternity	Neutral		



Characteristic	Impact	Explanation	Mitigations/Actions
		<p>https://futurenorthants.citizenspace.com/ictss-north/2021-22/ The amount of Council Tax payable may be reduced by discounts or exemptions, depending on taxpayers' personal circumstances. These are also due to be harmonised for April 2021.</p> <p>The changes to Council Tax will form part of the budget consultation to run from 11th December to 29th January 2021 to help understand if there are unintended consequences of the changes.</p>	

7. Cross-cutting considerations: Based on the above information, what is the likely impact on the following groups? Please explain why you have made this assessment. If you are unsure, set out what you will do to get enough information to make an assessment.

Group	Impact	Explanation	Mitigations/Actions
<p>Human Rights – relevant articles and local authority context:</p> <ul style="list-style-type: none"> • Article 2 – Right to life • Article 3 – Freedom from torture and inhuman or degrading treatment • Article 4 – Prohibition of slavery and forced labour • Article 5 – Right to liberty and • Article 6 – Right to a fair trial • Article 8 – Right to private and family life • Article 9 – Freedom of thought, belief and religion • Article 10 – Freedom of expression • Article 11 – Freedom of assembly and association 	neutral	n/a	



Group	Impact	Explanation	Mitigations/Actions
<ul style="list-style-type: none"> • Article 14 – Protection from discrimination • Article 1 of the First Protocol: Protection of property • Article 2 of the First Protocol: Right to education 			
Rural Isolation	neutral	The budgeted changes to Council Tax are applied to all properties whether they are in situated in either rural or urban areas.	The proposed Council Tax changes will form part of the budget consultation to run from 11th December to 29th January 2021 to help understand if there are unintended consequences of the changes.
Socio-economic exclusion	neutral	<p>Because the increase is applied to all properties it is not possible to exempt particular socio-economic groups. Low income families are supported by the council tax support scheme and any increase in council tax would be used in the calculation of council tax support. This applies to all Council Tax Support claimants both working and pensionable age. These Council Tax support schemes are also due to be harmonised. A Consultation is currently being conducted and is due to end 30th November 2020. The final scheme will be approved by Shadow Executive 7th January 2021. The link for the consultation follows: https://futurenorthants.citizenspace.com/lctss-north/2021-22/</p> <p>The amount of Council Tax payable may also be reduced by discounts or exemptions, depending on taxpayers’ personal circumstances. These are also due to be harmonised for April 2021.</p>	The proposed Council Tax changes will form part of the budget consultation to run from 11th December 2020 to 29th January 2020 to help understand if there are unintended consequences of the increase.



Group	Impact	Explanation	Mitigations/Actions
Health and wellbeing considerations, for example:* <ul style="list-style-type: none">• Health behaviours (healthy eating, physical activity, smoking, alcohol)• Family, friends and community (social isolation, community safety, mental health, family support)• Environment (housing standards, fuel poverty, air pollution, green spaces)• Work and education (employment, working conditions, income)• Transport (active travel, public transport, road injury risk, traffic management)• Quality and access to care	neutral	n/a	

* Health and Wellbeing considerations note: Depending on the scale of the impact identified, there may be a recommendation for a full Health Impact Assessment to be completed



PART B

1) Consultation, follow up data and information gathered from actions identified above

	What does this information tell us?
The proposed changes to in Council Tax formed part of the Council’s draft Budget consultation, which ran from 11 th December 2020 to 29 th January 2021.	The majority of responses agreed with the harmonisation of the Council Tax 63.56%, 53.88% thought the best way is to use the average method and 60.38% said that this should happen in the first year. 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.
Final information on the Band D Properties for North Northamptonshire.	The final budget tax base for Band D equivalent properties in 2021-22 is confirmed at 111,892 dwellings.
Confirmation of final Council Tax Band D for 2021-22 for the North Northamptonshire Tax precept.	TBA



1) Based on the above information, what is the likely impact on the following groups? Please explain why you have made this assessment. If you are still unsure, please explain what you plan to do in future to address this.

Sex <i>Refer back to Part A for detail</i>	Impact / mitigations / actions	As part of our budget consultation process, we have gauged the views of residents on this proposed council tax increase.	
Gender Reassignment <i>Refer back to Part A for detail</i>		In terms of impact, since Council Tax is applicable to all properties it is not considered that the increase targets any one particular group, rather it is an increase that is applied across the board. As the increase is applied to all properties it is not possible to exempt any particular groups.	
Age <i>Refer back to Part A for detail</i>		However, on this latter point there are local reduction schemes which do offer some support for individuals on low incomes who meet the criteria for the support schemes. These Council Tax support schemes are operated by North Northamptonshire the CTS scheme was approved by Shadow Executive on the 7 January 2021 and CTS claimants can receive a discount of up to 75% of their council tax liability.	
Disability <i>Refer back to Part A for detail</i>		The amount of Council Tax payable may be reduced by discounts or exemptions, depending on taxpayers' personal circumstances. Details are published on the website.	
Race & Ethnicity <i>Refer back to Part A for detail</i>			
Sexual Orientation <i>Refer back to Part A for detail</i>			
Religion or Belief (or No Belief) <i>Refer back to Part A for detail</i>			
Pregnancy & Maternity <i>Refer back to Part A for detail</i>			

Cross-cutting considerations – see Part A for explanations and guidance



1) Based on the above information, what is the likely impact on the following groups? Please explain why you have made this assessment. If you are still unsure, please explain what you plan to do in future to address this.

Human Rights (Please see articles in the toolkit for more information) <i>Refer back to Part A for detail</i>	Impact	Neutral Explanation: n/a
	Mitigations/actions	n/a
Rural isolation <i>Refer back to Part A for detail</i>	Impact	neutral Explanation: The budgeted Council Tax increases are applied to all properties whether they are in situated in either rural or urban areas.
	Mitigations/actions	The proposed Council Tax increase formed part of the budget consultation to run from 11 th December 2020 to 29 th January 2021 to help understand if there were unintended consequences of the increase.
Socio-economic exclusion <i>Refer back to Part A for detail</i>	Impact	neutral Explanation: Because the increase is applied to all properties it is not possible to exempt particular socio-economic groups. However, there is a local reduction scheme which offers some support for individuals on low incomes who meet the criteria for the support scheme. Details can be found on the website. The amount of Council Tax payable may be reduced by discounts or exemptions, depending on taxpayers' personal circumstances. Details are published on the website.
	Mitigations/actions	The proposed Council Tax increase formed part of the budget consultation to run from 11 th December 2020 to 29 th January 2021 to help understand if there were unintended consequences of the increase. It is acknowledged that some respondents to the consultation raised concerns about the financial impact of the proposed Council Tax increase, however the Council needs to be able to generate funds locally, within the rules set by the government, in order to fund services. The local reduction schemes should mitigate the impact for those most affected by the proposed increase.



Health and wellbeing considerations <i>Refer back to Part A for detail</i>	Impact	neutral
	Mitigations/actions Note: Depending on the scale of the impact identified, there may be a recommendation for a full Health Impact Assessment to be completed	Explanation: n/a

2) Final impact analysis (taking the findings from Part B into account) – including review date if required

In terms of impact, since Council Tax is applicable to all properties it is not considered that the increase targets any one particular group, rather it is an increase that is applied across the board. As the increase is applied to all properties it is not possible to exempt any particular groups.

However, on this latter point there are local reduction schemes which do offer some support for individuals on low incomes who meet the criteria for the support schemes. The amount of Council Tax payable may be reduced by discounts or exemptions, depending on taxpayers' personal circumstances.

By increasing Council Tax as permitted by government rules, this enables the Council to generate income to fund services.

APPENDIX I

North Northamptonshire Council

Flexible Use of Capital Receipts Strategy 2021-2022

1. Background and Rules of Qualification

- 1.1. The Secretary of State, through Section 15 (1) of the Local Government Act 2003, gave local authorities the power to spend up to 100% of capital receipts from the disposal of property, plant and equipment assets on the revenue costs of reform projects. This flexibility is limited to the application of those capital receipts received in the years to which this direction applies and does not allow borrowing to finance the revenue costs of service reform.
- 1.2. The Secretary of State's current direction covers the period from 1 April 2016 to 31 March 2022.
- 1.3. 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.
- 1.4. 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.
- 1.5. An important feature of this flexibility requires the Council to demonstrate the highest standards of accountability and transparency and each individual project that will be funded or part-funded in this way must be disclosed and approved by a meeting of the Council in the financial year preceding when the expenditure will be incurred.

2. Transformation Strategy

- 2.1. The Council's Transformation Strategy builds upon the transformation planning, and activity that is currently being delivered through the Future Northants Programme to ensure the two new unitary councils in Northamptonshire are not only safe and legal on day one, but also reflect the future aspirations of North Northamptonshire Council in shaping its new identity.
- 2.2. This strategy sets out the priority objectives for major change, which will shape the effective, and efficient delivery of demand led services to improve outcomes for residents at an optimum cost. These priorities are listed below;
 - Prevention / Demand Management – supporting the most vulnerable service users
 - Partnerships – greater collaboration across the public sector
 - Transformation – delivering services more efficiently and effectively
- 2.3. The delivery of these priorities will be structured through a series of projects and work streams under one new governance framework and central

Transformation Team to ensure that progress is co-ordinated, regularly reviewed and to ensure that the outcomes of these projects feed into the delivery of corporate objectives.

- 2.4. A number of measures have been applied in order to ensure that the qualifying criteria are met. These include a robust approval process that is applied whenever the use of capital receipts is considered, to ensure that this funding source is only applied to qualifying expenditure. Additionally, detailed monitoring will be undertaken to provide assurance over the value of qualifying spend, benefits realisation and the delivery of anticipated outcomes.

3. Financial Overview

- 3.1. The Secretary of State's direction requires that details of the actual and proposed application of capital receipts are published within this strategy, including updates from the previous financial year to the Strategy.
- 3.2. As this is the first Flexible Use of Capital Receipts Strategy for North Northamptonshire Council, there are no prior year transformation projects funded by the Flexible Use of Capital Receipts to report progress on from this Council.
- 3.3. Northamptonshire County Council's strategy for the Flexible Use of Capital Receipts included Strength Based Working this focused on client outcomes, increased focus on independence, better decision making and best practice approaches to avoid delays, and making the service more sustainable going forward. The investment into Strength Based Working will continue under North Northants Council.
- 3.4. The forecast transformation spend for Strength Based Working in 2021/22 is £0.424m this a continuation of the strategy enacted by NCC and future year on-going benefit realisation. The total cost of this scheme across Northamptonshire is estimated to be £7.1m and the estimated annual savings amount to £14m.
- 3.5. There are no impacts on the Council's Prudential Indicators as capital receipts have not been earmarked to pay down debt repayments.

4 Capital Receipts

- 4.1. The application of this strategy relies on the availability of sufficient capital receipts to fund the qualifying transformation expenditure. The latest capital receipt forecast indicates that the estimated unused capital receipts brought forward from 2020/21 will be around £20m – the capital programme for 2021/22 assumes that the use of capital receipts will be £6m – after allowing for the use of Flexible Capital Receipts during 2021/22 the balance is estimated to be around £14m.

OS Committee Budget Group – Children & Education Services – Summary of Presentation - 18th January 2021

Attendance: -

Members	Cllrs A Henley, A Mercer, C Stanbra, R Beeby, M York, L Bunday, S Naden-Horley
Officers	J Gotts, M Dickenson, G Hammons, S Darcy, P Goult, F McHugo, J Smith, C Hadley, E Taylor

Text in BLUE relates to information received after the meeting.

Overview of Presentation

1. The Budget Group received a presentation from officers regarding the Children & Education Service Budget for 2021/2022. This was based on the Budget Report presented to the Shadow Executive Committee on 7th December 2020.
2. It was noted that Children's Services currently accounts for 30% of the NCC Budget. It was currently under budget for 2020/21 and was well-managed.
3. The NNC 2021/22 opening net expenditure budget would be £6.7m. This would assist in providing NNC's statutory education functions, to include education inclusion, education psychology, support for children with Special Educational Needs and Disabilities, school improvement, virtual schools (which NNC is the lead authority), school admissions and school place planning, Early Education and Childcare, Northamptonshire Children's Trust Intelligent Client Function (ICF).
4. An overview of key services provided by the Northamptonshire Children's Trust were provided. These included: - 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.
5. For the Northamptonshire Children's Trust Contract the total contract sum for 2021/22 for the whole county would be £136.07m. NNC's share of this was estimated at £60.36m but after considering other funding and income the net cost of the contract to NNC would be £54.3m.
6. Financial monitoring would be undertaken through a "Financial Mechanism". There was provision in the NNC draft budget of £0.72m for the impact of COVID-19 in 2021/22. This will be retained by NNC subject to valid presentation of additional costs by the Trust.
7. With regards to the Trust, an initial contract sum had been agreed for the 17-month period November 2020-March 2022.
8. The "Financial Mechanism" for in-year changes was explained. This may result from increase in service demand, unforeseen additional costs, service improvement

business case, Invest to Save proposals. A business case would need to be submitted to NNC for consideration. Future years budgets would be included within NNC's normal budget setting process.

9. The presentation included details of the proposed governance arrangements, for both the Trust and NNC. Also included were the roles of the Strategic Group, Operational Group, and the Support Services Board.
10. The presentation included a summary of the draft 2021/22 Revenue Budget. This showed a net budget requirement for the Trust of £54.3m, for Children Services £4.6m, a total of £58.9m.
11. Also included in the presentation were details of the key disaggregation principles used to set the draft budget. These included geographical location, cost drivers, population, employee headcount and funding formula. The overall total NNC split was approximately 44%. Within this, management costs were split 50:50 with WNC.
12. The key budget headlines included: addresses ongoing financial issues and opportunities identified in 2020/21, allowance for inflationary and demographic pressures, budget contingency and provision for continued spend on COVID-19, transformation efficiencies to be delivered through the Trust contract, protection of existing service levels.
13. The presentation provided a breakdown of the key proposals for the 2021/22 budget for both the Trust and Children & Education Services.

Questions/Comments

- a) Slides – Overview of Children & Education Services

N/A

- b) Slides – Northamptonshire Children's Trust Contract

It was noted that the Service Contract with the Trust for 2021/22 was currently being finalised.

NNC and WNC would need to negotiate the contract for 2022/23 during the next 12 months.

Under this slide Cllr Henley queried whether NCC had yet seen any financial reporting from the Trust since the contract commenced? Were there any indications of overspending?

Officers – there had been no formal reporting yet, however indications given indicated operation within budget. The budget for the Trust had been subject to rigorous negotiation and consideration. It had been a robust process.

Under this slide Cllr Mercer noted the £720k to be retained by NNC for COVID-19 pressures. Cllr Mercer suggested that this may be inadequate given the potential for additional costs associated with staff absences etc.

Under this slide Cllr Hakewill suggested that given school closures the level of potential referrals had reduced, thus potentially creating a false situation. Referrals were likely to rise when schools resumed on site.

Cllr Hakewill also queried the level of savings indicated and raised concern that if in fact the Trust required more funding this would result in cuts to services elsewhere in NNC.

c) Slide – The Financial Mechanism: In-year changes

Under this slide Cllr Mercer queried how requests from the Trust for additional funding would be apportioned between NNC and WNC, and conversely how would benefits from savings be apportioned?

Officers – confirmed that consideration of any requests for additional funding would be subject to the governance structure in place, and subject to assessment as to whether NNC and/or WNC needed to consider the request, and whether it needed to be apportioned.

Cllr Hakewill raised concern regarding “could not reasonably been anticipated”. Was there a capital and/or revenue reserve that NNC could call upon? If not, would it lead to cuts elsewhere within NNC?

Officers – confirmed that there was a specific reserve for Social Care (Children/Adults) of £3.2m which had been established as part of the budget process. This was approximately 2% of the overall budget. Officers also stated that there was a contingency fund for NNC as a whole. It was recognised that there would need to be robust budget monitoring. Ongoing impacts of the COVID-19 pandemic were difficult to assess but some assumptions had been made.

Cllr Hakewill suggested that the Social Care reserve may prove inadequate, and consideration be given to increasing this.

d) Slide – Proposed governance arrangements

It was noted that the Client function would be hosted by NNC.

Under this slide Cllr Mercer wondered what would happen if an Invest to Save scheme came forward and NNC approved, but not WNC?

Officers – confirmed that any in-year changes would be assessed through the governance structure. NNC would be able to proceed with new initiatives and reap the benefits. There would need to be a robust business case presented for any in-year changes. The council investing resources would receive the benefits.

e) Slide – Draft 2021/22 Revenue Budget Summary

N/A

f) Slide – Revenue Budget Baseline NCC Disaggregation

There were no service cuts proposed, savings would be achieved through efficiencies.

g) Slide – Key 2021/22 Budget Headlines

Under this slide Cllr Henley wondered what % the increase in children in care represented.

Officers – Officers confirmed there were currently 1,140 children in care now. The budget reflected an increase of 12 placements. Officers would confirm the figures and % increase.

Cllr Hakewill queried where unaccompanied asylum-seeking children were considered in the budget?

Officers – these were considered and formed part of the “demographic growth”.

h) Slides – Budget Proposals – Northamptonshire Children’s Trust

Under this slide Cllr Mercer wondered how confident efficiencies would be achieved.

Officers – there had been some delay due to COVID-19, however officers were confident these would be progressed.

Cllr Henley wondered whether these savings were double counted in relation to FN savings?

Officers – all savings figures had been accounted for and carried forward. There was no double counting.

Cllr Mercer felt that any savings were going to be difficult to achieve during the pandemic period.

Cllr Stanbra queried the additional management capacity of £62k. Did this relate to one or more posts?

Officers – confirmed that it related to an Assistant Director Post only.

Cllr Stanbra queried the entry on pensions and was there a negative entry somewhere else in the budget?

Officers – yes, under corporate.

Cllr Henley queried the National Living Wage reference, which seemed low. Did this impact many staff?

Officers – no, there were only a small number of staff impacted, which explained the relatively low growth item.

i) Slide – Budget Proposals – Children & Education Services

Cllr Stanbra noted £71k forecast pay inflation, and assumed this was included in the corporate figure for the budget?

Officers – it was.

Cllr Mercer noted the 20% annual reduction in CSS Block.

Cllr Mercer noted £710k for additional demand due to COVID-19 and again felt this may underestimate additional costs due to staff absence etc.

Officers – to date there had been relatively low staff absenteeism due to COVID-19, although it was accepted that it was difficult to forecast the medium/long term impact at this stage.

Cllr Hakewill queried where facilities were located between North and West, and whether a cross-charging mechanism would exist where children in the North were placed in the West and vice versa?

Officers – confirmed there would be cross-charging. The home location of any child would be used to determine who paid, North or West.

Cllr Hakewill also suggested that it would be helpful to include % increase/decrease where a budget was indicated.

Cllr Mercer commented that there may be issues relating to loss of service providers and/or increases in services due to COVID-19.

Officers – this was noted, however normal procurement procedures would be followed, and established contracts adhered to. Where necessary the authority would go back out to the market.

Cllr Mercer suggested that this needed to be added to the Risk Register.

Officers – the Risk Register for NNC was currently under consideration and would reflect COVID-19 pressures.

Cllr Mercer noted that management costs under disaggregation were split 50:50. Should NNC not be paying less?

Officers – there was a need to replicate management structures in North and West, so costs were the same.

Cllr Mercer wondered what was meant by “incentives that drive improvement”? A written response to that question to be provided.

This response was provided after the Group meeting –

“incentives that drive improvement”. What did you have in mind? This would be working with providers to inform what the incentives might be agreeable. Providers may consider that they would be at a loss financially if they step children down from expensive residential homes to fostering. We would want to incentivise providers to support the scheme so we could look at such things as payment by results or retain their services to support the child and carers when a child steps down from their residential placement to a foster home.

The meeting concluded with various comments of support for current staff, and the work they were undertaking. It was noted that there were some ambitious objectives, and it was important that NNC monitor progress closely. It was recognised that given the costs involved that even a small % increase could have significant implications.

There was further comment that new councillors to NNC needed to have appropriate training and that there were open and transparent methods of scrutiny incorporated into governance arrangements. The suggestions for continued efficiencies and innovation were welcomed.

North Northamptonshire Council

Treasury Management Strategy
2021/22

1 Introduction

CIPFA Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes

- 1.1 CIPFA has defined treasury management as “the management of the organisation’s borrowings, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”
- 1.2 The Council has adopted CIPFA’s Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes (the Treasury Code). The adoption is included in the Council’s Constitution at section 21 of the Financial Procedure Rules.

CIPFA Prudential Code for Capital Finance in Local Authorities

- 1.3 The CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code) is a professional code of practice. Local authorities have a statutory requirement to comply with the Prudential Code when making capital investment decisions and carrying out their duties under Part 1 of the Local Government Act 2003 (Capital Finance etc. and Accounts).
- 1.4 The CIPFA Prudential Code sets out the manner in which capital spending plans should be considered and approved, and in conjunction with this, the requirement for an integrated treasury management strategy.
- 1.5 Councils are required to set and monitor a range of prudential indicators for capital finance, covering affordability, prudence, and a range of treasury indicators.

Treasury Management Policy Statement

- 1.6 The Council’s Treasury Management Policy Statement is included in Appendix K-1. The policy statement follows the wording recommended by the latest edition of the CIPFA Treasury Management Code of Practice (Treasury Code).

Treasury Management Practices

- 1.7 The Council’s Treasury Management Practices (TMPs) set out the manner in which the Council will seek to achieve its treasury management policies and objectives, and how it will manage and control those activities.
- 1.8 The Council’s TMPs Schedules cover the detail of how the Council will apply the TMP Main Principles in carrying out its operational treasury activities, approved by the Council’s Section 151 (S151) Officer.

The Treasury Management Strategy

- 1.9 It is a requirement under the Treasury Code to produce an annual strategy report on proposed treasury management activities for the year.

1.10 The Council's Treasury Management Strategy is drafted in the context of the key principles of the Treasury Code, as follows:

- Public service organisations should put in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective management and control of their treasury management activities.
- Their policies and practices should make clear that the effective management and control of risk are prime objectives of their treasury management activities and that responsibility for these lies clearly within their organisations. Their appetite for risk should form part of their annual strategy, including any use of financial instruments for the prudent management of those risks, and should ensure that priority is given to security and liquidity when investing funds.
- They should acknowledge that the pursuit of value for money in treasury management, and the use of suitable performance measures, are valid and important tools for responsible organisations to employ in support of their business and service objectives; and that within the context of effective risk management, their treasury management policies and practices should reflect this.

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

1.12 The Treasury Management Strategy incorporates:

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

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

1.14 The Treasury Management Strategy also includes the Council's:

- Policy on borrowing in advance of need;
- Counterparty creditworthiness policies.

- 1.15 The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. The Treasury Management Scheme of Delegation is shown in Appendix K-2.
- 1.16 The figures in the Strategy cover the five year period 2021-26. The figures in the 5th year are a roll forward of the 4th year as the council only has a 4 year capital strategy and MTFP at present. A five year plan will be developed in the future.

2 Current Treasury Management Position

2.1 It is important to note that this is North Northamptonshire's first Treasury Management Strategy following the local government reorganisation in Northamptonshire. The reorganisation has led to the disaggregation of Northamptonshire County Council (NCC) and aggregation of the districts and boroughs (D&Bs) in north northamptonshire and North Northamptonshire Council will come into existence on 1st April 2021. As such the position will be based on the initial forecast split and aggregation of borrowing, funding and capital programme as forecast at 31st March 2021. This will be supplemented by the new councils plans. The Strategy may need to be further developed during year 1 and onwards as the authority takes shape. It should be noted there are a number of uncertainties that still need to be finalised with respect to the disaggregation and aggregation of NCC and the D&Bs with regards to treasury position, including:

- the starting balance sheet at 1st April 2021 for North Northamptonshire which will be dependant upon the final Statement of Accounts for 2020/21 of NCC and the D&Bs.
- The agreement of the disaggregated borrowing and investment portfolios of NCC.

This Strategy and the figures within it are therefore based on the most up to date position and intelligence when the Budget and associated strategies were considered by Shadow Authority in February 2021. It will need to be carefully monitored during the financial year, particularly the prudential indicators, as the uncertainties crystallise to ensure it is fit for purpose. If any fundamental changes are required a revised Strategy would need to be approved by Council.

- 2.2 The Council's projected treasury portfolio position at 31st March 2021, with forward projections into future years, is summarised below. Table 1 shows the actual external borrowing (the treasury management operations), against the capital borrowing need (the CFR), highlighting any over or under borrowing (also known as internal borrowing).
- 2.3 The CFR is the total of historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need.
- 2.4 The Council is currently maintaining an internal/under borrowed cash position. This means that the capital borrowing need (the CFR) has not been fully funded with loan debt. The Council could therefore, if it needed to, reverse this internal borrowing position to fund the underlying capital borrowing requirement entirely

from external borrowing, so bringing additional cash back into the Council. However, raising additional external borrowing brings with it increased interest costs, so the Councils strategic position is to minimise these costs where possible.

- 2.5 Any capital expenditure which has not immediately been paid for will increase the CFR. The CFR does not increase indefinitely, as the Minimum Revenue Provision (MRP) is a statutory annual revenue charge which broadly reduces the borrowing need over each asset's life. The CFR, borrowing and investment figures include sums related to third party loans, but exclude PFI and Finance Lease liabilities.

Table 1: Forecast Borrowing and Investment Balances
[Table to be completed once NCC Balance Sheet Dis-aggregation finalised]

£m	2021/22	2022/23	2023/24	2024/25	2025/26
	Estimate £m	Estimate £m	Estimate £m	Estimate £m	Estimate £m
External borrowing					
Borrowing at 1 April b/f	TBC	TBC	TBC	TBC	TBC
Net Borrowing Requirement to fund capital programme (see Table 2 below)	TBC	TBC	TBC	TBC	TBC
MRP ¹	TBC	TBC	TBC	TBC	TBC
Internal borrowing (increase)/reduction ²	TBC	TBC	TBC	TBC	TBC
(1) Actual borrowing at 31 March c/f	TBC	TBC	TBC	TBC	TBC
Capital Borrowing					
Capital Borrowing	TBC	TBC	TBC	TBC	TBC
Third Party Loans	TBC	TBC	TBC	TBC	TBC
Actual borrowing at 31 March c/f	TBC	TBC	TBC	TBC	TBC
(2) CFR – the borrowing need					
(2) CFR – the borrowing need	TBC	TBC	TBC	TBC	TBC
(3) [2 – 1] Internal Borrowing ²					
(3) [2 – 1] Internal Borrowing ²	TBC	TBC	TBC	TBC	TBC
Investments					
Funds Available for Investment at 1 April b/f ³	TBC	TBC	TBC	TBC	TBC
Change in Funds Available for Investment	TBC	TBC	TBC	TBC	TBC
(4) Investments at 31 March c/f	TBC	TBC	TBC	TBC	TBC
Investment Balances ³					
Investment Balances ³	TBC	TBC	TBC	TBC	TBC
Third Party Loans	TBC	TBC	TBC	TBC	TBC
Investments at 31 March c/f	TBC	TBC	TBC	TBC	TBC
(5) [1 – 4] Net borrowing					
(5) [1 – 4] Net borrowing	TBC	TBC	TBC	TBC	TBC

¹ Appendix K-4 sets out the Council's MRP policy. A new MRP policy will be in place to account for the previous NCC debt as per their previous policy and the previous district and borough council debt as per their previous policy. Changes to the MRP policy of the previous Northamptonshire County Council, that forms part of this new council, for 2017/18 resulted in identification of an overprovision of MRP (VRP) when compared against actual MRP charges. This overprovision has been applied prospectively from 2017/18 onwards until fully exhausted, reducing annual MRP charges to a minimal charge of £0.1m. From 2021/22

onwards, the planning assumption is for an MRP increase in a phased and prudent manner to progressively reinstate the charge to proper levels in the future. The previous district and borough debt will continue to be provided for on an asset life basis, historically based on the below MHCLG Regulations:

For capital expenditure incurred before 1 April 2008 or which in the future will be Supported Capital Expenditure, the MRP policy will be:

- Existing practice - MRP will follow the existing practice outlined in former MHCLG regulations (option 1). This option provides for an approximate 4% reduction in the borrowing need (CFR) each year.

From 1 April 2008 for all unsupported borrowing (including finance leases) the MRP policy will be:

- Asset Life Method – MRP will be based on the estimated life of the assets, in accordance with the proposed regulations (this option must be applied for any expenditure capitalised under a Capitalisation Direction) (option 3). This option provides for a reduction in the borrowing need over approximately the asset's life.

There is no requirement on the HRA to make a minimum revenue provision but there is a requirement for a charge for depreciation to be made.

² Internal borrowing is effectively the difference between the underlying need to borrow for capital purposes and actual external borrowing held. The CFR has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent while investment returns are low and to mitigate against counterparty risk. The Council is therefore maintaining an under borrowed position.

³ Consequent to maintaining an under borrowed position, the level of funds available for investment (excluding third party loans) will be kept to a minimum. Sufficient liquidity will be maintained during the course of the year to meet expected payments, as projected in the Council's cash flow modelling.

2.6 Table 2 below summarises the net borrowing funding need of the capital expenditure plans for the Council. Detailed capital expenditure plans are set out in the Capital Strategy.

Table 2: Capital Borrowing Requirement

Capital Expenditure (per Capital Strategy)	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 & 2024/25 Estimate £m	Total Estimate £m
Net financing need for the year	17.2	11.3	14.5	43.0

2.7 Within the set of prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well defined limits. Among these the Council needs to ensure that its gross borrowing does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for the current and next two financial years. This allows some flexibility for limited early borrowing for future years but ensures that borrowing is not undertaken for revenue purposes except to cover short term cash flows.

2.8 The Executive Director of Finance, with input from the predecessor councils' CFO's, reports that the Councils have complied with this prudential indicator in the 2020/21 financial year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, the proposals in this strategy, and the Budget report and Medium Term Financial Plan.

3 Prospects for Interest Rates

3.1 The Council has appointed Link Asset Services (LAS) as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The following table gives the LAS central view for short term and longer term interest rates.

Table 3: Link Asset Services Interest Rate View

Link Group Interest Rate View		9.11.20											
These Link forecasts have been amended for the reduction in PWLB margins by 1.0% from 26.11.20													
	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
BANK RATE	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
3 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
6 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
12 month ave earnings	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
5 yr PWLB	0.80	0.80	0.80	0.80	0.90	0.90	0.90	0.90	0.90	1.00	1.00	1.00	1.00
10 yr PWLB	1.10	1.10	1.10	1.10	1.20	1.20	1.20	1.20	1.20	1.30	1.30	1.30	1.30
25 yr PWLB	1.50	1.60	1.60	1.60	1.60	1.70	1.70	1.70	1.70	1.80	1.80	1.80	1.80
50 yr PWLB	1.30	1.40	1.40	1.40	1.40	1.50	1.50	1.50	1.50	1.60	1.60	1.60	1.60

3.2 The coronavirus outbreak has had a huge negative economic impact to the UK and economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to first 0.25%, and then to 0.10%. As shown in the forecast table above, no increase in Bank Rate is expected within the forecast horizon ending on 31st March 2024 as economic recovery is expected to be only gradual and, therefore, prolonged. In addition to the impact of Covid-19 on the UK and other economies there is the EU Exit, changes to policy arising from the new president in the US, geopolitical risks and the potential of negative interest rates to consider.

3.3 In November 2020 the Chancellor announced the conclusion to the review of margins over gilt yields for PWLB rates; the standard and certainty margins were reduced by 1% or 100 basis points (bps). In addition it was confirmed councils would be denied access to borrowing from the PWLB for any local authority which had purchase of assets for yield in its three-year capital programme. The new margins over gilt yields are as follows:

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

3.4 There is likely to be little upward movement in PWLB rates over the next two years as it will take economies, including the UK, a prolonged period to recover all the momentum they have lost in the sharp recession caused during the coronavirus shut down period. From time to time, gilt yields, and therefore PWLB rates, can be subject to exceptional levels of volatility due to geo-political, sovereign debt crisis, emerging market developments and sharp changes in investor sentiment, (as shown on 9th November when the first results of a successful COVID-19 vaccine trial were announced). Such volatility could occur at any time during the forecast period. Inflation is also likely to be very low during this period and could even turn negative in some major western economies during 2020/21.

Investment and borrowing rates

- 3.5 Investment returns are likely to remain very low during the year with little increase in the following two years.
- 3.6 Borrowing interest rates are low with little upward movement likely over the next two years. While the Council may not be able to avoid borrowing to fund its capital financing requirement and replace maturing debt, cost of carry (the difference between higher borrowing costs and lower investment returns) remains a key factor in assessing any long-term borrowing decisions.

4 Borrowing Strategy

4.1 The overarching objectives for the Council's borrowing strategy are as follows:

- To manage the Council's debt maturity profile; this is achieved by monitoring short and long term cash flow forecasts in tandem with balance sheet analysis;
- To maintain a view on current and possible future interest rate movements, and to plan borrowing accordingly; this is achieved by consultation with the Council's treasury advisors and monitoring of other economic commentary to undertake sensitivity analysis;
- To monitor and review the balance between fixed and variable rate loans against the background of interest rates and the Prudential Indicators; this is achieved by consultation with the Council's treasury advisors and monitoring of other economic commentary to undertake sensitivity analysis;
- Challenge reliance on the PWLB as a source of funding and review all alternative options available, including forward loan agreements; this is achieved by regular communication with money market brokers, financial institutions, and other debt issuers and appraised in conjunction with the Council's treasury advisors;
- Provide value for money and savings where possible to meet budgetary pressures; this is achieved by the periodic appraisal of borrowing options, sensitivity analysis of forecast delivery of the approved capital programme and its impact on the overall underlying borrowing requirement, and cashflow analysis.

4.2 The Council can raise significant sums of short-term borrowing through other Local Authorities to minimise interest costs. However, short-term borrowing also carries with it the following principle risks:

- Re-financing risk; that replacement loans are not readily available on maturity.
- Interest rate risk; that on replacement of short-term loans, market rates increase meaning no option but to borrow at disadvantageous rates.

4.3 The Council is forecasting to maintain an internal-under borrowed cash position. This means that the capital borrowing need (the Capital Financing Requirement) has not been fully funded with loan debt. Instead cash in hand supporting the

Council's reserves, balances, and positive cash inflows has been used as an alternative temporary funding measure. This strategy is prudent in the current economic climate - as returns achievable from the investment of cash are lower than the cost of raising additional loan debt, and counterparty risk remains elevated. This policy can be reviewed on an on-going basis for its appropriateness and robustness.

- 4.4 Any decision to raise short dated loans to generate short term savings will be evaluated against the potential for incurring additional long term borrowing costs in future years.
- 4.5 Sources of finance include loans from other local authorities, the PWLB, as well as other financial institutions, banks and building societies. The Council needs to consider whether to support the UK Municipal Bonds Agency (UKMBA) as NCC had previously agreed and will consider drawing down funding from the Agency in line with its overall strategy as appropriate if agreed.
- 4.6 The Council will also need to consider the type of capital investment being made in determining its borrowing position. In November 2020 HM Treasury announced the outcome of its consultation into commercial investment taken primarily for yield. The outcome is that councils who have capital programmes which include schemes for commercial investment primarily for yield will be prohibited from borrowing from the PWLB. The Council will therefore need to undertake an assessment of all capital investment schemes to verify that these schemes will not preclude the council from being able to access PWLB as a source of borrowing.
- 4.7 Against this background and the risks within the economic forecast, caution will be adopted with the 2021/22 treasury operations. The Treasury Team will monitor interest rates in financial markets to brief the Executive Director of Finance and adopt a pragmatic approach to changing circumstances. For example:
- if it was felt that there was a significant risk of a FALL in long and short term rates (e.g. due to a marked increase of risks around a relapse into recession or of risks of deflation), then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered;
 - if it was felt that there was a significant risk of a RISE in long and short term rates than that currently forecast, perhaps arising from an acceleration in the start date and in the rate of increase in central rates in the USA and UK, an increase in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised. Most likely, fixed rate funding will be drawn whilst interest rates are lower.
 - The Council may occasionally undertake short term temporary borrowing if it is needed to manage its cash flow position.

Prudential & Treasury Indicators

- 4.8 There is a requirement under the Local Government Act 2003 for local authorities to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities (the "CIPFA Prudential Code") when setting and reviewing their Prudential Indicators. The Prudential Code for Capital Finance in Local Authorities was updated in 2018.
- 4.9 A full set of Prudential Indicators and borrowing limits are shown in Appendix K-3.

Policy on Borrowing in Advance of Need

- 4.10 Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds. Borrowing in advance will be made within the following constraints:

Table 4: Borrowing in Advance of Need

Year	Max. Borrowing in advance	Notes
2021/22	100%	Borrowing in advance will be limited to no more than the expected increase in borrowing need (CFR) over the period of the approved Medium Term Capital Programme, a maximum of 3 years in advance.
2022/23	50%	
2023/24	25%	

- 4.11 Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the Council's reporting mechanism for treasury management and capital financing matters.
- 4.12 As mentioned within 4.3 above, the Council is currently maintaining an internally borrowed cash position and, following the agreement of the split of the NCC loan portfolio a review will be undertaken to consider if any new loans are required to fund capital expenditure or refinancing to replace any maturing debt. It is not anticipated that borrowing in advance of future years financing needs will take place.
- 4.13 The Council will not borrow more than or in advance of its needs to purely profit from the investment of the extra sums borrowed.

Debt Rescheduling

- 4.14 Short term borrowing rates are forecast to be cheaper than longer term fixed interest rates in the medium term, so there may be potential opportunities to generate interest savings by switching long term borrowing to short term borrowing. However, any potential savings will need to be considered in the light of the Council's current treasury position and, in the current economic climate, the substantial exit costs associated with any early debt repayment.

- 4.15 Consideration will also be given to identifying whether there is any potential for making interest savings by running down investment balances to repay debt prematurely, as short term rates on investments are likely to remain lower than rates paid on current debt.
- 4.16 The reasons for any rescheduling to take place will include:
- the generation of cash savings and/or discounted cash flow savings;
 - helping to fulfil the treasury strategy; and
 - enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).
- 4.17 The Treasury Team maintain open dialogue with its lenders and consider any early repayment proposals on a case by case basis, taking advice from the Councils treasury advisors where appropriate.
- 4.18 Any rescheduling activity decision will be made by the Executive Director Finance, and reported as part of the next scheduled Treasury Management report to members following its action.

5 Minimum Revenue Provision

- 5.1 The Council is required to repay annually an element of its total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources (the CFR). This is achieved through a revenue charge known as the minimum revenue provision – MRP. It is also allowed to undertake additional voluntary payments (voluntary revenue provision - VRP).
- 5.2 MHCLG Regulations have been issued which require full Council, upon the recommendation of Cabinet or equivalent committee, to approve an MRP Statement in advance of each year. A variety of options are provided to councils, so long as there is a prudent provision. The Council is recommended to approve the MRP Policy in Appendix K-4 which sets out how MRP will be charged against particular asset types or other forms of capital expenditure.
- 5.3 The Councils MRP Policy can be summarised as:
- The preceding councils MRP Policies will continue to apply for the MRP requirement upto 31st March 2021.

Changes to the MRP policy of the previous Northamptonshire County Council, that forms part of this new council, for 2017/18 resulted in identification of an overprovision of MRP (VRP) when compared against actual MRP charges. This overprovision has been applied prospectively from 2017/18 onwards until fully exhausted, reducing annual MRP charges to a minimal charge of £0.1m.

- For capital investment made by North Northamptonshire Council from 1st April 2021 MRP will be charged on an annuity basis

- 5.4 The Council, in conjunction with its Treasury Management advisors, considers the MRP policy to be prudent.

6 Investment Strategy

- 6.1 Government guidance on Local Government Investments in England requires that an Annual Investment Strategy (AIS) be set. The Guidance permits the Treasury Management Strategy Statement (TMSS) and the AIS to be combined into one document.
- 6.2 The Council's general policy objective is to invest its surplus funds prudently. As such the Council's investment priorities, in priority order, are:
- security of the invested capital;
 - liquidity of the invested capital; and
 - the yield received from the investment.
- 6.3 A copy of the Council's Investment Strategy is shown in Appendix K-5.

7 Risk Analysis and Forecast Sensitivity

Risk Management

- 7.1 The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Treasury management risks are identified in the Council's approved Treasury Management Practices. The main risks to the treasury activities are:
- Credit and counterparty risk (security of investments);
 - Liquidity risk (adequacy of cash resources);
 - Interest rate risk (fluctuations in interest rate levels);
 - Exchange rate risk (fluctuations in exchange rates);
 - Refinancing risks (impact of debt maturing in future years);
 - Legal and regulatory risk (non-compliance with statutory and regulatory requirements);
 - Fraud, error and corruption, and contingency management (in normal and business continuity situations);
 - Market risk (fluctuations in the value of principal sums).
- 7.2 The TMP Schedules set out the ways in which the Council seeks to mitigate these risks. Examples are the segregation of duties (to counter fraud, error and corruption), and the use of creditworthiness criteria and counterparty limits (to minimise credit and counterparty risk). Council officers, in conjunction with the treasury advisors, will monitor these risks closely.

Sensitivity of the Forecast

- 7.3 The sensitivity of the forecasts applied is linked primarily to movements in interest rates and in cash balances, both of which can be volatile. Interest rates in particular are subject to global external influences over which the Council has no control.
- 7.4 Both interest rates and cash balances will be monitored closely throughout the year and potential impacts on the Council's debt financing budget will be assessed. Action will be taken as appropriate, within the limits of the TMP Schedules and the treasury strategy, and in line with the Council's risk appetite, to keep negative variations to a minimum. Any significant variations will be reported to members as part of the Council's regular budget monitoring arrangements.

8 Reporting Arrangements

Capital Strategy

- 8.1 CIPFA's revised 2017 Prudential and Treasury Management Codes requires all local authorities to prepare an additional capital strategy report, which will provide the following:
- a high-level long term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services;
 - an overview of how the associated risk is managed;
 - the implications for future financial sustainability;
- 8.2 The aim of this capital strategy is to ensure that all elected members on the full council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.
- 8.3 This capital strategy is reported separately from the Treasury Management Strategy Statement; non-treasury investments will be reported through the former. This ensures the separation of the core treasury function under security, liquidity and yield principles, and the policy and commercialism investments usually driven by expenditure on an asset.
- 8.4 Where a physical asset is being bought, details of market research, advisors used (and their monitoring), ongoing costs and investment requirements and any credit information will be disclosed, including the ability to sell the asset and realise the investment cash.
- 8.5 Where the Council has borrowed to fund any non-treasury investment, there should also be an explanation of why borrowing was required and why the MHCLG Investment Guidance and CIPFA Prudential Code have not been adhered to.
- 8.6 If any non-treasury investment sustains a loss during the final accounts and audit process, the strategy and revenue implications will be reported through the same procedure as the Capital Strategy.
- 8.7 The Capital Strategy will also consider the proportionality between the treasury investments shown throughout this report and non-treasury investments.

Treasury Management Reporting

8.8 The Council is currently required to receive and approve, as a minimum, three main treasury reports each year, which incorporate a variety of policies, estimates and actuals:

a) **Prudential and treasury indicators and treasury strategy (this report)** - The first and most important report is forward looking and covers:

- the capital plans, (including prudential indicators);
- a minimum revenue provision (MRP) policy, (how residual capital expenditure is charged to revenue over time);
- the treasury management strategy, (how the investments and borrowings are to be organised), including treasury indicators; and
- an investment strategy, (the parameters on how investments are to be managed).

b) **A quarterly treasury management report** – This is primarily a progress report to Cabinet and will update members on the capital position, amending prudential indicators as necessary, and whether any policies require revision.

c) **An annual treasury report** – This is a backward looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

9 Treasury Management Budget

9.1 Table 5 below provides a breakdown of the treasury management budget. It is important to note that in line with Unitary proposals for Northamptonshire, Northamptonshire County Council and the 7 district and borough councils in the county will not exist past 31st March 2021 and estimates beyond this date will be disaggregated and aggregated accordingly to form part of the MTFP for the two new Northamptonshire Unitary Councils.

Table 5: General Fund Treasury Management Budget

Description	2021/22	2022/23	2023/24	2024/25	2025/26
	£m	£m	£m	£m	£m
Interest payable on borrowing	12.835	12.884	12.922	12.957	12.957
Interest receivable from investments	(1.809)	(1.809)	(1.809)	(1.809)	(1.809)
MRP (excl. PFI bullet)	5.513	7.013	8.513	10.013	10.013
Premium on debt rescheduling	0.000	0.000	0.000	0.000	0.000
Total	16.539	18.088	19.626	21.161	21.161

Note: MRP includes provision of £1.5m pressure per year increased base budget to build up full MRP charge from 2025/26. See MRP Policy at Appendix K-4 for more information.

9.2 Key assumptions underpinning the 2021/22 budget are:

- Average rates achievable on investments of 0.10%;
- The MRP charges in line with the Council's MRP policy (Appendix K-4).

10 Policy on the use of External Service Providers

- 10.1 The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers.
- 10.2 However, there is value in employing an external provider of treasury management services in order to acquire access to independent specialist skills and advice to support the in-house treasury management team.
- 10.3 The Council's treasury management advisor is Link Asset Services (LAS). LAS has been the adviser for NCC and the North D&BS for a number of years. The Council extended this contract by a year for 2021/22 to ensure a safe and legal transition of treasury advice.
- 10.4 The scope of investments within the Council's operations includes both conventional treasury investments (the placing of residual cash from the Council's functions) and non-treasury investments, where the primary objective is to support economic regeneration policies. HM Treasury guidance has reiterated that non-treasury investments (almost always funded as capital expenditure) cannot be undertaken for the sole purpose of acquiring an "asset for yield". Such activity would result in the Council being barred from accessing PWLB loans for any purpose whatsoever in the year in which the investment was made.

11 Future Developments

- 11.1 Local Authorities are having to consider innovative strategies towards improving service provision to their communities. This approach to innovation also applies to councils' treasury management activities. The Government has already introduced new statutory powers and regulatory agencies such as CIPFA are introducing policy changes which will have an impact on treasury management approaches in the future. Examples of such changes are:

Localism Act

- 11.2 A key element of the Act is the "General Power of Competence": "A local authority has power to do anything that individuals generally may do." The Act opens up the possibility that a local authority can use derivatives as part of their treasury management operations. However, the legality of this has not yet been tested in the courts even though CIPFA have set out a framework of principles for the use of derivatives in the Treasury Management Code and guidance notes. The Council has no plans at this point to use financial derivatives under the powers contained within this Act.

Loans to Third Parties

- 11.3 The Council may borrow to make grants or loans to third parties for the purpose of capital expenditure, as allowable under paragraph 25 (1) (b) of the Local Authorities (Capital Financing and Accounting) (England) Regulations 2003 (Statutory Instrument No. 3146). This will usually be to support local authority companies and local economic development, and may be funded by external borrowing.

- 11.4 North Northamptonshire is a shareholder of LGSS Law Ltd and has made a third party loan at a commercial rate to aid the cash flow of the company. The value of the loan is £0.475m, which represents 50% of the loan made by NCC for its share of the cash flow contribution. The disaggregation of NCC has split the NCC share of LGSS Law Ltd equally between North and West Northamptonshire.
- 11.5 The Board and Shareholders of LGSS Law Ltd regularly review the performance of the company. A strong foundation for future growth of the company, and in accordance with recommendations from the company's external auditors, the 3 shareholder Councils (Northamptonshire County Council, Cambridgeshire County Council & Central Bedfordshire Council) injected additional share capital (equity) in 2020. The equity of the company from inception was only £150, which was deemed no longer appropriate for a company of its size. It was agreed each shareholder would inject equity capital of £0.475m into LGSS Law.
- 11.6 As NCC had already provided finance to the company with a historic loan of £0.950m for cash flow purposes, the Councils injection of £0.475m equity capital was offset by a reduction in this loan to the same value, meaning no additional finance was committed.
- 11.7 Following relevant accounting rules (IFRS9) the equity was funded from the NCC's Capital Programme, and the reduction in loan was reflected in the Council's short-term investments. MRP is being charged on this share capital investment in line with regulations. North Northamptonshire Council will continue to review its position in relation to accounting for the loan on an annual basis statement of accounts process.

UK Municipal Bonds Agency (MBA)

- 11.8 The UK Municipal Bond Agency (MBA) provides loans to UK local authorities to fund capital expenditure. At its inception the MBA raised £6m share capital from 56 local authorities, including £0.2m from Northamptonshire County Council, plus the Local Government Association to launch an agency to issue bonds in the capital markets on behalf of local authorities across the country and at lower rates than available from the PWLB.
- 11.9 North Northamptonshire has inherited 50% of NCC's share capital, amounting to £0.1m, as part of NCC's disaggregation. The degree to which any loans raised through the MBA proves cheaper/better value for money than PWLB Certainty Rate is still evolving and is being closely monitored. Officers continue to engage directly with the MBA on redefining its offering.
- 11.10 The Council may make use of this new source of borrowing as and when appropriate.

Impact of IFRS 9

- 11.11 An important consideration when assessing current and future investment policy is the implementation of accounting standard IFRS 9 in the Local Authority Code of Practice. A key element of this standard is the move away from assessing risk based on incurred losses on financial assets (i.e. an event that has happened) to expected loss (i.e. the likelihood of loss across the asset lifetime). Whilst this will not materially impact upon traditional treasury investments, the standard also

encompasses other investment areas including: loans to third parties, subsidiaries, or longer dated service investments. The expected credit loss model requires local authorities to make provision for these potential losses having assessed the asset with regard to the due diligence undertaken prior to investment, the nature of any guarantees, and subsequent regular updates.

- 11.12 As set out in paragraphs 11.3 and 11.4 above, the Council has advanced a number of third party loans and may be required to set aside provision for credit loss.
- 11.13 In addition to the above, the new standard requires changes to the recognition and subsequent valuation treatment of certain investment products. These instruments include property and equity, but also service investments that give rise to cashflows that are not solely payments of principal and interest (SPPI) on the principal outstanding.
- 11.14 MHCLG has introduced a five year statutory override allowing Councils to reverse any revenue impact of pooled fund valuation gains and losses. MHCLG were not minded to make this statutory override permanent, and will keep it under review.

Training

- 11.15 A key outcome of investigations into local authority investments following the credit crisis has been an emphasis on the need to ensure appropriate training and knowledge in relation to treasury management activities, for officers employed by the Council, in particular treasury management staff, and for members charged with governance of the treasury management function.
- 11.16 The Council's treasury advisors run training events regularly which are attended by the Treasury Team. In addition members of the team attend national forums and practitioner user groups where possible.
- 11.17 Treasury management training for relevant officers and councillors will be delivered as required to facilitate informed decision making and challenge processes, especially given the more global prominent recent events.

12 List of Appendices

- Appendix K-1: Treasury Management Policy Statement
- Appendix K-2: Treasury Management Scheme of Delegation and Role of Section 151 (S151) Officer
- Appendix K-3: Prudential & Treasury Indicators
- Appendix K-4: Minimum Revenue Provision (MRP) Policy Statement
- Appendix K-5: Annual Investment Strategy
- Appendix K-6: Policy for attributing income and expenditure and risks between the General Fund and the HRA

Treasury Management Policy Statement

North Northamptonshire Council defines its treasury management activities as:

“The management of the organisation’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.

The Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

Treasury Management Scheme of Delegation and Role of Section 151 (S151) Officer

The Scheme of Delegation

Full Council

- Approval of annual strategy and receive a mid year update to the Strategy.
- Approval of the annual Treasury Management report.
- Approval of the Treasury Management budget.

Cabinet

- Approval of the quarterly Treasury Management update report (including the mid year update report).
- Approval of the annual Treasury Management report.

Scrutiny Committee

- Scrutiny of performance against the Strategy.

The Treasury Management role of the S151 Officer

The Council's Executive Director Finance is the officer designated for the purposes of Section 151 of the Local Government Act 1972 as the Responsible Officer for treasury management at the Council.

The Council's Financial Regulations delegates responsibility for the execution and administration of treasury management decisions to the Executive Director Finance, who will act in accordance with the Council's policy statement and TMPs and CIPFA's Standard of Professional Practice on Treasury Management.

The Executive Director Finance has delegated powers through this policy to take the most appropriate form of borrowing from the approved sources, and to make the most appropriate form of investments in approved instruments.

Prior to entering into any capital financing, lending or investment transaction, it is the responsibility of the responsible officer to be satisfied, by reference to the Council's legal department and external advisors as appropriate, that the proposed transaction does not breach any statute, external regulation or the Council's Financial Regulations.

The Executive Director Finance may delegate their power to borrow and invest to members of their staff.

The Executive Director Finance is responsible for:

- Ensuring that the schedules to the Treasury Management Practices (TMPs) are fully reviewed and updated annually and monitoring compliance to the Treasury Management in the Public Services: Code of Practice and Guidance Notes;
- Submitting regular treasury management reports to Cabinet and Council;
- Submitting debt financing revenue budgets and budget variations in line with the Council's budgetary policies;
- Receiving and reviewing treasury management information reports;

- Reviewing the performance of the treasury management function and promoting value for money;
- Ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- Ensuring the adequacy of internal audit, and liaising with external audit;
- Recommending the appointment of external service providers (e.g. treasury management advisors) in line with the approval limits set out in the Council's procurement rules;
- Ensuring that the Council's Treasury Management Policy is adhered to, and if not, bringing the matter to the attention of elected members as soon as possible.
- Preparation of a Capital Strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long term timeframe.
- Ensuring that the Capital Strategy is prudent, sustainable and affordable in the long term and provides value for money.
- Ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority.
- Ensuring that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing.
- Ensuring the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources.
- Ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long term liabilities.
- Provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees.
- Ensuring that members are adequately informed and understand the risk exposures taken on by an authority.
- Ensuring that the authority has adequate expertise, either in house or externally provided, to carry out the above.
- Creation of Treasury Management Practices which specifically deal with how non treasury investments will be carried out and managed.

Prudential and Treasury Indicators

It is important to note that this is North Northamptonshire's first treasury management strategy following the local government reform in Northamptonshire. At the time of writing the disaggregation of Northamptonshire County Council's balance sheet has not been finalised. As such, the Prudential and Treasury Indicators in this appendix are yet to be finalised. **The indicators arising from the Housing Revenue Account (HRA) have been included in the tables of Appendix K-3, however the indicators that are dependant upon the finalisation of the NCC balance sheet disaggregation have not been included.** Once the NCC balance sheet disaggregation has been finalised the indicators will be incorporated and reported to Shadow Authority or Council for approval.

1 The Capital Prudential Indicators

1.1 The Council's capital expenditure plans are the key driver of Treasury Management activity. They are reflected in these prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

Capital Expenditure

1.2 This prudential indicator shows the Council's capital expenditure plans; both those agreed previously, and those forming part of this budget cycle. Capital expenditure figures below exclude spend on PFI and Leasing arrangements, which are also shown on the balance sheet.

1.3 The table below summarises the net borrowing funding need of the capital expenditure plans for the Council, for both the General Fund and the HRA. Detailed capital expenditure plans are set out in the Capital Strategy.

Capital Expenditure	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 & 2024/25 Estimate £m	Total Estimate £m
Non-HRA – Committed Programme	43.4	11.1	15.4	69.9
Non HRA – Development Pool	37.2	43.9	18.1	99.2
HRA	13.7	12.1	24.2	50.0
Total Capital Programme	94.3	67.1	57.7	219.1
Leases	TBC	TBC	TBC	TBC
Total Capital Expenditure	94.3	67.1	57.7	219.1
Financed By				
Capital Receipts	13.7	5.4	10.7	29.8
Borrowing	17.2	11.3	14.5	43.0
Capital Grants	41.0	41.1	19.2	101.3
Use of Reserves	3.6	0.0	0.0	3.6
External funding (incl s106)	12.2	2.4	1.1	15.7
Revenue Contribution	6.6	6.9	12.2	25.7
Net financing need for the year	94.3	67.1	57.7	219.1

The Council's Borrowing Need (the Capital Financing Requirement)

- 1.4 The second prudential indicator is the Council's Capital Financing Requirement (CFR). A local authority that has an HRA must identify separately estimates of the HRA and General Fund CFR. The CFR is the total historical outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is a measure of the Council's underlying borrowing need. Any capital expenditure above, which has not immediately been paid for, will increase the CFR.
- 1.5 The CFR includes any other long term liabilities (e.g. PFI schemes, finance leases) also on the Councils balance sheet. Whilst these commitments increases the CFR, and therefore the Council's borrowing requirement, these types of scheme typically include a borrowing facility and so the Council is not required to separately borrow for these schemes. The CFR below is shown net of these liabilities.

	2021/22	2022/23	2023/24	2024/25	2025/26
	Estimate	Estimate	Estimate	Estimate	Estimate
	£m	£m	£m	£m	£m
Capital Financing Requirement ⁽¹⁾					
Non-HRA	TBC	TBC	TBC	TBC	TBC
HRA	114.289	113.989	113.239	112.586	109.586
TOTAL	TBC	TBC	TBC	TBC	TBC
Movement in CFR	TBC	TBC	TBC	TBC	TBC

Movement in CFR represented by					
Net financing need for the year	TBC	TBC	TBC	TBC	TBC
Less: MRP and other financing movements	TBC	TBC	TBC	TBC	TBC
Movement in CFR	TBC	TBC	TBC	TBC	TBC

The Operational Boundary

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

Operational Boundary	2021/22	2022/23	2023/24	2024/25	2025/26
	£m	£m	£m	£m	£m
Total Borrowing	749	762	770	773	776

1.7 The rising trend of the Operational Boundary reflects that of the CFR above. The level set is at a margin above the CFR so that if borrowing was taken to this level, sufficient headroom exists for further short-term borrowing should it be required for in year cashflow purposes.

The Authorised Limit for external borrowing

1.8 A further key prudential indicator represents a control on the maximum level of borrowing. This represents a limit beyond which external borrowing is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external borrowing which could be afforded in the short term, but would require detailed modelling to ensure sustainability in the longer term.

- This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.
- Council is asked to approve the following Authorised Limit (excluding PFI and Finance Lease Financing arrangements):

Authorised Limit		2021/22	2022/23	2023/24	2024/25	2025/26
		£m	£m	£m	£m	£m
Borrowing		824	837	845	848	851

1.9 The rising trend of the Authorised Limit reflects that of the CFR and subsequently the Operational Boundary. The level set is at a margin above the Operational Boundary, providing additional headroom for further short-term borrowing should it be required for cashflow purposes, before the legal limit is reached.

2 Treasury Management Limits on Activity

2.1 There are four debt and investment related treasury activity limits. The purpose of these are to contain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if these are set to be too restrictive they will impair the opportunities to reduce costs or improve performance. The indicators for debt are:

- **Upper limits on variable interest rate exposure;** this identifies a maximum limit for variable interest rates based upon the debt position net of investments.
- **Upper limits on fixed interest rate exposure;** this is similar to the previous indicator and covers a maximum limit on fixed interest rates;
- **Maturity structure of borrowing;** these gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

2.2 The interest rate exposure is calculated as a percentage of net debt. Due to the mathematical calculation exposures could be greater than 100% or below zero (i.e. negative) depending on the component parts of the formula. The formula is shown below:

$$\frac{\text{Total Fixed (or Variable) rate exposure}}{\text{Total borrowing – total investments}}$$

Fixed rate calculation:

$$\frac{(\text{Fixed rate borrowing} – \text{Fixed rate investments}^*)}{\text{Total borrowing – Total investments}}$$

*defined as greater than 1 year to run

Variable rate calculation:

$$\frac{(\text{Variable rate borrowing}^{**} – \text{variable rate investments}^{**})}{\text{Total borrowing – Total investments}}$$

** Defined as less than 1 year to run to maturity, or in the case of LOBO borrowing, the call date falling within the next 12 months.

	2021/22	2022/23	2023/24	2024/25	2025/26
Interest rate Exposures					
	Upper	Upper	Upper	Upper	Upper
Limits on fixed interest rates based on net debt	TBC	TBC	TBC	TBC	TBC
Limits on variable interest rates based on net debt	TBC	TBC	TBC	TBC	TBC

2.3 The maturity structure of borrowing indicator represents the borrowing falling due in each period expressed as a percentage of total borrowing. These gross limits are set to manage the Council's exposure to sums falling due for refinancing or repayment.

Maturity Structure of borrowing			
	Lower	Upper	Current
Under 12 months	TBC	TBC	TBC
12 months to 2 years	TBC	TBC	TBC
2 years to 5 years	TBC	TBC	TBC
5 years to 10 years	TBC	TBC	TBC
10 years to 20 years	TBC	TBC	TBC
20 years to 30 years	TBC		TBC
30 years to 40 years	TBC		TBC
40 years to 50 years	TBC		TBC
50 years and above	TBC		TBC

2.4 The Treasury Management Code of Practice Guidance notes requires that maturity date is determined by the earliest date on which the lender *may* require repayment, which in the case of LOBO loans is technically the next break point. This indicator represents the borrowing falling due in each period expressed as a percentage of total borrowing.

- 2.5 The Council is asked to approve the following treasury indicator and limits for total principal funds invested for greater than 365 days. These limits are set with regard to the Council's liquidity requirements to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end. This indicator is calculated by adding together all investments which have greater than 365 days to run to maturity at a single point in time.

	Maximum principal sums invested > 365 days				
£m	2021/22	2022/23	2023/24	2024/25	2025/26
	Estimate	Estimate	Estimate	Estimate	Estimate
Principal sums invested > 365 days	TBC	TBC	TBC	TBC	TBC

3 Affordability Prudential Indicator

- 3.1 The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework is an indicator required to assess the affordability of the capital investment plans. This provides an indication of the impact of the capital investment plans on the Council's overall finances.
- 3.2 The Council is asked to approve the actual and estimates of financing costs to net revenue stream. This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream. The estimates of financing costs include current commitments and the proposals in this budget report.
- 3.3 This indicator has been calculated as the estimated net financing costs for the year divided by the amounts to be met from government grants and local taxpayers for the non-HRA element, and by total HRA income for the HRA element. However, it should be recognised that ultimately all debts of a local authority fall on the taxpayer. The objective is to enable trends to be identified.

Financing costs to net revenue stream	2021/22	2022/23	2023/24	2024/25	2025/26
	Estimate	Estimate	Estimate	Estimate	Estimate
Non - HRA	5.14%	5.28%	5.09%	4.86%	6.78%
HRA	11.29%	10.16%	9.81%	9.44%	9.07%

- 3.4 This indicator has been calculated as the estimated HRA debt divided by the HRA revenue. HRA revenues are based on the HRA Business Plan

Ratio of HRA Debt to HRA Revenues	2021/22	2022/23	2023/24	2024/25	2025/26
	£m	£m	£m	£m	£m
HRA debt	114.289	113.989	113.239	112.586	109.586
HRA revenues	35.075	35.644	36.085	36.470	38.856
Ratio of debt to revenues %	326%	320%	314%	309%	297%

3.5 This indicator is the amount of HRA debt per dwelling. The number of HRA dwellings in 2020/21 is based on the latest projections for the year while from 2021/22 onwards is based on the HRA MTFS.

Ratio of HRA Debt to HRA Revenues	2021/22	2022/23	2023/24	2024/25	2025/26
HRA debt £m	114.289	113.989	113.239	112.586	109.586
Number of HRA dwellings	8,148	8,101	8,057	7,985	7,913
Debt per dwelling £000	14.03	14.07	14.05	14.10	13.85

Minimum Revenue Provision Policy Statement

1 Policy Statement Introduction

- A1.1 The Council is required to repay an element of the accumulated General Fund capital spend each year (Capital Financing Requirement - CFR) through a revenue charge (Minimum Revenue Provision - MRP), although it is also allowed to undertake additional voluntary payments if required.
- A1.2 The Ministry for Housing, Communities and Local Government (MHCLG) have issued regulations that require full Council to approve an MRP Statement in advance of each year. Various options are available to Councils in the guidance with the underlying principle that a prudent provision is made.

2 NCC Historic Debt Liability accumulated to 31st March 2007 (Transferred to NNC)

- A2.1 Until 2014/15, this element of the annual provision was calculated using Option 1 of the Guidance, the "Regulatory Method", which based the calculation on 4% of the Capital Financing Requirement on a reducing balance basis.
- A2.2 A change in this policy was introduced in and applied from 2015/16 onwards for historic debt liability, whereby provision calculation was changed to an annuity calculation methodology, allowable under the Guidance.
- A2.3 A further change in this policy was introduced in and applied from 2017/18, whereby the annuity method calculation methodology was backdated to apply from 2007/08 onwards. This recalculation when compared against actual MRP charges identified an amount of overprovision, which has been applied prospectively from 2017/18 onwards until fully exhausted. Again, this approach is allowable under the Guidance.

4 NCC Debt Liability accumulated from 1st April 2007 (Transferred to NNC)

- A3.1 Up until 2016/17, capital expenditure incurred from 1st April 2007 onwards MRP was provided for under Option 3 of the Guidance, based on the estimated useful life of the assets and using an equal annual instalment method. MRP was charged from the year after the assets funded became operational
- A3.2 A change in this policy was introduced in and applied from 2017/18, whereby MRP calculation was changed to an annuity calculation methodology backdated to apply from 2007/08. This recalculation when compared against actual MRP charges identified an amount of overprovision, which will be applied prospectively from 2017/18 onwards until fully exhausted. Again, this approach is allowable under the Guidance.

4 District and Borough Debt (Transferred to NNC)

- 4.1 MRP relating to the historic debt liability incurred for years up to and including 2007-08 were charged at the rate of 4% on the reducing balance, in accordance with option 1 of the guidance, the “regulatory method”.
- 4.2 The debt liability relating to capital expenditure incurred from 2008-09 onwards was subject to MRP under option 3, the “asset life method”, and was charged over a period that is reasonably commensurate with the estimated useful life applicable to the nature of expenditure, using the equal annual instalment method. For example, capital expenditure on a new building, or on the refurbishment or enhancement of a building, was related to the estimated life of that building.
- 4.3 Estimated useful life periods were determined in line with accounting guidance and regulations. To the extent that expenditure is not on the creation of an asset and is of a type that is subject to estimated life periods that are referred to in the guidance, the Council generally adopted these periods. However, the Council reserved the right to determine useful life periods and prudent MRP in exceptional circumstances where the recommendations of the guidance would not be appropriate.

5 Debt Liability accumulated from 1st April 2021

- A5.1 For unsupported capital expenditure incurred from 1st April 2007 onwards, MRP will be charged from the year after the assets funded have become operational.
- A5.2 The Council will charge MRP using option3, the “asset life method”.
- A5.3 Estimated useful life periods will be determined under delegated powers. To the extent that expenditure is not on the creation of an asset and is of a type that is subject to estimated life periods set out in the guidance, these periods will generally be adopted by the Council. However, the Council reserves the right to determine useful life periods and prudent MRP in exceptional circumstances where the recommendations of the guidance would not be appropriate.
- A5.4 As some types of capital expenditure incurred by the Council are not capable of being related to an individual asset, asset lives will be assessed on a basis that most reasonably reflects the anticipated period of benefit that arises from the expenditure. Whatever type of expenditure is involved, it will be grouped together in a manner that best reflects the nature of the main component of expenditure with substantially different useful economic lives.
- A5.5 The Council reserved the right to determine useful life periods and prudent MRP in exceptional circumstances where the recommendations of the guidance would not be appropriate.

6 Non-operational assets

- A6.1 The Council will not charge MRP on its non-operational assets. MRP will only be charged in the financial year following the asset becoming operational. This policy will be reviewed annually.

7 Use of Capital Receipts

- A7.1 The Council may use capital receipts in the year in which they are received to reduce the CFR and to offset the MRP charge for that year. Any unapplied capital receipts will be available in future years and will be applied in a prudent manner.

8 Private Finance Initiatives (PFI)

A8.1 Any PFI that comes onto the balance sheet under International Financial Report Standards will already have taken capital financing into account as part of their revenue charges. MRP charges for PFI will provide MRP on an asset life basis to match the life of the associated assets.

9 Third party loans

A9.1 The only exception to these MRP rules is loans classified as capital expenditure and drawn by the Council for the purposes of funding third party loans. No MRP will be charged on this debt liability as the loans will be repaid in full in later years. The loan repayment will be treated as a capital receipt.

A9.2 This approach will be reviewed on a loan by loan basis annually to ensure this remains a prudent approach, otherwise MRP charge may be introduced.

10 Revenue Expenditure Funded from Capital Under Statute (REFCUS)

A10.1 Estimated life periods will be determined in line with accounting guidance and regulations. To the extent that expenditure is not on the creation of an asset and is of a type that is subject to estimated life periods that are referred to in the guidance, the Council will generally adopt these periods. However, the Council reserves the right to determine useful life periods and prudent MRP in exceptional circumstances where the recommendations of the guidance would not be appropriate.

11 Capitalisation of Interest

A11.1 The Capital Strategy does not allow capitalisation of interest. Interest will be charged against the revenue account in the year incurred.

12 Leases

A12.1 IFRS16 on Lease accounting is currently due to come into effect from 1 April 2022, having been postponed from 1 April 2021 due to Covid-19. These new regulations will require the principal element of the majority of lease type arrangements to be treated as capital expenditure. Therefore, for MRP on lease liabilities the MRP will be equivalent to the principal element of the annual lease payment for each asset after adjusting for any sub-lease capital receipts

13 Investment Properties

13.1 For property investment activities funded through unsupported borrowing, MRP will be charged in the same way as other capital expenditure, based on the following estimated useful lives:

1. Freehold property - over 50 years;
2. Leasehold property - over the term of the lease.

13.2 These estimated lives were calculated following due diligence in assessing the investment business cases and with an appreciation of the risks associated.

Annual Investment Strategy

1 Investment Policy

- 1.1 MHCLG and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This report deals solely with financial investments managed by the treasury management team. Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Strategy.
- 1.2 The Council's appetite for risk must be clearly identified in its strategy report. The Council affirms that its investment policies are underpinned by a strategy of prudent investment of funds held on behalf of the local community. The objectives of the investment policy are firstly the security of funds (protecting the capital sum from loss) and then liquidity (keeping money readily available for expenditure when needed). Once approved levels of security and liquidity are met, the Council will seek to maximise yield from its investments, consistent with the applying of the agreed parameters. These principles are carried out by strict adherence to the risk management and control strategies set out in the TMP Schedules and the Treasury Management Strategy.
- 1.3 Responsibility for risk management and control lies within the Council and cannot be delegated to an outside organisation.
- 1.4 Investment instruments identified for use in the financial year are listed in sections 6 and 7 under the 'Specified' and 'Non-Specified' Investments categories.

2 Creditworthiness Policy

- 2.1 The Council's counterparty and credit risk management policies and its approved instruments for investments are set out below. These, taken together, form the fundamental parameters of the Council's Investment Strategy.
- 2.2 The Council defines high credit quality in terms of investment counterparties as those organisations that:
 - Meet the requirements of the creditworthiness service provided by the Council's external treasury advisors and;
 - UK banking or other financial institutions, or are;
 - UK national or local government bodies, or are;
 - Countries with a sovereign ratings of -AA or above, or are;
 - Triple-A rated Money Market funds.
- 2.3 The creditworthiness service provided by the Council's external treasury advisors applies a modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard & Poor's. The credit ratings of counterparties are supplemented with the following overlays:
 - credit watches and credit outlooks from credit rating agencies;

- Credit Default Swaps (CDS – a traded insurance policy market against default risk) spreads to give early warning of likely changes in credit ratings;
- Sovereign ratings to select counterparties from only the most creditworthy countries.

- 2.4 This modelling approach combines credit ratings, credit watches and credit Outlooks in a weighted calculation with an overlay of CDS spreads, to determine suggested duration for investment. The Council will apply these suggested duration limits to its investments at all times, unless otherwise approved by the S151 officer.
- 2.5 All credit ratings are monitored daily. The Council is alerted to changes to ratings of all three agencies through its external treasury advisors. If a rating downgrade results in the counterparty or investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately. In addition to the use of credit ratings the Council is advised of information in movements in CDS spreads against benchmark data and other market information on a daily basis and extreme market movements (which may be an early indicator of financial distress) may result in downgrade of an institution or removal from recommended investment.
- 2.6 Sole reliance will not be placed on the use of the Council's external treasury advisors creditworthiness service. In addition the Council will also use market data, financial press and information on any external support for banks to help support its decision making process.
- 2.7 The Council recognises that responsibility for treasury management decisions remains with the organisation at all times, and as such the Executive Director Finance shall have the discretion during the year to lift or increase the restrictions on the counterparty list and or to adjust the associated lending limits on values and durations should it become necessary, to enable the effective management of risk in relation to its investments.

3 Sovereign Limits

- 3.1 Expectation of implicit sovereign support for banks and financial institutions in extraordinary situations has lessened considerably in the last couple of years, and alongside that, changes to banking regulations have focussed on improving the banking sectors resilience to financial and economic stress.
- 3.2 The Council has determined that it will only use approved counterparties from overseas countries with a sovereign credit rating from the three main ratings agencies that is equal to or above AA-. Banks domiciled in the UK are exempt from this minimum sovereign credit rating, so may be used if the sovereign rating of the UK falls below AA-.
- 3.3 The list of countries that qualify using these credit criteria as at January 2021 are shown below. This list will be amended by officers should ratings change in accordance with this policy.

AAA Australia Denmark Germany Luxembourg Netherlands Norway Singapore Sweden Switzerland [as at 21/1/21]	AA+ Canada Finland USA	AA Abu Dhabi (UAE) France AA- Belgium Hong Kong Qatar UK
---	--	---

4 Banking Services

4.1 Barclays Bank, Lloyds Bank and HSCB currently provide banking services for the Council. The Council may continue to use its own bankers for short term liquidity requirements if the credit rating of the institution falls below the minimum credit criteria set out in this report, monitored daily. A pragmatic approach will be adopted and rating changes monitored closely.

5 Investment Position and Use of Council's Resources

5.1 The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.).

5.2 Investments will be made with reference to the core balances and cash flow requirements and the outlook for interest rates.

5.3 For its cash flow generated balances, the Council will seek to utilise its business reserve accounts, call accounts, notice accounts, money market funds and short-dated deposits in order to benefit from the compounding of interest.

5.4 The table below reflects the under/over borrowing position of the Council, this is reflected in the internal borrowing line.

[Table to be completed once NCC Balance Sheet Dis-aggregation finalised]

Year End Resources	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
	£m	£m	£m	£m	£m
Fund balances	TBC	TBC	TBC	TBC	TBC
Reserves	TBC	TBC	TBC	TBC	TBC
Capital Receipts	TBC	TBC	TBC	TBC	TBC
Total core funds	TBC	TBC	TBC	TBC	TBC
Working capital	TBC	TBC	TBC	TBC	TBC
Less: internal Borrowing	TBC	TBC	TBC	TBC	TBC
Expected Investments	TBC	TBC	TBC	TBC	TBC

6 Specified Investments

6.1 The Council assesses that an investment is a specified investment if all of the following criteria apply:

- The investment is **denominated in sterling and any payments or repayments in respect of the investment are payable only in sterling.**
- The investment is **not a long term investment (i.e. up to 1 year).**
- The making of the investment is **not defined as capital expenditure** by virtue of regulation 25(1)(d) of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 [SI 3146 as amended].
- The investment is **made with a body or in an investment scheme of high credit quality** (see below) or with one of the following public-sector bodies:
 - The United Kingdom Government.
 - A local authority in England or Wales (as defined under section 23 of the 2003 Act) or a similar body in Scotland or Northern Ireland.
 - High credit quality is defined as a minimum credit rating as outlined in this strategy.

Instrument	Minimum 'High' Credit Criteria	Maximum Amount
Debt Management Agency Deposit Facility (DMADF)	N/a	No maximum
UK Government Gilts / Treasury Bills	UK sovereign rating	
Certificate of Deposits	Per Treasury Advisors creditworthiness service	£10m per individual/group in total
Term Deposits and Notice Accounts - Banks and Building Societies	Per Treasury Advisors creditworthiness service	
Term Deposits - Local Authorities and Housing Associations	Considered on an individual basis	
Bank Call/Instant Access Accounts	Per Treasury Advisors creditworthiness service	£20m per individual/group in total
Collateralised Deposit / Covered Bonds	AAA	
Bonds issued by multilateral development banks	AAA / UK sovereign rating	
Bond issuance issued by a financial institution which is explicitly guaranteed by UK Government (e.g. National Rail)	UK sovereign rating	
Sovereign bond issues (other than the UK govt)	AAA / UK sovereign rating	
Collective Investment Schemes structured as Open Ended Investment Companies (OEICs): -		
1. Money Market Funds (CNAV, LVNAV or VNAV)	AAA MMF rating	£20m per individual/group in total
2. Bond Funds	Considered on an individual basis	
3. Gilt Funds	Considered on an individual basis	

- 6.2 The Council may enter into forward agreements up to 3 months in advance of the investment commencing. If forward agreements are made, the forward period plus the deal period should not exceed the 1 year to be classified as a specified investment.
- 6.3 The Maximum counterparty limits may be temporarily exceeded by small amounts and for very short periods where interest is compounded by the counterparty to the principal investment amount. In such instances the interest amounts will be withdrawn as soon as reasonably practicable.
- 6.4 The counterparty limit with the Council's corporate banks (Barclays, Lloyds and HSBC) may be utilised over and above the set counterparty limit on an overnight basis if cash surpluses are identified as a result of unexpected receipts of income after the day's dealing position is closed. This occurs when the timing for receipt of funds is uncertain, for example the sale of a property. In such instances, funds will be withdrawn to bring the Councils exposure back in line with the approved counterparty limit as soon as reasonably practicable and invested elsewhere in line with this strategy.

7 Non-specified investments

- 7.1 Non-specified investments are defined as those not meeting the specified investment criteria above (including investments exceeding 1 year).
- 7.2 Given the additional risk profile associated with non-specified investment, the Council may consult with its external treasury advisors before undertaking such investments where appropriate.

Instrument	Minimum 'High' Credit Criteria	Maximum Amount
UK Government	Government backed	No maximum
Certificate of Deposits	Per Treasury Advisors creditworthiness service	£10m per individual/group in total
Term Deposits - Banks and Building Societies	Per Treasury Advisors creditworthiness service	
Term Deposits - Local Authorities and Housing Associations	Considered on an individual basis	
Collateralised Deposit / Covered Bonds	AAA	£20m per individual/group in total
Bonds issued by multilateral development banks	AAA / UK sovereign rating	
Bond issuance issued by a financial institution which is explicitly guaranteed by UK Government (e.g. National Rail)	UK sovereign rating	
Sovereign bond issues (other than the UK govt)	AAA / UK sovereign rating	
Corporate Bond / Equity Holdings	Considered on an individual basis	£10m per individual/group in total

Collective Investment Schemes structured as Open Ended Investment Companies (OEICs): -		
Property Funds	Considered on an individual basis	£20m per individual/group in total
Enhanced Money Market Funds	AAA VNAV mmf rating	
Corporate Bond / Equity Funds / Share Capital	Considered on an individual basis	

7.3 Maximum counterparty limits may be temporarily exceeded by small amounts and for very short periods where interest is compounded by the counterparty to the principal investment amount. In such instances the interest amounts will be withdrawn as soon as reasonably practicable.

8 Lending to third parties for treasury management purposes

8.1 The Council has the power to lend monies to third parties subject to a number of criteria. Any loans to or investments in third parties will be made under the Well Being powers of the Council conferred by section 2 of the Local Government Act 2000 or permitted under any other act.

8.2 The Well Being power can be exercised for the benefit of some or all of the residents or visitors to a local authority's area. The power may also be used to benefit organisations and even an individual.

8.3 Loans of this nature will be under exceptional circumstances and will follow the CAPEX approval route and thresholds in line with the Constitution of the Council.

8.4 The primary aims of this Investment Strategy, in order of priority, are the security of its capital, liquidity of its capital and to obtain a return on its capital commensurate with proper levels of security and liquidity. These aims are crucial in determining whether to proceed with a potential loan for the purposes of managing the Council's treasury management investments.

8.5 Recipients of this type of investment are unlikely to be a financial institution and are therefore unlikely to hold a credit rating. In order to ensure security of the Council's capital, extensive financial due diligence must be completed prior to any loan or investment being agreed. The Council will, where appropriate, use specialist advisors to complete financial strength of the entity to ascertain the creditworthiness of the third party. Where necessary, additional guarantees will be sought. This will take the form of security against assets and/or through guarantees from parent companies.

9 Investments Defined as Capital Expenditure

9.1 The acquisition of share capital or loan capital in any corporate body is defined as capital expenditure under Regulation 25(1) (d) of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003. Such investments will have to be funded from capital or revenue resources and will be classified as 'non-specified investments'.

9.2 Investments in “money market funds” which are collective investment schemes and bonds issued by “multilateral development banks” – both defined in SI 2004 No 534 – will not be treated as capital expenditure.

9.3 A loan, grant or financial assistance provided by this Council to another body will be treated as capital expenditure if the Council would define the other bodies use of those funds as capital had it undertaken the expenditure itself.

10 Provisions for Credit Related Losses

10.1 If any of the Council’s investments appear at risk of loss due to default (i.e. this is a credit-related loss and not one resulting from a fall in price due to movements in interest rates) the Council will make revenue provision of an appropriate amount.

11 End of Year Investment Report

11.1 At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

12 Housing Revenue Account

12.1 The Council is required to have a clearly agreed policy for attributing income and expenditure and risks between the General Fund and the HRA. This policy is set out at Appendix G6.

13 Governance Arrangements

13.1 By approving this strategy, Council is setting the framework from which treasury activity will be conducted, recorded and reported.

13.2 The Executive Director Finance has delegated powers through this strategy to take the most appropriate form of borrowing from approved sources, and to make the most appropriate form of investments in approved instruments. Paragraph 2.7 above delegates powers to the Executive Director Finance giving discretion during the year to lift or increase the restrictions on the counterparty lending list and or to adjust the associated lending limits on values and durations should it become necessary, to enable the effective management of risk in relation to its investments.

13.3 The Executive Director Finance may delegate their powers to borrow and invest within the confines of this strategy to members of their staff and the Treasury team, who will provide regular updates on treasury activity.

13.4 Any other amendments to this strategy deemed necessary will be taken to Council for prior approval.

Policy for attributing income and expenditure and risks between the General Fund and the HRA

- 1.1 The Council is required to have a clearly agreed policy for attributing income and expenditure and risks between the General Fund and the HRA.
- 1.2 The Council uses a two pool approach to splitting debt between the HRA and General Fund, whereby loans are assigned to either the HRA or the General Fund.
- 1.3 The Council applies the requirements of the CLG Item 8 Credit and Item 8 Debit (General) Determination from 1 April 2012 in recharging debt financing and debt management costs between the HRA and the General Fund. The interest rates to be applied are determined as follows:

Principal Amount	Interest Rate
HRA Credit Arrangements CFR: concession agreements and finance leases	Average rate on HRA credit arrangements
HRA Loans CFR: long term loans (external)	Average rate on HRA external debt
HRA Loans CFR: short term loans payable (under-funded CFR)	Average rate on GF external debt/or for formally agreed borrowing from GF resources an agreed PWLB equivalent rate.
HRA Loans CFR: short term loans receivable (over-funded CFR)	Average rate on external investments/or for earmarked medium term reserves an actual external investment rate
HRA Cash balances: short term loans payable (cash balances overdrawn)	Average rate on external investments
HRA Cash balances: short term loans receivable (cash balances in hand)	Average rate on external investments/or for earmarked medium term reserves an actual external investment rate

- 1.4 For the purpose of calculating interest rates:
- HRA cash balances are based on the average of opening and closing HRA cash balances;
 - HRA CFR external debt is based on actual external debt;
 - Other HRA CFR balances based on the mid-year position.
- 1.5 Debt management costs are charged to the HRA on an apportioned basis that takes into account the weighting of time spent on managing debt and investments respectively.

- 1.6 Risk associated with external loans sit with either the GF or HRA depending on which of these the loan has been earmarked to. This will include interest rate risk, for example the risk of interest rate rises associated with variable loans.
- 1.7 Similarly, risk associated with any external investment of earmarked medium term HRA reserves sits with the HRA. This will include the risk of impairment in the event of the failure of an investment counterpart.
- 1.8 Where risk cannot be earmarked specifically to either the General Fund or HRA, it is apportioned fairly between the two using relevant available data. For example, in the event of impairment of an investment counterpart, any losses will be apportioned between the two funds based on an estimated proportion of cash balances held.

Appendix L - Dedicated Schools Grant

1. Background

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

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

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

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

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

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

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

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

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

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

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

1.4 Maintained schools continue to receive funding directly from the LA through the DSG. However, the authority's DSG grant is reduced in respect of academies who receive their funding direct from the DfE, reflecting the shift in responsibility for the funding of academies. The removal of grant funding from the DSG paid to NCC to pay directly to academies is termed "recoupment". Academies are independent of the local authority and are accountable directly to the DfE. The DfE agency responsible for all school related funding is the Education and Skills Funding Agency (ESFA).

- 1.5** Within North Northamptonshire, there are currently 5 maintained nursery schools, 42 primary, 1 secondary and 1 special maintained schools. There were also 69 primary, 18 secondary, 1 all-through and 6 special academies.
- 1.6** Schools Forum membership is made up of representatives from maintained and academy, primary and secondary schools, nurseries, Council Officers. The meetings are open to the public and are held every 2-3 months. The Forum have a statutory role in ensuring that school funding across the county is equitable and fair by considering proposals from the council for such areas as the school funding formula and central expenditure from the DSG.
- 1.7** The LA consults with Schools Forum each year on the allocation of DSG funding in accordance with the legislation and guidelines issued by the DfE. This includes the local formula factors to be applied in the calculation of the school's individual budgets. As well as the requirement to consult with the Schools Forum on changes to formula funding, the Forum authorises the central expenditure budgets for ongoing commitments, movements of funding between blocks and the growth fund policy.
- 1.8** The Shadow North Northamptonshire Schools Forum was appointed to in October 2020. This was to make decisions, and receive information on the budget setting and policies for schools, academies, high needs and early years' providers that will take effect post vesting. After vesting day (1 April 2021) North Northamptonshire Unitary (NNU) will be responsible for the management of its own forum in accordance with the relevant regulations. The shadow forums may be used as a basis for the new (permanent) forums, but each authority will be required to take its own decision about the size, composition, term of office of members and secretarial arrangements. If continued as appointed in Shadow Forums, each role once appointed can stand for 4 years after which NNU should go out to recruit, following the standard Schools Forum and Operational Good Practice Guide.

2. 2021-22 Funding Summary

- 2.1** In December 2020 the DfE published the 2021-22 settlement for three of the four DSG funding blocks. At the same time, the indicative Early Years allocation was provided, which is based on pupil counts at different times of the year. The final Early Years settlement is expected to be published in July 2021 for the 2020-21 financial year and July 2022 for the 2021-22 financial year.
- 2.2** The national allocations include the following headlines:
- Schools block funding will increase by £4.8bn and £7.1bn in 2021-22 and 2022-23 respectively, compared to 2020-21.
 - School funding through the National Funding Formula (NFF) is increasing by 4% overall in 2021-22
 - The minimum per pupil funding levels will ensure that every primary school receives at least £4,000 per pupil, and every secondary school at least £5,150

per pupil, delivering on the Government's pledge to level up the lowest funded schools

- High needs funding will increase by a further £730m, or 10%, in 2021-22. The high needs NFF will ensure that every local authority receives a further increase of at least 8% per head of population, compared to this year, with some authorities receiving up to 12%
- Central Schools Services Block funding in 2021-22 will increase by 4% for the ongoing responsibilities that local authorities continue to have for all schools however funding for historic commitments will decrease by 20% for those local authorities in receipt of this funding
- LAs are expected to set a Minimum amount of funding per pupil which is an increase from the per pupil guarantee in 2021-22. The minimum per-pupil funding level in primary schools will be at least £4,000 (was £3,750) and in secondary schools, at least £5,510 (was £5,000).

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

2.4 The following table sets out the disaggregated DSG funding based on the final settlement:

	Schools Block	Early Years Block	High Needs Block	CSSB*	Total
2020-21	£225m	£22m	£40m	£4m	£291m
Final Settlement	£245m	£22m	£45m	£4m	£316m
Movement from provisional settlement	£2m	£1m	-£3m	£0m	£0m
Increase compared to prior year	£20m	£0m	£5m	£0m	£25m

*CSSB: Central Schools Services Block

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

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

2.7 The basis of the split for the Central Schools Services Block is more complex to split but relates to less than 1% of the overall DSG being disaggregated.

Each budget has been reviewed individually and NNU receives either 50%, 46.4% or 43.1% (or with the PFI scheme of £300k, 0% as this is in the WNU).

3. Budgetary Pressures in the High Needs Block

- 3.1** The most significant pressure within the DSG is the growth in the funding needed for young people with special educational needs and disabilities (SEND). It is six years since reforms were introduced to better support children and young people with special educational needs and disabilities (SEND) but the allocation of funding available to support pupils with high needs has become a national issue.
- 3.2** There is a Government led review currently underway aimed at improving the services available to families who need support, and to equip staff in schools and colleges to respond effectively to their needs. The review also aims to ensure that public money is spent in an efficient, effective and sustainable manner, placing a premium on securing high quality outcomes for those children and young people who need additional support the most.
- 3.3** The latest forecast overspend for the 2020-21 financial year is £4.3m across Northamptonshire of which 46% (estimated to be £2.0m) will pass to North Northamptonshire on vesting day. £1.8m will be funded from the high needs block which has seen an increase of 11.9% in 2021-22 (before school block transfer). With the remaining funded from underspends from the Schools Block.
- 3.4** The pressures which have resulted in the High Needs block overspend are expected to continue into future years and this presents risks around affordability of provision for pupils with high needs.
- 3.5** With additional pressures due to Covid, there is a risk that there will be an overall deficit on the DSG account at the end of the 2021-22 financial year. If this situation arises LAs must co-operate with the DfE in line with their guidance.
- 3.6** The LA continues to look across the whole system at ways of reducing the High Needs spend whilst ensuring needs are met and best outcomes achieved.
- 3.7** ESFA regulations allow up to 0.5% of the Schools Block funding to be moved to the High Needs Block to help to cover the ever increasing costs to support pupils with high needs. Following consultation with all schools and academies, Schools Forum and NNU Shadow Schools Forum voted on the 19th of January 2021 to transfer of 0.5% (£1.17m) between blocks, balancing the schools block by reducing the Minimum Funding Guarantee from 2% to 1.85% for 2021-22.
- 3.8** The Minimum Funding Guarantee (MFG) has been set at 1.85% which means that all schools will receive at least 1.85% more per pupil than they did in 2020-21 formula budgets (excluding lump sum and premises costs). All other Funding Formula factors and rates follow the national funding formula including the cap

on gains (12%) and minimum funding per pupil (which unlike MFG includes lump sum and premises).

- 3.9** Schools Forum and NNU Shadow Schools Forum voted on 3rd December 2020 to approve the continued use of the Central Schools Services Block on a line by line basis, some of which has a direct impact on the budgets for these services in the authority.
- 3.10** Through the delegated authority to the Director for Children's Services in consultation with the Cabinet Member for Children's Services and the Executive Director of Finance (s151 Officer), the schools budgets have been authorised and were submitted to the Education Skills and Funding Agency on the 21st January 2021. Once these have been reviewed and accepted, the final schools funding formula will be published (expected in February 2021).
- 3.11** North Northamptonshire's funding arrangements for 2021-22 for pupils with high needs in line with Department for Education guidance will be published in February 2021.
- 3.12** North Northamptonshire's funding arrangements for 2021-22 for the Early Years National Funding Formula in line with Department for Education guidance will be presented to Schools Forum and NNU Shadow Schools Forum on the 16th March 2021. The statutory deadline by which the 2021-22 Early Years Indicative Budgets have to be published is 31st March 2021.

Appendix M

LEGAL BACKGROUND TO SETTING THE REVENUE BUDGET AND COUNCIL TAX

1. INTRODUCTION

1.1 The council tax is basically a tax on property with a personal element in the form of discounts and reductions. Discounts include the 25% discount in respect of dwellings occupied by a single person. Reductions include reductions in pursuance of the Council's council tax reduction scheme made under the Local Government Finance Act 2012 which has replaced council tax benefit.

1.2 All dwellings are listed in one of eight valuation bands and the amount of council tax payable in respect of each dwelling (before discounts and other reductions) is in a set proportion between each band. The Headline Tax is calculated for Band D and the tax in the remaining bands is worked out as a proportion of this amount. The lowest Band (A) is two-thirds of Band D and the highest Band (H) is twice Band D and three-times Band A. The proportions are as follows:-

A:	B:	C:	D:	E:	F:	G:	H:
6:	7:	8:	9:	11:	13:	15:	18:

1.3 There are three main stages in setting the council tax:-

STAGE 1 - The Council calculates its own **council tax requirement**, (i.e. its net revenue expenditure), including levies issued to it but not precepts.

STAGE 2 - The Council then calculates its **basic amount of council tax** which is the North Northamptonshire Council (NNC) element of the council tax for Band D and which takes account of council tax requirement and the council tax base calculated at an earlier stage and after that the NNC element of the remaining bands.

STAGE 3 - Finally, the Council sets the council tax for the area in bands, being the aggregate of the NNC element of the tax, the Town and Parish Council Precepts and the element of the tax precepted by the Northamptonshire Police Authority and Northamptonshire Fire and Rescue Authority.

2. STAGE 1 - THE COUNCIL TAX REQUIREMENT

- 2.1 Members should note that the Localism Act 2011 amended the Local Government Finance Act 1992 ("LGFA 2011") to introduce a duty to calculate a "council tax requirement".
- 2.2 Section 31A of the LGFA 1992 requires the Council to make three calculations, in effect -
- a) an estimate of the Council's gross revenue expenditure - Section 31A(2);
 - b) an estimate of anticipated income - Section 31A(3);
 - c) a calculation of the difference between (i) and (ii) above, (i.e. net revenue expenditure) - Section 31A(4) – this is known as the **council tax requirement**.
- 2.3 More specifically, in its Section 31A(2) calculation of gross expenditure the Council should include –
- a) being the aggregate of the amounts which the Council estimates for the items set out in Section 31A (2) (a) to (f) of the Act taking into account all precepts issued to it by Parish Councils. (Gross expenditure, parish expenses any contingencies, any provision for reserves).
- 2.4 The Section 31A(3) calculation is the aggregate of the sums to be set off against gross expenditure, namely -
- a) being the aggregate of the amounts which the Council estimates for the items set out in Section 31 (A) (3) (a) to (d) of the Act. (Gross income, any use of reserves).
- 2.5 Section 31A(4) then requires the calculation under Section 31A(3) to be subtracted from that under Section 31A(2) to produce a calculation of estimated net expenditure known as the **council tax requirement**.
- 2.6 These calculations must be made before 11 March, although they are not invalid merely because they are made on or after that date. However, until the calculations are made any purported setting of the Council Tax will be treated as null and void.
- 2.7 It should be noted that the general fund has to stand the cost of any temporary lending to the collection fund to cover late payments/non-collection.
- 2.8 It should be noted that significant amounts of expenditure are financed through government grants (such as the Dedicated Schools Grant for schools budget related expenditure) and not directly through council tax. Such expenditure will be calculated under Section 31A(2)(a) and will be offset by the specific grants which will be included in the calculation under Section 31A(3)(a).

3. **THE LEVEL OF THE COUNCIL TAX REQUIREMENT**

3.1 The level of the Section 31A calculations, and in particular the calculation of the council tax requirement is of crucial importance both legally and financially. In particular -

- the amount of the council tax requirement must be sufficient to meet the Council's legal and financial commitments and ensure the proper discharge of its statutory duties.
- the amount of the council tax requirement must ensure a balanced budget.
- the amount of the council tax requirement must leave the Council with adequate financial reserves.
- the level of the council tax requirement must not be unreasonable having regard to the Council's fiduciary duty to its Council Taxpayers and ratepayers.
- the amount of the council tax requirement will be relevant to the question of whether or not the Council is required to hold a council tax referendum (see paragraph 5).

3.2 The level of the council tax requirement, together with the council tax base (see paragraph 4.3) will determine the Council's basic amount of council tax.

4. **STAGE 2 - THE COUNCIL'S BASIC AMOUNT OF COUNCIL TAX**

4.1 Having calculated its council tax requirement, the Council is then required under Section 31B, LGFA 1992 to calculate its **basic amount of council tax**. This is North Northamptonshire Council's element of Band D Council Tax. Then, under Section 36, it must calculate the North Northamptonshire element of all the bands as a proportion of the Band D calculation.

4.2 **Section 31B Calculation**

The North Northamptonshire Element of the Band D Council Tax is known as the basic amount of council tax. This is calculated by applying the following formula -

$$\frac{R}{T}$$

where -

R is the council tax requirement, and

T is the council tax base.

4.3 **Council Tax Base**

The council tax base is basically the Band D - equivalent number of properties across North Northamptonshire adjusted to take account of discounts premiums and reductions and multiplied by the estimated collection rate. North Northamptonshire has calculated the council tax base for 2021/22 to be 111,892. It should be noted that the basis of calculations has changed as a result of localisation of council tax support and that the effect of the authority's council tax reduction scheme operates to reduce council tax base.

4.4 **Section 36 Calculation**

Having calculated the basic amount of council tax (i.e. the North Northamptonshire element of the Band D tax) the Council is then required to convert it into a North Northamptonshire element for all Bands by multiplying it by the formula N/D where -

N is the proportion for the band as set out in 1.2.

5. **COUNCIL TAX REFERENDUM**

- 5.1 The Localism Act 2011 ("LA 2011") abolished council tax capping and replaced it with a requirement to hold a council tax referendum if an authority increases its council tax by an amount exceeding a level set out in principles determined by the Secretary of State and approved by the House of Commons. The new requirement appears in Chapter 4ZA of Part 1 of the LGFA 1992 which was inserted by Schedule 5 of the LA 2011.
- 5.2 The provisions require the Council to determine whether its "basic amount of council tax" for a financial year is excessive. This question must be decided in accordance with a set of principles determined by the Secretary of State. The Secretary of State had indicated the principles he was minded to set. In relation to North Northamptonshire an increase of more than 4.99%, (including 3% for adult social care) is deemed "excessive" in 2021/22.
- 5.3 The legislation places the onus on each authority to determine whether its basic amount of council tax is excessive by reference to the Secretary of State's principles. Where a precepting authority has determined that its increase is excessive, it must arrange for a referendum to be held.
- 5.4 If an authority determines that it has set an excessive increase, it must also make "substitute calculations" to produce a basic amount of council tax which does not exceed the principles. The substitute calculations would automatically take effect in the event that the voters reject the authority's increase in a referendum. The costs of this referendum are the responsibility of the authority which triggered it.

6. **STAGE 3 - SETTING THE COUNCIL TAX**

- 6.1 The final part of the process is for the Council as billing authority to set the overall council tax for each band. Whereas the billing authorities and major precepting authorities **calculate** their own council tax requirements, their own basic amounts of council tax and amounts for each band, the **setting** of the council tax is solely the responsibility of the Council as billing authority.
- 6.2 Section 30 of the 1992 Act provides that the amounts set for each band will be the aggregate of the City element for each band calculated under Section 36 and the amount calculated for each band by each of the major precepting authorities.
- 6.4 The council tax cannot be set before 11 March unless all precepting authorities have issued their precepts; nor can it be set before the Council has made the other required calculations. Otherwise, any purported setting of the tax will be treated as not having occurred.
- 6.5 The Council has a clear legal duty to set a council tax and a resolution not to set a council tax would be unlawful, being in breach of Section 30, LGFA 1992. So would be a resolution to set a council tax which deliberately did not balance the various calculations.

7. **CONSTITUTIONAL ARRANGEMENTS**

- 7.1 Members should note that under the Council's constitutional arrangements, the functions of calculating the council tax requirement and the basic amount of council tax and the function of setting the council tax are the responsibility of the Shadow Authority.

8. **RESTRICTIONS ON VOTING**

- 8.1 Members should be aware of the provisions of Section 106 of the Local Government Finance Act 1992, which applies to members where -
- (a) they are present at a meeting of the Shadow Authority, the Shadow Executive or a Committee and at the time of the meeting an amount of council tax is payable by them and has remained unpaid for at least two months, and
 - (b) any budget or council tax calculation, or recommendation or decision which might affect the making of any such calculation, is the subject of consideration at the meeting.
- 8.2 In these circumstances, any such members shall at the meeting and as soon as practicable after its commencement disclose the fact that Section 106 applies to them and shall not vote on any question concerning the matter in 8.1 (b) above. It should be noted that such members are not debarred from speaking on these matters.

- 8.3 Failure to comply with these requirements constitutes a criminal offence, unless any such members can prove they did not know that Section 106 applied to them at the time of the meeting or that the matter in question was the subject of consideration at the meeting.

NORTH NORTHAMPTONSHIRE SHADOW AUTHORITY

SHADOW EXECUTIVE COMMITTEE MEETING

10th February 2021

Report Title	Final Capital Programme 2021-25 and Capital Strategy
Report Author	Janice Gotts Executive Director of Finance, North Northamptonshire Shadow Authority janice.gotts@northnorthants.gov.uk

List of Appendices

- Appendix A – Baseline Capital Programme 2021-25**
- Appendix B – Baseline HRA Capital Programme 2021-25**
- Appendix C – Baseline Development Pool**
- Appendix D – Capital Strategy**

1. Purpose of Report

- 1.1. This report sets out an update of the Draft Capital Strategy and baseline Capital Programme report that was considered by Shadow Executive on 7th December 2020, leading to consideration and approval of the Final Programme and Strategy by the Shadow Authority on 25th February 2021 alongside the Council’s Revenue Budget Report.
- 1.2. The budget consultation period commenced on 11th December and ended on 29th January. The Capital Programme and Strategy have been subject to scrutiny by the Overview and Scrutiny Committee. In addition, the consultation provided residents, local partners and other stakeholders to have the opportunity to review the proposed budget and provide feedback during the seven week consultation period.
- 1.3. This report sets out the baseline Capital Programme and Strategy and identifies the key factors and challenges influencing the development of North Northamptonshire Council’s future commitments for 2021-22 and beyond, and the governance process in place to successfully manage the review and approval of new schemes moving forward.

2. Executive Summary

- 2.1. This report presents the Final Capital Programme for 2021-25 including the Housing Revenue Account (HRA) Capital Programme 2021-25 and a Baseline Development Pool based on the Capital Strategy principles agreed by the newly appointed Senior officers, the North Northamptonshire Budget and Medium Term Financial Plan Task and Finish Group (NN Budget & MTFP T&F Group) and Shadow Executive Committee.
- 2.2. This forms part of the full suite of budget reports included for this Shadow Executive Committee, which also includes the Revenue Budget 2021-22 and Medium Term Financial Plan; the Housing Revenue Account Budget 2021-22; and the Treasury Management Strategy. These reports together, provide a framework for revenue and capital planning for 2021-22 and into the medium term.
- 2.3. North Northamptonshire Council has not yet established a Corporate Plan. The NN Budget & MTFP T&F Group established a set of guiding principles to steer the budget setting process.
- 2.4. The key principles underpinning the Capital Strategy in compiling the Capital programme are as follows:
 - The delivery of a Medium Term Capital Programme which is affordable and sustainable, ensuring that the Council's internal resources and application of external borrowing are utilised to fund capital expenditure where it supports the delivery of the Council's financial sustainability and where there are statutory requirements such as health & safety;
 - The Capital Strategy should make explicit the links to, and integration with, the Council's other strategies. New capital investment will only be permitted if it contributes to the achievement of the Council's corporate priorities;
 - The use of external funding is prioritised against the areas of greatest need, in the main supporting highways maintenance, the delivery of education places, the Corby Town Plan and Tresham Garden Village within North Northants. In the current financial climate priority will be given to schemes that also deliver transformation and/or revenue savings;
 - Maximisation of the use of the Council's assets, and where possible working with local partner organisations to maximise the efficiency of assets across the public sector and North Northants;
 - Take into account external influences such as the South East Midlands Local Enterprise Partnership, Oxford Cambridge Arc, Health and joint working with other partner authorities;
 - Key integration and links with the council's other corporate strategies including Corporate Plan, Treasury Management, Investment Strategy, and Asset Management Plan;
 - Set out the Council's regeneration and economic development ambition and additional objectives;
 - Set out the governance and risk management arrangements.
- 2.5. The Spending Review at the end of November announced £100 billion of capital spending next year to kickstart growth and support jobs. Schools, hospitals and transport scheme projects will receive multi-year funding

certainty, and the government will centre its spending around three objectives: economic recovery, 'levelling-up' and meeting the UK's net zero emissions target by 2050. £7.1 billion of Housing investment was also announced over a 4 year period to unlock up to 860,000 homes through capital grants and loan financing. The impact for North Northamptonshire is not yet known but will become clearer before the Final Capital Programme is set in February 2021.

- 2.6. HM Treasury ran a consultation on the future lending terms of the Public Works Loan Board (PWLB) with the aim of developing a proportionate and equitable way to prevent local authorities from using PWLB loans to buy commercial assets primarily for yield, without impeding their ability to pursue service delivery, housing, and regeneration under the prudential regime as they do now. The outcome is that PWLB will no longer lend to local authorities that plan to buy commercial assets primarily for yield. PWLB will still be available to all local authorities for refinancing.
- 2.7. The Council wants to invest in regeneration and economic development schemes and this is included in the Development Pool with further work to be undertaken as the strategy develops alongside the overall council priorities and objectives post vesting day.

3. Recommendations

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

4. Report Background

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

- 4.2 This being the first year and first time this strategy is being set for the new authority, alongside the first Budget being set, and bearing in mind the disaggregation of the County Council and aggregation of the districts and boroughs in the north, this strategy is very much an initial one to ensure the council meets its statutory obligations with new capital investment for schemes contributing to the achievement of the Council's strategic priorities and the areas of greatest need within the North Northants area as well as schemes that also deliver transformation and/or revenue savings.
- 4.3 This strategy will be developed significantly during the council's first 12 – 18 months as the council's management team's visions, strategies and priorities are agreed and developed and following the disaggregation and aggregation of the final balance sheets following the final outturns and audit of accounts of the previous councils. This will, in-turn, inform the medium to longer term capital strategy for the new unitary council and the revenue and capital priorities to be delivered and financed.
- 4.4 The Baseline Capital Programme, HRA Capital Programme and Development Pool have been consolidated from the predecessor councils taking the North Northants relevant share for the previous Northamptonshire County Council (NCC) schemes. These will also bring with them the relevant sources of funding as currently designated at each sovereign council.
- 4.5 There have been several changes since the draft Capital Programme in relation to the latest known rephasing of capital schemes and additions to the capital programmes of each sovereign council. These have been reflected in the appendices to provide the latest estimated position with known information as of the date the reports were published.
- 4.6 The latest estimates of the forecast balances as at the end of 2020/21 and the movement included in the capital programme for 2021/22 is shown in the table below. Announcements from Government are expected imminently providing details of the Spending Review impact on capital allocations, giving further clarity to funding for 2021/22 onwards.

	2020/21	2021/22
Funding	Forecast End of Year Balances	Forecast End of Year Balances
	£000	£000
Capital Receipts	20,376	14,480
S106/CIL	28,395	23,741
Capital Grants and Contributions Unapplied	13,864	13,647
Total	62,635	51,867

- 4.7 Minimum Revenue Provision (MRP) – The Capital Assets, balances and debt to be allocated between North Northants Council and West Northants Council from NCC is still being determined with support from Link Asset Services. The MRP policies are substantially different between the County Council and the North D&B's and this has been considered in a measured way as part of the Capital Strategy and the Final Budget process to ensure a manageable impact in future years.

5. Issues and Choices

Capital Strategy 2021-25

- 5.1 The Capital Strategy and the key principles have been agreed in the context of this being the initial year of the new council coming into existence disaggregating NCC between north and west and aggregating the north Districts and Borough's (D&B's) and ensuring all statutory responsibilities continue to be delivered from vesting day. The Strategy has also been developed with reference to the requirements of the updated Prudential Code and Treasury Code of Practice.
- 5.2 The key principles underpinning the Capital Strategy in compiling the Capital programme are as follows:
- The delivery of a Medium Term Capital Programme which is affordable and sustainable, ensuring that the Council's internal resources and application of external borrowing are utilised to fund capital expenditure where it supports the delivery of the Council's financial sustainability and where there are statutory requirements such as health & safety;
 - The Capital Strategy should make explicit the links to, and integration with, the Council's other strategies. New capital investment will only be permitted if it contributes to the achievement of the Council's corporate priorities;
 - The use of external funding is prioritised against the areas of greatest need, in the main supporting highways maintenance, the delivery of education places, the Corby Town Plan and Tresham Garden Village within North Northants. In the current financial climate priority will be given to schemes that also deliver transformation and/or revenue savings;
 - Maximisation of the use of the Council's assets, and where possible working with local partner organisations to maximise the efficiency of assets across the public sector and North Northants;
 - Take into account external influences such as the South East Midlands Local Enterprise Partnership, Oxford Cambridge Arc, Health and joint working with other partner authorities;
 - Key integration and links with the council's other corporate strategies including Corporate Plan, Treasury Management, Investment Strategy, Asset Management Plan;
 - Set out the Council's regeneration and economic development ambition and additional objectives;
 - Set out the governance and risk management arrangements.

Governance Process and Approval of New Capital Schemes

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

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

- 5.4 The Baseline Programme has been put together by taking the already approved schemes in year from each of the north sovereign councils and the north share of NCC's 21/22 schemes including already approved slippage/rephasing from the sovereign councils' 20/21 programmes. This has resulted in a Total Capital Programme of £219m over the four year period, which comprises:

- A Baseline Programme totalling £70m including the completion of key projects including the Northamptonshire Superfast Broadband project, the completion of works at Chester House Estate, Prince William Academy phase 3 works, various schools' minor works and extensions, highways schemes across North Northants and various property and environmental projects across all previous district and borough areas.

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

- A Development Pool totalling £99m and the prioritisation of 36 key schemes against the associated funding streams making up the Pool. The key themes are Children's Services including Basic Needs, increasing capacity for pupil numbers, schools maintenance, looked after children placements and fostering support, Place including highways maintenance, new road or extension schemes, cycleways, flood alleviation, regeneration and economic development projects and property asset management, Adults community equipment and Corporate Projects mainly corporate IT and service systems;
- A HRA Baseline Programme totalling £50m across Kettering and Corby grouped into statutory and priority works, decent homes, health, safety and compliance works, pre-planned stock investment, enhancements and new builds and a significant investment of nearly £22m for Corby's Housing Development Programme.

- 5.5 Bearing the above in mind, there will no doubt be changes between now and the end of March 2021 of some of the current capital projects being delivered by the sovereign councils which will impact the 2021/22 baseline position from

a slippage perspective or for new projects that will come through the governance process for inclusion into the programme and confirmed announcements from Government regarding funding for North Northants which will be reported to one of the early North Northants Cabinet meetings in 2021/22.

Minimum Revenue Provision

- 5.6 The Capital Assets, balances and debt to be allocated between North Northants Council and West Northants Council from NCC is still being determined with support from Link Asset Services. The MRP policy will be finalised following the completion of this work and this will include the previous NCC policy for their share of the debt that will be transferred to this council, in that a previous overpayment of previous MRP paid (Voluntary Revenue Provision (VRP)) is currently reducing the MRP to be paid to a minimal figure but when this runs out, currently forecast to be 2024/25, a lump sum would need to be built back in for this. The previous District & Borough Councils' debt will continue to be provided for on an asset life basis.
- 5.7 A phasing strategy for the previous NCC debt has already been reviewed and it has been proposed to include an additional £1.5m MRP for 2021/22 and to increase this annually in advance of 2024/25 to enable this to be delivered in a manageable and gradual way as part of the overall MTFP Budget process in future years.
- 5.8 As we are awaiting the work to be completed by Link Asset Services, Debt, the Capital Financing Requirement (CFR) and MRP have not been split. This has affected the Treasury Management Strategy being finalised and the full impacts for the Council moving forward.
- 5.9 HM Treasury ran a consultation on the future lending terms of the Public Works Loan Board (PWLB) between March and July 2020. The aim of this consultation was to develop a proportionate and equitable way to prevent local authorities from using PWLB loans to buy commercial assets primarily for yield, without impeding their ability to pursue service delivery, housing, and regeneration under the prudential regime as they do now.
- 5.10 The outcome is that PWLB will no longer lend to local authorities that plan to buy commercial assets primarily for yield. PWLB will still be available to all local authorities for refinancing. In order to borrow from the PWLB, local authorities will now be required to submit a summary of their planned capital spending and PWLB borrowing for the following three years including a commentary outlining the expenditure plans of the Council.
- 5.11 Alongside these new lending terms, the Chancellor has announced that the PWLB Standard and Certainty rates will be cut by 100 basis points for new loans arranged from 26 November 2020. This takes offered rates back to where they were in early October 2019. This will lower the costs of borrowing for local authorities and help them to move ahead with planned infrastructure projects. North Northamptonshire Council will need to apply as a new Council to be eligible for this preferential rate.

Funding

5.12 The latest estimates of the forecast balances as at the end of 2020/21 and the movement included in the capital programme for 2021/22 is shown in the table below. Announcements from Government are expected imminently providing details of the Spending Review impact on capital allocations, giving further clarity to funding for 2021/22 onwards.

	2020/21	2021/22
Funding	Forecast End of Year Balances	Forecast End of Year Balances
	£000	£000
Capital Receipts	20,376	14,480
S106/CIL	28,395	23,741
Capital Grants and Contributions Unapplied	13,864	13,647
Total	62,635	51,867

6. Implications (including financial implications)

6.1 Resources and Financial

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

6.2 Legal

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

6.3 Risk

6.3.1 The following risks are associated with the budget proposals:

Risk	Mitigation	Residual RAG Risk
Funding in the Local Government Finance Settlement is less than expected.	Amendments or reduced delivery of schemes will need to be undertaken	Amber
Capacity to deliver	Ensure co-ordinated delivery teams for the capital programme and sufficient resources for external support as required	Amber

Further significant slippage from sovereign councils leading to a significantly increased programme to be delivered	Will put extra pressure on the above risk but will need to be managed accordingly and should be a short-term issue to complete projects	Amber
Disaggregation not being agreed	Agreements on most splits are in place reducing the impact of remaining items	Amber
MRP policy not complete	Estimates based on current policies of current debt plus a phasing strategy included to reduce future one-off impact	Amber
Historic Commercial Schemes/Change in Government Policy	Commercial Assets to be managed to maximise performance and changes to policy will be paramount to future capital strategy and programme	Amber
Condition of assets transferring to the Council	Condition likely to be variable across the estate. Will need to be reviewed as part of the One Public Estate workstream to rationalise and prioritise investments and sales of assets	Amber
New Schemes agreed by sovereign councils	Need to come through North Northants Governance process for consideration and minimal time and meetings left for these to be approved	Amber

6.4 Consultation

6.4.1 The Capital programme proposals were part of the Draft Budget 2021-22 seven week consultation which took place from 11 December 2020 and concluded on 29 January 2021. The full responses from this are shown within the Final Budget 2021-22 and Medium Term Financial Plan Report at Appendix G and have been considered in the Final Capital Programme and Strategy within this report.

6.5 Consideration by Overview and Scrutiny

6.5.1 A Budget Scrutiny process, including the Capital Strategy and Programme, was run simultaneously with the consultation process. Scrutiny is a means for

councillors not in the Shadow Executive to influence the development of Council policies and services and hold decision-makers to account. The Budget Scrutiny involved councillors reviewing significant proposals across the Draft Budget and the Capital Programme proposals and reporting their conclusions about the deliverability and service impact of these proposals to the Shadow Executive Committee. The details from this are shown within the Final Budget 2021-22 and Medium Term Financial Plan Report at Appendix J.

6.6 Climate Impact

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

6.7 Community Impact

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

7. Background Papers

7.1 Sovereign Councils' Capital Programmes and Strategies

Previous reports to North Northamptonshire Shadow Executive Committee 7th December 2020:

<https://cmis.northamptonshire.gov.uk/cm5live/MeetingsCalendar/tabid/73/ctl/ViewMeetingPublic/mid/410/Meeting/3815/Committee/458/Default.aspx>

Appendix A

Committed Capital Programme Forecast Expenditure 2021-22 onwards

Scheme	Council/ Directorate	2021-22 Spend	2022-23 Spend	2023-24 Spend	2024-25 Spend	Total Spend	Disaggregation Principle (see below)	Funding
		£	£	£	£	£		
Chester House Estate	NCC/Corp Servs	3,624,000				3,624,000	A	Discretionary
Country Parks Minor Developments	NCC/Corp Servs	10,287				10,287	I	Donations held
Kettering Secondary School Extensions	NCC/CFN	400,000				400,000	A	DFE Grant
Isebrook School	NCC/CFN	900,599				900,599	A	S106
Schools Minor Works - 2020-21	NCC/CFN	966,602				966,602	H	DFE Grant
Red Kite 6th Form Block	NCC/CFN	390,000				390,000	A	DFE Grant
East Northants Restructure - Prince William Academy phase 3 works	NCC/CFN	6,100,000				6,100,000	A	£3.2m Basic Needs Grant, £1.9m s106, £1m Discretionary
Schools Capitalisation of Revenue Contributions	NCC/CFN	214,000				214,000	A	Discretionary
Capitalisation of Community Equipment	NCC/NASS	1,844,000				1,844,000	A	Discretionary
A43 Corby Link Road	NCC/PLACE	847,000	100,000	45,000		992,000	A	S106
Northamptonshire Superfast Broadband	NCC/PLACE	2,537,040	1,562,587	1,254,440		5,354,067	D	Discretionary, Grant and
Contribution to HWRC Sinking Fund	NCC/PLACE	29,866	29,866			59,732	C	Discretionary
S106 Funded Highways Schemes	NCC/PLACE	3,802,049				3,802,049	B	S106
Minor Works 2020-21	NCC/PLACE	150,500				150,500	H	Discretionary
BRR18 - Customer Contact and Digital	NCC/TRANSFORMATI ON	1,875,000				1,875,000	H	BRR Pilot Funding
NCC Total	NCC Total	23,690,943	1,692,453	1,299,440	-	26,682,836		
Tithe Barn Road Office Refurbishment	BCW/Corp Property	2,806,000				2,806,000	A	Capital Receipts
Disabled Facilities Grant	BCW/PLACE	717,000	500,000	500,000	500,000	2,217,000	A	DFG
Castle Theatre	BCW/LEISURE	750,000				750,000	A	Capital Receipts
CPO Fund	BCW/PLACE	551,000				551,000	A	Capital Receipts
Empty Properties	BCW/PLACE	132,000				132,000	A	Capital Receipts
Crematorium - Pathways and Garden Infrastructure	BCW/PLACE	418,000				418,000	A	Capital Receipts
PFP Leisure	BCW/LEISURE	175,000				175,000	A	Capital Receipts
Tithe Barn Phase 2	BCW/PLACE	245,000				245,000	A	Capital Receipts
Property Renovations	BCW/Corp Property	633,000				633,000	A	Capital Receipts
Open Spaces/ Parks/ Brooks and Waterways	BCW/PLACE	535,000				535,000	A	Capital Receipts/S106
Car Parking - Kettering Town Centre	KBC/PLACE	20,000	20,000	20,000	20,000	80,000	A	Capital Receipts
Cremator Repairs	KBC/PLACE	100,000				100,000	A	Capital Receipts
Warren Hill Works	KBC/Community	150,000	150,000			300,000	A	Discretionary
Rockingham Road Pavillion	KBC/Community	300,000				300,000	A	Discretionary
Small and other capital works and grants	KBC/Community	292,000	292,000	292,000	292,000	1,168,000	A	Capital Grants
Borough Wide - Recycling Project	KBC/Service Delivery	100,000	100,000	100,000	100,000	400,000	A	Capital Receipts

Infrastructure / Flexi & Remote Working	KBC/Service Delivery	220,000	220,000	220,000	220,000	880,000	A	Capital Receipts
New Depot	KBC/Service Delivery	2,000,000	1,500,000			3,500,000	A	Discretionary
Recycling Project / Facility	KBC/Service Delivery	500,000	2,500,000	2,500,000		5,500,000	A	Discretionary
Stock Improvement & Compliance	KBC/Service Delivery	60,000	250,000	10,000	750,000	1,070,000	A	Capital Receipts
Housing and Homelessness Prevention	KBC/Service Delivery	2,000,000	2,000,000	1,000,000	1,000,000	6,000,000	A	Discretionary
Disabled Facilities Grant	KBC/PLACE	500,000	500,000	500,000	500,000	2,000,000	A	DFG
Woodland Improvements	CBC/PLACE	63,000	63,000	63,000	63,000	252,000	A	Grants
Replacement Wheelie Bins	CBC/PLACE	52,000	52,000	52,000	52,000	208,000	A	Capital Reserves
Disabled Facilities/Home Repair Grants	CBC/PLACE	400,000	400,000	400,000	400,000	1,600,000	A	DFG
Shire Lodge Cemetery Extension	CBC/PLACE	1,620,000				1,620,000	A	Capital Reserves
Priors Hall Sustainable Urban Extension-A43/Steel Road junction	CBC/PLACE	2,952,773				2,952,773	A	Homes England
ICT Hardware Replacement	CBC/Corporate	150,000	150,000	150,000	150,000	600,000	A	Capital Reserves
Disabled Facilities Grants	ENC/PLACE	633,701	500,000	500,000	500,000	2,133,701	A	DFG
Regeneration & Economic Development	ENC/Regeneration	84,919				84,919	A	Earmarked Reserves
Leisure and Tourism Projects	ENC/LEISURE	376,750	103,500	89,000	108,000	677,250	A	Discretionary
Environment Projects	ENC/PLACE	185,000	105,000	80,000	2,995,000	3,365,000	A	Discretionary
D&B Total		19,722,143	9,405,500	6,476,000	7,650,000	43,253,643		
North Northants Total		43,413,086	11,097,953	7,775,440	7,650,000	69,936,479		

Discretionary Funding	11,475,464	7,271,721	4,147,174	4,103,000	26,997,359
Capital Receipts	8,848,000	1,084,000	844,000	1,584,000	12,360,000
Earmarked Reserves	2,216,669	-	-	-	2,216,669
DFG	2,250,701	1,900,000	1,900,000	1,900,000	7,950,701
S106 and Other Grant Funding	18,622,252	842,232	884,266	63,000	20,411,750
Total	43,413,086	11,097,953	7,775,440	7,650,000	69,936,479

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

Appendix B

Committed Capital Programme Forecast Expenditure 2021-22 onwards

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

Housing Association Grant	New Build	985,000	985,000	985,000	985,000	3,940,000
Desborough & Rothwell	New Build	889,000	-	-	-	889,000
Former Grange Methodist Church Site	New Build	1,860,000				1,860,000
Future Schemes	New Build	-	928,000	758,000	843,000	2,529,000
New Build Schemes		3,734,000	1,913,000	1,743,000	1,828,000	9,218,000
Decent Homes - Kitchen & Bathroom Renewal	Pre-Planned Stock Investment	400,000	400,000	400,000	400,000	1,600,000
Window Renewal	Pre-Planned Stock Investment	50,000	100,000	100,000	100,000	350,000
Central Heating Renewal	Pre-Planned Stock Investment	500,000	500,000	500,000	500,000	2,000,000
Decent Homes - Electrical Upgrades	Pre-Planned Stock Investment	400,000	400,000	400,000	400,000	1,600,000
External Door Replacements	Pre-Planned Stock Investment	50,000	50,000	50,000	50,000	200,000
Roof Renewals	Pre-Planned Stock Investment	100,000	100,000	100,000	100,000	400,000
External Insulation	Pre-Planned Stock Investment	100,000	100,000	100,000	100,000	400,000
Pre-Planned Stock Investment		1,600,000	1,650,000	1,650,000	1,650,000	6,550,000
Improving access for disabled people	Adaptations	200,000	200,000	200,000	200,000	800,000
						-
Heath & Safety and Fire Precautions	Health, Safety and Compliance	20,000	20,000	20,000	20,000	80,000
						-
Environmental Improvements	Enhancements	100,000	100,000	100,000	100,000	400,000
Sheltered Housing - "Sparkle" Programme	Enhancements	50,000	50,000	50,000	50,000	200,000
Enhancement Schemes		150,000	150,000	150,000	150,000	600,000
Voids Repairs and Improvements	Reactive Stock Investment	400,000	400,000	350,000	350,000	1,500,000
KBC HRA Total		6,104,000	4,333,000	4,113,000	4,198,000	18,748,000
North Northants Total		13,742,000	12,102,767	12,082,767	12,127,767	50,055,301

CBC Funded By	2021-22 £000's	2022-23 £000's	2023-24 £000's	2024-25 £000's	Total Funding £000's
Revenue Contribution	2,338,000	2,469,767	2,469,767	2,429,767	9,707,301
Capital Receipts	2,650,000	2,650,000	2,750,000	2,750,000	10,800,000
Social Housing Borrowing/Use of Reserves	2,650,000	2,650,000	2,750,000	2,750,000	10,800,000
Total	7,638,000	7,769,767	7,969,767	7,929,767	31,307,301

KBC Funded By	2021-22 £000's	2022-23 £000's	2023-24 £000's	2024-25 £000's	Total Funding £000's
Revenue Contribution	2,555,000	2,635,000	2,717,000	2,802,000	10,709,000
Capital Receipts	2,247,000	1,698,000	1,396,000	1,396,000	6,737,000
Social Housing Borrowing/Use of Reserves	1,302,000				1,302,000
Total	6,104,000	4,333,000	4,113,000	4,198,000	18,748,000

Total Funded By	2021-22 £000's	2022-23 £000's	2023-24 £000's	2024-25 £000's	Total Funding £000's
Revenue Contribution	4,893,000	5,104,767	5,186,767	5,231,767	20,416,301
Capital Receipts	4,897,000	4,348,000	4,146,000	4,146,000	17,537,000
Social Housing Borrowing/Use of Reserves	3,952,000	2,650,000	2,750,000	2,750,000	12,102,000
Total	13,742,000	12,102,767	12,082,767	12,127,767	50,055,301

Appendix C

Development Pool Forecast Expenditure 2021-22 Onwards

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

Development Pool Forecast Expenditure 2021-22 Onwards

Scheme	Likely to Proceed		Scheme Description	2021-22 £000's	2022-23 £000's	2023-24 £000's	Total £000's	Funding Source
Community Equipment	G	NASS	Capitalisation of small pieces of equipment provided to Adult Social Care clients to support them living at home (includes equipment purchased for health clients).	1,840	1,840	1,840	5,520	RCCO 2021-22 onwards
Device Management	G	LGSS	End of life replacement.	375	375	0	750	Discretionary
PC Refresh	G	LGSS	End of life replacement.	200	0	0	200	Discretionary
SAN Replacement	G	LGSS	End of life replacement of the Storage Area Network which holds all of NCC's data.	500	0	0	500	Discretionary
Netscaler Replacement	G	LGSS	End of Life - Netscalers enable applications to run up to five times faster and makes sure that applications are always available with its application load balancing capabilities.	100	0	0	100	Discretionary
CapitaOne Cloud	G	LGSS	Migration of the CapitaOne system into the Cloud.	50			50	Discretionary
NARP - Northants Analytics and Reporting Programme	A	LGSS	Integrating systems into the NHCP Analytics solution for system wide reporting.	100			100	Discretionary
Northants Care Record	A	LGSS	Integrating systems into the NHCP Northants Care Record for a single view of the patient/citizen for social workers and clinicians.	100	50		150	Discretionary
LGSS Review	A	LGSS	Supporting the repatriation of the shared LGSS systems into NCC	50			50	Discretionary
Leisure and Tourism Projects		ENC	Pemberton, Splash and Nene Leisure Centres	0	15	0	15	Discretionary
Corporate Systems		ENC	Mainly Corporate IT Systems	273	313	243	829	Discretionary
Asset Management Plan		ENC	General Asset Mgt	520	49	30	599	Discretionary
Central Services Projects		ENC	Print Room	30	0	0	30	Discretionary
Totals				37,223	43,927	18,114	99,264	

Discretionary Funding	3,121	1,302	773	5,196
External Funding	135	357	-	492
Revenue Funding	1,840	1,840	1,840	5,520
Grant Funding	27,468	38,519	14,501	80,488
S106	4,659	1,909	1,000	7,568
Total	37,223	43,927	18,114	99,264

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

North Northamptonshire Council

Capital Strategy 2021-22



Contents

1. INTRODUCTION	3
2. LOCAL GOVERNMENT REFORM	4
3. GOVERNANCE.....	4
4. CAPITAL EXPENDITURE	7
5. FUNDING SOURCES AND FUTURE GRANT ALLOCATIONS	10
6. CAPITAL INVESTMENT.....	145
7. COMMERCIAL INVESTMENTS/REGENERATION & ECONOMIC DEVELOPMENT.....	155
8. PROPERTY ASSET MANAGEMENT PLAN.....	176
9. DEBT AND BORROWING AND TREASURY MANAGEMENT.....	177
10. APPENDICES	
10.1 DEVELOPMENT POOL DISCRETIONARY FUNDING DETAIL OVER MTFP PERIOD	21

1. INTRODUCTION

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

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

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

2. LOCAL GOVERNMENT REFORM

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

3. GOVERNANCE

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

Committed Capital Programme Approval Process

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

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

Virements

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

Decision making

The Capital Approvals Board

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

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

Assessment of the revenue implications of capital investment

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

Risk Management

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

Transformation and Place

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

North Northamptonshire Leadership Team

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

Capital Projects Board

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

Knowledge and Skills

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

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

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

- 3.21 The Council has a list of 'Approved Contractors' who it will utilise to support capital projects to ensure preliminary surveys & works identify risks around costs and delivery in relation to the land, buildings, etc. elements for each project before main contracts are procured.
- 3.22 The Council will undertake background checks to ensure all contractors are suitably qualified, have a proven delivery background in similar projects before awarding contracts.
- 3.23 The Council takes advice from its external treasury partners/advisors in making decisions related to its Treasury Strategy.

Completion of Capital Schemes and Lessons Learned

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

Carbon Reduction and Climate Change Commitment

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

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

4. CAPITAL EXPENDITURE

- 4.1 In England and Wales, there are three routes by which expenditure can qualify as capital under the prudential framework:
- The expenditure results in the acquisition, construction or enhancement of fixed assets (tangible and intangible) in accordance with 'proper practices'. Fixed assets are defined as those that have an economic life of more than one year.
 - The expenditure meets one of the definitions specified in regulations made under the 2003 Local Government Act.
 - The Secretary of State makes a direction that the expenditure can be treated as capital expenditure.
- 4.2 The Council's capitalisation policy looks to capitalise expenditure on eligible items with a cost over £10,000 in relation to a single item or in relation to a large quantity of smaller value items. In Local Government this can also include spending on assets owned by other bodies, as well as loans and grants paid over to other bodies that enable them to buy assets.
- 4.3 An assessment of the previous councils' capitalisation policies has been conducted to ensure minimal detrimental impact to the council's revenue position in setting its initial MTFP, mainly in respect of funding of Adults & Communities equipment.

Committed Capital Programme

Committed Programme Expenditure

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

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

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

Council/ Directorate	2021-22 Spend	2022-23 Spend	2023-24 Spend	2024-25 Spend	Total Spend
	£	£	£	£	£
NCC/Corp Servs	3,634,287				3,634,287
NCC/CFN	8,971,201				8,971,201
NCC/NASS	1,844,000				1,844,000
NCC/PLACE	7,366,455	1,692,453	1,299,440		10,358,348
NCC/TRANSFORMATION	1,875,000				1,875,000
NCC Total	23,690,94	1,692,453	1,299,440	-	26,682,836
BCW/Corp Property	3,439,000				3,439,000
BCW/PLACE	2,598,000	500,000	500,000	500,000	4,098,000
BCW/LEISURE	925,000				925,000
KBC/PLACE	620,000	520,000	520,000	520,000	2,180,000
KBC/Community	742,000	442,000	292,000	292,000	1,768,000
KBC/Service Delivery	4,880,000	6,570,000	3,830,000	2,070,000	17,350,000
CBC/PLACE	5,087,773	515,000	515,000	515,000	6,632,773
CBC/Corporate	150,000	150,000	150,000	150,000	600,000
ENC/PLACE	818,701	605,000	580,000	3,495,000	5,498,701
ENC/Regeneration	84,919				84,919
ENC/LEISURE	376,750	103,500	89,000	108,000	677,250

D&B Total	19,722.14	9,405,500	6,476,000	7,650,000	43,253,643
North Northants Total	43,413.08	11,097.95	7,775,440	7,650,000	69,936,479

Selected Major Scheme Details (committed programme)

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

Scheme	Council/ Directorate	2021-22 Spend	2022-23 Spend	2023-24 Spend	2024-25 Spend	Total Spend
East Northants Restructure - Prince William Academy phase 3 works	NCC/CFN	6,100,000				6,100,000
Northamptonshire Superfast Broadband	NCC/PLACE	2,537,040	1,562,587	1,254,440		5,354,067
Recycling Project / Facility	KBC/Service Delivery	500,000	2,500,000	2,500,000		5,500,000
Housing and Homelessness Prevention	KBC/Service Delivery	2,000,000	2,000,000	1,000,000	1,000,000	6,000,000

Committed Programme Funding

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

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

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

4.10 Total Council investment, (discretionary funding, ring-fenced capital receipts and gap funding) accounts for £39m (56%), of the overall committed Capital Programme over the plan period.

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

	2021-22 Plan	2022-23 Plan	2023-24 Plan	2024-25 Plan	Total 2021-22 to 2024-25
	£m	£m	£m	£m	£m
Discretionary borrowing	11.5	7.3	4.1	4.1	27.0
Capital Receipts	8.8	1.1	0.8	1.6	12.3
S106 and Other Grants	20.8	0.8	0.9	0.1	22.6
DFG Grants	2.3	1.9	1.9	1.9	8.0
TOTAL FUNDING	43.4	11.1	7.7	7.7	69.9

Development Pool

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

4.13 The scheme detail can be found in the appendices.

All figures £m				
Service Area	2021-22	2022-23	2023-24/ 2024-25	Total Discretionary Funding
Children's Services	0.3	0.0	0.0	0.3
Place	0.5	0.5	0.5	1.5
Corporate	1.5	0.4	0.0	1.9
ENC Place	0.8	0.4	0.3	1.5
Total	3.1	1.3	0.8	5.2

IFRS 16 - Leases

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

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

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

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

5. FUNDING SOURCES AND FUTURE GRANT ALLOCATIONS

External Funding

5.1 Section 106 (S106) and External Contributions

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

Grant Funding

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

5.5 Department for Education – Capital Grant Settlements

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

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

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

5.8 Department of Transport Capital Grant Settlements

Department of Transport	Indicative			
All figures £m	2021-22	2022-23	2023-24	2024-25
Integrated Transport Block (ITB)	1.32	1.32	1.32	TBC

Highways Capital Maintenance – Needs Based	5.28	5.28	5.28	TBC
Incentive Fund	TBC	TBC	TBC	TBC
Pothole Fund	TBC	TBC	TBC	TBC
Maintenance Challenge Fund	TBC	TBC	TBC	TBC
HS2 Road Safety Fund	TBC	TBC	TBC	TBC
Total LA Funding	6.60	6.60	6.60	TBC

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

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

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

Regional Growth Deals (including Local Growth Fund)

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

Rural Development Programme for England (RDPE)

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

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

Internal Funding (Discretionary Funding) - borrowing and capital receipts

5.14 Revenue Funding

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

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

5.15 Capital Receipts

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

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

2021-22	£20.4m
2022-23	£14.5m

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

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

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

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

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

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

Flexible Use of Capital Receipts

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

target disposal receipts where need is greatest and this is reflected in a separately published Flexible Use of Capital Receipts Policy as part of the Budget Report.

Long term funding challenges

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

- The Council has limited levels of future capital receipts, (excluding opportunities from the rationalisation and review arising from the recent unitary restructure).
- A significant proportion of the Council’s capital funding comes from central government grants.
- A further proportion of the Council’s capital funding comes from external contributions, largely S106 which is dependent on development in the county and the economy.

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

Gap funding through discretionary borrowing

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

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

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

Funding Summary for the Development Pool (future Capital Programme)

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

	2021-22	2022-23	2023-24/ 2024-25	Total
Funding Source	£m	£m	£m	£m
Discretionary	3.1	1.3	0.8	5.2
RCCO	1.8	1.8	1.8	5.4
DFE and DFT Grant Settlements/Requirements	27.5	38.5	14.5	80.5
External Contributions, Specific Scheme Grants, S106 (excluding schools S106)	4.8	2.3	1.0	8.1
TOTAL	37.2	43.9	18.1	99.2

Funding Summary for the Total Capital Programme, Development Pool and HRA Capital Programme

5.28 The summary below shows the total funding confirmed or assumed to be secured to fund the Capital Programme, Development Pool and HRA Capital Programme

	2021-22	2022-23	2023-24/ 2024-25	Total
Expenditure	£m	£m	£m	£m
General Fund Capital	43.4	11.1	15.4	69.9
HRA Capital	13.7	12.1	24.2	50.0
Development Pool	37.2	43.9	18.1	99.2
Total	94.3	67.1	57.7	219.1
	2021-22	2022-23	2023-24/ 2024-25	Total
Funding Source	£m	£m	£m	£m
Discretionary	17.2	11.3	14.5	43.0
Capital Receipts	13.7	5.4	10.7	29.8
RCCO	6.7	6.9	12.2	25.8
Use of Reserves	3.6	-	-	3.6
Grant Funding – DfE, DfT, DFG	40.9	41.1	19.3	101.3
External Contributions, Specific Scheme Grants, S106	12.2	2.4	1.0	15.6
TOTAL	94.3	67.1	57.7	219.1

6. CAPITAL INVESTMENT

Discretionary Funding Availability

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

Discretionary Funding	£m
Baseline Capital Strategy Position	43.0
Discretionary funding movements to date and forecast to end of 2021-22	0
Balance remaining/approved in 2021-22 Strategy for 2021-22 onwards	43.0
Increase in Discretionary Funding	0
Total Revised Discretionary Funding Requirement	43.0

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

7. COMMERCIAL INVESTMENTS/ REGENERATION & ECONOMIC DEVELOPMENT

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

7.2 The HM Treasury ran a consultation on the future lending terms of the Public Works Loan Board (PWLB) between March and July 2020. The aim of this

consultation was to develop a proportionate and equitable way to prevent local authorities from using PWLB loans to buy commercial assets primarily for yield, without impeding their ability to pursue service delivery, housing, and regeneration under the prudential regime as they do now.

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

7.4 PWLB has Defined the activities as follow:

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

7.5 The Council will carefully consider this criteria when prioritising capital projects against the strategic objectives and ensuring affordability and the borrowing position should any decisions be affected.

7.6 Alongside these new lending terms, the Chancellor has announced that the PWLB Standard and Certainty rates will be cut by 100 basis points for new loans arranged from 26 November 2020. This takes offered rates back to where they were in early October 2019. This will lower the costs of borrowing for local authorities and help them to move ahead with planned infrastructure projects and will be fully considered by the Council in externalising the current internal borrowing position.

8. PROPERTY ASSET MANAGEMENT PLAN

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

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

9. DEBT, BORROWING AND TREASURY MANAGEMENT

Treasury Management Strategy

- 9.1 The purpose of the Treasury Management Strategy is to establish the framework for the effective and efficient management of the Council's treasury management activity, within legislative, regulatory, and best practice regimes, and balancing risk against reward in the best interests of stewardship of the public purse.
- 9.2 The Treasury Management Strategy incorporates:
- The Council's capital financing and borrowing strategy for the coming year;
 - The Council's policy on the making of Minimum Revenue Provision (MRP) for the repayment of debt, as required by the Local Authorities (Capital Finance & Accounting) (Amendments) (England) Regulations 2008;
 - The Affordable Borrowing Limit as required by the Local Government Act 2003;
 - The Annual Investment Strategy for the coming year as required by the MHCLG revised guidance on Local Government Investments issued in 2018.
- 9.3 The strategy takes into account the impact of the Council's Medium Term Financial Plan (MTFP), its revenue budget and Capital Programme, the balance sheet position and the outlook for interest rates.
- 9.4 The Council takes advice from its external treasury partners/advisors in making decisions on the current financial climate and markets in relation to whether to undertake short term or long term borrowing and in considering the management of its financial balances.

9.5 The tables on page 8 show the Council’s funding commitment and sources in relation to the current Capital Programme as well as the £5.2m discretionary funding for the Development Pool. This includes Invest to Save schemes which would in the past have been only temporarily funded, but which now are permanently funded in order to release savings to support the revenue position. The discretionary funding of £5.2m (see appendices 10.1) represents 5.2% of the total Development Pool schemes of £99.2m.

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

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

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

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

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

BORROWING

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

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

9.10 Table 2 - Forecast Borrowing and Investment Balances

	2020-21	2021-22	2022-23	2023-24	2024-25
	Forecast £m	Estimate £m	Estimate £m	Estimate £m	Estimate £m
Borrowing at 1 April b/f	TBC	TBC	TBC	TBC	TBC
Net Borrowing Requirement to fund capital programme (see Table 2 below)	TBC	TBC	TBC	TBC	TBC

MRP ¹	TBC	TBC	TBC	TBC	TBC
Internal borrowing (increase)/reduction ²	TBC	TBC	TBC	TBC	TBC
(1) Actual borrowing at 31 March c/f	TBC	TBC	TBC	TBC	TBC
<i>Capital Borrowing</i>	TBC	TBC	TBC	TBC	TBC
<i>Third Party Loans</i>	TBC	TBC	TBC	TBC	TBC
Actual borrowing at 31 March c/f	TBC	TBC	TBC	TBC	TBC
(2) CFR – the borrowing need	TBC	TBC	TBC	TBC	TBC
(3) [2 – 1] Internal Borrowing ²	TBC	TBC	TBC	TBC	TBC
Funds Available for Investment at 1 April b/f ³	TBC	TBC	TBC	TBC	TBC
Change in Funds Available for Investment	TBC	TBC	TBC	TBC	TBC
(4) Investments at 31 March c/f	TBC	TBC	TBC	TBC	TBC
<i>Investment Balances ³</i>	TBC	TBC	TBC	TBC	TBC
<i>Third Party Loans</i>	TBC	TBC	TBC	TBC	TBC
Investments at 31 March c/f	TBC	TBC	TBC	TBC	TBC
(5) [1 – 4] Net borrowing	TBC	TBC	TBC	TBC	TBC

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

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

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

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

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

FINANCING COSTS

9.15 Although capital expenditure is not charged directly to the revenue budget, the consequential impact is. Interest payments to service loans borrowed and MRP

contributions are charged to revenue, offset by any investment income receivable. This net annual charge is known as a financing cost, which can be compared to the Net Revenue Stream (the cost of Council services funded by Council Tax, Business Rates and Government Grants) and, when expressed as a percentage, effectively illustrates the Council's debt gearing ratio.

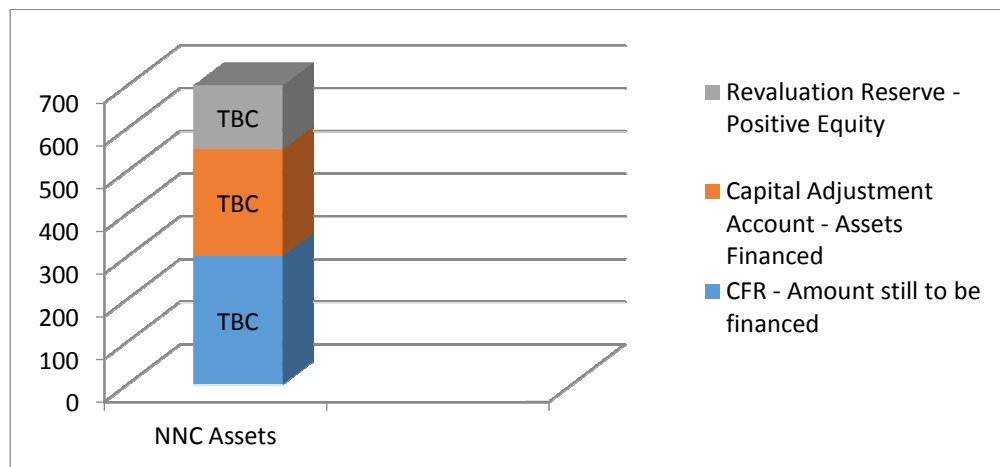
9.16 Table 4 – Prudential Indicator: Proportion of Financing costs to Net Revenue Stream

Financing costs to net revenue stream	2021/22	2022/23	2023/24	2024/25	2025/26
	Estimate	Estimate	Estimate	Estimate	Estimate
Non - HRA	5.14%	5.28%	5.09%	4.86%	6.78%
HRA	11.29%	10.16%	9.81%	9.44%	9.07%

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

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

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



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

10. APPENDICES

10.1 DEVELOPMENT POOL DISCRETIONARY FUNDING DETAIL OVER MTFP PERIOD

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

Appendix 1

Scheme	Likely to Proceed		Scheme Description	2021-22 £000's	2022-23 £000's	2023-24 £000's	Total Discretionary Funding £000's	Reason for Funding
Housing for children with complex needs	A	CFN	Emergency placements for looked after children. Assumption of 1 x 5 bed unit or house.	215	0	0	215	Revenue Saving
Homes to support fostering	A	CFN	Adaptations to support fostering placements - multi-child and disability - estimate 5 @ £50k each.	108		0	108	Revenue Saving
Property Asset Management Minor Works	G	PLACE	Expenditure on NCC properties relating to replacement and repair of boiler and ventilation systems, roofs and building fabric works. Also covers health and safety, water quality and fire regulations requirements.	500	500	500	1,500	Statutory Service Provision
Regeneration and Economic Development Schemes	A	PLACE	Schemes to be developed in line with the council's overall objectives and ambitions	TBA	TBA	TBA	-	Delivering Council Priorities
Device Management	G	LGSS	End of life replacement.	375	375	0	750	Statutory Service Provision
PC Refresh	G	LGSS	End of life replacement.	200	0	0	200	Statutory Service Provision
SAN Replacement	G	LGSS	End of life replacement of the Storage Area Network which holds all of NCC's data.	500	0	0	500	Statutory Service Provision
Netscaler Replacement	G	LGSS	End of Life - Netscalers enable applications to run up to five times faster and makes sure that applications are always available with its application load balancing capabilities.	100	0	0	100	Statutory Service Provision
CapitaOne Cloud	G	LGSS	Migration of the CapitaOne system into the Cloud.	50			50	Statutory Service Provision
NARP - Northants Analytics and Reporting Programme	A	LGSS	Integrating systems into the NHCP Analytics solution for system wide reporting.	100			100	Statutory Service Provision
Northants Care Record	A	LGSS	Integrating systems into the NHCP Northants Care Record for a single view of the patient/citizen for social workers and clinicians.	100	50		150	Statutory Service Provision
LGSS Review	A	LGSS	Supporting the repatriation of the shared LGSS systems into NCC	50			50	Statutory Service Provision
Leisure and Tourism Projects	G	ENC	Pemberton, Splash and Nene Leisure Centres	0	15	0	15	Statutory Service Provision
Corporate Systems	G	ENC	Mainly Corporate IT Systems	273	313	243	829	Statutory Service Provision
Asset Management Plan	G	ENC	General Asset Mgt	520	49	30	599	Statutory Service Provision
Central Services Projects	G	ENC	Print Room	30	0	0	30	Statutory Service Provision
Total Discretionary Funding Required				3,121	1,302	773	5,196	

NORTH NORTHAMPTONSHIRE SHADOW AUTHORITY**SHADOW EXECUTIVE COMMITTEE MEETING****12th February 2021**

Report Title	Shared Service Arrangements
Report Author	Adele Wylie, Director Legal and Democratic and Monitoring Officer

List of Appendices**Appendix A – Updated Blueprint document: Schedule of Services****Appendix B – Draft IAA****Appendix C – Proposed Terms of Reference of the Joint Committee****Appendix D – Proposed Terms of Reference of the Joint Officer Board****1. Purpose of Report**

1.1. This report is to give effect to the decision of the Shadow Executive Committee on 24th September 2020 in relation to the Blueprint and seeks Members approval for the governance and legal agreements which will govern the shared services between the North Northamptonshire Council and the West Northamptonshire Council from the 1st April 2021.

2. Recommendations

2.1 It is recommended that Members:

- a) Agree to share the services described as Hosted or Lead Authority, in the Blueprint schedule attached as Appendix A to this report, with the West Northamptonshire Council as detailed in this report.
- b) Establish an Executive Joint Committee within the governance framework of the Council with the Terms of Reference set out in **Appendix C** to oversee the shared arrangements.
- c) Note the proposed reservation of delegated powers to the Chief Executive, Executive Directors, Directors and Assistant Chief Executive which will be set out in the Constitution.

- d) Agree the Heads of Terms for the inter authority agreements with the West Northamptonshire Council for the delivery of the services set out in **Appendix B**, and in particular agree to:
- i. Provide the services set out in **Appendix A** and described as hosted by North Northamptonshire Council on a short-term basis in accordance with the terms of the proposed agreement
 - ii. Provide the services set out in **Appendix A** and described with North Northamptonshire as Lead Authority in accordance with the terms of the proposed agreement until the agreement relating to that service is terminated
 - iii. Receive the services set out in **Appendix A** and described as hosted by West Northamptonshire on a short-term basis in accordance with the terms of the proposed agreement
 - iv. Receive the services set out in **Appendix A** and described with West Northamptonshire as lead authority in accordance with the terms of the proposed agreement until the agreement relating to that service is terminated.
- e) Establish a Joint Officer Board to support the Joint Committee in accordance with the Terms of Reference set out in **Appendix D**

2.2 Reasons for Recommendations:

- a) The Councils have agreed that it is not practicable to disaggregate some services before 1st April 2021 and therefore a short term agreement will allow the current arrangements to continue until the necessary service changes can be made or contracts replaced to allow the services to be disaggregated.
- b) The Councils have agreed that some services, which benefit from critical mass where the service will be commissioned from an external provider (and amended the contract now would be cost prohibitive) and where sharing gives both authorities better value for money and/or improved delivery, should continue to be delivered across the whole geographical area of North and West Northamptonshire.
- c) To give effect to the decisions a Joint Committee will need to be established with agreed terms of reference supported by an Officer Board.
- d) An agreement will need to set out the terms of the arrangement and specific delegations will need to be made to relevant Chief Officers and Senior managers

3. Report Background

- 3.1 Work has been ongoing for over the last year within the Future Northants programme to progress the plans to achieve a transfer to the new Authorities on 1st April 2021. In August 2020 a draft Blueprint was prepared which set out how the services from the predecessor Councils would be brought together and how in particular County Council services would be disaggregated and combined with the District and Borough Services to create two new functioning Councils. This draft document was made available to staff and others as part of a consultation exercise.
- 3.2 On 24th September 2020 the Shadow Executive Committee received the detailed Blueprint together with the results of the consultation. The final Blueprint document outlined the future design of the new Councils and since that time the Future Northants Programme has been working to deliver the Blueprint. That report and the attached Blueprint are background papers to this report.
- 3.3 The recommendations of the report to the September Shadow Executive Committee were as follows:
- a. Note the content of the detailed blueprint which sets out more detail of how services will operate and the design principles that will underpin their future operation and service to stakeholders
 - b. Note the key elements of service functions that we plan to transform and improve in the functions and services (the “plus”)
 - c. Note the key activities that will be undertaken in each area during the first year of the new Council,
 - d. Note the high level feedback from the initial detailed blueprint briefings with staff, unions and members, and
 - e. Adopt the detailed Blueprint as the basis of the day 1 functional design, subject to the identification of any further agreed opportunities to transform and improve service areas during the remaining months leading up to vesting day on 1st April 2021
- 3.4 To give effect to that decision work has been ongoing working out the detailed arrangements for delivering services in accordance with the Blueprint. Members were advised that service areas had set out the design principles and also that there were details about the services and their functions. These included issues like:
- The service Offer outputs that the service is responsible
 - Key activities undertaken in the service area
 - Planned Location operate and any planned changes from current locations

- IT Systems – any planned changes that will be required due to the split in services,
- Customer and channels the service supports a planned changes or Council,
- Key partners and organisations and internal and external services that the service will interact with
- Plus – the key significant changes identified in terms of major change
- Key activities Year 1 – key changes to be completed in the first year

3.5 As set out in the previous report on the Blueprint, some existing NCC services will be 'hosted' by one of the two new Councils and provided to the other Council. 'Hosting' will continue for a stated period until issues or barriers can be resolved and support a split at an earlier point. The majority of these 'hosted' arrangements will be for a twelve-month period but in some cases will be for up to two years to align with the end date for shared programmes or contracts.

3.6 There will also be some services which have been identified as being 'lead authority'. This means that one Council will deliver a service on behalf of both because that is the most efficient and effective way for those services to be delivered and splitting them will be detrimental to the Council in terms of delivery and/or cost. Many Councils have effective shared arrangements in place because it is appropriate for those services to be delivered on a larger geography. For example, waste disposal contracts are often delivered on a wider basis because they are long term commissioned services with significant investment required by suppliers and as economies of scale mean that services can be delivered at a lower cost using shared resources. These options need to be explored for some of the shared arrangements in the coming months and the appropriate geographies and costs for new arrangements explored in full.

4. Hosted and Lead Authority Services

4.1 The 24th September Shadow Executive Committee Report outlined that further work would be undertaken to further refine the Blueprint and some additional 'change request' reports have since been agreed by the Shadow Executive Committee to update the Blueprint. **Appendix A** shows the updated position in relation to each of the services including those services which are to be disaggregated; externally provided; hosted and delivered by a lead authority. Page 2 of the spreadsheet provides the Approved Service Treatment and the changes since the Blueprint was approved in September are detailed in red.

4.2 Services which are disaggregated or externally provided are not relevant to the remainder of this report. Those services marked Hosted or Lead Authority in

column E of Page 2 are those which are to be subject to some form of shared governance arrangements between the two new Councils. All the items in the spreadsheet have been previously approved by the Shadow Executive. This report does not seek to make any change to the Blueprint but to give effect to what has already been decided.

- 4.3 In order to give effect to the decisions made by members in September 2020 the two shadow authorities need to enter into agreements with each other to set out, amongst other things:
- a. what will be delivered by each council,
 - b. how much will it cost the other council to have those services provided
 - c. what powers the host/lead authority will have to make decisions about service delivery
 - d. what other arrangements will need to be put in place eg support services and staff, to enable the services to be delivered.

5. Delegation of Powers and Duties

- 5.1 Shared Service Arrangements have been increasingly common between local authorities as a means of providing service improvements and financial benefits. There are a number of tried and tested legal powers which support the sharing of local authority services. Different powers are appropriate for different circumstances and before putting arrangements in place it is appropriate to consider the purpose and nature of the shared arrangements. The purpose of these shared arrangements is primarily to enable an appropriate timeframe for work to be completed to achieve effective disaggregation. The need to ensure value for money and avoid disruption to service delivery are also relevant factors. It is not the primary purpose of these arrangements to enter into a long-term partnering between the two councils or to provide profit or an income stream through commercial arrangements.

6. Legal advice and options

- 6.1 To provide an objective and informed assessment of the legal powers, advice has been obtained from Anthony Collins Solicitors and Olwen Brown, Partner. The advice was provided to the West but advice was made available to the North separately to comply with solicitor's practice rules. The advice is summarised below to assist in consideration, with additional comment from the Director of Legal and Democratic Services on the particular circumstances of this transition.

6.2 S101 Delegation

Summary of Advice

- 6.2.1 Firstly, section 101 allows local authorities to delegate functions to other local authorities. Where the 'Receiver' council chooses to delegate functions to another authority and the 'Provider' authority agrees to accept the delegation. The authority will then perform the function on behalf of the Receiver authority, even though, it is important to note, the Receiver authority remains ultimately responsible for the function and so needs to have the requisite information in place to reflect that.
- 6.2.2 Use of the s101 power is a very common feature of many shared service arrangements and requires both the authority who is taking on the function i.e. the Provider authority and the authority delegating the function i.e. the Receiving authority, to take "mirror" reports to their executive the difference being that one authority is agreeing to delegate the function and the other agreeing to accept the delegation.

Additional Comment

- 6.2.3 The proposed delegation scheme for both the North and the new West Northamptonshire Councils provides for a reverse delegation. This means that all powers in a service area would be delegated to the Director responsible. Where a delegation to another Council is in place an exception will be recorded to that delegation. Delegations can then be made for these service areas to the Director in the other Council or to a Joint Committee. This will make it relatively easy to make the delegations without the need to set out in detail the nature of the delegations, only those matters which are reserved. The Director/Joint Committee will then be able to delegate power to whichever officer is necessary to deliver the service effectively. The Provider is held to account through the terms of the agreement and the governance arrangements. S 101 can be used to delegate executive and non-executive functions.

6.3 S102 Joint Committee

Summary of Advice

- 6.3.1 The second option is to use the powers in section 102 of the 1972 Act to set up a Joint Committee made up of members of the two authorities and delegate authority for running the functions to that Joint Committee. This is an arrangement which is often seen as appropriate where members wish to maintain a higher degree of control and oversight of the functions, is again a well tried and tested way of delivery where more than one authority is involved. The responsibility for the service will be delegated by each authority to the Joint Committee and both councils will need to agree the terms of reference and the delegations made.
- 6.3.2 Whilst a Joint Committee is able to have all of the functions of a local authority delegated to it, it is rare for Joint Committees to employ officers directly. Usually the arrangements are that practicalities dictate that officers

are employed by one of the authorities but work to the direction of the Joint Committee; and the operational matters are dealt with by that employing authority; under a detailed agreement. The decisions, about direction, budget etc, usually regarded as those in which members should be involved, are taken by the Joint Committee; with the operational matters delegated to officers.

Additional Comment

- 6.3.3 There will be matters which need to be resolved after the Joint Implementation Executive ceases to exist and therefore the Joint Committee will enable the North and West Councils to continue to work together to deliver transition and transformation, including further disaggregation, after the 1st April 2021.
- 6.3.4 If a Joint Committee is set up, the members would have to be appointed to it in accordance with the law and the constitutions of the respective Councils. The management of services is an executive function under the Local Authorities (Functions and Responsibilities) (England) Regulations 2000 (the Functions and Responsibilities Regulations) and therefore it will be necessary to establish an executive Joint Committee, this means that only executive members would be members of the committee with decisions subject to Overview and Scrutiny within the respective Councils. The employment and appointment of staff is a non-executive function and can be dealt with by officers through a Joint Officer Board.
- 6.3.5 There is scope for s101 and s102 to apply together with the functions for delivery of a service to be split between those operational powers which would be delegated directly to officers and decision making at a high level to be delegated to the Joint Committee. Alternatively, all powers can be delegated to the Joint Committee with the committee itself delegating powers to officers. This option would not be suitable for any non-executive functions and therefore some s101 delegation will be necessary.

6.4 S113 Secondment

Summary of Advice

- 6.4.1. The third option is to for the Receiver authority to delegate powers to its own employees but share those officers with the Provider authority using the powers in s113 of the 1972 Act. Under such a provision, the officers would simply be seconded over to the provider authority and would work as an officer of the authority to which they were seconded for all purposes (other than superannuation).

Additional Comment

- 6.4.2 This model means that powers are delegated to the relevant officer who is seconded to the Receiver authority. This is particularly appropriate where there are proposals for a joint management team or shared senior officer structure as in the recent partnership between South Northamptonshire and Cherwell District Council. It can be appropriate where an officer with specialist

skills carries out specific functions across a wider area to make the best use of limited skilled resource. It is a model commonly used as a method of bringing two Councils who have decided to work together to be able to deliver services quickly and effectively with minimal governance. The teams below senior management would carry out functions at the instruction of the officer with delegated powers. Because the individuals concerned have to have the powers delegated directly to them it could be significantly more difficult to put in place in a situation where the senior management will continue to be separate, and the delegation of powers will be to a number of officers carrying similar functions within service-based teams.

6.5 Commercial Options (s1 GSA)/ CHARGING AND TRADING (S93/95 LGA 2000)

Summary of Advice

- 6.5.1 A fourth option is for one authority to provide the services under an agreement made under s1 of the Local Authorities (Goods and Services Act) 1970. This provision enables one council to provide another with goods and materials services. These services can be provided at a fee in a more or less straightforward commercial transaction. There is also an option to set up a company or other commercial vehicle to deliver the services, including through a social business arrangement. However, whilst these separate legal vehicles are popular, and many authorities have used them and found them to be successful, they require quite a lot of time and resource to set up.

6.6 Summary of Options

The advice provided by Anthony Collins Solicitors set out above provides that there are a range of options and while each is lawful as a means of delivering the Blueprint, there are pros and cons of each option.

6.7 Assessment of Options and Conclusions

- 6.7.1 There are more than 50 services which it is proposed will need to be subject to some form of shared arrangements. The arrangements need to ensure that decision makers are operating within the scope of powers, and any failure to put in place appropriate delegations makes the decisions vulnerable to challenge as ultra vires i.e. outside the powers available to the decision maker. The delegation however needs to ensure that the decision makers can be held to account where appropriate for the decisions that have been made and that those carrying out operational decision can do so quickly and without the need to refer to a committee or senior officers.

- 6.7.2 The relevant factors can be summarised as follows:

- Provide the necessary delegation
- Are relatively straightforward to put in place
- Are flexible to change as transition moves forward
- Provide for operational delivery
- Provide the necessary accountability.

6.8 Recommended Options

- 6.8.1A Joint Committee is relatively easy to establish at a time when new governance is being put in place for the new Council and can be added to the Council decision making framework and be included within the new Constitution. It continues arrangements that have existed during the Shadow Period and extends that opportunity into the new Council. Although it requires delegations as it is an Executive function these can be varied with relative ease by the Leader or the Executive as appropriate. The Joint Committee enables continued political oversight for the transition journey and decisions about when services disaggregate can be overseen by members. Having established a Joint Committee with delegated powers in relation to a number of high risk services, it is available to provide informal oversight and monitoring of all shared services through regular reports.
- 6.8.2 It would not be appropriate for all decisions to be made by a Joint Committee. The most appropriate way forward is for individual officers within the authorities to receive powers delegated to them by both Council's under a s101 delegation to carry out functions. This will need an agreement to describe in more detail the terms of the delegation but it provides a simple approach which could be used across all services.
- 6.8.3 A s113 can be used in appropriate cases but will not be suitable for services where there is limited shared management. It is therefore recommended that to avoid multiple different forms of agreement that s101 is the preferred form of agreement.
- 6.8.4 Other powers highlighted are more suited to commercial or one-off arrangements and would not be appropriate as the basis for a suite of agreements for a number of services.

7. The Joint Committee

- 7.1 Anthony Collins Solicitors, through Olwen Brown have also provided advice in relation to the type of Joint Committees. That advice is set out below:
- 7.2 We would advise that the most appropriate mechanism to deal with this where there is a justifiable desire for member involvement, would be via a Joint Committee made up of members from each authority, which Joint Committee would have an overview of the services and have the delegated authority from each of the two new unitaries to take the necessary decisions delegated to them in relation to the service.
- 7.3. A Joint Committee can be set up either as a decision-making body, which we would advise would be the most pragmatic option as it will then be deciding matters jointly between the two councils; or it could instead be asked to be advisory in the sense of agreeing recommendations to be made back to each Executive; or possibly a mixture, if it is felt that whilst the intention is to empower the Joint Committee, there are some decisions which are so important that they need to go back to the home authority, but the delegations have to be common in any event. A single Joint Committee of Executive members will

avoid the need for multiple meetings placing additional demands on members and officers alike, and increasing costs.

8. Form and Terms of Reference

- 8.1 It is proposed that the new Council's should each have two Joint Committees, in addition to existing arrangements, one for the Children's Trust because this is a Committee dealing services to a separate legal body and another for all other shared arrangements. Arrangements for the Children's Trust will be dealt with by a separate report. The Membership of the Shared Services Joint Committee will be drawn from the Executive.
- 8.2 A Joint Committee is not limited by the requirement to have 10 members, (as with a Cabinet) however to provide accountability for the decisions made and to make the Joint Committee practical both for members and officers, it is recommended that the number of members on the joint committee is somewhere between 6-12 members, with equal numbers being provided by each authority. The Joint Committee will need to meet regularly, certainly in the first year, to manage the services effectively. It is proposed that the Joint Committee meet bi-monthly but that additional meetings can be called by the Leaders of either the Councils. In order to ensure that there is shared oversight of the Joint Committee it is proposed that the chair of the Joint Committee will rotate. Rotation can be on any basis eg meeting by meeting, six month basis or a yearly basis. There will need to be regular support to the Joint Committee through Democratic Services and to avoid the need to change the support often it is proposed that the support is attached to the Chair and the Chair rotates on a six month basis in the first year, and thereafter on a yearly basis. It is proposed that as the basis of the Joint Committee is an agreement to share the Chair will not have a casting vote. This will mean that there is an even number of votes so that each Council, if all its members are agreed, will have an effective right of veto on any proposal. It is therefore not proposed that decisions will be put to the vote but that agreement will be reached between the two authorities. The Executive will delegate to the Joint Committee the powers as set out in the Terms of Reference which will be exercised within the Policy Framework and Budget for each of the two Councils. Decisions outside the budget will be made in accordance with the Constitutions of the respective Councils by the Executive and Council.
- 8.3 The Joint Committee will be a meeting of the Executive and will be subject to agreed joint Executive Procedure Rules between the two Councils. Decisions of the Joint Committee will in accordance with the rules, be subject to the requirements in relation to the publication of 28 day notices through a Forward Plan. The Overview and Scrutiny arrangements of each Council will apply to decisions of the Joint Committee. The draft Terms of Reference for the Joint Committee is attached at **Appendix C**. To support the work of the Joint Committee it is proposed that a Joint Officer Board would need to meet to agree the matters to be presented to the Committee and to deal with operational matters eg staffing which in accordance with the Functions and Responsibilities

Regulations cannot be the responsibility of an executive committee. The draft Terms of Reference of a proposed Joint Officer Board are set out in **Appendix D**.

9. The Agreements

- 9.1 There will be over fifty shared service arrangements and each service arrangement requires a Receiver and Provider agreement. Work has been underway within the service areas to prepare the arrangements which will inform the agreements and to ensure that those arrangements will enable service delivery.
- 9.2 The IAAs are the method by which the formal governance arrangements are put in place alongside the creation of the Joint Committee. Many of the terms of the agreements would be common across all service areas, however there will need to be some practical differences to cover matters such as the description of the service, the performance standards, monitoring arrangements and the operating arrangements, etc.
- 9.3 As there may be different intentions between the Hosted and Lead Authority services there will be two different forms of agreement; as terms and conditions on the matters set out below may well vary, even though by and large the same areas would need to be covered.
- 9.4 The proposed Heads of Terms of the IAAs (of whatever form) should contain agreed terms and conditions about the following matters:
- i. Description of the service to be provided and any exclusions;
 - ii. Performance standards and monitoring arrangements;
 - iii. Operational arrangements;
 - iv. Finance Arrangements;
 - v. Staffing arrangements;
 - vi. Length, notice and termination arrangements
 - vii. Information, data sharing, data protection and confidentiality;
 - viii. Dispute resolution;
 - ix. Accountability;
 - x. Compliance with any legal requirements applicable to the service area;
 - xi. Insurance and indemnities;
 - xii. Any standard terms for the authorities.
- 9.5 Although the shared arrangements cover a number of services the implications of those sharing arrangements are significantly different in terms of size and cost. For example, an agreement which is providing for a long term commissioning arrangement where the commitment is for many millions over the life of the contract will require greater accountability and less delegation than a service providing low cost services through existing delivery

arrangements. Those services which are ‘hosted’ and therefore short term, ie in anticipation of disaggregation will carry fewer risks than Lead Authority, which need to provide for unforeseen future events and changes in administration. It is therefore proposed that the agreements will be broadly similar and all contain the same minimum content whilst some may have more specific provisions.

- 9.6 In order to evaluate the nature of the services and establish the most appropriate form of agreement a detailed questionnaire has been sent out which will enable the classification of the services into groups, to enable them to be prioritised according to risk and to further describe the length and nature of the agreements. It is proposed that a skeleton agreement is approved alongside the governance arrangements, with key heads of terms, pending the return of the questionnaires. Once the form of agreement is approved schedules for each service area will be drawn up and will be presented to a meeting of the Executive of each Council in March to enable the Council to put the agreements in place before they are required to take effect on 1st April 2021. The draft skeleton agreement is attached at **Appendix B**.

11. Next Steps

- 11.1 The timetable for completion of the proposed work necessary to give effect to the Blueprint is set out in the following table:

Where	What	When
JIB	Share IAA Principles Report	3rd Feb
NIE/WIE/JIE	Share IAA Principles Report	10th Feb
W & N Shadow Exec’s	Approval of IAA Principles Report	12th and 15th Feb
W & N Shadow Exec’s	Set up Joint Committee	23rd Feb and 25 th Feb
JIB	Detailed IAA’s	3rd Mar
NIE/WIE/JIE	Detailed IAA’s	10th Mar
W & N Shadow Exec’s	Approval of detailed IAA’s	23rd and 25 th Mar

12 Implications (including financial implications)

12.1 Resources and Financial

The proposed terms of reference outline that the Joint Committee will determine the financial arrangements and will do so within the budgets set for each of the Councils. This report therefore proposes that the financial arrangements would be the subject of later decisions through the Joint Committee. There are nevertheless significant financial implications if shared governance arrangements cannot be agreed and the services are required to disaggregate without the necessary planning.

12.2 Legal

The detailed legal options and implications are set out in the body of the report.

12.3 Risk

The following chart sets out the risks in relation to this report:

Risks		
12 (A)	12 (A)	There is a risk that the appropriate arrangements are not put in place for day 1, meaning a potential legal challenge, or impact to service delivery
12 (A)	12 (A)	There is a risk that not all of the Inter Authority over arching contracts will be in place for vesting day, meaning a potential legal challenge, or impact to service delivery
12 (A)	12 (A)	There is a risk that the Councils do not agree the terms of reference of the Joint Committee / Joint Officer Board, meaning decisions could not be made whilst negotiations took place, this could lead to potential legal challenge or impact to service delivery.
12 (A)	8 (A)	There is a risk that not all of the service schedules will be in place under each of the over arching inter authority agreements, meaning a potential legal challenge, or impact to service delivery

12.4 Consultation

Include the details of any statutory or other consultation undertaken with the public and/or agencies/interested parties. Also include the consultation results and any amended recommendations to draft policy or proposals that have resulted.

12.5 Climate Impact

The arrangements proposed are designed to achieve continuity of vital services in the Northamptonshire. The absence of these arrangements will have a negative impact on Council's ability to manage climate impact. The creation of governance structures is a necessary feature of the arrangements and as with all Council governance is managed electronically to minimise the impact on the environment and climate.

12.6 Community Impact

There is no specific community impact in the proposed arrangements, but the governance is designed to provide continuity of service to avoid a negative impact on service delivery and on communities.

13 Background Papers

Report to the Shadow Executive Committee on 24th September 2020 Item 9 – in relation to the Blueprint

Report to the Shadow Executive Committee on 27th August 2020 Item 6 – in relation to the Blueprint

Appendix A

Programme [Do not amend]	Unitary [Do not amend]	Service Area [Do not amend]	Function [Do not amend]	Treatment on Approved NCC Blueprint v4.7 Do not amend RED TEXT = Treatment for Day 1 has changed	
Adults	North	Public Health - Adults Learning	Provider services Adults Learning	Lead Authority – Provider	
Adults	West	Public Health - Adults Learning	Provider services Adults Learning	Lead Authority – Receiver	
Adults	North	Adults - PBBS (Personal Budget Service) DPH (Director of Public Health) Public Health Intelligence & STP Public Health - Management, Commissioning & Admin Public Health - Wellbeing Services	Adults PBBS	Hosted < 12 months – Receiver	
Adults	West		Adults PBBS	Hosted < 12 months – Provider	
Adults	North		Public health DPH	Lead Authority – Provider	
Adults	West		Public health DPH	Lead Authority – Receiver	
Adults	North		Public Health Intelligence & STP	Lead Authority – Provider	
Adults	West		Public Health Intelligence & STP	Lead Authority – Receiver	
Adults	North		Public Health Management, Commissioning & Admin	APPROVED: Public Health Mgmt, Commissioning & Admin - Hosted < 12 months – Provider	
Adults	West		Public Health Management, Commissioning & Admin	APPROVED: Public Health Mgmt, Commissioning & Admin - Hosted < 12 months – Receiver	
Adults	North		Public health Provider services Wellbeing	APPROVED: Public Health Provider Services Wellbeing - Hosted < 12 months – Provider	
Adults	West		Public Health Provider services Wellbeing	APPROVED: Public Health Provider services Wellbeing - Hosted < 12 months – Receiver	
Children's	North		Safeguarding in Education	Safeguarding in Education	Hosted < 12 months – Provider
Children's	West			Safeguarding in Education	Hosted < 12 months – Receiver
Children's	North	School Admissions	School Admissions	Hosted < 12 months – Provider	
Children's	West		School Admissions	Hosted < 12 months – Receiver	
Children's	North	Sensory Impairment Team	Sensory Impairment Team	Hosted < 12 months – Provider	
Children's	West		Sensory Impairment Team	Hosted < 12 months – Receiver	
Children's	North	Trust client function	Trust client function	APPROVED: Trust client function - Lead Authority – Provider	
Children's	West		Trust client function	APPROVED: Trust client function - Lead Authority – Receiver	
Children's	North	Virtual School	Virtual School	Lead Authority – Provider	
Children's	West		Virtual School	Lead Authority – Receiver	

Corporate Services	North	HR and Staff Wellbeing	Apprenticeships	Hosted < 12 months – Provider
Corporate Services	West		Apprenticeships	Hosted < 12 months – Receiver
Corporate Services	North		HR Advisory - Traded services	APPROVED: Hosted < 12 months – Receiver
Corporate Services	West		HR Advisory - Traded services	APPROVED: Hosted < 12 months – Provider
Corporate Services	North		HR Learning and Development	Hosted < 12 months – Provider
Corporate Services	West		HR Learning and Development	Hosted < 12 months – Receiver
Corporate Services	North	HR Payroll and HR Transactions	HR Payroll and HR Transactions	Lead Authority – Receiver
Corporate Services	West		HR Payroll and HR Transactions	Lead Authority – Provider
Corporate Services	North	Libraries support (incl. traded services)	Libraries support (incl. traded services)	Hosted < 12 months – Receiver
Corporate Services	West		Libraries support (incl. traded services)	Hosted < 12 months – Provider
Corporate Services	North	Lord Lieutenant Support	Lord Lieutenant Support	Lead Authority – Receiver
Corporate Services	West		Lord Lieutenant Support	Lead Authority – Provider
Finance	North	Pensions	Pensions	Lead Authority – Receiver
Finance	West		Pensions	Lead Authority – Provider
ICT & Customer	North	IT Business system - ERP	IT Business system - ERP	Lead Authority – Receiver
ICT & Customer	West		IT Business system - ERP	Lead Authority – Provider
ICT & Customer	North	IT Operations	IT Operations & Infrastructure	Lead Authority – Receiver
ICT & Customer	West		IT Operations & Infrastructure	Lead Authority – Provider

ICT & Customer	North	IT Strategy and Development	IT Service Delivery	Lead Authority – Receiver
ICT & Customer	West		IT Service Delivery	Lead Authority – Provider
ICT & Customer	North		IT Digital	Lead Authority – Receiver
ICT & Customer	West		IT Digital	Lead Authority – Provider
ICT & Customer	North		IT Programme team	Hosted > 12 months – Receiver
ICT & Customer	West		IT Programme team	Hosted > 12 months – Provider
ICT & Customer	North		IT Strategy & architecture	Hosted > 12 months – Receiver
ICT & Customer	West		IT Strategy & architecture	Hosted > 12 months – Provider
Place	North	Coroners	Coroners	Lead Authority – Receiver
Place	West		Coroners	Lead Authority – Provider
Place	North	Country Parks	Country parks	Lead Authority – Provider
Place	West		Country parks	Lead Authority – Receiver
Place	North	Culture and Leisure	Outdoor Learning *	Lead Authority – Provider
Place	West	Culture and Leisure	Outdoor Learning *	Lead Authority – Receiver
Place	North		Document Archives	Archives (Wootton Hall)
Place	West	Economic Development	Archives (Wootton Hall)	Lead Authority – Provider
Place	North		Digital infrastructure	Lead Authority – Provider
Place	West		Digital infrastructure	Lead Authority – Receiver
Place	North	Emergency Planning	Emergency planning	APPROVED: Emergency planning - Hosted < 12 months – Provider
Place	West		Emergency planning	APPROVED: Emergency planning - Hosted < 12 months – Receiver
Place	North	Heritage (Chester Farm)	Heritage Chester Farm	Lead Authority – Provider
Place	West		Heritage Chester Farm	Lead Authority – Receiver
Place	North	Highways Contract Management	Business improvement	Hosted < 12 months – Receiver

Place	West		Business improvement	Hosted < 12 months – Provider
Place	North		Community Liaison	Disaggregated
Place	West		Community Liaison	Disaggregated
Place	North		Coordination of works on the highway	Hosted < 12 months – Receiver
Place	West		Coordination of works on the highway	Hosted < 12 months – Provider
Place	North		Highways Traffic Management (Kier Contract)	Hosted < 12 months – Receiver
Place	West		Highways Traffic Management (Kier Contract)	Hosted < 12 months – Provider
Place	North		Investigations, Searches and Definitive Map	Hosted < 12 months – Receiver
Place	West		Investigations, Searches and Definitive Map	Hosted < 12 months – Provider
Place	North		Licensing - Highways licences	Hosted < 12 months – Receiver
Place	West		Licensing - Highways licences	Hosted < 12 months – Provider
Place	North		New Roads and Street Works Act (NRSWA) (Administration and Inspections)	Hosted < 12 months – Receiver
Place	West		New Roads and Street Works Act (NRSWA) (Administration and Inspections)	Hosted < 12 months – Provider
Place	North		Rights of way	Hosted < 12 months – Receiver
Place	West		Rights of way	Hosted < 12 months – Provider
Place	North		Road Safety	Hosted < 12 months – Receiver
Place	West		Road Safety	Hosted < 12 months – Provider
Place	North		Technical approval authority	Hosted < 12 months – Receiver
Place	West		Technical approval authority	Hosted < 12 months – Provider
Place	North		Minerals and Waste Planning	Development control services incl waste, minerals

Place	West		Development control services incl waste, minerals	Lead Authority – Receiver
Place	North	Parking	On street parking (enforcement)	Hosted < 12 months – Receiver
Place	West	Parking	On street parking (enforcement)	Hosted < 12 months – Provider
Place	North	Strategic Transport Planning	Bus services - commercial registrations	Hosted < 12 months – Receiver
Place	West		Bus services - commercial registrations	Hosted < 12 months – Provider
Place	North		Bus services – commercial registrations and subsidised services; Triline database and Concessionary Travel	Hosted < 12 months – Receiver
Place	West		Bus services – commercial registrations and subsidised services; Triline database and Concessionary Travel	Hosted < 12 months – Provider
Place	North		Major HW Projects (CPDU)	Hosted < 12 months – Receiver
Place	West		Major HW Projects (CPDU)	Hosted < 12 months – Provider
Place	North		Strategic Transport Planning	Hosted < 12 months – Receiver
Place	West		Strategic Transport Planning	Hosted < 12 months – Provider
Place	North		Travel choices	Hosted < 12 months – Receiver
Place	West		Travel choices	Hosted < 12 months – Provider
Place	North	Street lighting PFI	Street lighting PFI	Lead Authority – Receiver
Place	West		Street lighting PFI	Lead Authority – Provider
Place	North	Transport (Home to School)	Transport (Home to School)	Hosted < 12 months – Receiver
Place	West		Transport (Home to School)	Hosted < 12 months – Provider
Place	North	Travellers unit	Travellers unit	Lead Authority – Provider
Place	West		Travellers unit	Lead Authority – Receiver
Place	North	Waste Disposal (including Closed Landfills)	Waste Disposal (including Closed Landfills)	Hosted < 12 months – Provider
Place	West		Waste Disposal (including Closed Landfills)	Hosted < 12 months – Receiver

Place	North	Waste HWRC	Waste HWRC	Hosted > 12 months – Provider
Place	West	Waste HWRC	Waste HWRC	Hosted > 12 months – Receiver

DRAFT HEADS OF TERMS

For the Provision of Disaggregated Services under an arrangement under s101
of the LGA 1972

SUBJECT TO CONTRACT

Parties and Recitals	<p>(1) West Northamptonshire Shadow Authority (WNS) (the Hosting / Receiving / Lead Authority); [delete as appropriate]</p> <p>(2) North Northamptonshire Shadow Authority (NNS); (the Hosting / Receiving / Lead Authority); [delete as appropriate]</p> <p>(Parties/Party)</p>
Definitions	<ul style="list-style-type: none"> Definitions and Interpretation of terms in the Agreement
Powers and Delegation	<ul style="list-style-type: none"> Relevant statutory powers Parties have agreed to arrange for the discharge of the Function of [name of Function] by [name of Hosting / Leading Authority] in accordance with this Agreement Include reference to new unitary authorities
Name of Service Area	<p>In accordance with <i>Day 1 Functions and Service Areas v5</i></p> <ul style="list-style-type: none"> Adults Social Services Children's Social Services Corporate Services Finance ICT & Customer Services Place
Service Function and Description	<ul style="list-style-type: none"> Service Function: in accordance with <i>Day 1 Functions and Service Areas v5</i> Function Description: in accordance with <i>Day 1 Functions and Service Areas v5</i>
Service Offer	<ul style="list-style-type: none"> In accordance with West Northants Detailed Blueprint In accordance with North Northants Detailed Blueprint (equivalent document)
Operational Arrangements	<ul style="list-style-type: none"> How the Hosting / Lead Authority will deliver the Function as provided by the Hosting / Lead Authority and appended (including the location(s) from which the Function will be accommodated / delivered)
Performance Standards	<ul style="list-style-type: none"> As provided by the Hosting / Lead Authority and appended
Monitoring Arrangements	<ul style="list-style-type: none"> As provided by the Hosting / Lead Authority and appended
Budget	<ul style="list-style-type: none"> As agreed by the Hosting / Lead Authority and the Receiving Authority The agreed budget within which the Hosting / Lead Authority will

	deliver the Function
Payment Arrangements	<ul style="list-style-type: none"> • As agreed by the Hosting / Lead Authority and the Receiving Authority • The agreed method by which the Receiving Authority will pay the Hosting / Lead Authority for delivery the Function in accordance with the Operational Arrangements
Decision Making in respect of the Function	<ul style="list-style-type: none"> • As agreed by the Hosting / Lead Authority and the Receiving Authority • How decisions will be made in respect of the Function
Information, Accountability Scrutiny and Legal Proceedings	<ul style="list-style-type: none"> • As agreed by the Hosting / Lead Authority and the Receiving Authority • Provisions for the sharing of information and co-operation in respect of requests made under the Freedom of Information Act 2000 and / or the Environmental Information Regulations 2004 • Provisions for the Parties' scrutiny of the delivery of the Function • Provisions for the Parties to co-operate and assist each other in responding to any inquiry or investigation by the Local Government and Social Care Ombudsman; the Information Commissioner and other Regulators; • Provisions for the Parties to co-operate and assist each other in respect of legal proceedings • How complaints will be dealt with
Staffing	<ul style="list-style-type: none"> • As agreed by the Hosting / Lead Authority and the Receiving Authority • The provision of staff as required by the Hosting / Lead Authority to deliver the Function (including secondment / TUPE)
Confidentiality	<ul style="list-style-type: none"> • Provisions as to the holding, acquisition, disclosure, return of confidential information
Information Sharing / Data Protection	<ul style="list-style-type: none"> • As agreed by the Hosting / Lead Authority and the Receiving Authority • Data sharing protocols • Data protection provisions
Dispute Resolution	<ul style="list-style-type: none"> • As agreed by the Hosting / Lead Authority and the Receiving Authority • The procedure the Parties will follow for the resolution of disputes including named officers for the purpose
Service Area and Function Regulatory Compliance	<ul style="list-style-type: none"> • As agreed by the Hosting / Lead Authority and the Receiving Authority • The legal requirements with which the Parties must comply in respect of the Function
Insurance and Indemnity	<ul style="list-style-type: none"> • As agreed by the Hosting / Lead Authority • Insurance and indemnity provisions for the Function
Duration and Extension of Arrangements	<ul style="list-style-type: none"> • As agreed by the Hosting / Lead Authority and the Receiving Authority • Provisions as to the duration of the Hosting / Leading arrangements and any extension thereof
Exit / Termination Arrangements	<ul style="list-style-type: none"> • As agreed by the Hosting / Lead Authority and the Receiving Authority • Provisions for exiting / terminating the agreement (including notice)

Boiler Plate Clauses	<ul style="list-style-type: none"> • Including <ul style="list-style-type: none"> ○ whole agreement ○ assignments ○ variation and wavier ○ costs ○ no partnership ○ good faith ○ third party rights ○ notice ○ language ○ severance ○ further assurance ○ counterparts ○ governing law and jurisdiction
Documents	Documents required for appending as Schedules to the Agreement to include: <ol style="list-style-type: none"> 1) Function description 2) Operational arrangements 3) Performance standards 4) Monitoring arrangements 5) Information Sharing Protocol 6) Data Protection Sharing Protocol
Execution Block	_____ For and on behalf of West Northamptonshire Shadow Authority _____ Date
Execution Block	_____ For and on behalf of North Northamptonshire Shadow Authority _____ Date

Terms of Reference of the Joint Committee

1. The Joint Committee's role is to oversee the management of those services which are provided on a Northamptonshire wide basis on behalf of North Northamptonshire and West Northamptonshire Councils to ensure effective delivery of such services and to provide strategic direction
2. The Joint Committee is specifically responsible for:
 - a. Developing and agreeing the strategy for each of the services
 - b. Approving the Service Plans for the Specified functions including targets for service quality, performance and efficiency.
 - c. Agreeing the responsibilities of each Council to deliver the Service Plans and agreed strategy, including any specific responsibilities of the Provider Council and that the responsibilities are documented within the Service Plans.
 - d. Ensuring that the services are provided within the policy and budget set by the councils.
 - e. Ensuring that the arrangements ensure that each Council's statutory responsibilities are met
 - f. Reviewing the performance of the services and initiating additional/remedial action where appropriate.
 - g. Ensuring that clear operational policies are in place and that these are complied with
 - h. Ensuring the provision of adequate funds and other resources to enable delivery
 - i. Agreeing the basis for apportioning cost between the two Councils and the amount to be apportioned
 - j. Ensuring that effective risk management arrangements are in place, that the services are subject to adequate and independent audit and that any audit recommendations are acted upon.
 - k. Approving business cases for proposed changes and overseeing the progress of subsequent work
 - l. Ensuring that there are robust plans for any disaggregation of services and that there is a smooth transition to new service delivery arrangements.
 - m. Resolving issues that are referred to the Joint Committee by relevant Chief Officers of the Service
 - n. Delegating functions of the Joint Committee to officers of either Council under s101 Local Government Act 1972.
 - o. Agreeing arrangements to place staff employed by one of the authorities at the disposal of the other authority to carry out the functions of the Joint Committee as described above under s113 Local Government Act 1972.
 - p. To take decisions in relation to the commissioning and procurement of services either hosted or under a lead authority arrangement from a third party.
 - q. Providing an Annual Report to each of the two Councils on the performance, finances and proposed service improvements including any arrangements for disaggregation.

Rules of Procedure of the Joint Committee

1. Each of the Councils shall appoint X Members (being Executive members of that Council) as its nominated Members of the Joint Committee. The Members appointed will have full voting rights.
2. Each Council may nominate one or more substitute Members to attend any meeting in place of an appointed Member from the Executive of that Council subject to notification being given to the Monitoring Officer via the relevant Democratic Services before the start of the meeting. The Member appointed as a substitute shall have full voting rights.
3. Each Member of the Joint Committee shall comply with the Code of Conduct of their Council when acting as a Member of the Joint Committee.
4. Each Member of the Joint Committee shall serve on the Joint Committee for as long as he or she is appointed to the Joint Committee by the relevant Council but a Member shall cease to be a member of the Joint Committee if he/she ceases to be a Member of the Executive appointing him/her or if the relevant Council removes him/her from the Joint Committee.
5. Meetings of the Joint Committee shall be carried out on a rotational basis in the North and West Council areas or by remote means where this is permitted by law.
6. The Council hosting the first meeting shall appoint one of its nominated members as Chair and that member shall remain Chair until the first meeting taking place after the elapse of 6 months from the time of his/her appointment unless he/she ceases to be a Member of the Joint Committee. On the expiry of the first Chair's term of office as Chair, the Council which did not appoint the first Chair shall appoint one of its nominated members as Chair for a period of 6 months from the time of his/her appointment. The same procedure shall be followed for the appointment of the Chair in subsequent years.
7. The Council not appointing the Chair of the Joint Committee in any year shall appoint one of its nominated members as Vice Chair.
8. Proposed key decisions of the Joint Committee will be published on the Forward Plan for each Council in accordance with their own Access to Information Rules.
9. Requirements in relation to Overview and Scrutiny will be met in each case by the Overview and Scrutiny Committees of the relevant Council. The relevant Overview and Scrutiny Committee will be the closest to the Corporate Scrutiny Committee for each Council.
10. Meetings will be governed by the Executive Procedure Rules and the Access to Information Rules for each Council and where they differ by agreement between the Monitoring Officers of the two Councils as to which of the two sets of Rules will be applied.
11. The Joint Committee shall meet once every two months (bi-monthly) unless otherwise determined by the Joint Committee. Cancellation of meetings shall be agreed by the Joint Committee or both Leaders.
12. Additional meetings can be called by Monitoring Officer for the Chair by providing at least five clear days' notice to Member of the Joint Committee, for the purposes of resolving urgent matters arising between the bi-monthly meetings. Additional meetings may be called if either Leader requests it.

13. The Democratic Services for the Chair will send out agenda, record minutes and arrange for the sign off of minutes in accordance with the procedure rules for the relevant Council.
14. A meeting of the Joint Committee will require a quorum of at least two members from each Council.
15. The rules of the Joint Committee will otherwise be the rules of the Council associated with the Chair for the time being, and where there is any conflict or uncertainty the relevant rules will be agreed between the Monitoring Officers for each of Councils.
16. Public speaking at the Joint Committee will be at the discretion of the Chair but in any event limited to one speaker for or against an item on the agenda for a maximum of two minutes.

TERMS OF REFERENCE OF THE JOINT OFFICER BOARD

The Joint Officer Board's role is to support the Joint Committee in overseeing the management of the shared services to ensure the effective delivery of such services and to provide strategic direction.

2. Specific Responsibilities

1. The responsibilities of the Joint Officer Board include:

- a) Considering proposed budgets, Service Plans, Business Cases and other key documents relating to the delivery of the services;
- b) Monitoring the performance and financial position of the services and reporting to the Joint Committee and agreeing any mitigation or improvement actions where required.
- c) Reviewing the end of year accounting statements, including the cost sharing proposals
- d) Making recommendations, providing advice and where required, referring matters for resolution to the Joint Committee in a timely and efficient manner
- e) Ensuring effective links and liaison with the Chief Officers in West Northamptonshire and North Northamptonshire Councils responsible for the relevant services.
- f) Considering issues referred to the Joint Officer Board, resolving the issues where possible and appropriate and escalating others to the Joint Committee where appropriate.
- g) Confirming the appointment of Service Managers and dealing with other HR related work referred to the Joint Officer Board
- h) Acting as the central focal point for all matters relating to shared services
- i) Ensuring consistent and effective communications in both councils on all matters relating to shared services
- j) Supporting the Joint Committee in developing the strategy and long term vision for Northamptonshire Shared Services including consideration of market developments and best practice.
- k) The Joint Officer Board is the Project Board for any major change work associated with the disaggregation of the services.

