

NORTH NORTHAMPTONSHIRE SHADOW AUTHORITY

SHADOW AUTHORITY MEETING

25th February 2021

Report Title	Final Budget 2021-22 and Medium-Term Financial Plans, including the Council Tax Resolution 2021-22
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List of Appendices and Annexes

Appendix 1 – Council Tax Resolution - for Shadow Authority approval.

The 2021-22 budget proposals and medium-term financial plans for the Housing Revenue Account, General Revenue Fund and Capital Programme were considered by Shadow Executive on 10th February 2021 and are attached to this report as Annexes 1-3.

Annex 1 – Housing Revenue Account Budget Report 2021-22

Appendix A – Draft HRA Budgets for 2021/22

Appendix B – Draft HRA – Medium Term Financial Plan

Appendix C – Summary of Reserves

Appendix D – Overview and Scrutiny

Annex 2 – General Fund Budget 2021-22 and Medium Term Financial Plan

Appendix A – Budget Summary

Appendix B – Budget Proposals Listing

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Appendix D – Budget Subjective Analysis

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Appendix M – Legal Background to Setting the Budget and Council Tax

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Appendix A – North Northants Capital Programme 2021-25

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Appendix D – North Northants Capital Strategy 2021-22

1. Purpose of Report

- 1.1. To report to the Shadow Authority the recommendations on the budget made by the Shadow Executive Committee at its meeting held on the 10th February and for the Shadow Authority to approve the General Fund, Housing Revenue Account and Capital Programme Budgets for 2021-22.
- 1.2. The report also recommends that the Shadow Authority make a formal decision in relation to the statutory 'Council Tax Resolution' for 2021-22 which provides a legal basis upon which to issue Council Tax bills and collect the amounts due.

2. Recommendations

2.1 The recommendations are as follows:

A. Housing Revenue Account Budget Report 2021-22, see Annex 1 attached to this report for further detail.

It is recommended that the Shadow Authority approves the following;

- a) The 2021-22 Housing Revenue Account Budgets consisting of the Corby Neighbourhood Account and the Kettering Neighbourhood Account as set out in Annex 1, 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 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 Annex 1, Appendix B.

B. General Fund Revenue Budget 2021-22 and Medium Term Financial Plan, including Dedicated Schools Grant 2021-22, see Annex 2 attached to this report for further detail.

It is recommended that the Shadow Authority approves the following:

- 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 the report attached as Annex 2, Appendix A.
 - ii) a total Council Tax requirement for the Council's own purposes of £171.5m.

- 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.
 - iv) Council Tax harmonisation for North Northamptonshire using the alternative notional amount approach to harmonise in the first year, as set out in this report, paragraphs 6.9 to 6.12.
 - v) Savings, pressures and income generation proposals of £26.5m as set out in Annex 2, Appendix A
 - vi) Maximised Council Tax Long Term Empty Property Premium as set out in this report paragraphs 6.13 to 6.14.
- b) the detailed proposals of savings, pressures and income generation for 2021-22 as set out within the report and Annex 2 – Appendix B;
 - c) the gross and net budgets for the Directorates and Corporate as set out in Annex 2 - Appendix D;
 - d) a contingency sum of £5.7m as set out in the report at Annex 2 – Paragraph 11.1;
 - e) corporate budget requirements to cover capital financing costs of £18.2m as set out in the report at Annex 2 - Paragraph 11.2;
 - f) the revisions to fees and charges for 2021-22 as set out in the report at Annex 2 - Appendix E;
 - g) the planned use of, contribution to, and movement in, reserves as identified in the report attached at Annex 2 - Appendix F, subject to the final call on reserves after any changes are required to account for final charges etc;
 - h) the flexible use of capital receipts as set out in Section 7 of this report;
 - i) the Treasury Management Strategy for 2021-22 as set out in Annex 2 - 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; and
 - j) the utilisation of the Dedicated Schools Grant (DSG) for 2021-22 as set out in Annex 2 - Appendix L.

It is further recommended that the Shadow Authority:

- k) delegates authority to the Executive Director of Finance to agree the use of the following reserves in consultation with Portfolio Holder for Finance (see also the report at Annex 2 - paragraph 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.
- l) delegates 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.
- m) delegates authority to the Executive Director of Finance in consultation with the Finance Portfolio Holder to resolve any other financial related matters to ensure the efficient operation of the new council and to ensure that it operates within a safe and legal manner from 1 April 2021.
- n) 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.
- o) notes the Executive Director of Finance's Section 25 Report as set out in Section 11 of this report and also included with the report attached at Annex 2.
- p) notes the recommendations made by the Shadow Executive at its meeting on 10th February 2021 – as set out in the report attached at Annex 2 – Section 3.2.

C. Final Capital Programme 2021-25 and Capital Strategy, see Annex 3 attached to this report for further detail.

It is recommended that the Shadow Authority:

- a) Approves 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.
- b) Delegates authority to the Executive Director of Finance to manage any variation in budget prior to the start of 2021-22 as a result of final confirmation of funding, income, or unforeseen commitments; in consultation with the Finance Portfolio Holder.

D. Council Tax Setting

It is recommended that the Shadow Authority:

- a) note the information from the budget consultation feedback as detailed in Annex 2 (Section 5 and Appendix G).
- b) approve the Council Tax Resolution attached as Appendix 1 to this report which is based on the budget proposals and which:
 - Calculates the Council tax requirement in accordance with Section 31A of the Local Government Finance Act 1992 as amended by the Localism Act 2011.
 - Calculates a basic amount of Council Tax and an amount of tax for each valuation band (the Council element) in accordance with Sections 31B and 36 of the Local Government Finance Act, 1992, as amended.
 - Sets an amount of Council Tax for each category of dwellings in each valuation band in accordance with Section 30 of the Local Government Finance Act, 1992.

2.2 Reason for Recommendations:

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

3. Report Background

3.1 At its meeting on 10th February 2021 the Shadow Executive received a series of reports which outlined the final proposed budget for 2021-22, which also reflected the announcement of the Final Local Government Finance Settlement on 4th February 2021. These reports included:

- (i) Housing Revenue Account 2021-22 and Medium-Term Financial Plan
- (ii) General Fund Revenue Budget 2021-22 and Medium-Term Financial Plan, this includes the Treasury Management Strategy, Reserves Strategy, the Chief Finance Officer's Statutory Section 25 Report and the Dedicated Schools Grant
- (iii) Capital Strategy and Capital Programme

3.2 The draft budget had been subject to scrutiny by a specific Budget Task and Finish Group set up by the Shadow Overview and Scrutiny Committee at its meeting on 10th December 2020.

- 3.3 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. A copy of the detailed responses to the comments of the Shadow Overview and Scrutiny Committee are attached to this report, as Annex 2, Appendix J.
- 3.4 In formulating the 2021-22 budget proposals a key requirement was to aggregate the base budgets for the existing District and Borough councils and disaggregate the County Council's budget into each of the new Unitary authorities in North and West respectively. Once the base budget was established through this process, further adjustments as outlined in the Medium Term Financial Plan reports presented to the Shadow Executive were applied to reach the final proposed budget for 2021-22.
- 3.5 The disaggregation of the County Council's service budgets were undertaken using agreed overarching disaggregation principles, which have been set out in previous reports to the Shadow Executive.
- 3.6 The majority of the budgets have now been disaggregated on the basis of the agreed principles, however, there are still some areas where agreement has yet to be reached and officers are working hard to finalise these outstanding areas which mainly affect the distribution of the County Council reserves and its outstanding debt. It is expected that this will be complete shortly and before vesting day. At its February meeting the Shadow Executive delegated 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.
- 3.7 Finalising the disaggregation of the remaining County Council budgets will also enable the outstanding indicators to be completed within the Treasury Management Strategy and the Capital Strategy which are included within the Annexes attached to this report.
- 3.8 The following paragraphs summarise the final proposals for setting the 2021-22 Council budgets in respect of the HRA, General Fund Revenue Budget and the Capital Programme. Detailed budget reports were presented to the February meeting of the Shadow Executive for recommendation on to the Shadow Authority as part of this process. The full details are included in the Annexes to this report as set out below:
- Annex 1 – Housing Revenue Account 2021-22
 - Annex 2 – General Fund Budget 2021-22 and Medium Term Financial Plan
 - Annex 3 – Final Capital Programme 2021-25 and Capital Strategy
- 3.9 The Council Tax Resolution which takes into account the final budget proposals as reported to the Shadow Executive is attached at Appendix 1 for approval by the Shadow Authority.

4. The Housing Revenue Account

- 4.1 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.
- 4.2 The draft HRA Budget has been discussed and debated at Shadow Overview and Scrutiny and with tenants representing each of the Neighbourhood Accounts. The Kettering Tenants Forum and Corby Tenant Voice Members were consulted and agreed the final budget which reflects a rental increase of 1.5%, 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 North Northamptonshire Council are set out in Annex 1, Appendix A and Appendix B.
- 4.3 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 Annex 1, Appendix D provides a summary of the comments made at this meeting.

5. The General Fund Revenue Budget 2021-22 and Medium-Term Financial Plan 2021-25

- 5.1 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. The allocations for individual councils were announced in the publication of the Provisional Local Government Finance Settlement on 17th December 2020. The Final Settlement was announced on 4th February 2021 and debated on the 10th February 2021. There was no change for North Northamptonshire from the Provisional to the Final Finance Settlement.
- 5.2 This report sets out the final budget proposals for 2021-22 and the resources allocated to each of the new Council's directorates.
- 5.3 In total a further budget requirement of £45.673m was identified for 2021-22. This includes COVID related pressures of £16.635m which have been met, in the main, from grant funding. There are also a number of savings and efficiencies totalling £19.161m, these are summarised in the table below and detailed in Annex 2, Appendices A and B. The final position for 2021-22 is a balanced budget.

	2021-22 £000
Base Budget (excluding DSG Funded)	265,993
Base Budget (DSG Funded)	316,000
Total Base Budget	581,993
Total Budget Pressures	45,673

	2021-22 £000
Total Budget Savings	(19,161)
Net Budget Movement	26,512
Total	608,505
<i>Split over:</i>	
• Corporate Costs	23,950
• Directorate Costs	268,555
Base Budget (excluding DSG Funded)	292,505
Base Budget (DSG Funded)	316,000
Net Budget Requirement	608,505
Funded By:	
Dedicated Schools Grant (DSG)	(316,000)
New Homes Bonus	(5,638)
Business Rates Funding Baseline	(76,550)
Business Rates Collection Fund	23,226
Council Tax	(171,519)
Collection Fund (Council Tax)	1,851
Revenue Support Grant	(4,756)
Social Care Grant	(8,408)
Improved Better Care Fund	(11,186)
Rural Services Delivery Grant	(35)
One-off COVID-19 Grant	(9,342)
Lower Tier Support Grant	(403)
Local Council Tax Support Grant	(2,403)
Transfer to / (From) Reserves	(27,342)
Total Funding	(608,505)
Remaining Savings Requirement	0

5.4 The Directorate costs of £268.555m in 2021-22 include proposed net revenue budgets for each Service Directorate as set out in the table below:

Directorate	Net Budget 2021-22 £000
Children's and Education	60,351
Adults, Communities and Wellbeing Services	120,854
Place and Economy	55,783
Enabling and Support Services	10,436
HR, Legal and Democratic Services	7,244
Transformation	13,887
Total Directorate Budgets	268,555

- 5.5 Further to this there is a corporate budget of £23.950m net which includes a central contingency budget of £5.724m and £18.226m in respect of capital financing costs.
- 5.6 The overall net revenue budget (excluding DSG) for 2021-22 is £292.505m.
- 5.7 The forecast for the medium term, as set out in the General Fund Revenue Budget report attached at Annex 2, shows a more challenging position over the period 2022-23 to 2024-25 with a potential budget gap in excess of £42m by 2024-25. This is mainly as a result of changes to the future funding assumptions, particularly in relation to Business Rates following the expected reset, and continuing demand pressures and cost increases.
- 5.8 The future of Local Government funding is uncertain, with only a one-year Finance Settlement for 2021-22 and funding reforms expected from 2022-23 for both Business Rates and the resource allocation methodology for all Councils (also known as the Fair Funding Review). Further information is also expected later this year on the future of Adult Social Care. Added to this there is the continuing pressures and financial risks arising from COVID-19 and the unknown impact of exit from the EU on the economy, workforce, residents and businesses. Transformation will play a key part in addressing some of this risk, providing service improvement and creating efficiencies. The Council will continue to work with its partners, businesses, residents and the voluntary sector to achieve better outcomes.

6. Setting the Council Tax for 2021-22

- 6.1 Each sovereign Council calculates its own taxbase, the process involved applying a set of consistent parameters such as the Local Council Tax Support (LCTS) rate and the harmonised discounts and exemptions which were approved by the Shadow Executive Committee on 7th January 2021.
- 6.2 The final taxbase for North Northamptonshire is 111,892 dwellings. This is based on Band D equivalent property numbers and shows a projected net growth of 0.86% above the previous year. This is based on an average collection rate of 98.461% resulting in a forecast yield of £171.5m.
- 6.3 Appendix M of the report attached at Annex 2, provides detail on the legal background to setting the Budget and Council Tax, this forms the basis on which the Council Tax Resolution has been compiled, as set out in Appendix 1 to this report.
- 6.4 The Final Finance Settlement 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 to 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 a social care precept increase of 3% as allowed by the government. This will 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 set by the Northamptonshire Police, Fire and Crime Commissioner.

- 6.5 During the budget consultation, when asked about the general Council Tax increase of 1.99%, 50.75% of respondents said they strongly agree or tend to agree with the proposal whilst 33.84% said they strongly disagree or tend to disagree. When asked about the proposed 3% precept increase for Adult Social Care, 40.93% of respondents said they strongly agree or tend to agree and 42.29% said they strongly disagree or tend to disagree. A copy of the full consultation response is contained within Annex 2, Appendix G.
- 6.6 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.
- 6.7 A key feature of the Settlement and the Core Spending Power (CSP) calculation for Local Government is the increased reliance on council tax, this assumes that all Local Authorities will apply the maximum allowable Council Tax precept increase of 4.99%.
- 6.8 Whilst the budget is balanced in 2021-22 the financial position for the Council is forecast to be extremely challenging in the medium-term from 2022-23 mainly as a result of expected changes in the funding for Local Government and continuing demand pressures and cost increases. In this budget process members will only be setting a level of council tax for 2021-22, however, this should be done in consideration of the medium term forecast and the risks faced to the budget.

Council Tax Rate Harmonisation

- 6.9 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.
- 6.10 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.

6.11 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

6.12 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, the majority of respondents (60.38%) said they strongly agree or tend to agree with the proposal to harmonise Council Tax in the first year, 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 Annex 2, Appendix G.

Council Tax Long Term Empty Property Premium

6.13 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 of bringing empty properties back into use to increase housing supply. It was also noted that if all existing long-term empty properties in North Northamptonshire 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.

6.14 The Shadow Executive approved the recommendation to the Shadow Authority 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 and allowing for some change in behaviour as noted in the paragraph above.

7. Flexible Use of Capital Receipts

7.1 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.

- 7.2 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.
- 7.3 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.
- 7.4 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.
- 7.5 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.
- 7.6 A policy on the Flexible Use of Capital Receipts is attached at Annex 2, Appendix I.
- 7.7 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.

8. Treasury Management Strategy

- 8.1 The Treasury Management Strategy is included at Annex 2 - 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.
- 8.2 The Treasury Management Strategy, and in particular the prudential indicators, are aligned to the balance sheet for the new council. As noted in Annex 2, Appendix K 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 agreed the impact on the Strategy and prudential indicators will need to be reviewed, updated and reported to the Shadow Authority or Council for full approval.
- 8.3 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 of £824m has been made based on the existing position in Sovereign Councils and the potential future requirement and this is proposed for approval. In addition to the ABL an Operational Boundary for Debt is also proposed. Further details on the ABL and the Operational Boundary is shown in the Prudential Indicator attachment to the Treasury Management Strategy.

9. Dedicated Schools Grant

- 9.1 The Dedicated Schools Grant (DSG) is a ringfenced grant allocated to Local Authorities by the government to support a range of education related services. The majority (>90%) of the DSG is allocated to the Local Authority and paid to providers based on a national formula which funds direct education provision including schools (Local Authority maintained and academies), early years' providers and high needs education in Further Education (age 16 to 25). The remaining 10% is paid to nurseries, schools and higher education institutions. The individual school's budgets for academies and funding for high needs 'places' in academies (set prior to the start of academic year) are paid to academies directly from the Education Skills and Funding Agency (ESFA). This funding is taken off the Dedicated Schools Grant before the grant is paid to LAs and is termed 'recouplement'.
- 9.2 Due to the majority of DSG funding being formula driven to arrive at the Local Authority's funding allocation, disaggregation has to therefore replicate the national formulae used by the DFE for the North and West Unitary Authorities. The work to arrive at indicative allocations for the two new Councils has been completed working closely alongside the ESFA.
- 9.3 The report to Shadow Executive included a DSG settlement of £316m. There are a number of variances between the different funding blocks that make up the DSG and the table below summarises the 2021-22 budget position.

	Schools Block	Early Years Block	High Needs Block	Central Services Schools Block	Total DSG
DSG Settlement for 2021-22 (Dec 2020)	£245m	£22m	£45m	£4m	£316m

- 9.4 Full details for the DSG are included within the report attached at Annex 2, Appendix L.

10. Capital Programme

- 10.1 The North Northamptonshire Budget and Medium-Term Financial Plan Task and Finish Group established a set of guiding principles to steer the budget setting process as the Corporate Plan for the new Council was not yet established.
- 10.2 The key principles underpinning the Capital Strategy in compiling the Capital programme were 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 Northamptonshire.
 - 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;
 - Sets out the Council's regeneration and economic development ambition;
 - Sets out the governance and risk management arrangements.
- 10.3 There is an approved 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.
- 10.4 The HRA baseline capital programme totals £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.
- 10.5 Further to the above there is a Development Pool totalling around £99m which includes 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 provision and increasing the capacity for pupil numbers, schools maintenance and 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. Investment decisions will also take into account the zero carbon ambitions of the Council.
- 10.6 The Capital Programme and Capital Strategy have been subject to scrutiny by the Overview and Scrutiny Committee. In addition, the budget consultation (see Annex 2, Appendix G) provided residents, local partners and other stakeholders with the opportunity to review the proposed budget and provide feedback during the seven week consultation period.

- 10.7 There may be changes to the planned programme between now and the end of March 2021 as a result of slippage, further schemes progressing through the governance process or confirmed funding announcements from Government.
- 10.8 An additional recommendation was added at the Shadow Executive meeting to enable the Section 151 Officer in conjunction with the Portfolio Holder for Finance, or their nominated deputies, to have delegated authority to manage any variation in budget prior to the start of 2021-22 as a result of final confirmation of funding/income, or unforeseen commitments.

11. Robustness of the Budget

- 11.1 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

- 11.2 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.
- 11.3 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 Annex 2, 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	Additional savings proposals will need to be identified by reducing or redesigning services. Maximise annual Council Tax increases to provide stability.
COVID-19 pressures continue for a longer period of time into the	Maximise annual Council Tax increases to provide stability.

Risk	Mitigations
medium term than included in budget forecasts	Increased lobbying for Government support, use of reserves or reduction in services.
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	Additional savings proposals will need to be identified. Maximise annual Council Tax increases to provide stability.
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	Use of reserves.
Council Tax and Business Rates Collection Fund deficits are higher than forecast as a result of the ongoing economic impacts of COVID-19	Additional Government funding for 75% of irrecoverable local tax losses in 2020-21. This does not allow for any increase in Council Tax bad debts. Use of reserves.
Non delivery or under delivery of savings.	Use of reserves. Lobbying of Central Government for additional funding. Maximise annual Council Tax increases to provide stability.
The ongoing impact of COVID-19 on the Council's available resources and transformation programme is not yet known.	Internal COVID-19 risk management meetings. Robust financial management and reporting processes to be developed and implemented to give early warning of potential risks and issues.
The disaggregation of income, expenditure and service delivery is inaccurately split between the North and West, giving rise to significant budget pressures.	Contingencies have been built into the budget baseline. Maximise annual Council Tax increases to provide stability. 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	Maximise annual Council Tax

Risk	Mitigations
then there is a risk that services will need to be reduced.	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.	<p>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.</p> <p>Maximise annual Council Tax increases to provide stability.</p>

- 11.4 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 will be 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.
- 11.5 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.
- 11.6 The Council has an increased contingency budget of £3.3m compared to what was included within the budgets for the previous Sovereign Councils, taking the total to £5.7m – this reflects the potential risk associated arising from disaggregating the County Council's budgets and from service demands.
- 11.7 The Council also 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.
- 11.8 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 Executive 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

- 11.9 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.

- 11.10 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.
- 11.11 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.
- 11.12 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.
- 11.13 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 readily 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.
- 11.14 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.
- 11.15 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

- 11.16 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

11.17 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.

11.18 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.

11.19 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

11.20 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.

- 11.21 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.
- 11.22 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.
- 11.23 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

- 11.24 In considering the budget for 2021/22 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.
- 11.25 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

- 11.26 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.

12. Implications (including financial implications)

Resources and Financial

- 12.1 The resources and financial implications are set out in the body of, and annexes and appendices to, this report.

Legal

- 12.2 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).
- 12.3 The robustness of the proposed estimates and the adequacy of the proposed reserves are addressed in section 11
- 12.4 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

- 12.5 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.
- 12.6 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.
- 12.7 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.
- 12.8 Details of the risks associated with the budget proposals are set out in this report.

Equality Screening

- 12.9 The Equality Act (2010) contains a range of rights, powers and obligations to assist in the drive towards equality. North Northamptonshire Council has a duty towards people who share 'Protected Characteristics' to have 'due regard' to:
- Eliminating discrimination;
 - Promoting equality;
 - Fostering good relations.
- 12.10 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

12.11 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.

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

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

12.13 A summary of the feedback received during the consultation process is included at Annex 2 - Appendix G.

Climate Impact

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

12.15 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.

12.16 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.

12.17 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

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

13. Background Papers

13.1 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>
- Previous reports to North Northamptonshire Shadow Executive Committee 10th February 2021:
<https://cmis.northamptonshire.gov.uk/cm5live/MeetingsCalendar/tabid/73/ctl/ViewMeetingPublic/mid/410/Meeting/3816/Committee/458/Default.aspx>