

NORTH NORTHAMPTONSHIRE SHADOW AUTHORITY

SHADOW EXECUTIVE COMMITTEE MEETING

7th December 2020

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

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

2. Executive Summary

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

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

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

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

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

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

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

3. Recommendations

3.1 It is recommended that the Shadow Executive Committee:

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

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

3.2 Reason for Recommendations:

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

4. Report Background

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

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

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

National and Economic Context to the 2021-22 Budget

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

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

Core Spending Power

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

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

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

COVID-19 associated funding

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

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

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

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

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

Other Budget Changes

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

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

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

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

4.11 Other announcements from the Spending Review include:

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

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

5. Governance

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

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

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

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

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

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

6. Developing the Budget Proposals - Issues and Choices

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

Future Northants Programme

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

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

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

Future Northants Benefits Realisation

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

Disaggregation of the Northamptonshire County Council Budget

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

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

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

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

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

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

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

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

Disaggregation of Northamptonshire County Council Balance Sheet

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

Aggregation of County Council and District and Borough Budgets

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

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

7. Revenue Budget Overview

7.1 COVID-19 Impacts

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

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

Contract and Pay Inflation Assumptions

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

General pay inflation

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

Children's Social Care

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

Adult Services

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

Place

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

Demographic and Service Demand Pressures

Adult Services Demographic Growth

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

Children's Services Demographic Growth

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

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

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

Place Services Demand Growth

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

Full Year Effect of Previous Decisions

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

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

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

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

Implementation of the Service Blueprint

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

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

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

Costs Pressure of Local Government Reform

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

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

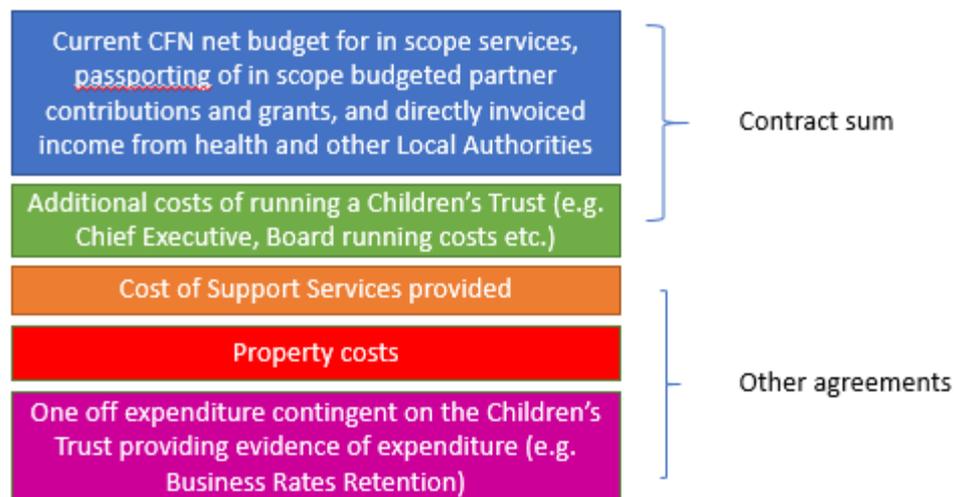
7.24 In addition to these cost pressures the Council has a smoothing strategy of £1.5m per annum from 2021-22 to 2024-25 to provide for the Minimum Revenue Provision (MRP), which follows a previous decision made by the County Council to take a defer MRP following the agreement of a new MRP Policy.

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

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

Children’s Trust

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



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

8. Capital Strategy 2021-22

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

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

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

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

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

Governance Process and Approval of New Capital Schemes

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

9. Treasury Management Strategy

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

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

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

10. Overview of Funding Assumptions

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

Council Tax

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

Taxbase

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

Council Tax Rate Harmonisation

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

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

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

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

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

Local Council Tax Reduction Scheme

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

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

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

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

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

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

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

Council Tax Long Term Empty Property Premium

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

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

Business Rates

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

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

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

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

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

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

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

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

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

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

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

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

Business Rates Revaluations

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

Impact of COVID-19 on Collection Fund

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

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

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

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

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

Revenue Support Grant

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

New Homes Bonus

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

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

Adult Social Care Grant

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

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

Improved Better Care Fund (iBCF)

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

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

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

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

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

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

11. Dedicated Schools Grant

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

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

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

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

Full details of the DSG are included in Appendix E.

12. Fees and Charges

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

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

13. Reserves

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

14. Budget Gap

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

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

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

15. CIPFA Financial Management Code

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

16. Implications (including financial implications)

Resources and Financial

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

Legal

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

Risk

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

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

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

Consultation

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

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

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

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

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

Consideration by Overview and Scrutiny Committee

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

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

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

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

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

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

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

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

Equality Screening

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

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

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

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

Climate Impact

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

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

16.25 The aims of the Group are to:

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

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

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

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

Community Impact

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

17. Background Papers

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

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