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Democratic Services
The Corby Cube,
George Street,
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Northants,
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Meeting: Executive

Date: Thursday 10th February, 2022

Time: 10.00 am

Venue: Council Chamber, Corby Cube, George Street, Corby, NN17 1QG

To members of the Executive

Councillors Jason Smithers (Chair), Helen Howell (Vice-Chair), David Brackenbury, Lloyd Bunday, Scott Edwards, Helen Harrison, David Howes, Graham Lawman, Andy Mercer and Harriet Pentland

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ITEM	NARRATIVE	DEADLINE
Members of the Public Agenda Statements	Members of the Public who live or work in the North Northamptonshire council area may make statements in relation to reports on the public part of this agenda. A request to address the Executive must be received 2 clear working days prior to the meeting at democraticservices@northnorthants.gov.uk. Each Member of the Public has a maximum of 3 minutes to address the committee.	5:00 pm Monday 7th February 2022

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North Northamptonshire Council

EXECUTIVE
10th February 2022

Report Title	**Draft Budget 2022-23 and Medium-Term Financial Plan**
Report Author	Janice Gotts, Executive Director of Finance janice.gotts@northnorthants.gov.uk
Lead Member	Councillor Lloyd Bunday, Executive Member for Finance and Transformation

Key Decision	☒ Yes	☐ No
Is the decision eligible for call-in by Scrutiny?	☒ Yes	☐ No
Are there public sector equality duty implications?	☒ Yes	☐ No
Does the report contain confidential or exempt information (whether in appendices or not)?	☐ Yes	☒ No
Applicable paragraph number for exemption from publication under Schedule 12A Local Government Act 1974		

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1. Purpose of Report

1.1 This report sets out the final revenue budget (2022-23) and Medium-Term Financial Plan for North Northamptonshire Council. The draft budget proposals were considered by the Executive on 23rd December 2021 along with an Addendum to the main budget report which provided an update to Members following the provisional Local Government Finance Settlement, which was published on 16th December 2021, following a written statement from the Secretary of State for Levelling Up, Housing and Communities, Michael Gove. The Settlement sets out the funding for individual Councils following the Spending Review which was announced on 27th October 2021.

1.2 The budget consultation period commenced on 23rd December 2021 and ended on 28th January 2022. The draft budgets have been subject to scrutiny by the Finance and Scrutiny Committee. The consultation provided residents, local partners and other stakeholders the opportunity to review the budget proposals and provide feedback during the five-week consultation period.

1.3 This report sets out the revenue budget for 2022-23 and the Medium-Term Financial Plan for North Northamptonshire Council, including the proposed Council Tax level for 2022-23, for approval by Council on 24th February 2022.

1.4 The Revenue Budget 2022-23 and Medium-Term Financial Plan forms part of a full suite of budget reports being presented to the Executive at this meeting. These include the Housing Revenue Account Budget 2022-23, the Capital Strategy, Capital Programme, and the Treasury Management Strategy. These reports together will provide a framework for revenue and capital planning for 2022-23 and into the medium term. The aforementioned suite of budget reports, including the Council Tax Resolution will be considered by Council on 24th February 2022.

2. Executive Summary

2.1 This report presents the final draft of the 2022-23 revenue budget and Medium-Term Financial Plan for North Northamptonshire Council prior to its submission to Council at its meeting on 24th February 2022. The report includes the outcomes of the budget consultation undertaken between 23rd December 2021 to 28th January 2022 and builds on the draft budget proposals taken to Executive on 23rd December 2022.

2.2 A three-year national spending review was announced on 27th October 2021, however, the Local Government Provisional Finance Settlement published on 16th December 2021 was a one-year settlement only. It assumes an increase of 6.9% in the Core Spending Power for Local Authorities to meet demand and cost pressures and contains the expectation that each Council will increase its Council Tax precept by the maximum amount allowable, i.e. 2.99%, inclusive of a 1% precept for Adult Social Care.

2.3 Whilst the additional funding provided within the Settlement is welcome, this alone is insufficient to address the pressures and funding risks facing local authorities during a time of high inflation and increasing demand, particularly whilst COVID is still present. Further service efficiencies and an increase in the level of Council Tax will enable a balanced budget to be set for 2022-23 as well as supporting the medium-term position.

2.4 The proposed budget for North Northamptonshire Council includes a core Council Tax increase of 1.99% and applies the maximum allowable social care precept increase of 1%. This contributes around £5.2m per annum towards services and represents a Band D level of Council Tax for North Northamptonshire Council of £1,578.73 in 2022-23 an increase of £45.83 equivalent to £0.88 per week from 2021-22. This Band D figure does not include the Council Tax for individual town and parish councils or the Council Tax set by the Northamptonshire Police, Fire and Crime Commissioner.

2.5 The Final Settlement is expected to be laid before Parliament, for approval, in early February. At this stage there are no changes anticipated from the Final Settlement.

2.6 The Medium-Term Financial Plan has been updated to reflect the 2021-22 budget position and latest forecasts which will impact in future years as well as further expected changes from 2022-23.

2.7 The draft budget proposals support a wide 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. The budget will underpin the priorities contained within the Council's Corporate Plan which was approved by Council at its meeting on 1st December 2021 and has the following six key thematic policy areas:

- **Helping people to lead active, fulfilled lives** – helping people be more active, independent, and fulfilled

- **Building better, brighter futures** – caring for young people, providing them with a high-quality education and opportunities to help them flourish

- **Develop safe and thriving places** – enabling a thriving and successful economy that shapes great places to live, learn, work and visit

- **Create a green, sustainable environment** – taking a lead on improving the green environment, making the area more sustainable for generations to come

- **Build connected communities** – ensuring communities are connected with one another so they are able to shape their lives and areas where they live

- **Develop modern public services** – proving efficient, effective and affordable services that make a real difference to all our local communities

2.8 The budget is set in the context of an uncertain economic picture, predominantly due to the global and local challenges posed by the continuing pandemic.

2.9 Unitarisation brought with it both opportunities and challenges. The opportunity to create a new single tier authority to work with residents, businesses, and other partners to help strengthen the local economy, create jobs, improve infrastructure and transport links, protect vulnerable people and improve life chances through education and training – supporting greater resilience within families and communities. Financially, the new Council could benefit from economies of scale, and, through the aggregation of the previous sovereign councils, it had the opportunity to streamline processes, consolidate and reduce the number of contracts, better manage assets for the benefit of the area and improve end to end service delivery.

2.10 Transformation plays a key part in maximising those opportunities, helping to re-imagine the shape of the Council and how it interacts with the community and other stakeholders whilst recognising the need to ensure the Authority can demonstrate value for money, improve services and achieve efficiencies. Over time transformation can deliver real positive change, however, there is a need to first stabilise the position and create a solid foundation on which to build. Inevitably this takes time and is one of the major challenges facing new Councils such as North Northamptonshire.

2.11 Whilst it is envisaged that stabilisation of the finances will continue into the second year of the Authority, the Council will bring forward a greater number of transformation opportunities - helping to create a strong and modern Council delivering quality, cost effective services for the benefit of its residents.

2.12 The Council will continue to face financial challenges, risks, and uncertainties over the short and medium term, like many other Authorities. This is not only from the challenges brought about by COVID-19, but also the general upturn in demand for services which was taking place prior to the pandemic, inflation and the fundamental changes to how local government is funded including a business rates baseline reset. These funding changes seem very likely to be implemented from 2023-24 and have a potentially significant detrimental impact on the funding for areas such as North Northamptonshire when funding is re-distributed. It is expected that time-limited damping or transitional support will help soften losses in funding, however, this is difficult to predict without further information from Government on its intentions and formal details of proposals.

2.13 The full details of the Council's revenue budget and the Dedicated Schools Grant is set out in this report. Elsewhere on the agenda are reports for the Housing Revenue Account (HRA) and the Capital Programme.

2022-23 Budget Approach and Headlines

2.14 The budget report has been updated to reflect any changes identified subsequent to the draft proposals considered by Executive at its meeting on 23rd December and also takes into account a number of items raised through the Scrutiny process. The main headlines for the budget proposals are:

- A balanced budget for 2022-23
- Further net investment in services to both protect vital services and invest in service change of £11.3m, including removal of previous one-off funding predominantly related to COVID-19

- Efficiencies and income generation of £7.9m
- Investment in the Children's Trust to protect and increase the baseline funding from 2021-22 into 2022-23. Further to this there is potential additional one-off revenue and capital investment of £3.65m countywide (£1.6m from the North) to help deliver service improvements for some of our most vulnerable children and young people.
- Planned savings and pressures from previous Medium Term Financial Plans will remain to be delivered, unless there is a requirement to change the assumptions following review
- The use of reserves to support non-recurring investment in service improvement, fund time limited projects, pump-prime invest to save schemes and help manage risk.
- An investment of £1m spread over three years to forward fund initiatives to help address the climate crisis.
- Investment in Social Care to recognise the increase in the National Living Wage to £9.50 per hour and a 1.25% increase in national insurance contributions for care providers.
- An investment of £0.8m recurringly to consolidate the increase in pay for the Council's lower paid staff to the real living wage in 2021-22, together with improved incremental progression
- An increase in Council Tax consisting of 1.99% for the "core" council tax and 1% for the Adult Social Care precept, resulting in a Band D equivalent charge of £1,578.73 in 2022-23 which is an annual increase of £45.83 from 2021/22, and an average weekly increase of 88 pence.
- No change to the Local Council Tax Support Scheme which will continue at 25%.
- Inclusion of a contingency to mitigate against uncertainty.
- Officers will continue to seek efficiencies in order to help address the budget requirement from 2023-24.

2.15 **Appendix A** sets out the summary position for the budget.

2.16 Work has been undertaken to review the budget requirement across all service headings and seek mitigating actions (or savings) in order to remain within the funding envelope and set a balanced budget for the Council in line with statutory requirements. The content of the report, along with the detail in **Appendix B**, outlines the pressures and savings for each of the Directorates. These have been the subject of scrutiny by the Finance and Resources Scrutiny Committee in accordance with the budget strategy paper that was presented to Executive on 18th November 2021.

2.17 As part of the 2022-23 budget setting process a number of Budget Challenge Sessions were held to help inform the budget process, these consisted of Officers and Members and the objective of these sessions were as follows:

- To remind all Service areas of the financial position of the Council and the need to ensure effective and efficient operations (value for money).

- To understand and quantify the risks and pressures in the budget and identify efficiencies to offset against these.

- To understand each Service position for 2021-22 in terms of finance, HR and performance.

- To review the existing MTFP for 2022-23 onwards (from previous year's budget strategy) – considering the pressures and savings and the ability of services to achieve these for inclusion in the budget plans.

- To utilise the information gathered to date during 2021-22 monitoring to inform the budget setting for 2022-23.

- To understand the planned transformation projects and associated costs/benefits with timing – to include disaggregation and continuing aggregation/service improvement and the impact on the budget.

2.18 The outcome was to achieve an agreed way forward on the service proposals for 2022-23 and beyond for consideration as part of the Medium-Term Financial Plan and forms the basis of the contents of this report.

2.19 As part of the budget process a total of eight Budget Task and Finish Scrutiny Sessions were held, consisting of two sessions for each of the following main service areas:

- Place and Economy
- Adults, Communities and Wellbeing Services, including the HRA
- Children's and Education Services – including the Children's Trust
- Enabling and Support Services – Finance, Transformation and ICT, and Legal and Democratic Services including HR.

2.20 The Council also held two all Member Budget Briefing Sessions, separate Group meetings and discussed the budget with Trade Union representatives (as part of the Joint Consultative Forum).

<u>Funding Context</u>

<u>Government Grant</u>

2.21 The Spending Review and Autumn Budget 2021 set out the funding for local government at a national level for 2022-23 to 2024-25. The following table provides a high-level summary of the main funding changes for Local Government (as indicated through changes to its Departmental Expenditure Limit[1] (DEL)). Further commentary on the Spending Review and Autumn Budget is set out in Section 4 of this report.

[1] The government budget that is allocated to and spent by government departments is known as the Departmental Expenditure Limit, or DEL. This amount, and how it is split between government departments, is set at Spending Reviews. The table illustrates the Local Government DEL (LG DEL).

	2022-23	2023-24	2024-25	Total
	£m	**£m**	**£m**	**£m**
Local government funding (to be distributed in settlement)	1,500	1,500	1,500	**4,500**
Family help	40	70	90	**200**
Cyber resilience	12	13	13	**38**
Funding for social care reform	200	1,400	2,000	**3,600**
Unallocated	48	17	(3)	**62**
Cumulative increase in LG DEL	**1,800**	**3,000**	**3,600**	
Annual increase in LG DEL	**1,800**	**1,200**	**600**	

2.22 Whilst the additional funding is welcomed for Local Government and the Spending Review 2021, announced on 27th October, covered a period of three years, the Local Government Finance Settlement is for one year (2022-23) only. There are no projected or indicative details about individual Council allocations for the remainder of the spending review period (2023-24 and 2024-25) which, obviously, creates uncertainty around the future funding for the Council.

2.23 More fundamental changes in local government funding have been clearly signalled from 2023-24, so this one-year settlement, which is predominantly a rollover from the previous year, is generally focussed on “stability” for this year.

2.24 The settlement itself is relatively good for local government when compared to the settlements the sector received before 2020-21. Core Spending Power (i.e., the general funding to Councils including Council Tax, Business Rates and grants) is increasing by £3.5bn (6.9%, cash), well above inflation.

2.25 Local government was allocated £1.5bn in additional funding as part of the Spending Review 2021. Around 40% of this funding increase has been allocated to social care. Inflation has been applied to the Improved Better Care Fund, and £636m added to the Adult Social Care Support Grant. This has taken North Northamptonshire’s Adult Social Care Grant to £11.427m.

2.26 The remainder of the £1.5bn has largely been allocated through the new one-off 2022-23 Services Grant (£822m), of which North Northamptonshire received £3.914m. The Secretary of State, in his written statement to Parliament, stated that the funding from the new Services Grant is one-off and that the Government will “take the time to fully consider its future distribution in consultation with councils”, and further that this funding will be excluded from any proposed baseline for transitional support as a result of any proposed system changes.

2.27 More fundamental changes in the distribution of funding could be implemented as early as 2023-24, with work starting “in the coming months” to work out “with the sector” how to update funding distribution and “challenges and opportunities facing the sector”.

2.28 These changes in funding could be significant and will make forecasting for 2023-24 and beyond very difficult. Some or all of the Fair Funding Review could be resurrected, and a business rates baseline reset seems likely which has a potentially significant detrimental impact on the funding for previous growth areas such as North Northamptonshire. It is hoped that damping or transitional support will help soften losses in funding and that the Government will provide details early in 2022 on how such a scheme would work to assist authorities in Medium Term financial planning.

2.29 The Government have previously stated that it has abandoned its original plans to allow Councils to retain 75% of their growth in business rates as it is felt that it would conflict with the Government's 'levelling up' agenda. The Government will now look at the mechanism for redistributing funding to the authorities most in need. Since 2013-14 the majority of local councils have retained 50%[2] of business rates through the business rates retention scheme (and this is the position for North Northamptonshire Council). The government originally announced its intention to allow councils to retain 100% of business rates in 2015, in a bid to encourage them to boost economic growth, and this was subsequently reduced to a target of 75% retention. Currently only a small number of pilot authorities have 100% retention.

2.30 An increasing share of the growth in the Core Spending Power will come from local taxpayers. Although the maximum increase in "core" Band D will remain at 1.99% in 2022-23, a number of bodies will be able to increase their Band D by more than this. The Council Tax principles for 2022-23 are as follows:

- Core principle of a maximum increase of 1.99% in Band D - This applies to unitary councils, county councils, London boroughs, GLA precept, and fire and rescue authorities.

- Continuation of the adult social care precept, allowing an additional 1% of Band D in 2022-23.

- Shire district councils will be able to increase Band D by the higher of 1.99% or £5.

- Police and Crime Commissioners will be able to increase their precept by a maximum of £10 in each of the next 3 years. The maximum increase in precept was £15 in 2021-22, £10 in 2020-21, and preceded by £24 in 2019-20 and £12 in 2018-19.

- Fire authorities will be able to increase their precept by 2% (except those with the lowest precepts, who will be able to increase by £5).

2.31 Ministers have not set a maximum precept increase for any of the mayoral combined authorities and have also decided to defer setting any referendum principles for town and parish councils.

2.32 To help maintain and protect levels of service provision the Council's proposed budget for 2022-23 includes a core Council Tax increase of 1.99% which is up to the level set by the government without triggering a referendum and applies the maximum allowable social care precept of 1% in full – resulting in an overall

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[2] The 50% BR retention for the Council is split 49% to the Local Authority and 1% to the Fire Service

increase of 2.99% for 2022-23. This would contribute around £5.2m per annum towards service priorities and would represent a Band D level of Council Tax for North Northamptonshire Council of £1,578.73 which is an increase of £45.83 (equivalent to £0.88 per week) from the Band D Council Tax level of £1,532.90 in 2021-22. 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.

2.33 Following consultation, the Council made the decision last year to harmonise Council Tax levels across North Northamptonshire in a single year as part of the creation of the new Unitary Council from 1st April 2021. Therefore, there will be no further adjustments for Council Tax harmonisation in 2022-23.

2.34 Council Tax income remains the most stable form of income to the Local Government Sector, and it will continue to be key to the ongoing financial sustainability of the Council and the delivery of vital services to its residents, a number of which are vulnerable, alongside investment in its Neighbourhoods; this is particularly important when there is such significant uncertainty regarding the funding and pressures for local government services in future years.

The Overall Position 2022-23

2.35 The Council initially had a forecast funding gap of £18.5m for 2022-23 which included an estimate for the loss of income from funding reforms. Having incorporated the announcements made as part of the Local Government Finance Settlement, applying a Council Tax increase of 2.99% (including 1% for Adult Social Care) and revising the budget assumptions for 2022-23 including a number of new spend pressures and savings, the Council's budget remains in a balanced position for 2022-23.

2.36 Whilst the budget is balanced for 2022-23, significant pressures remain in the medium term, most notably due to the assumed changes to Local Government funding following a Business Rates reset which could see the Council potentially lose a significant proportion of the Business Rates growth that it has benefited from over several years.

2.37 To help address the longer-term deficit the Council is continuing to review its service delivery for the future and has dedicated transformation resources working to deliver the changes required, bringing services together in to more efficient and effective operating models. This will help contribute towards the financial requirements of the Council over the Medium-Term. This includes reviewing how the Council interacts with its customers, residents, partners, and other stakeholders and will take into account service delivery, contractual arrangements, opportunities to expand and enhance the digital experience and realising property efficiencies, thereby reducing costs and improving services going forward. This was reported to the Executive meeting on 23rd December 2021.

2.38 It is important to note that the budget is not just about how to manage within available resources but also where funding should be invested, recognising residents' priorities and working with partners to jointly develop service delivery proposals, giving families strength and self-reliance so they will benefit from greater self-determination and improved life chances. There is a balance to be maintained between encouraging growth, providing high quality universal services and protecting those that are the most vulnerable.

2.39 It is important to ensure that the position is closely monitored and reviewed throughout the year with mitigating actions taken as necessary. There will be a three-way push to keep the basics on track, prevent problems down the line and tackle complex problems together.

3. Recommendations

3.1 That the Executive recommend for approval to Full Council the following:-

a) the 2022-23 revenue budget for approval and adoption as set out in this report, which sets:

i. a budget requirement of £628.1m including Dedicated Schools Grant of £332.3m resulting in a net revenue budget requirement of £295.9m as set out in Appendix A.

ii. a total Council Tax requirement for the Council's own purposes of £178.471m as contained in paragraph 5.29.

iii. An average Band D Council Tax of £1,578.73 for North Northamptonshire Council, representing a 1.99% increase in the 'core' Council Tax and a further 1% for the Adult Social Care Precept. Noting that a separate Council Tax Resolution Report will be presented to Full Council as set out in paragraph 5.31.

iv. the detailed proposals of savings, pressures and income generation for 2022-23 as set out within the report and Appendix B.

v. the provisional dedicated schools grant budget of £332.3m for 2022-23, as detailed in Appendix C, and summarised in paragraphs 5.47 – 5.58.

vi. the draft planned use of, contribution to, and movement in, reserves as identified in paragraph 5.60 and section 9 subject to the final call on reserves after any changes are required to account for final charges etc

vii. the corporate budget requirements as set out in paragraph 8.1, including a contingency sum of £4.750m as set out in paragraph 8.2.

viii. the Treasury Management Strategy for 2022-23 as set out in Appendix H, including the Authorised Borrowing Limit of £859m, and to note a further update to the Strategy will be provided once the disaggregation of Northamptonshire County Council's Balance Sheet has been finalised, subject to the External Audit of the former County Council's accounts.

ix. that Council delegate authority to the Executive Member for Finance and Transformation in consultation with the Executive Director of Finance (Section 151 Officer) to agree any necessary variations to the budget prior to 1st April 2022.

x. that Council delegate authority to the Executive Member for Finance and Transformation in consultation with the Executive Director of Finance (Section 151 Officer) to agree the use of the following reserves which will provide the flexibility to manage the overall budget during 2022-23.

- Social Care Reserve
- Transformation Reserve
- Public Health Reserve
- Waste Management Reserve
- Risk Reserve which includes the capacity to support further/residual issues associated with the COVID-19 pandemic

3.2 It is recommended that the Executive:

a) notes that the financial position has been based on the Provisional Local Government Finance Settlement announced on 16th December 2021 together with any further announcements to the date of the publication of this report.

b) notes the Consultation feedback as at Appendix G for consideration;

c) considers the outcome from the Finance and Resources Scrutiny Committee, as detailed at Appendix G and any subsequent representations to Committee;

d) notes the Equality Impact as at Appendix F as having been taken into consideration;

e) notes the Section 25 Report of the Executive Director of Finance (Section 151 Officer) as set out in Section 15, including her review of the robustness of the estimates and the adequacy of the reserves;

f) delegates authority to the Executive Member for Finance and Transformation in consultation with the Executive Director of Finance (Section 151 Officer) to draft the recommended budget resolution for Council in accordance with the necessary legal requirements and to take into account the decisions of the Executive and any final changes and other technical adjustments;

g) Notes that the transfer of £6.585m from reserves relates to a timing issue in respect of Business Rates Reliefs to support businesses through COVID-19.

This is a timing issues which recognises that these grants were awarded and accounted for in the General Fund in 2021-22 but the reduced yield in Business Rates is not reflected in the Collection Fund until 2022-23;

h) Delegates authority to the Executive Member for Finance and Transformation in consultation with the Executive Director of Finance (Section 151 Officer) to conclude the disaggregation of the predecessor Councils, Northamptonshire County Council's accounts following certification and final sign off by the External Auditor.

3.3 Reason for Recommendations:

- *To ensure that the Council complies with its Constitution and legislative requirements in setting the budget for North Northamptonshire Council from 2022-23.*

4. Report Background

4.1 The budgets for North Northamptonshire Council comprise of a General Fund Revenue Account, a Housing Revenue Account (HRA), 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 (HRA)** includes all revenue expenditure and income on activities related to being a housing landlord.

- The **Dedicated School Grants (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 There is a suite of budget reports that support the budget setting process for North Northamptonshire, and these include:

- General Revenue Budget and Medium-Term Financial Plan 2022-2025, this includes the Treasury Management Strategy, Reserves Strategy, and the Chief Finance Officer's Statutory Section 25 Report. It also contains details of the DSG.

- Capital Strategy and Capital Programme.

- Housing Revenue Account 2022-23 and Medium-Term Financial Plan.

4.3 This report focuses on the Council's General Revenue budget and notes the planned use of the DSG for 2022-23 and into the medium-term. Reports containing full details of the proposed draft budgets for the Housing Revenue Account and the Capital Programme are included as separate reports to this meeting of the Executive.

National and Economic Context to the 2022-23 Budget

Economic Context

4.4 The Chancellor delivered his three-year Spending Review for 2022-23 to 2024-25 on 27th October 2021. The overall economic picture indicated was one of an improving fiscal position, recognising that this is from a very difficult place as the economy was emerging from the pandemic; however, this was prior to the arrival of the most recent COVID-19 variant (Omicron). At the time of the Chancellor's statement the Office for Budget Responsibility's (OBR) economic forecasts showed an improvement compared to those in March 2021. They are also forecasting that the pandemic will result in economic scarring equivalent to 2% of GDP (rather than the 3% forecast in March 2021).

4.5 Also stated at this time was that economic growth was forecast to be 6.5% in 2021, followed by 6.0% in 2022, 2.1% in 2023. However, from 2024 onwards, GDP is forecast to grow below its long-term trend of 2%.

4.6 Whilst there are still high levels of debt, this had also improved since the March forecast. The budget deficit was expected to reduce by almost half to £183bn in 2021/22 (£51bn lower than in the March forecast). Borrowing reached £320bn (15.2% of GDP) in 2020-21.

4.7 The forecast for inflation is probably of far greater relevance to the Council's budget for 2022-23 than it has been in previous years. The Consumer Price Index (CPI) dropped significantly in 2020 (during the pandemic), and has now bounced-back, with an expected peak of over 4% in 2022. The OBR is expecting CPI inflation to reach 4.4% this year. The OBR forecasts that CPI will have returned to its target level (2%) by 2023.

4.8 The figures, as at the date of the Spending Review, show that the labour market has proven to be more resilient than was originally presumed and the unemployment rate, originally estimated at 7.6% for mid-2021, is only 4.5%. The economy is predicted to grow by 6.5% in the current year, 6.0% in 2022 and 2.1% in 2023.

4.9 The economic impact of the UK leaving the EU are still settling down, and more recently, disruptions to global supply chains and a shortage of labour in industries, such as haulage, hospitality and care, pose risks to the economic outlook. Rising inflation, linked in part to the supply shortages and increasing energy prices, present an additional problem for the economy heading into 2022. Indeed, the recent growth figures from October 2021, reported in December 2021, noted that the economy hardly grew in October as supply chain disruption affected activity and the positive rebound that had been seen previously had now stuttered

4.10 Full details of the Spending Review 2021 announced by the Chancellor are available using the link below.

https://www.gov.uk/government/publications/autumn-budget-and-spending-review-2021-documents

4.11 Full details of the Provisional Local Government Finance Settlement 2022-23 are available using the link below.

https://www.gov.uk/government/collections/provisional-local-government-finance-settlement-england-2022-to-2023

Local Government Finance Announcements

4.12 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. For local authorities it is estimated that Core Spending Power will increase by an average of 3% in real terms each year over the three-year period. CSP is the Government's preferred choice for the measure of the resources available to councils and includes the estimated level of Council tax, assuming the full precepts are taken.

4.13 The core spending power increase includes:

- £4.8bn extra for Local government over the spending review period, with £1.6bn of new grant funding in 2022-23 followed by flat cash thereafter. The additional funding is expected to fund the increased national insurance costs that councils will face as an employer.
- Over the three-year period this includes an additional £300m of which £200m has been allocated for the Supporting Families programme, and £38m funding to tackle cyber security challenges and invest in cyber resilience with a total of £62m still to be allocated
- £3.6bn for the previously announced adult social care reforms, including the proposed cap on the cost of care.
- A council tax referendum limit of 2% and Adult Social Care precept of 1% per year.

4.14 The Local Government Departmental Expenditure Limit (LG DEL) will rise by £3.6billion by 2024-25, (an average annual real terms increase of 9.4% from 2021-22 to 2024-25). This includes £2bn in 2024-25 related to the income from the health and social care levy, intended to fund the reforms set out in the adult social care reform paper released in September 2021.

	2021-22 £m	**2022-23 £m**	**2023-24 £m**	**2024-25 £m**
Total LG DEL	9,100	10,800	12,100	12,700

	2021-22 £m	2022-23 £m	2023-24 £m	2024-25 £m
Growth above 2021/22		1,800	3,000	3,600
This includes:				
Funding for social care reform		200	1,400	2,000
Other Funding		1,600	1,600	1,600

4.15 The following table helps to illustrate the detail of the changes:

	2022-23 £m	2023-24 £m	2024-25 £m	Total £m
Local government funding (*to be distributed in settlement*)	1,500	1,500	1,500	**4,500**
Family help	40	70	90	**200**
Cyber resilience	12	13	13	**38**
Funding for social care reform	200	1,400	2,000	**3,600**
Unallocated	48	17	(3)	**62**
Cumulative increase in DEL	**1,800**	**3,000**	**3,600**	
Annual increase in DEL	**1,800**	**1,200**	**600**	

Business Rates

4.16 The Chancellor announced that the Government would provide a package of business rates measures to support businesses in England. For 2022-23 this includes:

- A new relief for eligible retail, hospitality, and leisure properties with 50% relief on rates bills up to £110,000 per business.
- A freezing of the multipliers at 49.9p (small business multiplier) and 51.2p (standard multiplier).
- The extension of the current Transitional Relief and Supporting Small Business schemes.
- The scope of the discount for 2022-23 will return to pre-Covid-19 eligibility for retail properties. Hospitality and leisure properties will continue to remain in scope.

4.17 Local Government will be reimbursed for the Business Rates reliefs through Section 31 grant. In addition, the government will provide New Burdens funding to cover items such as IT costs and additional staff costs.

4.18 The final report for the Review of Business Rates was also published at the Autumn Budget. This commits, in the longer term, to making improvements to the business rates system, including:

- More frequent revaluations, moving to a three yearly cycle starting from the next revaluation in 2023.
- New changes to support delivery of the more frequent revaluations, including new duties on ratepayers to provide the VOA with information.
- A new relief to support investments in property improvements.

- New exemption and relief to support green technologies.

4.19 Council Tax announcements are as follows:

- Core referendum limit unchanged at 2% a year.
- Social care precept will be up to 1% per year.
- Police and Crime Commissioners increase up to £10 per year.

4.20 In conclusion, additional government funding is welcome; however, it is not expected this will meet all the extra cost and demand pressures anticipated over the period, particularly as there is no explicit funding to address the existing pressures on adult social care services. With regard to the funding allocated to social care from the Health and Social Care Levy, it remains to be seen whether this will be sufficient to fund the planned reforms. Finally, as yet, there has been no significant increase in public health funding to help address the health inequality issues highlighted by the pandemic.

Other Announcements from the Spending Review

4.21 For Education, there was an increase in the Core Schools Budget of £4.7bn over the Spending Review period, equivalent to a cash increase of £1,500 per pupil compared to 2019-20. Further to this, £2.6bn (capital) over the Spending Review period was announced for SEND, which is intended to provide 30,000 additional places. The COVID recovery funding has been extended by an additional £1.8bn, and of this £1bn will be provided to schools over the next two academic years (£145 per pupil in primary schools and more in secondary schools). The Holiday Activities and Food Programme has been extended, with £200m per year to continue the programme.

4.22 There was further investment announced for affordable housing, with £1.8bn added with the aim to deliver £10bn of investment during the life of the Parliament, including 1 million new homes in the Spending Review Period. £300m of this will be distributed to local authorities to support the development of smaller brownfield sites.

4.23 The Right to Buy regime has also been amended and Councils will now be allowed to spend over a longer time frame (five years instead of three years), to pay up to 40% of the cost of a new home (up from 30%) and allow them to be used for shared ownership and First Homes.

4.24 Funding of £38m will be available to support Councils with Cyber Security and £34.5m to “strengthen local delivery and transparency”, with some of this needing to be used to establish the new Audit Reporting and Governance Authority (ARGA) as a system leader for local audit.

4.25 Spending on rough sleeping increased to £639m per annum by 2024-25.

4.26 Specific announcements for Children and Families, the most significant being 'Start for Life' hubs.

4.27 Other Spending Review announcements which may impact on the Council's budget include a number of changes that directly impact on household income and also the cost of services:

- National Minimum Wage to increase to £9.50 per hour
- Public Sector pay freeze will end
- Universal Credit Uplift – the taper will reduce from 63% to 55%. Claimants will be able to retain an additional 8p for every £1 of net income earned. A £500 per year increase to the amount that households with children or a household member with limited capability for work can earn before their Universal Credit award begins to be reduced.
- Continuation of the temporary increase in the surplus earnings threshold to £2,500 for Universal Credit claimants until April 2023, when the threshold will reduce to £300.
- Workers leaving the furlough scheme and making a Universal credit claim will be prioritised through the Job Finding Support Scheme.

4.28 In addition to the details contained from the 2021 Spending Review the Council's budget in the medium term may also be affected by Government action on Levelling-up. The Government has delayed the publication of the levelling up white paper from the end of this year until January 2022. The paper is expected to set out in more detail the framework and next steps towards levelling up opportunities and boosting livelihoods across the country to address regional inequalities.

Funding for Adult Social Care Reform

4.29 On 1 December 2021, the Department for Health and Social Care published its long-awaited Adult Social Care (ASC) Reform White Paper entitled "People at the Heart of Care". The White Paper acknowledges the role of families and friends in caring for each other and supporting unpaid carers to achieve their own life goals. It includes the Government's wish to help the ASC workforce to feel recognised and to have opportunities to develop their careers.

4.30 In summary, the government has set out its ten-year vision and three-year funding plans. It wants to better integrate social care with health and housing, and it intends for the Care Quality Commission (CQC) to independently review and assess each Council's performance in delivering its ASC duties and to review how partners are working within 'Integrated Care Board' areas. Where the CQC identifies a serious and persistent risk, the Government's priority will be to support Councils to lead their own improvement wherever possible, however, where a Council has not been able to tackle sustained problems, the Health and Social Care Secretary would be able to intervene.

4.31 The Care Act 2014 provides a strong foundation for the vision detailed in the White Paper. The paper also recognises that the Act requires additional strength (provided through measures currently in parliament). It includes three objectives as set out below with a focus on personalised care. There is recognition that this already exists in some areas, but the government wants to see it extended across the country:

1. People have choice, control, and support to live independent lives further.
2. People can access outstanding quality and tailored care and support.
3. People find ASC fair and accessible.

4.32 As announced by Government in September, £5.4bn of the new Health and Social Care Levy is being invested in Adult Social Care over the next three years. The White Paper includes proposals for supporting Councils, including a specific focus on strengthening market shaping and commissioning functions and plans for improved data that will allow understanding about how local areas are achieving the vision for reform, identifying strong performance, and spreading best practice. The paper highlights the commitment to:

- £3.6bn to pay for the cap on care costs, the extension to means test and support progress towards Councils paying a fair cost of care.
- £1.7bn for social care improvements, including at least £500m workforce investment.

4.33 Within the spending review allocations announced in October, the £3.6bn to be allocated to Councils to reform the social care charging system has been set out. It is intended to enable all Local Authorities to move towards paying care providers a fair rate for care and to prepare local care markets for implementing reform. Self-funders will be able to ask their Local Authority to arrange their care for them from October 2023. Additional support for Councils includes specific assistance to strengthen their market shaping and commissioning capabilities. An increase in improvement funding of more than £70m between 2022–23 and 2024–25 is planned. Whilst the market shaping duty will remain with Councils, a more joined up approach across health, social care and housing and the wider community is being looked at.

4.34 It is currently assumed that the extra income from the Council's share of the £3.6bn funding over the next three years will matched by an increase in expenditure.

4.35 Further announcements are awaited regarding the remainder of the funding for social care improvements and its allocation. However, it is anticipated that this will also require extra spend commitments, possibly resulting in a net additional burden, rather than solely meeting existing pressures.

Local Government Funding Context

4.36 Nationally, the future of local government funding remains uncertain with the position being made more difficult by the impact of COVID-19.

4.37 The Review of Relative Needs and Resources which would seek to rebalance the funding formula used to assess resource needs for local authorities, is expected to take effect from 2023-24.

4.38 The Government issued a call for evidence on the reform of Business Rates during the Summer of 2021. In its final report on this the Government decided to not move forward with proposed reforms which could have seen the tax replaced with a levy based on the combined capital value of domestic land and property. Instead, in the Spending Review, the Treasury confirmed a 50% break for leisure, retail and hospitality businesses until March 2023, following on from reliefs given to help companies through COVID-19. To support all businesses in the short term the Government have frozen the business rates multiplier in 2022-23. Local authorities will be compensated for these measures through specific grants outside the settlement.

4.39 As previously stated, it is now unlikely that the proposed move towards 75% local retention of business rates will proceed, with an increase in the local share only potentially being pursued if this is consistent with the Government's levelling-up agenda. This adds to the uncertainty about the future levels of business rate funding for the Council, as the resetting of the base level will see the growth in business rates income, which has been significant over previous years for North Northamptonshire, being redistributed to areas deemed to be of higher need.

4.40 This partially accounts for the forecast budget gap for the Council from 2023-24 – 2024-25, as set out in the report. Whilst the Council's budget forecast anticipates that funding reforms could take effect from 2023-24, the timelines still remain challenging owing to the complexities of the national funding schemes, the consultation requirements and the need for exemplars, as well as the Government still negotiating through the effects of the pandemic.

4.41 Once further information is released regarding the impacts of the issues described above, finance officers will model this into the Medium-Term Financial Plan and provide Members with an updated position.

4.42 It is essential that the Council continues to seek further efficiencies, cost reductions and income generation over the medium term in order to balance the budget in future years. As a new Council there are some inherent difficulties in identifying savings while still in the first year of operation, however, the work has already begun to seek savings through transformation and service improvement reviews which will continue to be built on and further expanded. Directorates are also reviewing budgets with a view to accelerating savings in advance of 2023-24 where possible.

5. Council Funding

5.1 The following table provides a summary of the proposed 2022-23 Budget and the Medium-Term Financial Plan and its funding. This section provides narrative around each of the Council's main funding streams. Whilst the position is balanced for 2022-23, the gap in 2023-24 increases to £25.2m and in 2024-25 to £33.9m. Essentially the delay to the funding review has deferred the concerns regarding the loss of funding by a further year. This is predominantly as a result of loss of cumulative business rates growth.

	2022/23 £000	2023/24 £000	2024/25 £000
Base Budget (excluding DSG Funding)	**295,907**	**308,660**	**323,625**
Base Budget (DSG Funded)	**332,262**	**330,372**	**330,372**
Net Budget Requirement	**628,169**	**639,032**	**653,997**
Funded By:			
New Homes Bonus	(4,069)	0	0
Business Rates Funding Baseline	(86,944)	(66,005)	(67,187)
Business Rates Collection Fund	6,154	575	0
Council Tax	(178,471)	(180,255)	(182,058)
Council Tax Collection Fund	3,149	475	0
Revenue Support Grant	(4,910)	(4,910)	(4,910)
Social Care Grant	(11,427)	(11,427)	(11,427)
Service Grant	(3,914)	0	0
Other – Adults	(852)	(5,621)	(8,030)
Other - Additional Funding*	0	(2,273)	(2,273)
Improved Better Care Fund	(11,522)	(11,522)	(11,522)
Dedicated Schools Grant	(332,262)	(330,372)	(330,372)
Rural Services Delivery Grant	(35)	(35)	(35)
Lower Tier Support Grant	(425)	0	0
Transfer to / (From) Reserves	(2,641)	(2,470)	(2,270)
Total Funding	**(628,169)**	**(613,840)**	**(620,084)**
Remaining Budget Requirement	**0**	**25,192**	**33,913**

***Assumes the allocation of national funding in 2023-24 and 2024-25 is equivalent to the Council's Settlement Funding Assessment.*

Overview of Funding Assumptions

5.2 The Council's General Fund budget is funded from five main income sources which are Council Tax, Business Rates, government grants, fees and charges and, where needed, the use of reserves. 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 meaningful medium term financial planning.

5.3 The headline figures for local authorities were announced as part of the Autumn Budget and detailed funding allocations were made available as part of the provisional Local Government Finance Settlement, which was announced on 16th December 2021 and reported to the Executive as an Addendum to the Draft Budget 2022-23 and Medium-Term Plan report.

5.4 The funding analysis set out in the Table at 5.1 are set out in the following paragraphs.

New Homes Bonus

5.5 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.

5.6 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 such as North Northamptonshire no split exists

5.7 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.

5.8 The payments for 2022-23 are based on the number of new homes delivered in 2019-20. The growth in tax base for North Northamptonshire based on a Band D in 2019-20 was 1,006 properties giving a grant of £1.682m. In addition to this the number of Affordable Homes bought back into use was 392 and for this we receive £350 per dwelling, therefore this element of the scheme amounts to £0.137m – the payment amounts relating to 2019-20 amount to £1.819m.

5.9 Central government had previously announced that New Homes Bonus payments would be phased out with 2022-23 being the final year of the scheme – however as part of the 2022-23 provisional settlement the government added a further year of funding (Year 12 - £333m nationally) in addition to the legacy payment for Year 8.

5.10 The payments for 2022-23 are based on the number of new homes delivered in 2020-21 and affordable homes bought back into use during 2021-22. The growth in tax base for North Northamptonshire based on a Band D in 2020-21 was 1,111 properties giving a grant of £2.110m. In addition to this the number of Affordable Homes bought back into use was 404 and for this we receive £350 per dwelling, therefore this element of the scheme amounts to £0.141m the payment amounts relating to 2020-21 amount to £2.251m. making a total of £4.070m for New Homes Bonus.

Business Rates Funding

5.11 The budget shows funding from Business Rates to be £86.9m, this includes the baseline funding, growth and S31 grants. This includes Compensation for under-indexing the multiplier. Compensation had been calculated based on the Consumer Price Index (CPI), which was 3.1% in September 2021 and was widely expected to be the indicator used. However, it is understood that the

Settlement will use the Retail Price Index (RPI) – which is higher. This change in the indexation from CPI to RPI results in an additional funding of £1.333m against business rates for North Northamptonshire when compared to the original assumptions. North Northamptonshire has benefitted well under the present Business Rates Retention system due to an above average increase in business growth across its area.

5.12 The way that the business rate retention scheme operates in future years could have major financial implications for Councils. The Government have recently announced that they have abandoned plans to allow Councils to retain 75% of their growth in business rates as it would conflict with the government's 'levelling up agenda'. The government will now look at the mechanism for redistributing funding to the authorities most in need.

5.13 Since 2013-14 the majority of local government has retained 50 per cent of business rates through the business rates retention scheme. Some Council areas retain 100% following the introduction of pilot schemes several years ago.

5.14 The Government in its Autumn Budget 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.

5.15 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 the Council's increased Business Rates funding being taken away and effectively re-allocated to other areas as part of this, and the review of Relative Needs and Resources. 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 and whether there will be any "floors" or "ceilings" introduced to protect those Councils that have lost a significant proportion of their funding.

5.16 The fundamental changes in the distribution of funding could be implemented as early as 2023-24, with work starting "in the coming months" to work out "with the sector" how to update funding distribution and "challenges and opportunities facing the sector".

5.17 These changes in funding could be significant and will make forecasting for 2023-24 and beyond very difficult. Some or all of the Fair Funding Review could be resurrected, and a business rates baseline reset seems likely which has a potentially significant detrimental impact on the funding for previous growth areas such as North Northamptonshire. It is hoped that damping or transitional support will help soften losses in funding.

5.18 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
- The Business Rates Yield

5.19 The Business Rates yield could be impacted by the following factors:
- The growth in businesses
- The number of businesses that cease trading
- Reduction in the collection rate.

5.20 Whilst the volatility is recognised, this will not directly impact the 2022-23 budget due to the accounting mechanisms of the Collection Fund whereby the demand on the Collection Fund is reflected in year regardless of what is collected and the impact from a lower yield would be felt in future years.

5.21 The next Business Rates revaluation to review the rateable value of non-domestic properties will take place on 1st April 2023, this is a slight delay to the date originally proposed and is intended to better reflect the impact of COVID-19. It is intended that this revaluation will be based on property values as of 1st April 2021 as the basis for calculating what businesses rates should be paid by each hereditament[3].

5.22 After the next revaluation in 2023, revaluations will take place every three years. The delay to 2023 of the next revaluation means that there is currently a gap in the Transitional Relief and Supporting Small Business schemes, and so these have been extended for 2022-23. A consultation on the Transitional Relief scheme for the 2023 revaluation will be carried out during 2022.

Business Rates Collection Fund

5.23 There was a significant change to business rates in 2020-21 in response to the pandemic, whereby the Government provided 100% Retail Relief to businesses in the retail, hospitality and leisure sectors. Government under Section 31 of the Local Government Finance Act 2003 made payments to authorities to recognise the reduction in the Business Rates yield owing to these reliefs.

5.24 In 2021-22 the Government followed a similar practice to that in 2020-21 whereby the Government for the first three months of the 2021-22 financial year (April to June) extended the 100% rate relief for properties in the retail, hospitality and leisure sectors. that was available throughout 2020-21. From July 2021, those properties will get 66% relief until March 2022.

5.25 The estimated impact of the extended retail relief in 2021-22 from Section 31 Grants is £6.585m the reliefs will be transferred to the Business Rates Reserve in 2021-22 which will then be used to fund the Collection Fund deficit of £5.579m in 2022-23.

5.26 The mechanics of the Collection Fund means that what is actually collected in 2022-23 will not impact on the 2022-23 budget, as the demands have been set for the year, however any changes in collection rates are accounted for in the

[3] The term hereditament is used in local business rates taxation to refer to rateable units of property.

following year. The implications of existing and future bad debts and appeals provisions will be closely monitored to assess the impact on future years.

5.27 The government amended secondary legislation, which allowed Authorities to spread the in-year estimated deficit on the 2020-21 Collection Fund in equal instalments over three years (2021-22 to 2023-24). The regulations to allow Collection Fund spreading became law on 1st December 2020. The Business Rates estimated deficit was £1.781m of which £56k related to prior years which were not able to be spread over 3 years meaning £1.725m could be spread equally over the three-year period 2022-23 to 2024-25. In accordance with legislation £575k was spread in each of these years. The composition of the Business Rates Collection Fund is shown in the following table.

	2022/23 £000	**2023/24 £000**	**2024/25 £000**
Business Rates Collection Fund Deficit	5,579	0	0
Spreading Business Rates Deficit	575	575	0
Total Business Rates Collection Fund Deficit	6,154	575	0

Council Tax

5.28 Council Tax is the most stable, sustainable and significant source of income for North Northamptonshire Council representing around 60% of total funding in 2022-23, excluding the ringfenced Dedicated Schools Grant. The following could all impact the Council Tax Yield for 2022-23 and these will be closely monitored during the year.

- Increase in caseloads for Local Council Tax Support (LCTS)
- Lower Collection rates
- Slowdown in housing growth

5.29 The Tax base for 2022-23 was reported to Council at the meeting on 1st December 2021, the Tax base is based on a Band D and includes projected growth and an average collection rate of 98.5%. The tax base for 2021-22 was 111,892 and it is estimated that this will increase by 1,155 to 113,047 from 2022-23 resulting in a total yield of £178.471m.

5.30 The Autumn Budget announcement indicated that the “core” Council Tax referendum threshold for 2022-23 would be 2%. This was confirmed when the Local Government Finance Settlement was announced. Any increase in Council Tax of 2% or above would be subject to a local referendum. The Government also provided Councils with the ability to raise a further 1% through the Adult Social Care precept. These levels were confirmed as part of the Provisional Local Government Finance Settlement. For 2021-22 the levels were 2% ‘core’ (plus 3% for the Adult Social Care precept).

5.31 The Council budget is based on a core Council Tax increase of 1.99% and 1% for the adult social care precept increase. which is the government limit, without triggering a referendum resulting in a total increase of 2.99%. This would result in the 2022-23 Band D Council Tax for North Northamptonshire Council (excluding the Council Tax for individual town and parish councils and the Council Tax set for the fire and police by the Northamptonshire Police, Fire and Crime Commissioner) increasing by £45.83, from £1,532.90 to £1,578.73 which is equivalent to a weekly increase of £0.88 (88 pence). The Council Tax Resolution Report will be presented to Budget Council for approval at its meeting on 24th February 2022.

5.32 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 Council. 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 receive.

5.33 The Council Tax support scheme for 2022-23 was considered by the Executive at its meeting on 18th November and by Council at its meeting on the 1st December and the recommendation was to continue with the existing 25% scheme in 2022-23. The 2022-23 budget reflects this decision.

5.34 Any change in the scheme would impact on the Council's budget. Generally, a 1% movement in the minimum payment rate from the current scheme of 25% amounts to a change in the Council's budget of c£80k.

Council Tax Collection Fund

5.35 Due to the mechanics of the Collection Fund, it means that what is actually collected in 2022-23 will not impact on the 2022-23 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 an impact on the 2023-24 budget.

5.36 As with Business Rates the government amended secondary legislation to allow Authorities to spread the in-year estimated deficit for Council Tax on the 2020-21 Collection Fund in equal instalments over 3 years (2021-22 to 2023-24). The estimated Collection Fund deficit for Council Tax for 2021-22 is £2.674m, after taking account of spreading of the 2020-21 deficit of £475k, this increases the 2022-23 deficit to £3.149m. The Council notified the major preceptors (Police and Fire) of this calculation by 15th January 2022 which accords with The Local Authorities (Collection Fund: Surplus and Deficit) (Coronavirus) (England) Regulations 2020. The composition of the Council Tax Collection Fund estimated deficit is shown in the following table.

	2022/23 £000	**2023/24 £000**	**2024/25 £000**
Council Tax Collection Fund Deficit	2,674	0	0
Spreading Council Tax Deficit	475	475	0
Total Council Tax Collection Fund Deficit	3,149	475	0

Revenue Support Grant

5.37 The 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.

5.38 The Revenue Support Grant (RSG) for NNC for 2022-23 is £4.910m which is an increase of £154k from 2021-22 (£4.756m). An increase of £72m (0.5%) had been applied to the RSG nationally for 2022-23.

Social Care Grant

5.39 In the Spending Review of September 2019, the government announced an additional £1bn of funding for Local Authorities through a grant to be made available 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.

5.40 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 2021-22 budget was broadly split 50/50 resulting in £7.678m being allocated to this Council. There was a further allocation for 2021-22 of £0.730m, however, at the time of the draft budget there was uncertainty as to whether this increase will roll forward into future years and it was therefore omitted at the time.

5.41 Nationally a further £636m was added to the existing £1.7bn grants, this resulted in the Council receiving grant of £11.427m, an increase of £3.749m against the original forecast.

5.42 The Autumn Budget announced that there would be further funding for Social Care reform made available over the next three years and that Local Government will receive £3.6bn over that period. The profile of this funding is £200m (2022-23) £1.4bn (2023-24) and £2bn in (2024-25). At this stage it is not known how the grant funding will be allocated for 2023-24 and 2024-25. For the purpose of medium term modelling a similar approach has been applied to that used in recent years and this funding has been separately shown in the Table at 5.1 – see funding line titled ‘Other Adults’. It is also assumed that the funding will be matched by the need for new and additional spend within the Directorate Budgets.

Improved Better Care Fund (IBCF)

5.43 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.

5.44 The improved Better Care Fund for 2022-23 for NNC is £11.522m this is an increase of £336k from 2021-22 (£11.186m). Nationally the IBCF was increased by £63m to £2.077bn.

Services Grant

5.45 The Local Government Finance Settlement included an allocation of a new one-off grant to support general Council services. Nationally this grant amounted to £822m and this Council's allocation was £3.914m. The grant will not form part of the base when considering transitional support to Authorities following the introduction of the new funding arrangements which are expected in 2023-24.

Market Sustainability and Fair Cost of Care Grant.

5.46 This is part of the government's funding for adult social care reform (£162m nationally). NNC's allocation for 2022-23 is £852k, this is a new grant from 2022-23 with an expectation of a further £600m nationally in each of 2023-24 and 2024-25. This will be allocated subject to returns to the government from each Local Authority.

Dedicated Schools Grant

5.47 The Dedicated Schools Grant (DSG) is a ringfenced grant allocated to Local Authorities by the government to support a range of education related services.

5.48 The DSG consists of the following four blocks.

- **Schools Block** (age 5 to 16) based on the primary units of funding (PUF) and secondary units of funding (SUF), premises funding announced in July 2021 updated for the number of pupils in the October 2021 school census and growth funding.

- **Central School Services Block (CSSB)** based on the units of funding and total historic commitments funding announced in July 2021 updated for the number of pupils in the October 2021 school census.

- **High Needs Block** (age 0 to 24) based on the allocations announced in July 2021 with the basic entitlement element updated for the number of pupils in the October 2021 school census.

- **Early Years Block** based on the early years funding rates published in December 2021.

5.49 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 maintained schools and academies, early years' providers and high needs education (age 0 to 24).

5.50 The individual school budgets for academies and funding for high needs 'places' in academies, free schools and FE colleges (set prior to the start of the academic year) are paid to academies directly by the Education Skills and Funding Agency (ESFA). The ESFA deducts this funding from the LA's Dedicated Schools Grant before the grant is paid to LAs and is termed 'recoupment'.

5.51 Northamptonshire County Council's DSG was disaggregated for both North Northamptonshire Council and West Northamptonshire Council with the ESFA for 2021-22. Going forward each Council will continue to receive their separate DSG allocations.

5.52 The December DSG Settlement provides the final settlement figures for the DSG Schools Block and Central School Services Block based on October 2021 census. However, the Early Years Block is an indicative figure. The Early Years Block will be updated in July 2022 (to reflect the January 2022 census data) and will be further updated in July 2023 (to reflect January 2023 census data). The final settlement figure for the DSG High Needs Block is adjusted to reflect any further cross boundary pupil changes.

5.53 The DSG Settlement was published on 16th December and indicated an increase in funding in the main blocks for North Northamptonshire of £4.94m, taking into account the latest pupil numbers and any cross-boundary movements.

5.54 The Early Years block for DSG funding shows a reduction from the provisional settlement. Whilst the *per pupil* allocations have increased, the overall number of children in Early Years settings has reduced, based on the past two years January census data of pupil numbers. However, this may be subject to change as the census information is updated for 2022-23 in respect of Early Years.

5.55 There was also an additional allocation for High Needs Funding of c£1.89m. The table below sets out the changes. Full details of the DSG are included in Appendix C.

DSG Blocks	Provisional Settlement 2022-23 £m	Final Settlement* 2022-23 £m	Difference 2022-23 £m
Schools Block	250.38	254.88	4.50

Central School Services Block	3.55	3.57	0.02
High Needs Block	49.36	50.12	0.75
Early Years Block	22.14	21.81	-0.33
Total DSG Allocation	**325.43**	**330.37**	**4.94**
Additional High Needs Funding	0.00	1.89	1.89
School Supplementary Grant	0.00	7.32	7.32
Total DSG Allocation + Additional High Needs Funding + School Supplementary Grant	**325.43**	**339.59**	**14.16**

**Note: The Early Years Settlement is subject to change dependent on the latest January Census data – see paragraph 5.52*

5.56 The Department for Education has promised North Northamptonshire mainstream schools a one-off additional £7.32m of School Supplementary Grant in 2022-23. For early years and post-16 provision in schools, the grant is being provided in respect of the Health and Social Care Levy. For primary and secondary provision, the grant is being provided in respect of both the Health and Social Care Levy and other cost pressures. Details will be announced in Spring 2022.

5.57 North Northamptonshire Council, together with North Northamptonshire Schools Forum, has consulted with schools and academies on the options of transferring either 0.5% (£1.258m) or 1.31% (£3.297m) from the Schools Block to the High Needs Block to support demand pressures within High Needs. The Schools Forum at its meeting on 16th December 2021 voted in favour of transferring 0.5% from the Schools Block to the High Needs Block.

5.58 The School Forum on 20th January 2022 agreed the following:

- Adopt the National Funding Formula factor values adjusted for area cost adjustment of 1.00329 for its Primary and Secondary School Budget
- Transfer 0.5% from Schools Block to High Needs Block
- Scale back 50% of any Minimum Funding Guarantee (MFG) gains in excess of 4.57%
- Operate a traded scheme for LA Commissioned Outreach Services that is voluntary for each mainstream or special school and academy
- Continue with a Split Site Policy at the 2021-22 split site rates
- Continue with the Pupil Growth Fund Policy at the proposed Growth Fund rates
- Set aside £750,000 for Pupil Growth Fund
- Changes proposed to the Permanent Exclusion Clawback Policy to bring NNC in line with clawback mechanism as set out in the legislation
- Continuation of the central services that are partly funded by the Central School Services Block Dedicated Schools Grant
- De-delegation for Trade Union Facility Time for maintained Primary and Secondary Schools at £2.10 per pupil

- De-delegation for School Effectiveness for maintained Primary Schools at £12 per pupil
- Discontinue the de-delegation for Redundancy Costs.

Rural Services Delivery Grant

5.59 There was an increase nationally of £4m for Rural Services Delivery Grant, from £81m in 2020-21, to £85m in 2021-22. There were no changes for 2022-23 and North Northamptonshire Council's grant in 2021-22 totalled £35k, this remains unchanged and is reflected in the 2022-23 budget.

Transfers to / from Reserves

5.60 The proposed transfers to and from the Council's reserves are summarised in the following table.

	2022/23* £m	**2023/24 £m**	**2024/25 £m**
Transfer to Reserves			
Business Rates s.31 Grant	2.043	0	0
Business Rates	1.616	0	0
Elections	0.150	0.150	0.150
New Homes Bonus	2.251	0	0
Service Grant	1.641	0	0
Other Grants	0.578	0	0
Total to Reserves	**8.279**	**0.150**	**0.150**
Transfer from Reserves			
Business Rates Reserve – Movement for grant repayment to the Collection Fund	(6.585)	0	0
Transformation Reserve – funding for Transformation Team**	(2.170)	(2.170)	(2.170)
Smoothing Reserves – Regeneration	(0.200)	(0.200)	0
Smoothing Reserves - Climate Change	(0.500)	(0.250)	(0.250)
Smoothing Reserves - Pay and Grading review	(0.220)	0	0
Smoothing Reserves - ICT upfront disaggregation support costs	(0.100)	0	0
Smoothing Reserves - demobilisation of highways Contract	(0.201)	0	0
Risk Reserves (COVID) - Backlog fund for EHCP posts	(0.350)	0	0
Smoothing Reserves - Children's Trust contribution	(0.594)	0	0
Total from Reserves	**(10.920)**	**(2.620)**	**(2.420)**

Net Transfer to / (from) Reserves	**(2.641)**	**(2.470)**	**(2.270)**

**This includes the estimated one-off investment funding for the Children's Trust which will be subject to a separate business case to both North and West Northamptonshire Councils and is currently forecast as c£0.594m as the contribution from North Northamptonshire.*
***the future funding for the team will be dependent upon the programme requirements*

5.61 There is a transfer to the Business Rates Reserve of £2.043m which reflects the timing issues relating to Section 31 for 2020-21 and 2021-22, together with a further £1.616m in relation to Business Rates growth.

5.62 There has been a transfer of £6.585m from the Business Rates reserve to fund the adjustment to the Business Rates Collection Fund as set out in paragraph 5.25 above.

5.63 One off additional grant funding in relation to New Homes Bonus, Revenue Support Grant, Lower Tier Grant, and Service Grant will contribute into the smoothing reserves for future years.

5.64 To fund the ongoing commitment to the transformation program, there is a transfer from reserves each year of £2.170m to support this activity in helping the council achieving the savings targets required for future years.

5.65 Last year the Council committed to adding a further £200k per annum for a period of three years from 2021-22 to 2023-24 towards community and voluntary organisations, particularly as a number had been adversely affected by the COVID-19 crisis.

5.66 In support of the council's commitment to climate change and moving forward towards achieving a carbon neutral organisation, £1m has been transferred from smoothing reserves over three years to provide pump priming to support this programme.

5.67 £1.465m has been brought into the revenue budget from earmarked reserves for one-off costs associated with the Council's Pay and Grading Review (£220k), demobilisation of the highways contract (£201k) and ICT Service development work (£100k) in relation to the disaggregation of this service from West Northamptonshire Council. There is also £350k towards the cost of Early Help and Care posts to undertake case review for referrals to the service. Further to this there is a planned £0.594m one-off investment in the Children's Trust to support new ways of working including changes to IT and accommodation requirements.

6. Fees and Charges

6.1 The income that the Council derives from fees and charges is important to support Council services. The Council's fees and charges for 2022-23 will focus on the need to continue the harmonisation of charges across North Northamptonshire following Unitarisation. This is being carried out by each service area in conjunction with the relevant Executive Member.

6.2 Where it is considered that wider consultation with residents is appropriate for any proposed fee change, this will be undertaken separately from the budget process.

7. Directorate Budgets for 2022-23

7.1 This Section provides an overview of the following main budget areas within the Council.

- Children's and Education
- Adults Communities and Wellbeing
- Place and Economy
- Enabling and Support Services

7.2 The following table provides a high- level summary of the draft 2022-23 budget proposals:

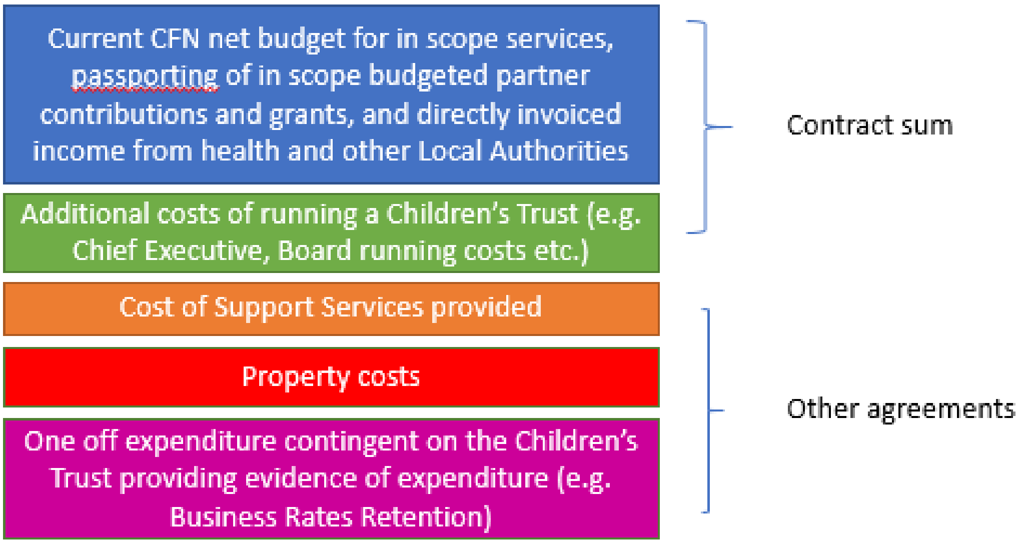
	Children's & Education	Adults, Communities and Wellbeing Services	Place and Economy	Enabling and Support Services	Corporate	Total
	£m	£m	£m	£m	£m	£m
Net Budget	62.1	116.9	56.1	33.8	27.0	**295.9**

Children's and Education Services

7.3 The draft net revenue budget for Children's Services includes the Northamptonshire Children's Trust and Education Services not funded by the DSG for 2022-23; the net draft budget is £62.1m (2021-22 is £59.5m).

7.4 From 1st November 2020, the Northamptonshire Children's Trust delivered children's social care and targeted early help on behalf of Northamptonshire County Council, and from 1st April 2021 this was delivered on behalf of North Northamptonshire Council and West Northamptonshire Council. The Councils set the strategic outcomes and priorities and the Trust is responsible for delivering those outcomes.

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



**CFN = Children First Northamptonshire*

7.6 Services provided by the Trust include:

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

7.7 Making a difference to children, young people and families is of high importance to both Councils as joint owners of Northamptonshire Children's Trust. The financial proposals contained within the NCT business plan build on the recent Ofsted monitoring visit which was encouraging and highlighted the tangible progress being made and the 'relentless commitment' of colleagues at West Northamptonshire Council, North Northamptonshire Council and the Children's Trust working in partnership in improving services, alongside areas to focus on further development.

7.8 A proposed contract sum totalling £137.45m has been put forward for 2022-23 – a net increase of £0.3m, after savings from the prior year. This is indicative of the national picture of rising costs and demand for children's social care. The Council's share of this increase totals c£0.13m.

7.9 In order to achieve planned savings within the Children's Trust budget and improve the service offer, there are separate requests for one-off investment of £1.35m revenue across both Councils (£0.6m attributable to North Northamptonshire based on the proxy allocation) and £2.3m capital (£1.0m to North Northamptonshire). These requests will be subject to separate detailed business cases in accordance with each Council's governance process. The contribution to the revenue costs will be underwritten from the Council's reserves and the capital funding will be met through borrowing, in the absence of an alternative funding stream.

7.10 The Children's Trust Budget is monitored in year through regular meetings between officers of both North and West Northamptonshire Councils and the Trust.

7.11 The Children's and Education Services remaining with the Council includes the Intelligent Client Function (ICF) for the Northamptonshire Children's Trust and the Local Authority statutory education functions as follows:

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

7.12 The Children's Directorate draft budget reflects pressures of over £1.8m the main pressures in addition to the increase in contract sum with the Children's Trust include a reduction in the historical funding for the Central Schools Block (£458k), additional resources to clear the backlog and meet the increasing demand on Education and Health Care Plans (EHCP) (£700k) of which £350k is currently assumed as time-limited in order to address the workload pressures created from COVID-19 and will be met from COVID-19 risk related reserves, a re-alignment from the DSG (£600k) to be funded from the General Fund and £72k to meet the increase in costs for safeguarding.

7.13 The Council has approved the creation of a separate Director of Children's Services post for North Northamptonshire, previously the post was shared between North Northamptonshire and West Northamptonshire Council at an additional estimated cost of c£70k.

7.14 Full details of the 2022-23 Medium-Term Financial pressures and savings are contained within Appendix B.

Adults, Communities and Wellbeing

7.15 The draft net revenue budget for Adults, Communities & Wellbeing includes Adult Social Services, Community Services and Public Health & Wellbeing. The draft net budget for 2022-23 is £116.9m (2021-22 is £120.6m). Details of the net budget and the adjustments for pressures and savings are set out in Appendix B.

Adult Social Care Services

7.16 Under the 2014 Care Act, local authority Adults Services have a responsibility to make sure that people over 18 who live in their areas are provided with an assessment of need, and when deemed eligible are subsequently provided with support to meet those eligible needs where they cannot do things for themselves or access family support. The service also provides other physical or psychological support to people with disabilities in order to help them live a full life. The overriding responsibility is to keep people safe and protect them from harm or neglect.

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

7.18 Care can take many forms and can be provided directly by the Council, through contracted organisations or families can receive a personal budget to buy suitable care for themselves. Although receiving formal or long-term care is subject to people meeting the Council's eligibility criteria, the service also has a key responsibility promote wellbeing and helping people to stay independent and preventing or delaying the need for care.

7.19 The main proposals for the 2022-23 draft budget set out in the paragraphs which follow, and all are set out within Appendix B.

7.20 The projected inflation requirements of £5.198m are based on a number of factors. The most significant is a provision for the National Living Wage (NLW) to increase across the board by 6.6% in line with announcements by Government alongside changes to National Insurance as part of the Social Care Levy and other contractual obligations.

7.21 Demographic and service demand growth for Adult Social Care is budgeted to cover the anticipated increased costs due to additional clients requesting support from the service. Within Adult Social Care there is a growth proposal of £1.6m for demographic growth of which £0.5m relates to Mental Health Services; these are driven by the forecast number of additional clients requesting care. The past four years' growth in adult social care costs in Northamptonshire have tended to be driven by two factors, general market inflation (predominately wage related) and acuity of care needs of existing clients, rather than increased clients due to demographic changes, this is anticipated to continue into 2022-23, and beyond.

7.22 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 with demographic trends and reflecting the on-going impact of external factors such as COVID-19 and the move toward a more integrated care system with Health partners.

7.23 COVID-19 has had a significant impact in Adult Social Care over the past two years, however these are now starting to stabilise with £3.4m of the original

£3.9m relating to CCG discharges into care facilities as part of the original discharge process from hospital now reversed back out in 2022-23.

7.24 As mentioned earlier in the report, funding of £3.6bn has been made available by Government as part of the spending review to meet the costs of Adult Social Care Reform (£200m in 2022-23, £1.4bn in 2023-24 and £2.0bn in 2024-25). The budget assumes that additional costs equivalent to the level of funding in this area will be incurred. In 2022-23 this is expected to be £0.852m.

7.25 As part of the 2022-23 financial settlement, the improved better care fund (IBCF) was increased by £336k. The budget has been uplifted by a corresponding expenditure to match this increase in funding.

7.26 The existing savings programmes of previous years will continue into 2022-23 where applicable. These include savings proposals:

- Admissions Avoidance Service – a further saving of £0.6m in 2022-23. The Admission Avoidance care model focuses on people 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 discharges at the acute hospitals, where Admission Avoidance will focus on the significant opportunity to provide care to avoid hospital admissions, additional care costs, and increases positive outcomes for people. This saving has proven difficult to achieve as a result of the impact of COVID-19 and whilst overall it is considered achievable by the Service, there is a Social Care reserve of £3.2m available to help underwrite any risk, alongside a generic risk reserve which recognises the challenges posed by the pandemic to the Council's finances.

- Strength Based Working (SBW) – a further saving of £2.2m in 2022-23. SBW is the transformation of Adults Services pathways and processes to ensure focus on people's outcomes, supporting them to be connected to the people and communities that are important to them, independence, better decision making, and best practice approaches that reduce delays and spend. To date the savings have remained on track for delivery.

7.27 There are a number of pressures in relation to the disaggregation of contracts within adult services; £1.0m net in relation to the Shaw Private Finance Initiative (PFI)/Public Private Partnership (PPP) arrangements and £1.3m relating to community equipment services following the change in funding arrangements. However, there are various savings proposed to off-set this in improving efficiencies and utilising the placements within the Shaw PPP provision, generating an ongoing saving of £0.938m in 2022-23 and further savings of £3.562m in the subsequent two years. There is some investment required in order to achieve these savings, which is netted off within the savings figure.

7.28 Further savings are anticipated from changes to the front door service, encouraging wider use of local voluntary and community services (£110k), expansion of extra care (£180k) and contract review (£60k).

Housing and Communities

7.29 Housing and Communities incorporate a wide spectrum of services and functions including the Library Service, Community Safety, Chester House Estate, Community Leisure facilities and Homelessness support across the region of North Northamptonshire. Overall, the Service is showing a net reduction in the budget of £0.776m since 2021-22, however, this is predominantly down to a reversal of one-off COVID-19 funding of £0.962m as set out in the paragraph below.

7.30 Community services across the Council had been affected by the national response to COVID-19 over the past 18 months resulting in reduced opening hours and limits on the numbers of clients. This had impacted on income across services which had been mitigated using national one-off COVID funding targeted at income loss. This pressure from the loss of income for COVID of £0.962m has been reversed out of the budget for 2022-23, recognising that there are risks that remain as this is dependent on no further severe restrictions affecting the operation of these services, and also requires people's confidence in being able to take out memberships when their income may have been impacted throughout the pandemic.

7.31 The services continue to look at transformation to bring the previous functions of each sovereign Council together and realise the aggregation benefits of 'one council – one service'. It is expected that the resultant savings will materialise from this over the next two to three years, following an initial period of stabilisation. This will continue to be worked on and incorporated in the budget when available. If any savings can be accelerated in to 2022-23 then this action will be taken, which will assist future resilience.

7.32 During 2021-22 the Council saw the successful launch of the Chester House Estate (CHE) realising the cultural and community benefits of the project across the region. CHE has now been formally adopted and operated as a North Northamptonshire asset and the budget for 2022-23 reflects the latest business case modelling and the cessation of any future contributions towards the Estate (except for the archives service) from West Northamptonshire Council resulting in a net budget requirement of £124k.

7.33 Other net changes amount to £62k covering increased demand for temporary accommodation (£80k), realignment of service/programme delivery (£80k) offset by a reduction in contract costs of £98k, which is a full year effect of a decision made in a previous year.

7.34 A significant proportion of the Housing and Communities Service supports the Housing Revenue Account which is the subject of a separate budget report elsewhere on this Agenda.

Public Health and Wellbeing

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

7.36 Public Health Grant allocations are usually announced in the new year, at this stage no changes have been made to the grant assumptions, although it is anticipated that there will be a real-terms increase to keep pace with inflation. The grant is ringfenced and any increase in funding will remain held against Public Health Service to fund additional costs of service priorities.

7.37 The Contain Outbreak Management Fund (COMF) and Test and Trace one-off grant funding of £6.6m was added to the budget for 2021-22 on a non-recurring basis. This has, therefore, now been removed for 2022-23. The position will be kept under review and monitored closely in line with Government guidance and national policies. At present the Government is proposing that the grant must be spent by 31 March 2022. There is also an adjustment of £0.6m in relation to a realignment of grant following disaggregation.

7.38 The Public Health Service for Northamptonshire is currently hosted by North Northamptonshire; however, the Council has approved that from 2022-23 the Service will be disaggregated between North Northamptonshire Council and West Northamptonshire Council, with each having their own Director of Public Health who will work closely with colleagues in the new Integrated Care System (ICS). Any associated costs associated with the changes will be met from within the ringfenced Public Health Grant.

Place and Economy

7.39 The draft net revenue budget for Place and Economy for 2022-23 is £56.1m (2021-22 is £54.6m). The changes proposed for the budget are set out in Appendix B.

7.40 Place and Economy is about shaping great places together – for people, businesses, and the environment. It leads and/or contributes to the following strategic priorities:

- Enabling Sustainable Growth
- Enhancing the Environment
- Connecting our communities
- Transforming the way we work

7.41 The Directorate delivers a wide range of services and is organised into four functional areas as follows:

7.42 **Assets & Environment** which includes Facilities Management, Property Estate Management, Energy & Fleet Management, Grounds Maintenance, Parks & Open Spaces, On & Off-street parking enforcement. Services also includes Asset and Capital Management of the Council's corporate assets and capital programmes, together with the effective management of the Council's strategic assets and landholdings. Key income and cost drivers include footfalls to the high street for parking income, number of visitors to Parks & Heritage sites, demand for commercial rental spaces, use of office space and use of energy.

7.43 **Growth and Regeneration** which includes Planning Services, Economic Development, Growth & infrastructure, Regeneration, Digital Infrastructure, Climate Change and Flood & Water Management. Key income/costs drivers include local demand and volume of Planning services, including major development fees, availability of Planning resources e.g. Surveyors and demand for economic activities.

7.44 **Highways and Waste** includes street cleaning, waste and recycling collections and disposals, including the household waste and recycling centres and Transport Management. The highways services maintain the extensive network of public roads, footpaths, and rights of way, including highway related infrastructure such as streetlights, traffic signals, bridges, gullies, and highway trees. Services also include School Transport and Concessionary fares. Key cost drivers include the tonnes of waste materials collected from households, businesses, and litter bins for recycling and disposal, variations to costs per tonnage, existing conditions, and Investment on various highway assets, as well as the impact of extreme weather conditions, school age population for school transport and the agility of the older population for concessionary fares.

7.45 **Regulatory Services** includes Bereavement Services, Building Control, Emergency Planning, Environmental Health, Trading Standards and the Travellers Unit. The main income and cost drivers include the local economy and market for Building Control Income, age/morbidity demographic rate for bereavement services (burials and cremations), public health demand for Environmental Health services, and legal/statutory obligations for Building regulations and Licensing.

7.46 Key current areas of risks within the Directorate include:

- Failure to maintain and invest in estates
- Planning fee income lower than anticipated
- Lack of funding and expertise to deliver major highways schemes
- Building Control fee income lower than anticipated

7.47 Place and Economy, like other Directorates, continues to deal with the detrimental economic impact of the pandemic. The previous lockdown measures have reduced income generating activities such as car parking, and commercial rent as well as placing pressure on several services including waste management with the volume of household waste disposals increasing.

7.48 The Council continues its commitment towards climate change and the draft budget includes investment of £1m over the next three years to pump prime climate change initiatives. The budget includes £0.5m in 2022-23, and £0.25m in both 2023-24 and 2024-25.

7.49 The budget proposals also include provision for the client costs for the highways team following disaggregation from the Lead Authority arrangements, which over two years is expected to be in the region of £0.9m (£0.525m in 2022-23).

7.50 There are a number of service changes and developments which total £167k, including prior year net credit adjustments. Some of the most significant including the implementation of the Bus Services Improvement Plan for £245k and Active Travel £215k.

7.51 In total there is £2.007m for contract changes and other inflation which includes Home to School transport of £334k, Street Lighting PFI £107k, highways £455k, utilities £228k and other general contract inflation of £875k.

7.52 There is a forecast pressure of £0.870m for home to school transport, over and above the expected contractual inflation, this relates to an increase in the number of children requiring special needs transportation, together with the continuing requirement to maintain social distancing. Fuel prices and the higher costs of driver retention have also contributed to this pressure.

7.53 There is also a credit/saving of (£600k) following the disaggregation of concessionary fares.

7.54 For 2022-23, it was assumed that the adverse impact on commercial income would improve by £1m, it is now expected that this will be closer to (£0.572m) credit. Although not returning to the pre-pandemic levels the commercial income has generally held up well during the current financial year and in light of the challenges faced as a result of COVID-19. As would be expected, the longer-term impact of COVID-19 and the potential effect on the economic climate of new variants remains a concern. There is a further small adjustment of (£32k) credit in respect of the reversal of COVID pressures from 2021-22 for household waste collection (£25k) and building control income (£7k).

7.55 The Directorate has a number of further demographic volume changes including changes to waste management costs and home to school transport, these total a net (£393k) credit due to higher savings in waste management and increases in trade waste income; it also includes a savings of £118k brought forward as part of a previous MTFP for concessionary fares.

7.56 Other changes relate to transformation, legislative and technical changes and total a net credit of (£0.990m), mainly due to transformation related savings in service redesign and improvement and reversal of prior year funding.

7.57 Full details of the 2022-23 budget and Medium-Term Financial pressures and savings are contained within Appendix B.

Enabling Services

Background

7.58 The draft net revenue budget for Enabling Services for 2022-23 is £33.8m (2021-22 is £33.8m). Full details for the service changes can be seen in Appendix B.

7.59 Enabling and Support Services consists of the following main grouping of services which also includes a number of corporate budget areas:

- Finance, Procurement and Revenues and Benefits Service
- Human Resources, Legal and Democratic Services
- Transformation, ICT and Customer Services

7.60 Additional one-off costs of £100k as part of the IT Service Development work have been included to contribute towards the disaggregation work of IT Services from the current joint arrangement with West Northamptonshire Council. Further to this there are costs in relation to IT licences and other savings considered non-achievable that were reported in 2021-22, and funded from contingency, which have now been realigned into the base budget from 2022-23. These total £1.41m. This has been offset in part by the reversal of one-off costs in 2021-22 for additional resources of £0.6m for year-end closedown and £449k for one of grant funding.

7.61 Savings of £264k are anticipated from service improvement and redesign supported by investment in the customer relationship management system and a new telephony system.

7.62 Other changes total £233k credit and include additional service pressures in relation to the costs of business support and additional costs for the IDOX system for ICT offset by additional income from housing benefit subsidy, funding for costs of collection and blue badge provision. This also includes the one-off investment requirement of £220k for the pay and grading review of staff as part of the changes required from LGR, alongside a number of smaller spend pressures and a reversal (credit) of COVID related pressures of £250k, which had previously been assumed for remote working, which is not considered to be required from 2022-23.

7.63 North Northamptonshire currently has a dedicated transformation team working to deliver the changes required in the North to bring services together effectively and move towards more efficient operating models for services. This will include reviewing how the Council interacts with its customers, residents, partners, and other stakeholders and will involve contractual arrangements, opportunities to expand and enhance the digital experience and realising property efficiencies, thereby reducing costs and improving services going forward.

7.64 As approved within the 2021-22 budget the transformation service continues to be, in the main, funded through a time limited contribution from reserves. It is currently forecast that the contribution from reserves towards the service can reduce from the £2.3m originally planned to £2.170m following service improvements. Any further variance against the budget, through amendments to the service delivery or other changes, will be met through an adjustment to the movement in reserves.

8. Corporate Resources

8.1 The draft net corporate revenue budget for 2022-23 is £27.0m (£24m 2021-22) the composition of this budget for both 2022-23 and 2021-22 is shown in the following table:

Description	2022/23 Draft Budget £'000	2021/22 Original Budget £'000
Corporate Contingency	4,750	5,724
Treasury Management Costs	10,448	10,414
MRP	7,144	5,595
Revenue Contribution to Capital	-	2,217
Pay Contingency and recurring funding for pay increase to Real Living Wage in 2021-22 – held centrally until allocation confirmed	4,252	-
Insurance Provision	400	-
Total	**26,994**	**23,950**

8.2 The Councils Corporate Contingency Budget for 2022-23 has reduced from £5.724m to £4.750m a reduction of £974k recognising that risks remain in the financial position following the Unitarisation and that a number of the assumptions within the budget are subject to further decisions, such as the pay changes and further work to understand the full impact of general inflationary increases, particularly the impact on utility costs.

8.3 The Council's Treasury Budget consists mainly of two elements, external borrowing costs of £12.1m and Investment Income £1.7m. The external borrowing costs reflect the interest costs of the Councils loan portfolio. The Council's Treasury Budget has increased by £0.034m from £10.414m to £10.448m. The main changes are explained in the paragraphs below.

8.4 There is a forecast overspend of £0.5m for 2021-22 relating to pressures which have arisen following the disaggregation of the County Council's budget, the first is a budget for the capitalisation of interest of £282k and the second is interest on equities of £212k, both of which are no longer considered achievable and will become a pressure in 2021-22 and the longer term. There is also a £40k shortfall in the investment income forecast which assumes that the historically low interest rates will continue into 2022-23. These have all been reflected in the 2022-23 draft budget.

8.5 Work has been undertaken to mitigate budget pressures through reviewing the council's investment portfolio and alternative investment opportunities, such as property fund investments. These actions are estimated to mitigate the treasury pressures by around £0.5m for 2022-23.

8.6 The disaggregation of the County Council's budget did not include sufficient provision in relation to self-insurance. It is estimated that the costs associated with this are around £400k and this reflected in 2022-23 budget. Work is ongoing with the insurance team to review the policy requirements for the future.

8.7 The Minimum Revenue Provision (MRP) reflects the minimum amount a Council must charge to the revenue budget each year to set aside a provision for repaying external borrowing. The increase in the MRP provision of £1.549m for 2022-23 is to ensure the provision is aligned to the MRP policy moving into the medium term.

8.8 The Council identified a draft budget of £4.252m to reflect potential pay increases in 2022-23, this budget will be allocated in 2022-23 according to need. The sums included are as follows:

- Pay Award of 3% amounting to £2.821m
- Increase in NI of 1.25% due to change in government policy £0.631m
- National Living Wage £0.800m

8.9 Other Corporate budget movements relate to the reversal out of the base budget of the Council's Revenue Contribution to Capital, this amounted to £2.217m in the 2021-22 budget, this was to fund the Council's Customer and Digital Strategy and Community Projects Capital Schemes. There is currently no planned Revenue Contribution to Capital in the 2022-23 draft budget.

8.10 There is a further pressure of £40k in respect of the impact of continuing low interest rates on the budget for interest receivable.

8.11 Full details of the 2022-23 budget and Medium-Term Financial pressures and savings are contained within Appendix B.

9. Reserves

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

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

9.2 At this stage the levels of reserves for the Council are an indicative forecast based on the best information available at this time. There are also several significant uncertainties that need to crystallise before the level of reserves will be known, including the impact of COVID-19 and any other unexpected events on the outturn positions for the Council in 2021-22.

9.3 The position on all the ex-sovereign council reserves brought forward will be confirmed following the certification of each of the final audited accounts for all the sovereign councils for 2020-21 (and 2019-20 for Corby and East Northamptonshire).

9.4 The latest forecast for the level of general fund revenue reserves for North Northamptonshire Council available as at 1st April 2022, taking into account the assumed movement in reserves in 2021-22 is summarised in the table below. The forecast movement in reserves in 2022-23 is also summarised in the table below and is set out in section 5.60

	Forecast Opening Balance 01.04.2022	**Transfer to Reserve**	**Transfer from Reserve**	**Forecast Closing Balance 31.03.2023**
	£000	**£000**	**£000**	**£000**
General Fund Balance	**(24,170)**	**0**	**0**	**(24,170)**
Earmarked Reserves				
Smoothing Reserves	(34,339)	(4,620)	1,965	(36,994)
Business Rates Retention	(28,509)	(3,659)	6,585	(25,583)
Transformation and Other Reserves	(17,440)	0	2,170	(15,270)
Building Maintenance Reserves	(1,500)	0	0	(1,500)
Planning	(500)	0	0	(500)
Regeneration	(5,480)	0	200	(5,280)
Specific Reserves	(19,280)	0	0	(19,280)
Capital Programme Funding - GF	(1,880)	0	0	(1,880)
Insurance	(2,690)	0	0	(2,690)
Total Earmarked Reserves	**(111,618)**	**(8,279)**	**10,920**	**(108,977)**
Total Forecast General Fund Reserves and Balances	**(135,788)**	**(8,279)**	**10,920**	**(133,147)**

9.5 The estimated total level of general fund revenue reserves of £133.1m at 31st March 2023 is made up of general balances and earmarked reserves. This balance includes Business Rates grants under S31 of the Local Government Finance Act 2008 received in 2021-22, which is budgeted to be drawn down in 2022-23 to fund the Business Rates Collection Fund deficit. Whilst the general reserves of £24.2m provide a working balance to help cushion the impact of unexpected events or emergencies, the earmarked reserves balance reflects balances set aside for a specific purpose or risk which will include commitments into future years.

9.6 The reserves will undergo a thorough risk assessment in advance of the February budget to confirm the levels needed against each of the earmarked reserves based on the latest information.

9.7 The Reserves Strategy includes a range for the level of general fund balances to be at a minimum of 5% and a maximum of 10% of the net revenue budget. The level of reserves included in the budget are £24.2m which is c8.2% of the proposed net revenue budget of £295.9m. Further information on the reserves strategy for the Council can be found at Appendix D.

10. Flexible Use of Capital Receipts

10.1 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.

10.2 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.

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

10.4 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.

10.5 The transformation costs referred to above and other expenditure required to deliver some of the service improvements and efficiencies are areas where the Council would seek authority to use capital receipts instead of revenue resources. This would also include meeting any associated severance costs.

10.6 The Council has sought a capital direction for the costs associated with Local Government Reorganisation and further transformation flowing from this (up to a maximum of £10m). However, it is important that the Council also has the flexibility to also underwrite such costs from FUCR should this be required. An updated strategy is detailed at Appendix J.

10.7 The policy does not dictate that capital receipts have to be used to fund these costs but provides the option to do so if that is deemed to be the most appropriate funding route in order to free up revenue resources and improve the general financial resilience of the Council.

11. Treasury Management

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

11.2 CIPFA consulted earlier in the year on the principles to support the changes to the Prudential Code for Capital Finance in Local Authorities (Prudential Code) and the Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes (Treasury Management Code). The consultation closed on 16 November 2021 and the updated Guidance was published in late December 2021. The updated requirements of the code have been outlined within the Council's Treasury management Strategy for 2022-23 in Appendix H for implementation by 2023-24.

11.3 On 30 November DLUHC issued consultation on changes to the capital framework for Minimum Revenue Provision (MRP) which seeks to better enforce the duty of local authorities to make prudent Minimum Revenue Provision each year. MRP is required to be set aside from the revenue account when local authorities borrow to finance capital spend. The outcome of the consultation is not expected to be implemented until April 2023 onwards.

12. Consultation Response

12.1 The Council consulted on the proposals in the draft 2022-23 budget. The consultation commenced on 23rd December 2021 following the approval of the draft budget for consultation at Executive, running until 28th January 2022.

12.2 There are three statutory instruments underpinning the need for Budget consultation:

- Section 65 of the Local Government Finance Act (1992);
- Section 149 of the Equality Act (2010), specifically 'Due regard' to [the] impact of proposed changes;
- Section 3 of the Local Government Act (1999), and Best Value provisions.

12.3 In terms of best practice, Consultation Institute guidance emphasises the need for consulters to recognise the 'Doctrine of Legitimate Expectation' as a key component of public sector budget consultation. In short, in terms of public participation, "...the courts...recognise Consultees' right to expect fair process from public bodies...and incorporates much guidance and management promises into the law.

12.4 Opportunities to take part in the consultation were also promoted in the local media via press releases. The press release went to 38 newsrooms (local and national, print and broadcast), plus individual reporters and other local news sites. It was promoted through the Council's website, e-newsletters and social media channels, enabling both internal (e.g. staff) as well as external consultees to get involved in the process.

12.5 Councillors, local MPs, town and parish councils, partner organisations, voluntary and community sector organisations, representatives of protected characteristic groups, local business groups, and members of the North Northamptonshire Residents' Panel and the Council's Consultation Register were invited to give their views and asked to promote the consultation to their members, or within their local area where appropriate.

12.6 Local people, organisations and other interested parties were able to have their say about the draft budget proposals in a range of ways, by:

- Visiting the Draft Budget Consultation webpage and completing the questionnaire or requesting a paper questionnaire
- Emailing CET@northnorthants.gov.uk
- Writing to Budget Consultation Response, North Northamptonshire Council, Sheerness House, Meadow Road, Kettering, NN16 8TL
- Using social media by Tweeting or posting comments on the Council's Facebook page
- Contacting us by telephone to give verbal feedback
- A toolkit was developed to enable user groups/ forums to hold their own discussions and provide their feedback as a collective group.

12.7 Using the various means available to consultees, local people and organisations contributed to the consultation 527 times. Respondents could choose which questions they responded to within the consultation questionnaire, so there are lower response numbers to each question when compared with the overall number of participants, depending on whether participants had a particular interest in the subject matter.

12.8 The consultation focused on the draft budget proposals that would likely affect residents and service users. However, respondents were invited to comment on anything within the draft budget.

12.9 When asked about a general Council Tax increase of 1.99%, 32.3% of respondents said that they strongly agree or tend to agree with the proposed increase, while 57.6% said they strongly disagree or tend to disagree.

12.10 When asked about the proposed 1% precept increase for Adult Social Care, 41.6% of respondents said that they strongly agree or tend to agree with the proposed increase, while 43.3% said they strongly disagree or tend to disagree.

12.11 The feedback on all the proposals, which includes the comments received to the budget proposals, including the Draft Capital Programme 2022-25, is analysed in more detail in Appendix E. Members should ensure they read and consider the analysis and redacted comments that have been made available to them before making their decision on the budget.

13. Scrutiny

13.1 The Finance and Resources Scrutiny Committee considered a report at its meeting on 2nd November on the budget scrutiny process. At its meeting on 18th November the Executive endorsed the approach put forward by the Finance and Resources Scrutiny Committee.

13.2 The scrutiny of the budget took place during January 2022 in order to allow time for the Committee to provide feedback to the Executive at its meeting on 10th February 2022. The Scrutiny of the Budget Process covered the following main service areas:

- Place and Economy
- Adults, Communities and Wellbeing Services, including the HRA
- Children's and Education Services
- Enabling and Support Services – Finance, Transformation and ICT and Legal and Democratic including HR. This also included corporate budgets and Council funding streams.

13.3 There were a total of eight individual Budget Scrutiny Sessions, which consisted of two sessions for each of the four main areas of service detailed in the paragraph above.

13.4 Following the Budget Scrutiny sessions a report was presented by the Finance and Resources Committee at its meeting on 1st February 2022. A copy of the report including the minutes from these meetings is attached at Appendix G.

14. CIPFA Financial Management Code

14.1 CIPFA published a Financial Management Code (FM Code) in December 2021, to be fully implemented in 2023-24. The FM Code requires authorities to demonstrate that the processes they have in place satisfy the principles of good financial management. The Council's has undertaken a review of the Financial Management Code outlining compliance to the code and this is currently being reviewed by Internal Audit and the outcome of this will be reported to a future meeting of the Audit and Governance Committee.

14.2 The FM Code applies a principle-based approach. It requires that a local authority demonstrates that its processes satisfy the principles of good financial management for an authority of its size, responsibilities, and circumstances. The principles are:

- **Organisational leadership** – demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture.

- **Accountability** – based on medium-term financial planning that drives the annual budget process supported by effective risk management, quality supporting data and whole life costs.

- **Financial management** is undertaken with transparency at its core using consistent, meaningful, and understandable data, reported frequently with evidence of periodic officer action and elected member decision making.

- **Adherence to professional standards** is promoted by the leadership team and is evidenced.

- **Sources of assurance are recognised** as an effective tool mainstreamed into financial management, including political scrutiny and the results of external audit, internal audit and inspection.

- The **long-term sustainability of local services is at the heart of all financial management** processes and is evidenced by prudent use of public resources.

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

Section 1: The responsibilities of the chief finance officer and leadership team
Section 2: Governance and financial management style
Section 3: Long to medium-term financial management
Section 4: The annual budget
Section 5: Stakeholder engagement and business plans
Section 6: Monitoring financial performance.
Section 7: External financial reporting

14.4 The FM Code has provided a guide and framework in the setting of the annual budget for 2022-23. The code specifies the following two key areas around Budget Setting – the Council is compliant with both.

- **Standard J**, which requires the authority to comply with its statutory obligations in respect of the budget setting process.

- **Standard K**, which requires the budget report to include a statement by the Chief Finance Officer on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves.

14.5 Section three of the code covers the need for a long-term approach to the evaluation of financial sustainability, recognising that short-termism runs contrary to sound financial management and governance.

15. Section 25 Report - Budget Calculations: Report on the robustness of estimates and adequacy of proposed financial reserves

15.1 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

15.2 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.

15.3 The future uncertainty regarding future funding for local authorities makes a robust and evidenced assessment of financial governance and future resilience very important. The CFO has examined the major assumptions used within the budget calculations to ascertain the levels of potential risk in the assumptions being used. A summary of the key risks is set out in the table below.

Risk	Mitigations
Delivery of a balanced budget beyond 2022-23	Longer term planning will start to look at options and opportunities to address the uncertainty beyond 2022-23, some of which relates to changes in the future funding for Councils and the impact of the Government's levelling up agenda. The Council will be implementing a significant programme of transformation which was set out in the report to Executive at its meeting on 23rd December. This programme will help support the delivery of the corporate plan priorities and improve future resilience. Additional savings proposals will need to be identified by reducing or redesigning services. Given the potential uncertainty and risk, there is forecast year-end balance of £37.0m of smoothing reserves and £25.6m of Business Rates reserves which can help to smooth future budget shocks and support vital services whilst longer term changes are implemented.
COVID-19 pressures continue for a longer period of time into the medium term than included in budget forecasts	Additional funding is being held in a risk-based reserve in order to meet any potential continuing pressures arising from COVID. This risk of COVID-19 is difficult to predict and must recognise the significant vaccination roll out which may help to reduce the threat from this area.
Volatility of resource base including business rates	The Council derives a significant proportion of its funding from business rates and commercial income which may be more susceptible to

Risk	Mitigations
	fluctuations in the economy including the impact of COVID-19. The position on these income streams is monitored each month and reported to the Corporate Leadership team and Executive Members. The Collection Fund is reviewed each year including the provision for appeals in line with current risks and in consideration of External Audit advice. Additional Government support has been provided via the spending review and the Council has been able to place a proportion of this into reserves to assist with future resilience for the Authority. Ultimately the use of reserves such as the business rates reserve can help with immediate movements whilst longer term corrective action is taken.
Non delivery or under delivery of savings within services	Monitoring arrangements are in place to enable early corrective actions to be taken if savings are not delivered as planned. In practical terms the mitigations may also include the use of reserves set aside for such risks or the application of the contingency.
Increasing demand such as Social Care and homelessness is higher than budget assumptions	Additional resources have been included within the Social Care budgets based on assumptions of demand and rising costs for the National Living Wage and the Health and Social Care Levy. Action is being taken within the capital programme to identify investment opportunities to reduce the homelessness pressures with funding available of £2m in 2022-23 and £1m in the following two years. In 2021-22 the Council has also been successful in attracting grant which together with Council funding will provide greater capacity into 2022-23. Children's Social Care is managed within the Children's Trust and funding has been set aside to support investment requests outside the main budget from both revenue (£594k) and capital (£1.0m) budgets which should help achieve greater efficiencies within the service
The final position on brought forward reserves is lower than anticipated following the final accounts certification by External Audit	The level of reserves currently forecast by the Authority should provide the capacity to manage this risk and no significant issues have, as yet been identified in the sovereign district and borough accounts. The accounts for the former County Council are being closed by colleagues in West Northamptonshire and the current forecast

Risk	Mitigations
	for reserves is based on the draft outturn. Regular dialogue sessions take place with finance officers in the West to check on whether any issues are arising. Ultimately the Council will seek to replenish the reserves over the medium term if there is a significant impact following the Audit.
Unplanned and unforeseen consequences and costs arising from the implementation of new or changed systems and processes across service areas within the Council.	Reviews of services and the budgets associated with them will be carried out throughout 2022-23 to ensure that priorities are deliverable within the approved budgets. Application of annual Council Tax increases to provide stability for the longer term. Use of Earmarked Reserves to support one-off costs and to provide the time for appropriate and safe service change.
Overspend on Significant Capital Projects	With rising inflation in the construction sector and elsewhere there is a significant risk of further funding being required for capital projects. The capital strategy is developed to enable the Council to take decisions in line with the Council's priorities. The governance associated with the approval of capital spend requires the submission of detailed business cases for review which set out the strategic fit, timeline, costs, risks and benefits (including any financial returns). The capital programme is monitored on a regular basis. Arrangements are in place to manage individual projects either through specific boards or service management teams. Initial project costings include contingent sums to recognise risk which are built into the budget. Mitigations such as design review and value engineering or scope changes may be sought to avoid project overruns.

15.4 The Council holds a corporate risk register informed by detailed directorate risk registers which are held and reviewed by each Executive Director. The corporate risk register is also considered by the Authority's Audit Committee and inform the Internal Audit plan. Each Service has taken part in the Budget Challenge Sessions and the subsequent Finance and Resources Scrutiny Sessions (of which there were two for each of the main Service areas) to support and explain their budget requirements, including savings and pressures.

15.5 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 are embedded across the authority and ensure that focus is placed on the monitoring of 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. Whilst there is not a definitive calculation for appeals as these are subject to the take up and success of businesses through the Check, Challenge and Appeal process, there is considered to be a prudent provision. The appeals provision is also subject to external audit review.

15.6 North Northamptonshire Council is a relatively new Council, coming into existence on 1 April 2021. The 2022-23 budget continues to have some complexities and risks brought about from the disaggregation of the former County Council's budget and aggregating the District and Borough budgets in 2021-22. Whilst a lot of work has been undertaken to firm up the budgets and realign them for the needs of the Council going forward, inevitably this takes time, recognising that the Council is yet to complete its first year of activity. Based on the information to date and the changes proposed, the CFO considers that the assumptions on which the 2022-23 budget has been based are reasonable. However, she considers it prudent to retain a contingency to address in-year risks and other requirements where the outcome is yet to be determined or quantified.

15.7 The Council has a contingency budget of £4.750m in 2022-23 (£5.724m in 2021-22). This is considered a prudent level of contingency given that less than 50% of the contingency budget has been used in 2021-22 and the level of risk from disaggregating the County Council's budgets, together with any risks that may arise from service demands should lessen during 2022-23. Recurring items funded from the Contingency in 2021-22 have been reflected in the 2022-23 budget.

15.8 The Council holds reserves that can be called on if necessary and the CFO is confident that 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.

15.9 The Council needs to be satisfied that it can continue to meet its statutory duties and, particularly, to meet the needs of vulnerable people. Proposals have been drawn up on the basis that 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

15.10 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 2022 will be £24.2m. This includes an allocation for the split of the County Councils reserves which are still subject to final Audit certification as well as those of the for District and Borough Councils.

15.11 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 forward.

15.12 The Council also has a number of Earmarked General Fund Reserves which are detailed in the 2022-23 budget report. The estimated level of General Fund reserves, excluding Schools, at 1st April 2022 is £111.6m. 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.

15.13 The Council is an extremely complex organisation with a wide scale and diversity of assets, interests, liabilities and other responsibilities. By their nature many of the risks are unknown and cannot be quantified, particularly in the current challenging financial climate. It is therefore essential that the Council maintains adequate general reserves, particularly as a result of COVID and the challenges that this brings to delivery of key demand led services.

15.14 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.

15.15 The Council's reserves may be required from 2023-24 to smooth potential reductions in government funding bought about by the resetting of the Business Rates System and the Fair Funding review. This is an area and approach that the Council will have to keep under review.

15.16 The Chartered Institute of Public Finance and Accountancy (CIPFA) have carried out 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 £14.8m and £29.5m. The estimated level of general reserves for the Council as at 1 April 2022 is £24.1m (c8.2% of the net budget).

15.17 Although this level of General Fund Reserve may be slightly above what is considered the absolute minimum level, the CFO considers that the General Reserve should be protected at its current level in order to protect the Council from the financial risks inherent within the proposed budget strategy as previously set out. Any variation in spend at the year's outturn will also affect the level of General Fund Reserve available next year.

Fiduciary and Statutory Considerations

15.18 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

15.19 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.

15.20 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.

15.21 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

15.22 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.

15.23 Section 28 of the Local Government Act 2003 also imposes a statutory duty on the Council to monitor during the financial year its expenditure and income against the budget calculations. If the monitoring establishes that the budgetary situation has deteriorated, the Council must take such action as it considers necessary to deal with the situation. This might include, for instance, action to reduce spending in the rest of the year, or to increase income, or to finance the shortfall from reserves.

15.24 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.

15.25 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

15.26 In considering the budget for 2022-23 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.

15.27 The Council will continue to use its Equality Impact Screening 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 North Northamptonshire.

Financial Governance.

15.28 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.

16. Implications (including financial implications)

Resources and Transformation

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

16.2 The Draft Transformation Plan was presented to the Executive on 23rd December 2021, outlining the range of programmes and projects to be undertaken from 2022 to 2024. The plan will now go through the process of prioritisation with Members in a session at the end of February, considered by the Executive Advisory Panel Service Delivery, Performance and Customers in March and reviewed and revised in line with the feedback received through the budget consultation process. The final plan will be brought to Executive in April. As outlined in paragraph 2.10 of this report, the delivery of that plan is essential to ensuring the Council can demonstrate value for money, improve services to its residents, and achieve efficiencies.

Legal

16.3 The provisions of the Local Government Finance Act 1992 set out what the Council has to base its budget calculations upon and require the Council to set a balanced budget with regard to the advice of its Chief Finance Officer (Section 151 Officer).

16.4 Under the Local Government Finance Act 1992, the council has a statutory duty to consult ratepayer representatives on its annual spending proposals, ahead of setting its budget.

16.5 Under the Local Government Act 1999 the council has a statutory duty to consult representatives of a wide range of local persons. It also has a duty to consult ratepayer representatives to help ensure that service delivery is continuously improved in relation to economy, efficiency and effectiveness.

16.6 The Equality Act 2010 addresses discrimination and inequalities and protects all individuals from unfair treatment. The council has a number of statutory duties arising from the Act to better advance equality into our service planning and decision-making processes.

Risks

16.7 The basis of the budget strategy will ensure that the Council delivers a balanced budget for 2022-23 in February 2022; however, there are risks that may cause expenditure to increase or income to reduce. Consequently, income and expenditure levels will be kept under review throughout the budget process.

16.8 It is recognised that as a relatively new Council there will be inherent risks within the process. A significant proportion of the Council's budget in 2021-22 was prepared based on the disaggregation of County Council budgets, and this actual spend is likely to differ from this to some extent as spending patterns take shape that are specific to North Northamptonshire.

16.9 There are also several lead and host arrangements for which budgets need to be confirmed for future years alongside disaggregation of some services that were previously operated across Councils, most notably North Northamptonshire and West Northamptonshire.

16.10 The task of planning how the 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.

16.11 Significant risks for the 2022-23 budget includes the disaggregation of the County Council's service delivery budgets and balance sheet between the North and West, which could give rise to additional budget pressures and the ongoing impact of COVID-19 on the Council's resources and transformation programme.

16.12 Any risks or benefits crystallising in 2021-22 and 2022-23 will be managed within the wider budget and the Medium-Term Financial Plan will be updated accordingly.

Consultation

16.13 The formal consultation on the draft budget proposals commenced on 23rd December 2021 and concluded on 28th January 2022 to allow time for it to feed into the preparation of the final budget proposals for this meeting of the Executive and for the Council meeting on 24th February 2022.

16.14 The structure and design of the consultation set out the budget proposals and enabled both online and non-digital means of participation, in accordance with good practice. This is to ensure the widest possible reach, a variety of consultation methods will be used to maximise the range of accessible channels for consultees, these include:

- Online survey – available free at 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 key stakeholders, inviting them to comment through the above consultation channels and asking them to promote the consultation to their members/community: e.g. partner organisations, MPs, Town and Parish Councils, Voluntary Sector Infrastructure Organisations.
- Emails to Residents' Panel members and other stakeholders who have registered to receive consultation alerts, inviting them to comment through the above consultation channels.

16.15 The purpose of the consultation was to ensure that, when the Final Budget is considered by Council on 24th February 2022, Members are fully aware of the consultation feedback and are in a position to 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.

16.16 Section 12 of this report provides a summary of the Consultation responses and further details are set out in Appendix E.

Consideration by Scrutiny

16.17 The Finance and Resources Scrutiny Committee had a critical role to play in scrutinising and reviewing the budget proposals, ensuring that they were subject to rigorous challenge, comments from the Scrutiny process are set out in Appendix G of this report.

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

16.19 The scrutiny of the budget proposals took place following the presentation of the 2022-23 budget to Executive on 23rd December 2021 and was completed on 28th January 2022.

16.20 A total of eight Budget Scrutiny sessions were undertaken and covered the following main service areas:

- Place and Economy (07/01/22 and 18/01/22)
- Adults, Communities and Wellbeing Services, including the HRA (06/01/22 and 19/01/22)
- Children's and Education Services – including the Children's Trust (11/01/22 and 17/01/22)
- Enabling and Support Services – Finance, Transformation and ICT, and Legal and Democratic and HR (13/01/22 and 24/01/22)

16.21 The relevant senior Council Officers and Executive Member portfolio holders attended each scrutiny session to answer questions put forward by the Committee Members and supply further information as requested. The sessions included revenue budgets and the capital programme for each of the main service areas.

16.22 Each service area, as outlined above, attended its respective scrutiny session to present its service and budget plans. The Finance and Resources Scrutiny Committee scrutinised each plan and where further details were requested on a particular area, these were either discussed at that session or at a subsequent follow up session.

16.23 The outcome from the scrutiny process is included in this report for consideration by the Executive prior to the Executive making its decisions on the budget to recommend to Budget Council on 24th February.

Equality Impact

16.24 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.

16.25 The Council must demonstrate compliance with the duties in its decision-making processes, which it does so by requiring decisions made at Executive 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
- Sex
- Disability
- Gender reassignment
- Race
- Sexual Orientation

- Marriage and civil partnership
- Pregnancy and maternity
- Religion or belief (including no belief)

16.26 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.

16.27 Equality Screening Assessments (EqIAs) were available throughout the consultation process in draft form. Appendix E sets out the Equality Screening Assessment for the budget proposals.

Climate Impact

16.28 North Northamptonshire Council has adopted a Climate framework and action plan (March 2021) and in July 2021 declared a Climate and Environment Emergency as first steps in its strategic journey on climate change mitigation. As part of this declaration, a commitment was made to develop a Climate Change Action Plan, setting out the earliest date that the council and the area can be carbon neutral, and establishing targets to meet that date.

16.29 Significant progress has been made and reported into the Climate, Growth and Environment Executive Advisory Panel at regular intervals and in November the Climate Change Route Map was presented which detailed key actions that will be undertaken over the next 12 months. Further reports linked to elements of the Route Map will continue to be reported into the Advisory Panel throughout 2022.

16.30 The £1m pump priming investment proposed over the next three years will enable the council to develop a robust response to the impact of climate change including developing its own carbon management plan.

16.31 Among the Council's priorities will be putting in place carbon literacy training for elected members and staff, a management system to manage and monitor its own carbon footprint as well as plans to improve the local environment and sustainable travel.

16.32 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 2022-23 budget.

Community Impact

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

Crime and Disorder impact

16.34 None

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.

- Draft Budget 2022-23 and Medium Term Financial Plan 23rd December 2022 (Executive)
  Draft Budget 2022-23 and Medium-Term Financial Plan.pdf (moderngov.co.uk)

- Spending Review Announcement 27th October 2021:
  https://www.gov.uk/government/publications/autumn-budget-and-spending-review-2021-documents

- Suite of Budget reports to North Northamptonshire Shadow Authority, 25th February 2021 (Budget Council):
  https://northnorthants.moderngov.co.uk/CeListDocuments.aspx?CommitteeId=138&MeetingId=109&DF=25%2f02%2f2021&Ver=2

- Suite of Budget reports to North Northamptonshire Shadow Executive Committee 10th February 2021:
  https://northnorthants.moderngov.co.uk/CeListDocuments.aspx?CommitteeId=139&MeetingId=120&DF=10%2f02%2f2021&Ver=2

Draft Budget Summary 2022-23 Appendix A

	2022/23 £000	2023/24 £000	2024/25 £000
Base Gross Budget (excluding DSG Funded)	292,505	295,907	308,660
Base Gross Budget (DSG Funded)	332,262	332,262	330,372
Total Base Gross Budget	**624,767**	**628,169**	**639,032**
Adjustments to Base Budget by Assistant Director			
Adults, Wellbeing and Communities			
Commissioning and Performance	1,279	(1,976)	(1,225)
Adult Services	1,781	10,755	9,870
Housing and Communities	(776)	0	0
Public Health	(5,997)	0	0
Children and Education			
Assistant Director Education	2,424	(578)	293
Commissioning & Partnerships (includes client role for Children´s Trust)	203	20	(8)
Place and Economy			
Growth and Regeneration	106	(314)	(11)
Assets and Environment	(1,075)	(114)	14
Highways and Waste	2,565	1,321	1,303
Regulatory Services	(116)	(179)	6
Enabling Services			
Finance Accountancy	(989)	30	30
Revenues and Benefits	(230)	0	0
Legal and Democratic Services	238	(188)	32
IT & Transformation	945	(306)	(100)
Corporate Services	3,044	4,281	4,761
Net Budget Movement	**3,402**	**12,753**	**14,965**
DSG – reversal of additional funding in 2022-23	0	(1,890)	0
Base Budget (excluding DSG Funded)	**295,907**	**308,660**	**323,625**
Base Budget (DSG Funded)	**332,262**	**330,372**	**330,372**
Net Budget	**628,169**	**639,032**	**653,997**

	2022/23	2023/24	2024/25
	£000	**£000**	**£000**
Funded By:			
New Homes Bonus	(4,069)	0	0
Business Rates Funding Baseline	(85,736)	(66,005)	(67,187)
Business Rates Collection Fund	6,154	575	0
Council Tax	(178,471)	(180,255)	(182,058)
Collection Fund (Council Tax)	3,149	475	0
Revenue Support Grant	(4,910)	(4,910)	(4,910)
Social Care Grant	(11,427)	(11,427)	(11,427)
Service Grant	(3,914)	0	0
Other Adults	(852)	(5,621)	(8,030)
Other Funding*	0	(2,273)	(2,273)
DSG Grant	(332,262)	(330,372)	(330,372)
Improved Better Care Fund	(11,522)	(11,522)	(11,522)
Rural Services Delivery Grant	(35)	(35)	(35)
Lower Tier Support Funding	(425)	0	0
Transfer to / (From) Reserves	(2,641)	(2,470)	(2,270)
Total Funding	**(628,169)**	**(613,840)**	**(620,084)**
Remaining Savings Requirement	**0**	**25,192**	**33,913**

*Assumes allocation of National Funding in 2023/24 and 2024/25 is equivalent to the Council's Settlement Funding Assessment (SFA)

Adults, Communities & Wellbeing Summary Movement By Assistant Director	Opening Net Budget	2022/23 £000 120,581	2023/24 £000 116,868	2024/25 £000 125,647
Commissioning and Performance		**1,279**	**(1,976)**	**(1,225)**
Adult Services		**1,781**	**10,755**	**9,870**
Housing and Communities		**(776)**	**0**	**0**
Public Health		**(5,997)**	**0**	**0**
Adults, Communities & Wellbeing Total	**Closing Net budget**	**116,868**	**125,647**	**134,292**

Category	Proposal Title	Proposal Description	2022/23 £000	2023/24 £000	2024/25 £000
Commissioning & Performance		**Opening Budget**	**3,661**	**4,940**	**2,964**
Contract Changes & Other Inflation	Shaw PPP inflation	Contractual annual inflation obligations for Shaw Public Private Partnership (PPP) contract.	267	274	287
Service Change/Development	Voluntary Sector Support	Additional Support to the Voluntary Sector – end of three-year additional funding occurs in 2024/25	0	0	(200)
Technical Changes	Residential Beds	Net costs estimated against the potential bed usage within the PFI establishments	1,000	0	0
Technical Changes	Equipment Services	Spend previously capitalised. Revenue requirement to offset the income assumptions.	1,300	0	0
Total Pressures			**2,567**	**274**	**87**
Service Change/Development	Shaw PPP	Reduction in number of residential placements made in the independent sector owing to increased utilisation beds in PPP properties	(497)	(1,192)	(695)
Service Change/Development	Shaw PPP	Increase utilisation of capacity within discharge to access	(441)	(1,058)	(617)
Transformation	Voluntary Care Sector Delivery	Front door direction to Voluntary Care Sector (VCS) delivery as appropriate	(110)	0	0
Contract Changes & Other Inflation	Contract Rationalisation	Review of smaller contracts for efficiencies	(60)	0	0
Transformation	Extra care expansion	Contract Rationalisation	(180)	0	0
Total Savings			**(1,288)**	**(2,250)**	**(1,312)**
Net Pressures & Savings			**1,279**	**(1,976)**	**(1,225)**

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Commissioning & Performance		**Closing Budget**	**4,940**	**2,964**	**1,739**
Category	**Proposal Title**	**Proposal Description**	**2022/23 £000**	**2023/24 £000**	**2024/25 £000**
Adult Services		**Opening Budget**	**88,699**	**90,480**	**101,235**
Contract Changes & Other Inflation	Contractual Inflation Adult Social Care	Contractual Inflation for independent care placements incorporating National Living Wage pressures for social care providers.	5,198	5,362	5,712
Demographic/service demand	Demographic and prevalence pressures adult social care	Budgeted growth to cover the increased cost of new clients eligible for social care with increased acuity and complex needs.	1,079	1,149	1,219
Demographic/service demand	Mental Health Demographic Pressures	Budgeted growth to cover the increased cost of new mental health clients eligible for care.	515	526	530
Service Change/Development	Social Care Reform Changes	Impact of social care reform and the introduction of the care cap of £86k from October 2023, which is a lifetime contribution of care costs, impact of means testing and fair funding for self-funders. The pressures have been included based on the assessment of the grant funding available. This may change subject to the outcome of the Finance Settlement.	852	4,818	2,409
Demographic/Service demand	Additional Improved Better Care Funding	Increase expenditure due to additional grant funding	336		
COVID related	CCG Discharge Packages Covid 19	Reversal of one off Covid Pressure in 2021/22	(3,399)	(513)	0
Total Pressures			**4,581**	**11,342**	**9,870**
Service Change/Development	Rapid response falls & admission avoidance service - Full year effects of previous decisions	A service (initially funded by business rate pilot fund) provided by health, social care and East Midlands Ambulance Service providing support following falls in the home to reduce hospital admissions and likelihood of long-term social care.	(647)	0	0
Service Change/Development	Strengths based working - Full year effects of previous decisions	Transformation of adult social care pathways and processes to ensure focus on client outcomes, independence, better decision making and best practice approaches to reduce delays and spend.	(2,153)	(587)	0
Total Savings			**(2,800)**	**(587)**	**0**
Net Pressures & Savings			**1,781**	**10,755**	**9,870**

List of Budget Proposals 2022/23 to 2024/25 **Appendix B**

Adult Services		**Closing Budget**	**90,480**	**101,235**	**111,105**
Safeguarding and Wellbeing		**Opening Budget**	**11,133**	**11,133**	**11,133**
Safeguarding and Wellbeing		**Closing Budget (no change)**	**11,133**	**11,133**	**11,133**
Category	**Proposal Title**	**Proposal Description**	**2022/23 £000**	**2023/24 £000**	**2024/25 £000**
Housing and Communities		**Opening Budget**	**11,090**	**10,314**	**10,314**
Technical changes	Chester House Estate	Reduction in income due to withdrawal of West Northamptonshire Council from shared support for the Estate	124	0	0
Demographic/service demand	Temporary Accommodation	Estimated increase in cost of temporary accommodation	80	0	0
Service Change/Development	Gallery Museum and Library	Realignment of service delivery	50	0	0
Service Change/Development	Community Events	Community events programme delivery	30	0	0
Contract Changes & Other Inflation	Theatre Interim Management Costs - Full year effects of previous decisions	Reduction in Contract Costs relating to the Castle Theatre	(98)	0	0
Covid Related	Leisure	Reversal of one off Covid Pressure in 2021/22	(962)	0	0
Total Pressures			**(776)**	**0**	**0**
Net Pressures & Savings			**(776)**	**0**	**0**
Housing and Communities		**Closing Budget**	**10,314**	**10,314**	**10,314**
Category	**Proposal Title**	**Proposal Description**	**2022/23 £000**	**2023/24 £000**	**2024/25 £000**
Public Health		**Opening Budget**	**5,997**	**0**	**0**
Technical Change	Realignment of Grant	Realignment of grant following disaggregation	596		
Covid Related	COMF Test & Trace	Reversal of one-off fully funded expenditure relating to COMF Test & Trace – originally funded through a rollover of grant into reserves.	(6,593)	0	0
Total Pressures			**(5,997)**	**0**	**0**
Net Pressures & Savings			**(5,997)**	**0**	**0**
Public Health		**Closing Budget**	**0**	**0**	**0**

List of Budget Proposals 2022/23 to 2024/25 **Appendix B**

Children & Education			**2022/23 £000**	**2023/24 £000**	**2024/25 £000**
Summary Movement By Assistant Director		**Opening Net Budget**	**59,498**	**62,125**	**61,567**
Assistant Director Education			**2,424**	**(578)**	**293**
Commissioning & Partnerships (includes client role for Children´s Trust)			**203**	**20**	**(8)**
Children & Education Total		**Closing Net Budget**	**62,125**	**61,567**	**61,852**
Category	**Proposal Title**	**Proposal Description**	**2022/23 £000**	**2023/24 £000**	**2024/25 £000**
Assistant Director Education		**Opening Budget**	**3,332**	**5,756**	**5,178**
Technical Change	Central Schools Services Block DSG funding reduction	The Government have announced a 20% annual reduction in the historical funding element of the Central Schools Services Block. This funding supports expenditure on statutory education services which the authority is unable to reduce in line with the reduction in Central Government funding. This proposal therefore replaces DSG funding of these services with Council general fund.	458	366	293
Demographic/service demand	DFE SEND Review/Multi Agency SEND Self-Assessment and Action Plan	Additional resources to meet the increase and clear the back log relating to Education and Health Care Plans	700	(350)	0
Technical Change	DSG Funding Cessation	Cessation of DSG funding – costs allocated to the General Fund	600	0	0
Demographic/service demand	Safeguarding in Education	Increase in demand driven by safeguarding investigations forwarded from Ofsted	72	0	0
Technical Change	Contribution to Children's Trust	Investment for Children's Trust	594	(594)	
Total Pressures			**2,424**	**(578)**	**293**
Net Pressures & Savings			**2,424**	**(578)**	**293**
Assistant Director Education		**Closing Budget**	**5,756**	**5,178**	**5,471**

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Category	Proposal Title	Proposal Description	2022/23 £000	2023/24 £000	2024/25 £000
Commissioning & Partnerships (includes client role for Children´s Trust)		**Opening Budget**	**56,166**	**56,369**	**56,389**
Contract & Other Inflation	Contractual Inflation Children First Northamptonshire	Contractual inflationary pressures in existing care placements contracts and in house allowance uplifts.	133	20	(8)
Pay	Pay	Additional costs for full time Director Children's Services	70	0	0
Total Pressures			**203**	**20**	**(8)**
Net Pressures & Savings			**203**	**20**	**(8)**
Commissioning & Partnerships (includes client role for Children´s Trust)		**Closing Budget**	**56,369**	**56,389**	**56,381**

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Place & Economy Summary Movement By Assistant Director	Opening Net Budget	2022/23 £000 54,617	2023/24 £000 56,097	2024/25 £000 56,812
Growth and Regeneration		**106**	**(314)**	**(11)**
Assets and Environment		**(1,075)**	**(114)**	**14**
Highways and Waste		**2,565**	**1,321**	**1,303**
Regulatory Services		**(116)**	**(179)**	**6**
Directorate Management		**0**	**0**	**0**
Place & Economy	**Closing Net Budget**	**56,097**	**56,812**	**58,124**

Category	Proposal Title	Proposal Description	2022/23 £000	2023/24 £000	2024/25 £000
Growth and Regeneration		**Opening Budget**	**4,037**	**4,143**	**3,829**
Technical changes	Grant Funded Expenditure	Reversal of Grant funded expenditure for the former NN Joint Planning & Delivery Unit and Capacity Fund financed by reserves in 2021/22	(403)	0	0
Service Change/Development	Climate Change	Delivery of a range of climate change initiatives to reduce NNC's carbon footprint towards net zero	500	(250)	0
Service Change/Development	Kettering Markets	Transfer of Kettering Markets to Kettering Town Council	16	0	0
Technical changes	Planning Income	Budget realigned to reflect demand	179	0	0
Total Pressures			**292**	**(250)**	**0**
Service Change/Development	Enterprise Centre Business Case - Full year effects of previous decisions	Increase in income based on appointed operators' business case.	(178)	(64)	(11)
Technical Change	Subscriptions	Rationalisation of subscriptions in Planning Services	(8)	0	0
Total Savings			**(186)**	**(64)**	**(11)**
Net Pressures & Savings			**106**	**(314)**	**(11)**
Growth and Regeneration		**Closing Budget**	**4,143**	**3,829**	**3,818**
Category	**Proposal Title**	**Proposal Description**	**2022/23 £000**	**2023/24 £000**	**2024/25 £000**
Assets and Environment		**Opening Budget**	**1,138**	**63**	**(50)**

Place & Economy			2022/23 £000	2023/24 £000	2024/25 £000
Contract & Other Inflation	Utilities Inflation	Inflationary pressure on utilities contracts.	228	20	3
Service Change/Development	High Street HAZ Project - Full year effects of previous decisions	Resources required for the Heritage Action Zone Scheme (HAZ) as previously approved in the funding bid	0	0	100
Covid Related	Commercial Income	Part reversal of one off Covid Pressure in 2021/22	(572)	0	0
Contract & Other Inflation	Place Contract Inflation	Contract inflation	30	21	21
Total Pressures			**(314)**	**41**	**124**
Additional Income	Additional income	Garage Income	(10)	(10)	(10)
Service Change/Development	High Street HAZ Project	One off funding for the Heritage Action Zone Project (HAZ) previously approved - Full year effects of previous decisions	0	0	(100)
Transformation	Traffic Flow Management	Income derived from dedicated routes to aid traffic flow across North Northamptonshire	(482)	0	0
Transformation	Assets & Environment redesign	Assets & Environment Service Improvement and Redesign	(95)	(95)	0
Service Change/Development	Promote food waste	Benefit of promoting the food waste service in the Corby and East Northants area	(40)	(50)	0
Additional Income	Commercial Income	Additional income from Enterprise/Innovation Centres	(50)	0	0
Transformation	Reduction in costs asset portfolio	Efficiency savings from temporary building hibernation.	(84)	0	0
Total Savings			**(761)**	**(155)**	**(110)**
Net Pressures & Savings			**(1,075)**	**(114)**	**14**
Assets and Environment		**Closing Budget**	**63**	**(50)**	**(36)**

List of Budget Proposals 2022/23 to 2024/25 **Appendix B**

Category	Proposal Title	Proposal Description	2022/23 £000	2023/24 £000	2024/25 £000
Highways and Waste		**Opening Budget**	**46,214**	**48,779**	**50,101**
Contract & Other Inflation	Place Contract Inflation	Contract inflation	121	81	82
Contract Change & Other Inflation	Home to School Transport Inflation	Contractual inflation for home to school transport provision	334	347	350
Contract Change & Other Inflation	Street Lighting PFI Inflation	Contractual inflation for Street Lighting Private Finance Initiative scheme.	107	111	113
Demographic/service demand	Volume changes on Waste Budgets	Forecast based on projections of how much waste will be produced in the area including recycling, composting and food waste tonnages.	113	190	202
Demographic/service demand	Home to School Transport Demography	Change required reflecting the population trend in the county, including the projected increase in the Special Educational Needs (SEN) / Education Health & Care Plan (EHCP) population. Trend analysis has been used to provide a forecast position.	47	56	65
Service Change/Development	Waste Collection	Introduction of waste electrical and electronic equipment (WEEE) collections in Kettering and Corby	30	0	0
Service Change/Development	Bus Service Support	Implementation of the Bus Services Improvement Plan (BSIP)	245	0	0
Legislative changes	Home to school transport	Legislation change prevents charging passengers if the vehicle is not accessibly compliant	150	0	0
Service Change/Development	Transport Planning	Active Travel - scheme design and planning	215	0	0
Contract Change & Other Inflation	Transport Planning	Home to School Transport	870		
Service Change/Development	Highways Contract	Demobilisation costs for existing highways contract – one-off	201	(201)	0
Transformation	Highways Service Team	Client Team to manage the Highways Contract for NNC	525	375	0
Contract Changes & Other Inflation	Highways Contract	Higher contract costs – expected from September 2022	455	0	0
Technical Change	Concessionary Fares	Disaggregation of concessionary fares budget – previously reported in 2021-22	(600)	0	0
Service Change/Development	Subsidised Bus Services	Potential funding gap between funding available from Parish councils and expected costs of services	30	0	0
Covid Related	Household Waste Collection	Reversal of one off Covid Pressure in 2021/22	(25)	0	0
Contract Changes & Other Inflation	Waste Collection	Fleet Costs	148		
Contract Change & Other Inflation	Place Contract Inflation	Contract inflation	724	481	491

List of Budget Proposals 2022/23 to 2024/25

Appendix B

Category	Proposal Title	Proposal Description	2022/23 £000	2023/24 £000	2024/25 £000
Total Pressures			**3,690**	**1,440**	**1,303**
Demographic/service demand	Concessionary Fares - Full year effects of previous decisions	Removal of surplus budget for Concessionary Fares based on forecast underutilisation of the scheme.	(118)	(119)	0
Contract & Other Inflation	Highways Contract Procurement	Partial release of the budget for the procurement which was originally included within the 2021-22 MTFP for the new highway services contract.	(275)	0	0
Transformation	Waste Team redesign	Service Improvement and Redesign to create a single tier waste authority	(70)	0	0
Demographic/service demand	Trade Waste	Increase in trade waste income	(216)	0	0
Service Change/Development	Reuse & Recycling	Savings on co-mingled waste and food	(280)	0	0
Demographic/service demand	Waste Management	Lower than anticipated tonnages for domestic waste etc	(165)	0	0
Total Savings			**(1,124)**	**(119)**	**0**
Net Pressures & Savings			**2,566**	**1,321**	**1,303**
Highways and Waste		**Closing Budget**	**48,779**	**50,101**	**51,404**

List of Budget Proposals 2022/23 to 2024/25 **Appendix B**

Category	Proposal Title	Proposal Description	2022/23 £000	2023/24 £000	2024/25 £000
Regulatory Services		**Opening Budget**	**2,611**	**2,495**	**2,316**
Covid Related	Building Control Income	Reversal of one off Covid Pressure in 2021/22	(7)	0	0
Contract Changes & Other Inflation	Place Contract Inflation	Contract inflation	8	6	6
Total Pressures			**1**	**6**	**6**
Technical Changes	Land charges - Full year effects of previous decisions	Adjustment to budget to reflect the closure of Land and Property Data Project	(48)	0	0
Transformation	Regulatory Services (Env Health, Building Control/LLC, Trading Standards and Bereavement Services Teams) redesign	Regulatory Services redesign and Service Improvement	(69)	(185)	0
Total Savings			**(117)**	**(185)**	**0**
Net Pressures & Savings			**(116)**	**(179)**	**6**
Regulatory Services		**Closing Budget**	**2,495**	**2,316**	**2,322**

List of Budget Proposals 2022/23 to 2024/25 **Appendix B**

Category	Proposal Title	Proposal Description	2022/23 £000	2023/24 £000	2024/25 £000
Directorate Management		**Opening Budget**	**617**	**617**	**617**
Directorate Management		**Closing Budget**	**617**	**617**	**617**

List of Budget Proposals 2022/23 to 2024/25 **Appendix B**

Enabling & Support Services Summary Movement By Assistant Director	Opening Net Budget	2022/23 £000 33,859	2023/24 £000 33,823	2024/25 £000 33,359
Finance Accountancy		**(989)**	**30**	**30**
Revenues and Benefits		**(230)**	**0**	**0**
Legal and Democratic Services		**238**	**(188)**	**32**
IT & Transformation		**945**	**(306)**	**(100)**
Enabling & Support Services	**Closing Net Budget**	**33,823**	**33,359**	**33,321**

Category	Proposal Title	Proposal Description	2022/23 £000	2023/24 £000	2024/25 £000
Finance Accountancy		**Opening Budget**	**12,487**	**11,498**	**11,528**
Contract Changes & Other Inflation	Insurance Contract	Insurance Contract Inflation	30	30	30
Technical changes	Closure of Accounts resources - Reversal of previous pressure	Cessation of one-off resources for legacy closure and accounts, and subsequent audit.	(600)	0	0
Technical changes	Insurance	Municipal Mutual Insurance Historic Liabilities in the Scheme of Arrangement	30	0	0
Technical changes	Grant Funded Expenditure - Reversal of previous pressure	Reversal of grant expenditure in 2021-22	(449)		
Total Pressures			**(989)**	**30**	**30**
Net Pressures & Savings			**(989)**	**30**	**30**
Finance Accountancy		**Closing Budget**	**11,498**	**11,528**	**11,558**

List of Budget Proposals 2022/23 to 2024/25 **Appendix B**

Category	Proposal Title	Proposal Description	2022/23 £000	2023/24 £000	2024/25 £000
Revenues and Benefits		**Opening Budget**	**1,806**	**1,576**	**1,576**
Additional Income	Housing Benefit Subsidy	Additional income relating to Housing Benefit Subsidy	(148)	0	0
Additional Income	Business Rates Cost of Collection	Additional income in relation to costs of collection for business rates	(53)	0	0
Technical changes	Blue badge income	Additional income not previously budgeted for due to the disaggregation of NCC	(29)	0	0
Total Savings			**(230)**	**0**	**0**
Net Pressures & Savings			**(230)**	**0**	**0**
Revenues and Benefits		**Closing Budget**	**1,576**	**1,576**	**1,576**

List of Budget Proposals 2022/23 to 2024/25 **Appendix B**

Category	Proposal Title	Proposal Description	2022/23 £000	2023/24 £000	2024/25 £000
Legal and Democratic Services		**Opening Budget**	**7,772**	**8,010**	**7,822**
Technical changes	Democratic Services Budget Realignment	Budget Realignment following use of contingency in 2021-22 recognising reversal of 2021-22 saving	400	32	32
Transformation/Service Change	Pay and Grading Review	Pay and Grading Review	220	(220)	0
Pay	New AD Post	New Assistant Director post for legal services	123	0	0
Service Change/Development	Democratic Services – Support for Communities	Funding for Community Based Support	95	0	0
Total Pressures			**838**	**(188)**	**32**
Technical changes	Local Elections	Removal of expenditure included in base for local elections	(450)	0	0
Technical changes	Local Elections	Contribution to reserves for future local elections	(150)	0	0
Total Savings			**(600)**	**0**	**0**
Net Pressures & Savings			**238**	**(188)**	**32**
Legal and Democratic Services		**Closing Budget**	**8,010**	**7,822**	**7,854**

List of Budget Proposals 2022/23 to 2024/25 **Appendix B**

Category	Proposal Title	Proposal Description	2022/23 £000	2023/24 £000	2024/25 £000
IT & Transformation		**Opening Budget**	**11,794**	**12,739**	**12,433**
Demographic/service demand	IT Costs	Increase in IT Costs due to increased licencing costs.	100	0	0
Technical changes/Transformation	Eclipse	Rollout of the Eclipse social care case management system across Children's and Adults Social Care, to replace the Care first system.	35	0	0
Contract Changes & Other Inflation	Licence Costs	MS 365 licence costs – budget realignment – previously funded from contingency in 2021/22	635	0	0
Contract Changes & Other Inflation	Licence Costs	Capita licence costs not included in base budget for Wellingborough Systems	75	0	0
Technical changes	Technical Changes	Unachievable savings and efficiencies	300	0	0
Contract Changes & Other Inflation	Business Support Shared Service	Additional costs of business support due to income savings targets not being achieved and changes to contract costs	214	0	0
Transformation	ICT Disaggregation	Upfront work needed for ICT disaggregation – one-off	100	(100)	0
Covid Related	Additional costs of remote working.	Reversal of one off Covid Pressure reflected in 2021/22	(250)	0	0
Total Pressures			**1,209**	**(100)**	**0**
Contract Changes & Other Inflation	ICT Contract Rationalisation	Rationalisation of service contract	0	(50)	(50)
Contract Changes & Other Inflation	ICT application rationalisation	Rationalisation of service usage	0	(50)	(50)
Transformation	Customer relationship management system	Case management system replacement & Telephony	(264)	(106)	0
Total Savings			**(264)**	**(206)**	**(100)**
Net Pressures & Savings			**945**	**(306)**	**(100)**
IT & Transformation		**Closing Budget**	**12,739**	**12,433**	**12,333**

List of Budget Proposals 2022/23 to 2024/25 **Appendix B**

Corporate			2022/23 £000	2023/24 £000	2024/25 £000
		Opening Net Budget	**23,950**	**26,994**	**31,275**
Category	**Proposal Title**	**Proposal Description**	**2022/23 £000**	**2023/24 £000**	**2024/25 £000**
Technical Changes	MRP	Increase in the Minimum Revenue Provision (MRP) budget reducing the Council's Capital Financing Requirement	1,549	1,538	1,535
Technical Changes	Contingency Budget	Changes to the Corporate Contingency Budget following review	(974)	0	0
Pay	Forecast pay changes	Pay Contingency and recurring funding for pay increase to Real Living Wage in 2021-22 – held centrally until allocation confirmed	4,252	3,085	3,226
Technical changes	Grant Funded Expenditure – Reversal of one-off spend in 2021/22	Community Projects Revenue Contribution to Capital (RCCO) in 2021/22 this reflects the RCCO being removed in 2022/23	(342)	0	0
Transformation	BR Scheme - Customer Contact & Digital – Reversal of One-off spend from 2021/22	Revenue Contribution to Capital (RCCO) for Customer Contact & Digital Schemes in 2021/22 this reflects the RCCO being removed in 2022/23	(1,875)	0	0
Technical changes	Reduction in interest income achievable due to low interest rates	Impact of low interest rates on interest income receivable	40	0	0
Technical changes	Treasury - Capitalisation of Interest	Disaggregated budget relates to capitalisation of interest, which is reversed as not achievable	282	0	0
Technical changes	Treasury - Income from Equities	Dividend never paid out within County Council, income not achievable	212	0	0
Covid Related	Treasury Management	Reversal of Covid Pressure – based on interest recovery by 2023/24	0	(342)	0
Contract & Other inflation	Contract	Impact of disaggregation of Insurance budget and provision of excess claims	400		
Total Pressures			**3,544**	**4,281**	**4,761**
Technical changes	Treasury Investments	Increase investments in property funds	(500)	0	0
Total Savings			**(500)**	**0**	**0**
Corporate		**Closing Net Budget**	**26,994**	**31,275**	**36,036**

Appendix C

Dedicated Schools Grant (DSG)

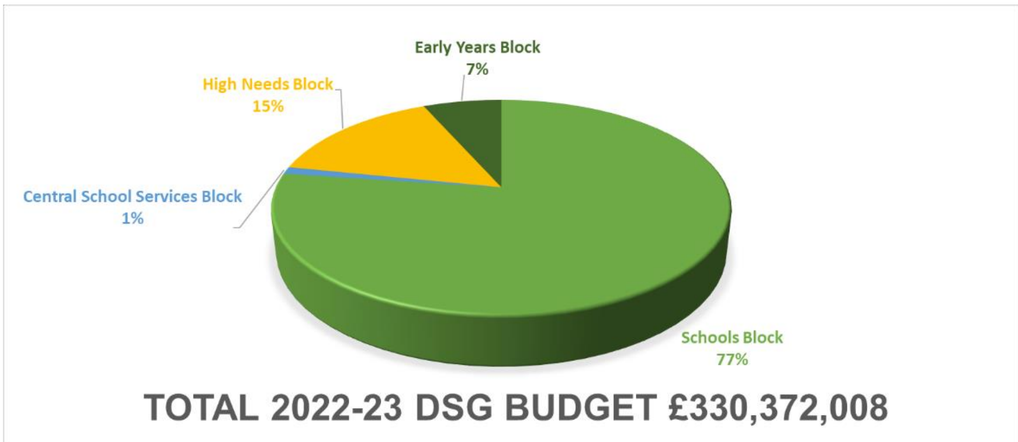
1. Background

1.1 The Dedicated Schools Grant (DSG) is a ring-fenced grant allocated to the authority by the Government to support a range of education related services. The majority (>90%) of the DSG is allocated to the Local Authority (LA) and paid to providers based on a national formula which funds direct education provision including schools (local authority maintained and academies), early years' providers and high needs education in Further Education (age 16 to 24). The remaining 10% is paid to nurseries, schools and higher education institutions for:

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

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

1.3 The Department for Education (DfE) currently operate a 4-block funding model for funding schools and pre-16 education including early years. The level of funding received for North Northamptonshire Council is set out in the following Chart.



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

1.5 The total DSG that the Authority receives is based on all schools' pupil numbers as per census data for the county irrespective of whether it is a maintained school or an academy. Each of the four blocks is allocated to the LA on a different basis.

1.6 **Schools Block**

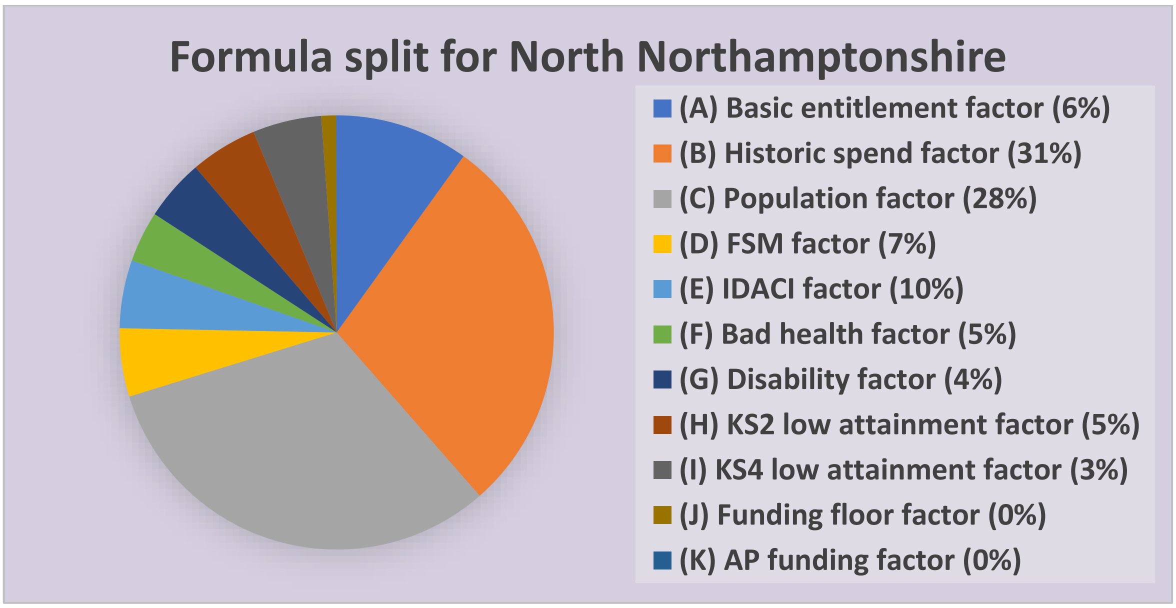
- 99.3% of funding allocated to the LA is driven by pupil numbers and the Primary Unit of Funding (PUF) and Secondary Unit of Funding (SUF). The remaining 0.7% is funded through premises factors.
- Allocations to schools for day-to-day spending in their individual school budgets through the schools funding formula and includes the Pupil Growth Fund for new and growing schools.

1.7 **Central Schools Services Block (CSSB)**

- 49.56% of CSSB is for funding ongoing responsibilities of the LA based on the schools Autumn 2021 census data at £35.59 per pupil and 50.44% of CSSB is funding for historical commitments (this is being unwound by Government and is reducing 20% each year).
- The historical commitments funding relates to funding for previously agreed commitments between the Schools Forum and the LA e.g., pensions costs for premature retirement cost of teachers

1.8 **High Needs Block**

- Covers funding for the education of pupils with special educational needs and disabilities for example those with an Education, Health and Care Plan. This covers ages 0-24 in a range of provision including special schools, special educational needs units in mainstream schools, alternative provision and independent specialist provision. This block also funds teams within the authority that support the high needs sector to meet the needs of high needs pupils.
- The funding formula is produced by the DfE and is summarised in the following Chart.



1.9 **Early Years Block**

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

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

1.11 Within North Northamptonshire, there are currently 41 maintained schools (4 maintained nursery schools, 35 primary, 1 secondary and 1 special maintained school). There were also 102 academies and free schools (76 primary, 18 secondary, 1 All-through and 7 special academies and free school).

1.12 Schools Forum membership is made up of representatives from maintained and academy primary and secondary schools, nurseries, Council members. The meetings are open to the public and are held 5 times a year typically in October, December, January, March and June. The Schools Forum have a statutory role in ensuring that school funding across the county is equitable and fair by considering proposals from the council for such areas as the school funding formula and central expenditure from the DSG.

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

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

2. 2022-23 Funding Summary

2.1 The Department for Education (DfE) published on 20 July an update on the policy paper of the National Funding Formula (NFF) 2022-23 for schools and high needs. Details can be found at National Funding Formula for Schools and High Needs.

2.2 The DfE has since published the 2022-23 DSG allocations for three of the four DSG funding blocks. However as Early Years Funding is based on January pupil census, it meant the published allocations are indicative as it is based on a different timetable.

2.3 The 2022-23 NFF funding announcements in July 2021 were provisional and was based on the October 2020 census. Since then the Schools, Central School Services and High Needs Block allocations has been updated with October 2021 census pupil numbers as published by the DfE's 16th December 2021 DSG allocations settlement. This is the point at which individual school budgets can be set through North Northamptonshire's schools' funding formula.

2.4 Nationally core school funding increased by £2.6bn in 2020-21, £4.8bn in 2021-22 and is increasing by £7.1bn in 2022-23 compared to 2019-20, including significant additional funding for children with special educational needs and disabilities. 2022-23 is the final year of the three-year funding commitment by the Government.

2.5 The national increase in high needs funding from 2021-22 to 2022-23, will be £780 million, or 9.6%. The high needs NFF includes:

- The funding floor – this ensures that all local authorities' allocations per head of population will increase by a minimum percentage compared to the baseline. For 2022-23 the funding floor is kept at 8%.
- The gains cap – the limit on gains per head of the population compared to the baseline. For 2022-23 the gains cap is set at 11% which means that local authorities can see an increase of up to 11% before their gains are capped.

2.6 The proposed changes for 2022-23 schools funding are as follows:

a) School funding is increasing by 3.2% overall. The funding is based upon the pupils and cohorts core factors increasing within the formula by 3%, but ensuring every school is allocated at least 2% more funding per pupil.

b) The MPPLs remains mandatory, at the new NFF values of:

Primary Minimum Per Pupil Level Funding	£4,265
Secondary Minimum Per Pupil Level Funding	£5,525

c) Sparsity factor in support of small schools and remote schools will increase nationally to £55,000 (2021/22 £45,000) for primary and £80,000 (2021/22 £70,000) for all other schools. North Northamptonshire Schools will receive to £55,181 for primary and £80,263 for all other schools in 2022-23 which takes account of the Area Cost Adjustment (ACA) of 0.00329. The calculation or accuracy of this is to identify schools' remoteness by using road distances instead of straight-line distances and using a new distance “taper”. This means that schools whose sparsity distance is between 1.6 and 2 miles (for primary schools), or 2.4 and 3 miles (for secondary schools) will now attract some additional funding through the sparsity factor.

d) Decreasing the funding lag for Free School Meals – which is based on FSM6 (Free School Meals for the Past 6 years) deprivation funding factor by 9 months, from using the previous year’s January census to the October census.

e) For the low prior attainment (LPA) factor in the NFF, data from the 2019 early years foundation stage profile (EYFSP) and key stage 2 (KS2) assessments have been used as a proxy for the 2020 assessments, following the cancellation of these assessments due to the pandemic. This is consistent with how the LPA factor was calculated in local formulae in 2021-22.

f) Eligibility for the mobility factor is usually determined based on the census in which pupils first appear at their current school. As a result of the cancellation of the May 2020 census, pupils who joined a school between January and May 2020 attract funding for mobility based on their entry date, rather than by virtue of the May school census being their first census at the current school.

g) Centralising the business rates payment system for schools, so that ESFA will pay billing authorities directly on behalf of state funded schools.

h) Local authorities will continue to set a minimum funding guarantee in local formulae, which in 2022-23 must be between +0.5% and +2%.

i) Local authorities will be able to transfer up to 0.5% of their total Schools Block allocations to other blocks of the Dedicated Schools Grant (DSG), with Schools Forum approval. A disapplication will continue to be required for transfers above 0.5%, or for any amount without Schools Forum approval.

j) High needs funding increasing by 9.6% ensuring that every local authority will receive at least 8% increase per head of population, and up to 11% (capped at 11% on gains). This vital extra resource will continue to help local authorities manage their cost pressures in this area. North Northamptonshire Council is due to receive 8% in 2022-23.

k) Technical changes to the historic spend factor within the high needs national funding formula was made. The factor has been updated to use 50% of local authorities’ actual spend data in 2017-18 rather than their planned spend.

2.7 A DfE consultation exercise of moving to the hard NFF was published at the start of summer with a closing date 30 September for the consultation. **2022-23 financial year will not be the hard NFF as originally planned.**

2.8 The following table compares the 2022-23 DSG allocation settlement against the 2022-23 Provisional National Funding Formula allocations and the current 2021-22 DSG allocation:

DSG Blocks	2021-22 DSG before Recoupment	2022-23 Provisional NFF	2022-23 DSG before Recoupment	Change from 2021-22	Change from 2022-23 NFF
	Version Date: 18 Nov 2021	Version Date: 28 Sep 2021	Version Date: 16 Dec 2021	Version Date: 16 Dec 2021	Version Date: 16 Dec 2021
	£	£	£	£	£
Schools Block	244,805,438	250,375,503	254,876,162	10,070,724	4,500,659
Central School Services Block	3,908,081	3,550,399	3,567,298	-340,783	16,899
High Needs Block	45,504,413	49,363,187	50,115,790	4,611,377	752,603
Early Years Block	22,140,202	22,140,202	21,812,758	-327,444	-327,444
Total DSG Allocation	**316,358,134**	**325,429,290**	**330,372,008**	**14,013,874**	**4,942,718**
Additional High Needs Funding	0	0	1,889,965	1,889,965	1,889,965
School Supplementary Grant	0	0	7,323,772	7,323,772	7,323,772
Total DSG Allocation + Additional High Needs Funding + School Supplementary Grant	**316,358,134**	**325,429,290**	**339,585,745**	**23,227,611**	**14,156,455**

2.9 The DFE have announced an additional £1.89M of High Needs Funding in addition to the High Needs Block DSG as part of the 2022-23 Education Settlement.

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

2.11 The basis of the split for the Central Schools Services Block was more complex but related to less than 1% of the overall DSG being disaggregated. Each budget has been reviewed individually and NNC receives either 50%, 46.4% or 43.1%. As the PFI scheme of £300k is in West Northamptonshire Council, this does not apply to NNC.

2.12 The DfE have also announced that in addition to the DSG, mainstream schools will also receive an additional grant in 2022 to 2023 called the School Supplementary Grant. For early years and post-16 provision in schools, the grant is being provided in respect of the Health and Social Care Levy. For primary and secondary provision, the grant is being provided in respect of both the Health and Social Care Levy and other cost pressures. Details on how this funding will be allocated including funding rates and indicative allocations at local-authority level is found at Schools supplementary grant 2022 to 2023 - GOV.UK (www.gov.uk)

3. Budgetary Pressures in the High Needs Block

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

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

3.3 There continues to be pressures nationally around the levels of funding allocated for the High Needs block which results from an increase in population, this brings risks around affordability of provision for pupils with high needs.

3.4 The structural High Needs deficit that North Northamptonshire Council inherited from the legacy Northamptonshire County Council is around £2.2m. Mitigating actions need to be taken to address this structural issue and to prevent further escalation of the deficit. These issues have been and are likely to be further compounded as a result of the COVID pandemic as there has been an increase in requests for assessments.

3.5 Some local authorities under the DfE’s High Needs Safety Valve Intervention Programme have managed to secure substantial additional High Needs Block Funding from the DfE to address their High Needs Block deficit. To be successful in the bid for additional funding from the DfE the LA must be able to demonstrate the DfE that the LA is committed and determined to reduce the High Needs Block deficit as an organisation. This includes investment by the council to match fund the mitigating actions required to reduce the High Needs Block deficit.

3.6 DfE regulations allow up to 0.5% of the Schools Block funding to be moved to the High Needs Block to cover the continuously increasing costs to support pupils with high needs.

3.7 Schools Forum following consultation with schools agreed the following:

- Adopt the National Funding Formula factor values adjusted for area cost adjustment of 1.00329 for its Primary and Secondary Schools Funding Formula
- Transfer 0.5% from Schools Block to High Needs Block
- Scale back 50% of any MFG gains in excess of 4.57%
- Operate a traded scheme for LA Commissioned Outreach Services that is voluntary for each mainstream or special school and academy
- Continue with a Split Site Policy at the 2021-22 split site rates
- Continue with the Growth Fund Policy at the proposed Growth Fund rates
- Set aside £750,000 for Pupil Growth Fund
- Changes proposed in the Permanent Exclusion Clawback Policy to bring NNC in line with clawback mechanism as set out in the legislation
- Continuation of the central services that are partly funded by the Central School Services Block Dedicated Schools Grant
- De-delegation for Trade Union Facility Time for maintained Primary and Secondary Schools at £2.10 per pupil
- De-delegation for School Effectiveness for maintained Primary Schools at £12 per pupil
- Discontinue the De-delegation for Redundancy Costs.

3.8 The local authority may transfer 0.5% of the Schools Block allocation to the High Needs Block with Schools Forum consent. For North Northamptonshire, this equates to approximately £1.274m in 2022-23 and will be required to offset the forecast carried forward High Needs deficit from 2021-22 as well as fund the continuing pressure in 2022-23.

3.9 The local authority need to agree to Schools Forum's proposal to set the Minimum Funding Guarantee (MFG) at 2% for 2022-23. Legislation requires the local authority to set the MFG between +0.5% and +2% which means that the per pupil funding must increase by between +0.5% and +2% from the 2021-22 level.

3.10 The local authority also need to agree to Schools Forum's proposal for North Northamptonshire Council to operate a funding cap on a per pupil, year on year increase at 4.57% by scaling back 50% of the MFG gain to ensure affordability of the overall formula.

3.11 With the continuous 20% annual reduction in historical commitments funding by the DFE in the Central School Services Block (CSSB) of the DSG, the continued use of the Central School Services Block is kept under review annually.

3.12 Dedicated Schools Grant (DSG) is a ring fenced grant. All under and overspends must be met from future year's DSG. Therefore should any part of the DSG overspend in 2021-22, it will need to be financed from the 2022-23 DSG as the first call before distributing it to the respective budget areas.

3.13 North Northamptonshire Schools Forum have been briefed at the November and December 2021 and January 2022 Schools Forum and have made all the necessary decisions.

3.14 The final schools funding formula ultimately remains a local authority decision having consulted with schools and the Schools Forum. The time between the final DSG settlement from Government in December 2021 and the submission deadline for the individual schools' budgets on 21st January 2022 is tight to allow for adequate budget calculation, presentation to Schools Forum on the 20th of January 2022 and presentation to North Northamptonshire Council Executive to review for final ratification. As a result of these short deadlines over a time when schools and academies usually have two weeks holiday, the LA therefore propose to delegate authority to the Director for Children's Services in consultation with the Cabinet Member for Children's Services and the Executive Director of Finance (s151 Officer) following consultation with the Schools Forum and Schools Forum to determine:

a) the 2022-23 school funding formula for Northamptonshire to enable the required submission to the Education and Skills Funding Agency on 21st January 2022;

b) North Northamptonshire Council's funding arrangements for 2022-23 for pupils with high needs in line with Department for Education guidance; and

c) North Northamptonshire Council's funding arrangements for 2022-23 for the Early Years National Funding Formula in line with Department for Education guidance.

North Northamptonshire Council

APPENDIX D

Reserves Strategy 2022-23

Background

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

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

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

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

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

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

CIPFA's Prudential Code requires the Chief Finance Officers to have full regard to affordability when making recommendations about the Council's future capital programme. Such consideration includes the level of long-term revenue commitments.

Indeed, in considering the affordability of its capital plans, the Council is required to consider all of the resources available to it and estimated for the future, together with the totality of its capital plans and revenue forecasts for the forthcoming year and the following two years. There is a requirement for three-year revenue forecasts across the public sector and this is achieved through the Medium-Term Financial Plan (MTFP).

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

Section 26 of the Local Government Act 2003 gives Ministers in England and Wales a general power to set a minimum level of reserves for authorities.

However, the government has undertaken to apply this only to individual authorities in the circumstances where the authority does not act prudently, disregards the advice of its Chief Finance Officer and is heading for serious financial difficulty.

National Context

The UK's economy still faces a number of uncertainties, risks and challenges as a result of the Pandemic and the exit from the EU.

The Spending Review announced on 27th October 2021 included further additional funding and covered a period of 3 years, in line with the Spending Review Local Government has received a one-year financial settlement for 2022/23. There is still uncertainty over the total funding available for the local government sector from 2023/24, but the Government have signalled fundamental changes in Local Government finance going forward. These changes could be significant, and it will make forecasting for 2023/24 and beyond difficult. It is expected that the changes in the distribution of funding could be as early as 2023/24.

Local Context

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

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

Whilst the creation of the Unitary Council creates several opportunities to benefit the region, it is also recognised that there are some risks and costs. Specific risks for the 2022-23 budget include the challenges brough about by COVID-19 and the increase in demand for services prior to the pandemic. Whilst the Council has prepared a balanced financial position for 2022/23 it faces forecast funding shortfalls over the period of the medium term which must be addressed.

Types of Reserve

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

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

General Reserves & Minimum Level of Reserves

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

- To meet forthcoming events where the precise date and amount required cannot be accurately predicted.
- A contingency to cushion the impact of unexpected events or emergencies.
- A reasonable amount to meet peaks and troughs in revenue and capital expenditure requirements.
- A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing.
- The general reserves which include a minimum level of reserves will be based on a risk assessment.

Earmarked Reserves

The Council will hold earmarked reserves for the following purposes:

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

Earmarked Reserve – Capital

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

Protocols for Establishing and Reviewing Earmarked Reserves

For each earmarked reserve held by the Council there is a clear protocol set out, as follows:

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

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

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

Non-Cash Backed Reserves for Statement of Accounts

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

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

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

North Northamptonshire Council's Reserves

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

The General Reserve & Minimum Level of Reserves It has previously been established that General Reserves will be maintained at a level above the minimum of 5.0% of the total net revenue budget for the General Fund and 4% for the Housing Revenue Account. The minimum balance for the Corby Neighbourhood Account remains unchanged at £800k but the Kettering Neighbourhood Account has been increased from £300k to £650k.

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

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

Authorisation to finance such expenditure must be obtained in advance from the Council's Chief Finance Officer, in accordance with the scheme of delegation.

The request should be supported by a business case unless there is clear and necessary reason for urgency.

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

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

Earmarked Reserves

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

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

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

Appendix B details for each of the earmarked reserves the forecast balances for North Northamptonshire Council in 2022/23 financial year and estimated commitments against these reserves over the medium term.

Procedure for Use of Reserves

The use of reserves requires approval of the Council's Chief Finance Officer. All requests should be supported by a business case unless there is an approved process for use. On occasion where an urgent request is being made this should comply with the Council's Constitution and Financial Regulations.

North Northamptonshire Council

APPENDIX D

Monitoring

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

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

Risk Analysis

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

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

The significant risks that have been considered, but which will also be kept under review and are outlined in the main budget report in section 15.3.

STRATEGY REVIEW

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

Janice Gotts

Executive Director Finance and Section 151 Officer

North Northamptonshire Council

APPENDIX A

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

	Population	Net Revenue Budget	Unallocated Reserves	Earmarked Reserves	% Unallocated Reserves as proportion of Net Revenue Budget	% Earmarked Reserves as proportion of Net Revenue Budget
		£000	£000	£000		
Total England		60,527,902	6,368,116	18,467,616	10.5%	30.5%
Total Unitary		11,154,313	783,035	3,130,394	7.0%	28.1%
Selected Unitary Councils						
Bournemouth, Christchurch and Poole	396,389	308,376	15,350	34,651	5.0%	11.2%
Cheshire East	386,667	282,632	10,316	42,565	3.6%	15.1%
Dorset	379,791	300,170	28,199	115,755	9.4%	38.6%
Cheshire West and Chester	343,823	277,051	24,726	82,828	8.9%	29.9%
East Riding of Yorkshire	343,201	289,657	14,437	104,452	5.0%	36.1%
Northumberland	323,820	277,507	66,096	104,699	23.8%	37.7%
Central Bedfordshire	294,096	219,520	15,733	37,150	7.2%	16.9%
North Northamptonshire	350,448	295,907	24,170	108,977	8.2%	36.8%

Source: https://www.gov.uk/government/statistics/local-authority-revenue-expenditure-and-financing-england-2021-to-2022-budget-individual-local-authority-data

Appendix B

General Fund Reserves	Forecast Balance 31/03/2022 £'000	Transfer to Reserve 2022-23 £'000	Transfer from Reserve 2022-23 £'000	Forecast Balance 31/03/2023 £'000	PURPOSE OF RESERVE
GENERAL FUND BALANCE	**(24,170)**	**0**	**0**	**(24,170)**	To meet forthcoming events where the precise date and amount required cannot be accurately predicted, including sufficient contingency to cushion the impact of unexpected events or emergencies, a reasonable amount to meet peaks and troughs in revenue and capital expenditure requirements and a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing.
EARMARKED RESERVES					
Smoothing Reserves					
Regeneration and Economic Investments	**(2,500)**	0	0	**(2,500)**	To provide protection in relation to fluctuations in income or other costs relating to regeneration and economic investments.
Investment Income	**(5,920)**	0	0	**(5,920)**	To provide protection in relation to fluctuations in income from the Council's investment portfolio due to market uncertainty or uncertain future events and protect against investment income losses.
Recycling Commodities	**(2,000)**	0	0	**(2,000)**	To provide protection in relation to fluctuations in market prices for recycling commodities.
Homelessness	**(1,540)**	0	0	**(1,540)**	To provide protection in relation to uncertain demand for the service following legislative changes.

North Northamptonshire Council

General Fund Reserves	Forecast Balance 31/03/2022 £'000	Transfer to Reserve 2022-23 £'000	Transfer from Reserve 2022-23 £'000	Forecast Balance 31/03/2023 £'000	PURPOSE OF RESERVE
Budget Delivery	**(11,909)**	(4,470)	1,615	**(14,764)**	Smoothing reserve to assist in medium term delivery of budget plans.
General Risk Reserve	**(9,120)**	0	350	**(8,770)**	Reserve established to recognise the significant risk and uncertainty around the cost of future pressures arising from the continuing impact of Covid and economic changes.
Legal Reserve	**(1,350)**	0	0	**(1,350)**	
Elections Reserve	**0**	(150)	0	**(150)**	
Business Rates Retention Reserves					
Business Rates Retention Risks	**(28,509)**	(3,659)	6,585	**(25,583)**	To manage smoothing and timing effects of business rates. Includes grants under s.31 of the Local Government Finance Act 2003 totalling £6.585m for 2021/22 (£21.445m forecast for 2020/21). Section 31 grants are awarded to offset the reduction in business rates yield due to the changes announced by the government.
Transformation Reserves					
Transformation Reserves	**(8,890)**	0	2,170	**(6,720)**	Disaggregated transformation reserve to support continued delivery of transformation activities.
Local Government Reorganisation	**(8,550)**	0	0	**(8,550)**	Reserve to Fund Costs associated with Local Government Reorganisation

North Northamptonshire Council

General Fund Reserves	Forecast Balance 31/03/2022 £'000	Transfer to Reserve 2022-23 £'000	Transfer from Reserve 2022-23 £'000	Forecast Balance 31/03/2023 £'000	PURPOSE OF RESERVE
Building Maintenance Reserves					
Building Repairs and Investment	**(1,500)**	0	0	**(1,500)**	To manage property repairs and maintenance issues.
Planning Reserves					
Planning Risks	**(500)**	0	0	**(500)**	To provide resources for revenue costs of the planning service to meet items such as legal costs, specialist advisors or consultants and other costs required to meet statutory guidelines or regulations.
Regeneration Reserves					
Economic Development and Regeneration	**(2,130)**	0	0	**(2,130)**	To provide resources for the Council's planning service, assist with the Council's economic development strategy, provide funding for other one-off projects and to assist with the operation of the Council's asset management plan.
Voluntary Community and Social Enterprise	**(400)**	0	200	**(200)**	To provide resources to support the Voluntary Community and Social Enterprise sector.
Community Projects	**(2,950)**	0	0	**(2,950)**	Funding for community projects.
Specific Reserves					
Burton Wold	**(120)**	0	0	**(120)**	The reserve has been created from contributions from the developers of the Burton Wold Wind Farm Project. The Council uses this contribution to award grants for energy efficiency and education works.

General Fund Reserves	Forecast Balance 31/03/2022 £'000	Transfer to Reserve 2022-23 £'000	Transfer from Reserve 2022-23 £'000	Forecast Balance 31/03/2023 £'000	PURPOSE OF RESERVE
Capacity Fund	**(1,200)**	0	0	**(1,200)**	To provide resources to fund future expenditure associated with the Joint Delivery Unit, funded by external capacity funding.
Public Health Reserve	**(8,450)**	0	0	**(8,450)**	General Reserve comprising unspent Public Health grant to be to utilised in future years.
Adult Social Care Reserve	**(6,000)**	0	0	**(6,000)**	To mitigate risks related to the delivery of Adult Social Care.
Local Council Tax Support Reserve	**(500)**	0	0	**(500)**	To mitigate risks related to increases in Local Council tax Support claims.
Waste Management	**(2,450)**	0	0	**(2,450)**	To mitigate waste management risks.
Other Earmarked Reserves	**(560)**	0	0	**(560)**	Various other earmarked reserves.
Capital Reserves - General Fund					
Capital General Fund	**(1,880)**	0	0	**(1,880)**	To provide resources in support of capital programme development.
Insurance Reserves					
Insurance Risk Reserve	**(2,690)**	0	0	**(2,690)**	Reserve based on actuarial assessment of Insurance Fund.
TOTAL EARMARKED RESERVES	**(111,618)**	**(8,279)**	**10,920**	**(108,977)**	
TOTAL GENERAL FUND RESERVES AND BALANCES	**(135,788)**	**(8,279)**	**10,920**	**(133,147)**	

North Northamptonshire Council Draft Budget 2022/23 – Consultation Analysis Report

Introduction

1. The purpose of this report is to set out the Draft Budget consultation process, and key consultation findings (including an understanding of who participated in the consultation), the results of which will be used to help inform decisions on the North Northamptonshire Council's Budget for 2022/23.

Executive decisions and formal consultation

2. The Draft Budget 2022-23 and Medium Term Financial Plan was approved by Executive on 23 December 2021 and consultation on the budget proposals began later that day. The consultation concluded on 28 January 2022.

3. The public consultation was conducted by the Council's Consultation and Engagement Team. The structure and design of the consultation set out the budget proposals and enabled both online and non-digital means of participation, in accordance with nationally recognised good practice.

How was the consultation promoted?

4. The consultation was hosted on the Council's Consultation Hub website. Councillors, local MPs, town and parish Councils, partner organisations, voluntary and community sector organisations, representatives of protected characteristic groups, local business groups including Chamber of Commerce and Federation of Small Businesses, and members of both the North Northamptonshire Residents' Panel (circa 600 members) and the Council's Consultation Register were invited to give their views and asked to promote the consultation to their members, or within their local area where appropriate.

5. Opportunities to take part in the consultation were also promoted in the local media via press releases. The press release went to 38 newsrooms (local and national, print and broadcast including the Northants Telegraph and BBC Radio Northampton), plus individual reporters and other local news sites. It was promoted through the Council's website, e-newsletters and social media channels, enabling both internal (e.g. staff) as well as external consultees to get involved in the process. The Facebook Reach (i.e. the number of people who saw any content from or about the consultation web page) was 25,637; the Twitter Impressions (i.e. the number of times any content from or about the consultation web page entered a person's screen) was 7,724; and LinkedIn impressions were 1,800.

How did consultees have their say?

6. Local people, organisations and other interested parties were able to have their say about the Draft Budget proposals in a range of ways, by:
   - Visiting the Draft Budget Consultation webpage and completing the questionnaire or requesting a paper questionnaire
   - Emailing CET@northnorthants.gov.uk
   - Writing to Budget Consultation Response, North Northamptonshire Council, Sheerness House, Meadow Road, Kettering, NN16 8TL
   - Using social media by Tweeting (@NNorthantsC) or posting comments on the Council's Facebook page
   - Contacting us by telephone to give verbal feedback
   - A toolkit was developed to enable user groups/forums to hold their own discussions, and provide their feedback as a collective group.

Number and type of responses received

7. During the draft budget consultation period, using the various means available to consultees, local people and organisations contributed to the consultation 527 times. Nearly all of the feedback received was via the questionnaire, with 504 respondents participating via the questionnaire, five respondents submitted a written response, and 18 responded via social media.

8. Within the questionnaire, respondents could choose which questions they responded to, and so there are lower response numbers to each question when compared with the overall number of participants, depending on whether participants had a particular interest in the subject matter.

9. During the consultation period, regular summaries of consultation responses received were circulated to senior Finance officers and all responses received were circulated to decision makers upon conclusion of the consultation to enable them to see each response in full.

What did people say?

10. This report is a summary of the feedback received. It is recommended that it is read in conjunction with the full consultation results, including the detail and suggestions contained within some of the written comments. The full consultation results have been made available to Members and are available on the Consultation Hub.

11. The questionnaire was structured so that respondents could give their views on any of the individual proposals if they chose to do so. This means we were able to summarise views by proposal and collate the views from the different consultation channels.

12. An equality screening assessment for budget proposals was published alongside the Executive papers and made available via the questionnaire.

Draft Budget 2022/23 Consultation Questionnaire

13. In total, 504 respondents filled out a questionnaire on the draft Budget proposals, either partially or fully. Respondents did not have to answer every question and so the total number of responses for each question differs and is shown in relation to each question.

14. Respondents were asked in what capacity they were responding to the consultation. There were 490 responses to this question, with respondents being able to select more than one option if applicable. Nearly all the respondents said they were local residents (91.2%). The second highest respondents were North Northamptonshire Council employees (16.7%), followed by service users (7.8%). The following table details the various respondent types to the consultation questionnaire.

	Response number	Percentage (%)
A local resident	447	91.2%
A service user	38	7.8%
A North Northamptonshire Council employee	82	16.7%
A North Northamptonshire Council Councillor	3	0.6%
A representative of a Town/Parish Council	2	0.4%
A Town or Parish Councillor	10	2.0%
A representative of the voluntary sector or a community organisation	14	2.9%
A representative of the local business community	7	1.4%
A representative of a health partner organisation	0	0.0%
A representative of a user group	3	0.6%
Other	2	0.4%

Proposed Council Tax rate increase

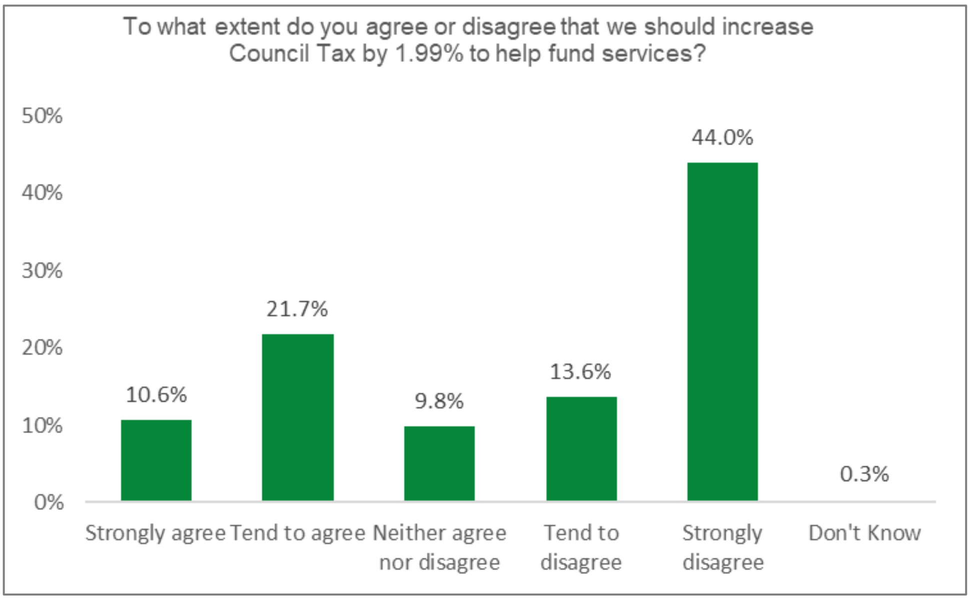
15. The Council is proposing to increase Council Tax up to the level currently allowed by the government, without triggering a referendum – 2.99%. This increased rate includes a general increase of 1.99% and the allowable Adult Social Care precept increase, which is 1%.

16. This 2.99% increase would result in a 2022-23 Band D Council Tax increase for North Northamptonshire Council of £45.83 per year, which is £0.88p per week.

17. It should be noted that these figures do not include the Council Tax for individual town and parish Councils or the Council Tax set for fire and police by the Northamptonshire Police, Fire and Crime Commissioner. These are not within the scope of this consultation and these amounts are added afterwards before people receive their final bills.

18. The Council's proposal to increase the core Council tax rate by 1.99% in 2022/23 means an average (Band D) Council Tax payer's rate would increase £30.50 per year (£0.59p per week) for the North Northamptonshire Council precept.

19. Respondents were asked to what extent they agree or disagree with the proposal to increase Council Tax by 1.99% to help fund services. There were 368 responses to this question. Approximately a third of respondents (32.3%) said they strongly agree or tend to agree with the proposal, while a little over half (57.6%) said they strongly disagree or tend to disagree with the proposal.



20. Respondents were then asked why they answered the previous question in the way that they did. There were 220 comments made in relation to this question.

21. A total of 46 respondents who agreed with the proposal provided comments. Over a third of these respondents frequently mentioned their views that public services need more funding, and they accepted a Council Tax increase was necessary to do this. Respondents said the increase was inevitable and necessary to provide good local services which everyone contributed too. Some added that the increase was inevitable because other living costs were rising and that it was the 'right thing' for the Council to do. However, others, while accepting the need to increase Council Tax, added they wanted to see more investment, an improvement in services and to be reassured that the additional funding would be used properly and appropriately. However, some accepted the increase reluctantly saying the Council should apply a small increase, with others saying the increase was too high.

22. A small number of respondents also commented about their concerns on the amount of precepts which were applied by other Council Tax raising authorities; and said they were concerned by the continued percentage increases to Council Tax year-on-year.

23. Some respondents felt that Council Tax increases should be ringfenced towards adult social care, care services, and to staff who work within care services.

24. Other comments cited concern about the financial impact on people's ability to pay; on the lack of wage increases; the overall financial effects of the Covid pandemic on households and the way in which the Council was using its reserve funds to pay for legacy Council issues.

25. A total of 14 respondents who neither agreed nor disagreed with the proposal made a comment.

26. Just under half of the comments accepted the increase but mentioned the challenges to the household budget and the impact of increases to low-income households. They also felt the Council needs to demonstrate accountability of its spending and operate efficiently. It was also felt the Council should be lobbying central government for more local investment.

27. Other respondents said they want to see better financial investment decisions and questioned where the savings have been made from local government reorganisation. A few respondents raised questions around charging for green waste – either suggesting that they should not pay them or that all residents should have to pay for green waste.

28. There were 159 respondents that commented as to why they disagreed with the proposed increase.

29. About a third of these respondents felt the services they received or accessed are not satisfactory. These respondents made strong presentation on value for money, saying services had been reduced or diluted despite their Council Tax contributions being increased. Some mentioned the consequences of poor service delivery having an impact on them and their neighbourhood. Some respondents felt services were just too expensive and there was concern that vulnerable people and communities were being put at risk.

30. A fifth of respondents that commented stated they felt services had not improved, with some respondents questioning the financial decision making of the authority and where the savings of local government reorganisation were being seen. There were also concerns that issues of legacy Councils were being carried onto the new Council.

31. Several respondents said they felt residents were being penalised and made to pay for cost of local government when they have little control or choice in the matter. Some also felt residents were being charged for services unfairly.

32. A similar number of respondents believe the Council wastes public money on operational costs, management, and ‘vanity projects’ or programmes. They felt that they were being asked to pay for these which if stopped would mean that Council Tax did not have to increase.

33. Consistently, respondents mentioned that wages, salaries, pensions, and benefits were not rising; and that household costs were high and increasingly, so they felt it was unfair that the Council should be putting households in further financial jeopardy. Many said the Council should not be adding to the burden that many low-income families were facing. They added that they were concerned for people who were financially struggling and in hardship.

34. Others commented that they wanted to know what the increased money would be used for; and they felt the national government settlement would cover the increase being

imposed. Respondents also took the opportunity to vent concerns about a legal case compensation settlement paid due to a legacy Council matter, and how this would be funded.

35. No comment was received from the respondent who said, ‘Don’t know’.

36. Any respondents who felt the proposal would have a negative impact were then asked to tell us what they thought the impact would be, along with any suggestions on how any potential negative impacts could be mitigated. A total of 146 respondents provided comment.

37. The issue of affordability and risings costs of living dominated the comments. Many respondents said that with wages and incomes not rising, married with increases in fuel and other household costs, that many households would be struggling to make ends meet. Others added that many people were not in jobs or were working under various pressures such as fewer hours. It was also felt that a weak economy would have lasting impacts and pressures to all households, especially low-income ones. Respondents said the Council should not be burdening households with a Council Tax increase, rather it should be doing things which helped people. A few commented that these pressures would manifest in issues of social and mental health, which the Council would have to pick up and effectively would cost more.

38. Many respondents said they felt they paid too much Council Tax already and could not simply afford the rise and others expressed the concern that they had had a high rise the previous year and could not see what savings were being made by local government reorganisation.

39. Several respondents cited their opinion that the Council wasted money and want to see improved scrutiny and accountability of public spending. They said the Council should review its own practice, reduce management, rationalise some job functions, employ fewer agency staff, and ensure that services are equitable across the area.

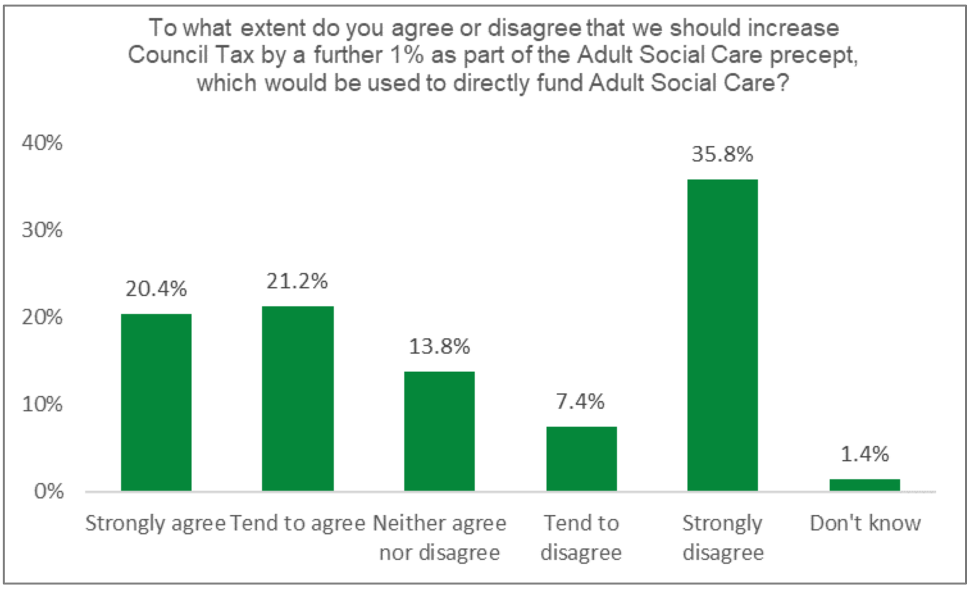
40. Other comments included negative views on the way in which Council Tax bands are set; that the Council needs to build trust with its residents and business stakeholders; requests for more investment in the voluntary and community sector; the Council’s financial support afforded to international crisis over local issues; and the continuing financial effects of the Covid pandemic and its wider impact on society.

41. Several alternative suggestions were made to the proposal to increase Council Tax by 1.99%. Some respondents simply wanted no increase, where others suggested increase based on services used or based on income/ means tested. A few respondents want the harmonisation of green waste charges across the whole authority. Others cited introducing better local transport infrastructure and reaping the rewards that came from a vibrant locality, also respondents suggested the charges for planning development be increased, and that more in-house professions should be established for roles which are currently expensive for the Council to procure. Another commented that investing in community and voluntary organisations would help ease some services allowing the Council to concentrate and prioritise its efforts on issues that it could be solely responsible for. One

respondent said that adult social care and police should be separated from current arrangement in Northampton and fall under the geographical jurisdiction of North Northants. Another suggestion asked the Council to enable more transparent dialogue opportunities so that people could have a say on matters. Specific mitigation issues that were stated focused on the Council and the need to provide more public messaging on health and wellbeing.

42. The questionnaire then outlined the Council's proposal to increase the Council Tax rate by a further 1% in 2022/23 as part of the Adult Social Care precept, which would be used to directly fund Adult Social Care, means an average (Band D) Council tax payer's rate would increase £15.33 per year (£0.29p per week) for the North Northamptonshire Council precept.

43. Respondents were asked to what extent they agree or disagree with the proposal to increase Council Tax by a further 1% as part of the Adult Social Care precept, which would be used to directly fund Adult Social Care. There were 363 responses to this question. There was more of a mixed response to this proposal compared to the previous question, as 41.6% of respondents said they strongly agree or tend to agree with the proposal, whilst 43.3% said they strongly disagree or tend to disagree.



44. Respondents were then asked why they answered the previous question in the way that they did. There were 165 comments made in relation to this question.

45. A total of 54 respondents who agreed with the proposal provided comments.

46. The majority of these said they accepted this because it as an area that needs investment, and that extra funding would help provide services to vulnerable people. Some added that they felt the amount was reasonable considering the cost of living rises; and that it was an inevitable rise which they expected to pay for.

47. A few respondents were happy to accept an increase but wanted to be assured that the money would go to adult social care and not be used for other purposes. Several

comments were made asking for improved pay for social care employees and for the increase monies to be directed to front line services and not be spent on management costs.

48. A couple of respondents mentioned the growth in the older people population and the requirements this sector must be met. Others added the Council should be making better financial decisions and be prepared to tackle the issue of adult social care. Although some felt adult social care should be managed by national government and not local government.

49. A total of 15 respondents who neither agreed nor disagreed with the proposal made comment. Some of these respondents accepted the increase but felt financial support should come from elsewhere and not via local taxation; or that the increase should be a lower amount. Whereas a couple of comments felt the contribution should be means-tested to determine the amount to contribute. Respondents stated the Council should lobby national government for more support. Another couple of respondents requested the Council to review adult social care services with a view to improve the service and ensure that resources were aligned properly and not wasted.

50. A total of 94 respondents who disagreed with the proposal provided comments. These responses mostly fell into three distinct areas. There were comments about the way in which the Council operated it services, the use of the national government taxation and issues of affordability.

51. On Council operations, respondents questioned the effectiveness and efficiency of services with many saying that they were of poor quality. Some felt the Council could spend its money more effectively and that funds and financial decision making were not transparent. They felt the Council was an over reliant on private sector providers compared to in-house provision, and that cost to the public purse were too high. Some said they had not seen a difference in the care service provision for the extra amount they were being asked to pay yearly. Some respondents felt that services were fragmented, which contributed to poor service provision and access to services. Others wanted the Council to reconsider other ways and different options to income generate with the income being invested back into social care.

52. Respondents also pointed out the forthcoming national government increase in National Insurance. With this increase coming, they said the Council should not be increasing Council Tax collection for adult social care locally. A few said that the financial resources for this should come from national funding with local Councils managing it accordingly to meet the need for their locality. Others said they felt caught between local and national government with little to no choice but to pay. Some said they felt that they were having to pay twice for social care.

53. Again, respondents took the opportunity to voice their concerns about financial hardships for those who were struggling to manage current household bills considering increased living cost and static wages. A few of the respondents said they simply could not afford to pay or that the increase was too much. Many also thought that it was an unfair increase, which would, said one respondent, have a detrimental effective on health and wellbeing.

54. The one respondent who said, ‘Don’t know’ and made comment said they did not know enough about the subject but felt the Council has other areas of concern to focus on.

55. One respondent who had not indicated if they agreed or disagreed with the proposal but still made comment said the amount raised through the increase would not make a sufficient difference, and they felt the Council relied too much upon family and friends to provide care to those in need.

56. Any respondents who felt the proposal would have a negative impact were then asked to say what they thought the impact would be, along with any suggestions on how any potential negative impacts could be mitigated. A total of 83 respondents provided comment and provided a range of comments.

57. The most common theme was affordability and the cost of living. Again, respondents stated their concerns of low wage increases and the stagnant nature of household budgets with less coming into the home and more demands being made through local and national taxations. Respondents felt family budgets were stretched, and they were no sure where they would find the money to pay for tax increases and thought low-income families were being hit the hardest. Some respondents pointed out that they were on the tipping edge of going into debt or losing their homes.

58. A handful of respondents said they thought the Council Tax was already too high and that the Council should use national government funds rather than keep asking residents to pay. Respondents also wanted more clarity and communication on what the money was exactly going to be spent on.

59. Several respondents felt the Council waste resources and want the Council to rethink its own operations. They mentioned previous legacy Council mismanagement and trust issues which they felt had transferred into the new Council. They questioned whether the service provided was of value and thought service quality was often being compromised. Others mentioned that not all services were provided equitably across the new Council area, and again the green waste management charge was mentioned as was the legal settlement cost for legacy Council litigation matters.

60. A few respondents said they accepted the charges as an inevitable consequence of providing local services and that they provided value for money.

61. A few respondents provided suggestions and mitigation comments. These respondents said adult social care increases in Council Tax should be funded more fairly through a means tested approach for high income earners to pay more whilst those on lower income paid less. Another suggestion was to increase the parameters of the local Council Tax Reduction Scheme so low-income families could be helped. Respondents said that providing improved communications and transparency on where resources are spent would enable the public to understand how their financial contribution is being used. Respondents also stated that more prudent scrutiny of Council spend, and procurement may bring savings which could be redirected back to social care. This included charging for waste services across the whole of the authority area to help bring in additional income.

Draft Capital Programme 2022-25

62. The Draft Capital Programme and its appendices 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.

63. 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 priorities.

64. The Draft Capital Programme has been developed to ensure a robust mechanism to deliver our priorities within the finances available.

65. Respondents were given the above explanation and provided with the draft Capital Programme 2022-25 and its appendices, and were invited to contact us if they would like further details about any of the schemes.

66. Respondents were asked if they had any comments on any of these schemes. A total of 38 comments were received about these schemes, covering a range of different services.

67. Many respondents said they felt the contents of the Draft Capital Programme papers were either confusing or that there was a lack of detail. Respondents felt these should be in plain English with less jargon to make them easier to understand. Some respondents also felt the programme was lacking detail and was vague in places.

68. A similar number of comments were opinions that the programme was not cost effective and not a good use of public resources. Respondents believed it would not provide value for money and it was unnecessary as they thought aspects of it either did not come underneath the responsibilities of the Council or benefitted only a few and would be hard for the Council to obtain income generation.

69. A few respondents focused on the development of North Northamptonshire within the Draft Capital Programme. Respondents were keen to ask why certain areas were prioritised, such as Corby Town Centre and questioned their perceived lack of infrastructure resulting from new housing developments. Environmental factors were also highlighted, specifically the continued need to be aware of the impact of green space and the Flood Alleviation scheme.

70. A handful of respondents mentioned their concerns about what they perceived to be poor local transport infrastructure, community leisure provision, the population growth of the area, and the use of Council finances to pay for previous legacy Council issues.

71. The small number of respondents who were positive of the Draft Capital Programme said they thought it was well considered, appropriate, and think the delivery of various projects would have a positive impact on the community once completed.

Alternative suggestions and other comments

72. Respondents were then reminded that the budget report sets out the latest estimated funding position, service budget pressures, key financial risks and challenges influencing the development of North Northamptonshire Council's financial plans for 2022-23 and the ongoing financial impact of those plans, together with the longer-term estimates of funding and spending requirements.

73. Respondents were reminded that the consultation questionnaire focusses on the new proposals for the draft budget 2022/23 that will likely affect residents and service users. However, respondents were welcome to comment on anything within the Draft Budget.

74. Respondents were asked if they had any other comments they would like to make, including any alternative ideas about how the Council could save the same amount of money or generate the same amount of income as outlined in the proposals. There were 45 comments made in relation to this question and respondents made a variety of comments.

75. Some respondents wanted to see more savings within the budget, with requests to reduce the number of Council employees as well as reducing their pay. Reducing the number of managers and the amount of office space was also mentioned.

76. Other respondents believed that the budget was unrealistic. They mentioned the current rise of inflation and thought the budget does not mention or take this into account. Respondents also referenced their previous lack of trust which developed from actions of legacy Councils, including financial management and a recent legal dispute.

77. A few respondents felt there was a need to increase funding, with education, adult social care and highways being highlighted as areas which they felt needed more investment in order to satisfactorily fulfil statutory duties.

78. A few respondents also took the opportunity to highlight the variance in refuse collection costs across North Northamptonshire. Residents were keen to highlight different areas have different costs for different bins and want to ensure that in the near future this is harmonised across the authority.

79. A couple of respondents felt more should be done to bring services in-house. They said that contracting out posts and hiring interim staff raises costs and enabled performance to decline.

80. Development of the North Northamptonshire area was mentioned by a couple of residents, specifically a desire for Rushden getting a train station and Kettering upgrading their swimming pool to help drive income in both areas.

81. Respondents also wanted to see how this budget compared to budgets pre-Covid, specifically how this is impacting residents by becoming one unitary authority and what efficiency improvements are being implemented within the new authority.

82. Other comments included request of more funding for local trading standards; feelings of inequality within the care system; and a suggestion to increase the Council Tax for those in 'wealthier' homes.

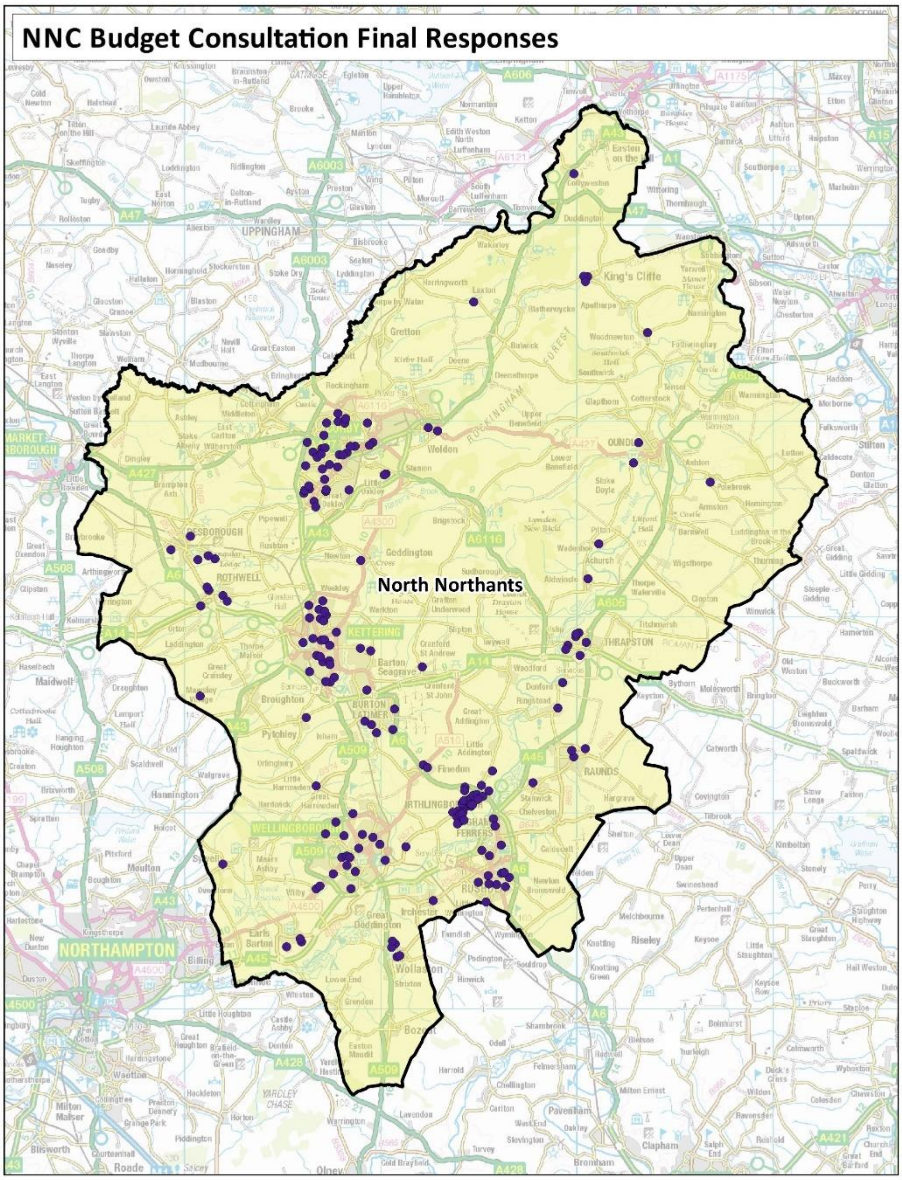
Demographic information

83. Within the demographic section of the questionnaire organisational respondents were asked to provide more detail about their organisation by providing their organisations name and their job title/ role. The four respondents who provided this information identified themselves as a Parish Council; a third sector representative organisation; and two community groups. We have not listed the job titles/ roles of respondents within this report in order to ensure respondents' anonymity is retained.

84. Respondents who were not responding on behalf of an organisation were asked a range of demographic questions about themselves to help us understand the characteristics of people who have taken part in the consultation.

85. Many respondents chose not to provide their demographic information. From the data received by those respondents who did complete this section, the information demonstrates that the respondents are broadly representative of the population of North Northamptonshire. However, the data does highlight the age of respondents is unaligned with known population statistics, as there were only 3.2% respondents identifying themselves as under thirty. Full statistical data of the responses is available within the Appendix. The following is a brief summary of the data received.

86. Individual respondents were asked to provide their postcode to give us an understanding of where respondents live. There were 191 valid postcodes provided for North Northamptonshire. A total of 28 postcodes were incomplete and three were from outside of the area. The below map broadly shows where many of the respondents reside.



Created by Business Intelligence, North Northamptonshire Council

North Northamptonshire Council

87. There was a fairly even split between male (46.4%) and female (44.6%) respondents, with 8.6% saying ‘Prefer not to say’, and 0.4% saying ‘Other’. The most frequent age given by respondents were those aged between 50 to 64 years (32.9%).

88. A total of 57.1% of respondents were married, with 1.1% in a Civil Partnership; 9.1% co-habiting/ living together; 14.9% being single; and 4.4% being widowed.

89. Other identified demographic information provided by respondents demonstrated that 18.2% were disabled, with physical disability being highlighted as the most frequent disability and mentioned by 27 of the 59 respondents who stated a disability. Predominantly respondents identified themselves as White British (82.6%), with 9.3% saying they were from another ethnic background and 8.1% saying ‘Prefer not to say’. The most frequent religion identified was Christian (42.5%) with 35.5% of respondents choosing ‘None’.

90. The final question within the questionnaire asked respondents how they found out about the consultation. A total of 287 respondents answered this question. The majority of respondents said they were made aware of the consultation via social media (43.9%). Other awareness raising channels included via the local media i.e. newspaper/ radio (18.8%); from an email alert from the Council (16.4%); and as a member of the North Northamptonshire Residents' Panel (12.2%). Most of the 12.2% respondents that said ‘Other’ explained they found out about the consultation via internal Council communications. Some respondents said they were informed of it by their Parish Council or local MP. Others heard about the consultation as from its promotion on the Council’s website; via an internet search; word of mouth; and via a third sector organisation.

Other responses

91. There were five written response received in relation to the draft budget consultation.

92. Individuals who wrote in mostly commented about the proposed Council Tax increase. They raised their objection to the proposal for various reasons, including affordability due to cost of living increases and impending National Insurance increase; and a feeling that services have reduced. One respondent said they wanted to see more amenities in rural locations. Another said they wanted to see more support for families living in private accommodation.

93. A written response was submitted by a Parish Council. It noted the elements of the budget proposals which it felt had direct relevance to its Parish.

94. It was pleased the Council has been able to set a balanced budget, and has additional funding from central government, but raised its concern that this may change in the near future. It also noted there were no apparent funding increases for rural services and hoped this did not mean there would be reductions.

95. The Parish Council was also keen to have its Neighbourhood Plan adopted. It also wanted to see more funding allocated to the Bus Service Improvement Plan, street lighting, and highways.

96. There were 18 comments made directly to our social media channels regarding the consultation. Several of these comments were general criticism of the Council and its elected Councillors. A couple of posts were against the proposed Council Tax increase, with one saying the adult social care increase feels like a double-taxation as National Insurance will shortly be increasing too. There were a couple of requests for harmonisation of green waste across the locality, and for all areas to receive the same level of services. Other specific comments included a request to provide more help to disabled young people to become independent in their own Council accommodation.

North Northamptonshire Council

Equality Screening Assessment

The Equality Screening Assessment form must be completed to evidence what impact the proposal may have on equality groups within our community or workforce. Any proposal that identifies a negative impact must have a full Equality Impact Assessment completed before the proposal progresses further.

1: Proposal

Requirement	Detail
Title of proposal	Draft Budget Proposals for North Northamptonshire Council 2022-23.
Type of proposal: new policy / change to policy / new service / change to service / removal of service / project / event/ budget	The draft proposals within the budget set out the financial position for the authority and the pressures/savings emerging from the first year of operation alongside new savings and additional investment requirements for 2022-23 onwards. The budget is designed to support the priorities of the Council as listed within the Corporate Plan. The budget proposals: • protect the existing service levels • continue the Local Council Tax Support Scheme at 25% as approved in the budget for 2021-22 • support a core council tax increase of 1.99% and an adult social care precept of 1%

Appendix F

Requirement	Detail
	• Where possible, deliver efficiencies through service redesign, transformation and improvements in technology. • Savings within Adult Social Care relate to better contract utilisation and the continuation of strength-based working and admissions avoidance • Improve income through proactive risk-based treasury management investment • Review the fees and charges in order to support harmonisation across the previous sovereign areas and, where possible, consolidate the fees and charges recognising the varying descriptions across the previous Councils. Charges are already in place and the proposals are intended to ensure consistency and fairness across the Council area. • Include a number of technical budget proposals which do not require an equality impact assessment • Some efficiencies will not require a full impact assessment.
What is the objective of this proposal?	To set the budget for 2022-23 which, by statute, must be balanced financially. This requires the Council accounting for pressures on services that require investment as well as identifying savings and efficiencies in order to balance the budget. In setting the budget the Council will take into account the contents of the Equality Act (2010) which 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:

Requirement	Detail
	• Eliminating discrimination; • Promoting equality; • Fostering good relations. Having due regard means public authorities must consciously consider or think about the need to do the three things set out in the public sector equality duty. The Council must demonstrate compliance with the duties in its decision-making processes, which it does so by requiring decisions made at Executive to be accompanied, where appropriate, by ESA and or EqIA 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
Has there been/when will there be consultation on this proposal? (List all the groups / communities, including dates)	The Executive approved the draft budgets at the meeting on 23rd December and the formal consultation commenced following this meeting and ended on 28th January 2022. The consultation covered a five-week period.
Did the consultation on this proposal highlight any positive or negative impact on protected groups? (If yes, give details)	Positive Impact on Children's and Adult Services from continued investment into these services.

Requirement	Detail
What processes are in place to monitor and review the impact of this proposal?	Feedback from the consultation process and the budgets were subject to scrutiny by the Finance and Resources Scrutiny Committee.
Who will approve this proposal? (Committee, CLT)	Executive and Council

2: Equality Consideration

In turn, consider each protected group to ensure we meet our legal obligations of the Equality Act (2010).

Protected Groups	General Equality Duty Considerations	Changes	Impact
	• Include factual evidence of how people in this group may be affected. • Consider the outcomes and processes. • Does this seek to **eliminate discrimination?** • Does this promote **fostering good relations?**	• What changes can be made to mitigate any negative impact? • Are there opportunities to **remove possible barriers or disadvantages** that a group may face?	Delete as appropriate. There can be more than one answer per protected group.
Age Different age groups that may be affected by the proposal in different ways.	<u>Proposal: Strength Based Working</u> Transformation of adult social care pathways and processes to ensure focus on client outcomes, independence, better decision making and best practice approaches to reduce delays and spend. <u>Proposal: Admission Avoidance</u> A service (initially funded by business rate pilot fund) provided by health, social care and East Midlands Ambulance Service providing support following falls in the home to reduce hospital admissions and likelihood of long-term social care.		Positive Positive

Protected Groups	General Equality Duty Considerations • Include factual evidence of how people in this group may be affected. • Consider the outcomes and processes. • Does this seek to **eliminate discrimination?** • Does this promote **fostering good relations?**	Changes • What changes can be made to mitigate any negative impact? • Are there opportunities to **remove possible barriers or disadvantages** that a group may face?	Impact Delete as appropriate. There can be more than one answer per protected group.
	It focusses on people 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. <u>Proposal: Increased Utilisation of Capacity within the PPP Contract</u> The PPP contract predominantly cares for individuals that are over 65 years of age and frail. The aim of the proposal is to review the capacity within the PPP care arrangements to maximise the use of the facilities that we hold a contract with and achieve cost effective placements compared to other independent providers. Placements will only be provided where they are suitable and meet the needs of the individuals. <u>Front Door Direction to VCS providers</u> Individuals can receive appropriate support through Voluntary and Community Sector organisations, a number of which will receive grant funding from the Council		Neutral Neutral

Protected Groups	General Equality Duty Considerations	Changes	Impact
	• Include factual evidence of how people in this group may be affected. • Consider the outcomes and processes. • Does this seek to **eliminate discrimination?** • Does this promote **fostering good relations?**	• What changes can be made to mitigate any negative impact? • Are there opportunities to **remove possible barriers or disadvantages** that a group may face?	Delete as appropriate. There can be more than one answer per protected group.
	Expansion of Extra Care and review of contracts Designed to facilitate wider use of Extra Care facilities, only where this is a suitable placement for the individual.		Neutral
Sex Is one sex affected more than another or are they affected the same?	The initial impact assessment has not highlighted any negative or positive impacts on individuals in relation to Sex.		Neutral
Disability It is likely to have an effect on a particular type of disability? Why?	Front Door Direction to VCS providers Individuals can receive appropriate support through Voluntary and Community Sector organisations, a number of which will receive grant funding from the Council		Neutral
Gender Reassignment Will there be an impact on trans males and/or trans females?	The initial impact assessment has not highlighted any negative or positive impacts on individuals in relation to Gender Reassignment.		Neutral
Race Are people from one ethnic group affected more than people from another ethnic group?	The initial impact assessment has not highlighted any negative or positive impacts on individuals in relation to Race.		Neutral

Protected Groups	General Equality Duty Considerations • Include factual evidence of how people in this group may be affected. • Consider the outcomes and processes. • Does this seek to **eliminate discrimination?** • Does this promote **fostering good relations?**	Changes • What changes can be made to mitigate any negative impact? • Are there opportunities to **remove possible barriers or disadvantages** that a group may face?	Impact Delete as appropriate. There can be more than one answer per protected group.
Sexual Orientation Are people of one sexual orientation affected differently to people of another sexual orientation?	The initial impact assessment has not highlighted any negative or positive impacts on individuals in relation to Sexual Orientation.		Neutral
Marriage & Civil Partnership Are people in a Marriage or Civil Partnership treated less favourably?	The initial impact assessment has not highlighted any negative or positive impacts on individuals in relation to Marriage and Civil Partnerships.		Neutral
Pregnancy & Maternity Are people who are pregnant, or have a baby of 6 months old or younger, effected by this proposal?	The initial impact assessment has not highlighted any negative or positive impacts on individuals in relation to Pregnancy and Maternity		Neutral
Religion or Belief Does the proposal effect people differently depending on whether they have or do not have a religion or a belief?	The initial impact assessment has not highlighted any negative or positive impacts on individuals in relation to Religion or Belief		Neutral
Health & Wellbeing 1. Health behaviours (E.g. diet, exercise, alcohol, smoking) 2. Support (E.g. community cohesion, rural isolation)	The proposals within Adult Social Care have a positive impact on Health and Wellbeing, by supporting the independence of individuals, seeking to avoid hospital admissions and looking for support in a community setting.		Positive

Protected Groups	General Equality Duty Considerations • Include factual evidence of how people in this group may be affected. • Consider the outcomes and processes. • Does this seek to **eliminate discrimination?** • Does this promote **fostering good relations?**	Changes • What changes can be made to mitigate any negative impact? • Are there opportunities to **remove possible barriers or disadvantages** that a group may face?	Impact Delete as appropriate. There can be more than one answer per protected group.
3. Socio economic (E.g. income, education). 4. Environment (E.g. green spaces, fuel poverty, housing standards).			

3: Equality Impact

Question	Response
What overall impact does the proposal have on the protected groups? If a negative impact is identified anywhere in section 2, the response will be Negative Impact.	Overall, a positive impact
Does an Equality Impact Assessment need to be completed? (Yes, if any negative impact is found.)	No
Copy attached to relevant report?	Yes
Is this document going to be published with the relevant report?	Yes

4: Ownership

Question	Response
Directorate	Finance
Service area	Finance
Lead officer’s name	Janice Grotts

Question	Response
Lead officer's job title	Executive Director of Finance
Lead officer's contact details	Janice.gotts@northnorthants.gov.uk
Lead officer's signature	
Date completed	02/02/2022

Completed forms must be sent to Equalities@northnorthants.gov.uk

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North Northamptonshire Council

Finance and Resources Scrutiny Committee

1st February 2022

Report Title	Budget 2022/2023 – Report from Scrutiny Task & Finish Groups
Report Author	Paul Goult - Interim Democratic Services Manager Paul.goult@northnorthants.gov.uk

List of Appendices

Appendix A – Session 1 Adults, Communities and Wellbeing 6 Jan 2022
Appendix B – Session 2 Adults, Communities and Wellbeing 19 Jan 2022
Appendix C – Session 1 Place and Economy 7 Jan 2022
Appendix D – Session 2 Place and Economy 18 Jan 2022
Appendix E – Session 1 Children's and Education Services 11 Jan 2022
Appendix F – Session 2 Children's and Education Services 17 Jan 2022
Appendix G – Session 1 Enabling and Support Services 13 Jan 2022
Appendix H – Session 2 Enabling and Support Services 24 Jan 2022

1. Purpose of Report

1.1. For the Committee to receive feedback from the eight budget sessions conducted on the Executive's budget proposals for 2022/23. These sessions were conducted between 6th – 24th January 2022. The Committee are being requested to determine its representation to the Executive for consideration at the Executive meeting on 10th February 2022. The final budget proposals from the Executive will be forwarded to Full Council on 24th February 2022 for determination.

2. Executive Summary

2.1. The report details the process undertaken by the Committee in reviewing the proposed draft budget for 2022-23. The report is requesting that the Committee having considered the budget proposals indicates whether the proposals are robust, whether there are any areas of concern noted, and whether there are other priorities that the Committee wish the Executive to consider.

3. Recommendations

3.1. It is recommended that the Finance and Resources Scrutiny Committee –

(i) Receive the notes from the eight scrutiny budget sessions (detailed in Appendices A-H);
(ii) Agree what comments, questions, or recommendations the Committee wish to forward to the Executive.

3.2. *(Reason for Recommendations* – To ensure that the Council complies with its Constitution in setting the budget for North Northamptonshire.

4. Report Background

4.1. The Executive at its meeting on 23rd December 2021 set out its draft proposals for the Council's budget 2022/23. These proposals included the Capital Programme 2022-25 and proposals for the Housing Revenue Account (HRA) 2022-23.

4.2. These draft proposals were submitted for public consultation commencing on 23rd December 2021, with the consultation period closing on 28th January 2022.

4.3. The main headline assumptions within the draft budget proposals are:

- A balanced budget for 2022-23
- Further net investment in services to both protect vital services and invest in service change of £8.2m, including removal of previous one-off funding predominantly related to COVID-19
- Efficiencies and income generation of £7.6m
- Investment in the Children's Trust to protect and increase the baseline funding from 2021-22 into 2022-23. Further to this there is potential additional one-off revenue and capital investment of £3.65m countywide (£1.6m from the North) to help deliver service improvements for some of our most vulnerable children and young people.
- Planned savings and pressures from previous Medium Term Financial Plans will remain to be delivered, unless there is a requirement to change the assumptions following review
- The use of reserves to support non-recurring investment in service improvement, fund time limited projects, pump-prime invest to save schemes and help manage risk.
- An investment of £1m spread over three years to forward fund initiatives to help address the climate crisis.
- Investment in Social Care to recognise the increase in the National Living Wage to £9.50 per hour and a 1.25% increase in national insurance contributions for care providers.

- An investment of £0.8m recurringly to consolidate the increase in pay for the Council's lower paid staff to the real living wage in 2021-22, together with improved incremental progression
- An increase in Council Tax consisting of 1.99% for the "core" council tax and 1% for the Adult Social Care precept, resulting in an average weekly increase in Council Tax of 88 pence for a Band D equivalent property.
- No change to the Local Council Tax Support Scheme which will continue at 25%.
- Inclusion of a contingency to mitigate against uncertainty.
- Officers will continue to seek efficiencies in order to help address the budget requirement from 2023/24.

4.4. In addition to the public consultation, the Finance and Resources Scrutiny Committee were invited to consider the draft budget proposals and were invited to scrutinise these. Any comments, concerns or representations from the Scrutiny Committee would be reported to the Executive at its meeting on 10th February 2022 for the Executive's consideration.

4.5. To assist the Scrutiny Committee in formulating its representation, eight budget scrutiny sessions were timetabled. These sessions were formulated around the four main service areas of the Council:

Service Area	**Budget Sessions**
Adults, Communities and Wellbeing	6th & 19th January 2022
Place and Economy	7th & 19th January 2022
Children's and Education Services	11th & 17th January 2022
Enabling and Support Services	13th & 24th January 2022

4.6. All members of the Scrutiny Committee were invited to attend each session, and each session was attended by the appropriate senior officers from the respective service area and officers from Financial Services.

4.7. Each session comprised a presentation from officers relating to the respective service area, with a focus on the budget implications as contained in the draft budget proposals 2022/23. Each session included an opportunity for questions and answers.

4.8. Summary notes from each session are included within Appendices A-H accompanying this report and are intended to assist the Scrutiny Committee in formulating its representation to the Executive.

4.9. In addition to the Scrutiny Committee budget sessions, Members have had the opportunity to attend All Member budget briefings, and sessions have been/are being held with the leadership of the respective recognised political groups.

4.10. The Executive at its meeting on 10th February 2022 will consider any representations received from the Scrutiny Committee and any representations received through the public consultation period. These representations will inform the Executive's final budget recommendations which will inform the final proposals submitted to Full Council for determination.

5. Issues and Choices

5.1. It is suggested that the Scrutiny Committee consider the outcome of the budget sessions held, by each service area, and consider the points raised for inclusion in any representations to the Executive.

6. Next Steps

6.1. Once the Scrutiny Committee have formulated its representation to the draft budget proposals this will be communicated to the Executive ahead of the Executive meeting on 10th February 2022. The Chair of Scrutiny Committee (or their designated deputy) will have the opportunity to present the Committee's representation to the Executive.

7. Implications (including financial implications)

7.1. Resources and Financial

7.1.1. The Scrutiny Committee are required to ensure that the draft budget is robust and to challenge any proposals or assumptions made which they feel are unreasonable. It is not the role of the Scrutiny Committee to develop an "alternative budget" but where the Committee feel that there are areas of potential income or expenditure that have not been fully explored or addressed it is reasonable for the Committee to raise these with the Executive. The need to ensure the Council set a balanced budget is paramount.

7.2. Legal and Governance

7.2.1. Under the Council's approved Constitution (Part 7.1 Scrutiny Procedure Rules) the Committee are required to challenge the draft budget proposals and any assumptions made in those proposals.

7.2.2. The Committee should report its findings and deliberations to the Executive, prior to the Executive making its final recommendations to Full Council.

7.2.3. Senior officers of the Council have been available throughout the Committee's scrutiny process to assist the Committee in its deliberations.

7.3. Relevant Policies and Plans

7.3.1. The Executive in compiling its draft budget proposals is required to ensure that these support the implementation of the approved Corporate Plan and satisfy all legislative requirements placed on the Council.

7.4. **Risk**

7.4.1. It is important that any draft budget proposals are subject to rigorous challenge and appropriate scrutiny. This will assist in ensuring that the draft proposals are robust, meet the Council's corporate priorities, fulfil statutory requirements, and provide for a balanced budget.

7.5. **Consultation**

7.5.1. The Committee are being consulted on the budget proposals as required under the approved Council Constitution.

7.6. **Consideration by the Executive**

7.6.1. The Executive approved the draft budget proposals on 23rd December 2021. The Executive will receive all consultation responses at its meeting on 10th February 2022.

7.7. **Equality Implications**

7.7.1. None directly from this report.

7.8. **Climate Impact**

7.8.1. The Council, having declared a climate change emergency in June 2021, is committed to reducing its climate impact both within its own Council buildings and in working with businesses and the wider community to achieve net zero energy emissions.

7.8.2. Significant progress has been made and reported into the Climate, Growth and Environment Executive Advisory Panel at regular intervals and in November the Climate Change Route Map was presented which detailed key actions that will be undertaken over the next 12 months. Further reports linked to elements of the Route Map will continue to be reported into the Advisory Panel throughout 2022.

7.8.3. The £1m pump priming investment proposed over the next three years will enable the council to develop a robust response to the impact of climate change including developing its own carbon management plan.

7.8.4. Among the Council's priorities will be putting in place carbon literacy training for elected members and staff, a management system to manage and monitor its own carbon footprint as well as plans to improve the local environment and sustainable travel.

7.9. **Community Impact**

7.9.1. The Executive's report stated that no distinct community impacts had been identified as a result of the proposals included in their report.

8. Background Papers

8.1. Executive Report 23rd December 2021 – Draft Budget 2022-23 and Medium-Term Financial Plan
8.2. Executive Report 23rd December 2021 – Capital Programme 2022-25
8.3. Executive Report 23rd December 2021 – Housing Revenue Account (HRA) Draft Budget 2022-23 and Medium-Term Financial Plan Proposals
8.4. Scrutiny Budget Sessions Presentations

North Northamptonshire Council

NOTES OF THE BUDGET TASK AND FINISH GROUP FOR

ADULTS, COMMUNITIES AND WELLBEING (INCLUDING HRA)

SESSION 1 - 6 JANUARY 2022 held at 2pm using the Zoom platform

Attendees:

Cllrs Mark Pengelly, Richard Levell, Valerie Anslow, Scott Brown, Jim Hakewill, Ken Harrington, Ian Jelley, King Lawal, Steven North, Malcolm Ward

Executive Members/Officers: Cllrs Helen Harrison, Helen Howell, David Howes and Andy Mercer - David Watts, Director, Kerry Purnell, Assistant Director Susan Hamilton (Health)

Finance Officers Janice Gotts, Mark Dickenson, Claire Edwards and James O'Connor

An apology was received from Cllr Henson.

1. Presentation

David Watts, Kerry Purnell, Mark Dickenson and Susan Hamilton gave an overview of the service areas of his directorate to include Adult Services, Commissioning and Performance, Safeguarding and Wellbeing, Housing and Communities and Public Health. This information had previously been circulated to the task and finish group.

Officers took members through each area of the budget and explained what each service did and the financial commitments and proposed budget for the forthcoming year.

2. Summary of questions and comments

- Adult Social Care - A question was raised over the previous debts due to NCC for the repayment of care costs and how would such debts be pursued, rather than these being written off – as this would be income for the new unitary authority.

  It was explained that such debt was on the NCC's balance sheet (with the West leading on this.

- Adult Social Care - How did NCC know that there would be sufficient money to pay for care.

  The amount was an estimate of what would be required, taking into account lots of information including service demand and statistics, along with the impact of social care reform due to be implemented from October 2023. Further guidance was awaited on the implications of reform.

- Disabled Facilities Grant – A comment was made that there was often an underspend on the grants. How was spend monitored.

  It was noted that due to Covid access to some properties had been delayed this had resulted in a lower spend than normal. The work programme was monitored quarterly through the Health and Wellbeing Board.

- Housing and Homelessness Prevention - was the budget of £4m entirely for North Northamptonshire?

  It was confirmed that the budget was in place for North Northamptonshire and would enable more properties to be acquired.

- Parkwood Contract – an update on the contract was requested

  Officers confirmed that there had been a slight delay following the approval in the Autumn. The current contract had been extended whilst the negotiations were taking place.

- Right to Buy - was the funding being used in the appropriate timescale for new housing? A request was made for a forecast of right to buy receipts for the next session.

  It was confirmed that the right to buy receipts for Kettering and Corby were programmed for the next two years.

- Acquisition of property - Could right to buy receipts be used to buy existing properties?

  It was confirmed that properties could be bought on the open market but there were restrictions from April 22 which limits the number of acquisitions this was to help drive new supply the cap limits acquisitions to 50% of delivery from 1st April 2022 then reducing to 40% from 1st April 2023 and to 30% from 1st April 2024 onwards. The first 20 units of delivery in each year will be excluded.

- Community Fund - What sort of projects could put in a bid for funding?

  Officers clarified that the community fund was for capital projects, day to day projects could submit a request under the small grants scheme.

- Commissioning and Performance - Reference was made to the Shaw PPP beds and Shaw PFI previously arranged by the NCC with a request for details of how the funding was split across the North and West.

  Officers explained that the two contracts were completely different. The Shaw PPP related to six care homes in the North Northamptonshire area and these were overseen by NNC and were for residents in the NN area. The Shaw PFI was countywide with homes in Daventry, Kingsthorpe, Corby and Rushden for short term used and hosted by the West, though services could be used by the North.

APPENDIX A – Adults Communities and Wellbeing 6th January 2022

- Parkwood – Castle Theatre - A question was raised about the contract for the theatre in Wellingborough.

  Officers clarified that the reference to Parkwood was not in relation to the Castle Theatre but related to the leisure contract.

- Pressure on care homes - what were the risks of care homes not being able to survive?

  Officers clarified that there were risks and they were looking to improve the utilisation rate on the Shaw PPP contract. There would be more integrated working in relation to the Integrated Care Across Northamptonshire programme (iCAN).

- What are the expected challenges following the pandemic?

  Officers clarified that there were clear indications that people were living longer, resulting in more complex care needs, whilst many lives had been lost during the pandemic, there were also those living with the effects of the pandemic that would need care. The impact of austerity on local government and the care sector was significant and more funding was required to provide an adequate service.

  Cllrs clarified that they would raise this with their own political associations

- Safeguarding and Wellbeing - Members were pleased that recruitment of staff had progressed. With regard to Supplies and Services (Item D) members asked if a breakdown could be provided.

  Officers clarified that this could be provided.

- Level of voids – A comment was made that the level of 'voids' in the Kettering area was double of that in the Corby area. Further information was required on why was there such diversity and how was this monitored?

- Chester House Farm - what impact had there been on the withdrawal of the West in giving support to the project? Also why had the West withdrawn and had this been to a committee?

  The Executive Member clarified that since its opening all targets had been achieved and it was expected that the requirement to fund would not continue. The West had made the decision to withdraw due to geography and Chester House being located in North Northamptonshire – this had been a decision made by the West and was not a committee decision required to be made by NNC.

- Community Events - Would events continue in each area of North Northamptonshire?

The Executive Member clarified that the intention was for the whole of North Northamptonshire to come together as one to support and promote events. For example, one or two large events to promote the county could be held This did not mean that 'town events' would cease.

Members specifically asked about events such as Remembrance Sunday or the Fireworks at the Boating Lake in Corby.

It was clarified that such events bring communities together and that officer support could be provided but that precepting would be encouraged.

- Public Health - Members noted the work that had been undertaken and continued to take place due to the pandemic along with the proposals to improve public health generally.

- Housing Revenue Account

Right to buy sales - Members noted that there were more right to buy sales in the Corby area and asked what the current position was with the retention of funding and asked if a spreadsheet of receipts could be provided for the next meeting.

Officers advised that the RTB receipts retained under the 1 4 1 agreements are retained by the council and that the 1 41 receipts to fund eligible expenditure for the provision of new homes has increased from 30% to 40%. Officers would also find out whether, as there were currently two Neighbourhood Accounts that form a single HRA whether this would mean that the cap on acquisitions would be on 20 or 40 properties.

- Rent Increases - Would the proposed rent increases be put to the Tenants Forum?

Officers clarified that there would be consultation through various methods and that in future there would be one tenants forum for the whole area.

- Repairs and Maintenance - Concern was raised over the considerable increase in building materials and the impact this was having and would continue to have.

Officers clarified that the increase in supplies would be challenging as there were considerable increases in the costs being noted already. The intention was for the council to have a central depot to save both time and money.

Members asked to be provided with more details on this.

3. Close

The Chair thanked all for attending and confirmed that the next session would be held on Wednesday 19 January at 1.30pm.

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North Northamptonshire Council

NOTES OF THE BUDGET TASK AND FINISH GROUP FOR

ADULTS, COMMUNITIES AND WELLBEING (INCLUDING HRA)

SESSION 2 – 19 JANUARY 2022 held at 1.30pm using the Zoom platform

Attendees:

Cllrs Mark Pengelly, Richard Levell, Valerie Anslow, Scott Brown, Jim Hakewill, Ken Harrington, Larry Henson, Ian Jelley, Steven North and Malcolm Ward.

Executive Members/Officers: Cllrs Lloyd Bunday, Helen Harrison, Helen Howell, David Howes and Andy Mercer. David Watts, Kerry Purnell, Susan Hamilton, John Ashton, Zakia Loughead, Samantha Fitzgerald and Catherine O'Rourke.

(Councillor Wendy Brackenbury also attended).

Finance Officers: Mark Dickenson, Claire Edwards and James O'Connor.

Democratic Services: Carol Mundy, Raj Sohal and Emma Robinson.

Prior to the meeting formally commencing the chair raised the issue of consultation with the public and asked how the public would be made aware of the budget discussions taking place at the Executive meeting in February. He had been informed that a considerable number of community groups were unaware of the consultation. Would there be a separate consultation meeting arranged for the public to attend to express their views?

Executive members clarified that they were not aware of a separate consultation meeting being planned. They were, however, aware that there had been community engagement with town and parish councils as well as extensive publicity around the consultation process.

Cllr David Howes referenced the former engagement process held in Kettering, where a meeting was held for the public to attend, along with senior officers, where the budget would be presented, and the public had the opportunity to ask questions. He also referenced the Rural Forum, which in future years could be held during the consultation period, to aid the process.

Members also asked if Executive Members could consider visiting communities generally to take on board people's concerns for next year.

1. Presentation

David Watts had circulated a consolidated set of slides to members, which included the slides from session 1 along with a second slide giving the responses to the queries raised at that session.

There were no further questions in relation to public health, and Susan Hamilton left the meeting.

A question was asked about when Lucy Wightman would leave her post. DW did not have an exact leaving date but would circulate this when agreed, her official leaving date was the end of March 2022.

The slides provided members with the additional information requested and Kerry Purnell explained the position in relation to voids for the HRA and Kettering and Corby.

She reported that the data for each area was collected differently. Her response detailed the number of live voids, properties with the depot, properties ready to let and those expected to come forward within a four-week period.

In Kettering the voids turn-around times for a three-month period averaged between 50 and 70 whilst comparable data for Corby for December 2021 indicated between 90 and 126.

She explained the difference between a standard void, when remedial work would take a shorter time to complete, compared to a major void when a property would need considerable work to bring it to a rentable standard, such as new heating systems, bathrooms and kitchens.

- Members asked why the voids were so different in each area and why there were different timescales for completion of works?

  KP explained that there were various reasons for the differences with one reason being how supplies and stock was obtained. Kettering had its own property store, whilst Corby had a contract with a supplier, and this was dependent on supply. This had an impact on how quickly work could be carried out.

  A project for property stores was underway, with an options appraisal already undertaken, to consider the best way forward. When ready this would be put before the leadership team and the Executive.

- Is there a target for voids and if so, what is it?

  KP was not aware of a target but would investigate this and respond to members.

- Does homelessness have an impact on voids?

  KP clarified that voids sit within the HRA budget and that the housing stock was for housing tenants only and therefore unrelated to homelessness. Prospective tenants on the housing register will be offered a tenancy if they qualify. Properties for homelessness came from the general fund and there are a smaller number of properties for use in this area.

- Clarity was sought over whether homeless families could potentially be housed in stock – though not in a void property – that was funded from the general fund rather than the housing revenue account.

  This was confirmed.

- Why does it potentially take 250 days for a property to be ready for occupation?

KP clarified that many voids required major refurbishment with new heating, kitchens, bathrooms etc. it depended on what resources were available and prioritisation at the time it became void. The properties that become available were of mixed sizes and some had been occupied by the same tenants for several years and may require complete renovation.

KP will provide data of the 'type' of current voids.

- How long to voids remain with Registered Social Landlords?

  KP clarified that whilst she regularly met with Greatwell Homes she did not know their timescale for voids. She also commented that figures wouldn't necessarily be comparable as a social landlord could move money around to urgently address voids and repairs.

- Looking to the future should the Executive consider a 'stock transfer' to reduce voids and make tenants lives better?

  Cllr Mercer commented that this could be looked at, in his opinion he had found that some stock transfers had been very impressive and others not so good. Ultimately the decision would lay with the tenants if this was even considered.

  Cllr Harrison commented that as a member of the Executive all options for delivery of the best service for residents had to be considered. At this time this option was not being investigated.

- Could scrutiny look at this?

  MD cautioned that a stock transfer may not be viable. With the current level of debts, the level of receipts would be less than the debt and NNC would potentially end up with no taxable receipts which could result in a government intervention.

- A further explanation of the way stock was obtained was requested.

  KP clarified that Kettering had a depot store of essential stock products and materials that were frequently used, along with a digitalised stock control system. This enabled good control and ensured appropriate payments to suppliers.

  Corby has a contract with suppliers Jewson's which was due to expire in January 2023. It was harder to manage stock control and supplies generally and to monitor payment.

  The options appraisal would consider various efficiency methods for the future.

- A member cautioned that holding stock was not always the best way to run a business and asked if enquiries had been made of RSL's to see how they did this. Would this have an impact on budgets?

  KP clarified that there were various options to be considered and this would time some time to bring forward. It would not impact next year's budget.

- Members were generally in support of a need for a better system to ensure stock was available for popular products that were being used all the time.

  Councillor Mercer would arrange for a report on stock control at some point in the future. Councillor Harrison commented that this was something that could be discussed through the EAP.

Right to buy receipts

Officers provided an explanation on how the right to buy scheme, introduced in 1980, works. Qualifying tenants have the right to buy their council home with a substantial discount, which increases with the length of a tenancy to a maximum limit as follows:

- Houses - the discount is set at 35 per cent of the property value plus 1 per cent for each year beyond the qualifying period of 5 years up to a maximum of 70 per cent
- Flats - the discount starts at 50 per cent and rises by 2 per cent each year up to a maximum of 70 per cent.
- The maximum discount is £84,600 across England, except in London boroughs where it is £112,800. It increases in April each year in line with the consumer price index (CPI).
- Must have held a tenancy with any council or housing association for at least 3 years & have a secure tenancy at time of application.

The right to buy assumptions for both Kettering and Corby had been factored into next year's budget and the complex calculation process was explained in more detail.

From 1 April 202 changes had come into effect on how 1-4-1 receipts could be used. This included:

- Increasing the time limit for the use of the receipts from three to five years this covers not just future receipts but existing ones (i.e. back to 2017- 18).
- That the use of 1-4-1 Receipts to fund eligible expenditure for the provision of new homes be increased from 30% to 40%.
- Introduction of a cap on the use of Right to Buy receipts on acquisitions to help drive new supply with the phased introduction, with the cap limiting acquisitions to 50% of delivery from 1st April 2022, then reducing to 40% from 1 April 2023, and to 30% from 1st April 2024 onwards. The first 20 units of delivery in each year will be excluded.

- Members asked if the 20 units were for North Northamptonshire?

  MD clarified that the 20 units were for North Northamptonshire and not each separate account.

- Clarification was sought that for each right to buy sale the council was making a small loss.

  MD advised that the RTB scheme is a national scheme and tenants can acquire homes at a discounted price again set by Government.

- Members thanked officers for the clear explanation and commented that numbers were more favourable than previous information had indicated.

Clarity was sought about the percentage of the receipt that could be used to invest.

MD confirmed that 40% of the receipt could be invested, with 60% having to be funded directly by NNC.

- The administration fee seemed particularly low. Was that correct and was a loss being made?

  MD clarified that this figure was set nationally.

- Who pays the stamp duty?

  Stamp duty would be paid by the tenant on the purchase as they were the buyer of the property.

- Officers were asked to clarify that if upon the sale of one property could NNC build another property using 40% of the receipts and separately fund 60% from capital and would the property then return to the HRA for rental.

  MD confirmed that this would be delivered from the HRA programme – and that this reflected the funding split shown within the accounts.

- Would any receipts have to be returned if they were not spent.

  MD confirmed that NCC was not looking to return any receipts. Projects were on target for June 2024. An annual return was submitted to government, and a request for the return of receipts could be made if monies were not spent. The timeframe was closely monitored to ensue schemes were brought forward and the period for using 1 4 1 receipts has been increased from 3years to 5 years.

- With regard to the legal documentation could a clause be added to the contract to ensure that right to buy properties could **not** be used as an HMO in the future.

  KP confirmed there was a clause relating to HMO's within the legal documentation, but she would see if this could be enhanced.

Supplies and services

KP explained the expenditure in this area which included grants to the voluntary sector, events, Theatre Contracts, Leisure, homelessness and traveller site management. She clarified that the leisure facilities figure related to assets and asset depreciation along with the cost of specialist services for example the swimming pool plant.

- How would these figures change for 2022-23?

  KP clarified that the figures won't change as no savings were to be found in the coming year.

- Members asked if they could have details of the budget, as they considered there would be an impact on residents with the increases in heating bills and the general cost of living.

MD clarified that the report outlined the changes for 2022-23 with an increase in budget for temporary accommodation, as referenced in the first session.

- Councillor Harrison commented that Leisure services, contracted privately, didn't cost a great deal. Covid funds had been used to help leisure services to rebuild to a reasonable level.

KP confirmed that leisure services had achieved a 70% recovery and hoped to be up to 100% by the summer of this year.

Chester House Farm

KP reported that Chester House had now been operational for three months with the first three months trading figures being higher than anticipated at almost £40k.

Various Spring events, such as lambing, were taking place and wedding packages had just been launched.

She detailed the business plan which had projected a £114,600 overspend prior to the site opening, this was intended to be paid back in future years.

- Clarity was sought on what funding Chester House had received?

KP clarified that a revenue budget of £298,244 had been transferred across from NCC. Whilst WNC had withdrawn from the project they would continue to contribute towards the Arc.

- Could a breakdown of the income for the first three months along with details of how it had been achieved be provided? Also, could the full budget for Chester House for 2022-23 be provided.

KP confirmed that she could provide the business plan. The breakdown related to income from car parking, sale of food and beverages and rental and she would also arrange for more detail to be provided.

Disabled Facilities Grants

KP explained that the DFG grants were funded via private sector housing and the grant allocation for 2021-22 was £2.5m. The breakdown of current spend was detailed along with details of the applications received and commitments made. She explained the complexity of using the grant funding which could take up to nine months and could fall within two financial years.

- How had Covid affected spend?

Covid had impacted spend as there had been difficulty in getting work carried out particularly during 2019-20. This was gradually improving.

Social care debt

A question had been raised at session 1 about the adult social care debt, the aged debt sitting on West Northants Council books and how this would be dealt with through close down, DW explained that the debt profile was being managed for the new authority with recovery rates being around 90% which provided a baseline to work from. A 100% of contributions was not expected. Work was ongoing with West Northants Council of the aged debt and this will be circulated to members.

A request for more information on the 'Target Operated Model' (TOM) and the potential to meet the proposed savings therein had been made.

DW confirmed that proposed savings were already built into the Medium-Term Financial Strategy. He referenced the circulated slides which detailed the Performance Overview for the North and TOM metrics for 2021. Also detailed was the TOM summary detailing opportunities for service areas, the opportunity calculations and the WAA Opportunity calculations.

The Operating summary from TOM referred to a MTFP of £6.5m for the North with the two main areas being older people and working age adults. This also showed the different workstreams and opportunities.

There was ongoing work taking place around the decision-making process, and reablement options to encourage continued independence with the provision of home care. He detailed the weekly costs of residential care and nursing care and the potential savings that could be achieved.

- How had Covid impacted on the number of residents going into care?

  DW confirmed that there was an indication of some impact on admissions to care homes, with families providing more support for their loved ones at home. It was expected that moving forward there could be a wave of new admissions as support diminishes and care needs increase.

- What did TOM stand for and how long is this in place for?

  DW clarified that this was the terminology to describe the optimum level of working and is the name and design of the programme - it details how annualised savings can be made by changing the decision making process and the way we work to achieve the assumptions. The contract was in place until 2024.

- What is the connection with Newton Europe, do they gain a commission on savings?

  JO'C responded and explained that Newton Europe provided the opportunity matrix, and if decisions were changed and implemented, resulting in savings, they would be entitled to a commission on the amount saved.

- What is the expected cost of the commission and if it doesn't work, do we get money back?

  The value of the commission to Newton would be 400,000k. If the contract failed a penalty would be due. There were lots of sign-off points within the contract so if there issues these would be raised. It was noted that the contract was inherited from NCC.

The aim is to support people to stay and live within their own homes and only place them in residential care when necessary. There was some concern about the assumptions made but officers would continue to deliver the targets where possible.

- Will it be possible to find the savings, or will this result in budget overspends?

  It was clarified that within next year's budget the saving against TOM was 10% of budget within the care spend. It was unlikely that there would be issues or problems with finding such savings. Slide 31 demonstrated the current performance.

  DW clarified that the savings would have to be achieved to deliver the full benefits

- **Reference had been made to the collection of 90% of debt being recovered - what period was this for?**

  Historic information would be provided following the meeting.

Supplies and Services within Safeguarding, Wellbeing and Provider Services

ZL detailed the costings for the service area of £344k, with a forecast spend of £515k. This related to spend on equipment and tools, such as masks and torches, lone working, furniture for Beech Close with the purchase of chairs, testing to ensure electrical compliance, professional fees and hired in services, such as Doctors fees for medical assessments, locksmiths and staff expenses.

She also explained the incurred expenditure on agency staffing.

The highest spend had been at Beech Close Care Home where there had been several vacancies. There were 24 residents who needed the right support, including night care. A recent recruitment drive had resulted in the recruitment of a cook and care assistant.

There were still many difficulties with recruitment and retention, many had left the care service due to the mandatory vaccinations and general concerns over Covid and additional work pressures. The recent Omicron variant had also had an impact with many staff being unable to attend work, though this was gradually improving. The communications team was aware of the vacancies and was promoting vacancies.

Helen Harrison also confirmed that there had been a lot of issues around recruitment and it was essential that staff needed to be paid well with assurance that they would receive the real living wage.

- **What and where was Beech Close Home?**

  It was confirmed that Beech Close Home was situated in Desborough and was an old care home previously run by Shaw Care which had been brought back in-house. The home needed some improvements and needed to be staffed properly.

- With regard to spend to 31 March would £150k be spent during the last three months of the year?

  It was clarified that there was a huge delay with the receipt of invoices, and these would come forward before the end of the financial year.

- With the continuing uncertainty with Covid would it be wise to have a half year review to ensure that TOM was working?

  The chair responded to inform members that during the coming year the committee would delve further into budgets on a regular basis. Members were also reminded that regular budget monitoring was provided to monitor performance.

The chair thanked officers for the informative presentations and the work that they had put into the slides and extensive information provided.

3. Close

The chair thanked all for attending and closed the meeting at 4.10pm.

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North Northamptonshire Council

MINUTES OF THE BUDGET TASK AND FINISH GROUP FOR

PLACE AND ECONOMY

SESSION 1 - 7 JANUARY 2022 held using the Zoom platform

Attendees:

Cllrs: Mark Pengelly, Richard Levell, Valerie Anslow, Lloyd Bunday, Scott Brown, Jim Hakewill, Ken Harrington, Ian Jelley, King Lawal, Anne Lee, Steven North, Malcolm Ward

Executive Members/Officers: Cllrs David Brackenbury, Harriet Pentland and Graham Lawman – George Candler, Executive Director – Place and Economy, Rob Harbour, Assistant Director – Growth and Regeneration, Graeme Kane, Assistant Director – Highways and Waste, Iain Smith, Assistant Director – Regulatory Services, and Jonathan Waterworth, Assistant Director – Assets and Environment

Finance Officers: Mark Dickenson, Claire Edwards, Janice Gotts and Katherine Hayward

Carol Mundy, Senior Democratic Services Officer, Raj Sohal, Democratic Services Officer and Emma Robinson, Democratic Services Support Officer.

1. **Overview of presentation**

The group considered a presentation by George Candler, Executive Director of Place and Economy, which outlined each of the four key functional service areas of place and economy: growth and regeneration, assets and environment, highways and waste and regulatory services. The Executive Director explained that the net budget for place and economy was £54.6M (19% of the overall Council budget. This information had previously been circulated to the task and finish group.

2. **Summary of questions and comments including responses**

- “Regarding the cost of agency staff throughout planning departments, there is a concern that we, as an authority, are haemorrhaging staff in planning. What are we doing to reduce our dependency on agency workers and get the right staff in?”
  - Councillor David Brackenbury explained there existed a shortage of senior qualified planning staff nationally. Although the authority did not want to continue with a dependency on agency staff, the executive member emphasised the significance of having competent and experienced planning officers across all areas. The executive member assured the task

and finish group that the executive was aware of this issue and was seeking to resolve it.

- "The authority has experienced issues with recruitment and a dependency on non-permanent staff for a while now. What is the "Plan B", moving forward?
  - The Executive Director explained that matters were being progressed and that the service areas had aimed to move towards maintaining a workforce of increased permanent staff. He posited that the challenge would be to ensure that service delivery continued at pace, while recruiting new staff.
  -
- The task and finish group requested a list of the vacancies in planning for the next session.

- "Will we be able to spend external funding in areas across North Northamptonshire, outside of Kettering?"
  - The Assistant Director of Growth and Regeneration explained that external funding had been made available to North Northamptonshire Council through the Heritage Action Zone, on the basis that it would be invested in town centre improvement in Kettering. As a result, this funding could not be invested outside of Kettering.

- The Chair expressed concern regarding the recent cancellation of Corby town board meetings. He posited that these town board meetings should be planned well in advance and could not continue to be cancelled, as they were important to determine how funding would be spent in Corby

- "How much did the work to calculate the Council's carbon footprint cost?"
  - The Assistant Director of Growth and Regeneration explained that the work that has been commissioned is not just looking at the councils carbon footprint, but a wider range of work. An update on this would come to the next meeting of the Climate Change, Environment and Growth Executive Advisory Panel, to be held on 19th January. The Assistant Director explained that the authority would not know the full cost of the work until a response was received from the suppliers, as it was still under procurement at the time of meeting. He confirmed a sum of £25,000 had been budgeted for the work.

- "Why is the 'employees staffing' cost budget the same for next year, despite ongoing issues which should've created a rise in this cost?"
  - The Assistant Director of Growth and Regeneration explained that the authority was intending to restructure and redesign teams within this service, to achieve a net zero position. Rather than seeking to make a saving on this cost within the budget, as many other service areas were doing, Growth and Regeneration aimed to work within this existing financial envelope hence no change for next years budget.

- "Some capacity funding was intended for the delivery of Tresham Garden Village. is this funding now being directed elsewhere in the budget?"

- The Assistant Director of Growth and Regeneration explained that while the authority had previously committed funding for Tresham Garden Village, it would no longer receive capacity funding for garden village projects from Homes England. Nevertheless, there would be an opportunity to bid for future funding for Tresham Garden Village in the coming year.

- "Will we be using Norse for any highways and waste services?"
  - The Assistant Director of Highways and Waste explained that a decision had been taken that all services provided by Wellingborough Norse would now be provided by NNC directly. Nevertheless, while the authority would no longer be using Norse for these services, Norse colleagues would join North Northamptonshire, under the direct management of the local authority.
  - The Assistant Director also explained that there would be no change in the contractual cost of the disposal of waste. This was due to the fact that pre-Vesting Day the existing contractual agreements had been split geographically, between North and West Northamptonshire. Therefore, there would be no financial pressure for the North.

- "Regarding green waste collection across North Northamptonshire, is there a price program in place?"
  - The Assistant Director for Highways and Waste explained that the current arrangements for charging garden waste in the budget was the same and would be continued for 2022/23.

- " Are fines for people driving in bus lanes enforced 24/7?"
  - The Assistant Director of Assets and Environment explained that these fines were not enforced at all times but at times between 9am to 4pm (Mondays to Saturdays). The authority had set a budget of £482k for the forthcoming year.

- What are the 'advertising and publicity' costs, listed in the presentation, used for?"
  - The Assistant Director of Highways and Waste explained that the description of this cost was a wide one, encompassing other aspects of the budget, not just advertising and publicity.

- Regarding home-to-school transport, the Assistant Director of Highways and Waste explained that if a family were eligible for free transport, there would be no change nor disruption to the system. There existed a number of strands in home-to-school transport, run by various procured contractors.

- "In the past it was difficult to find a recycling contractor. Is there a live recycling contract shown in this budget, which will show no change in pressure?"
  - The Assistant Director for Highways and Waste explained that the authority was in the process of procuring a new dry and mixed recycling contract.

- "How many employee vacancies currently exist within regulatory services?"
  - The Assistant Director of Regulatory Services explained that 140-145 staff were employed in regulatory services. The total number of vacancies amounted to around 5-10.

- "Will the countywide Travellers Unit remain properly funded and continue to be supported?"
  - The Assistant Director of Regulatory Services explained that he did not foresee any changes to the operations of this service.

North Northamptonshire Council

MINUTES OF THE BUDGET TASK AND FINISH GROUP FOR

PLACE AND ECONOMY

SESSION 2 - 18 JANUARY 2022 held using the Zoom platform

Attendees:

Cllrs: Mark Pengelly, Richard Levell, Valerie Anslow, Wendy Brackenbury, Lloyd Bunday, Scott Brown, Jim Hakewill, Ken Harrington, Larry Henson, Ian Jelley, Steven North, Malcolm Ward

Executive Members/Officers: Cllrs David Brackenbury, Harriet Pentland and Graham Lawman – George Candler, Executive Director – Place and Economy, Rob Harbour, Assistant Director – Growth and Regeneration, Graeme Kane, Assistant Director – Highways and Waste, Iain Smith, Assistant Director – Regulatory Services, and Jonathan Waterworth, Assistant Director – Assets and Environment

Finance Officers: Mark Dickenson and Katherine Hayward

Carol Mundy, Senior Democratic Services Officer, Raj Sohal, Democratic Services Officer and Emma Robinson, Democratic Services Support Officer.

1. Overview of presentation

The task and finish group considered the remainder of the presentation, delivered at the previous session by George Candler, Executive Director of Place and Economy, which outlined the Assets and Environment service and the capital programme.

2. Summary of questions and comments including responses

- One member referenced previous Council plans to establish an authorised permanent traveller site in Desborough and questioned whether the local authority still intended to create this site.
  - The Executive Director of Place and Economy explained that a 'transit' site was being looked at by the authority, as a stop-over site, to prevent unauthorised encampments. The Council had canvassed land across North Northamptonshire, to determine how this could work from a planning perspective. The Executive Director assured the task and finish group that once the options for this site were clear, the authority would seek to carry

out a consultation.
- Councillor Lloyd Bunday explained to the group that North Northamptonshire Council was in the process of dealing with inherited aspirational work, from the legacy authorities, and working to resolve this work.

- Members suggested that at some point in the near future, scrutiny should look at the Council's development pool. They posited that it would be useful to see what the authority aimed to deliver and what would be considered aspirational.
  - Councillor Graham Lawman explained that while some work had been progressed further, other projects remained in the development pool. A clearer picture of the wider progress of this work, within the development pool, would be made available when scrutiny would analyse the full budget.

- Regarding commercial income, members stated their desire to look closer into this and gain a further understanding of performance. The task and finish group requested a full breakdown of commercial income, for assurance that buildings owned by the authority would be properly maintained.
  - The Executive Director informed the group that more information concerning Council assets and asset rationalisation, would be made available at the next meeting of the Scrutiny Commission.

- One member expressed concern that certain lines of the capital programme of Place and Economy appeared to be too aspirational. He posited that the capital programme should outline the authority's realistic aims, rather than its aspirations. The member also suggested that if certain Council projects required urgent capital, then the programme should not prohibit this.

- The Vice Chair questioned whether 15% of allocated pressure on the total budget would be sufficient for utility costs.
  - The Assistant Director of Assets and Environment explained that this service area had looked at its contractual agreements, to determine what possible pressures could arise. He clarified that the authority had allowed for a 15% increase in pressure on this budget and would continue to monitor this, whilst also seeking to identify and enact any mitigations.
  - The Assistant Director of Finance and Strategy further clarified that the Council was looking at a movement of 15% of utility costs (£228K) and building provision within the budget for this.

- Councillor Harriet Pentland explained, in updating on the Climate Change proposed budget of £1m over three years, that if the allocation of the budget was not spent within the financial year, it would be possible to carry this funding over to the next. (£500k in the first year, then £250k for the two subsequent years.)

- One member of the group requested further information regarding work in the Capital Programme at the Kettering Warren Hill crematorium, which amounted to approximately £150,000.

- The Assistant Director of Regulatory Services clarified that the majority of the work to be undertaken at Warren Hill was for the improvement of the cremators. A portion of this sum was also to be allocated to progress plans for an extension to the cemetery.

- The Chair questioned whether the local authority had achieved further progress regarding the development of the A43 Corby link road.
  - The Assistant Director of Highways and Waste explained that the spend concerning the Corby link road listed in the programme, related to the section of the road that had already been completed. The authority was engaging with private landowners of other sections of the road, to determine their aspirations and ambitions for this land.

- Regarding the 'super-fast broadband' line of the report, members questioned why this cost had no allocation for 2024/25 and also questioned whether the service could guarantee a spend of £1.562M in 2022/23.
  - The Assistant Director of Growth and Regeneration explained that the authority could not absolutely guarantee the broadband spend for 2022/23, as the direct installation of broadband was carried out by third party contractors. Therefore, the spend listed in the report at the time of the meeting was a forecasted figure and would depend on the capacity of third-party contractors. That said, and based on previous years performance, there were no expected risks forecast in this regard.
  - Regarding the 2024/25 allocation, the Assistant Director clarified that North Northamptonshire Council would have to wait for new contracts to seek additional funding from central government.

- Members questioned whether a lack of permanent staff had caused a delay in the progression of planning applications.
  - The Assistant Director of Growth and Regeneration updated scrutiny that any shortfall in staffing can adversely impact the service area however this was being mitigated through a number of agency staff being employed. . He explained that one of the downsides on a dependency of agency staff was that they could leave at short notice which can cause delays until they are replaced..
  - Councillor David Brackenbury stated that authority did not desire a reliance upon agency staff. While the Councillor acknowledged that planning policy was not yet under strategic pressure, the workload would increase therefore, the Council would need to address vacancies in this area. Nevertheless, he assured the task and finish group that the executive was fully aware of the issue and was in the process of finalising a review, regarding all planning services.

- A Member emphasised the importance of addressing staffing issues in all departments and questioned why the employment committee of the Council had never met.
  - Councillor Scott Brown informed the group that the employment committee was due to meet later in January to elect a chair, to take them through to May 2022.

- The Chair questioned whether officers anticipated income, generated through driving fines, would decrease over time, as these fines were intended to serve as a deterrent against motorists driving in bus lanes.
  - The Assistant Director of Assets and Environment explained that as service areas received more data, budgets would remain under review to determine any potential impact on future budgets.

- Regarding home-to-school transport, one member expressed concern that changes to bus arrangements would affect 1,000 people across North Northamptonshire and questioned whether the authority had engaged in dialogue with families to address this early and allow them to make alternative arrangements.
  - The Assistant Director of Highways and Waste assured the member that the authority fully appreciated the potential impact of these changes to home-to-school transport and explained that officers were working closely with the Department for Transport (DfT), to minimise this impact. The Assistant Director felt that at the time of meeting, it was not appropriate to communicate with individuals, until further DfT guidance had been received. Nevertheless, he clarified that communication was already underway with schools, colleges and operators.

North Northamptonshire Council

MINUTES OF THE BUDGET TASK AND FINISH GROUP FOR

CHILDREN'S AND EDUCATION SERVICES

SESSION 1 - 11 JANUARY 2021 held using the Zoom platform

Attendees:

Cllrs: Mark Pengelly, Richard Levell, Valerie Anslow, Scott Brown, Jim Hakewill, Ken Harrington, Larry Henson, Ian Jelley, Steven North, Malcolm Ward

Executive Members/Officers: Cllr Lloyd Bunday and Scott Edwards – Ann Marie Dodds, Assistant Director - Education, Cathi Hadley, Director – Children's Services

Finance Officers: Mark Dickenson, Claire Edwards and Yoke O'Brien

Carol Mundy, Senior Democratic Services Officer, Raj Sohal, Democratic Services Officer and Emma Robinson, Democratic Services Support Officer.

1. **Overview of presentation**

The task and finish group considered a presentation by Cathi Hadley, Executive Director of Children's Services, and Ann Marie Dodds, Assistant Director for Education, which provided an outline and breakdown of budget areas across children's and education services. This information had previously been circulated to the task and finish group.

2. **Summary of questions and comments including responses**

- "Is there currently a high level of exclusion of children from schools?"
    - The Assistant Director for Education explained that the exclusion rate seen across North Northamptonshire was not drastically different to its statistical neighbours.

- "Regarding capital programme, no capital programme was set out for 2023/24 and 2024/25. Why is there no capital budget for schools across these two years?"
  - The Assistant Director for Education explained that this work had already been committed and that at the time of meeting, there were no commitments to set out a capital programme. Nevertheless, she suggested that the authority could explore this in the imminent future.

- "Is there a dedicated officer in place to look at s.106 finances and determine whether sufficient funding is being received?"
  - The Executive Director of Children's services explained that there was a dedicated officer, employed within the authority, to carry out this work.

- "There is a lack of educational psychologists within the Authority's employment. What is happening with the process of recruiting more to this service?"
  - The Assistant Director for Education explain that North Northamptonshire Council employed psychologists and associate psychologists. Therefore, there were no vacancies in this area. However, the Assistant Director acknowledged that fact that demand on education health and care plans had increased.

- "Are we maintaining the level of services, that would've previously been funded by what was a 20% cut from central government funding, and are we continuing to increase this ourselves as appropriate?"
  - The Assistant Director for Education explained that this funding covered a wide range of areas and had not directly impacted early years, the funding of which was determined differently. She acknowledged that the authority would need to identify alternative, cost-effective ways to deliver services affected by this cut.

- "On a political side, how does the executive feel we can pass a robust budget?"
  - The Executive Member for Education stated that executive meetings regarding the budget and collaborative work with West Northamptonshire Council had been positive. As a result, he expressed confidence that a strong budget could be passed. The Executive Member recognised that SEND remained an area of concern but

assured the task and finish group that this has been identified and a plan was in place to move forward.

- "Has there been issues of safeguarding home-schooled children, especially during the pandemic?"
    - The Executive Director of Children's Services explained that due to the COVID-19 pandemic, there had been an increase in the number of home-educated children across North Northamptonshire. There existed good online facilities and groups to offer support, ensuring that there were few safeguarding issues. Children's services had also spent time working with schools to extend the period of 'off-rolling' students towards home-schooling, in order to provide support to parents before students formally left schools.
- "Who is the 'third party' that North Northamptonshire Council contributes to, from the education budget?"
    - The Assistant Director for Education explained that these third-party contributions formed North Northamptonshire Council's funding contributions to the Northamptonshire Children's Trust.
- "Does the Dedicated Schools Grant (DSG) increase with inflation to maintain funding levels or are we seeking to reduce our contributions to maintained schools?"
    - The Assistant Director for Education explained that the DSG was determined by the Department for Education and was calculated through pupil numbers in schools and other criteria, to keep funding in line.
- "We all know that NI is set to increase. Are funding lines based upon NI going to increase next year?"
    - The Assistant Director of Finance and Strategy explained that the authority had decided to withhold funding centrally and release it as and when pay increases were to be awarded.
- "Regarding third party funding for independent school placements, does this relate to SEND places?"
    - The Assistant Director for Education explained that third party funding for independent school placements did not relate to SEND places.
- "Regarding school premises, there is a £6m allocation in the budget. Contracts must all have a set figure for the year, but on building repairs and

maintenance is there an allocation for schools and if more is required, is there a contingency for this?"

- The Strategic Finance Business Partner explained that it was not possible to predict the 2022/23 budget at the time of meeting, as the North Northamptonshire Schools Forum would have to determine this. Schools, alongside individual governing bodies, would decide what this budget would be. The figure listed in the presentation was an amalgamation of funding and could not yet be taken as a confirmed, set amount. If schools were to exceed this budget, then they would either have to draw money from their own financial reserves of find themselves in a deficit position, from which they would be statutorily obliged to produce and submit a deficit recovery plan.
- The Assistant Director for Education also explained that DfE funding came with special provisions, which would have to be met or funding would not be received.

• "The Executive needs to find a way to maintain funding for early years services. Would there be an opportunity to assess Children's Trust funding, if they do not spend this provided to employ new staff, and recoup some?"

  - The Assistant Director of Commissioning and Partnerships reassured the task and finish group that the authority closely analysed all funding received by the Children's Trust. Based upon the existing agreement, the Trust was entitled to retain 25% of underspends, to bolster its financial reserves. However, anything above 25% would have to be returned to North Northamptonshire Council. Nevertheless, the Assistant Director concluded that he felt it would be incredibly unlikely for the Trust to be in an underspend position by year-end.

• "What would happen if the Schools Forum were to refuse to give an extra £50k to the Central School Services Block?"

  - The Assistant Director for Education explained that if the North Northamptonshire Schools Forum was to agree to the transfer, it would come from schools' budgets. If the Forum was to disagree, schools would be placed in a deficit position, which they would have to resolve by conclusion of the next financial year.
  - The Strategic Finance Business Partner explained that the DSG was a 'ring-fence' fund, governed by legislation. The authority was not permitted to contribute or withdraw from the fund. In the 2022/23 DSG budget, North Northamptonshire would receive £1.682M, a significant portion of which would be transferred to the High Needs block.

The Assistant Director for Education concluded the presentation by explaining that if it was the local authority's intention to make additional contributions towards SEND provision, there existed alternative avenues for exploration, independent of the Dedicated Schools Grant.

North Northamptonshire Council

MINUTES OF THE BUDGET TASK AND FINISH GROUP FOR

CHILDREN'S AND EDUCATION SERVICES

SESSION 2 - 17 JANUARY 2021 held using the Zoom platform

Attendees:

Cllrs: Mark Pengelly, Richard Levell, Wendy Brackenbury, Scott Brown, Jim Hakewill, Ken Harrington, Larry Henson, Ian Jelley, Anne Lee, Steven North, Malcolm Ward

Executive Members/Officers: Cllr Lloyd Bunday and Scott Edwards – Ann Marie Dodds, Assistant Director - Education, Cathi Hadley, Director – Children's Services

Finance Officers: Mark Dickenson, Claire Edwards, Janice Gotts and Yoke O'Brien

Northamptonshire Children's Trust: Colin Foster and Andrew Tagg

Raj Sohal, Democratic Services Officer and Emma Robinson, Democratic Services Support Officer.

1. **Overview of presentation**

I. The task and finish group began the meeting by reflecting on questions raised at the previous session, put to the Children's and Education service.

II. Following this, the group considered a presentation by Colin Foster, Chief Executive – Northamptonshire Children's Trust, which outlined the work and key priorities of the Trust, as well as the ongoing budget-setting process with the local authority. This information had previously been circulated to the task and finish group.

2. **Summary of questions and comments including responses**

I. <u>Responses to questions from previous session</u>

- Members acknowledged a press release, which had recently been put out by the local authority, regarding a 'circuit break' in SEND provision.
  - The Executive Director of Children's Services assured members that this was being investigated to ensure that families would have suitable provision and support.

- Members emphasised that the Council budget must be balanced between the services it offered and that action should be taken if funding levels were not sufficient to maintain strong and effective services. Those members maintained that the group would require an in-depth understanding of the Council's financial reserves, as an outcome from the meeting.

- Regarding SEND provision, it was questioned whether there was any guarantee in place that care providers were vetted.
  - The Executive Director of Children's Services explained that families chose whether they wished to receive direct payments, to be able to source their own support through providers, who should be able to demonstrate that they operate within legal boundaries.

- It was queried how many social workers were in full-time positions, as opposed to agency staff. Members expressed concern that vacancies within this service would affect the budget allocation, resulting in an underspend.
  - The Executive member for Education explained that the authority had sought to reduce its dependence on agency staff and that a large-scale recruitment campaign was underway, to achieve this aim. Nevertheless, the shortage of full-time social workers was a national issue.
  - Similarly, the Executive Director of Children's Services assured the group that the authority regularly monitored key performance indicators of the Children's Trust, to determine dependency on agency staff and sought to achieve a fine balance.

- The Vice Chair questioned whether, following analysis of movements between this year's and next year's budgets, the Executive was satisfied with the 2021/22 budget. He expressed concern that scrutiny had not yet looked at the Council's income, the biggest portion of which had come from Council tax.
  - Claire Edwards stated that additional funding information would be made available to the task and finish group at the second enabling services session.

- Members queried which budget areas most concerned portfolio holders.
  - Councillor Bunday explained that uncertainty surrounding demand-led services, such as adult social care and children's services, had remained causes for concern but that the most significant area one going forward, would be the inter-authority agreement with West Northamptonshire Council, which still needed to be finalised. Regarding Council tax-setting,

central government had predicated its financial settlement, based on the fact that local authorities would levy Council taxes at the highest level, as North Northamptonshire Council had done.

- The group then looked to Council income from fees and charges for things such as car parking and country parks.
  - Finance officers explained that income from fees and charges was being analysed and taken into consideration for budget-setting. Factors such as inflation adjustment and the wider national economy were also to be considered.

- The authority's position regarding the closing of accounts of previous years from the legacy authorities was also questioned.
  - Finance officers explained that accounts for East Northamptonshire were almost resolved that that the accounts for Corby would take slightly longer but were also progressing.

II. Children's Trust presentation and questions

- The task and finish group queried what the representatives from the Northamptonshire Children's Trust meant when they referred to a 'culture change', which they posited was required within the Trust.
  - The Chief Executive of the Trust explained that previous changes in officer leadership within children's services had presented challenges, as the workforce had, at times, felt unsettled. He assured members that the Trust had sought to build confidence, so that workers could better manage risk and provide stronger support to families. A culture of 'empowerment' was desired.
  - The Chief Executive of the Trust also explained that social work academies had been successful in providing regular cohorts of incoming, new social workers. 16.6% of social workers employed by the Trust were agency staff, which had decreased since the previous year.
  - Regarding international recruitment, the Trust was in the process of interviewing candidates and stated that there had been a strong field of applicants. 10 offers had been made to international applicants, to start in September 2022.

- Members questioned whether officers of the Trust were comfortable with the agreed sum of funding, to be received from the local authority.
  - The Chief Executive of the Trust stated that while he was satisfied with the agreed contract sum, challenges could arise in complex cases. He explained that with additional complexity would come an increased risk of placement cost. Nevertheless, placements for children was a national challenge and the biggest pressure.

- Regarding the reported underspend, concerning vacancies within the "strengthening families and young people's service", members queried why the authority had not sought to invest this funding in potential partner volunteer organisations, such as 'Home Start', to work in tandem with the Trust in the early help arena.
  - The Chief Executive of the Trust explained that the underspend in this area had been offset in other areas within the legacy budget. Early help had been an under-developed partnership in the past however, if the council was to invest in this partnership, the Trust would welcome it.
  - Similarly, the Executive member for Education expressed support for the work of volunteer organisations, such as Home Start, across North Northamptonshire and that future work with such organisations in the early help arena, would be explored.

- The Chairman of the task and finish group questioned whether there existed a desirable model, which other Trusts had achieved success by, that the Northamptonshire Children's Trust had based itself upon.
  - The Chief Executive of the Trust explained that inspiration had been taken from the Birmingham Children's Trust's model, in the inception of the Northamptonshire Trust. He continued by acknowledging that the Northamptonshire Trust was unique, in that it was the only Trust in the country set up to work in partnership with two unitary authorities. The two fundamental themes of the Trust going forward would be an emphasis on strong partnerships and transparency.

- Members expressed concern that the two scrutiny committees of North Northamptonshire Council did not have an opportunity to thoroughly scrutinise the contract negotiations between the authority and the Trust. The Chair acknowledged that going forward, scrutiny would need to operate within the timescales of budget negotiations, if it was to have a meaningful impact upon such contractual agreements.

- The Chair also queried what key financial pressures the Trust would face.
  - The Chief Executive of the Trust explained that the most significant financial pressures would be placement costs, staffing - recruitment/retention and partnership contributions to the placement pot.

- Members posited that a significant outcome of scrutiny would be to look at building costs, to create provision for children within North Northamptonshire and reduce dependency on out of county placements.
  - The Executive member for Education agreed that it would be beneficial for the authority to create such provision locally but that this should also be most suitable for placements for children. An additional 3 schools, with SEND provision, were planned for establishment across North

Northamptonshire.

- The Chief Executive of the Trust also concurred that it would be beneficial to create additional provision within North Northamptonshire but that at the time of meeting, many out of county placements were required to meet children's needs. Discussions were being undertaken with providers to carry out partnership work in new buildings with the trust. The challenges faced regarding out of county placements were in-line with the national picture.

- To conclude, members suggested that there should be allocation within the budget to allow for the construction of a new children's home in Northamptonshire.
  - The portfolio holders assured the task and finish group that the possibility of this was to be explored and would require partnership with West Northamptonshire Council.

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APPENDIX G – Enabling and Support Services – 13th January 2022

North Northamptonshire Council

NOTES OF THE BUDGET TASK AND FINISH GROUP FOR

ENABLING AND SUPPORT SERVICES (FINANCE, TRANSFORMATION (& CUSTOMER SERVICES), ICT AND LEGAL AND DEMOCRATIC SERVICES (INCL. HR)

SESSION 1 - 13 JANUARY 2022 held at 2pm using the Zoom platform

Attendees:

Cllrs Mark Pengelly, Richard Levell (in the chair for this meeting), Valerie Anslow, Scott Brown, Jim Hakewill, Ken Harrington, Larry Henson, Ian Jelley, King Lawal, Steven North and Malcolm Ward

Executive Members/Officers: Councillor Lloyd Bunday

Lisa Hyde (LHy) , Nana Barfi-Sarpong, Adele Wylie, Guy Holloway, Paul Goult, Marie Devlin-Hogg, Heather Jackson, Geoff Kent and Lucy Hogston (LHo).

Finance Officers: Mark Dickenson, Claire Edwards, Niall Blowfield, Rachel Ashley-Caunt and Dean Mitchell

Democratic Services: Carol Mundy, Raj Sohal and Emma Robinson.

An apology was received from Janice Gotts.

1. Presentation

Each Director/Officer introduced their service area to the task and finish group, summarising each area of the budget and explaining the remit of each service. The current budgets, financial commitments and proposed budget for the forthcoming year were also explained.

Prior to the meeting a copy of the presentation for each of the enabling services listed below had been circulated to the task and finish group:

- Finance, Accountancy & Strategy and Corporate;
- Revenues and Benefits;
- Audit and Risk;
- Procurement;
- Chief Executive and Assistant Chief Executive's Offices;
- Governance and Human Resources;
- Legal, Democratic, Elections and Registrations;
- Transformation, Customer Services & ICT

2. Summary of questions and comments

Finance/Corporate
Claire Edwards and Mark Dickenson responded to members questions:

- Increases to NI payments and Real Living Wage –

APPENDIX G – Enabling and Support Services – 13th January 2022

A question was raised about the affect this would have on the budget.

It was explained that both the increases to NI and the Real Living Wage and the pending pay awards had been factored into budgets.

- Closure of Accounts for legacy councils – it was reported that there would be a saving as resources would not be required for the closure of the legacy accounts and audit. Members asked what this would be.

  It was agreed that there would be a saving.

- Treasury Income – A question was raised regarding the effect fluctuating interest rates would have on budgets.

  It was explained that the Council's borrowing portfolio is based on fixed term loans

- Staffing levels – There were several vacancies across all council services and therefore what would the impact be on the budget if the council was fully staffed?

  There are a number of restructures taking place across service areas. The budgets are based on the establishment and where services are reviewed, we would look for any changes to be met from within the existing budget. The current structures are largely based on those that transferred from the legacy authorities.

- Treasury - Reference was made to receipt of £500k of interest – where was this from?

  The additional income of £500k reflects further investment into property funds and assumes an average return of 4%

- It was noted that there was an underspend on contingency a further explanation was required.

  Officers confirmed that the Contingency budget for 21-22 was £5.7m and the balance on the contingency budget is around £3.5m. The contingency for the coming year had been reduced by £1.4m. Officers considered that a contingency of £4.25m is reasonable and is equivalent to around 1.5% of the net budget.

- A question was asked about what this had been spent on.

  MD agreed to provide a a breakdown of this at the second session.

- Why could the underspend not be used and put towards council tax?

  It was explained that the contingency is a one-off resource whereas Council Tax is an ongoing resource and the funding of the budget needs funding from on-ongoing resources.

  A local government fair funding review is expected to take place in 2022 which will impact on how the local government sector is funded from

2023/24. Due to the high level of growth in North Northamptonshire there may be a significant reduction in government funding It was mentioned that Council Tax was the most stable form of funding.

Cllr Bunday commented that council tax was an ongoing income stream, whilst the contingency was a one-off resource and shouldn't be used to fund changes in council tax levels.

Cllr North commented that the fair funding review had been ongoing for many years and that North Northamptonshire shouldn't be penalised for the ongoing growth within the area and considered that the council should lobby for no cuts to funding.

- A question was raised about interest payments? What was this payment for?

  MD clarified that this related to interest on loans.

- How had the £8m pension deficit contribution figure been reached?

  CE confirmed that there had been a 3-year valuation for the actuary which sets out deficits – a significant proportion was from the county council. CE would provide an update on this at the second session.

Revenues and Benefits

- Reference was made to the Housing Benefit subsidy and the additional income.

  Officers clarified that the council was currently working with the legacy platforms but there was ongoing work to move to one platform shortly. Since becoming a unitary council there had been an increase in Housing Benefit Subsidy payments of £148,000.

- Regarding Fraud – could officers confirm whether the council would be fully recompensed for any fraud that had taken place. Do we have provision for fraud?

  LHo clarified that the subsidy received for fraud cases was 40%, and that the council will try all means available to recover any overpayments as a result of fraud before considering a write off.

  The number of overpayments created due to fraud and error has reduced significantly over the years due to the data matching tools introduced and the number of people that have now moved across from Housing Benefit to Universal Credit with help for their rent. This means the overpayment when somebody is on Universal Credit is with the DWP to recover and not the council.

Audit and Risk

- Following the recent environmental health court case and reported significant financial settlement – would there need to be an investigation and would this impact on resources? Was there also a need for more auditing in general.

RAC – responded and advised she had discussed with the Chair of the Audit & Governance Committee how assurances can be gathered in relation to existing systems and record keeping. An audit had been added to the plan to look at the current controls and record keeping in relation to legal files.

Council tax and business rates

- Regarding Council Tax and Business Rates – what are the current collection levels?

The estimated collection rate for 2022/23 is 98.5%. Current year collection rates are improved from the previous years which were impacted on as a result of the pandemic.

Procurement

A restructure of the service area was currently taking place and it was expected that this would have an impact on future staffing budgets.

- Reference was made to the procurement of the new highway contract and a question was asked about whether procurement officers were able to provide the framework, guidance and support for relevant service areas. It was also commented that the highway contract would go live in September and if that was the case would the same number of employees be required year on year.

Officers confirmed that the service was currently being reviewed and there would potentially be changes in future requirements,

- There was concern expressed that the highways contract would be higher than expected and that it would be inadvisable to consider reducing the number of staff.

MD confirmed that additional money has been included in the base budget to reflect these changes.

- Confirmation of the date of the end of the contract with Welland Procurement was requested.

It was confirmed that the contract would end in March 2022 and that the service would return to an in-house service. CE confirmed that the budget would show as a third-party payment within the budget for 22-23

NB: Following comments made about the input the Executive would have on staffing the monitoring officer reminded members that staffing, and restructures were not an Executive function, and are a decision for the Head of Paid Service.

APPENDIX G – Enabling and Support Services – 13th January 2022

Chief Executive/Assistant Chief Executive

- A question was asked about Capital Costs and the Asset depreciation of £38k and what this related to?

  Officers explained that this related to a legacy budget for Corby Borough Council whereby the 'corporate property' depreciated over a 50-year lifetime – this was the annual amount.

- A further question was asked about what the total cost of the property was.

  Officers did not have the information to hand but would provide it.

- Reference was made to the use of social media in engagement and how residents views on the budget scrutiny would be fed back and how would such comments be scrutinised?

  MD - confirmed that this would be reported back to the Executive on 10 February.

NCC Legacy Website

- A question was raised about the CMIS component of the legacy website for Northamptonshire County Council – this part of the website had been taken down by the West and it was considered that this should be accessible to all. How will this situation be resolved, as this information needed to be provided, and are there resources to ensure that this issue can be resolved.

  It was confirmed that there was ongoing work taking place regarding the former CMIS component of the NCC website, when a resolution was achieved members would be informed.

Scrutiny Budget

- A question was raised about the current Scrutiny budget believed to be £40K, less chair's allowance, and clarity on the current balance available. Also, what was the budget for the coming year and were resources being fully used to scrutinise?

  AW responded. She did not have the exact balance to hand but would let members know this. There was a review of allowances taking place shortly with the Independent Remuneration Panel, The IRP's determination and recommendations would need to be considered along with the budget implications. Notification of the review would be sent out over the coming week.

- A further question was asked about whether there was a budget for the Executive Advisory Panels, plus a budget for Scrutiny?

  AW/ PG - There was no specific budget for the EAP's. These meetings were supported from within the democratic services normal running costs. When the new budget is established following the review by the IRP the chair's allowance would be taken out and the remainder of the budget will be retained to fulfil the scrutiny plan over the next 12 months to ensure priorities are met.

APPENDIX G – Enabling and Support Services – 13th January 2022

AW clarified that her service area was in the middle of a restructure and she planned to provide a more dedicated Scrutiny resource within her team to help with research and background information, this was built into the proposed new structure which will be in place during the next few months.

- A councillor commented that he had been told that there would be a dedicated scrutiny officer in place by January and asked why this had not happened? He felt it was essential to get someone in place to carry out much needed research work - what is the new timeline and budget?

  PG responded and explained that the restructure process was ongoing, trade unions had been consulted and then service area staff would also be consulted, and this would take some time to conclude.

Governance and HR

- A question was asked about the NCC contract with Pathfinder Legal?

  AW confirmed that the contract had been signed by NCC just before she had started and that NNC were contractually obliged and were also a shareholder. There would need to be an options appraisal.

- A question was raised about the costs of agency workers generally but particularly in relation to refuse collectors and which budget did this come from?

  MDH responded and confirmed that agency spend was funded from individual service budgets and managers had to manage the costs within their set budgets.

- A request was made for a full breakdown of Full-time employees and Full-time agency staff.

  AW confirmed this information could be provided.

- A question in relation to democracy was raised, particularly around hybrid governance and the need to engage more with the public, including encouraging scrutiny, promotion and communicating with harder to reach people in the community. It was noted that not all residents had technology and there was too much reliance on modern forms of communication.

  AW confirmed that communications from councillors to their residents could be paid for from the Ward Empowerment Fund, there was an additional £95k in budget for 22-23.

  MD clarified that there was a total provision of £156k funding equated to £2k per member.

.Transformation, Customer Service & ICT

- A question was asked about the housing stock and whether there was an opportunity to increase efficiency and make money for the council?

  LHy clarified that in the draft Transformation Plan that went to Executive in December there is reference to the housing service.

APPENDIX G – Enabling and Support Services – 13th January 2022

- When would the amount of transformation be reduced? Is this year the peak year or was there more to come and when would there be a reduction in staffing?

  LHy replied that indeed the disaggregation of services was due to be completed over two years and therefore that piece of work does reduce however there are also a number of other/transformation projects relating to ongoing service improvement and restructures that are included in the plan up to 2024.

- Where would the staff from Angel Square be located.

  It was confirmed that work was ongoing in this area and they would be placed across the North Northamptonshire estate. This project is being led by the Place directorate.

- Cllrs asked what would be happening with all the current empty office space, where considerable numbers of employees remained working from home.

  LHy clarified that this was part of a wider review linked with the question above and is being undertaken by the Assistant Director of Asset and Environment.

- Cllrs commented that they had expected that some of the transformation would have been further forward than it currently was the key to a good workforce was to engage with staff and make them proud to work for North Northamptonshire Council.

  LHy clarified there was considerable work going on and there had been a recent staff survey to ascertain current staff morale and wellbeing. A newsletter had been issued to members before Christmas providing detail about the ongoing transformation projects and the plan going forward.

- A question was asked about customer service and whether customer services would be reinstated in three libraries, Rothwell, Desborough and Burton Latimer, for those residents who didn't have access to on-line information?

  GK confirmed that services would shortly be reinstated to these libraries, and consideration was also being given to similar services being provided elsewhere in the North Northants areas.

- A further question was asked about the webcasting of in person meetings (committees) and whether there was a budget to engage with residents – during Covid virtual meetings had been very successful in engaging the public.

  AW/PG confirmed that the Executive had decided to invest funding at the Corby Cube. Procurement was underway for the main council meetings to be hosted in the Cube, which will have live screen capability. This was hoped to be in place for the next municipal year. Currently there was no budget to upgrade the other council chambers.

APPENDIX G – Enabling and Support Services – 13th January 2022

- **Cllr Hakewill asked that it be formally noted that this facility should be budgeted for, and that all formal meetings should be webcast from all meeting locations from 2022.**

- Where do we get blue badge income from?

  GK confirmed that a small amount of income was received from the administration of the provision of blue badges.

- With reference to libraries would this include Wellingborough having a face to face customer service.

  GK said that there was no intention for this at Wellingborough as there was already a service offered at Tithe Barn Building, it was also noted that the telephone system was being replaced during the current year and there would be a single platform

- Members considered that there were many issues with the current telephone system and customers frequently complained about not being able to contact officers as not all calls were processed through customer services. Direct dial numbers were required to ensure that standards across the organisation were met. A directory was also needed for those in the West where there was a shared service in place.

  LHy noted these comments and confirmed that a new telephony system is a key corporate project.

ICT

- A question was asked about the number of staff and vacancies within the service.

  NBS confirmed there were 43 staff on the establishment with 36 in post leaving, four vacancies and three agency staff in place.

- Reference was made to the additional costs for remote working and the continuing impact this would have.

  NBS clarified that the working environment generally had moved to remote working. and this was successful during the pandemic.

- A question was raised following information from the Unite Forum about the health and safety aspects of employees not having proper desks and chairs at home and the muscular skeletal problems that were being faced. Would the council's risk assessments take this into account to ensure there were no health and safety concerns from uncomfortable working conditions?

  NBS confirmed that workstation reviews were being updated to ensure that the correct facilities were provided to those working from home and using IT. The council needed to ensure that staff were working safely – there was mandatory learning and development training on workplace assessments which employees are required to undertake

  MDH also clarified that HR was seeing more concerns being raised about muscular skeletal concerns from return to work interviews.

APPENDIX G – Enabling and Support Services – 13th January 2022

Encouragement was being given to the assessment being carried out and adjustments being made to support those working from home. Further advise and support on ways of working including mental health issues around isolation were also being looked at.

General

- A question was asked about Covid funding, could there be more information provided on this and was there any further information about Covid grants? Could an overview on the close-down of accounts and reserves be provided?

  CE responded and confirmed that details in relation to reserves were included in the budget papers to the Executive in December. She could circulate these.

- Reference was made to the former legacy council's and the consultation process they had previously undertaken with the public. A question was asked about whether a meeting had been arranged for the public or parish councils to enable them to attend to ask questions and find out more information?

  AW confirmed this was not a requirement of the current constitution.

  MD clarified that there were no plans in place to hold such a meeting – Reports were presented to the December Executive and this formed part of the wider consultation.

- JH asked for confirmation of when the budget was reported.

  MD clarified that the Scrutiny process was reported to the Finance & Scrutiny Committee on 2 November and to the Executive on 18th November and 23rd December.

  Cllr Bunday also clarified that the Executive on 23 December 2021 had started the budget consultation process which would conclude on 28 January 2022 before a further meeting of the Executive on 10 February and the full council meeting on 24 February 2022 which would set the budget. Nothing further was planned.

3. Close

The chair thanked all for attending and confirmed that the second session would be held on Monday 24 January at 2pm.

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North Northamptonshire Council

MINUTES OF THE BUDGET TASK AND FINISH GROUP FOR

ENABLING AND SUPPORT SERVICES

SESSION 2 - 24 JANUARY 2022 held using the Zoom platform

Attendees:

Cllrs: Mark Pengelly, Richard Levell (Chair), Valerie Anslow, Wendy Brackenbury, Jim Hakewill, Ken Harrington, Larry Henson, Ian Jelley, Steven North, Malcolm Ward

Executive Members/Officers: Councillor Lloyd Bunday, Nana Barfi-Sarpong – Chief Information Officer, Paul Goult – Democratic Services Manager, Guy Holloway – Assistant Chief Executive, Lisa Hyde, Director – Transformation, Katie Jones – Head of Transformation, Geoff Kent, Assistant Director – Customer Services, Adele Wylie, Director – Legal and Democratic

Finance Officers: Niall Blowfield, Mark Dickenson, Claire Edwards, Janice Gotts and Dean Mitchell

Carol Mundy, Senior Democratic Services Officer, Raj Sohal, Democratic Services Officer and Emma Robinson, Democratic Services Support Officer.

1. **Overview of presentation**

The task and finish group considered the report by Janice Gotts, the Executive Director of Finance, which outlined the contingency of services, the pension deficit budget, an update regarding the pay award and the Council's funding and reserves. This information had previously been circulated to members of the group.

2. **Summary of questions and comments including responses**

- Members queried how the financial pressure on allowances had arisen, considering the authority knew that it would have 78 Councillors.
  - The Executive Director of Finance clarified that the authority did not have the final figure for the Councillors' allowances when the budget was drawn up as an independent review was underway and officers could not pre-empt this outcome. Nevertheless, the budget was structured to allow for sufficient contingency to address this pressure.

- Regarding the financial pressure listed in the report concerning the Chester House Estate, one member requested a further breakdown of income figures. The member of the group wished to gain understanding as to how £250k in revenue had been generated by the Chester House Estate, with few booked visits.
  - The Executive Director of Finance explained that the pressure currently being met from the Council's contingency amounted to approximately £115k and that details were included in a previous executive report. She clarified that Chester House Estate had a business plan, against which the performance was monitored.

  - The member expressed concern that the budget was overly optimistic, since they were unclear of who/what would fund the financial shortfall, should Chester House Estate not generate its anticipated income.

- Another member questioned whether the Council maintained a 'Plan B', should Chester House not generate its anticipated income.
  - The Executive Director of Finance clarified that the business plan of Chester House would be reviewed and modified, as necessary, over time. The Executive Director reminded Members that Chester House was financed through grant funding; therefore, the authority would have to consider the impact on the grant should there be any decision to change the use of the asset. She advised that the officers who had developed the business plan had experience in the sector and considered that the forecasts of activity were achievable and that officers would ultimately expect the Estate to move towards self-financing.

- Members queried whether the pension deficit was a guaranteed figure.
  - The Executive Director of Finance clarified that the only deficit which had potential to produce a small variation would be the figure for the County following the disaggregation. However, Members were advised that the actuarial review would commence next year, and the figures would be reviewed at that point for North Northamptonshire.

- Regarding the pay award, the Chair questioned whether a 3% increase would be enough to match rising inflation.
  - The Executive Director of Finance explained that the pay award does not always mirror inflation. The 3% increase aligned with what most other local authorities were allowing in their budgets.
  - The Executive Director of Finance explained that, more widely, the changes to the National Living Wage tended to impact on the Social Care provider sector and often this was reflected in the fees charges on to Councils. It was noted that alongside pay, the recruitment and retention of staff was also important, and work was underway with the authority around this issue.

- A Councillor queried what would happen if the Government did not continue with its proposal to implement the Health and Social Care Levy.

  - Councillor Lloyd Bunday informed the task and finish group that, at some point, central government would need to address the issue and that the Council had to set a prudent budget on what was anticipated, or it could result in wider issues later
  - One member expressed concern that the budget should be set upon need and not speculation, regarding future potential taxation.
  - The Chair acknowledged that at an earlier session, the task and finish group noted that the next year's contingency fund was lower. Therefore, he suggested that if the authority did not need to pay the NI increase, this would create a useful buffer in contingency.

- Members queried what officers would consider a 'red flag', concerning decreasing Council reserves.
  - The Executive Director of Finance explained that officers risk assessed the reserves, to determine whether they were at reasonable levels. She clarified that the authority continued to look at the sufficiency of its reserves against risks.
  - One member suggested that it would be useful to look at the Section 25 report
  - The Executive Director of Finance confirmed that that this was included within the final budget report which would go to Executive and then to Council.

- Members questioned where one-off COVID funding had been received and how the authority had prepared for 2022/23, as this funding would likely not be made available again.
  - The Executive Director of Finance clarified that Local Authorities had not been awarded a COVID grant for 2022/23 as part of the Finance Settlement. Therefore, it would be important to maintain sufficient reserves to address any risks which may continue in 2022/23 with the continuing impact of COVID remaining a risk.

- One member questioned whether there were any fees and charges that were likely to be seen as controversial by the local community in April 2022.
  - Councillor Lloyd Bunday suggested that every fee and charge may be controversial to the public in some way and therefore this was difficult to answer.

- Members queried whether a public consultation would be required, should the authority seek to implement a universal parking charge regime across North Northamptonshire.
  - The Executive Director of Finance confirmed that a public consultation would be required for this.

- One member expressed their desire for the task and finish group to note that for next year's budget, the setting of fees and charges should be properly consulted upon during this process.

- Regarding the forecasted opening balances of reserves, the Chair questioned whether these figures were classed as forecasted due to the fact that the Council still did not know the final settlements of the closing of the legacy authorities' accounts.
  - The Executive Director of Finance confirmed that the figures listed in the report were forecasted as they remained subject to audit, in the closing of accounts from the former sovereign councils.

- Members queried whether officers foresaw any issues, which should concern scrutiny in the monitoring of the budget, regarding the closing of accounts.
  - The Assistant Director of Finance explained that there was potential for the closedown of accounts to affect reserves and that officers were working to minimise this impact as much as possible. She clarified that the authority was seeking to build contingencies into the budget, to provide risk management.

- Members questioned what the cost implications would be, concerning the delay in the closedown of the accounts of Corby and East Northants.
  - The Assistant Director of Finance clarified that there would likely be additional audit costs due to this delay however, contingencies had been built into the budget to provide for the fees of these extended account closedowns.
  - The Executive Director of Finance explained that additional audit fee requests would be subject to oversight from the PSAA in coming to an agreement on whether the fees were reasonable.

- Regarding the scrutiny budget, members queried what this funding could be used for.
  - The Democratic Services Manager clarified that the budget was intended to facilitate scrutiny work. There would be a member training and development programme and if this training would be directly linked to the operation of the scrutiny committees, it would be funded from the scrutiny budget. The remaining scrutiny budget for 2022/23 was £26.5k.
  - The Director of Legal and Democratic supported this and explained that the intention for this budget was to allow for members to carry out effective scrutiny.

- One member questioned where the money for levelling up would come from and whether the Chair of the Scrutiny Commission received an allowance from the scrutiny budget.
  - The Democratic Services Manager explained that although it seemed like the scrutiny budget was a large one, the authority had not yet had a whole year to carry out scrutiny. He posited that once a whole fully functional year of scrutiny had been allowed for, members would be able to determine whether this budget was appropriate. The allowance received by the Chair of the Scrutiny Commission also formed part of the scrutiny budget.

- The Chair requested additional information regarding agency staff and full-time permanently employed staff.
  - The Director of Legal and Democratic explained that work around collecting this data was ongoing and would be made available to scrutiny in the future.
  - One member also suggested that it would be useful to receive information regarding the sickness of employees, to determine the capacity of services.

- One member expressed disappointment at the fact that the ‘ward empowerment fund’ had not been available previously and questioned why Councillors had not received funding to carry out local work.
  - The Executive Director of Finance explained that a scheme for ward empowerment had not available on 1st April 2021, since a policy decision had not been made.

- Members queried what the anticipated collection rate for the council tax fund was.
  - The Executive Director of Finance clarified that the predicted rate of collection was 98.5% in 2022/23 and was 98.46% for 2021/22.

- One member questioned whether scrutiny would be able to see comments, which came back from the public consultation.
  - The Assistant Chief Executive explained that there would be a full report produced. The results would not be published before the consultation was finished but as soon as this had been completed, the report would be made available.

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Appendix H

North Northamptonshire Council

Treasury Management Strategy Statement

Minimum Revenue Provision Statement

Annual Investment Strategy

2022/23

1. Introduction and Background

1.1. Introduction

1.1.1. CIPFA published the revised codes on 20th December 2021 and has stated that formal adoption is not required until the 2023/24 financial year. This Council has to have regard to these codes of practice when it prepares the Treasury Management Strategy Statement and Annual Investment Strategy, and also related reports during the financial year, which are taken to Full Council for approval.

1.1.2. The revised codes will have the following implications:

- a requirement for the Council to adopt a new debt liability benchmark treasury indicator to support the financing risk management of the capital financing requirement;
- clarify what CIPFA expects a local authority to borrow for and what they do not view as appropriate. This will include the requirement to set a proportionate approach to commercial and service capital investment;
- address ESG issues within the Capital Strategy;
- require implementation of a policy to review commercial property, with a view to divest where appropriate;
- create new Investment Practices to manage risks associated with non-treasury investment (similar to the current Treasury Management Practices);
- ensure that any long term treasury investment is supported by a business model;
- a requirement to effectively manage liquidity and longer term cash flow requirements;
- amendment to TMP1 to address ESG policy within the treasury management risk framework;
- amendment to the knowledge and skills register for individuals involved in the treasury management function - to be proportionate to the size and complexity of the treasury management conducted by each council;
- a new requirement to clarify reporting requirements for service and commercial investment, (especially where supported by borrowing/leverage).

1.1.3. In addition, all investments and investment income must be attributed to one of the following three purposes: -

Treasury management

1.1.4. Arising from the organisation's cash flows or treasury risk management activity, this type of investment represents balances which are only held until the cash is required for use. Treasury investments may also arise from other treasury risk management activity which seeks to prudently manage the risks, costs or income relating to existing or forecast debt or treasury investments.

Service delivery

1.1.5. Investments held primarily and directly for the delivery of public services including housing, regeneration and local infrastructure. Returns on this category of investment which are funded by borrowing are permitted only in cases where the income is "either related to the financial viability of the project in question or otherwise incidental to the primary purpose".

Commercial return

1.1.6. Investments held primarily for financial return with no treasury management or direct service provision purpose. Risks on such investments should be proportionate to a council's financial capacity – i.e., that 'plausible losses' could be absorbed in budgets or reserves without unmanageable detriment to local services. An authority must not borrow to invest primarily for financial return.

1.1.7. As this Treasury Management Strategy Statement and Annual Investment Strategy deals soley with treasury management investments, the categories of service delivery and commercial investments will be dealt with as part of the Capital Strategy report.

1.1.8. Members will be updated on how all these changes will impact our current approach and any changes required will be formally adopted within the 2023/24 TMSS report.

1.2. Background

1.2.1. The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low-risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

1.2.2. The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning, to ensure that the Council can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet Council risk or cost objectives.

1.2.3. The contribution the treasury management function makes to the authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.

1.2.4. CIPFA defines treasury management as:

> *"The management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."*

1.2.5. Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day-to-day treasury management activities.

1.3. Reporting Requirements

Capital Strategy

1.3.1. The CIPFA 2017 Prudential and Treasury Management Codes require all local authorities to prepare a capital strategy report which will provide the following:

i. a high-level long-term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
ii. an overview of how the associated risk is managed
iii. the implications for future financial sustainability

1.3.2. The aim of the capital strategy is to ensure that all elected members on the full council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.

Treasury Management reporting

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

a. **Prudential and treasury indicators and treasury strategy** (this report) - The first, and most important report is forward looking and covers:
    - the capital plans, (including prudential indicators);
    - a minimum revenue provision (MRP) policy, (how residual capital expenditure is charged to revenue over time);
    - the treasury management strategy, (how the investments and borrowings are to be organised), including treasury indicators; and
    - an investment strategy, (the parameters on how investments are to be managed).

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

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

1.4. Treasury Management Strategy for 2022/23

1.4.1. The strategy for 2022/23 covers two main areas:

Capital issues

- the capital expenditure plans and the associated prudential indicators;
- the minimum revenue provision (MRP) policy.

Treasury management issues

- the current treasury position;
- treasury indicators which limit the treasury risk and activities of the Council;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy;
- creditworthiness policy; and
- the policy on use of external service providers.

1.4.2. These elements cover the requirements of the Local Government Act 2003, Department of Levelling Up, House and Communities (DLUHC) Investment Guidance, DLUHC MRP Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code.

Training

1.4.3. The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny. The members of the Finance and Resources Scrutiny Committee will undertake treasury management training to assist them discharge their duties as the committee that has oversight on treasury management matters.

1.4.4. A key outcome of investigations into local authority investments following the credit crisis has been an emphasis on the need to ensure appropriate training and knowledge in relation to treasury management activities, for officers employed by the Council, in particular treasury management staff.

1.4.5. The Council's treasury advisors run training events regularly which are attended by the Treasury Team. In addition members of the team attend national forums and practitioner user groups where possible.

1.4.6. Treasury management training for relevant officers and councillors will be delivered as required to facilitate informed decision making and challenge processes, especially given the more global prominent recent events.

1.4.7. The training needs of treasury management officers are periodically reviewed to ensure that skills and knowledge are regularly refreshed.

Treasury management consultants

1.4.8. The Council uses Link Group, Treasury solutions as its external treasury management advisors.

1.4.9. The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon the services of our external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisers.

1.4.10. It recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of the appointment and the methods by which their value will be assessed are properly agreed and documented and subjected to regular review.

Current Treasury Management Position

1.4.11. It is important to note that this is still a relatively new local authority following the local government reorganisation in Northamptonshire having only come into existence on 1 April 2021. Progress is being made on the aggregation of the district and boroughs assets and liabilities and the disaggregation of Northamptonshire County Council's (NCC) assets and liabilities. The largest obstacle to the completion of the aggregation/disaggregation processes is the finalisation of financial statements, especially the balance sheets of legacy authorities not having been prepared/audited/signed off to 31 March 2021.

1.4.12. As such the position on assets, borrowing, investments and funding for North Northamptonshire Council will be based on estimates derived from the latest available information. This will need to be carefully monitored during the financial year, particularly the prudential indicators. If any fundamental changes are required, the Strategy would need to be updated and submitted to Full Council for approval.

2. THE CAPITAL PRUDENTIAL INDICATORS 2022/23 – 2024/25

2.1. PRUDENTIAL INDICATORS

2.1.1. The Council's capital expenditure plans are the key drivers of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

Capital Expenditure and Financing

2.1.2. This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. Members are asked to approve the capital expenditure forecasts:

Table 2.1 – Capital Expenditure

Capital expenditure **£m**	**2021/22** **Estimate £000**	**2022/23** **Estimate £000**	**2023/24** **Estimate £000**	**2024/25** **Estimate £000**
Non-HRA				
Adults, Wellbeing and Communities	25,363	4,795	3,781	3,800
Children's	15,205	6,544	-	-
Place and Economy	49,162	2,472	4,944	7,300
Transformation	2,769	2,520	520	370
Development Pool	24,300	21,058	22,482	13,875
HRA	25,712	13,302	12,488	12,288
Total	**142,512**	**50,691**	**44,215**	**37,633**

2.1.3. **Other long-term liabilities** - the above financing need excludes other long-term liabilities, such as PFI and leasing arrangements that already include borrowing instruments.

2.1.4. The table below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need.

Table 2.2 – Capital Programme Financing

Financing of capital expenditure £m	**2021/22** **Estimate**	**2022/23** **Estimate**	**2023/24** **Estimate**	**2024/25** **Estimate**
Capital receipts	19,991	4,215	3,855	3,830
Capital grants and external contributions	81,218	27,891	23,168	19,115
Capital reserves	5,897	202	202	202
Revenue Contribution	6,142	6,604	6,775	6,943
Net financing need for the year	**29,264**	**11,779**	**10,215**	**7,543**

The Councils borrowing need (Capital Financing Requirement)

2.1.5. The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's indebtedness and so its underlying borrowing need. Any capital expenditure above, which has not immediately been paid for through a revenue or capital resource, will increase the CFR.

2.1.6. The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each asset's life, and so charges the economic consumption of capital assets as they are used.

2.1.7. The CFR includes any other long-term liabilities (e.g., PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of schemes include a borrowing facility by the PFI, PPP lease provider and so the Council is not required to separately borrow for these schemes. The Council currently has **£80.156m** of such schemes within the CFR.

2.1.8. The Council is asked to approve the CFR projections below:

Table 2.3 – Capital Financing Requirement Forecast

	2021/22 Estimate £000	2022/23 Estimate £000	2023/24 Estimate £000	2024/25 Estimate £000
Capital Financing Requirement				
Non-HRA	584,967	593,127	593,470	594,411
Housing	119,859	116,859	113,359	109,956
Total CFR	**704,827**	**709,986**	**706,830**	**704,367**
Movement in CFR	**45,019**	**5,160**	**(3,157)**	**(2,462)**

Movement in CFR represented by				
Net financing need for the year (above)	66,870	16,515	8,603	9,728
Less MRP/VRP and other financing movements	(21,851)	(11,355)	(11,759)	(12,190)
Movement in CFR	**45,019**	**5,160**	**(3,157)**	**(2,462)**

2.1.9. All external borrowing that will be undertaking are strictly related to normal treasury activities of the Council.

3. Minimum Revenue Provision (MRP) Policy Statement

3.1. Policy Statement Introduction

3.1.1. The Council is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the Minimum Revenue Provision – MRP), although it is allowed to undertake additional voluntary payment if required (Voluntary Revenue Provision – VRP).

3.1.2. DLUHC regulations have been issued which require the full Council to approve an MRP Statement in advance of each year. A variety of options are provided to councils, so long as there is a prudent provision. The Council is recommended to approve the following MRP Statement.

3.2. NCC Historic Debt Liability accumulated to 31 March 2007 (Transferred to NNC)

3.2.1. Until 2014/15, this element of the annual provision was calculated using Option 1 of the Guidance, the "Regulatory Method", which is based on the calculation on 4% of the CFR on a reducing balance basis.

3.2.2. A change in this policy was introduced in and applied from 2015/16 onwards for historic debt liability, whereby provision calculation was changed to an annuity calculation methodology, allowable under the Guidance.

3.2.3. A further change in this policy was introduced in and applied from 2017/18, whereby the annuity method calculation methodology was backdated to apply from 2007/08 onwards. This recalculation when compared against actual MRP charges identified an amount of overprovision, which has been applied prospectively from 2017/18 onwards until fully exhausted. Again, this approach is allowable under the Guidance.

3.3. NCC Debt Liability accumulated from 1 April 2007 (Transferred to NNC)

3.3.1. Up until 2016/17, capital expenditure incurred from 1st April 2007 onwards, MRP was provided for under Option 3 of the Guidance, based on the estimated useful life of the assets and using an equal annual instalment method. MRP was charged from the year after the assets funded became operational.

3.3.2. A change in this policy was introduced in and applied from 2017/18, whereby MRP calculation was changed to an annuity calculation methodology backdated to apply from 2007/08. Following further review by the s151 Officer of the MRP policy relating to PFI contracts, it was determined that the change in policy that was introduced from 2017/18 to 2020/21 is reversed and that the original policy of charging MRP in line with the contract life is adopted. A recalculation was undertaken based on the contract life methodology. This recalculation when compared against actual MRP charges has identified an amount of overprovision, which was applied prospectively from 2017/18 onwards until fully exhausted.

3.4. District and Borough Debt Liability (Transferred to NNC)

3.4.1. MRP relating to the historic debt liability incurred for years up to and including 2007/08 were charged at the rate of 4% on the reducing balance method in accordance with Option 1 of the Guidance, the "Regulatory Method".

3.4.2. The debt liability relating to capital expenditure incurred from 2008-09 onwards was subject to MRP under Option 3, the "Asset Life Method", and was charged over a period that is reasonably commensurate with the estimated useful life applicable to the nature of expenditure, using the equal annual instalment method. For example, capital expenditure on a new building, or on the refurbishment or enhancement of a building, was related to the estimated life of that building.

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

3.5. Debt Liability Accumulated from 1st April 2007

3.5.1. For unsupported capital expenditure incurred from 1st April 2007 onwards, MRP will be charged from the year after assets funded become operational.

3.5.2. The Council will charge MRP using Option 3, the "Asset Life Method".

3.5.3. Estimated useful life periods will be determined under delegated powers. To the extent that expenditure is not on the creation of an asset and is of a type that is subject to estimated life periods set out in the Guidance, these periods will generally be adopted by the Council. However, the Council reserves the right to determine useful life periods and prudent MRP in exceptional circumstances where the recommendations of the Guidance would not be appropriate.

3.5.4. As some types of capital expenditure incurred by the Council are not capable of being related to an individual asset, asset lives will be assessed on a basis that most reasonably reflects the anticipated period of benefit that arises from the expenditure. Whatever type of expenditure is involved, it will be grouped together in a manner that best reflects the nature of the main component of expenditure with substantially different useful economic lives.

3.5.5. The Council reserved the right to determine useful life periods and prudent MRP in exceptional circumstances where the recommendations of the Guidance would not be appropriate.

3.6. Non-Operational Assets

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

3.7. Use of Capital Receipts

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

3.8. Private Finance Initiatives (PFI)

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

3.9. Third Party Loans

3.9.1. Loans to third parties are classified as capital expenditure which will increase the Capital Financing Requirement (CFR) by the amount of the loan. The cash advance is due to be returned in full at maturity, with interest paid annually. The Authority will charge MRP on loans to third parties where such loans are funded from borrowing. The MRP chargeable will be based on the terms of the loan. Once the loan is repaid, the repayment will be classed as capital receipts.

3.10. Revenue Expenditure Funded from Capital Under Statute (REFCUS)

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

3.11. Capitalisation of Interest

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

3.12. Lease

3.12.1. IFRS 16 on lease accounting is currently due to come into effect from 1st April 2022, having been postponed from 1st April 2021 due to Covid-19. These new regulations will require the principal element of the majority of lease type arrangements to be treated as capital expenditure. Therefore, for MRP on lease liabilities the MRP will be equivalent to the principal element of the annual lease payment for each asset after adjusting for any sub-lease capital receipts.

3.13. Investment Properties

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

i. Freehold property – over 50 years;
ii. Leasehold property – over the term of the lease.

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

3.14. MRP Overpayments

3.14.1. A change introduced by the revised DLUHC MRP Guidance was the allowance that any charges made over the statutory minimum revenue provision (MRP), voluntary revenue provision or overpayments, can, if needed, be reclaimed in later years if deemed necessary or prudent. In order for these sums to be reclaimed for use in the budget, this policy must disclose the cumulative overpayment made each year.

3.14.2. Changes to the MRP policy of Northamptonshire County Council, which now forms part of this Council, for 2017/18 resulted in identification of an overprovision of MRP /(VRP) when compared against actual MRP charges. Following disaggregation, NNC inherited total VRP overpayment from NCC of **£31.142m** as at 31 March 2021. The overprovision identified has been applied prospectively from 2017/18 onwards until fully exhausted. This reduced annual MRP charges to a minimal charge of £0.1m. It is expected that the overprovision will be fully exhausted during the financial year 2025/26.

4. BORROWING

4.1. Borrowing Introduction

4.1.1. The capital expenditure plans set out in Section 2 provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity and the Council's capital strategy. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

4.1.2. The overall treasury management portfolio as at 31 March 2021 and for the position as at 30 November 2021 are shown below for both borrowing and investments.

Table 4.1 – Treasury Management Portfolio

TREASURY PORTFOLIO	Actual 31 Mar 21 £'000	Actual 31 Mar 21 %	Current 30 Nov 21 £'000	Current 30 Nov 21 %
Treasury Investments				
Banks	51,830	46.9%	66,947	29.7%
Local Authorities	25,500	23.1%	28,500	12.6%
DMADF	5,000	4.5%	40,000	17.7%
Money Market Funds	11,901	10.8%	74,000	32.8%
Total Managed In-House	**94,231**	**85.3%**	**209,447**	**92.8%**
Property Funds	16,287	14.7%	16,287	7.2%
Total Managed Externally	**16,287**	**14.7%**	**16,287**	**7.2%**
Total Treasury Investments	**110,518**	**100.0%**	**225,734**	**100.0%**
Treasury External Borrowing				
Local Authorities	23,000	4.7%	3,500	0.7%
Banks	10,000	2.0%	10,000	2.1%
PWLB	418,894	84.8%	418,375	88.3%
LOBOs	42,000	8.5%	42,000	8.9%
Total External Borrowing	**493,894**	**100.0%**	**473,875**	**100.0%**
Net Treasury Investments / (Borrowing)	**(383,376)**		**(248,141)**	

4.1.3. The Council's forward projections for borrowing are summarised below. The table shows the actual external debt, against the underlying capital borrowing need, (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

Table 4.2 – Treasury Management Borrowing and CFR Forecasts

£'000	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
External Debt				
Debt at 1 April	493,894	459,710	454,261	447,991
Expected change in Debt	(34,184)	(5,449)	(6,270)	(5,977)
Other long-term liabilities (OLTL)	113,962	109,043	104,219	98,868
Expected change in OLTL	(4,769)	(4,919)	(4,824)	(5,351)
Actual gross debt at 31 March	**568,903**	**558,384**	**547,386**	**535,531**
The Capital Financing Requirement	704,827	709,986	706,830	704,367
Under / (over) borrowing	135,924	151,602	159,443	168,837

4.1.4. Within the range of prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2022/23 and the following two financial years. This allows some flexibility for limited early borrowing for future years but ensures that borrowing is not undertaken for revenue or speculative purposes.

4.1.5. The Executive Director of Finance reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

4.2. Treasury Indicators: Limits to Borrowing Activity

4.2.1. **The Operational Boundary.** This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

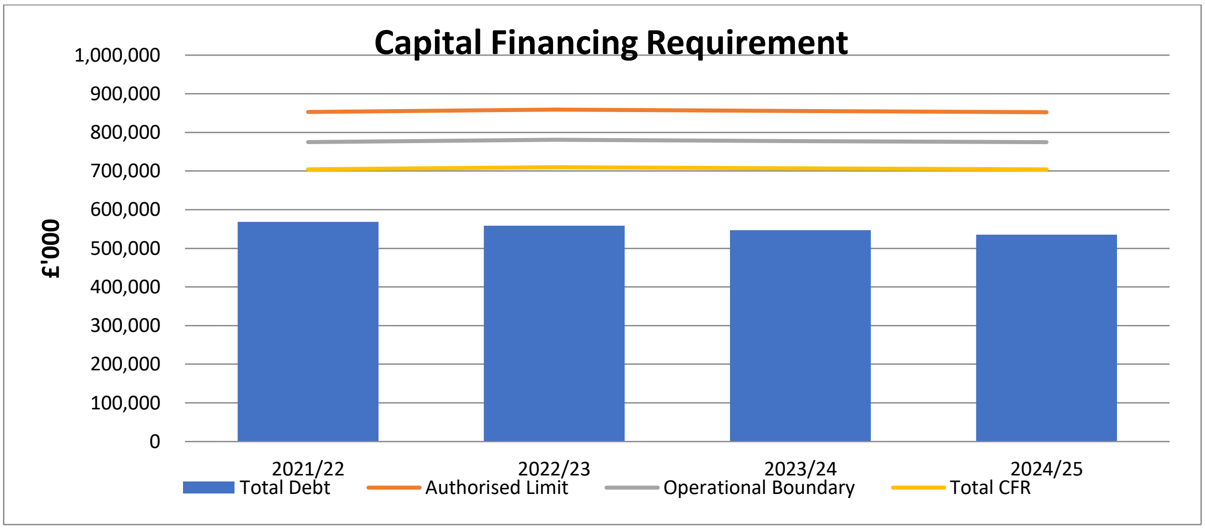
4.2.2. **The authorised limit for external debt.** This is a key prudential indicator and represents a control on the maximum level of borrowing. This represents a legal limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

4.2.3. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.

4.2.4. The Council is asked to approve the following authorised limit:

Table 4.3 – CFR, Operational Boundary, Authorised Limit

	Est 2021/22 £'000	Est 2022/23 £'000	Est 2023/24 £'000	Est 2024/25 £'000
HRA CFR	119,859	116,859	113,359	109,956
GF CFR	584,967	593,127	593,470	594,411
Total CFR	**704,827**	**709,986**	**706,830**	**704,367**
External Borrowing	459,710	454,261	447,991	442,013
Other long-term liabilities	109,193	104,123	99,396	93,518
Total Debt	**568,903**	**558,384**	**547,386**	**535,531**
Authorised Limit	852,840	859,084	855,264	852,284
Operational Boundary	775,309	780,985	777,512	774,804



4.3. Prospects for Interest Rates

4.3.1. The Council has appointed Link Group as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. Link provided the following forecasts on 20th December 2021. These are forecasts for Certainty rates – gilt yields plus 80 bps.

Table 4.4 – Interest Rates Forecast

Link Group Interest Rate View 20.12.21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
BANK RATE	0.25	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25
3 month ave earnings	0.20	0.30	0.50	0.50	0.60	0.70	0.80	0.90	0.90	1.00	1.00	1.00	1.00	1.00
6 month ave earnings	0.40	0.50	0.60	0.60	0.70	0.80	0.90	1.00	1.00	1.10	1.10	1.10	1.10	1.10
12 month ave earnings	0.70	0.70	0.70	0.70	0.80	0.90	1.00	1.10	1.10	1.20	1.20	1.20	1.20	1.20
5 yr PWLB	1.40	1.50	1.50	1.60	1.60	1.70	1.80	1.80	1.80	1.90	1.90	1.90	2.00	2.00
10 yr PWLB	1.60	1.70	1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10	2.20	2.30
25 yr PWLB	1.80	1.90	2.00	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.40	2.40	2.50	2.50
50 yr PWLB	1.50	1.70	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.20	2.20	2.30	2.30

4.3.2. Over the last two years, the coronavirus outbreak has done huge economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged until raising it to 0.25% at its meeting on 16th December 2021.

4.3.3. As shown in the forecast table above, the forecast for Bank Rate now includes four increases, one in December 2021 to 0.25%, then quarter 2 of 2022 to 0.50%, quarter 1 of 2023 to 0.75%, quarter 1 of 2024 to 1.00% and, finally, one in quarter 1 of 2025 to 1.25%.

4.4. Forecasts for Bank Rate

4.4.1. Link, the Council's treasury advisor have provided the following commentary on the Bank of England Rate.

4.4.2. It is not expected that Bank Rate will go up fast after the initial rate rise as the supply potential of the economy is not likely to have taken a major hit during the pandemic: it should, therefore, be able to cope well with meeting demand after supply shortages subside over the next year, without causing inflation to remain elevated in the medium-term, or to inhibit inflation from falling back towards the MPC's 2% target after the spike up to around 5%. The forecast includes four increases in the Bank Rate, the first of which has now happened in December 2021, over the three-year forecast period to March 2025, ending at 1.25%.

4.4.3. With the high level of uncertainty prevailing on several different fronts, we expect to have to revise our forecasts again - in line with whatever the new news is.

4.4.4. It should also be borne in mind that Bank Rate being cut to 0.25% and then to 0.10%, were emergency measures to deal with the Covid crisis hitting the UK in March 2020. At any time, the MPC could decide to simply take away such emergency cuts on no other grounds than they are no longer warranted, and as a step forward in the return to normalisation. In addition, any Bank Rate under 1% is both highly unusual and highly supportive of economic growth.

4.5. Forecasts for PWLB rates and gilt and treasury yields

4.5.1. Link, the Council's treasury advisor have provided the following commentary on forecasts for PWLB rates and treasury yields.

4.5.2. Since the start of 2021, we have seen a lot of volatility in gilt yields, and hence PWLB rates. As the interest forecast table for PWLB certainty rates above shows, it is forecast to be a steady, but slow, rise in both Bank Rate and gilt yields during the forecast period to March 2025, though there will doubtless be a lot of unpredictable volatility during this forecast period.

4.5.3. While monetary policy in the UK will have a major impact on gilt yields, there is also a need to consider the potential impact that rising treasury yields in America could have on our gilt yields. As an average since 2011, there has been a 75% correlation between movements in US 10-year treasury yields and UK 10-year gilt yields. This is a significant UPWARD RISK exposure to our forecasts for longer term PWLB rates. However, gilt yields and treasury yields do not always move in unison.

4.6. Investment and borrowing rates

4.6.1. Link, the Council's treasury advisor have provided the following commentary on investment and borrowing rates.

4.6.2. **Investment returns** are expected to improve in 2022/23. However, while markets are pricing in a series of Bank Rate hikes, actual economic circumstances may see the MPC fall short of these elevated expectations.

4.6.3. **Borrowing interest rates** fell to historically very low rates as a result of the COVID crisis and the quantitative easing operations of the Bank of England and still remain at historically low levels. The policy of avoiding new borrowing by running down spare cash balances has served local authorities well over the last few years.

4.6.4. On 25.11.20, the Chancellor announced the conclusion to the review of margins over gilt yields for PWLB rates which had been increased by 100 bps in October 2019. The standard and certainty margins were reduced by 100 bps but a prohibition was introduced to deny access to borrowing from the PWLB for any local authority which had purchase of assets for yield in its three-year capital programme. The current margins over gilt yields are as follows: -.

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

4.6.5. **Borrowing for capital expenditure.** Our long-term (beyond 10 years), forecast for Bank Rate is 2.00%. As some PWLB certainty rates are currently below 2.00%, many authorities are considering additional long-term borrowing from the PWLB where appropriate. This Council, however, has a significant cash reserves which is sufficient to support its current capital programme and repayment of maturing debt. Although, the Council can borrow in advance of need, there will be a *cost of carry*, (the difference between higher borrowing costs and lower investment returns), to any new borrowing that causes a temporary increase in cash balances and additional revenue budget spend.

4.7. Borrowing Strategy

4.7.1. The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need, (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is still an issue that needs to be considered.

4.7.2. Against this background and the risks within the economic forecast, caution will be adopted with the 2022/23 treasury operations. The Executive Director of Finance will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- if it was felt that there was a significant risk of a sharp FALL in borrowing rates, then borrowing will be postponed.

- if it was felt that there was a significant risk of a much sharper RISE in borrowing rates than that currently forecast, perhaps arising from an acceleration in the rate of increase in central rates in the USA and UK, an increase in world economic activity, or a sudden increase in inflation risks, then the portfolio position will be re-appraised. Most likely, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.

4.8. Policy on Borrowing in Advance of Need

4.8.1. The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

Table 4.5 – Borrowing in Advance of Need

Year	Maximum Borrowing in Advance	Notes
2022/23	100%	Borrowing in advance will be limited to no more than the expected increase in borrowing need (CFR) over the period of the approved Medium Term Capital Programme, a maximum of 3 years in advance.
2023/24	50%	
2024/25	25%	

4.8.2. Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

4.9. Debt Rescheduling

4.9.1. Rescheduling of current borrowing in our debt portfolio is unlikely to occur as there is still a very large difference between premature redemption rates and new borrowing rates, even though the general margin of PWLB rates over gilt yields was reduced by 100 bps in November 2020.

4.9.2. If rescheduling was done, it will be reported to the Executive Committee, at the earliest meeting following its action.

4.10. Approved Sources of Long and Short Term Borrowing

4.10.1. Below is a list of institutions that the Council can borrow from:

On Balance Sheet	Fixed	Variable
PWLB	•	•
Municipal bond agency	•	•
Local authorities	•	•
Banks	•	•
Pension funds	•	•
Insurance companies	•	•
UK Infrastructure Bank	•	•
Market (long-term)	•	•
Market (temporary)	•	•
Market (LOBOs)	•	•
Local temporary	•	•
Local Bonds	•	
Local authority bills	•	•
Overdraft		•
Negotiable Bonds	•	•
Internal (capital receipts & revenue balances)	•	•
Commercial Paper	•	
Medium Term Notes	•	
Finance leases	•	•

5. ANNUAL INVESTMENT STRATEGY

5.1. Investment Policy – Management of Risk

5.1.1. The Department of Levelling Up, Housing and Communities (DLUHC - this was formerly the Ministry of Housing, Communities and Local Government (MHCLG)) and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This report deals solely with treasury (financial) investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Strategy, (a separate report). However, it is worth noting that this authority since inception on 1 April 2021 has not borrowed for the sole purpose of investing in income yielding assets.

5.1.2. The Council's investment policy has regard to the following: -

- DLUHC's Guidance on Local Government Investments ("the Guidance")
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 ("the Code")
- CIPFA Treasury Management Guidance Notes 2018

5.1.3. The Council's investment priorities will be security first, portfolio liquidity second and then yield, (return). The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the Council's risk appetite. In the current economic climate, it is considered appropriate to keep investments short term to cover cash flow needs. However, where appropriate, the Council will also consider the value available in periods up to 12 months with high credit rated financial institutions, as well as wider range fund options.

5.1.4. The above guidance from the DLUHC and CIPFA places a high priority on the management of risk. This authority has adopted a prudent approach to managing risk and defines its risk appetite by the following means: -

i. Minimum acceptable **credit criteria** are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.

ii. **Other information:** ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Council will engage with its advisors to maintain a monitor on market pricing such as **"credit default swaps"** and overlay that information on top of the credit ratings.

iii. **Other information sources** used will include the financial press, share price and other such information pertaining to the financial sector to establish the most robust scrutiny process on the suitability of potential investment counterparties.

iv. This authority has defined the list of **types of investment instruments** that the treasury management team are authorised to use. There are two lists in Appendix IV under the categories of 'specified' and 'non-specified' investments.

- Specified investments are those with a high level of credit quality and subject to a maturity limit of one year or have less than a year left to run to maturity if originally, they were classified as being non-specified investments solely due to the maturity period exceeding one year.

- Non-specified investments are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use.

v. **Non-specified and loan investment limits.** The Council has determined that it will set a limit to the maximum exposure of the total treasury management investment portfolio to non-specified treasury management investments of 20%.

vi. **Lending limits**, (amounts and maturity), for each counterparty will be set through applying the matrix table in Appendix IV.

vii. **Transaction limits** are set for each type of investment in Appendix IV.

viii. This authority will set a limit for its investments which are invested for **longer than 365 days** – see Appendix IV.

ix. Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating –** see Appendix V.

x. All investments will be denominated in **Sterling**.

xi. As a result of the change in accounting standards for 2022/23 under IFRS 9, this authority will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. (In November 2018, the MHCLG, concluded a consultation for a temporary override to allow English local authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years ending 31 March 2023.

5.2. Creditworthiness Policy

5.2.1. The Council applies the creditworthiness service provided by the Link Group. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard & Poor's. The credit ratings of counterparties are supplemented with the following overlays:

- "watches" and "outlooks" from credit rating agencies;

- CDS spreads that may give early warning of changes in credit ratings;

- sovereign ratings to select counterparties from only the most creditworthy countries.

5.2.2. The primary principle governing the Council's investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration. After this main principle, the Council will ensure that:

- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security. This is set out in the specified and non-specified investment sections below; and
- It has sufficient liquidity in its investments. For this purpose, it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.

5.2.3. The Director of Finance will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to Council for approval as necessary. These criteria are separate to that which determines which types of investment instrument are either specified or non-specified as it provides an overall pool of counterparties considered high quality which the Council may use, rather than defining what types of investment instruments are to be used.

5.2.4. Credit rating information is supplied by the Link Group, our treasury advisors, on all active counterparties that comply with the criteria below. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list. Any rating changes, rating Watches (notification of a likely change), rating Outlooks (notification of the longer-term bias outside the central rating view) are provided to officers almost immediately after they occur, and this information is considered before dealing. For instance, a negative rating Watch applying to counterparty at the minimum Council criteria will be suspended from use, with all others being reviewed in light of market conditions.

5.2.5. The criteria for providing a pool of high-quality investment counterparties, (both specified and non-specified investments) is set out in Appendix IV. A limit of 20% of total investments will be applied to the use of non-specified investments

5.2.6. All credit ratings will be monitored. The Council is alerted to changes to ratings of all three agencies through its use of the Link creditworthiness service.

- if a downgrade results in the counterparty / investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.
- in addition to the use of credit ratings the Council will be advised of information in movements in Credit Default Swap spreads against the iTraxx European Financials benchmark and other market data on a daily basis via its Passport website, provided exclusively to it by Link. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

5.2.7. Sole reliance will not be placed on the use of this external service. In addition, this Council will also use market data and market information, as well as information on any external support for banks to help support its decision-making process.

Creditworthiness.

5.2.8. Significant levels of downgrades to Short- and Long-Term credit ratings have not materialised since the crisis in March 2020. In the main, where they did change, any alterations were limited to Outlooks. However, as economies are beginning to reopen, there have been some instances of previous lowering of Outlooks being reversed.

CDS prices

5.2.9. Although bank CDS prices, (these are market indicators of credit risk), spiked upwards at the end of March / early April 2020 due to the heightened market uncertainty and ensuing liquidity crisis that affected financial markets, they have returned to more average levels since then. However, sentiment can easily shift, so it will remain important to undertake continual monitoring of all aspects of risk and return in the current circumstances. Link monitor CDS prices as part of their creditworthiness service to local authorities and the Council has access to this information via its Link-provided Passport portal.

Other limits

5.2.10. Due care will be taken to consider the exposure of the Council's total investment portfolio to non-specified investments, countries, groups and sectors.

i. **Non-specified treasury management investment limit.** The Council has determined that it will limit the maximum total exposure of treasury management investments to non-specified treasury management investments as being 20% of the total treasury management investment portfolio.

ii. **Country limit.** The Council has determined that it will only use approved counterparties from the UK and from countries with a minimum sovereign credit rating of AA- from Fitch *or equivalent*. The list of countries that qualify using this credit criteria as at 22nd December 2021 are shown in Appendix V. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

iii. **Other limits.** In addition:

- no more than 20% will be placed with any non-UK country at any time;
- limits in place above will apply to a group of companies;
- sector limits will be monitored regularly for appropriateness.

5.3. Investment strategy

5.3.1. **In-house funds.** Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e., rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. While most cash balances are required in order to manage the ups and downs of cash flow, where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer term investments will be carefully assessed.

- If it is thought that Bank Rate is likely to rise significantly within the time horizon being considered, then consideration will be given to keeping most investments as being short term or variable.

- Conversely, if it is thought that Bank Rate is likely to fall within that time period, consideration will be given to locking in higher rates currently obtainable, for longer periods.

Investment returns expectations.

5.3.2. The current forecast shown at Appendix II, includes a forecast for a first increase in Bank Rate in May 2022, though it could come in February.

5.3.3. The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year, (based on a first increase in Bank Rate in quarter 2 of 2022), are as follows.:

Table 5.1 – Investment Rates Forecast

Average earnings in each year	Now	Previously
2022/23	0.50%	0.50%
2023/24	0.75%	0.75%
2024/25	1.00%	1.00%
2025/26	1.25%	1.25%
Long term later years	2.00%	2.00%

5.3.4. For its cash flow generated balances, the Council will continue to utilise its business reserve, instant access and notice accounts, money market funds and short-dated deposits, (overnight to 100 days), in order to benefit from the compounding of interest.

5.3.5. **Investment treasury indicator and limit** - total principal funds invested for greater than 365 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment and are based on the availability of funds after each year-end.

5.3.6. The Council is asked to approve the following treasury indicator and limit:

Table 5.2 – Upper Limit for Sums Invested over 365 days

Upper limit for principal sums invested for longer than 365 days			
%	**2022/23**	**2023/24**	**2024/25**
	Estimate	Estimate	Estimate
Principal sums invested for longer than 365 days	20%	20%	20%

5.4. Investment Performance / Risk Benchmarking

5.4.1. These benchmarks are simple guides to maximum risk, so they may be breached from time to time, depending on movements in interest rates and counterparty criteria. The purpose of the benchmark is that officers will monitor the current and trend position and amend the operational strategy to manage risk as conditions change. Any breach of the benchmarks will be reported, with supporting reasons in the mid-year or Annual Report.

5.4.2. Security - The Council's maximum security risk benchmark for the current portfolio, when compared to these historic default tables, is:

- 0.007% historic risk of default when compared to the whole portfolio.

5.4.3. Liquidity – in respect of this area the Council seeks to maintain:

- Bank overdraft - £0.750m
- Liquid short-term deposits of at least £10m available with a week's notice.

5.4.4. Yield - local measures of yield benchmarks are

- Investments – internal returns in line with the 7-day SONIA rate

5.5. Treasury Management Budget

5.5.1. Table below provides a breakdown of the treasury management budget.

Table 5.3 – Treasury Budget

Description	2022/23 £'000	2023/24 £'000	2024/25 £'000
Interest Payable on borrowing	10,796	10,706	10,675
Interest receivable from I nvestments	(1,809)	(1,809)	(1,809)
MRP (excl. PFI bullet)	7,013	8,513	10,013
Total Treasury Management Budget	**16,000**	**17,410**	**18,879**

5.5.2. The key assumptions underpinning the 2022/23 budget are that:

- Average rate achieved on investments of 0.32% for money market and fixed term deposits;
- Average return of 4.25% for property fund investments;
- The MRP charges are in line with Council policy including the MRP payment holiday that was inherited from the now defunct Northamptonshire County Council.

5.6. End of year investment report

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

5.7. Future Developments

5.7.1. Local authorities are having to consider innovative strategies to meet and improve service provision to their communities. This approach to innovation also applies to the council's treasury management activities.

5.8. Loan to Third Parties

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

5.8.2. North Northamptonshire Council is a shareholder of LGSS Law Ltd and has made a third party loan at a commercial rate to aid the cash flow of the company. The value of the loan was £0.475m, which represents 50% of the loan made by NCC for its share of the cash flow contribution. This was based on disaggregation of NCC share of LGSS Law Ltd equally between North and West Northamptonshire.

5.8.3. The Board and Shareholders of LGSS Law Ltd regularly review the performance of the company. A strong foundation for future growth of the company, and in accordance with recommendations from the company's external auditors, the 3 shareholder Councils (Northamptonshire County Council, Cambridgeshire County Council & Central Bedfordshire Council) injected additional share capital (equity) in 2020. The equity of the company from inception was only £150, which was deemed no longer appropriate for a company of its size. It was agreed each shareholder would inject equity capital of £0.475m into LGSS Law.

5.8.4. As NCC had already provided finance to the company with a historic loan of £0.950m for cash flow purposes, the Councils injection of £0.475m equity capital was offset by a reduction in this loan to the same value, meaning no additional finance was committed.

5.8.5. Following relevant accounting rules (IFRS9) the equity was funded from the NCC's Capital Programme, and the reduction in loan was reflected in the Council's short-term investments. MRP is being charged on this share capital investment in line with regulations. North Northamptonshire Council will continue to review its position in relation to accounting for the loan on an annual basis statement of accounts process.

5.9. UK Municipal Bond Agency (MBA)

5.9.1. The UK Municipal Bond Agency provides loans to UK local authorities to fund capital expenditure. At its inception the MBA raised £6m share capital from 56 local authorities, including £0.2m from Northamptonshire County Council, and the Local Government Association to launch an agency to issue bonds in the capital markets on behalf of local authorities across the country that would offer competitive rates relative to the PWLB.

5.9.2. North Northamptonshire Council has inherited 50% of NCC's share capital, amounting to £0.1m, as part of NCC's disaggregation. Kettering Borough Council also had a £10,000 share in the UKMBA which has now also been transferred to NNC. The degree to which any loans raised through the MBA proves cheaper/better value for money than PWLB Certainty Rate is still evolving and is being closely monitored. Officers continue to engage directly with the MBA on redefining its offering.

5.9.3. The Council may make use of this new source of borrowing as and when appropriate.

5.10. Impact of IFRS 9

5.10.1. An important consideration when assessing current and future investment policy is the implementation of accounting standard IFRS 9 in the Local Authority Code of Practice. A key element of this standard is the move away from assessing risk based on incurred losses on financial assets (i.e. an event that has happened) to expected loss (i.e. the likelihood of loss across the asset lifetime). Whilst this will not materially impact upon traditional treasury investments, the standard also encompasses other investment areas including: loans to third parties, subsidiaries, or longer dated service investments. The expected credit loss model requires local authorities to make provision for these potential losses having assessed the asset with regard to the due diligence undertaken prior to investment, the nature of any guarantees, and subsequent regular updates.

5.10.2. As set out above, the Council has advanced a number of third party loans and although the Council is not expecting any losses to arise from these loans, it may be required to set aside provision for potential credit loss.

5.10.3. In addition to the above, the new standard requires changes to the recognition and subsequent valuation treatment of certain investment products. These instruments include property and equity, but also service investments that give rise to cashflows that are not solely payments of principal and interest (SPPI) on the principal outstanding.

5.10.4. MHCLG has introduced a five year statutory override allowing Councils to reverse any revenue impact of pooled fund valuation gains and losses. MHCLG were not minded to make this statutory override permanent, and will keep it under review.

6. Appendices

i. Prudential and Treasury Management Indicators
ii. Interest Rate Forecasts
iii. Economic Background Report
iv. Treasury Management Practice 1 – Credit & Counterparty Risk Management
v. Approved Countries for Investments
vi. Treasury Management Scheme of Delegation
vii. Treasury Management Role of S151 Officer

7. THE CAPITAL PRUDENTIAL AND TREASURY INDICATORS 2022/23 – 2024/25

7.1. Capital Prudential Indicator Introduction

7.1.1. The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

Table 7.1 – Capital Expenditure

Capital expenditure £m	2021/22 Estimate £000	2022/23 Estimate £000	2023/24 Estimate £000	2024/25 Estimate £000
Non-HRA				
Adults, Wellbeing and Communities	25,363	4,795	3,781	3,800
Children's	15,205	6,544	-	-
Place and Economy	49,162	2,472	4,944	7,300
Transformation	2,769	2,520	520	370
Development Pool	24,300	21,058	22,482	13,875
HRA	25,712	13,302	12,488	12,288
Total	**142,512**	**50,691**	**44,215**	**37,633**

Affordability prudential indicators

7.1.2. The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances. The Council is asked to approve the following indicators:

i. Ratio of financing costs to net revenue stream

7.1.3. This indicator identifies the trend in the cost of capital, (borrowing and other long-term obligation costs net of investment income), against the net revenue stream.

Table 7.2 – General Fund Ratio of Financing Cost to Net Revenue

%	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
Non-HRA	N/A	5.9%	5.8%	5.7%	5.6%
HRA	N/A	12.2%	10.0%	9.6%	9.3%

7.1.4. The estimates of financing costs include current commitments and the proposals in this budget report.

Table 7.3 - HRA Ratios

	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
HRA debt £000	N/A	105,724	102,724	99,224	95,821
HRA revenues £m	N/A	35,150	36,270	36,861	37,290
Ratio of debt to revenues %	N/A	3.01	2.83	2.69	2.57

Table 7.4 – HRA Debt, Dwellings

	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
HRA debt £000	N/A	105,724	102,724	99,224	95,821
Number of HRA dwellings	N/A	8,224	8,177	8,102	8,040
Debt per dwelling £	N/A	12.86	12.56	12.25	11.92

Maturity structure of borrowing

7.1.5. Maturity structure of borrowing. These gross limits are set to reduce the Council's exposure to large, fixed rate sums falling due for refinancing, and are required for upper and lower limits.

7.1.6. The Council is asked to approve the following treasury indicators and limits:

Table 7.5 – Maturity Structure of Borrowing

Maturity structure of fixed interest rate borrowing 2022/23		
	Lower	**Upper**
Under 12 months	0%	30%
12 months to 2 years	0%	30%
2 years to 5 years	0%	30%
5 years to 10 years	0%	35%
10 years to 20 years	0%	35%
20 years to 30 years	0%	40%
30 years to 40 years	0%	45%
40 years to 50 years	0%	50%
Over 50 years	0%	20%
Maturity structure of variable interest rate borrowing 2022/23		
	Lower	**Upper**
Under 12 months	0%	20%
12 months to 2 years	0%	20%
2 years to 5 years	0%	20%
5 years to 10 years	0%	15%
10 years to 20 years	0%	15%
20 years to 30 years	0%	5%
30 years to 40 years	0%	5%
40 years to 50 years	0%	5%
Over 50 years	0%	5%

Control of interest rate exposure

7.2. Please see paragraphs 4.3.1 and 4.3.2.

7.3. INTEREST RATE FORECASTS 2021-2025

7.3.1. This appendix is in a separate downloadable file.

Table 7.6 – Interest Rates Forecasts 2021 - 2025

Link Group Interest Rate View	20.12.21													
	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
BANK RATE	0.25	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25
3 month ave earnings	0.20	0.30	0.50	0.50	0.60	0.70	0.80	0.90	0.90	1.00	1.00	1.00	1.00	1.00
6 month ave earnings	0.40	0.50	0.60	0.60	0.70	0.80	0.90	1.00	1.00	1.10	1.10	1.10	1.10	1.10
12 month ave earnings	0.70	0.70	0.70	0.70	0.80	0.90	1.00	1.10	1.10	1.20	1.20	1.20	1.20	1.20
5 yr PWLB	1.40	1.50	1.50	1.60	1.60	1.70	1.80	1.80	1.80	1.90	1.90	1.90	2.00	2.00
10 yr PWLB	1.60	1.70	1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10	2.20	2.30
25 yr PWLB	1.80	1.90	2.00	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.40	2.40	2.50	2.50
50 yr PWLB	1.50	1.70	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.20	2.20	2.30	2.30
Bank Rate														
Link	0.25	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25
Capital Economics	0.25	0.25	0.50	0.75	0.75	0.75	0.75	1.00	1.00	-	-	-	-	-
5yr PWLB Rate														
Link	1.40	1.50	1.50	1.60	1.60	1.70	1.80	1.80	1.80	1.90	1.90	1.90	2.00	2.00
Capital Economics	1.40	1.40	1.50	1.50	1.60	1.70	1.70	1.80	1.90	-	-	-	-	-
10yr PWLB Rate														
Link	1.60	1.70	1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10	2.20	2.30
Capital Economics	1.60	1.60	1.70	1.70	1.80	1.80	1.90	2.00	2.00	-	-	-	-	-
25yr PWLB Rate														
Link	1.80	1.90	2.00	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.40	2.40	2.50	2.50
Capital Economics	1.80	1.80	1.90	1.90	2.00	2.10	2.10	2.20	2.30	-	-	-	-	-
50yr PWLB Rate														
Link	1.50	1.70	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.20	2.20	2.30	2.30
Capital Economics	1.40	1.50	1.60	1.70	1.80	1.90	2.00	2.20	2.30	-	-	-	-	-

Note: PWLB forecasts are based on PWLB certainty rates

7.4. ECONOMIC BACKGROUND

7.4.1. **COVID-19 vaccines.** These were the game changer during 2021 which raised high hopes that life in the UK would be able to largely return to normal in the second half of the year. However, the bursting onto the scene of the Omicron mutation at the end of November, rendered the initial two doses of all vaccines largely ineffective in preventing infection. This has dashed such hopes and raises the spectre again that a fourth wave of the virus could overwhelm hospitals in early 2022. What we now know is that this mutation is very fast spreading with the potential for total case numbers to double every two to three days, although it possibly may not cause so much severe illness as previous mutations. Rather than go for full lockdowns which heavily damage the economy, the government strategy this time is focusing on getting as many people as possible to have a third (booster) vaccination after three months from the previous last injection, as a booster has been shown to restore a high percentage of immunity to Omicron to those who have had two vaccinations. There is now a race on between how quickly boosters can be given to limit the spread of Omicron, and how quickly will hospitals fill up and potentially be unable to cope. In the meantime, workers have been requested to work from home and restrictions have been placed on large indoor gatherings and hospitality venues. With the household saving rate having been exceptionally high since the first lockdown in March 2020, there is plenty of pent-up demand and purchasing power stored up for services in sectors like restaurants, travel, tourism and hotels which had been hit hard during 2021, but could now be hit hard again by either, or both, of government restrictions and/or consumer reluctance to leave home. Growth will also be lower due to people being ill and not working, similar to the pingdemic in July. The economy, therefore, faces significant headwinds although some sectors have learned how to cope well with Covid. However, the biggest impact on growth would come from another lockdown if that happened. The big question still remains as to whether any further mutations of this virus could develop which render all current vaccines ineffective, as opposed to how quickly vaccines can be modified to deal with them and enhanced testing programmes be implemented to contain their spread until tweaked vaccines become widely available.

7.4.2. A summary overview of the future path of bank rate

- In December, the Bank of England became the first major western central bank to put interest rates up in this upswing in the current business cycle in western economies as recovery progresses from the Covid recession of 2020.

- The next increase in Bank Rate could be in February or May, dependent on how severe an impact there is from Omicron.

- If there are lockdowns in January, this could pose a barrier for the MPC to putting Bank Rate up again as early as 3rd February.

- With inflation expected to peak at around 6% in April, the MPC may want to be seen to be active in taking action to counter inflation on 5th May, the release date for its Quarterly Monetary Policy Report.

- The December 2021 MPC meeting was more concerned with combating inflation over the medium term than supporting economic growth in the short term.

- Bank Rate increases beyond May are difficult to forecast as inflation is likely to drop sharply in the second half of 2022.

- However, the MPC will want to normalise Bank Rate over the next three years so that it has its main monetary policy tool ready to use in time for the next down-turn; all rates under 2% are providing stimulus to economic growth.

- We have put year end 0.25% increases into Q1 of each financial year from 2023 to recognise this upward bias in Bank Rate - but the actual timing in each year is difficult to predict.

- Covid remains a major potential downside threat in all three years as we ARE likely to get further mutations.

- How quickly can science come up with a mutation proof vaccine, or other treatment, – and for them to be widely administered around the world?

- Purchases of gilts under QE ended in December. Note that when Bank Rate reaches 0.50%, the MPC has said it will start running down its stock of QE.

7.4.3. MPC meeting 16h December 2021

- The Monetary Policy Committee (MPC) voted 8-1 to raise Bank Rate by 0.15% from 0.10% to 0.25% and unanimously decided to make no changes to its programme of quantitative easing purchases due to finish in December 2021 at a total of £895bn.

- The MPC disappointed financial markets by not raising Bank Rate at its November meeting. Until Omicron burst on the scene, most forecasters, therefore, viewed a Bank Rate increase as being near certain at this December meeting due to the way that inflationary pressures have been comprehensively building in both producer and consumer prices, and in wage rates. However, at the November meeting, the MPC decided it wanted to have assurance that the labour market would get over the end of the furlough scheme on 30th September without unemployment increasing sharply; their decision was, therefore, to wait until statistics were available to show how the economy had fared at this time.

- **On 10th December we learnt of the disappointing 0.1% m/m rise in GDP** in October which suggested that economic growth had already slowed to a crawl even before the Omicron variant was discovered in late November. Early evidence suggests growth in November might have been marginally better. Nonetheless, at such low rates of growth, the government's "Plan B" COVID-19 restrictions could cause the economy to contract in December.

- **On 14th December, the labour market statistics** for the three months to October and the single month of October were released. The fallout after the furlough scheme was smaller and shorter than the Bank of England had feared. The single-month data were more informative and showed that LFS employment fell by 240,000, unemployment increased by 75,000 and the unemployment rate rose from 3.9% in September to 4.2%. However, the weekly data suggested this didn't last long as unemployment was falling again by the end of October. What's more, the 49,700 fall in the claimant count and the 257,000 rise in the PAYE measure of company payrolls suggests that the labour market strengthened again in November. The other side of the coin was a further rise in the number of vacancies from 1.182m to a record 1.219m in the three months to November which suggests that the supply of labour is struggling to keep up with demand, although the single-month figure for November fell for the first time since February, from 1.307m to 1.227m.

- These figures by themselves, would probably have been enough to give the MPC the assurance that it could press ahead to raise Bank Rate at this December meeting. However, the advent of Omicron potentially threw a spanner into the works as it poses a major headwind to the economy which, of itself, will help to cool the economy. The financial markets, therefore, swung round to expecting no change in Bank Rate.

- **On 15th December we had the CPI inflation** figure for November which spiked up further from 4.2% to 5.1%, confirming again how inflationary pressures have been building sharply. However, Omicron also caused a sharp fall in world oil and other commodity prices; (gas and electricity inflation has generally accounted on average for about 60% of the increase in inflation in advanced western economies).

- **Other elements of inflation are also transitory** e.g., prices of goods being forced up by supply shortages, and shortages of shipping containers due to ports being clogged have caused huge increases in shipping costs. But these issues are likely to clear during 2022, and then prices will subside back to more normal levels. Gas prices and electricity prices will also fall back once winter is passed and demand for these falls away.

- Although it is possible that the Government could step in with some **fiscal support for the economy**, the huge cost of such support to date is likely to pose a barrier to incurring further major expenditure unless it was very limited and targeted on narrow sectors like hospitality. The Government may well, therefore, effectively leave it to the MPC, and to monetary policy, to support economic growth – but at a time when the threat posed by rising inflation is near to peaking!

- This is the adverse set of factors against which the MPC had to decide on Bank Rate. For the second month in a row, the MPC blind-sided financial markets, this time with a **surprise increase in Bank Rate from 0.10% to 0.25%.** What's more, the hawkish tone of comments indicated that the MPC is now concerned that inflationary pressures are indeed building and need concerted action by the MPC to counter. This indicates that there will be more increases to come with financial markets predicting 1% by the end of 2022. The 8-1 vote to raise the rate shows that there is firm agreement that inflation now poses a threat, especially after the CPI figure hit a 10-year high this week. The MPC commented that "there has been significant upside news" and that "there were some signs of greater persistence in domestic costs and price pressures".

- On the other hand, it did also comment that **"the Omicron variant is likely to weigh on near-term activity".** But it stressed that at the November meeting it had said it would raise rates if the economy evolved as it expected and that now "these conditions had been met". It also appeared more worried about the possible boost to inflation form Omicron itself. It said that "the current position of the global and UK economies was materially different compared with prior to the onset of the pandemic, including elevated levels of consumer price inflation". It also noted the possibility that renewed social distancing would boost demand for goods again, (as demand for services would fall), meaning "global price pressures might persist for longer". (Recent news is that the largest port in the world in China has come down with an Omicron outbreak which is not only affecting the port but also factories in the region.)

- On top of that, there were no references this month to inflation being expected to be below the **2% target in two years' time,** which at November's meeting the MPC referenced to suggest the markets had gone too far in expecting interest rates to rise to over 1.00% by the end of the year.

- These comments indicate that there has been a material reappraisal by the MPC of the inflationary pressures since their last meeting and the Bank also increased its forecast for inflation to peak at 6% next April, rather than at 5% as of a month ago. However, as the Bank retained its guidance that only **a "modest tightening"** in policy will be required, it cannot be thinking that it will need to increase interest rates that much more. A typical policy tightening cycle has usually involved rates rising by 0.25% four times in a year. "Modest" seems slower than that. As such, the Bank could be thinking about raising interest rates two or three times next year to 0.75% or 1.00%.

- In as much as a considerable part of the inflationary pressures at the current time are indeed **transitory,** and will naturally subside, and since economic growth is likely to be weak over the next few months, this would appear to indicate that this tightening cycle is likely to be comparatively short.

- As for the timing of the next increase in Bank Rate, the MPC dropped the comment from November's statement that Bank Rate would be raised "in the coming months". That may imply another rise is unlikely at the next meeting in February and that May is more likely. However, much could depend on how adversely, or not, the economy is affected by Omicron in the run up to the next meeting on 3rd February. Once 0.50% is reached, the Bank would act to start shrinking its stock of QE, (gilts purchased by the Bank would not be replaced when they mature).

- **The MPC's forward guidance on its intended monetary policy** on raising Bank Rate versus selling (quantitative easing) holdings of bonds is as follows:

    - Raising Bank Rate as "the active instrument in most circumstances".
    - Raising Bank Rate to 0.50% before starting on reducing its holdings.
    - Once Bank Rate is at 0.50% it would stop reinvesting maturing gilts.
    - Once Bank Rate had risen to at least 1%, it would start selling its holdings.

7.4.4. **US.** Shortages of goods and intermediate goods like semi-conductors, have been fuelling increases in prices and reducing economic growth potential. In November, **CPI inflation hit a near 40-year record level of 6.8%** but with energy prices then falling sharply, this is probably the peak. The biggest problem for the Fed is the mounting evidence of a strong pick-up in cyclical price pressures e.g., in rent which has hit a decades high.

7.4.5. **Shortages of labour** have also been driving up wage rates sharply; this also poses a considerable threat to feeding back into producer prices and then into consumer prices inflation. It now also appears that there has been a sustained drop in the labour force which suggests the pandemic has had a longer-term scarring effect in reducing potential GDP. Economic growth may therefore be reduced to between 2 and 3% in 2022 and 2023 while core inflation is likely to remain elevated at around 3% in both years instead of declining back to the Fed's 2% central target.

7.4.6. Inflation hitting 6.8% and the feed through into second round effects, meant that it was near certain that the **Fed's meeting of 15th December** would take aggressive action against inflation. Accordingly, the rate of tapering of monthly $120bn QE purchases announced at its November 3rd meeting. was doubled so that all purchases would now finish in February 2022. In addition, Fed officials had started discussions on running down the stock of QE held by the Fed. Fed officials also expected three rate rises in 2022 of 0.25% from near zero currently, followed by three in 2023 and two in 2024, taking rates back above 2% to a neutral level for monetary policy. The first increase could come as soon as March 2022 as the chairman of the Fed stated his view that the economy had made rapid progress to achieving the other goal of the Fed – "maximum employment". The Fed forecast that inflation would fall from an average of 5.3% in 2021 to 2.6% in 2023, still above its target of 2% and both figures significantly up from previous forecasts. What was also significant was that this month the Fed dropped its description of the current level of inflation as being "transitory" and instead referred to "elevated levels" of inflation: the statement also dropped most of the language around the flexible average inflation target, with inflation now described as having exceeded 2 percent "for some time". It did not see Omicron as being a major impediment to the need to take action now to curtail the level of inflationary pressures that have built up, although Fed officials did note that it has the potential to exacerbate supply chain problems and add to price pressures.

7.4.7. **EU.** The slow role out of vaccines initially delayed **economic recovery** in early 2021 but the vaccination rate then picked up sharply. After a contraction of -0.3% in Q1, Q2 came in with strong growth of 2%. With Q3 at 2.2%, the EU recovery was then within 0.5% of its pre Covid size. However, the arrival of Omicron is now a major headwind to growth in quarter 4 and the expected downturn into weak growth could well turn negative, with the outlook for the first two months of 2022 expected to continue to be very weak.

7.4.8. **November's inflation figures** breakdown shows that the increase in price pressures is not just due to high energy costs and global demand-supply imbalances for durable goods as services inflation also rose. Headline inflation reached 4.9% in November, with over half of that due to energy. However, oil and gas prices are expected to fall after the winter and so energy inflation is expected to plummet in 2022. Core goods inflation rose to 2.4% in November, its second highest ever level, and is likely to remain high for some time as it will take a long time for the inflationary impact of global imbalances in the demand and supply of durable goods to disappear. Price pressures also increased in the services sector, but wage growth remains subdued and there are no signs of a trend of faster wage growth which might lead to *persistently* higher services inflation - which would get the ECB concerned. The upshot is that the euro-zone is set for a prolonged period of inflation being above the ECB's target of 2% and it is likely to average 3% in 2022, in line with the ECB's latest projection.

7.4.9. **ECB tapering.** The ECB has joined with the Fed by also announcing at its meeting on 16th December that it will be reducing its QE purchases - by half from October 2022, i.e., it will still be providing significant stimulus via QE purchases for over half of next year. However, as inflation will fall back sharply during 2022, it is likely that it will leave its central rate below zero, (currently -0.50%), over the next two years. The main struggle that the ECB has had in recent years is that inflation has been doggedly anaemic in sticking below the ECB's target rate despite all its major programmes of monetary easing by cutting rates into negative territory and providing QE support.

7.4.10. The ECB will now also need to consider the impact of **Omicron** on the economy, and it stated at its December meeting that it is prepared to provide further QE support if the pandemic causes bond yield spreads of peripheral countries, (compared to the yields of northern EU countries), to rise. However, that is the only reason it will support peripheral yields, so this support is limited in its scope.

7.4.11. The EU has entered into a **period of political uncertainty** where a new German government formed of a coalition of three parties with Olaf Scholz replacing Angela Merkel as Chancellor in December 2021, will need to find its feet both within the EU and in the three parties successfully working together. In France there is a presidential election coming up in April 2022 followed by the legislative election in June. In addition, Italy needs to elect a new president in January with Prime Minister Draghi being a favourite due to having suitable gravitas for this post. However, if he switched office, there is a significant risk that the current government coalition could collapse. That could then cause differentials between Italian and German bonds to widen when 2022 will also see a gradual running down of ECB support for the bonds of weaker countries within the EU. These political uncertainties could have repercussions on economies and on Brexit issues.

7.4.12. **CHINA.** After a concerted effort to get on top of the virus outbreak in Q1 2020, economic recovery was strong in the rest of **2020**; this enabled China to recover all the initial contraction. During 2020, policy makers both quashed the virus and implemented a programme of monetary and fiscal support that was particularly effective at stimulating short-term growth. At the same time, China's economy benefited from the shift towards online spending by consumers in developed markets. These factors helped to explain its comparative outperformance compared to western economies during 2020 and earlier in 2021.

7.4.13. However, the pace of economic growth has now fallen back in **2021** after this initial surge of recovery from the pandemic and looks likely to be particularly weak in 2022. China has been struggling to contain the spread of the Delta variant through using sharp local lockdowns - which depress economic growth. Chinese consumers are also being very wary about leaving home and so spending money on services. However, with Omicron having now spread to China, and being much more easily transmissible, this strategy of sharp local lockdowns to stop the virus may not prove so successful in future. In addition, the current pace of providing boosters at 100 billion per month will leave much of the 1.4 billion population exposed to Omicron, and any further mutations, for a considerable time. The **People's Bank of China** made a start in December 2021 on cutting its key interest rate marginally so as to stimulate economic growth. However, after credit has already expanded by around 25% in just the last two years, it will probably leave the heavy lifting in supporting growth to fiscal stimulus by central and local government.

7.4.14. Supply shortages, especially of coal for power generation, were causing widespread power cuts to industry during the second half of 2021 and so a sharp disruptive impact on some sectors of the economy. In addition, recent regulatory actions motivated by a political agenda to channel activities into officially approved directions, are also likely to reduce the dynamism and long-term growth of the Chinese economy.

7.4.15. **JAPAN.** 2021 has been a patchy year in combating Covid. However, recent business surveys indicate that the economy has been rebounding rapidly in 2021 once the bulk of the population had been double vaccinated and new virus cases had plunged. However, Omicron could reverse this initial success in combating Covid.

7.4.16. The Bank of Japan is continuing its **very loose monetary policy** but with little prospect of getting inflation back above 1% towards its target of 2%, any time soon: indeed, inflation was actually negative in July. New Prime Minister Kishida, having won the November general election, brought in a supplementary budget to boost growth, but it is unlikely to have a major effect.

7.4.17. **WORLD GROWTH.** World growth was in recession in 2020 but recovered during 2021 until starting to lose momentum in the second half of the year, though overall growth for the year is expected to be about 6% and to be around 4-5% in 2022. Inflation has been rising due to increases in gas and electricity prices, shipping costs and supply shortages, although these should subside during 2022. While headline inflation will fall sharply, core inflation will probably not fall as quickly as central bankers would hope. It is likely that we are heading into a period where there will be a **reversal of world globalisation** and a decoupling of western countries from dependence on China to supply products, and vice versa. This is likely to reduce world growth rates from those in prior decades.

7.4.18. **SUPPLY SHORTAGES**. The pandemic and extreme weather events, followed by a major surge in demand after lockdowns ended, have been highly disruptive of extended worldwide supply chains. Major queues of ships unable to unload their goods at ports in New York, California and China built up rapidly during quarters 2 and 3 of 2021 but then halved during quarter 4. Such issues have led to a misdistribution of shipping containers around the world and have contributed to a huge increase in the cost of shipping. Combined with a shortage of semi-conductors, these issues have had a disruptive impact on production in many countries. The latest additional disruption has been a shortage of coal in China leading to power cuts focused primarily on producers (rather than consumers), i.e., this will further aggravate shortages in meeting demand for goods. Many western countries are also hitting up against a difficulty in filling job vacancies. It is expected that these issues will be gradually sorted out, but they are currently contributing to a spike upwards in inflation and shortages of materials and goods available to purchase.

7.5. TREASURY MANAGEMENT PRACTICE (TMP1) – CREDIT AND COUNTERPARTY RISK MANAGEMENT

7.5.1. **SPECIFIED INVESTMENTS:** All such investments will be sterling denominated, with **maturities up to a maximum of 1 year**, meeting the minimum 'high' quality criteria where applicable. (Non-specified investments which would be specified investments apart from originally being for a period longer than 12 months, will be classified as being specified once the remaining period to maturity falls to under twelve months.)

7.5.2. **NON-SPECIFIED INVESTMENTS**: These are any investments which do not meet the specified investment criteria. A maximum of 20% of total value of investment portfolio will be held in aggregate in non-specified investment.

7.5.3. A variety of investment instruments will be used, subject to the credit quality of the institution, and depending on the type of investment made, it will fall into one of the above categories.

7.5.4. The criteria, time limits and monetary limits applying to institutions or investment vehicles are:

Table 7.7 – Specified Investments Strategy

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

7.6. NON-SPECIFIED INVESTMENTS: A maximum of 20% of total investment portfolio will be held in aggregate in non-specified investments.

7.6.1. Maturities of ANY period.

Table 7.8 – Non Specified Investments

Instruments	Minimum 'High' Credit Criteria	Maximum Amount
UK Government	Government backed	No maximum
Certificate of Deposits	Per Treasury Advisors creditworthiness service	£10m per individual / group in total
Term Deposits - Banks and Building Societies	Per Treasury Advisors creditworthiness service	
Term Deposits - Local Authorities and Housing Associations	Considered on an individual basis	
Collateralised Deposit / Covered Bonds	AAA	£20m per individual / group
Bonds issued by multilateral development banks	AAA / UK sovereign rating	
Bond issuance issued by a financial institution which is explicitly guaranteed by UK Government (e.g. National Rail)	UK Sovereign rating	
Sovereign bond issues (other than the UK Government)	AAA / UK sovereign rating	
Corporate Bond / Equity Holdings	Considered on an individual basis	£10m per individual / group in total
Collective Investment Schemes structured as Open Ended Investment Companies (OEICs):-		
Property Funds	Considered on an individual basis	£20m per individual / group
Enhance Money Market Funds	AAA VNAV mmf rating	
Corporate Bond / Equity Funds / Share Capital	Considered on an individual basis	

7.7. APPROVED COUNTRIES FOR INVESTMENTS

7.7.1. The list is based on those countries which have sovereign ratings of AA- or higher, (we show the lowest rating from Fitch, Moody's and S&P) and also, (except – at the time of writing – for Hong Kong, Norway and Luxembourg), have banks operating in sterling markets which have credit ratings of green or above in the Link credit worthiness service.

AAA
- Australia
- Denmark
- Germany
- Luxembourg
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

AA+
- Canada
- Finland
- U.S.A

AA
- Abu Dhabi (UAE)
- France

AA-
- Belgium
- Hong Kong
- Qatar
- **U.K.**

THIS IS THE LIST AS AT 22ND DECEMBER 2021.

7.8. TREASURY MANAGEMENT SCHEME OF DELEGATIONS

7.8.1. Full board/council

- receiving and reviewing reports on treasury management policies, practices and activities;

- approval of annual strategy.

7.8.2. Boards/committees/council/responsible body

- approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices;

- budget consideration and approval;

- approval of the division of responsibilities;

- receiving and reviewing regular monitoring reports and acting on recommendations;

- approving the selection of external service providers and agreeing terms of appointment.

7.8.3. Body/person(s) with responsibility for scrutiny

- reviewing the treasury management policy and procedures and making recommendations to the responsible body.

7.9. THE TREASURY MANGEMENT ROLE OF THE SECTION 151 OFFICER

7.9.1. **The S151 (responsible) officer's role:**

- Recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance.
- Submitting regular treasury management policy reports.
- Submitting budgets and budget variations.
- Receiving and reviewing management information reports.
- Reviewing the performance of the treasury management function.
- Ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function.
- Ensuring the adequacy of internal audit and liaising with external audit.
- Recommending the appointment of external service providers.
- Preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long-term timeframe.
- Ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money.
- Ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority.
- Ensure that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing.
- Ensuring the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources.
- Ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long-term liabilities.
- Provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees.
- Ensuring that members are adequately informed and understand the risk exposures taken on by an authority.
- Ensuring that the authority has adequate expertise, either in house or externally provided, to carry out the above.
- Creation of Treasury Management Practices which specifically deal with how non treasury investments will be carried out and managed, to include the following:

- *Risk management (TMP1 and schedules), including investment and risk management criteria for any material non-treasury investment portfolios.*
- *Performance measurement and management (TMP2 and schedules), including methodology and criteria for assessing the performance and success of non-treasury investments.*
- *Decision making, governance and organisation (TMP5 and schedules), including a statement of the governance requirements for decision making in relation to non-treasury investments; and arrangements to ensure that appropriate professional due diligence is carried out to support decision making.*

- *Reporting and management information (TMP6 and schedules), including where and how often monitoring reports are taken.*
- *Training and qualifications (TMP10 and schedules), including how the relevant knowledge and skills in relation to non-treasury investments will be arranged.*

Appendix I

LEGAL BACKGROUND TO SETTING THE REVENUE BUDGET AND COUNCIL TAX

1. **INTRODUCTION**

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

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

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

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

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

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

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

2. **STAGE 1 - THE COUNCIL TAX REQUIREMENT**

2.1 Members should note that the Localism Act 2011 amended the Local Government Finance Act 1992 ("LGFA 2011") to introduce a duty to calculate a "council tax requirement".

2.2 Section 31A of the LGFA 1992 requires the Council to make three calculations, in effect -

a) an estimate of the Council's gross revenue expenditure - Section 31A(2);

b) an estimate of anticipated income - Section 31A(3);

c) a calculation of the difference between (i) and (ii) above, (i.e. net revenue expenditure) - Section 31A(4) – this is known as the **council tax requirement.**

2.3 More specifically, in its Section 31A(2) calculation of gross expenditure the Council should include –

a) being the aggregate of the amounts which the Council estimates for the items set out in Section 31A (2) (a) to (f) of the Act taking into account all precepts issued to it by Parish Councils. (Gross expenditure, parish expenses any contingencies, any provision for reserves).

2.4 The Section 31A(3) calculation is the aggregate of the sums to be set off against gross expenditure, namely -

a) being the aggregate of the amounts which the Council estimates for the items set out in Section 31 (A) (3) (a) to (d) of the Act. (Gross income, any use of reserves).

2.5 Section 31A(4) then requires the calculation under Section 31A(3) to be subtracted from that under Section 31A(2) to produce a calculation of estimated net expenditure known as the **council tax requirement**.

2.6 These calculations must be made before 11 March, although they are not invalid merely because they are made on or after that date. However, until the calculations are made any purported setting of the Council Tax will be treated as null and void.

2.7 It should be noted that the general fund has to stand the cost of any temporary lending to the collection fund to cover late payments/non-collection.

2.8 It should be noted that significant amounts of expenditure are financed through government grants (such as the Dedicated Schools Grant for schools budget related expenditure) and not directly through council tax. Such expenditure will be calculated under Section 31A(2)(a) and will be offset by the specific grants which will be included in the calculation under Section 31A(3)(a).

3. THE LEVEL OF THE COUNCIL TAX REQUIREMENT

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

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

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

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

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

4.2 Section 31B Calculation

The North Northamptonshire Element of the Band D Council Tax is known as the basic amount of council tax. This is calculated by applying the following formula - $\frac{R}{T}$

where -
R is the council tax requirement, and
T is the council tax base.

4.3 **Council Tax Base**

The council tax base is basically the Band D - equivalent number of properties across North Northamptonshire adjusted to take account of discounts premiums and reductions and multiplied by the estimated collection rate. North Northamptonshire has calculated the council tax base for 2022/23 to be 113,047. It should be noted that the basis of calculations has changed as a result of localisation of council tax support and that the effect of the authority's council tax reduction scheme operates to reduce council tax base.

4.4 **Section 36 Calculation**

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

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

5. COUNCIL TAX REFERENDUM

5.1 The Localism Act 2011 ("LA 2011") abolished council tax capping and replaced it with a requirement to hold a council tax referendum if an authority increases its council tax by an amount exceeding a level set out in principles determined by the Secretary of State and approved by the House of Commons. The new requirement appears in Chapter 4ZA of Part 1 of the LGFA 1992 which was inserted by Schedule 5 of the LA 2011.

5.2 The provisions require the Council to determine whether its "basic amount of council tax" for a financial year is excessive. This question must be decided in accordance with a set of principles determined by the Secretary of State. The Secretary of State had indicated the principles he was minded to set. In relation to North Northamptonshire an increase of more than 2.99%, (including 1% for adult social care) is deemed "excessive" in 2022/23.

5.3 The legislation places the onus on each authority to determine whether its basic amount of council tax is excessive by reference to the Secretary of State's principles. Where a precepting authority has determined that its increase is excessive, it must arrange for a referendum to be held.

5.4 If an authority determines that it has set an excessive increase, it must also make "substitute calculations" to produce a basic amount of council tax which does not exceed the principles. The substitute calculations would automatically take effect in the event that the voters reject the authority's increase in a referendum. The costs of this referendum are the responsibility of the authority which triggered it.

6. STAGE 3 - SETTING THE COUNCIL TAX

6.1 The final part of the process is for the Council as billing authority to set the overall council tax for each band. Whereas the billing authorities and major precepting authorities **calculate** their own council tax requirements, their own basic amounts of council tax and amounts for each band, the **setting** of the council tax is solely the responsibility of the Council as billing authority.

6.2 Section 30 of the 1992 Act provides that the amounts set for each band will be the aggregate of the City element for each band calculated under Section 36 and the amount calculated for each band by each of the major precepting authorities.

6.4 The council tax cannot be set before 11 March unless all precepting authorities have issued their precepts; nor can it be set before the Council has made the other required calculations. Otherwise, any purported setting of the tax will be treated as not having occurred.

6.5 The Council has a clear legal duty to set a council tax and a resolution not to set a council tax would be unlawful, being in breach of Section 30, LGFA 1992. So would be a resolution to set a council tax which deliberately did not balance the various calculations.

7. CONSTITUTIONAL ARRANGEMENTS

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

8. RESTRICTIONS ON VOTING

8.1 Members should be aware of the provisions of Section 106 of the Local Government Finance Act 1992, which applies to members where -

(a) they are present at a meeting of the Council, Executive or a Committee and at the time of the meeting an amount of council tax is payable by them and has remained unpaid for at least two months, and

(b) any budget or council tax calculation, or recommendation or decision which might affect the making of any such calculation, is the subject of consideration at the meeting.

8.2 In these circumstances, any such members shall at the meeting and as soon as practicable after its commencement disclose the fact that Section 106 applies to them and shall not vote on any question concerning the matter in 8.1 (b) above. It should be noted that such members are not debarred from speaking on these matters.

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

APPENDIX J

North Northamptonshire Council

Flexible Use of Capital Receipts Strategy 2022-23

1. Background and Rules of Qualification

1.1. The Secretary of State, through Section 15 (1) of the Local Government Act 2003, gave local authorities the power to spend up to 100% of capital receipts from the disposal of property, plant and equipment assets on the revenue costs of reform projects. This flexibility is limited to the application of those capital receipts received in the years to which this direction applies and does not allow borrowing to finance the revenue costs of service reform.

1.2. The Secretary of State's direction initially covered the period from 1 April 2016 to 31 March 2022. As part of the 2022-23 Local Government Finance Settlement the Government announced a 3-year extension from 2022-23 onwards for councils to use capital receipts to fund transformation projects that produce long-term savings or reduce the costs of service delivery , further details on this will be provided by the Government in due course.

1.3. Qualifying revenue expenditure is time-limited expenditure incurred by the Council on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery in order to reduce costs or demand for services in future years.

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

1.5. An important feature of this flexibility requires the Council to demonstrate the highest standards of accountability and transparency and each individual project that will be funded or part-funded in this way must be disclosed and approved by a meeting of the Council in the financial year preceding when the expenditure will be incurred.

2. Transformation Strategy

2.1. The Council's Transformation Strategy builds upon the transformation planning, and activity that was being delivered through the Future Northants Programme ensuring the two new unitary councils in Northamptonshire were not only safe and legal on day one, but also reflected the future aspirations of North Northamptonshire Council in shaping its new identity.

2.2. This strategy sets out the priority objectives for major change, which will shape the effective, and efficient delivery of demand led services to improve outcomes for residents at an optimum cost. These priorities are listed below;

- Prevention / Demand Management – supporting the most vulnerable service users
- Partnerships – greater collaboration across the public sector
- Transformation – delivering services more efficiently and effectively

2.3. The delivery of these priorities will be structured through a series of projects and work streams under one new governance framework and through the Transformation Team to ensure that progress is co-ordinated, regularly reviewed and to ensure that the outcomes of these projects feed into the delivery of corporate objectives.

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

2.5. This strategy seeks to allow the flexible use of capital receipts but does not determine they have to be used for the purpose set out. It provides flexibility to use capital receipts to fund the expenditure detailed if it is determined that is the best funding stream to use.

3. Financial Overview

3.1. The Secretary of State's direction requires that details of the actual and proposed application of capital receipts are published within this strategy, including updates from the previous financial year to the Strategy.

3.2. North Northamptonshire Council's strategy for the Flexible Use of Capital Receipts amounts to around £9m with in-year and future years savings amounting to an ongoing benefit of around £20m.

3.4. There are no impacts on the Council's Prudential Indicators as capital receipts have not been earmarked to pay down debt repayments.

4 Capital Receipts

4.1. The application of this strategy relies on the availability of sufficient capital receipts to fund the qualifying transformation expenditure. The latest capital receipt forecast indicates that the estimated unused capital receipts brought forward from 2021-22 will be around £20m – the capital programme for 2022-23 assumes that the use of capital receipts will be around £1m – after allowing for the use of Flexible Capital Receipts during 2022-23 the balance is estimated to be around £12m.

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North Northamptonshire Council

EXECUTIVE
10th February 2022

Report Title	Capital Programme 2022-25
Report Author	Janice Gotts, Executive Director of Finance janice.gotts@northnorthants.gov.uk
Lead Member	Councillor Lloyd Bunday, Executive Member for Finance and Transformation

Key Decision	☒ Yes	☐ No
Is the decision eligible for call-in by Scrutiny?	☒ Yes	☐ No
Are there public sector equality duty implications?	☒ Yes	☐ No
Does the report contain confidential or exempt information (whether in appendices or not)?	☐ Yes	☒ No
Applicable paragraph number for exemption from publication under Schedule 12A Local Government Act 1974		

List of Appendices

Appendix A – Baseline Capital Programme 2022-25
Appendix B – Baseline HRA Capital Programme 2022-25
Appendix C – Baseline Development Pool
Appendix D – Capital Strategy

1. Purpose of Report

1.1. This report sets out the final Capital Programme for 2022-23 and the Medium-Term Financial Plan for North Northamptonshire Council. The draft budget proposals were considered by the Executive on 23rd December 2021.

1.2. The budget consultation period commenced on 23rd December 2021 and ended on 28th January 2022. The draft budgets have been subject to scrutiny by the Finance and Scrutiny Committee. The consultation provided residents, local partners and other stakeholders the opportunity to review the budget proposals and provide feedback during the five-week consultation period.

1.3. This report sets out the baseline Capital Programme and identifies the key factors and challenges influencing the development of North Northamptonshire Council's future commitments for 2022-23 and beyond.

2. Executive Summary

2.1 This report presents the General Fund Capital Programme for 2022-25, the Baseline Development Pool and the Housing Revenue Account (HRA) Capital Programme 2022-25.

2.2 The key principles underpinning the current Capital programme are as follows:

- The delivery of a Medium-Term Capital Programme which is affordable and sustainable, ensuring that the Council's internal resources and application of external borrowing are utilised to fund capital expenditure where it supports the delivery of the Council's financial sustainability and where there are statutory requirements such as health & safety;
- New capital investment will only be permitted where 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, Super Fast Broadband and Homelessness Prevention. Priority will be given to schemes that also deliver transformation and/or revenue savings;
- Maximisation of the use of the Council's assets, and where possible working with local partner organisations to maximise the efficiency of assets across the public sector and North Northants;
- Take into account external influences such as the South East Midlands Local Enterprise Partnership, Oxford Cambridge Arc, Health and joint working with other partner authorities;
- Key integration and links with the council's other corporate strategies including Corporate Plan, Treasury Management, Investment Strategy, and Asset Management Plan;
- Set out the Council's regeneration and economic development ambition and additional objectives;
- Set out the governance and risk management arrangements.

3. Recommendations

3.1 That the Executive recommend for approval to Full Council the following:-

a) the General Fund Capital Programme 2022-25, Baseline Development Pool and HRA Capital Programme 2022-25.

3.2 Reason for Recommendations:

- *To ensure that the Council complies with its Constitution and legislative requirements in setting the budget for North Northamptonshire Council for 2022-23.*

4. Report Background

4.1 The current 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.

5. Issues and Choices

Capital Strategy 2022-25

5.1 The current Capital Strategy and the key principles has been developed with reference to the requirements of the current Prudential Code and Treasury Code of Practice. CIPFA consulted earlier in the year on the principles to support the changes to the Prudential Code for Capital Finance in Local Authorities (Prudential Code) and the Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes (Treasury Management Code). The consultation closed on 16 November 2021 and the revised code was issued on 20th December 2021. This has been considered when updating the Council's Treasury management Strategy for the reports to Executive and is expected to be fully implemented by 2023/24.

5.2 The key principles underpinning the Capital Strategy in compiling the Capital programme are as follows:

- The delivery of a Medium-Term Capital Programme which is affordable and sustainable, ensuring that the Council's internal resources and application of external borrowing are utilised to fund capital expenditure where it supports the delivery of the Council's financial sustainability and where there are statutory requirements such as health & safety;

- 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. Priority will be given to schemes that also deliver transformation and/or revenue savings;

- Maximisation of the use of the Council's assets, and where possible working with local partner organisations to maximise the efficiency of assets across the public sector and North Northants;

- Take into account external influences such as the South East Midlands Local Enterprise Partnership, Oxford Cambridge Arc, Health and joint working with other partner authorities;

- Key integration and links with the council's other corporate strategies including Corporate Plan, Treasury Management, Investment Strategy, Asset Management Plan;

- Set out the Council's regeneration and economic development ambition and additional objectives;

- Set out the governance and risk management arrangements.

Governance Process and Approval of New Capital Schemes

5.3 The Capital Strategy outlines the Governance Structure for approving new capital schemes. New capital investment will only be permitted if it contributes to the achievement of the Council's strategic priorities. The use of external funding will be prioritised against the areas of greatest need within the North Northants area, in the main supporting highways maintenance and the delivery of education places. Priority will be given to schemes that deliver transformation that the council is aiming to deliver generating revenue savings or income streams to support the MTFP. An updated strategy is shown in **Appendix D**.

Capital Programme 2022-25, HRA Capital Programme 2022-25 and Development Pool

5.4 The Baseline Programme has been put together by taking the already approved schemes in year and the schemes already approved from the Medium-Term Capital Programme by Executive in February 2021. This has resulted in a Total Capital Programme of £75.1m (General Fund £37.0m, HRA £38.1m) over the three-year period, which comprises:

- A General Fund Baseline Programme totalling £37.0m including the completion of key projects including the Stanton Cross Primary School, and extensions, highways schemes and various property and environmental projects across North Northants.

- A HRA Baseline Programme totalling £38.1m across Kettering and Corby grouped into statutory and priority works, decent homes, health, safety and compliance works, pre-planned stock investment, and enhancements and a significant investment of nearly £21.8m for the Housing Development and New Build Programmes.

- A Development Pool totalling £81.8m and the prioritisation of 24 key schemes against the associated funding streams making up the Pool. This shows key highways infrastructure projects (A509 bypass and A43 improvements) into 2025-26 based on the current phasing and funding. The key themes are Children's Services including Basic Needs, increasing capacity for pupil numbers, schools' maintenance, looked after children's 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;

Minimum Revenue Provision

5.5 The disaggregation of the capital assets, balances and debt are still to be finalised and subject to audit of the 2020-21 financial accounts for Northamptonshire County Council.

5.6 The Minimum Revenue Provision (MRP) reflects the minimum amount a Council must charge to the revenue budget each year to set aside a provision for repaying external borrowing. The increase in the MRP provision of £1.549m for 2022/23 is to ensure the provision is aligned to the MRP policy moving into the medium term. This forms part of the Treasury Management Strategy, which being reported at this meeting

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

Funding

5.8 The capital programme assumes various sources of funding including capital receipts and grants, together with support from external/internal borrowing, which is at the discretion of the council for essential capital expenditure.

6. Implications (including financial implications)

6.1 **Resources and Financial**

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

6.2 **Legal**

6.2.1 There are no legal implications arising from the proposals.

6.3 **Risk**

6.3.1 The following risks are associated with the budget proposals:

Risk	Mitigation	Residual RAG Risk
Capacity to deliver	Ensure co-ordinated delivery teams for the capital programme and sufficient resources for external support as required	Amber
Disaggregation not being agreed	Agreements on most splits are in place reducing the impact of remaining items	Amber
MRP policy not complete	Estimates based on current policies of current debt plus a phasing strategy included to reduce future one-off impact	Amber
Historic Commercial Schemes/Change in Government Policy	Commercial Assets to be managed to maximise performance and changes to policy will be paramount to future capital strategy and	Amber
Condition of assets transferring to the Council	Condition likely to be variable across the estate. Will need to be reviewed as part of the One Public Estate workstream to rationalise	Amber

6.4 **Consultation**

6.4.1 The formal consultation on the draft budget proposals commenced on 23rd December 2021 and concluded on 28th January 2022 this allowed time for the preparation of the final budget proposals for this meeting of the Executive and for the Council meeting on 24th February 2022.

6.4.2 There is an amendment to budget proposals presented to the Executive at the meeting on 23rd December, to include a capital contribution request of £1.012m to the Children's Trust. This request will be subject to a separate detailed business case in accordance with the Council's governance process.

6.4.3 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. This is to ensure the widest possible reach, a variety of consultation methods will be used to maximise the range of accessible channels for consultees, these include:

- Online survey – available free at 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 key stakeholders, inviting them to comment through the above consultation channels and asking them to promote the consultation to their members/community: e.g., partner organisations, MPs, Town and Parish Councils, Voluntary Sector Infrastructure Organisations.
- Emails to Residents' Panel members and other stakeholders who have registered to receive consultation alerts, inviting them to comment through the above consultation channels.

6.4.4 The purpose of the consultation is to ensure that, when the Final Budget is considered by Council on 24th February 2022, Members are fully aware of the consultation feedback and are in a position to 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.

6.4.5 In addition, there was specific consultation with local residents regarding the HRA via the respective Tenants Forum, which was held on 20th January 2022 to consider the HRA budget.

6.5 Consideration by Scrutiny

6.5.1 The Finance and Resources Scrutiny Committee has a critical role to play in scrutinising and reviewing the budget proposals, ensuring that they are subject to rigorous challenge.

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

6.5.3 The scrutiny of the budget proposals took place following the presentation of the 2022/23 budget to Executive on 23rd December 2021 and was completed on 28th January 2022.

6.5.4 A total of 8 Budget Scrutiny sessions were undertaken and covered the main service areas:

- Place and Economy
- Adults, Communities and Wellbeing Services, including the HRA
- Children's and Education Services – this will include the Children's Trust

- Enabling and Support Services – Finance, Transformation and ICT, and Legal and Democratic (which includes HR).

6.5.5 The relevant senior Council Officers and Executive Member portfolio holders attended each scrutiny session to answer questions put forward by the Committee Members.

6.5.6 This is included in both the revenue budget and the capital programme for each of the main service areas.

6.5.7 Each service area, as outlined above, attended its respective scrutiny session to present its service and budget plans. The Finance and Resources Scrutiny Committee scrutinised each plan and requested further details on areas, which were discussed at that session or a subsequent follow up session.

6.5.8 The outcome from the scrutiny process have been included within the Budget Report (Item 5) **Appendix G** sets out Scrutiny's recommendations to Executive for consideration when making its decisions on the budget to recommend to Budget Council on 24th February.

6.5.9 Appendix G highlighted recommendations from Scrutiny in relation to the baseline capital programme which requested a review of the profiling of the proposed capital programme to be undertaken. This review has been completed by each Directorate and where appropriate, re-profiled the proposed capital programme, which is included in the Appendices to this report.

6.6 Climate Impact

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

6.7 Community Impact

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

6.8 Crime and Disorder Impact

6.8.1 None

7. Background Papers

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

- Suite of Budget reports to the Executive 23rd December 2021 https://northnorthants.moderngov.co.uk/documents/s4617/Capital%20Programme%202022-25.pdf

- Suite of Budget reports to North Northamptonshire Shadow Authority, 25th February 2021 (Budget Council): https://northnorthants.moderngov.co.uk/CeListDocuments.aspx?CommitteeId=138&MeetingId=109&DF=25%2f02%2f2021&Ver=2

- Suite of Budget reports to North Northamptonshire Shadow Executive Committee 10th February 2021: https://northnorthants.moderngov.co.uk/CeListDocuments.aspx?CommitteeId=139&MeetingId=120&DF=10%2f02%2f2021&Ver=2

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Appendix A

General Fund Capital Programme 2022-23 to 2024-25

Scheme By Directorate	2022-23 Spend	2023-24 Spend	2024-25 Spend	Total Spend
	£	£	£	£
Adults, Wellbeing and Communities				
Disabled Facilities Grant	1,900,000	1,900,000	1,900,000	5,700,000
Small and other capital works and grants	150,000	150,000	150,000	450,000
Housing and Homelessness Prevention	2,000,000	1,000,000	1,000,000	4,000,000
Leisure and Tourism Projects	103,500	89,000	108,000	300,500
Community Fund	40,000	40,000	40,000	120,000
Grants - Village Halls	32,000	32,000	32,000	96,000
Parkwood Leisure Renewal	30,000	30,000	30,000	90,000
Community Equipment	540,000	540,000	540,000	1,620,000
Adults, Wellbeing and Communities Total	**4,795,500**	**3,781,000**	**3,800,000**	**12,376,500**
Children's				
Stanton Cross Primary School	4,564,000	-	-	4,564,000
Schools Minor Works Programme 2021-22	968,000	-	-	968,000
Children’s Trust	1,012,000	-	-	1,012,000
Children's Total	**6,544,000**	**-**	**-**	**6,544,000**
Place and Economy				
A43 Corby Link Road	100,000	45,000	-	145,000
Northamptonshire Superfast Broadband	1,562,587	1,254,440	-	2,817,027
Contribution to HWRC Sinking Fund	29,866	29,866	29,866	89,598
Car Parking - Kettering Town Centre	20,000	20,000	20,000	60,000
Borough Wide - Recycling Project	100,000	100,000	100,000	300,000
New Depot	0	750,000	750,000	1,500,000
Recycling Project / Facility	0	2,500,000	2,500,000	5,000,000
Woodland Improvements	63,000	63,000	63,000	189,000
Replacement Wheelie Bins	52,000	52,000	52,000	156,000
Environment Projects	105,000	80,000	2,995,000	3,180,000
Cemetery works	40,000	40,000	40,000	120,000

Appendix A

General Fund Capital Programme 2022-23 to 2024-25

Scheme By Directorate	2022-23 Spend	2023-24 Spend	2024-25 Spend	Total Spend
Stock Improvement & Compliance	250,000	10,000	750,000	1,010,000
Warren Hill Works	150,000	-	-	150,000
Place and Economy Total	**2,472,453**	**4,944,306**	**7,299,866**	**14,716,625**
				-
Transformation				-
Infrastructure / Flexi & Remote Working	220,000	220,000	220,000	660,000
ICT Hardware Replacement	150,000	150,000	150,000	450,000
IT Strategy	2,000,000	-	-	2,000,000
Customer Services Management System	150,000	150,000		
Transformation Total	**2,520,000**	**520,000**	**370,000**	**3,110,000**
North Northants Total	**16,331,953**	**9,245,306**	**11,469,866**	**37,047,125**

Discretionary Funding	7,504,549	6,344,440	5,738,000	18,574,989
Capital Receipts	490,000	340,000	290,000	1,120,000
Earmarked Reserves	202,000	202,000	202,000	606,000
DFG	1,900,000	1,900,000	1,900,000	5,700,000
S106 and Other Grant Funding	6,235,404	458,866	3,339,866	10,034,136
Total	**16,331,953**	**9,245,306**	**11,469,866**	**37,047,125**

Appendix B

Housing Revenue Account Capital Programme 2022-25

Scheme	Works	2022-23 Spend	2023-24 Spend	2024-25 Spend	Total Spend
		£	£	£	£
Smoke Detectors	Statutory	81,500	81,500	81,500	244,500
Heating Works	Statutory	300,000	196,000	196,000	692,000
Electrical Wiring	Statutory	950,000	350,000	350,000	1,650,000
Asbestos Inspections & Work	Statutory	165,000	75,000	75,000	315,000
Additional Gas Inspections & Work	Statutory	34,000	34,000	34,000	102,000
Disabled Adaptations	Statutory	180,000	180,000	180,000	540,000
Sub Total Statutory Works		**1,710,500**	**916,500**	**916,500**	**3,543,500**
Other Smaller Schemes	Priority	23,000	23,000	23,000	69,000
Sub Total Prioritised Works		**23,000**	**23,000**	**23,000**	**69,000**
Bathrooms	Decent Homes	53,000	53,000	53,000	159,000
Central Heating Boilers	Decent Homes	168,000	168,000	168,000	504,000
External Doors (Dwellings)	Decent Homes	68,000	68,000	68,000	204,000
Fire Doors for Flats/Blocks	Decent Homes	39,000	39,000	39,000	117,000
Kitchens	Decent Homes	137,000	137,000	137,000	411,000
Wall Finishes	Decent Homes	100,000	100,000	100,000	300,000
Unallocated Labour & Overheads	Decent Homes	750,000	750,000	750,000	2,250,000
Other Smaller Schemes	Decent Homes	70,000	70,000	70,000	210,000
Sub Total Decent Homes Works		**1,385,000**	**1,385,000**	**1,385,000**	**4,155,000**
Compliance (Radon)	AMS	150,000	150,000	150,000	450,000
Compliance (Fire)	AMS	100,000	100,000	0	200,000
Compliance (Water)	AMS	200,000	200,000	15,000	415,000
Estate Maintenance	AMS	100,000	100,000	100,000	300,000
Sub Total AMS Works		**550,000**	**550,000**	**265,000**	**1,365,000**
Housing Development Programme	Development	5,300,000	5,500,000	5,500,000	16,300,000
Corby HRA Total		**8,968,500**	**8,374,500**	**8,089,500**	**25,432,500**

Appendix B

Housing Revenue Account Capital Programme 2022-25

Scheme	Works	2022-23 Spend	2023-24 Spend	2024-25 Spend	Total Spend
		£	£	£	£
Housing Association Grant	New Build	985,000	985,000	985,000	2,955,000
New Build Schemes		**985,000**	**985,000**	**985,000**	**2,955,000**
Decent Homes - Kitchen & Bathroom Renewal	Pre-Planned Stock Investment	400,000	400,000	400,000	1,200,000
Window Renewal	Pre-Planned Stock Investment	50,000	50,000	50,000	150,000
Central Heating Renewal	Pre-Planned Stock Investment	400,000	400,000	400,000	1,200,000
Decent Homes - Electrical Upgrades	Pre-Planned Stock Investment	300,000	300,000	300,000	900,000
External Door Replacements	Pre-Planned Stock Investment	150,000	200,000	200,000	550,000
Roof Renewals	Pre-Planned Stock Investment	100,000	100,000	100,000	300,000
External Insulation	Pre-Planned Stock Investment	200,000	200,000	200,000	600,000
Hidden Homes		150,000	0	0	150,000
Future Schemes	Homes for the Future (HFTF) Rothwell	928,000	758,000	843,000	2,529,000
Pre-Planned Stock Investment		**2,678,000**	**2,408,000**	**2,493,000**	**7,579,000**
Improving access for disabled people	**Adaptations**	**200,000**	**300,000**	**300,000**	**800,000**
					-
Health & Safety and Fire Precautions	**Health, Safety and Compliance**	**20,000**	**20,000**	**20,000**	**60,000**
					-
Environmental Improvements	Enhancements	100,000	100,000	100,000	300,000
Sheltered Housing - "Sparkle" Programme	Enhancements	50,000	50,000	50,000	150,000
Enhancement Schemes		**150,000**	**150,000**	**150,000**	**450,000**
Voids Repairs and Improvements	**Reactive Stock Investment**	**300,000**	**250,000**	**250,000**	**800,000**
Kettering HRA Total		**4,333,000**	**4,113,000**	**4,198,000**	**12,644,000**
North Northants Total		**13,301,500**	**12,487,500**	**12,287,500**	**38,076,500**

Appendix B

Housing Revenue Account Capital Programme 2022-25

Corby Funded By	2022-23	2023-24	2024-25	Total Funding
	£	£	£	£
Revenue Contribution	3,876,000	3,980,000	4,085,000	**11,941,000**
Capital Receipts	2,120,000	2,200,000	2,200,000	**6,520,000**
Borrowing	2,972,500	2,194,500	1,804,500	**6,971,500**
Total	**8,968,500**	**8,374,500**	**8,089,500**	**25,432,500**

Kettering Funded By	2022-23	2023-24	2024-25	Total Funding
	£	£	£	£
Revenue Contribution	2,728,000	2,795,000	2,858,000	**8,381,000**
Capital Receipts	1,605,000	1,318,000	1,340,000	**4,263,000**
Borrowing	0	0	0	**0**
Total	**4,333,000**	**4,113,000**	**4,198,000**	**12,644,000**

Total Funded By	2022-23	2023-24	2024-25	Total Funding
	£	£	£	£
Revenue Contribution	6,604,000	6,775,000	6,943,000	**20,322,000**
Capital Receipts	3,725,000	3,518,000	3,540,000	**10,783,000**
Borrowing	2,972,500	2,194,500	1,804,500	**6,971,500**
Total	**13,301,500**	**12,487,500**	**12,287,500**	**38,076,500**

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Appendix C

Development Pool 20022-23 to 2023-24

Scheme	Directorate	Scheme Description	2022-23 £000's	2023-24 £000's	2024-25 £000's	2025-26 £000's	Total £000's	Funding Source
Primary School extensions	CFN	The Grange Desborough and Oakley Vale.	6,000	1,500	0	0	7,500	DFE/S106
Primary School – Weldon Park	CFN	New 2FE primary to meet demand from new housing development	0	4,000	0	0	4,000	DFE/S106
Various SEND schemes	CFN	Schemes to provide new SEND capacity to meet demand across North Northants	2,000	700	0	0	2,700	DFE
Devolved Formula Capital	CFN	Maintained schools capital grant, allocated by school by DFE.	306	302	0	0	608	DFE
S106 'non-essential' Schools Schemes	CFN	Based on S106 contributions.	1,000	1,000	0	0	2,000	S106
Schools Strategic Repairs and Maintenance	CFN	Funded from 'Schools Condition Allocation' Grant based on condition surveys for maintained schools.	1,000	1,000	0	0	2,000	DFE
Schools Temporary Accom./Mobile Classrooms	CFN	As described.	25	0	0	0	25	DFE
LTP Maintenance	PLACE	Non-ring fenced DfT grant for the maintenance of highways assets.	4,963	4,963	0	0	9,926	DfT
Highways Asset Management	PLACE	Funded in advance scheme, funded from LTP Maintenance grant.	323	323	0	0	646	DfT
LTP Integrated Transport	PLACE	Non-ring fenced DfT grant for small scale improvements delivering the objectives of the Local Transport Plan.	1,324	1,324	0	0	2,648	DfT
Incentive fund	PLACE	Non-ring fenced DfT grant for the maintenance of highways assets.	860	860	0	0	1,720	DfT
Pothole Fund	PLACE	Ring-fenced DfT grant for the repair of potholes.	344	344	0	0	688	DfT
S106 Developers Contribution Schemes	PLACE	Developments/S106 agreements will inform the schemes detail.	909	0	0	0	909	S106

Appendix C

Development Pool 20022-23 to 2023-24

Scheme	Directorate	Scheme Description	2022-23 £000's	2023-24 £000's	2024-25 £000's	2025-26 £000's	Total £000's	Funding Source
A509 Wellingborough Development Link Phase 1 (Isham Bypass)	PLACE	Road scheme.	0	5,176	12,787	22,006	39,969	DfT, Developer, LA
A43 Northampton to Kettering Phase 3 (Overstone Grange to Holcot/Sywell)	PLACE	Dualling of the A43 Northampton to Kettering (his section spans the boundary between Daventry and Wellingborough).	345	217	1,088	2,403	4,053	DfT, Developer, LA
Flood Alleviation	PLACE	As bid for from Environment Agency and funding secured from external bodies e.g. Anglian Water.	357	0	0	0	357	External
Property Asset Management Minor Works	PLACE	Expenditure on NCC properties relating to replacement and repair of boiler and ventilation systems, roofs and building fabric works. Also covers health and safety, water quality and fire regulations requirements.	500	500	0	0	1,000	Discretionary
Device Management	IT	End of life replacement.	375	0	0	0	375	Discretionary
Northants Care Record	ADULTS	Integrating systems into the NHCP Northants Care Record for a single view of the patient/citizen for social workers and clinicians.	50	0	0	0	50	Discretionary
Leisure and Tourism Projects	ADULTS	Pemberton, Splash and Nene Leisure Centres	15	0	0	0	15	Discretionary
Corporate Systems	IT	Mainly Corporate IT Systems	313	243	0	0	556	Discretionary
Asset Management Plan	PLACE	General Asset Mgt	49	30	0	0	79	Discretionary
Totals			**21,058**	**22,482**	**13,875**	**24,409**	**81,824**	

Appendix D

North Northamptonshire Council

Capital Strategy 2022-23



Contents

1. <u>INTRODUCTION</u>

1.1 The Council's vision is a North Northants where we look after each other and take responsibility, where the vulnerable are protected and supported, and where people who can help themselves receive the assistance they need to stay independent and healthy. The Council's budget commitment to support this vision is to deliver a balanced budget, optimise the use of assets so they have a positive impact on costs and help to address the pressures faced in the social care markets, helping to transform services so they are sustainable for the future.

1.2 The Capital Strategy sets out the key objectives and broad principles to be applied by the Council when considering capital investment and its funding. It provides the context for how the Council's Medium Term Capital Programme seeks to support the realisation of the Council's vision and corporate objectives.

1.3 In support of the Council's vision and the budget commitment the key objectives for the Capital Strategy are as follows:

- The delivery of a Medium Term Capital Programme which is affordable and sustainable, ensuring that the Council's internal resources and application of external borrowing are utilised to fund capital expenditure where it supports the delivery of the Council's financial sustainability and where there are statutory requirements such as health & safety;
- The Capital Strategy should make explicit the links to, and integration with, the Council's other strategies. New capital investment will only be permitted if it contributes to the achievement of the Council's corporate priorities;
- The use of external funding is prioritised against the areas of greatest need, in the main supporting highways maintenance, the delivery of education places, the Corby Town Plan and Tresham Garden Village within North Northants. In the current financial climate priority will be given to schemes that also deliver transformation and/or revenue savings;
- Maximisation of the use of the Council's assets, and where possible working with local partner organisations to maximise the efficiency of assets across the public sector and North Northants
- Take into account external influences such as the South East Midlands Local Enterprise Partnership, Oxford Cambridge Arc, Health and joint working with other partner authorities etc.
- Key integration and links with the council's other corporate strategies including Corporate Plan, Treasury Management, Investment Strategy, Asset Management Plan.
- Set out the Council's regeneration and economic development ambition and additional objectives.
- Set out the governance and risk management arrangements.

1.4 The Prudential Code and Treasury Management Code of Practice (both issued by CIPFA in December 2021) include requirements in relation to the setting of a Capital Strategy that covers specific subject areas. In line with the Prudential Code, the aim of this Capital Strategy is to demonstrate how the Council will make capital expenditure and investment decisions in line with service objectives and properly take account of stewardship, value for money, prudence, sustainability and affordability. The Capital Strategy sets out the immediate to long term context in which capital expenditure and investment decisions are made and ensures the Council will give due consideration to risk, reward, and impact on the achievement of priority outcomes.

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

2. GOVERNANCE

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

Committed Capital Programme Approval Process

2.2 The Capital Strategy sets out the Council's objectives in respect of its future capital programme plans and budget commitment and is approved by Full Council as part of the Council's annual budget-setting process in February each year.

2.3 The approval of the Capital Strategy provides the future programme of planned capital works over the medium-term period; this plan is known as the Development Pool. The Development Pool comprises the schemes that the Council would be prepared to take forward, subject to final negotiations, confirmation and evidencing of funding and submission of robust business cases to the Strategic Capital Board for approval by Executive.

2.4 Schemes move forward to delivery (The Committed Capital Programme) following formal approval through the Monthly Capital Update Report (CUR). Schemes will have usually been identified as part of the Capital Strategy but it is possible for completely new schemes to come forward in year. Schemes will be reviewed at this point against the latest vision and Council priorities which may have changed since the Capital Strategy was approved.

2.5 For schemes in excess of £100k, which were not approved as part of the Council's Capital Strategy, there is a requirement for them to also receive approval from Full Council as part of a Capital Approvals report to the next Full Council meeting. Those new schemes of £100k or less can proceed with just Executive approval.

2.6 A separate Executive report is required for any capital scheme which has a capital expenditure value of £500k or above, regardless of the funding source.

2.7 The approval of funding agreements, e.g. developer contributions, which contractually commit the Council to undertaking new capital schemes, (such as school builds), are required to follow the same approval process

2.8 Each scheme must be under the control of a nominated budget/project manager and officers are not authorised to commit expenditure without prior formal approval for the scheme as outlined above.

2.9 All capital expenditure must be carried out in accordance with the Council's Constitution, Financial Procedure Rules and Contract Procedure Rules, and must comply with the statutory definition of capital purposes as set out within Section 16 of the Local Government Act 2003.

Virements

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

Decision making

Strategic Capital Board

2.11 The overarching objective for the Board is to review and challenge capital schemes to be able to recommend to Executive that they move from the planning stage into delivery.

2.12 The Strategic Capital Board governance process will:

- Provide visible leadership in relation to the implementation of the Capital Strategy.
- Ensure funding is confirmed, secure and wherever possible received fully in advance of works commencing/being approved and that responsibility for this is taken by the project manager.
- Monitor performance against the Council's agreed capital discretionary funding levels.
- Escalate concerns and issues to Leadership Team.
- Optimise the funding for schools capital projects.
- Ensure other reporting and approval requirements have taken place, particularly in respect of schemes outside of the agreed Capital Strategy over £100k, ensuring schemes in excess of £500k have their own Executive report and that the Executive Director of Place and Economy is aware and supports schemes over £2m.
- Ensure that the revenue implications of all capital schemes are taken into consideration and that options appraisals have been carried out/considered.

Assessment of the revenue implications of capital investment

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

Risk Management

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

Transformation and Place

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

North Northamptonshire Corporate Leadership Team

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

Strategic Capital Board

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

Knowledge and Skills

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

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

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

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

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

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

Completion of Capital Schemes and Lessons Learned

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

Carbon Reduction and Climate Change Commitment

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

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

3. CAPITAL EXPENDITURE

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

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

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

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

Committed Programme Expenditure

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

3.5 Reporting on the current Capital Programme and progress of schemes within the Development Pool into the Programme occurs through the Capital Monitoring and Capital Updates Reports. The monitoring report sets out the most up to date projection for capital expenditure and funding in the current financial year and will articulate financial and service delivery risks in relation to the delivery of key capital schemes.

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

Directorate	**2022-23 Spend**	**2023-24 Spend**	**2024-25 Spend**	**Total Spend**
	£'000	**£'000**	**£'000**	**£'000**
Adult, Wellbeing and Communities	4,796	3,781	3,800	12,377
Children's	6,544	0	0	6,544
Place and Economy	2,472	4,944	7,300	14,716
Transformation	2,520	520	370	3,410
NNC Total	**16,332**	**9,245**	**11,470**	**37,047**

3.7 Below are the larger schemes (more than £4m) within the Council's current committed programme that are already in delivery and will complete over the course of the plan period:

Scheme	**Directorate**	**2022-23 Spend £'000**	**2023-24 Spend £'000**	**2024-25 Spend £'000**	**Total Spend £'000**
Disabled Facilities	Adults, Wellbeing and Communities	1,900	1,900	1,900	5,700
Housing and Homelessness Prevention	Adults, Wellbeing and Communities	2,000	1,000	1,000	4,000
Stanton Cross Primary School	Children's	4,564	0	0	4,564

Committed Programme Funding

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

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

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

3.10 Total Council investment, (discretionary funding, ring-fenced capital receipts and gap funding) accounts for £20.7m (55%), of the overall committed Capital Programme over the plan period.

3.11 6The summary table below shows the funding for the Current Committed Capital Programme across current and future years and the funding source.

	2022-23 Plan	2023-24 Plan	2024-25 Plan	Total
	£'000	**£'000**	**£'000**	**£'000**
Discretionary borrowing	7,505	6,344	5,738	**19,587**
Capital Receipts	490	340	290	**1,120**
Earmarked Reserves	202	202	202	**606**
S106 and Other Grants	1,900	1,900	1,900	**5,700**
DFG's Grants	6,235	459	3,340	**10,034**
TOTAL FUNDING	**16,332**	**9,245**	**11,470**	**37,047**

Development Pool

3.12 The table below shows a summary of the Development Pool Schemes for 2022-23 to 2023-24 requiring discretionary funding which has been through a prioritisation process with the NCC Leadership Team taking into consideration the latest funding announcements and governance process that was in place.

3.13 The scheme detail can be found in the appendices.

Service Area	**2022-23 £'000**	**2023-24 £'000**	**Total Discretionary Funding**
Adults	65	0	**65**
Place	549	530	**1,079**
Corporate	688	243	**931**
Total	**1,302**	**773**	**2,075**

IFRS 16 - Leases

3.14 IFRS16 is being introduced for local authorities from 1 April 2022 which means that the annual accounts for 2022/23 will be the first set of accounts produced in accordance with this standard.

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

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

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

4 <u>FUNDING SOURCES AND FUTURE GRANT ALLOCATIONS</u>

External Funding

4.1 **Section 106 (S106) and External Contributions**

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

Grant Funding

4.2 The largest form of capital funding comes through external grant allocations from central government departments, (DFT & DFE). Although these grants are to support specific areas of investment the Government removed capital ring-fencing in 2010, enabling local authorities to prioritise grants to support local needs, pressures and statutory responsibilities. However, need and reporting requirements do limit the Council's ability to work to these more flexible rules. Also the increase in the Freeschool Programme the Council loses some of its flexibility as these schemes are usually funded and managed directly by the DFE.

4.3 There are some specific grants such as Local Growth Fund (LGF), Homes England, Arts Council and Sport England that have to be bid for but a difficulty with this type of grant in the current climate can be the requirement to provide match funding.

4.5 **Department for Education – Capital Grant Settlements (AWAITING CONFIRMATION)**

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

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

4.6 There is some uncertainty currently around funding allocations in relation to annual Basic Needs Grant. In recent years allocations have varied from nil to £23m and currently only allocations up to 2021-22 have been confirmed.

4.7 One of the key drivers for the changes year on year is the Government's Free School Programme which directly funds the building of new academies leading to reduced funding being allocated to Local Authorities.

4.8 **Department of Transport Capital Grant Settlements (INDICATIVE ONLY)**

Department of Transport	**Indicative**		
All figures £'000	**2022-23**	**2023-24**	**2024-25**
Integrated Transport Block (ITB)	1,320	1,320	TBC
Highways Capital Maintenance – Needs Based	5,280	5,280	TBC
Incentive Fund	TBC	TBC	TBC
Pothole Fund	TBC	TBC	TBC
Maintenance Challenge Fund	TBC	TBC	TBC
HS2 Road Safety Fund	TBC	TBC	TBC
Total LA Funding	**6,600**	**6,600**	**TBC**

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

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

Regional Growth Deals (including Local Growth Fund)

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

Rural Development Programme for England (RDPE)

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

4.13 The rural broadband funding is for projects in England which create broadband infrastructure in rural areas and Northamptonshire as a whole secured a grant of £2m secured in 2019-20 to provide next generation broadband access to 750 rural businesses and is due to complete in 2023-24.

Internal Funding (Discretionary Funding) - borrowing and capital receipts

4.14 **Revenue Funding**

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

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

4.15 **Capital Receipts**

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

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

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

- Right to Buy (and similar) sales may be retained to cover the cost of transacting the sales and to cover the debt on the properties sold, but a proportion of the remainder must be surrendered to Central Government;
- As part of the Government's announcement in April 2012 to increase the RTB discounts they also announced the introduction of a scheme referred to as 1-4-1 whereby every additional home sold under the new RTB scheme was to be replaced by a new home for affordable rent.
- The new homes for affordable rent will be financed from receipts from sales, after stipulated deductions, retained by the LA under signed agreement with the Government, limited to funding up to 40% of the cost of the replacement home.
- A time limit of 3-5 years is given for the replacement homes after which the receipts will have to be paid back to MHCLG at 4% above base rate from the date the receipts arose.
- All other disposals may be retained in full..

4.18 Where the sale of an asset leads to a requirement to repay grant, the capital receipt will be utilised for this purpose. Once this liability has been established and repaid any remaining capital receipts can be used as per 4.15

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

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

Flexible Use of Capital Receipts

4.20 The Spending Review 2015 and its extension announced that to support local authorities to deliver more efficient and sustainable services, the government will allow local authorities to spend up to 100% of their fixed asset receipts over the period 201617 to 2021-22 on the revenue costs of transformation projects. Confirmation of extending this further 3 years to 2024-25 is expected, but was not confirmed as part of the financial settlement in December 2021. The Council intends to take advantage of this concession to use capital receipts in more innovative ways and target disposal receipts where need is greatest.

Long term funding challenges

4.21 The Council faces several challenges in its future funding of the Capital Programme:

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

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

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

Gap funding through discretionary borrowing

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

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

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

Funding Summary for the Development Pool (future Capital Programme)

4.26 The summary below shows the total funding confirmed or assumed to be secured to fund the Development Pool shown in section 9.2

Funding Source	**2022-23 £'000**	**2023-24 £'000**	**Total £'000**
Discretionary	1,302	773	2,075
DFE and DFT Grant	17,847	20,709	38,556
External Contributions, Specific Scheme Grants, S106 (excluding schools S106)	1,909	1,000	2,909
TOTAL	**21,058**	**16,274**	**43,540**

5. CAPITAL INVESTMENT

Discretionary Funding Availability

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

Discretionary Funding	**£m**
Baseline Capital Financing Requirement 21/22	704.8
Discretionary Funding in year	16.5

Less MRP and other finance movements	(11.3)
Increase in Discretionary Funding	5.2
Total Revised Discretionary Funding Requirement	710.0

5.2 The Capital Financing requirement shows an increase in borrowing of £5.2m in relation to the newly created aggregated/disaggregated baseline position. This revised requirement follows a review of schemes and requirements taking into consideration the 'Key Strategy Guidelines' on page 3.

6. COMMERCIAL INVESTMENTS/ REGENERATION & ECONOMIC DEVELOPMENT

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

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

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

6.4 PWLB has Defined the activities as follow:

- Service spending is activity that would normally captured in the following areas in the MHCLG Capital Outturn Return (COR): education, highways & transport, social care, public health, culture & related services, environmental & regulatory services, police, and fire & rescue services.
- Housing is activity normally captured in the HRA and General Fund housing sections of the COR, or housing delivered through a local authority housing company. This is given separately from 'service spending' because of the relative concentration of cross-subsidy and other innovative financing arrangements in housing projects.
- Regeneration projects would usually have one or more of the following characteristics:

  a. the project is addressing an economic or social market failure by providing services, facilities, or other amenities that are of value to local people and would not otherwise be provided by the private sector

b. the local authority is making a significant investment in the asset beyond the purchase price: developing the assets to improve them and/or change their use, or otherwise making a significant financial investment

c. the project involves or generates significant additional activity that would not otherwise happen without the local authority's intervention, creating jobs and/or social or economic value

d. while some parts of the project may generate rental income, these rents are recycled within the project or applied to related regeneration projects, rather than being applied to wider services

- Treasury management covers refinancing or extending existing debt from any source, and the externalisation of internal borrowing.

6.5 The Council will carefully consider these criteria when prioritising capital projects against the strategic objectives and ensuring affordability and the borrowing position should any decisions be affected.

7. PROPERTY ASSET MANAGEMENT PLAN

7.1 The Property Asset Management Plan is currently being updated for North Northamptonshire to fully consider the unitary authority changes.

7.2 The revised strategy will fully maximise the One Public Estate approach to rationalise its operational estate through increased utilisation and then to dispose surplus assets to generate capital and direct- (property related) revenue savings. There will also be an emphasis to support a business-case approach to target capital investment in new and existing properties to unlock ongoing revenue savings or income.

7.3 The split between the major classes of fixed assets as at 31/03/2021 is shown in the table below.

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

8. DEBT, BORROWING AND TREASURY MANAGEMENT

Treasury Management Strategy

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

8.2 The Treasury Management Strategy incorporates:

- The Council's capital financing and borrowing strategy for the coming year;

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

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

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

8.5 The tables on page 8 show the Council's funding commitment and sources in relation to the current Capital Programme as well as the £1.3m discretionary funding for the Development Pool. This includes Invest to Save schemes which would in the past have been only temporarily funded, but which now are permanently funded to release savings to support the revenue position. The discretionary funding of £1.3m (see appendices 9.1) represents 1.5% of the total Development Pool schemes of £81.8m.

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

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

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

8.8 Table 1 – Prudential Indicator Estimates of Capital Financing Requirement

	2021-22 Estimate	2022-23 Estimate	2023-24 Estimate	2024-25 Estimate
	£m	£m	£m	£m
Total CFR (net of LT Liabilities)	**705**	**710**	**707**	**704**
Movement in CFR	**45**	**5**	**(3)**	**(3)**

BORROWING

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

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

8.10 Table 2 - Forecast Borrowing and Investment Balances

£'000	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
External Debt				
Debt at 1 April	493,894	459,710	454,261	447,991
Expected change in Debt	(34,184)	(5,449)	(6,270)	(5,977)
Other long-term liabilities (OLTL)	113,962	109,043	104,219	98,868
Expected change in OLTL	(4,769)	(4,919)	(4,824)	(5,351)
Actual gross debt at 31 March	**568,903**	**558,384**	**547,386**	**535,531**
The Capital Financing Requirement	704,827	709,986	706,830	704,367
Under / (over) borrowing	135,924	151,602	159,443	168,837

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

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

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

Operational Boundary	2021-22	2022-23	2023-24	2024-25
	£m	£m	£m	£m
Total Borrowing	775.3	780.9	777.5	774.8

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

FINANCING COSTS

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

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

%	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
Non-HRA	5.9%	5.8%	5.7%	5.6%
HRA	12.2%	10.0%	9.6%	9.3%

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

9. DEVELOPMENT POOL

9.1 DEVELOPMENT POOL DISCRETIONARY FUNDING DETAIL OVER MTFP PERIOD

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

Scheme	Directorate	Scheme Description	2022-23 £000's	2023-24 £000's	2024-25 £000's	2025-26 £000's	Total £000's
Primary School extensions	CFN	The Grange Desborough and Oakley Vale.	6,000	1,500	0	0	7,500
Primary School - Weldon Park	CFN	New 2FE primary to meet demand from new housing development	0	4,000	0	0	4,000
Various SEND schemes	CFN	Schemes to provide new SEND capcity to meet demand across North Northants	2,000	700	0	0	2,700
Devolved Formula Capital	CFN	Maintained schools capital grant, allocated by school by DFE.	306	302	0	0	608
S106 'non essential' Schools Schemes	CFN	Based on S106 contributions.	1,000	1,000	0	0	2,000
Schools Strategic Repairs and Maintenance	CFN	Funded from 'Schools Condition Allocation' Grant based on condition surveys for maintained schools.	1,000	1,000	0	0	2,000

Scheme	Directorate	Scheme Description	2022-23 £000's	2023-24 £000's	2024-25 £000's	2025-26 £000's	Total £000's
Schools Temporary Accom./Mobile Classrooms	CFN	As described.	25	0	0	0	25
LTP Maintenance	PLACE	Non ring-fenced DfT grant for the maintenance of highways assets.	4,963	4,963	0	0	9,926
Highways Asset Management	PLACE	Funded in advance scheme, funded from LTP Maintenance grant.	323	323	0	0	646
LTP Integrated Transport	PLACE	Non ring-fenced DfT grant for small scale improvements delivering the objectives of the Local Transpot Plan.	1,324	1,324	0	0	2,648
Incentive fund	PLACE	Non ring-fenced DfT grant for the maintenance of highways assets.	860	860	0	0	1,720
Pothole Fund	PLACE	Ring-fenced DfT grant for the repair of potholes.	344	344	0	0	688
S106 Developers Contribution Schemes	PLACE	Developments/S106 agreements will inform the schemes detail.	909	0	0	0	909
A509 Wellingborough Development Link Phase 1 (Isham Bypass)	PLACE	Road scheme.	-	5,176	12,787	22,006	39,969

Scheme	Directorate	Scheme Description	2022-23 £000's	2023-24 £000's	2024-25 £000's	2025-26 £000's	Total £000's
A43 Northampton to Kettering Phase 3 (Overstone Grange to Holcot/Sywell)	PLACE	Dualling of the A43 Northampton to Kettering (his section spans the boundary between Daventry and Wellingborough).	345	217	1,088	2,403	4,053
Flood Alleviation	PLACE	As bid for from Environment Agency and funding secured from external bodies e.g. Anglian Water.	357	0	0	0	357
Property Asset Management Minor Works	PLACE	Expenditure on NCC properties relating to replacement and repair of boiler and ventilation systems, roofs and building fabric works. Also covers health and safety, water quality and fire regulations requirements.	500	500	0	0	1,000
Regeneration and Economic Development Schemes	PLACE	Schemes to be developed in line with the council's overall objectives and ambitions	TBA	TBA	0	0	0
Device Management	IT	End of life replacement.	375	0	0	0	375

Scheme	Directorate	Scheme Description	2022-23 £000's	2023-24 £000's	2024-25 £000's	2025-26 £000's	Total £000's
Northants Care Record	ADULTS	Integrating systems into the NHCP Northants Care Record for a single view of the patient/citizen for social workers and clinicians.	50	0	0	0	50
Leisure and Tourism Projects	ADULTS	Pemberton, Splash and Nene Leisure Centres	15	0	0	0	15
Corporate Systems	IT	Mainly Corporate IT Systems	313	243	0	0	556
Asset Management Plan	PLACE	General Asset Mgt	49	30	0	0	79
Totals			**21,058**	**22,482**	**13,875**	**24,409**	**81,8**

North Northamptonshire Council

EXECUTIVE
10th February 2022

Report Title	**Housing Revenue Account (HRA) Draft Budget 2022-23 and Medium-Term Financial Plan Proposals**
Report Author	Janice Gotts, Executive Director of Finance janice.gotts@northnorthants.gov.uk
Lead Member	Councillor Lloyd Bunday, Executive Member for Finance and Transformation

Key Decision	☒ Yes ☐ No
Is the decision eligible for call-in by Scrutiny?	☒ Yes ☐ No
Are there public sector equality duty implications?	☒ Yes ☐ No
Does the report contain confidential or exempt information (whether in appendices or not)?	☐ Yes ☒ No
Applicable paragraph number for exemption from publication under Schedule 12A Local Government Act 1974	

List of Appendices

Appendix A – Draft Housing Revenue Account Budgets for 2022/23
Appendix B – Draft Housing Revenue Account – Medium Term Financial Plan
Appendix C – Summary of Reserves
Appendix D – Extract of Finance & Resources Scrutiny Minutes relating to the HRA

1. Purpose of Report

1.1. The Housing Revenue Account (HRA) is a separate ring-fenced account within the Council for the income and expenditure associated with its housing stock. The HRA does not directly impact on the Council's wider General Fund budget or on the level of council tax. Income to the HRA is primarily received through the rents and other charges paid by tenants and leaseholders.

1.2. Whilst North Northamptonshire Council must only operate one HRA it will, for a limited period of time, operate two separate Neighbourhood Accounts, these being:

- the Corby Neighbourhood Account - responsible for the stock that was previously managed by Corby Borough Council and

- the Kettering Neighbourhood Account - responsible for the stock that was previously managed by Kettering Borough Council.

1.3. A future decision will be required around the timeframe for which two Neighbourhood Accounts continue – typically these interim arrangements would cover a two to three-year period.

1.4. Work is underway on preparing a Housing Strategy for North Northamptonshire. This will consider the challenges faced by the Council across the local housing market and will set out measures to enhance housing options for local residents. This document will form a key element of the overarching strategy for North Northamptonshire which will be reported to Members during 2022/23.

1.5. This report seeks approval for the proposed draft budget for the HRA for 2022/23 and the key principles on which it is based together with the Medium-Term Financial Plan (MTFP) that covers the following four years (2023/24 – 2026/27).

1.6. This report also sets out the proposals regarding rent increases for 2022/23. As required by the Housing Act 1985. The following table summarises the average rent levels for 2021/22 and the proposed rent increase of 4.1% in rent levels for 2022/23.

Neighbourhood Account	22/22 Average Rent Levels £	Increase in Average Rent Levels £	22/23 Average Rent Levels £
Corby	77.88	3.19	81.07
Kettering	82.17	3.37	85.54

2. Executive Summary

2.1 The draft HRA Budget has been discussed and debated as part of the Finance and Scrutiny sessions and with tenants representing each of the Neighbourhood Accounts. The final budgets reflect a rental increase of 4.1% which accords with the Government's Rent Setting Policy and has been clarified by the Rent Regulator. The draft Budget proposals and Medium-Term Financial Plan are set out in **Appendix A** and **Appendix B**.

2.2 The overriding approach as part of the transition to the Unitary council for North Northamptonshire was to ensure that the arrangements were 'safe and legal'. It was determined that for the HRA this would, in the first instance, be best achieved through operating two Neighbourhood Accounts to be combined under a single HRA for North Northamptonshire. Work is planned to be undertaken during the course of 2022/23 to start to move to a single HRA and this includes developing a new 30-year Business Plan.

2.3 To help maintain and protect levels of service provision and to continue investment into the housing stock the proposed average rent increase is 4.1% for each of the Neighbourhood Accounts. This is in accordance with the

Government's Rent Setting Policy. Taking into account this increase, the draft Neighbourhood Accounts show a balanced position for 2022/23. A final budget report for the HRA taking into account the outcome of the consultation will be presented to Council on 24th February 2022.

2.4 Beyond 2022/23, the Medium-term position (2023/24 to 2026/27) for the Corby Neighbourhood Account shows a deficit of £1.860m whilst the Kettering Neighbourhood Account shows a surplus of £3.921m. The main reason for the difference between the two Neighbourhood Accounts results from how the loans for self- financing were structured. The Corby Neighbourhood Account is increasing its contribution for the repayment of the loans whereas the Kettering Neighbourhood account is reducing its repayments.

2.5 The Medium-Term position assumes that rent increases of 2% are applied each year over the Medium-Term. Rent increases will be subject to an annual consultation with tenants and the rent levels will be dependent on the rent setting formula which is based on the CPI in September of the previous year plus 1%.

2.6 The scrutiny process for the Draft HRA Budget Proposals was undertaken by the Finance & Resources Committee at a meeting on the 6th January and 19th January. This was reported to the Finance & Resources Committee meeting on 1st February for ease of reference Appendix D provides a summary of comments made from the two scrutiny meetings (6th January and 19th January).

2.7 Representatives of the Kettering Tenants Forum and Corby Tenant Voice Members were consulted and agreed a 4.1% increase in rent levels for 2022/23.

3. Recommendations

3.1 That the Executive recommend for approval to Full Council the following:-

a. The draft 2022/23 Housing Revenue Account Budgets consisting of the Corby Neighbourhood Account and the Kettering Neighbourhood Account as set out in Appendix A.

b. an increase in dwelling rents for 2022/23 of 4.1% (based on the Consumer Price Index (CPI) for September 2021 3.1% + 1%) which is in line with the Department for Levelling Up, Housing and Communities (DLUHC) Policy statement on rents for social housing.

c. The draft Housing Revenue Account Medium Term Financial Plan consisting of the Corby Neighbourhood Account and the Kettering Neighbourhood Account, for 2023/24 to 2026/27 as set out in Appendix B.

3.2 Reason for Recommendations

a. To ensure that the Council complies with its Constitution in setting the budget for North Northamptonshire.

4. Report Background

Resources and Financial

4.1 Each year social landlords must set rent levels and budgets for the forthcoming financial year and provide each individual tenant with 28 days statutory notice of any proposed changes to their rent. This report sets out the proposals regarding the rents, as well as the expenditure plans for the 2022/23 rent year, together with a draft Medium-Term Financial Plan (MTFP) covering the four- year period 2023/24 to 2026/27.

4.2 The Council housing stock in the Corby Neighbourhood Account comprises 4,621 tenanted and 631 leasehold properties (as at 1st April 2021) with a rent roll of £18.956m in 2021/22. The Kettering Neighbourhood Account comprises 3,603 tenanted and 253 leasehold properties (as at 1st April 2021), with a rent roll of around £15.066m. East Northants and Wellingborough Councils had no housing stock having made the decision several years ago to sell their stock. The composition of the Housing Stock for both the Corby and Kettering Neighbourhood Accounts is set out in Table 1 and Table 2.

Table 1 - Corby Neighbourhood Account

Type of Property	Number of Bedrooms				Total
	One	Two	Three	Four +	
Flats-Low Rise	654	338	51	1	1,044
Flats-Medium Rise	131	187	113	16	447
Houses	1	671	1,683	245	2,600
Bungalows	309	179	42	0	530
Total	**1,095**	**1,375**	**1,889**	**262**	**4,621**

Table 2 - Kettering Neighbourhood Account

Type of Property	Number of Bedrooms				Total
	One	Two	Three	Four +	
Flats-Low Rise	720	455	3	0	1,178
Flats-Medium Rise	235	120	10	0	365
Houses	26	492	1,033	32	1,583
Bungalows	200	275	2	0	477
Total	**1,181**	**1,342**	**1,048**	**32**	**3,603**

4.3 The Council is required by law (Local Government and Housing Act 1989, Section 76) to avoid budgeting for a deficit on the HRA. This means the budget must not be based on total HRA revenue reserves falling below zero. In practice the Council is expected to maintain a reasonable balance of HRA reserves to cover contingencies.

4.4 The Executive Director (Chief Finance Officer) reviews the level of balances required to support the Housing Revenue Account spend annually as part of their risk assessment of the budget. The Executive Director – Finance has assessed that the minimum level of balances, taking all known risks into account, should remain unchanged at £800k for the Corby Neighbourhood Account and that the Kettering Neighbourhood Account be increased from £300k to £650k. This aligns the two Neighbourhood Accounts, so the minimum balances are around 4% of the total budget. Details of Reserves together with any estimated movements are set out in **Appendix C**.

4.5 It was not feasible to merge the two neighbourhood accounts into one when the legacy councils merged and create the operational changes that were required to ensure a safe and legal service. It is also necessary to develop a 30 Year Business Plan for a single HRA. The Council's Corporate Strategy was approved at the Executive on 18th November 2021, and this sets out its priorities, the objectives to achieve these, key actions, and measures of success. The services delivered within the HRA will support this strategy and will be developed over the forthcoming financial year.

4.6 The approach to the HRA budget setting has focused on three key areas for 2022/23 and the following sections of the report take items (i) and (ii) in turn. However, it should be noted that item (iii) will be covered in a separate report to this meeting which covers both the General Fund and HRA Capital Programmes.

(i) Revenue income and rent and service charge levels;

(ii) Revenue expenditure plans that reflect service delivery patterns;

(iii) Capital expenditure plans that will deliver essential works to the stock as well as ensuring the Decent Homes Standard is maintained and support the new build programme.

Revenue Income

4.7 The HRA receives income primarily from rents paid by tenants and from service charges levied. The draft budgets for 2022/23 have been compiled based on a rent increase of 4.1% - which is in accordance with the nationally recommended increase for 2022/23. When considering the rental increase it is important to recognise the long-term impact as income foregone is compounded over future years.

4.8 The MHCLG policy statement on rents published in February 2019 announced that rents would increase by CPI + 1% from April 2020 and this would be for a period of five years (2020/21 to 2025/26). Members are reminded of the announcement that was made in July 2015 budget statement where all social rents would decrease by 1% each year over the four-year period 2016/17 – 2019/20 during which the cumulative loss of rental income was around £70m for the Corby Neighbourhood Account and around £60m for the Kettering Neighbourhood Account. This will continue to have a significant cumulative impact on the level of income that will be available to the HRA over the course of the 30-year business plan.

4.9 The number of Right to Buy (RTB) sales assumed during 2022/23 and the medium term for the Corby Neighbourhood Account is 50 and for the Kettering Neighbourhood Account is 30 – these assumptions will be kept under review. The part year income associated from these sales has been deducted from the 2022/23 income budget.

4.10 For 2022/23 it is assumed that 0.9% of the Corby Neighbourhood housing stock will be void at any one time and it is assumed that 1.90% of the Kettering neighbourhood housing stock will be void at any one time and therefore rent cannot be charged. This is consistent with the approach taken in previous years and reduces the total income expected to be achieved by c£170,000 for the Corby Neighbourhood Account and c£290,000 for the Kettering Neighbourhood Account.

4.11 Acquisition and new build programmes increase the number of housing stock for the HRA. The Corby Neighbourhood Account will reflect the additional income in 2022/23 from the delivery of 3 new homes during 2021/22 at Stanion Close and will also reflect an increase in income from the delivery of 5 homes at Cannock Road.

4.12 The Kettering Neighbourhood Account will reflect the additional income from the delivery of 28 homes across the Scott Road (22 homes) and Albert Street (6 homes) sites. These sites were delivered in 2021/22 and a total of 28 homes have been added to the 2022/23 rental yield.

4.13 It is anticipated that a further 18 homes will be delivered at Cheltenham Road that will be available for rent in March 2023, this has been reflected into the revenue account for 2023/24. Further schemes will be reflected in the Medium-Term Financial Plan when there is more certainty around the timed delivery of future housing schemes.

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

4.15 There were two core principles for using 1-4-1 Receipts:

1) That 1-4-1 Receipts can only be used to fund no more than 30% of eligible expenditure for the provision of new homes; and

2) That 1-4-1 Receipts must be utilised within 3 years of them occurring. In order for the Government to enforce the time period in which expenditure must be accounted for, the standard agreement signed by Councils requires any 1-4-1 Receipts not utilised within the 3-year timeframe to be paid over to the Government, plus interest charged at 4% above base rate compounded every 3 months.

4.16 The previous sovereign Councils (Corby Borough Council and Kettering Borough Council) opted into the 1 4 1 agreement. However, COVID-19 meant that a number of planned new build schemes nationally were delayed as contractors and companies rescheduled their projects and the need to maintain social distancing would see a reduction in staff on site which could result in a delay in delivery. In response to this the Government temporarily lifted the time period for which 1-4-1 receipts need to be utilised by granting a six-month extension in 2020/21, this extension was then increased to nine months.

4.17 The Government announced a number of changes on how 1-4-1 receipts could be used. These changes came into effect from 1st April 2021 and included;

- Increasing the time limit for the use of the receipts from three to five years – this covers not just future receipts but existing ones (i.e., back to 2017-18).

- That the use of 1-4-1 Receipts to fund eligible expenditure for the provision of new homes be increased from 30% to 40%.

- Introduction of a cap on the use of Right to Buy receipts on acquisitions to help drive new supply with the phased introduction, with the cap limiting acquisitions to 50% of delivery from 1st April 2022, then reducing to 40% from 1 April 2023, and to 30% from 1st April 2024 onwards. The first 20 units of delivery in each year will be excluded.

Service Charges

4.18 The Council can set its own charges for items that attract service charges but must review annually the costs that drive these charges as well as how that money can be utilised.

4.19 Leasehold service charges cover costs that are recharged to leaseholders in year to reflect either the cost of maintaining the fabric of the building or the cost of maintaining the communal areas. These charges must reflect the full cost that is incurred by the HRA, no profit should be achieved through the levelling of these charges. Given this, the income budgets proposed reflect only an indicative level and actual charges will be reconciled the following year against actual costs incurred. Within both the Corby Neighbourhood Account and the Kettering Neighbourhood Account leasehold charges for each building will be estimated and leaseholders will be notified of the charges to be applied for 2022/23. This process is in line with that undertaken in previous years.

Revenue Expenditure

4.20 The HRA manages expenditure that covers delivery of the general housing management function as well as overheads and capital financing charges. The expenditure costs are categorised into the following six headings, further details are set out in paragraphs 4.21 – 4.33 which follow.

- Repairs & Maintenance
- General Management
- Special Services
- Self- Financing Payments
- Revenue Contribution to Capital Expenditure
- Other

4.21 The **Repairs and Maintenance** budget includes the general cost of maintaining the Council's housing stock on a day-to-day basis. It includes, repairs requested by tenants, gas repairs and servicing and costs associated with void property repairs and cleaning.

4.22 **General Management** costs include the cost of managing the housing service. They include the cost of running the landlord service efficiently and effectively including rent collection and allocating and managing tenancies.

4.23 **Special Services** represents the cost of running the Council's sheltered housing schemes for vulnerable residents. It includes all costs of maintaining sheltered housing and the services provided to residents. There are 558 properties across ten sheltered housing schemes in the Corby Neighbourhood Account and 406 properties across nine sheltered housing schemes in the Kettering Neighbourhood Account.

4.24 Fundamental changes to the HRA were implemented in April 2012 – this was referred to as **'Self-Financing'**. The Self-Financing settlement abolished the subsidy system and redistributed debt between authorities based on a government assessment of their ability to service the debt. This had the effect of increasing the debt held by most authorities, but in return they no longer had to pay into the national subsidy pot. Nationally there were 136 authorities who were making subsidy payments and these authorities were required to make a payment to the government that amounted to around £13bn. Conversely 35 authorities received a payment of £6bn from Government as they would no longer be receiving a subsidy payment. The self-financing determinations resulted in Corby Borough Council taking on debt of £70.6m and Kettering Borough Council taking on debt of £72.9m.

4.25 The self- financing system allows authorities to better plan over the longer term as they no longer face the uncertainty of annual subsidy determinations which were typically announced around December each year notifying authorities of what they will have to pay or receive in subsidy. This means that all authorities now get to keep all the rent they receive from tenants and are fully responsible for managing their own income and expenditure.

4.26 The Government on 29th October 2018 revoked the debt limits that were introduced for HRAs in December 2010 by the Localism Bill under self-financing determinations, by lifting the HRA borrowing cap. This means the Corby and Kettering Neighbourhood Accounts will not be subject to a limit on borrowing.

4.27 All borrowing must conform to the Prudential Code which requires that borrowing be affordable and prudent. The 2021/22 budget for the Corby Neighbourhood Account provides for the repayment of a loan of £10.646m, for which monies have been set aside annually for loan repayments in the HRA Debt Management Reserve. The outstanding debt on 31st March 2022 is estimated to be £60m. The 2022/23 budget provides for £1.972m to be set aside which will be transferred to the HRA Debt Management Reserve which will be used to part fund the repayment of the next loan of £15m which matures in 2031/32.

4.28 The Kettering Neighbourhood Account is forecast to have debt of £45.724m as of 31st March 2022. This is a combination of debt from self-financing which amounts to £42.903m and new loans amounting to £2.821m to fund new build schemes. The 2022/23 budget provides for the repayment of a loan of £3m, which will reduce the self-financing debt that is outstanding on 31st March 2023 to £39.903m.

4.29 Business cases that set out how and when the HRA will borrow will be developed and submitted for approval when Business Cases arise, this will be in accordance with the Council's Capital Strategy Approval Process.

4.30 Under the self-financing regime the HRA holds a depreciation charge that recognises the cost of managing and maintaining the Council stock at the current level. This funding represents a revenue cost to the HRA that is then used to support the capital programme to deliver the required enhancements to the stock to keep it fit for purpose. The **revenue contribution to capital expenditure** as a minimum must equal the depreciation charge, the draft budget for the two Neighbourhood accounts reflects this.

4.31 One of the main areas of risk for the HRA going forward is rent arrears and the management of debt within the rent account. There is a specific risk around the ability to collect this debt as a result of COVID-19 and also as national welfare reform changes are rolled out. The spare room subsidy changes have now been in place for several years and work to manage under occupation is now business as usual.

4.32 The Kettering Neighbourhood Account includes a provision of £173,000 for Bad Debts and the Corby Neighbourhood Account includes a provision of £104,000 for 2022/23 and the Medium-Term Plan includes provision for a further £46,000 in 2023/24 for the Corby Neighbourhood Account. The contribution to Bad Debts is shown under the 'other' expenditure heading which also includes Contingencies, Rents, Rates, Taxes and Other Charges and interest payable.

4.33 The 2021/22 budget included a 0.75% increase to cover the 2.75% 2020/21 pay award, only 2% was included in the 2020/21 base budget. In addition, both Neighbourhood Accounts incorporated a pay contingency for 2021/22 of 2.50%. The 2022/23 budget includes a pay contingency of 3% which is aligned to the increase in costs of living. To date the pay award is still to be agreed for both

2021/22 and 2022/23 a 1% change amounts to around £63k for the Corby Neighbourhood Account and around £40k for the Kettering Neighbourhood Account. Both Neighbourhood Accounts provide for an increase in employers National Insurance Contributions which will increase from April 2022 from 13.8% to 15.05%. The Government, as part of the Autumn Budget, announced that authorities would receive additional funding. However, it appears that this has been rolled into the £1.5bn that will be distributed nationally which dilutes the funding that is available by around a third to meet new costs. For the purpose of the HRA it has been assumed that this will be cost neutral as the support costs will be reduced to reflect the increase in cost as the funding will be received into the General Fund

Medium Term Financial Plan (MTFP)

4.34 The MTFP for both the Corby Neighbourhood Account and the Kettering Neighbourhood Account are detailed at Appendix B. The MTFP's contain several assumptions, the main ones are set out in Table 3 below – these assumptions will continue to be reviewed and updated but enable an initial medium-term position to be determined for both Neighbourhood Accounts.

Table 3 - MTFP Assumptions (2023/24 – 2026/27)		
Assumption	**Corby Neighbourhood Account**	**Kettering Neighbourhood Account**
Income		
Rent Levels	Assumes a 2% increase each year (CPI 1% + 1%)	
RTB Sales	50	30
Void Levels	0.90%	1.50%
Expenditure		
Pay Contingency	2.00%	2.00%

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

5. Issues and Choices

5.1 Housing Rents are set by the Housing Rent Regulator – the expectation of the Rent Regulator is that rents are set in line with Government Policy, which is for rents to be increased by CPI based on the rate in September of the previous year – rents for 2022/23 would be based on the CPI of 3.1% in September 2021 plus 1%.

5.2 The Housing Rent Regulatory expect all providers to adhere to the rules, should an organisation implement a rise in excess of this amount, it would be necessary to gain approval from the Secretary of State and the authority would need to provide a clear business case as to why an increase above guidelines are required.

5.3 The Council could consider a lower rent increase. A 1% reduction in rental levels would amount to a reduction in the rental yield of around £196k for the Corby Neighbourhood Account and £157k for the Kettering Neighbourhood Account and the effect over the 30-year business plan would be around £6m for the Corby Neighbourhood Account and £5m for the Kettering Neighbourhood Account. The two Neighbourhood Accounts assume a rental increase in line with the Government Rent Setting Formula (4.1%) and the draft budgets for 2022/23 are in a balanced position. Any changes to the rental levels would require reductions in expenditure.

6. Implications (including financial implications)

6.1 Resources and Financial

6.1.1 The Resources and Financial implications are set out within this Report.

6.2 Legal and Governance

6.2.1 The Housing Revenue Account (HRA) is a separate account within the Council that ring-fences the income and expenditure associated with the Council's housing stock and the 2022/23 Draft Budgets and MTFP adhere to this – the HRA can buy support services from the General Fund such as Finance, IT, HR etc and the draft 2022/23 budgets and MTFP reflect this.

6.2.2 The Council is required by law (Local Government and Housing Act 1989, Section 76) to avoid budgeting for a deficit on the HRA. This means the budget must not be based on total HRA revenue reserves falling below zero. The draft budgets show a balanced budget for both the Corby and Kettering Neighbourhood Accounts with no reliance on reserves.

6.2.3 Under the self-financing regime the HRA holds a depreciation charge that recognises the cost of managing and maintaining the Council stock at the current level. This funding represents a revenue cost to the HRA that is then used to support the capital programme to deliver the required enhancements to the stock to keep it fit for purpose. The revenue contribution as a minimum must equal the deprecation charge – the draft 2022/23 Budget reflects this for both Neighbourhood Accounts and the MTFP reflects assumptions around future property values– although this will be subject to change when future valuations are known.

6.2.4 Borrowing must conform to the Prudential Code which requires that borrowing be affordable and prudent. The draft 2022/23 budgets for both Neighbourhood Accounts comply with this. Business cases will be compiled for any future borrowing that clearly sets out the revenue implications – these will be modelled in the MTFP to ensure affordability and will be the subject of future reports to the Executive.

6.2.5 Whilst there is no statutory requirement to consult on rent levels specifically, there is a statutory requirement to consult on "housing management matters". Historically, Kettering and Corby have engaged and consulted with tenants on the annual HRA budget and rent levels. The consultation with local residents regarding the HRA and proposed rent levels for 2022/23 was undertaken with representatives of both the Kettering Tenants Forum Panel and Corby Tenants Voice Scrutiny Panel.

6.2.6 Council housing landlords are required to give 28 days' notice to all tenants of changes to the rental and charges for the new financial year. This will be achieved should all the recommendations be accepted by Council at the meeting on the 24th February 2022.

6.3 **Risk**

6.3.1 The self-financing valuation and settlement were based on the Council continuing to implement the Government's Rent Restructuring formula and deviation from this could potentially undermine the financial viability of the two Neighbourhood Accounts. The compound impact from rent increases will be fundamental to the sustainability of the two Neighbourhood accounts – the impact of a 1% reduction in rental levels is set out at Section 5.3.

6.3.2 The ability to aggregate housing service functions and strategies to ensure consistency across North Northamptonshire remains a challenge going forward.

6.3.3 The investment in the existing stock will be based on updated Stock Condition Survey reports – there is a risk that the investment need is greater than resources – if this were the case a further review of the capital programme would be undertaken.

6.3.4 In future years there will be a need to harmonise rents as the new authority migrates from the two neighbourhood accounts into a single account. This must recognise the resource requirements needed to deliver a consistent level of housing services.

6.3.5 MHCLG as part of the 2021/22 budget process confirmed that the operation of two neighbourhood accounts was a local decision for the council, however, for formal accounting purposes the Council will be required to have one HRA and as such the accounts will be aggregated at the end of the year.

6.3.6 COVID-19 has had less of an impact on the HRA compared to the General Fund – however it is recognised that it may impact on rent arrears for the two Neighbourhood Accounts.

6.3.7 The Welfare Reform Act changes have affected the payments being made to the HRA and further changes associated with the roll out of Universal Credit (UC) could affect levels of tenant income and further increase rent arrears within the HRA.

6.3.8 Compliance with regulatory standards and changes to health and safety legislation particularly regarding fire safety will provide additional challenges over the next few years and could lead to increased costs.

6.4 Consultation

6.4.1 The HRA Budget Report to the Executive meeting on 23rd December 2021 commenced the consultation on the HRA draft budget proposals, the consultation concluded on 28th January 2022.

6.4.2 There are no changes to the budget proposals to those presented to the Executive at the meeting on 23rd December 2021.

6.4.3 The Corby and Kettering Neighbourhood Accounts budget consultation included the rent levels, the 2022/23 draft budget proposals, together with the draft Medium Term Financial Plan. Representatives of the Tenants Forum agreed with the recommended increase of 4.1% for 2022/23 which adheres to the Government Guidelines and have asked that the Council provides details of the forms of financial support that are available to tenants that so those that require financial support are able are eligible for support.

Consideration by Scrutiny

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

6.5.2 The scrutiny of the budget proposals took place following the presentation of the 2022/23 budget to Executive on 23rd December 2021 to 28th January 2022. In order to assist in the scrutiny process, separate scrutiny sessions took place across the main service areas of the Council and the scrutiny of the HRA was included within Adults, Communities and Wellbeing Services. The relevant senior Council Officers and Executive Member portfolio holders attended these scrutiny sessions to answer questions put forward by the Committee Members.

6.5.3 The Finance and Resources Scrutiny Committee has a critical role to play in scrutinising and reviewing the budget proposals, ensuring that they are subject to rigorous challenge, comments from the Finance and Resources Scrutiny Committee are set out in **Appendix D**.

6.5 Equality Implications

6.6.1 None directly from this report

6.6 **Climate Impact**

6.6.1 The ongoing maintenance of existing stock, such as heating replacement, insulation and low energy LED lighting in communal areas also help to increase the energy efficiency of the existing stock. Consideration will be given to new methods of building construction, recent developments of the Hampden Crescent Site resulted in air source heat pumps being used.

6.6.2 National and international good practice will be considered as technology is changing constantly in this fast-moving sector but, it is clear, that the HRA housing stock will embrace this issue within its programme going forward.

6.7 **Community Impact**

6.7.1 The draft 2022/23 HRA Budgets should not impact on front line service provision and should enable the Council to meet the needs of disabled and older residents to have aids and adaptations fitted to support their independence.

6.7.2 Tenants should be positively affected by the investment in dwelling insulation, energy efficiency and changes to heating and communal utility charges. Many have benefited from reduced personal heating charges and a lower split of communal utility costs between all residents benefiting from these services.

6.7.3 There is a clear correlation between effective housing and better health outcomes. Community development work undertaken seeks to minimise isolation, particularly with older residents, contributing to improved physical and mental health outcomes and more active communities. We will continue to work with community and voluntary groups, promoting their services and offering practical help where feasible.

6.7.4 There are many reasons why tenants may struggle to maintain their tenancies including substance misuse and mental health. We will seek to support tenants in their homes to ensure that they are able to maintain successful tenancies and to reduce the number of evictions and staff will provide support for tenants including financial advice.

6.8 **Crime and Disorder Impact**

6.8.1 None

7. Background Papers

- Suite of Budget reports to the Executive 23rd December 2021 https://northnorthants.moderngov.co.uk/documents/s4607/Housing%20Revenue%20Account%20HRA%20Draft%20Budget%202022-23%20and%20Medium%20Term%20Financial%20Plan%20MTFP%20Proposals.pdf

- Suite of Budget reports to North Northamptonshire Shadow Authority, 25th February 2021 (Budget Council): https://northnorthants.moderngov.co.uk/CeListDocuments.aspx?CommitteeId=138&MeetingId=109&DF=25%2f02%2f2021&Ver=2

- Suite of Budget reports to North Northamptonshire Shadow Executive Committee 10th February 2021: https://northnorthants.moderngov.co.uk/CeListDocuments.aspx?CommitteeId=139&MeetingId=120&DF=10%2f02%2f2021&Ver=2

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HOUSING REVENUE ACCOUNT DRAFT BUDGET ESTIMATES 2022/23

	Corby Neighbourhood Account Draft Budget 2022/23	Kettering Neighbourhood Account Draft Budget 2022/23	North Northants HRA Draft Budget 2022/23
	£'000	£'000	**£'000**
INCOME			
Rents - Dwellings Only	19,480	15,679	**35,159**
Service Charges	641	443	**1,084**
HRA Investment Income	20	7	**27**
Total Income	**20,141**	**16,129**	**36,270**
EXPENDITURE			
Repairs and Maintenance	5,676	4,025	**9,701**
General Management	5,275	2,857	**8,132**
HRA Self Financing	2,125	4,513	**6,638**
Revenue Contribution to Capital	3,876	2,728	**6,604**
Transfer To / (From) Reserves	1,972	208	**2,180**
Special Services	763	1,146	**1,909**
Other	454	652	**1,106**
Total Expenditure	**20,141**	**16,129**	**36,270**
Net Operating Expenditure	**0**	**0**	**0**

Appendix A

CORBY NEIGHBOURHOOD ACCOUNT

	Original Budget 2021/22	Draft Budget 2022/23	Movement	Budget Assumptions
	£000	£000	£000	
INCOME				
Rents - Dwellings Only	18,956	19,480	524	Rent Increase per Government Guidleines 4.10% (CPI +1%) - adjusted for RTB Sales
Service Charges	622	641	19	Reflects increase in costs
HRA Investment Income	69	20	(49)	Reflects lower investment income due to lower level of reserves being held.
Total Income	**19,647**	**20,141**	**494**	
EXPENDITURE				
Repairs and Maintenance	5,550	5,676	126	Payaward / NI Changes £126k
General Management	5,176	5,275	99	Payaward / NI Changes £46k, Supplies & Services £10k, Insurance £18k, HRA Business Plan £25k
HRA Self Financing	12,963	2,125	(10,838)	Repayment of Loan of £10.646m in 2021/22 and lower interest payments of £192k
Revenue Contribution to Capital	3,791	3,876	85	RCCO £85k
Transfer To / (From) Reserves	(8,946)	1,972	10,918	Repayment of Loan £10.646m Increased Trans to Reserves £272k for repayment of Debt.
Special Services	692	763	71	Payaward / NI Changes £11k, Premises £60k
Other	421	454	33	Bad Debts £13k, Contingency £20k
Total Expenditure	**19,647**	**20,141**	**494**	
Net Operating Expenditure	**0**	**0**	**0**	

KETTERING NEIGHBOURHOOD ACCOUNT

	Original Budget 2021/22	Draft Budget 2022/23	Movement	Budget Assumptions
	£000	£000	£000	
INCOME				
Rents - Dwellings Only	15,066	15,679	613	Rent Increase per Government Guidleines 4.10% (CPI +1%) - adjusted for RTB Sales
Service Charges	430	443	13	Reflects increase in costs
HRA Investment Income	7	7	0	
Total Income	**15,503**	**16,129**	**626**	
EXPENDITURE				
Repairs and Maintenance	3,964	4,025	61	Payaward £61k
General Management	2,784	2,857	73	Payaward £39k / Insurance £9k / HRA Business Plan £25k
HRA Self Financing	4,585	4,513	(72)	Interest (£72k)
Revenue Contribution to Capital	2,632	2,728	96	RCCO £96k
Transfer To / (From) Reserves	(119)	208	327	Trans from Reserves in 21/22 £119k Transfer to Reserves 22/23 £208k - Movement £327k
Special Services	1,111	1,146	35	Payaward £13k / Gas and Electric £22k
Other	546	652	106	Contingency £83k, Bad Debts £23k
Total Expenditure	**15,503**	**16,129**	**626**	
Net Operating Expenditure	**0**	**0**	**0**	

Corby Neighbourhood Account - Medium Term Financial Plan

Appendix B

Corby Neighbourhood Account	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
INCOME					
Total Dwelling Rents	19,480	19,739	19,953	20,130	20,307
Total Service Charges	641	654	667	680	694
Other Income	20	30	40	50	60
Total Income	**20,141**	**20,423**	**20,660**	**20,860**	**21,061**
HRA Net Budget	**19,647**	**20,141**	**20,612**	**20,959**	**21,415**
MTFP CHANGES					
Salary Inflation / NI Changes	183	126	128	131	133
General Inflation / Pressures	113	45	48	52	56
Depreciation / MRR (Add Cap Exp)	85	104	105	107	108
HRA Self Financing / Loans	(10,838)	66	66	66	66
Transfer to / (from) Reserves	10,918	0	0	100	100
Contingency	20	84	0	0	0
Contribution to Bad Debts	13	46	0	0	0
HRA Net Revenue Budget	**20,141**	**20,612**	**20,959**	**21,415**	**21,878**
Annual (Surplus) / Deficit	**0**	**189**	**299**	**555**	**817**
Cumulative (Surplus) / Deficit	**0**	**189**	**488**	**1,043**	**1,860**

Notes

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

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

Kettering Neighbourhood Account - Medium Term Financial Plan

Appendix B

Kettering Neighbourhood Account	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
INCOME					
Total Dwelling Rents	15,679	15,979	16,162	16,345	16,530
Total Service Charges	443	452	461	470	479
HRA Investment Income	7	7	7	7	7
Total Income	**16,129**	**16,438**	**16,630**	**16,822**	**17,016**
HRA Net Budget From Previous Year	**15,503**	**16,129**	**16,299**	**16,133**	**16,223**
MTFP CHANGES					
Salary Inflation / NI Changes	113	78	79	81	82
General Inflation / Pressures	56	26	32	38	46
Depreciation / MRR (Add Cap Exp)	96	67	63	67	67
HRA Self Financing / Loans	(72)	423	(192)	(499)	(2,088)
Transfer to / (from) Reserves	327	(463)	(148)	403	0
Contingency	83	39	0	0	0
Bad Debts	23	0	0	0	0
HRA Net Revenue Budget	**16,129**	**16,299**	**16,133**	**16,223**	**14,330**
Annual (Surplus) / Deficit	**0**	**(139)**	**(497)**	**(599)**	**(2,686)**
Cumulative (Surplus) / Deficit	**0**	**(139)**	**(636)**	**(1,235)**	**(3,921)**

Notes

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

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

Corby Neighbourhood Account - Reserves

Appendix C

	Estimated 31/03/20 £'000	Trans to / (from) Reserves 20/21 £'000	Projected 31/03/21 £'000	Trans to / (from) Reserves 21/22 £'000	Projected 31/03/22 £'000	Trans to / (from) Reserves 22/23 £'000	Projected 31/03/23 £'000	Trans to / (from) Reserves 23/24 £'000	Projected 31/03/24 £'000	Trans to / (from) Reserves 24/25 £'000	Projected 31/03/25 £'000	Trans to / (from) Reserves 25/26 £'000	Projected 31/03/26 £'000	Trans to / (from) Reserves 26/27 £'000	Projected 31/03/27 £'000
HRA Balance	**4,234**	0	**4,234**	0	**4,234**	0	**4,234**	0	**4,234**	0	**4,234**	0	**4,234**	0	**4,234**
HRA Earmarked Revenue Reserves															
HRA Debt Management Reserve	7,900	1,650	9,550	(8,946)	604	1,972	2,576	1,972	4,548	1,972	6,520	2,072	8,592	2,172	10,764
Housing Stock Reserves	3,401	0	3,401	0	3,401	0	3,401	0	3,401	0	3,401	0	3,401	0	3,401
Total HRA Earmarked Revenue Reserves	**11,358**	**1,593**	**12,951**	**(8,946)**	**4,005**	**1,972**	**5,977**	**1,972**	**7,949**	**1,972**	**9,921**	**2,072**	**11,993**	**2,172**	**14,165**
Total Revenue Reserves	**15,592**	**1,593**	**17,185**	**(8,946)**	**8,239**	**1,972**	**10,211**	**1,972**	**12,183**	**1,972**	**14,155**	**2,072**	**16,227**	**2,172**	**18,399**

Purpose of Reserve

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

Housing Stock Reserves - Reserve for future Captial Investment

Kettering Neighbourhood Account - Reserves

Appendix C

Reserves	Actual 31/03/21 £'000	Trans to / (from) Reserves 21/22 £'000	Projected 31/03/22 £'000	Trans to / (from) Reserves 22/23 £'000	Projected 31/03/23 £'000	Trans to / (from) Reserves 23/24 £'000	Projected 31/03/24 £'000	Trans to / (from) Reserves 24/25 £'000	Projected 31/03/25 £'000	Trans to / (from) Reserves 25/26 £'000	Projected 31/03/26 £'000	Trans to / (from) Reserves 26/27 £'000	Projected 31/03/27 £'000
HRA Balance	**850**	0	**850**	0	**850**	0	**850**	0	**850**	0	**850**	0	**850**
HRA Earmarked Revenue Reserves													
HRA Self Financing Reserve	569	(119)	450	208	658	(255)	403	(403)	0	0	0	0	0
Capital (Investment - HRA)	499	0	499	0	499	0	499	0	499	0	499	0	499
Total HRA Earmarked Revenue Reserves	**1,068**	**(119)**	**949**	**208**	**1,157**	**(255)**	**902**	**(403)**	**499**	**0**	**499**	**0**	**499**
Total Revenue Reserves	**1,918**	**(119)**	**1,799**	**208**	**2,007**	**(255)**	**1,752**	**(403)**	**1,349**	**0**	**1,349**	**0**	**1,349**

Purpose for Reserve

HRA Self Financing Reserve - Reserve to provide resources for the future repayment of borrowing costs for the HRA self-financing transaction.
Capital Investment - HRA - Reserve to provide resources for the repair, replacement and acquisition of Housing Revenue Account property.

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APPENDIX A – Adults Communities and Wellbeing 6th January 2022 showing elements relating to the HRA only.

North Northamptonshire Council

NOTES OF THE BUDGET TASK AND FINISH GROUP FOR

ADULTS, COMMUNITIES AND WELLBEING (INCLUDING HRA)

SESSION 1 - 6 JANUARY 2022 held at 2pm using the Zoom platform

Attendees:

Cllrs Mark Pengelly, Richard Levell, Valerie Anslow, Scott Brown, Jim Hakewill, Ken Harrington, Ian Jelley, King Lawal, Steven North, Malcolm Ward

Executive Members/Officers: Cllrs Helen Harrison, Helen Howell, David Howes and Andy Mercer - David Watts, Director, Kerry Purnell, Assistant Director Susan Hamilton (Health)

Finance Officers Janice Gotts, Mark Dickenson, Claire Edwards and James O'Connor

An apology was received from Cllr Henson.

1. Presentation

David Watts, Kerry Purnell, Mark Dickenson and Susan Hamilton gave an overview of the service areas of his directorate to include Adult Services, Commissioning and Performance, Safeguarding and Wellbeing, Housing and Communities and Public Health. This information had previously been circulated to the task and finish group.

Officers took members through each area of the budget and explained what each service did and the financial commitments and proposed budget for the forthcoming year.

2. Summary of questions and comments

- Right to Buy - was the funding being used in the appropriate timescale for new housing? A request was made for a forecast of right to buy receipts for the next session.

  It was confirmed that the right to buy receipts for Kettering and Corby were programmed for the next two years.

- Acquisition of property - Could right to buy receipts be used to buy existing properties?

  It was confirmed that properties could be bought on the open market but there were restrictions from April 22 which limits the number of acquisitions this was to help drive new supply the cap limits acquisitions to 50% of delivery from 1st April 2022 then reducing to 40% from 1st April 2023 and to 30% from 1st April 2024 onwards. The first 20 units of delivery in each year will be excluded.

- Community Fund - What sort of projects could put in a bid for funding?

Officers clarified that the community fund was for capital projects, day to day projects could submit a request under the small grants scheme.

- Level of voids – A comment was made that the level of 'voids' in the Kettering area was double of that in the Corby area. Further information was required on why was there such diversity and how was this monitored?

- Housing Revenue Account

  Right to buy sales - Members noted that there were more right to buy sales in the Corby area and asked what the current position was with the retention of funding and asked if a spreadsheet of receipts could be provided for the next meeting.

  Officers advised that the RTB receipts retained under the 1 4 1 agreements are retained by the council and that the 1 41 receipts to fund eligible expenditure for the provision of new homes has increased from 30% to 40%. Officers would also find out whether, as there were currently two Neighbourhood Accounts that form a single HRA whether this would mean that the cap on acquisitions would be on 20 or 40 properties.

- Rent Increases - Would the proposed rent increases be put to the Tenants Forum?

  Officers clarified that there would be consultation through various methods and that in future there would be one tenants forum for the whole area.

- Repairs and Maintenance - Concern was raised over the considerable increase in building materials and the impact this was having and would continue to have.

  Officers clarified that the increase in supplies would be challenging as there were considerable increases in the costs being noted already. The intention was for the council to have a central depot to save both time and money.

  Members asked to be provided with more details on this.

3. Close

The Chair thanked all for attending and confirmed that the next session would be held on Wednesday 19 January at 1.30pm.

APPENDIX B – Extract from Adults Communities and Wellbeing 19th January 2022 – showing elements relating to the HRA only.

North Northamptonshire Council

NOTES OF THE BUDGET TASK AND FINISH GROUP FOR

ADULTS, COMMUNITIES AND WELLBEING (INCLUDING HRA)

SESSION 2 – 19 JANUARY 2022 held at 1.30pm using the Zoom platform

Attendees:

Cllrs Mark Pengelly, Richard Levell, Valerie Anslow, Scott Brown, Jim Hakewill, Ken Harrington, Larry Henson, Ian Jelley, Steven North and Malcolm Ward.

Executive Members/Officers: Cllrs Lloyd Bunday, Helen Harrison, Helen Howell, David Howes and Andy Mercer. David Watts, Kerry Purnell, Susan Hamilton, John Ashton, Zakia Loughead, Samantha Fitzgerald and Catherine O'Rourke.

(Councillor Wendy Brackenbury also attended).

Finance Officers: Mark Dickenson, Claire Edwards and James O'Connor.

Democratic Services: Carol Mundy, Raj Sohal and Emma Robinson.

Prior to the meeting formally commencing the chair raised the issue of consultation with the public and asked how the public would be made aware of the budget discussions taking place at the Executive meeting in February. He had been informed that a considerable number of community groups were unaware of the consultation. Would there be a separate consultation meeting arranged for the public to attend to express their views?

Executive members clarified that they were not aware of a separate consultation meeting being planned. They were, however, aware that there had been community engagement with town and parish councils as well as extensive publicity around the consultation process.

Cllr David Howes referenced the former engagement process held in Kettering, where a meeting was held for the public to attend, along with senior officers, where the budget would be presented, and the public had the opportunity to ask questions. He also referenced the Rural Forum, which in future years could be held during the consultation period, to aid the process.

Members also asked if Executive Members could consider visiting communities generally to take on board people's concerns for next year.

1. Presentation

David Watts had circulated a consolidated set of slides to members, which included the slides from session 1 along with a second slide giving the responses to the queries raised at that session.

There were no further questions in relation to public health, and Susan Hamilton left the meeting.

APPENDIX B – Extract from Adults Communities and Wellbeing 19th January 2022 – showing elements relating to the HRA only.

The slides provided members with the additional information requested and Kerry Purnell explained the position in relation to voids for the HRA and Kettering and Corby.

She reported that the data for each area was collected differently. Her response detailed the number of live voids, properties with the depot, properties ready to let and those expected to come forward within a four-week period.

In Kettering the voids turn-around times for a three-month period averaged between 50 and 70 whilst comparable data for Corby for December 2021 indicated between 90 and 126.

She explained the difference between a standard void, when remedial work would take a shorter time to complete, compared to a major void when a property would need considerable work to bring it to a rentable standard, such as new heating systems, bathrooms and kitchens.

- Members asked why the voids were so different in each area and why there were different timescales for completion of works?

  KP explained that there were various reasons for the differences with one reason being how supplies and stock was obtained. Kettering had its own property store, whilst Corby had a contract with a supplier, and this was dependent on supply. This had an impact on how quickly work could be carried out.

  A project for property stores was underway, with an options appraisal already undertaken, to consider the best way forward. When ready this would be put before the leadership team and the Executive.

- Is there a target for voids and if so, what is it?

  KP was not aware of a target but would investigate this and respond to members.

- Does homelessness have an impact on voids?

  KP clarified that voids sit within the HRA budget and that the housing stock was for housing tenants only and therefore unrelated to homelessness. Prospective tenants on the housing register will be offered a tenancy if they qualify. Properties for homelessness came from the general fund and there are a smaller number of properties for use in this area.

- Clarity was sought over whether homeless families could potentially be housed in stock – though not in a void property – that was funded from the general fund rather than the housing revenue account.

  This was confirmed.

- Why does it potentially take 250 days for a property to be ready for occupation?

  KP clarified that many voids required major refurbishment with new heating, kitchens, bathrooms etc. it depended on what resources were available and prioritisation at the time it became void. The properties that become available were of mixed sizes and some had been occupied by the same tenants for several years and may require complete renovation.

KP will provide data of the 'type' of current voids.

- How long to voids remain with Registered Social Landlords?

  KP clarified that whilst she regularly met with Greatwell Homes she did not know their timescale for voids. She also commented that figures wouldn't necessarily be comparable as a social landlord could move money around to urgently address voids and repairs.

- Looking to the future should the Executive consider a 'stock transfer' to reduce voids and make tenants lives better?

  Cllr Mercer commented that this could be looked at, in his opinion he had found that some stock transfers had been very impressive and others not so good. Ultimately the decision would lay with the tenants if this was even considered.

  Cllr Harrison commented that as a member of the Executive all options for delivery of the best service for residents had to be considered. At this time this option was not being investigated.

- Could scrutiny look at this?

  MD cautioned that a stock transfer may not be viable. With the current level of debts, the level of receipts would be less than the debt and NNC would potentially end up with no taxable receipts which could result in a government intervention.

- A further explanation of the way stock was obtained was requested.

  KP clarified that Kettering had a depot store of essential stock products and materials that were frequently used, along with a digitalised stock control system. This enabled good control and ensured appropriate payments to suppliers.

  Corby has a contract with suppliers Jewson's which was due to expire in January 2023. It was harder to manage stock control and supplies generally and to monitor payment.

  The options appraisal would consider various efficiency methods for the future.

- A member cautioned that holding stock was not always the best way to run a business and asked if enquiries had been made of RSL's to see how they did this. Would this have an impact on budgets?

  KP clarified that there were various options to be considered and this would time some time to bring forward. It would not impact next year's budget.

- Members were generally in support of a need for a better system to ensure stock was available for popular products that were being used all the time.

APPENDIX B – Extract from Adults Communities and Wellbeing 19th January 2022 – showing elements relating to the HRA only.

Councillor Mercer would arrange for a report on stock control at some point in the future. Councillor Harrison commented that this was something that could be discussed through the EAP.

Right to buy receipts

Officers provided an explanation on how the right to buy scheme, introduced in 1980, works. Qualifying tenants have the right to buy their council home with a substantial discount, which increases with the length of a tenancy to a maximum limit as follows:

- Houses - the discount is set at 35 per cent of the property value plus 1 per cent for each year beyond the qualifying period of 5 years up to a maximum of 70 per cent
- Flats - the discount starts at 50 per cent and rises by 2 per cent each year up to a maximum of 70 per cent.
- The maximum discount is £84,600 across England, except in London boroughs where it is £112,800. It increases in April each year in line with the consumer price index (CPI).
- Must have held a tenancy with any council or housing association for at least 3 years & have a secure tenancy at time of application.

The right to buy assumptions for both Kettering and Corby had been factored into next year's budget and the complex calculation process was explained in more detail.

From 1 April 202 changes had come into effect on how 1-4-1 receipts could be used. This included:

- Increasing the time limit for the use of the receipts from three to five years this covers not just future receipts but existing ones (i.e. back to 2017- 18).
- That the use of 1-4-1 Receipts to fund eligible expenditure for the provision of new homes be increased from 30% to 40%.
- Introduction of a cap on the use of Right to Buy receipts on acquisitions to help drive new supply with the phased introduction, with the cap limiting acquisitions to 50% of delivery from 1st April 2022, then reducing to 40% from 1 April 2023, and to 30% from 1st April 2024 onwards. The first 20 units of delivery in each year will be excluded.

- Members asked if the 20 units were for North Northamptonshire?

  MD clarified that the 20 units were for North Northamptonshire and not each separate account.

- Clarification was sought that for each right to buy sale the council was making a small loss.

  MD advised that the RTB scheme is a national scheme and tenants can acquire homes at a discounted price again set by Government.

- Members thanked officers for the clear explanation and commented that numbers were more favourable than previous information had indicated. Clarity was sought about the percentage of the receipt that could be used to invest.

MD confirmed that 40% of the receipt could be invested, with 60% having to be funded directly by NNC.

- The administration fee seemed particularly low. Was that correct and was a loss being made?

  MD clarified that this figure was set nationally.

- Who pays the stamp duty?

  Stamp duty would be paid by the tenant on the purchase as they were the buyer of the property.

- Officers were asked to clarify that if upon the sale of one property could NNC build another property using 40% of the receipts and separately fund 60% from capital and would the property then return to the HRA for rental.

  MD confirmed that this would be delivered from the HRA programme – and that this reflected the funding split shown within the accounts.

- Would any receipts have to be returned if they were not spent.

  MD confirmed that NCC was not looking to return any receipts. Projects were on target for June 2024. An annual return was submitted to government, and a request for the return of receipts could be made if monies were not spent. The timeframe was closely monitored to ensue schemes were brought forward and the period for using 1 4 1 receipts has been increased from 3years to 5 years.

- With regard to the legal documentation could a clause be added to the contract to ensure that right to buy properties could **not** be used as an HMO in the future.

  KP confirmed there was a clause relating to HMO's within the legal documentation, but she would see if this could be enhanced.

3. Close

The chair thanked all for attending and closed the meeting at 4.10pm.

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