

Executive 14th July 2022

Report Title	Budget Forecast 2022/23 as at Period 2
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Lead Member(s)	Councillor Lloyd Bunday, Executive Member for Finance and Transformation

Key Decision	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Is the decision eligible for call-in by Scrutiny?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Are there public sector equality duty implications?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information (whether in appendices or not)?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Applicable paragraph number/s for exemption from publication under Schedule 12A Local Government Act 1972	

List of Appendices

Appendix A – Savings Schedule

1. Purpose of Report

- 1.1. The revenue budgets (2022/23) and Medium-Term Financial Plans for North Northamptonshire Council for the General Fund and the Housing Revenue Account were approved by Council at its meeting on 24th February 2022. The purpose of this report is to set out the forecast outturn position for the Council based on the Period 2 monitoring forecasts for the General Fund and the Housing Revenue Account.
- 1.2. The monitoring report sets out the material financial issues identified since the 2022/23 budget was set in February 2022, based on the income and expenditure as at end of May 2022 (Period 2) and reflects the views of the Assistant Directors and Budget Managers.
- 1.3. The report recognises that the forecast outturn position is based on indications of income and expenditure. As part of the ongoing monitoring process, work will continue to examine income and expenditure and activity data, against the available budgets to support the position presented and also help to shape the medium-term financial plan.

- 1.4. This report was submitted to the Executive for consideration at its meeting on 14th July 2022.

2. Executive Summary

- 2.1 This report provides commentary on the Council's current forecast for the revenue outturn position for 2022/23 based on the information available as at Period 2 (end May 2022). This includes both the General Fund and the Housing Revenue Account. The Council will continue to assess and refine the forecasts on a regular basis using the latest intelligence available. The forecast presented in the report is based on the best available data and information of the operations of the Council. However, determining the outturn at this stage of the financial year, with limited data on actual spend and areas of uncertainty posed by inflation and other factors, presents an element of risk which will continue to be closely monitored during the year.
- 2.2 The Council retains a level of contingency within the base budget, which is referred to elsewhere in this report. The contingency can be used to manage risks and other changes, including pressures that were unknown at the time the budget was set. At present the contingency is considered to be fully committed by year end, however, if the contingency budget is not used then it can fall back to support the reserves position for future years.
- 2.3 At this point it should be noted that the balances on the reserves brought forward to the Council for the start of the year will not be agreed until the accounts of its predecessor Councils are signed off. The following table provides an update on the current position for the four former Council's in North Northamptonshire:

Legacy Authority	2019/20	2020/21	Comments
Kettering	Completed	Completed	
Wellingborough	Completed	Completed	
Corby	Audited	Draft Accounts	Awaiting outcome of asset valuation to sign off accounts for 2019/20. Draft accounts for 2020/21 being finalised.
East Northamptonshire	Completed – awaiting formal sign off	Draft Accounts	Draft Accounts have been Issued for 2020/21. Audit commenced June.

- 2.4 The closure of the 2020/21 accounts for the former County Council is being led by West Northamptonshire Council. This has been progressing well, with a small number of outstanding items requiring confirmation, this includes a national issue regarding the treatment of infrastructure assets.

3. Recommendations

- 3.1 It is recommended that the Executive:
- a) Note the Council's forecast outturn position for 2022/23 as summarised in Section 4, alongside the further analysis, risks and other considerations as set out from Section 5 of the report onwards.
 - b) Note the assessment of the current deliverability of the 2022/23 savings proposals in Appendix A.
 - c) Approve the inclusion of a grant and associated expenditure of £98k in respect of support for developing the Council's approach to Social Care Reforms. See paragraph 5.23.
 - d) Approve the use of earmarked reserves totalling £3.938m to mitigate in year pressures relating to Home to School Transport, short-term vehicle leasing costs, commercial income for grounds maintenance and facilities management from the previous Wellingborough NORSE contract, and Knuston Hall as referenced in paragraphs 5.33 and 5.37 respectively.
 - e) Approve an increase in the gross budget of £2.696m to provide support for families and individuals in specific financial hardship to be funded from the Household Support Fund 2 grant of £2.466m as reported to Executive in June and a further contribution of £230k from the Public Health Reserve to underwrite the potential shortfall in the School Holiday Food Voucher Scheme over the Summer break. See paragraphs 5.49 and 5.50.
 - f) Note the use of £650k of the contingency budget to support the Maintained Nurseries as previously agreed by Council.
 - g) Note the use of £1.150m of the contingency budget to fund a salary increment for all eligible employees in 2022/23. This will include staff not at the top of their grade where their protected TUPE terms and conditions of employment have no contractual entitlement to incremental progression as agreed by the Employment Committee at meeting on 28th June 2022, alongside staff with a contractual entitlement to increments. See paragraph 5.53.
- 3.2 Reason for Recommendations – to note the forecast financial position for 2022/23 as at Period 2 and consider the impact on this year and future years budgets.

4. Report Background

General Fund

- 4.1 The Council's Revenue Budget for 2022/23 was set at the Council meeting on the 24th February 2022. The overall outturn forecast for the General Fund for 2022/23, as at Period 2 is a forecast overspend of £237k against the approved budget of £295.9m. This is summarised in the table below:

General Fund Forecast Outturn 2022/23			
	Net Budget £m	Forecast Position at 31/03/2023 £m	Forecast Variance £m
Net Available Resources	295.907	295.907	0.000
Total Corporate Budgets	26.994	26.994	0.000
Children and Education	63.144	62.059	(1.085)
Adults, Communities and Wellbeing Services	116.177	116.272	0.095
Place and Economy	55.031	56.095	1.064
Enabling and Support Services	34.561	34.724	0.163
Total Directorate Budgets	268.913	269.150	0.237
Total Budget	295.907	296.144	0.237
Net Position	0.000	0.237	0.237

4.2 The forecast position at Period 2 is an overspend of £237k this is summarised in the following Table.

	Report Reference	Net Budget £000	Forecast Variance £000
Children and Education		63,144	(1,085)
Assistant Director of Education	5.7	6,009	(637)
Commissioning and Partnerships	5.11	57,135	(448)
Adults, Communities and Wellbeing Services		116,177	95
Adult Services	5.17	89,796	0
Safeguarding and Wellbeing	5.17	10,383	0
Commissioning and Performance	5.17	6,378	0
Public Health	5.26	138	0
Housing and Community Services	5.27	9,482	95
Place and Economy		55,031	1,064
Assets and Environment	5.32	670	398
Growth and Regeneration	5.34	3,891	0
Highways and Waste	5.36	46,999	666
Regulatory Services	5.38	2,130	0
Directorate Management	5.40	1,341	0
Enabling and Support Services		61,555	163
Finance and Corporate	5.41	38,446	0
Chief Executive	5.42	1,998	21
HR, Legal and Democratic Services	5.43	8,593	215
Transformation	5.45	12,518	(73)
Total		295,907	237

Housing Revenue Account

- 4.3 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.
- 4.4 Within North Northamptonshire prior to 1 April 2021 there were two HRA accounts, covering the sovereign Councils of Kettering and Corby respectively. As part of the move to a single unitary council for North Northamptonshire, there was a statutory requirement to create a single HRA for the area. Whilst North Northamptonshire Council must only operate one HRA it will, for a period of time, operate two separate Neighbourhood Accounts, these being:
- the Corby Neighbourhood Account - responsible for the stock that was managed by Corby Borough Council and
 - the Kettering Neighbourhood Account - responsible for the stock that was managed by Kettering Borough Council.
- 4.5 The Council's overall outturn forecast for the Housing Revenue Account as at Period 2, is a forecast underspend of £267k against the approved budget of £36.270m. This is summarised in the table below and further details are set out in Section 6. It is important to note that this is subject to continual review.

Housing Revenue Account Forecast Outturn 2022/23				
Directorate	Budget			P2 Forecast Variance at 31/03/23 £'000
	Expenditure	Income	Net	
	£'000	£'000	£'000	
Corby Neighbourhood Account	20,141	(20,141)	0	(249)
Kettering Neighbourhood Account	16,129	(16,129)	0	(18)
Net Position 2022/23	36,270	(36,270)	0	(267)

5. Overview of Forecast Position 2022/23

Available Resources and Corporate Costs

- 5.1 The Council is responsible for the collection of local taxes (Council Tax and Business Rates). At the end of May 2022 20.10% of Council Tax had been collected. Business Rates collection is 19.77% at the end of May 2022.
- 5.2 It is unknown how businesses will be affected in the longer term following the reduction / cessation of financial support. Further to this discretionary rate relief applications have been issued and the impact of the subsequent awards is likely to be positive on the collection rate.

Corporate Resources

- 5.3 The total net budget for Corporate Resources is £27.0m which consists of the contingency budget and budgets for treasury related costs.
- 5.4 The contingency budget is held to meet unknown or unplanned/ unbudgeted costs. The contingency budget for 2022/23 was £4.750m and as at Period 2 the balance is £2.950m. The movement relates to a virement of £650k to Children and Education Services to provide additional one-off grant to each of the Council's four maintained nurseries in 2022/23 together with a further £1.150m of the contingency has been used to fund the cost of salary increments as set out in paragraphs 5.51 to 5.53.

Directorate Budgets

- 5.5 This section of the report provides an analysis of the forecast variations against the 2022/23 General Fund for each of the Directorates as set out in the table at paragraph 4.2.

Children's Services Directorate

- 5.6 The budget for Children's and Education Services includes the Commissioning and Partnerships including Northamptonshire Children's Trust and Education Services not funded by the Dedicated Schools Grant.
- 5.7 The net forecast position for Period 2 for Children's and Education Services is an underspend of £1.085m. The forecast outturn position consists of a net underspend of £637k in Education Services and £448k in Commissioning and Partnerships, which also includes the Northamptonshire Children's Trust contract sum.

Education

Assistant Director of Education	£'000
Expenditure	9,407
Income	(3,399)
Net Budget	6,009
Forecast	5,372
Variance	(637)

- 5.8 The forecast underspend relating to Education Services comprises of the following variances.
- 5.9 The Teacher's Pension Strain was disaggregated between the North and West, the 2021/22 budget assumed a split 44% North and 56% West which was in line with the contract sum. The budget for the North was £1.109m, however following a further review, the cost to the North was revised to £834k. This resulted in forecast underspend of £275k.

- 5.10 The Teacher's Pension Strain is funded from DSG and was previously understated this has resulted in additional DSG income of £462k. This has been partially offset by reduction of around £100k which is based on the 2021/22 outturn. This is an area that will be subject to review. This results in a net benefit of £362k.

Commissioning and Partnerships

- 5.11 The net revenue budget for Commissioning and Partnerships is set out in the table below, this includes the Northamptonshire Children's Trust.

Commissioning and Partnerships	£'000
Expenditure	62,816
Income	(5,681)
Net Budget	57,135
Forecast	56,687
Variance	(448)

- 5.12 The budgeted figure for the Children's Trust is £137.45m for 2022/23. This is split £60.70m (44%) to North Northamptonshire Council and £76.75m (56%) to West Northamptonshire Council. At this stage Officers are working with the Trust and a forecast position will be confirmed for the Period 3 monitoring.

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

- 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

- 5.14 The Council's share of the NCT contract agreement in 2022/23 is £60.7m. Included within the contract sum was an amount for support services provided to NCT by both the North and West, of which NNC budgeted to receive £1.758m. This assumed support services were provided in line with how the contract sum had been split. However, it is anticipated that NNC will provide less support services at the same level as the prior year. This will in effect reduce the Council's income to £1.258m resulting in a pressure of £500k. In addition, the Council is forecasting to receive reduced DSG income which will result in a pressure of £154k. This has been mitigated in full through budgetary provision of £691k which was to meet any unforeseen pressures within the Commissioning Service, resulting in a net saving of £37k.

- 5.15 The NCT contract sum of £60.7m included government grants that were in scope and were to be paid over to NCT via both the North and West. The North's budget included £3.014m for these grants, however the actual level of grant based on the contract split amounts to £3.415m, which results in a net benefit

to the Council of £401k. In addition there are minor favourable variances of £10k.

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

Adults, Communities and Wellbeing Directorate

- 5.17 The revenue budget covers Adult Social Services, Community Services and Public Health and Wellbeing. The details of the forecast are set out in the paragraphs which follow.

Adults, Communities and Wellbeing Directorate

Adult Social Care, Safeguarding and Wellbeing and Commissioning and Performance Services

Adult Services	£'000
Expenditure	106,937
Income	(17,141)
Net Budget	89,796
Forecast	89,796
Variance	0

Safeguarding and Wellbeing	£'000
Expenditure	16,536
Income	(6,153)
Net Budget	10,383
Forecast	10,383
Variance	0

Commissioning and Performance	£'000
Expenditure	14,503
Income	(8,124)
Net Budget	6,378
Forecast	6,378
Variance	0

- 5.18 Under the 2014 Care Act, local authority Adults Services have a responsibility to make sure that people aged over 18 years who live in their areas are provided with personal day to day care (helping people get dressed, washed, going to the bathroom, eating etc) where they cannot do things for themselves or access family support. The service also provides other physical or psychological support to people with disabilities in order to help them live a full life. The overriding responsibility is to keep people safe and protect them from harm or neglect.
- 5.19 Care can take in many forms and can be provided directly by the Council, through contracted organisations or families can receive a personal budget to

buy suitable care for themselves. Although receiving formal or long-term care is subject to people meeting the Council's eligibility criteria, the service also has a key responsibility for helping people to stay independent and preventing or delaying the need for care.

- 5.20 The service has supported an uplift award of 6.5% to care providers for providing care packages on framework rates during 2022/23, this is expected to cost approximately £2.7m during the year which has been met through additional investment in Adult Social Care as part of the 2022/23 budget setting process.
- 5.21 Within Adult Social Care there is £3.6m 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 acute care needs for existing clients, rather than increased clients due to demographic changes. However, it is too early to confirm whether this trend will continue in North Northamptonshire.
- 5.22 To support with the implementation of the Adult Social Care reform £852k of grant has been allocated in 2022/23. The impacts of social care reform include 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. It also includes the introduction of fair cost of care
- 5.23 In addition to this a new grant has been awarded to support local authorities to prepare for reform in Adult Social Care for NNC this is an additional £98k and Members are asked to approve the inclusion of this funding and additional expenditure.
- 5.24 The existing savings programme includes saving proposals being delivered over a number of financial years. These include savings proposals that formed part of the Future Northants Transformation Programme covering:
- Admissions Avoidance Service (£0.647m), which is a new service (initially funded by the business rates pilot fund) provided by Adult Social Care with health partners. The Admission Avoidance care model focuses on patients/clients presenting at acute hospitals with relevant conditions who can be rapidly assessed, diagnosed and treated without being admitted to a ward, if clinically safe to do so. Currently the Crises Response Team supports the back door discharges at the acute hospitals, where Admission Avoidance will focus on the significant opportunity to provide care on/at the front door to avoid hospital admissions and care costs increases client outcomes.
 - Strength Based Working Project (£2.2m) which is the Transformation of Adults Services pathways and processes to ensure focus on client outcomes, independence, better decision making, and best practice approaches reduce delays and spend.
- 5.25 The current forecast is a breakeven position with any pressures mitigated within the service. The service is heavily influenced by demand and, as such, is

subject to volatility - therefore the position will be kept under close review as the year progresses.

Public Health

- 5.26 Public Health and Wellbeing the gross expenditure budget is funded by Public Health England and other grants. This area is currently forecast to be on budget.

Public Health	£'000
Expenditure	19,956
Income	(19,818)
Net Budget	138
Forecast	138
Variance	0

Housing and Community Services

- 5.27 Housing and Community Services includes provision of housing services and support for homeless people. It also includes libraries, cultural facilities (such as museums, theatres, art galleries and heritage sites), sports and leisure facilities (such as swimming pools, tennis courts, golf, playing pitches, indoor courts/sports halls etc), archaeological archiving and activities and access to parks and open spaces for play and recreation. The Service is also responsible for community grants as well as providing education and outreach services and advice and support.

Housing and Community Services	£'000
Expenditure	15,744
Income	(6,262)
Net Budget	9,482
Forecast	9,577
Variance	95

- 5.28 The forecast includes a pressure of £95k relating to the under achievement of income at the Lodge Park Sports Centre in Corby due to income being at a lower level than before COVID-19.
- 5.29 The forecast also includes a pressure of £200k on the electricity and gas budgets of £280k for the Corby International Pool. This reflects an increase of around 70% due to the current market conditions where utility costs have increased significantly.
- 5.30 These pressures are partially off-set by additional revenue of £200k for temporary accommodation within the homelessness service where housing policies have been harmonised.

Place and Economy

- 5.31 The Place and Economy budget covers the following four areas:

- Assets and Environment
- Growth and Regeneration
- Highways and Waste
- Regulatory Services
- Management Costs

Assets and Environment

5.32 Assets and Environment, includes Facilities Management, Property Estate Management, Energy and Fleet Management, Grounds Maintenance, Parks and Open Spaces and On and 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 and heritage sites, demand for commercial rental spaces, use of office space and use of energy.

Assets and Environment	£'000
Expenditure	22,131
Income	(21,461)
Net Budget	670
Forecast	1,068
Variance	398

5.33 The Assets and Environment Service is forecasting a pressure £398k. The main variances within the Service are outlined below

- **Country Parks and Outdoor Learning** (£681k - Pressure).
This relates to projected loss of income at Knuston Hall of £614k as a result of the current closure and a projected pressure of £67k within Country Parks relating to salaries and repairs and maintenance.
- **Grounds Maintenance** - (£43k - Favourable)
This relates to a £29k pressure for equipment and a reduction in income of £17k due to an increase in grounds maintenance works. This is offset by funding of £89k from the Local Authority Treescape Fund (LATF).
- **Car Parks (Corby)** – (£62k - Pressure)
Relates to the payment of business rates.
- **Public Realm (Wellingborough)** – (£63k - Pressure)
Public Realm additional staffing costs for works relating to the Corby Town Investment Plan.
- **Facilities Management-** (£109k - Pressure)
Additional pressures for the running costs of the Council's Depot.
- **Fleet Vehicles** – (£140k - Pressure)
Relates to an estimated increase in the cost of fuel and cost leasing.
- **Services provided by the former Wellingborough Norse contract** – (£932k - Pressure)
£290k relates to the additional costs of short-term leasing of fleet. The remaining pressure relates to commercial income for grounds maintenance and facilities management which Wellingborough NORSE provided but which are not being delivered by North Northamptonshire Council.

- **Mitigation** – (£1.546m - Favourable)
The pressures relating to services previously delivered by Wellingborough NORSE, and Knuston Hall will be underwritten this year through the use of reserves, subject to Executive approval of the recommendation within the draft outturn report for 2021/22 elsewhere on this agenda. This will provide the capacity to enable a longer-term approach to be established and in advance of the future budget strategy. The remaining variances will be looked at within the Directorate to identify how these are to be mitigated going forward.

Growth and Regeneration

- 5.34 Growth and Regeneration includes Planning Services, Economic Development, Growth and infrastructure, Regeneration, Digital Infrastructure, Climate Change and Flood and 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.
- 5.35 This area is projecting a balanced budget at Period 2

Growth and Regeneration	£'000
Expenditure	7,307
Income	(3,416)
Net Budget	3,891
Forecast	3,891
Variance	0

Highways and Waste

- 5.36 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.

Highways and Waste	£'000
Expenditure	52,613
Income	(5,615)
Net Budget	46,998
Forecast	47,664
Variance	666

- 5.37 Highways Waste Service is forecasting a pressure of £0.666m. The variances within the Service are outlined below:

- **Highways and Traffic Management** – (£185k - Pressure)
This relates to a £185k pressure on Netcom due to an increase in energy costs on traffic signals. Work is ongoing to assess the inflationary pressures in relation to the PFI Contract.
- **Transport and Contract Management** – (£2.392m - Pressure)
This relates to an overall pressure on the Home to School transport budget (£275k is on mainstream transport, £67k is on post 16 transport and £2.054m is on SEN transport). Further work is being undertaken with regard to the Home to School Transport team to confirm the position prior to disaggregation.
- **Waste Management** – (£481k - Pressure)
This relates to a pressure on domestic waste disposal and assumes the same tonnages in 2022/23 as 2021/22 and reflects an increase in price per tonne.
- **Mitigation** – (£2.392m - Favourable)
The pressures relating to Transport and Contract Management will be mitigated through the use of reserves, subject to Executive approval of the contribution to reserves as recommended in the Draft Outturn Report 2021/22 elsewhere on this agenda. This will continue to be reviewed to establish the longer-term approach and budget requirement in advance of the future budget strategy. The remaining areas of variance will be investigated to explore how these can be mitigated.

Regulatory Services

- 5.38 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.

Regulatory Services	£'000
Expenditure	6,998
Income	(4,868)
Net Budget	2,131
Forecast	2,131
Variance	0

- 5.39 Regulatory services is forecasting an overall nil variance. However, there are some variances within the Service, and these are outlined below:
- **Building Control** (£23k adverse)
This is made up of a projected salary underspend of £109k due to vacancies, offset by the cost of employing agency staff to cover some vacancies of £81k. There is projected loss of income of £51k relating to Building Control and Local Land charges.
 - **Environmental Health** (£95k favourable)
Relating to a salary underspend due to vacancies (£100k) and an overspend of £5k on the Dog Kennels' budget.
 - **Licencing** (£95k favourable)

Relating to salary underspend due to vacant posts of £193k, offset by the cost of employing agency staff to cover vacancies of £104k and a £6k savings on professional fees.

- **Trading Standards** (£35k adverse)
Net overspend relating to the employment of a CX Database Consultant after offsetting against salary underspends.
- **Bereavement Services** (£65k adverse)
Relates to projected loss of income in the service at Wellingborough - this is an area that is currently being reviewed.

Place and Economy Management

- 5.40 This area includes the management costs for the Place and Economy Directorate and is forecast to be on budget.

Directorate Management	£'000
Expenditure	1,341
Income	0
Net Budget	1,341
Forecast	1,341
Variance	0

Enabling and Support Services

- 5.41 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 and Chief Executive

Finance, Procurement and Revenues and Benefits Service

Finance and Corporate	£'000
Expenditure	82,111
Income	(70,658)
Net Budget	11,452
Forecast	11,452
Variance	0

- 5.42 Finance, Procurement and Revenues and Benefits Service is currently forecast to be on budget.

Chief Executive's Office

Chief Executive	£'000
Expenditure	2,037
Income	(39)
Net Budget	1,998
Forecast	2,019
Variance	21

- 5.43 There is a forecast pressure of £21k in the communications team budget relating to a historic income target which is not considered achievable and which arose from disaggregation.

HR and Governance

HR, Legal and Democratic Services	£'000
Expenditure	11,022
Income	(2,429)
Net Budget	8,593
Forecast	8,808
Variance	215

- 5.44 There is a forecast pressure of £115k relating to income targets that are no longer considered achievable within HR and Health and Safety following disaggregation of the services and associated budgets.
- 5.45 There is an anticipated pressure of £100k in the coroner's service related to the usage of the leys storage facility, which is a cold storage facility brought into use in late 2021/22. The cost pressure has also increased due to rising utilities costs.

Transformation

Transformation	£'000
Expenditure	12,806
Income	(289)
Net Budget	12,518
Forecast	12,445
Variance	(73)

- 5.46 There is a forecast pressure of £70k within the Customer Services team arising from the issuing of blue badges. This cost was not included in the original budget disaggregation and was not identified within the budget setting for 2022/23.
- 5.47 There are other small anticipated pressures across the Directorate totalling £57k, arising mainly from software licensing.
- 5.48 There is an anticipated underspend of £565k on salaries within the transformation team predominantly due to vacancies and the anticipated timing

of recruitment, £365k of this is being funded through reserves so has no bottom-line impact on the budget and £200k is reflected as a saving.

Household Support Fund 2

- 5.49 It was reported to the June meeting of the Executive that the Council had received a grant of £2,465,491 from the Department for Work and Pensions (DWP) for the Household Support Fund 2 for distribution across households in North Northamptonshire. This will be allocated, via various packages, to eligible families and individuals in specific financial hardship. Funds must be issued by 30th September 2022.
- 5.50 Funding has been identified to provide Summer School Holiday Food Vouchers to cover five of the six weeks of the School Summer Holidays. In reality there may be further capacity to meet the full six weeks dependent upon the take up of the vouchers. However, to ensure that the full six weeks are funded, it is proposed that £230,000 is made available from the Public Health Reserve to underwrite any shortfall. The funding will only be drawn down if needed.

Salary Increments 2022/23

- 5.51 The Council has a range of pay and terms and conditions for its employees as a result of local government reorganisation. Staff transferring to North Northamptonshire Council on 1st April 2021 transferred on the terms and conditions they were subject to at their predecessor authorities.
- 5.52 Whilst those employees who transferred on nationally agreed pay and terms and conditions, and those who have been appointed to NNC since 1 April 2021 will contractually receive an annual salary increment (subject to being in post for 6 months prior to 1st April 2022 and not being at the top of the corresponding grading structure), those on local terms and conditions or 'other' TUPE terms will not automatically receive a salary increment.
- 5.53 To support the Council's ambition to become an employer of choice and ensure fairness across the organisation, it was agreed by the Employment Committee at its June meeting that staff not at the top of their grade where their protected TUPE terms and conditions of employment have no contractual entitlement to incremental progression receive an increment. A number of staff are also contractually entitled to increments, and the total cost of increments is forecast to be around £1.150m which will be met from the Council's contingency budget.

6. Housing Revenue Account

- 6.1 Within North Northamptonshire prior to 1st April 2021 there were two HRA accounts, covering the sovereign Councils of Kettering and Corby respectively. As part of the move to a single unitary council for North Northamptonshire, there was a statutory requirement to create a single HRA for the area. Whilst North Northamptonshire Council must only operate one HRA it will, for a period of time, operate two separate Neighbourhood Accounts, these being.

Corby Neighbourhood Account

- 6.2 The forecast position for the Corby Neighbourhood Account at the end of Period 2 shows an underspend of £249k. This is summarised in the following Table;

Corby Neighbourhood Account			
	Current Budget 2022/23	Projection P2 2022/23	Variance
	£000	£000	£000
INCOME			
Rents - Dwellings Only	19,480	19,429	51
Service Charges	641	641	0
HRA Investment Income	20	20	0
Total Income	20,141	20,090	51
EXPENDITURE			
Repairs and Maintenance	5,676	5,620	(56)
General Management	5,275	5,119	(156)
HRA Self Financing	2,125	2,125	0
Revenue Contribution to Capital	3,876	3,876	0
Transfer To / (From) Reserves	1,972	1,972	0
Special Services	763	675	(88)
Other	454	454	0
Total Expenditure	20,141	19,841	(300)
Net Operating Expenditure	0	(249)	(249)

- 6.2 The forecast position for rental income from dwellings at Period 2 is £51k less income than budget – this is a result of the Right to Buy Sales being 12 more than the budgeted amount of 40 in 2021/22, resulting in a lower number of dwellings at 1st April 2022 resulting in a lower rental yield. At this stage the assumptions for the number of Right to Buy Sales in 2022/23 remain unchanged at 40 and the void rate remains unchanged at 0.90%. The number of sales and void rates are areas that will be closely monitored during the course of the year.
- 6.3 The savings within Repairs and Maintenance, General Management and Special Services which amount to £300k reflect a reduction in the cost of the insurance premium due to increasing the amount of insurance excess.

Kettering Neighbourhood Account

- 6.4 The forecast position for the Corby Neighbourhood Account at the end of Period 2 shows an underspend of £18k. This is summarised in the following Table;

Kettering Neighbourhood Account			
	Current Budget 2022/23	P2 Projection 2022/23	Variance
	£000	£000	£000
INCOME			
Rents - Dwellings Only	15,679	15,697	(18)
Service Charges	443	443	0
HRA Investment Income	7	7	0
Total Income	16,129	16,147	(18)
EXPENDITURE			
Repairs and Maintenance	4,025	4,025	0
General Management	2,857	2,857	0
HRA Self Financing	4,513	4,513	0
Revenue Contribution to Capital	2,728	2,728	0
Transfer To / (From) Reserves	208	208	0
Special Services	1,146	1,146	0
Other	652	652	0
Total Expenditure	16,129	16,129	0
Net Operating Expenditure	0	(18)	(18)

- 6.5 The forecast position for rental income from dwellings at Period 2 is £18k more than budget – there is additional rental income of £36k as a result of the Right to Buy Sales being eight less than the budgeted amount of 30 in 2021/22, resulting in a higher number of dwellings than budgeted at 1st April 2022 resulting in a higher rental yield. This is partially offset by a slightly higher void rate than budgeted which has resulted in a reduction in income of £18k. At this stage the assumptions for the number of Right to Buy Sales in 2022/23 remain unchanged at 30. The number of sales and void rates are areas that will be closely monitored during the course of the year.

7. Conclusions

- 7.1 The forecast is an overspend of £0.237m at the end of Period 2. This is an early indication of the pressures for the financial year and Service Directors will be working to mitigate these in-year. As noted in paragraph 7.3 below the Council does hold a contingency budget which, as yet, is not fully committed and potentially provides some capacity to offset the current overspend forecast. Similarly the Council has earmarked reserves available which may be used to offset these current risks.
- 7.2 The key risks which are set out in the report will continue to be monitored and mitigations sought as required throughout 2022/23. The achievement of the approved savings targets is also integral to this process and will continue to be closely monitored and reported.
- 7.3 The Council holds a contingency budget as referenced in paragraph 5.4. This will help to support costs arising from unforeseen risks and reflects good practice in mitigating and managing budget pressures which were not known at the time the budget was set.

8. Implications (including financial implications)

Resources and Financial

- 8.1 The financial implications are set out in this report. The current forecast position for the General Fund is an overspend of £237k and the Housing Revenue Account is forecasting an underspend of £267k.
- 8.2 The Council retains a contingency for in-year requirements which have not been specified at the time of budget setting. If the contingency is not utilised in year, then it can be used to replenish reserves for greater resilience and/or future use.

Legal

- 8.3 The provisions of the Local Government Finance Act 1992 set out requirements for the Council to set a balanced budget with regard to the advice of its Chief Finance Officer (Section 151 Officer).
- 8.4 The robustness of the budget estimates and the adequacy of the proposed reserves were considered under Section 25 of the Local Government Act 2003 prior to the Council agreeing its 2022/23 budget.

Risk

- 8.5 The deliverability of the 2022/23 Revenue Budget is monitored by Budget Managers. Where any variances or emerging pressures are identified during the year then mitigating actions will be sought and management interventions undertaken.
- 8.6 Details of pressures, risks and mitigating actions implemented will be provided as part of the finance monitoring reports as the year progresses. The main risks identified include demand led services such as Adult Social Care, children's services and home to school transport together with the impact of high levels of inflation.
- 8.7 Whilst services will work hard to offset pressures, the Council holds a contingency and a number of reserves to help safeguard against the risks inherent within the budget for 2022/23.

Consultation

- 8.8 The 2022/23 budget was subject to consultation prior to approval by Council in February 2022.

Climate Impact

- 8.9 Among the new Council's priorities will be putting in place plans to improve the local environment and tackle the ongoing climate emergency. Where these have a financial impact then it will be reflected in the budget.

Community Impact

- 8.10 No distinct community impacts have been identified because of the proposals included in this report.

9. Issues and Choices

- 9.1 The report focuses on the forecast revenue outturn against budget for 2022/23 and makes recommendations for the Executive to note the current budgetary position as such there are no specific choices within the report.

10. Background Papers

- 10.1 The following background papers can be considered in relation to this report.

Final Budget 2022/23 and Medium-Term Financial Plans, including the Council Tax Resolution, North Northamptonshire Council, 24th February 2022.

Monthly Budget Forecast Reports to the Executive.