

## EXECUTIVE 25<sup>th</sup> August 2022

<b>Report Title</b>	Budget Forecast 2022/23 as at Period 3
<b>Report Authors</b>	Janice Gotts, Executive Director of Finance <a href="mailto:Janice.gotts@northnorthants.gov.uk">Janice.gotts@northnorthants.gov.uk</a>
<b>Lead Member</b>	Councillor Lloyd Bunday, Executive Member for Finance and Transformation

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

### 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 24<sup>th</sup> February 2022. The purpose of this report is to set out the forecast outturn position for the Council based on the Period 3 (June 2022) 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 June 2022 (Period 3) 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. Some areas remain unchanged from the previous report, however, the detail of these variances is included within the report for completeness.

## **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 3 (June 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 as the year progresses. The forecast presented in this report is based on the best available data and information of the operations of the Council at the time. Determining the outturn at this comparatively early 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 with regard to the forecast and this will continue to be closely monitored during the year.
- 2.2 The financial position for the Council as at Period 3 is a forecast overspend of £4.277m. This is due to a number of variances across the Council as set out in the report, however, the most significant factor is related to the position for Northamptonshire Children's Trust which is forecasting an overspend of c£7.9m across the County, of which £3.5m (44%) is attributed to North Northamptonshire Council. Inflation is also having an impact on the forecast spend position and, with the national picture suggesting that this will continue to remain high, this is being kept under review with mitigation measures being sought.
- 2.3 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 primarily due to the risks posed by inflation and the potential pay award which is anticipated to exceed the budget that was originally set aside. If the contingency budget is not used in full, then it can fall back to support the reserves position for future years.
- 2.4 The Council also holds a number of earmarked reserves. 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	Completed	Draft Accounts	Draft accounts for 2020/21 being finalised.
East Northamptonshire	Completed	Draft Accounts	Draft Accounts have been Issued for 2020/21. Audit commenced June.

- 2.5 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 in Section 5 and Section 6 of the report.
  - b) Note the assessment of the current deliverability of the 2022/23 savings proposals in **Appendix A**.
- 3.2 Reason for Recommendations – to note the forecast financial position for 2022/23 as at Period 3 and consider the impact on this year and future years budgets.
- 3.3 Alternative Options Considered: 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

### 4. Report Background

---

#### General Fund

- 4.1 The Council's Revenue Budget for 2022/23 was set at the Council meeting on the 24<sup>th</sup> February 2022. The overall outturn forecast for the General Fund for 2022/23, as at Period 3 is a forecast overspend of £4.277m against the budget of £300.075m. This is summarised in the following table:

<b>General Fund Forecast Outturn 2022/23</b>			
	<b>Net Budget £000</b>	<b>Forecast Position at 31/03/2023 £000</b>	<b>Forecast Variance £000</b>
<b>Net Available Resources</b>	<b>300,075</b>	<b>300,075</b>	<b>0</b>
<b>Total Corporate Budgets</b>	<b>26,994</b>	<b>26,994</b>	<b>0</b>
Children and Education	64,024	66,727	2,703
Adults, Communities and Wellbeing Services	116,239	116,334	95
Place and Economy	58,909	60,830	1,921
Enabling and Support Services	33,909	33,467	(442)
<b>Total Directorate Budgets</b>	<b>273,081</b>	<b>277,358</b>	<b>4,277</b>
<b>Total Budget</b>	<b>300,075</b>	<b>304,352</b>	<b>4,277</b>
<b>Net Position</b>	<b>(0)</b>	<b>4,277</b>	<b>4,277</b>

***Note – Favourable variances are shown in brackets***

- 4.2 The Net Budget has increased by £4.168m from £295.907m in Period 2 to £300.075m in Period 3. This reflects the use of earmarked reserves of £3.938m which was approved by the Executive at the meeting on 14<sup>th</sup> July 2022, this was to mitigate against the in-year pressures relating to Home to School Transport and short-term vehicle leasing costs and commercial income reduction for grounds maintenance and facilities management from the previous Wellingborough NORSE contract and Knuston Hall respectively. The Executive also approved 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.
- 4.3 The forecast position at Period 3 is an overspend of £4.277m this is an adverse movement of £4.040m since the last report to Executive (Period 2) where an overspend of £237k was reported. The following table summarises the movement.

	Report Ref	Net Budget	P2 Forecast Variance	Movement in Forecast	P3 Forecast Variance
		£000	£000	£000	£000
<b>Children and Education</b>		<b>64,024</b>	<b>(1,085)</b>	<b>3,788</b>	<b>2,703</b>
Assistant Director of Education	5.9	6,889	(637)	(75)	(712)
Commissioning and Partnerships	5.13	57,135	(448)	3,863	3,415
<b>Adults, Communities and Wellbeing Services</b>		<b>116,239</b>	<b>95</b>	<b>0</b>	<b>95</b>
Adult Services	5.25	89,796	0	0	0
Safeguarding and Wellbeing	5.25	10,383	0	0	0
Commissioning and Performance	5.25	6,378	0	0	0
Public Health	5.36	138	0	0	0
Housing and Community Services	5.37	9,544	95	0	95
<b>Place and Economy</b>		<b>58,909</b>	<b>1,064</b>	<b>857</b>	<b>1,921</b>
Assets and Environment	5.42	2,231	398	241	639
Growth and Regeneration	5.45	3,891	0	(155)	(155)
Highways and Waste	5.47	49,601	666	554	1,220
Regulatory Services	5.50	2,109	0	217	217
Directorate Management	5.52	1,077	0	0	0
<b>Enabling and Support Services</b>		<b>60,903</b>	<b>163</b>	<b>(605)</b>	<b>(442)</b>
Finance and Corporate	5.54	37,796	0	(273)	(273)
Chief Executive	5.56	1,998	21	(45)	(24)
HR and Governance	5.57	8,591	215	(226)	(11)
Transformation	5.61	12,518	(73)	(61)	(134)
<b>Total</b>		<b>300,075</b>	<b>237</b>	<b>4,040</b>	<b>4,277</b>

### Housing Revenue Account

- 4.4 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.
- 4.5 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.

- 4.6 The Council's overall outturn forecast for the Housing Revenue Account as at Period 3, is a forecast underspend of £320k (Period 2 £267k Underspend) 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, particularly in light of inflationary pressures.

<b>Housing Revenue Account Forecast Outturn 2022/23</b>				
	<b>Budget</b>			
<b>Directorate</b>	<b>Expenditure</b>	<b>Income</b>	<b>Net</b>	<b>P3 Forecast Variance at 31/03/23</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Corby Neighbourhood Account	20,141	(20,141)	0	(262)
Kettering Neighbourhood Account	16,129	(16,129)	0	(58)
<b>Net Position 2022/23</b>	<b>36,270</b>	<b>(36,270)</b>	<b>0</b>	<b>(320)</b>

## 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 June 2022, 29.31% of Council Tax had been collected (June 2021 – 29.05%). Business Rates collection is 28.87% at the end of June 2022 (June 2021 – 27.97%).
- 5.2 It is unknown how businesses will be affected in the longer term following the reduction / cessation of financial support and the impact on consumers due to the cost-of-living challenges. 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 3 the balance is £2.950m which is unchanged to that reported in Period 2.
- 5.5 At this stage the contingency budget is currently being assumed to be used in full during the year. This will include inflationary and demand pressures as well

as helping to offset the potential additional cost of the pay award. Based on the current offer from the employers which, for the majority of staff, is a flat rate of £1,925 per employee, the pay award will be significantly higher than the 3% budgeted.

## Directorate Budgets

- 5.6 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

- 5.7 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.
- 5.8 The net forecast position for Period 3 for Children's and Education Services is an overspend of £2.703m. The forecast outturn position consists of a net underspend of £712k in Education Services and an overspend of £3.415m in Commissioning and Partnerships, which includes the Northamptonshire Children's Trust contract sum.

## Education

<b>Assistant Director of Education</b>	<b>£'000</b>
Expenditure	57,277
Income	(50,388)
<b>Net Budget</b>	<b>6,889</b>
Forecast	6,177
<b>Variance</b>	<b>(712)</b>

- 5.9 The forecast underspend relating to Education Services comprises of the following variances.
- 5.10 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 is £1.109m, however following a further review, the cost to the North was revised to £834k. This resulted in a forecast underspend of £275k, which is unchanged from Period 2.
- 5.11 The Teachers' 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 a reduction of £82k, resulting in a net benefit of £380k.
- 5.12 There are other variances across the services which impact favourably on the net forecast by £57k.

## Commissioning and Partnerships

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

<b>Commissioning and Partnerships</b>	<b>£'000</b>
Expenditure	62,816
Income	(5,681)
<b>Net Budget</b>	<b>57,135</b>
Forecast	60,550
<b>Variance</b>	<b>3,415</b>

- 5.14 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. The forecast outturn position for 2022/23 for the Children's Trust is an overspend of £7.930m. In accordance with the contract split percentage this equates to a pressure of £3.489m for North Northamptonshire.
- 5.15 The main reason for the forecast overspend of £7.930m relates to placements for children in care – this amounts to £7.643m. The market and availability of placements remains challenging. The placements budget will continue to remain under pressure as it remains extremely volatile both locally and nationally. The following table provide further detail around the pressure from placements. The Trust is working on how these pressures can be mitigated in the current and in future years.

<b>Placement Type</b>	<b>Net Budget £'000</b>	<b>Projected Outturn £'000</b>	<b>Variance £'000</b>
In House Fostering	8,542	8,342	(200)
Agency Foster Care Placements	14,924	16,507	1,583
Residential Placements	17,216	20,120	2,904
Supported Accommodation	3,312	6,348	3,036
18+ Agency Placements	4,806	5,540	734
Welfare Secure	308	310	2
Disabled Children's Placements	3,814	3,432	(382)
UASC	4,569	4,794	225
Remand Secure	274	15	(259)
<b>Total</b>	<b>57,765</b>	<b>65,408</b>	<b>7,643</b>

- 5.16 There are also pressures on transport costs of £558k, this is as a result of an increase in fuel costs. There is a risk that the inflation on transport costs could be above current levels and the recent increase in covid infections, may reduce the opportunities to reduce demand.
- 5.17 The current staffing budget across the Trust is projected to be £271k less than budget. Pressures exist within the Prevention and Safeguarding and Corporate Parenting services and in the agency market. These are offset by vacancies across the service.



- 5.18 There is a significant risk with staffing budgets for the Trust, the forecast incorporates an allowance for a 2% pay award, as provided in the contract sum. National announcements on the current pay offer will have an impact on projections, these discussions are currently ongoing nationally, once agreed the forecasts will be amended to reflect this. It is important to note that, due to the volatility in children's placements and other challenges, the Trust have reported a significant risk that their financial position could deteriorate further due to the pay award exceeding budget, further demand/cost pressures (particularly in placements and transport) and the achievement of planned savings. The Trust are currently working on developing proposals to mitigate their forecast pressures and this will be followed up as part of the governance arrangements between the Council and the Trust, which includes regular monitoring reports.
- 5.19 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
- 5.20 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 and this will be in line with those provided in the previous year. This will in effect reduce the Council's income to £1.258m resulting in a pressure of £500k.
- 5.21 The Council is forecasting to receive reduced DSG income which will result in a pressure of £618k. 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 benefit of £73k.
- 5.22 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 budget pressure of £29k.
- 5.23 The Children's Trust Budget is monitored in year through regular meetings between officers of both North and West Northamptonshire Councils and the Trust.

- 5.24 The forecast position of agency costs in period 3 reflects an overspend of £63k. This is fully offset by an underspend of £192k on salaries, resulting in a net saving of £129k.

#### **Adults, Communities and Wellbeing Directorate**

- 5.25 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**

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

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

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

- 5.26 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.
- 5.27 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.

- 5.28 The service has supported an uplift award of 6.5% to care providers for providing care packages on framework rates during 2022/23, this has been met through additional investment in Adult Social Care as part of the 2022/23 budget setting process.
- 5.29 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.
- 5.30 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
- 5.31 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.
- 5.32 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.
  - Other savings include the increased use of PPP block purchased beds (£0.932m) this will involve reducing the spend within the independent market and increase the use of the beds for hospital discharges.

- 5.33 The current forecast is a breakeven position, and the service will experience a fluctuation in demand between reporting periods. The service also uses historic trends to understand patterns of need to manage risks around this demand led service and forecast appropriately.
- 5.34 The current monitoring identifies a number of pressures within working aged adults, this is being offset with savings within services for older people, work is ongoing to realign these budgets. Further work continues to understand the potential risks to the forecast, particularly in light of inflation and any changes in demand.
- 5.35 Further examples of potential pressures include an unexpected increase in demand during the winter period, e.g., an increase in flu and other respiratory diseases, unexpected provider failures, additional pressures from acute hospitals, changes in caselaw and adverse weather. Mitigations would be sought to manage these pressures including the use of reserves. This is an area the Council will continue to monitor closely, and further updates will be provided in future reports.

### Public Health

- 5.36 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. There is a Public Health Reserve where any under or overspend will be transferred.

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

### Housing and Community Services

- 5.37 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.

<b>Housing and Community Services</b>	<b>£'000</b>
Expenditure	15,806
Income	(6,262)
<b>Net Budget</b>	<b>9,544</b>
Forecast	9,639
<b>Variance</b>	<b>95</b>

- 5.38 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.
- 5.39 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.
- 5.40 These pressures are partially offset by additional revenue of £200k for temporary accommodation within the homelessness service where housing policies have been harmonised.

### **Place and Economy**

- 5.41 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**

- 5.42 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.

<b>Assets and Environment</b>	<b>£'000</b>
Expenditure	22,823
Income	(20,592)
<b>Net Budget</b>	<b>2,231</b>
Forecast	2,870
<b>Variance</b>	<b>639</b>

- 5.43 The Assets and Environment Service is forecasting a pressure £639k (Period 2 - £398k). The main variances within the Service are outlined below
- **Country Parks and Outdoor Learning** (£159k – Pressure).  
This relates to a projected pressure of £95k resulting from additional security and insurance costs at Knuston Hall following the current closure of this facility. There is a projected pressure of £67k within Country Parks relating to salaries and repairs and maintenance and minor savings of £3k.
  - **Car Parks (Corby)** – (£62k - Pressure)

This relates to the cost of Business Rates for which no budgetary provision had been included within the legacy authority.

- **Public Realm (Wellingborough)** – (£63k - Pressure)  
Public Realm additional staffing costs for works relating to the Corby Town Investment Plan.
- **Facilities Management-** (£54k - Pressure)  
Additional pressures for the running costs of the Council's Depot (£161k). This has been partially offset by additional income following a number of favourable rent reviews (£107k)
- **Fleet Vehicles** – (£240k - Pressure)  
Relates to an estimated increase in the cost of fuel and leasing.
- **Minor Variances** for Assets and Environment amount to a pressure of £61k.

5.44 The Period 2 Monitoring report included pressures relating to Wellingborough NORSE (£932k) and Knuston Hall (£614k). The Executive at the meeting on 14<sup>th</sup> July agreed to underwrite these pressures through the use of reserves. This provides the capacity to enable a longer-term approach to be established which will form part of the future budget strategy and this is reflected in the P3 forecasts.

### **Growth and Regeneration**

5.45 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.

<b>Growth and Regeneration</b>	<b>£'000</b>
Expenditure	7,307
Income	(3,416)
<b>Net Budget</b>	<b>3,891</b>
Forecast	3,736
<b>Variance</b>	<b>(155)</b>

5.46 The Growth and Regeneration Service is forecasting a saving of £155k (Period 2 – Nil Variance). The main variances within the Service are outlined below

- **Planning Policy – (£25k Favourable)**  
This comprises of a salary underspend of £87k due to vacancies and is partially offset by income of £62k no longer being received from the Joint Planning Unit.
- **Development Management – (£95k Pressure)**  
There is a net pressure of £12k from salaries, agency costs and legal fees and a reduction in income of £89k. These pressures are partial offset by minor savings of £6k.
- **Economic Development – (£51k Favourable)**  
This comprises of a salary underspend of £101k due to staff vacancies and is partially offset by a reduction in income of £50k which relates to a grant which is no longer received.

- **Environment Planning and Transport Management – (£174k Favourable)**

There is a net underspend of £174k which relates to a legacy budget which is no longer required.

## Highways and Waste

- 5.47 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.

<b>Highways and Waste</b>	<b>£'000</b>
Expenditure	55,340
Income	(5,740)
<b>Net Budget</b>	<b>49,601</b>
Forecast	50,821
<b>Variance</b>	<b>1,220</b>

- 5.48 The Highways and Waste Service is forecasting a pressure of £1.220m (Period 2 £0.666m) The variances within the Service are outlined below:

- **Highways and Traffic Management – (£1.178m Pressure)**  
This relates to a forecast pressure of £1.033m for Streetlighting and a £185k pressure on Netcom (traffic signals) these are both as a result of increasing energy costs. There are also minor savings amounting to net £40k.
- **Waste Management – (£100k Pressure)**  
This relates to a pressure of £481k on domestic waste disposal and assumes the same tonnages in 2022/23 as 2021/22 and reflects an increase in price per tonne of £8.89. This is partially offset by additional income of £253k relating to a one-off performance payment from the contractor relating to the diversion of tonnages from land fill and a saving of £128k on the Household Waste Recycling Centre (HWRC) resulting from:
  - £14k saving from HWRC specialist waste disposal.
  - £33k saving on HWRC land fill tax.
  - £81k staffing and other efficiency savings.
- **Refuse and Recycling – (£145k Pressure)**  
There is a reduction of income of £125k on the from the Wellingborough Commercial Trade Waste Service and a £20k pressure on the Kettering and Corby supplies and services budget.
- **Transport and Contract Management – (£203k Saving)**  
This relates to a £47k salary saving. In addition, there is a £156k saving on concessionary fares as we are paying operators a fixed annual rate based on pre-Covid levels (i.e., an average for the actual number of journeys in the

winter months prior to the COVID-19 outbreak - December 2019 to February 2020 – as per the current methodology set by the Department for Transport (DFT)). The Executive on 22 April 2022 agreed to reimburse bus operators for concessionary travel at 100% of pre-Covid levels until 30th September 2022 and then at 90% of pre-Covid levels until 31st March 2023. The government are currently reviewing the guidance for 2023/24.

- 5.49 The Period 2 Monitoring report included pressures relating to Transport and Contract Management of £2.392m. The Executive at the meeting on 14th July agreed to underwrite these pressures through the use of reserves. This provides the capacity to enable a longer-term approach to be established which will form part of the future budget strategy and the use of the reserve is reflected in the P3 forecasts.

### Regulatory Services

- 5.50 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.

<b>Regulatory Services</b>	<b>£'000</b>
Expenditure	9,848
Income	(7,739)
<b>Net Budget</b>	<b>2,109</b>
Forecast	2,326
<b>Variance</b>	<b>217</b>

- 5.51 Regulatory services are forecasting a pressure of £217k (Period 2 – Nil Variance) The variances within the Service, are outlined below:

- **Building Control** (£30k Pressure)  
This is made up of a projected salary underspend of £181k due to vacancies, offset by the cost of employing agency staff to cover a number of these vacancies (£170k). There is projected loss of income of £41k relating to Building Control and Local Land charges.
- **Environmental Health** (£95k Saving)  
Relates to a salary underspend due to vacancies (£100k) and an overspend of £5k on the Dog Kennels' budget.
- **Licencing** (£95k Saving)  
Relating to salary underspend due to vacant posts of £182k, offset by the cost of employing agency staff to cover vacancies of £106k and a £19k savings on professional fees.
- **Resilience** (£21k Saving)  
Minor variances netting off to £21k.
- **Trading Standards** (£50k Pressure)  
Net overspends relating to the employment of a CX Database Consultant after offsetting against salary underspends.



- **Bereavement Services** (£308k Pressure)  
Relates to projected loss of income in the service at Wellingborough and Kettering - this is an area that is currently being reviewed.
- **Highways and Private Sewers and Countywide Travellers Unit** (£40k Pressure)  
Relates to pressure on Street Lighting and Electricity. Based on current costs.

### Place and Economy Management

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

<b>Directorate Management</b>	<b>£'000</b>
Expenditure	1,077
Income	0
<b>Net Budget</b>	<b>1,077</b>
Forecast	1,077
<b>Variance</b>	<b>0</b>

### Enabling and Support Services

- 5.53 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
- Chief Executive
- Human Resources and Governance
- Transformation, ICT and Customer Services

### Finance, Procurement and Revenues and Benefits Service

<b>Finance and Corporate</b>	<b>£'000</b>
Expenditure	81,460
Income	(70,658)
<b>Net Budget</b>	<b>10,802</b>
Forecast	10,529
<b>Variance</b>	<b>(273)</b>

- 5.54 There is a pressure of £277k relating to the Lead Authority Finance Operations Function as agreed by the lead authority board, this is partly offset by an underspend of £450k in relation to the disaggregation of legacy Pension budgets.
- 5.55 There is a forecast saving in relation to lower borrowing costs of £100k due to lower levels of external borrowing due to lower activity.

## Chief Executive's Office

Chief Executive	£'000
Expenditure	2,037
Income	(39)
<b>Net Budget</b>	<b>1,998</b>
Forecast	1,974
<b>Variance</b>	<b>(24)</b>

- 5.56 There is a forecast saving of £24k there is a pressure £21k in the communications team budget relating to a historic income target which are not considered achievable, and which arose from disaggregation. This is offset through staffing vacancies which amount to £45k.

## HR and Governance

HR and Governance	£'000
Expenditure	11,020
Income	(2,429)
<b>Net Budget</b>	<b>8,591</b>
Forecast	8,580
<b>Variance</b>	<b>(11)</b>

- 5.57 There is a forecast pressure of £115k (Period 2 - £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. This has in part been offset by additional income of £34k relating to one-off workforce development work. Resulting in a net pressure of £81k.
- 5.58 There are savings of £56k relating to lower costs within supplies and services and there are further minor favourable variances that amount to £46k.
- 5.59 There is an anticipated pressure of £100k in the coroner's service related to the usage of the ley's 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.
- 5.60 There are anticipated savings within Election Services of £70k related to staffing and further minor favourable variances that amount to £20k.

## Transformation

Transformation	£'000
Expenditure	12,806
Income	(289)
<b>Net Budget</b>	<b>12,518</b>
Forecast	12,384
<b>Variance</b>	<b>(134)</b>

- 5.61 There is a forecast pressure of £70k within the Customer Services team arising from the issuing of blue badges, this remains unchanged from Period 2. This was as a result of the disaggregation of the County Council's budget.
- 5.62 There is an anticipated underspend of £607k 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 £242k is reflected as a saving.
- 5.63 There are other small, anticipated pressures across the Directorate totalling £38k, (Period 2 - £57k) arising mainly from software licences.

## 6. Housing Revenue Account

- 6.1 Within North Northamptonshire prior to 1<sup>st</sup> 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 3 shows an underspend of £262k (Period 2 - £249k) This is summarised in the following Table.

<b>Corby Neighbourhood Account</b>			
	<b>Current Budget 2022/23</b>	<b>Projection P3 2022/23</b>	<b>Variance</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>INCOME</b>			
Rents - Dwellings Only	19,480	19,429	51
Service Charges	641	654	(13)
HRA Investment Income	20	20	0
<b>Total Income</b>	<b>20,141</b>	<b>20,103</b>	<b>38</b>
<b>EXPENDITURE</b>			
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
<b>Total Expenditure</b>	<b>20,141</b>	<b>19,841</b>	<b>(300)</b>
<b>Net Operating Expenditure</b>	<b>0</b>	<b>(262)</b>	<b>(262)</b>

- 6.2 The forecast position for rental income from dwellings at Period 3 is £51k less income than budget – this is a result of the Right to Buy Sales being 12 higher than the budgeted amount of 40 in 2021/22, resulting in a lower number of dwellings at 1<sup>st</sup> 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 50 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. This pressure is partial off-set by additional Service Charge Income of £13k.

- 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 Kettering Neighbourhood Account at the end of Period 3 shows an underspend of £58k (Period 2 - £18k). This is summarised in the following Table.

<b>Kettering Neighbourhood Account</b>			
	<b>Current Budget 2022/23</b>	<b>P3 Projection 2022/23</b>	<b>Variance</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>INCOME</b>			
Rents - Dwellings Only	15,679	15,693	(14)
Service Charges	443	446	(3)
HRA Investment Income	7	7	0
<b>Total Income</b>	<b>16,129</b>	<b>16,146</b>	<b>(17)</b>
<b>EXPENDITURE</b>			
Repairs and Maintenance	4,025	3,984	(41)
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
<b>Total Expenditure</b>	<b>16,129</b>	<b>16,088</b>	<b>(41)</b>
<b>Net Operating Expenditure</b>	<b>0</b>	<b>(58)</b>	<b>(58)</b>

- 6.5 The forecast position for rental income from dwellings at Period 3 is £14k higher than budget – there is additional rental income of £36k as a result of the Right to Buy Sales being eight lower 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 £22k. 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. There is a minor favourable variance on service charge income of £3k resulting in income being £17k higher than budget.
- 6.6 The forecast position on expenditure is £41k less than budget. This reflects lower spend on Repairs and Maintenance (£62k) and subcontractors (£123k) due to some services being brought back in-house. There are also savings on

services (£45k) and minor savings of £23k. The savings are partially offset by an increase in stocks and materials (£212k) which reflects inflationary pressures.

## **7. Conclusions**

---

- 7.1 The outturn position for 2022/23 is currently forecast to be an overspend of £4.277m based on the information as at the end of Period 3 (Period 2 - £237k). This is an early indication of the pressures for the financial year and Service Directors will be working hard to mitigate these in-year.
- 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 does hold a contingency budget (as referenced in paragraphs 5.4 and 5.5) which, as yet, is not fully committed. However, the Council is aware of the early stage of the forecast in the financial year and the risks posed in the current year through increasing inflation and the potential NJC pay award. Further to this, the Council has earmarked reserves available which may be applied to offset these current risks, if other mitigations are not found.

## **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 £4.277m (Period 2 - £237k) and the Housing Revenue Account is forecasting an underspend of £320k (Period 2 - £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 and Assistant Directors. 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. More recently, the announcement of the pay award offer has added further challenges to the budget position as it is in excess of the assumed budget position of 3%. Whilst contingency is available to help offset, this removes the capacity to manage other in-year risks and unknowns whilst the Council is still at an early point in the financial year.
- 8.7 The Council holds a number of reserves to help safeguard against the immediate risks to the Council's financial position. The Medium-Term Financial impact will be assessed as part of planning for future years and the development of the budget from 2023/24.

## **Consultation**

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

## **Climate and Environment 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, 24<sup>th</sup> February 2022.

Monthly Budget Forecast Reports to the Executive.