

EXECUTIVE 15th September 2022

Report Title	Budget Forecast 2022/23 as at Period 4
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Lead Member	Councillor Lloyd Bunday, Executive Member for Finance and Transformation

Key Decision	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Is the decision eligible for call-in by Scrutiny?	<input type="checkbox"/> Yes <input checked="" 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 for exemption from publication under Schedule 12A Local Government Act 1974	

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 2022/23 for the Council for the General Fund and the Housing Revenue Account.
- 1.2. This monitoring report sets out the material financial issues identified since the 2022/23 budget was set, based on the income and expenditure as at end of July 2022 (Period 4) and reflects the views of the budget managers within the Directorates.
- 1.3. 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 4 (July 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	Completed	Draft Accounts	Draft accounts for 2020/21 issued.
East Northamptonshire	Completed	Draft Accounts	Draft Accounts were approved by the Audit and Governance Committee on 5 th September. The final sign off is subject to the conclusion of the audit and that there are no material adjustments that impact on the Council's usable reserves.

- 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 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 4 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 24th February 2022. The overall outturn forecast for the General Fund for 2022/23, as at Period 4 is a forecast overspend of £4.608m against the approved budget of £300.075m. This is summarised in the table below

General Fund Forecast Outturn 2022/23			
	Net Budget £000	Forecast Position at 31/03/2023 £000	Forecast Variance £000
Net Available Resources	300,075	300,075	0
Total Corporate Budgets	26,994	26,994	0
Children and Education	64,024	66,806	2,782
Adults, Communities and Wellbeing Services	116,679	116,684	5
Place and Economy	58,469	60,923	2,454
Enabling and Support Services	33,909	33,276	(633)
Total Directorate Budgets	273,081	277,689	4,608
Total Budget	300,075	304,683	4,608
Net Position	(0)	4,608	4,608

Note – Favourable variances are shown in brackets

- 4.2 The net budget was 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 14th July 2022, this was 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. 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 4 is an overspend of £4.608m this is an adverse movement of £331k since the last report to Executive (Period 3) where an overspend of £4.277m was reported. The following table summarises the movement.

	Report Ref	Net Budget	P3 Forecast Variance	Movement in Forecast	P4 Forecast Variance
		£000	£000	£000	£000
Children and Education		64,024	2,703	79	2,782
Assistant Director of Education	5.8	6,318	(712)	347	(365)
Commissioning and Partnerships	5.16	57,706	3,415	(268)	3,147
Adults, Communities and Wellbeing Services		116,679	95	(90)	5
Adult Services	5.28	89,796	0	(90)	(90)
Safeguarding and Wellbeing	5.28	10,383	0	0	0
Commissioning and Performance	5.28	6,378	0	0	0
Public Health	5.39	138	0	0	0
Housing and Community Services	5.41	9,984	95	0	95
Place and Economy		58,469	1,921	533	2,454
Assets and Environment	5.46	1,791	639	397	1,036
Growth and Regeneration	5.49	3,891	(155)	111	(44)
Highways and Waste	5.51	50,057	1,220	25	1,245
Regulatory Services	5.54	2,109	217	0	217
Directorate Management	5.56	621	0	0	0
Enabling and Support Services		60,903	(442)	(191)	(633)
Finance and Corporate	5.3, 5.57	37,796	(273)	0	(273)
Chief Executive	5.60	1,998	(24)	20	(4)
HR, Legal and Democratic Services	5.61	8,591	(11)	(57)	(68)
Transformation	5.65	12,518	(134)	(154)	(288)
Total		300,075	4,277	331	4,608

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 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:

- 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 4, is a forecast underspend of £335k (Period 3 £320k 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.

Housing Revenue Account Forecast Outturn 2022/23				
Directorate	Budget			P4 Forecast Variance at 31/03/23
	Expenditure	Income	Net	
	£'000	£'000	£'000	
Corby Neighbourhood Account	20,141	(20,141)	0	(236)
Kettering Neighbourhood Account	16,129	(16,129)	0	(99)
Net Position 2022/23 (under)/over	36,270	(36,270)	0	(335)

National Context

4.7 The national, and indeed the global, economy is seeing significant inflationary pressures that could not have been foreseen at this scale only a few months ago.

4.8 In the Bank of England's financial stability report, released in July 2022, inflation was forecast to rise to over 11% by the end of the year. The Bank of England also warned that the UK will enter a recession (two successive quarters of negative growth) later this year.

4.9 There are conflicting views on the likely position for 2023, with some commentators believing that it may rise up to 18%¹ and beyond in early 2023.

4.10 Central banks across the world have responded to inflationary pressures by tightening monetary policy or signalling their intention to do so. Market interest rates have risen sharply, reflecting expectations of further policy tightening in response to renewed risks of more persistent, higher inflation and increasing

¹ Citi Bank Forecast reported 23rd August 2022.

credit risk. In the UK, the market-implied path for the Bank Rate has also risen materially, suggesting that it will reach around 2.8% by end-2022 and peak at 3.3% in 2023.

- 4.11 Councils like most organisations are seeing the impact of price rises, particularly around fuel and energy costs (for example, the street lighting PFI). A number of services are provided under contract, and it is likely that the Authority will experience some pressure from suppliers regarding current arrangements and any new contracts entered in to. As part of the budget setting for 2022/23, the Council included growth to address forecast inflationary increases in light of the position known at the time. However, the significant and continuing increase in the rate of inflation has added further risk to the 2022/23 position and likely future costs into the Medium-Term Financial Plan. The authority holds £0.5m in contingency in 2022/23 to help offset further costs but it is anticipated that additional support may be required, for which mitigation elsewhere will be sought.
- 4.12 Further risk to Local Government funding comes from the high street as the Country potentially enters a recession and individuals have less disposal income. This poses a risk for the Council's future income generation from business rates should businesses cease to trade. It may also see more people seeking to access Council Tax Support and other financial support which could reduce the overall Council Tax yield.
- 4.13 Alongside this there is a recognition that the demand for services may increase in areas such as housing and homelessness and social care and the Council will review its service offer in all areas as part of future financial and service planning.
- 4.14 The context of the national and global economy along with potential changes to the local government financial landscape in the future through reforms of funding mechanisms and Social Care are key considerations for the Council as it continues to deliver its services for 2022/23 and considers the 2023/24 draft budget proposals as part of its Medium-Term Financial Plan over the coming months.

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 July 2022 38.70% of Council Tax had been collected (July 2021 – 38.16%). Business Rates collection is 37.44% at the end of July 2022 (July 2021 – 30.20%). It should be noted that in 2021/22 there were technical changes to the collectable debit owing to how COVID Retail Relief was applied. Initially reliefs for the period April 2021 to March 2022 were granted at 100% and then in July 21 the reliefs were adjusted to 50% for the period July 21 to March 22 in line with the requirements of the scheme, this meant that where businesses had received retail relief, bills for the year were reissued in July and in effect businesses commenced payments from this point rather than April giving rise to a lower collection rate in July 2021 compared to July 2022.

Therefore, the figures are not directly comparable, the current collection rate for 2022/23 remains strong.

- 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 £26.994m 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 4 the balance is £2.950m which is unchanged to that reported in Period 3.
- 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 4.3.

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 (DSG).
- 5.8 The net forecast position for Period 4 for Children's and Education Services is an overspend of £2.782m (Period 3 - £2.703m). The forecast outturn position consists of a net underspend of £365k (Period 3 - £712k) in Education Services and an overspend of £3.147m (Period 3 - £3.415m) in Commissioning and Partnerships, which also includes the Northamptonshire Children's Trust contract sum.

Education

Assistant Director of Education	£'000
Expenditure	11,367
Income	(5,048)
Net Budget	6,319
Forecast	5,954
Variance	(365)

- 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 £0.834m. This resulted in a forecast underspend of £275k, which is unchanged from Period 3.
- 5.11 The Teachers' Pension strain is funded from DSG and the amount of DSG funding was previously understated, resulting in additional DSG income of £462k. In addition, a further £20k of DSG income is being used to fund the Specialist Support Service resulting in an overall net benefit of £482k (Period 3 - £380k)
- 5.12 The School Improvement Monitoring and Brokering Grant was budgeted at £226k this grant should have been disaggregated between the North and West, but the full grant was reflected in the North. The actual grant is being phased out and 2022/23 is the final year that this grant will be paid – the amount that will be received has reduced to £50k in 2022/23 resulting in a pressure of £176k.
- 5.13 There are a number of vacant posts across the service which are currently being filled by agency staff, which is forecast to result in a net pressure of £107k.
- 5.14 The Teachers' Pension is funded via the DSG, with the exception of those teachers who were employed post 2013. The budget for this amounted to £236k and the forecast is £270k resulting in a pressure of £34k.
- 5.15 Schools Effectiveness is forecasting a reduced income of £47k, there are other minor pressures across the service which result in an adverse variance of £28k.

Commissioning and Partnerships

- 5.16 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	63,028
Income	(5,322)
Net Budget	57,706
Forecast	60,853
Variance	3,147

- 5.17 Commissioning and Partnerships is forecasting a pressure of £3.147m (Period 4 - £3.415m). The main reason for the forecast overspend relates to pressures at the Children's Trust where the forecast overspend is £7.930m – this is unchanged from Period 3. This poses a financial risk to the Council in the event the Trust cannot find the financial measures to mitigate the pressure. The cost to NNC based on an overspend at NCT of £7.930m is £3.489m, this reflects how the contract sum is split between North Northamptonshire Council (44%) and West Northamptonshire Council (56%).

5.18 The main pressure within the Children’s Trust 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 Trust is working on how these pressures can be mitigated in the current and in future years. The following table provides further detail around the pressure from placements.

Placement Type	Net Budget £’000	Projected Outturn £’000	Variance £’000
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)
Total	57,765	65,408	7,643

5.19 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.

5.20 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.

5.21 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.

5.22 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

- 5.23 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 North and West Northamptonshire, of which the Council 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 the Council 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 – this is unchanged from Period 3.
- 5.24 There is budgetary provision of £691k which was to meet any unforeseen pressures within the Commissioning Service, this will be used in full to mitigate the financial pressures being forecast and this position is unchanged from Period 3.
- 5.25 There is a favourable variance of £172k which relates to the budget provision being higher than the contract with NCT this is a favourable movement of £172k from that reported in Period 3.
- 5.26 There are other minor budget pressures which amount to £21k.
- 5.27 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

- 5.28 The revenue budget covers Adult Social Services, Community Services and Public Health and Wellbeing. The details of the forecast outturn position 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	89,706
Variance	(90)

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

- 5.29 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.
- 5.30 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.
- 5.31 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.
- 5.32 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 people 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.
- 5.33 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
- 5.34 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 approved the inclusion of this funding and additional expenditure at the July Executive meeting.
- 5.35 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.

5.36 The current forecast is an underspend of £90k (Period 3 - £0k), the forecast assumes that the savings detailed in 5.35 are achieved in year. These savings will continue to be tracked, and any impact of the achievability will form part of future reports. The 2021/22 trends have been used to monitor this year's budget; however, this has limitations as there is only one year's data and this was significantly impacted by the Covid pandemic. The trends of spend and activity will continue to be updated to support future forecasts.

5.37 Similar to the previous month, the current monitoring identifies a number of pressures within working aged adults, this is being offset by savings within services for older people, work is ongoing to realign these budgets and to understand the potential risks to the forecast, particularly in light of inflation and changes in demand.

5.38 Such 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, in exceptional circumstances, the use of reserves. This is an area the Council will continue to monitor closely.

Public Health

5.39 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.

5.40 The base budget of £138k relates to the Adult Learning service it is being explored to see if grants can be maximised to release this budget as a saving.

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

Housing and Community Services

5.41 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

5.42 The forecast includes a pressure of £95k (Period 3 - £95k) relating to the under achievement of income at the Lodge Park Sports Centre in Corby; this has not yet recovered to pre pandemic levels.

5.43 The forecast also includes a pressure of £200k (Period 3 - £200k) on the electricity and gas budgets for the Corby International Pool. This reflects an increase of around 70% due to the current market conditions where utility costs have increased significantly.

5.44 These pressures are partially offset by additional revenue of £200k (Period 3 - £200k) for temporary accommodation within the homelessness service where housing policies have been harmonised.

Place and Economy

5.45 The Place and Economy budget covers the following four functional areas plus Management Costs:

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

Assets and Environment

- 5.46 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. It 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	22,340
Income	(20,579)
Net Budget	1,791
Forecast	2,827
Variance	1,036

- 5.47 The Assets and Environment Service is forecasting a pressure £1.036m (Period 3 - £639k). The main variances within the Service are outlined below. Officers are looking to mitigate the in-year pressures detailed below including some specific actions linked to Knuston Hall and Fleet Vehicles detailed below:

- **Country Parks and Outdoor Learning** (£159k Pressure – Period 3 £159k).
This relates to a projected pressure of £95k resulting from additional security and insurance costs at Knuston Hall following the current temporary 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. A separate paper on the future of Knuston Hall is to be considered by the Executive to help to mitigate the current financial pressure.
- **Car Parks (Corby)** – (£138k Pressure – Period 3 £62k)
The relates to the cost of Business Rates (£62k) for which no budgetary provision had been included within the legacy authority. There is a forecast pressure of £76k due to a reduction in car parking income as this has not returned to pre-pandemic levels and remains under budget.
- **Public Realm** (£63k Pressure – Period 3 £63k)
Public Realm additional staffing costs for works relating to the Corby Town Investment Plan.
- **Facilities Management-** (£54k Pressure – Period 3 £54k)
Additional pressures for the running costs of the Council's Depot (£161k). This has been partial offset by additional income following a number of favourable rent reviews (£107k).
- **Fleet Vehicles** – (£364k Pressure – Period 3 £240k)

This relates to an estimated increase in the cost of fuel (£275k) and leasing costs (£85k). A separate paper on the leasing of fleet vehicles for the Wellingborough area was recently considered by Executive which will help to mitigate the current in year pressure.

- **Parking (Wellingborough Bus Lane Enforcement)-** (£272k Pressure – Period 3 £0k)
There is a reduction in income from bus lane enforcement with the forecast variance being £272k.
- **Minor variances** for Assets and Environment amount to a saving of £14k (Period 3 Pressure £61k).

5.48 The Period 2 Monitoring report included pressures relating to Wellingborough NORSE (£932k) and Knuston Hall (£614k). 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 this has been reflected in the forecasts from Period 3.

Growth and Regeneration

5.49 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.

Growth and Regeneration	£'000
Expenditure	7,307
Income	(3,416)
Net Budget	3,891
Forecast	3,847
Variance	(44)

5.50 The Growth and Regeneration Service is forecasting a saving of £44k (Period 3 – £155k saving). The main variances within the Service are outlined below

- **Planning Policy** – (£19k Pressure – Period 3 £25k Favourable)
This comprises of a salary underspend of £88k due to staff vacancies and is partially offset by increased agency staff costs of £45k, resulting in a net saving of £43k. There is a reduction in income of £62k due to income no longer being received from the Joint Planning Unit, resulting in an overall pressure of £19k.
- **Development Management** – (£127k Pressure – Period 3 £95k)
There is a net pressure of £134k from salaries, agency costs and legal fees. These pressures are partially offset by minor savings of £7k.

- **Economic Development** – (£56k Underspend – Period 3 £51k)
This comprises of a salary underspend of £106k 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, Transport Management and Climate** – (£134k Underspend – Period 3 £174k)
There is a net underspend of £174k which relates to a legacy budget which is no longer required. This is offset by additional costs of agency staff of £40k.

Highways and Waste

- 5.51 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	55,796
Income	(5,740)
Net Budget	50,057
Forecast	51,302
Variance	1,245

- 5.52 The Highways and Waste Service is forecasting a pressure of £1.245m (Period 3 £1.220m). Officers are looking to mitigate the in-year pressures detailed below through a number of means. Detailed discussions continue on Home to School Transport to explore how the increased costs can be mitigated for the remainder of 2022/23. The variances within the Service are outlined below:

- **Highways and Traffic Management** – (£1.178m Pressure – Period 3 £1.178m)
There is a forecast pressure of £1.033m for streetlighting and a further £185k on Netcom (traffic signals, these are both as a result of increasing energy costs. There are also minor savings amounting to £40k. Officers are looking at how to mitigate the streetlighting pressure through investment in LED lighting, therefore reducing the energy usage and costs. This work continues.
- **Waste Management** – (£99k Pressure – Period 3 £100k)
This relates to a pressure of £480k 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** – (£170k Pressure – Period 3 £145k)
There is a reduction in income of £145k from the Commercial Trade Waste Service within the Wellingborough area following the NORSE contract coming to an end and a pressure on the Kettering and Corby supplies and services budget of £25k.
 - **Transport and Contract Management** – (£202k Saving – Period 3 £203k)
This relates to a £46k 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.

5.53 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 this has been reflected in forecasts from P3.

Regulatory Services

5.54 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	9,847
Income	(7,739)
Net Budget	2,108
Forecast	2,325
Variance	217

5.55 Regulatory services is forecasting a pressure of £217k (Period 3 – £217k Pressure) The variances within the Service, are outlined below:

- **Building Control** (£30k Pressure – Period 3 £30k)
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 – Period 3 £95k)
Relates to a salary underspend due to vacancies (£100k) offset in part by a minor overspend of £5k on the supplies and services budgets.
- **Licencing** (£95k Saving – Period 3 £95k)
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 – Period 3 £21k)
Minor variances netting off to £21k.
- **Trading Standards** (£50k Pressure – Period 3 £50k)
Net overspends relating to the employment of a CX Database Consultant after offsetting against salary underspends.
- **Bereavement Services** (£308k Pressure – Period 3 £308k)
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 – Period 3 £40k)
Relates to pressures on Street Lighting and electricity based on current costs.

Place and Economy Management

- 5.56 This area includes the management costs for the Place and Economy Directorate and is forecast to be on budget and is unchanged from Period 3.

Directorate Management	£'000
Expenditure	621
Income	0
Net Budget	621
Forecast	621
Variance	0

Enabling and Support Services

- 5.57 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 – Policy, Performance and Communications

- Human Resources and Governance
- Transformation, ICT and Customer Services

Finance, Procurement and Revenues and Benefits Service

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

- 5.58 There is a pressure of £277k relating to the Lead Authority finance operations functions following changes to service levels within shared services as a result of LGR and service redesigns due to growing demand now starting to be implemented, this is offset by an underspend of £450k in relation to the disaggregation of legacy pension budgets. This position is unchanged from Period 3.
- 5.59 There is a forecast saving in relation to borrowing costs of £100k due to lower levels of external borrowing than originally forecast. This position is unchanged from Period 3.

Chief Executive's Office

Chief Executive	£'000
Expenditure	2,037
Income	(39)
Net Budget	1,998
Forecast	1,994
Variance	(4)

- 5.60 There is a forecast net underspend of £4k (Period 3 - £24k), there are staff savings through vacancies which amount to £33k which are partially offset by a pressure of £21k in the communications team budget relating to a historic income target which is not considered achievable, and which arose from disaggregation and minor pressures of £8k.

HR, Legal and Democratic Services

HR, Legal and Democratic Services	£'000
Expenditure	11,022
Income	(2,429)
Net Budget	8,593
Forecast	8,525
Variance	(68)

- 5.61 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. 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. This position is unchanged from Period 3.

- 5.62 There are savings of £56k (Period 3 - £56k) relating to lower costs within supplies and services and there are further minor favourable variances that amount to £36k (Period 3 - £46k).
- 5.63 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 and is unchanged from Period 3.
- 5.64 There are anticipated savings within Election Services of £147k (Period 3 – 70k) related to staffing and further minor favourable variances that amount to £10k (Period 3 - £20k).

Transformation

Transformation	£'000
Expenditure	12,806
Income	(289)
Net Budget	12,518
Forecast	12,230
Variance	(288)

- 5.65 There is a forecast pressure of £70k within the Customer Services team arising from the issuing of blue badges, this remains unchanged from Period 3. This was as a result of the disaggregation of the County Council's budget.
- 5.66 There is anticipated underspend on Customer Services salaries of £106k (Period 3 - £0k) due to vacant posts.
- 5.67 There is an anticipated underspend of £636k 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 £271k is reflected as a saving (Period 3 - £242k)
- 5.68 There are other small anticipated pressures across the Directorate totalling £19k, (Period 3 - £38k) arising mainly from software licences and staff training.

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 (Corby Neighbourhood Account and the Kettering Neighbourhood Account).

Corby Neighbourhood Account

- 6.2 The forecast position for the Corby Neighbourhood Account at the end of Period 4 shows an underspend of £236k (Period 3 - £262k) This is summarised in the following Table;

Corby Neighbourhood Account	Current Budget 2022/23	Projection P4 2022/23	Variance
	£000	£000	£000
INCOME			
Rents - Dwellings Only	19,480	19,429	51
Service Charges	641	654	(13)
HRA Investment Income	20	20	0
Total Income	20,141	20,103	38
EXPENDITURE			
Repairs and Maintenance	5,676	5,644	(32)
General Management	5,275	5,111	(164)
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	685	(78)
Other	454	454	0
Total Expenditure	20,141	19,867	(274)
Net Operating Expenditure	0	(236)	(236)

- 6.2 The forecast position for rental income from dwellings at Period 4 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 as 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 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 amounts to £274k which primarily reflects a £300k reduction in the cost of the insurance premium due to increasing the amount of insurance excess. These savings are partially offset by increases in utility costs of £23k and other minor pressure of £3k.

Kettering Neighbourhood Account

- 6.4 The forecast position for the Kettering Neighbourhood Account at the end of Period 4 shows an underspend of £99k (Period 3 - £58k). This is summarised in the following Table;

Kettering Neighbourhood Account			
	Current Budget 2022/23	P4 Projection 2022/23	Variance
	£000	£000	£000
INCOME			
Rents - Dwellings Only	15,679	15,688	(9)
Service Charges	443	446	(3)
HRA Investment Income	7	7	0
Total Income	16,129	16,141	(12)
EXPENDITURE			
Repairs and Maintenance	4,025	3,938	(87)
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	16,042	(87)
Net Operating Expenditure	0	(99)	(99)

6.5 The forecast position for rental income from dwellings at Period 4 is £9k 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 £27k. 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 £12k higher than budget.

6.6 The forecast position on expenditure is £87k less than budget. This reflects lower spend on Repairs and Maintenance (£92k) and subcontractors (£123k) due to some services being brought back in-house. There are also savings on services (£61k) and minor savings of £23k. The savings are partially off-set by an increase in stocks and materials (£212k) which reflects inflationary pressures.

Pay award

6.7 Negotiations regarding the 2022/23 pay award are still ongoing. The latest offer is a flat rate increase of £1,925 per employee. If this were agreed the pay award would be significantly higher than the 3% budgeted. This could be mitigated through the forecast underspends, the use of the contingency budgets and the use of reserves (if further mitigations are not identified).

7. Conclusions

- 7.1 The forecast for 2022/23 is an overspend of £4.608m based on the position as at the end of Period 4 (Period 3 - £4.277m). This is a comparatively early indication of the pressures for the financial year and Service Directors will be working to mitigate these pressures in-year, including those of the Children's Trust. The Council does hold a contingency budget which, as yet, is not fully committed, however, this will likely be required to help offset pay and other inflationary pressures. The Council also holds earmarked reserves which may be used to underwrite the current pressures while Service Directors work to address them.
- 7.2 The key risks which are set out in the report will continue to be monitored and actions sought as required throughout 2022/23. The achievement of the approved savings targets is also integral to this process and will continue to be monitored and reported.

8. Implications (including financial implications)

8.1 Resources, Financial and Transformation

- 8.1.1 The financial implications are set out in this report. The current forecast position for the General Fund is an overspend of £4.608m (Period 3 - £4.277m) and the Housing Revenue Account is forecasting an underspend of £335k (Period 3 - £320k). This position is prior to settlement of the pay award for 2022/23, which is expected to have a significant impact on the forecast financial outturn. A contingency is held to help offset potential costs that were not known at the time of budget setting. Currently £2.9m of the contingency is available, of which £0.5m was initially set aside for inflationary pressures.

8.2 Legal and Governance

- 8.2.1 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).
- 8.2.2 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.

8.3 Relevant Policies and Plans

- 8.3.1 The budget provides the financial resources to enable the Council to deliver on its plans and meet corporate priorities as set out in the Council's Corporate Plan.

8.4 Risk

- 8.4.1 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.

8.4.2 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.

8.4.3 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.

8.5 Consultation

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

8.6 Consideration by Executive Advisory Panel

8.6.1 Not applicable.

8.7 Consideration by Scrutiny

8.7.1 The budget monitoring reports are presented to the Finance and Resources Scrutiny Committee for review after they have been presented to the Executive Committee.

8.8 Equality Implications

8.8.1 There are no specific issues as a result of this report.

8.9 Climate and Environment Impact

8.9.1 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.

8.10 Community Impact

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

8.11 Crime and Disorder Impact

8.11.1 There are no specific issues arising from 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 and 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.