

## EXECUTIVE 26 August 2021

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| <b>Report Title</b>     | Budget Forecast 2021/22 as at Period 4  |
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| <b>Executive Member</b> | Councillor Lloyd Bunday, Executive Member for Finance and Transformation  |

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|--|---|
| <b>Key Decision</b>  | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
| <b>Forward Plan Reference (if yes to Key Decision)</b>   |   |
| <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**

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- 1.1. The revenue budgets (2021/22) and Medium-Term Financial Plans for North Northamptonshire Council for the General Fund and the Housing Revenue Account were approved by the Shadow Authority at its meeting on 25 February 2021. The purpose of this report is to set out the forecast outturn position for the Council based on the Period 4 monitoring forecasts for the General Fund and the Housing Revenue Account.
- 1.2. This is the third monitoring report for the new Council and it sets out the material financial issues identified since the 2021/22 budget was set in February 2021, based on the income and expenditure as at end of July 2021 (Period 4) and the views of the budget managers.
- 1.3. The report recognises that the forecast outturn position is based on early indications of spend. As reported last month, work is continuing to examine the

spend and activity data, including the staffing details and forecasts, against the available budgets to ensure that the position presented is robust. This will also help to inform the medium-term financial plan.

- 1.4. A number of the areas remain unchanged from Period 3 and the detail of those variations, as previously reported, is included within the report for completeness.

## **2. Executive Summary**

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- 2.1 The report provides commentary on the Council's current forecast financial outturn position for 2021/22 for both the General Fund and the Housing Revenue Account. With the move to a new unitary council from 1 April this year and the continuing issues presented by COVID-19, financial forecasting remains challenging. The Council will continue to assess and refine the forecasts on a regular basis. The forecast presented in the report is based on the best available data and information of the operations of the Council and the expected impact of the pandemic. However, it must be recognised that determining the outturn under the current circumstances presents an element of risk which will be closely monitored during the financial year.
- 2.2 As a new Unitary Council there are a number of areas which will impact on the forecast outturn that are still to be finalised. Most notably from a finance perspective these include the charging arrangements for the lead/host arrangements between West Northamptonshire Council and North Northamptonshire Council following Local Government Reorganisation; the forecasts for these areas are not yet available from the hosting authority. Therefore, these services remain forecast at budget until monitoring reports are produced.
- 2.3 The balances on the reserves will not be complete until the accounts of the predecessor Councils are signed off. There is a separate report on this agenda that reports the draft outturn position for both Kettering Borough Council and the Borough Council of Wellingborough which includes a forecast reserves position for these two former authorities at 31<sup>st</sup> March 2021, these are both subject to external audit. Future reports will be provided to the Executive regarding the closedown of Corby Borough Council, East Northants Council and the County Council.

## **3. Revenue Budget**

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- 3.1 The Council's Revenue Budget was set at the meeting of the Shadow Authority in February. It has been updated to reflect the announcement on 16 March 2021 of the Public Health Grant allocations of which North Northamptonshire will receive £17.6m in 2021/22. The grant is ring fenced to fund Public Health related services and will not impact on the overall net budget for the Council. The table below sets out the latest budgets by each main service area following the confirmation of the grant:

|              | Children's & Education | Adults, Communities and Wellbeing Services | Place and Economy | Enabling & Support Services | Corporate   | Total          |
|--------------|------------------------|--|-------------------|-----------------------------|-------------|----------------|
|              | £m                     | £m   | £m                | £m                          | £m          | £m             |
| Expenditure  | 397.4                  | 178.0                                      | 92.4              | 111.8                       | 25.3        | <b>804.9</b>   |
| Income       | (337.0)                | (57.2)                                     | (36.6)            | (80.3)                      | (1.3)       | <b>(512.4)</b> |
| <b>TOTAL</b> | <b>60.4</b>            | <b>120.8</b>                               | <b>55.8</b>       | <b>31.5</b>                 | <b>24.0</b> | <b>292.5</b>   |

- 3.2 The Council's overall outturn forecast for the General Fund for 2021/22, as at Period 4, is a forecast underspend of £266k against the approved budget of £292.5m. This is summarised in the table below:

| <b>General Fund Forecast Outturn 2021/22</b> |                   |                                      |   |
|--|-------------------|--------------------------------------|---|
|  | <b>Net Budget</b> | <b>Forecast Position at 31/03/22</b> | <b>P4 Forecast Variance at 31/03/22</b> |
|  | <b>£'000</b>      | <b>£'000</b>                         | <b>£'000</b>                            |
| <b>Net Total Available Resources</b>         | <b>292,505</b>    | <b>292,505</b>                       | <b>0</b>                                |
| <b>Total Corporate Budgets</b>               | <b>23,950</b>     | <b>23,950</b>                        | <b>0</b>                                |
| Children's & Education                       | 60,351            | 60,351                               | 0                                       |
| Adults Communities & Wellbeing Services      | 120,854           | 120,604                              | (250)                                   |
| Place & Economy                              | 55,783            | 55,135                               | (648)                                   |
| Enabling & Support Services                  | 31,567            | 32,199                               | 632                                     |
| <b>Total Directorate Budgets</b>             | <b>268,555</b>    | <b>268,289</b>                       | <b>(266)</b>                            |
| <b>Total Budget</b>                          | <b>292,505</b>    | <b>292,239</b>                       | <b>(266)</b>                            |
| <b>Net Position 2021/22</b>                  | <b>0</b>          | <b>(266)</b>                         | <b>(266)</b>                            |

- 3.3 The forecast underspend as at Period 4 is £266k which is a favourable movement of £325k since Period 3 where a minor overspend of £59k was reported. The following table summarises the movement of £325k.

| <b>General Fund Forecast Movement (Period 3 v Period 4)</b> |                         |                             |
|---|-------------------------|-----------------------------|
|   | <b>Report Reference</b> | <b>Movement in Forecast</b> |
|   |                         | <b>£'000</b>                |
| Adults – Change in Leisure Staffing Costs                   | 6.31                    | (200)                       |
| Place – Reductions in Car Parking Income                    | 6.38 – 6.39             | 2                           |
| Place – Trade Waste Income                                  | 6.47                    | (101)                       |
| Place – Reductions in Waste Tonnages                        | 6.48                    | (101)                       |
| Enabling Services – IT                                      | 6.58                    | 75                          |
| <b>Total</b>  |                         | <b>(325)</b>                |

- 3.4 The Council's overall outturn forecast for the Housing Revenue Account – which comprises of two Neighbourhood Accounts for 2021/22, as at Period 4, is a forecast pressure of £74k against the approved budget of £35.2m. This will be managed through seeking mitigation in year or use of the HRA reserve- this is unchanged from Period 3. This is summarised in the table below and further details are set out in Section 7. It is important to note this is an early estimate and subject to continual review.

| <b>Housing Revenue Account Forecast Outturn 2021/22</b> |                    |                 |              |   |
|---|--------------------|-----------------|--------------|---|
| <b>Directorate</b>                                      | <b>Expenditure</b> | <b>Income</b>   | <b>Net</b>   | <b>P3 Forecast Variance at 31/03/22</b> |
|   | <b>£'000</b>       | <b>£'000</b>    | <b>£'000</b> | <b>£'000</b>                            |
| Corby Neighbourhood Account                             | 19,647             | (19,647)        | 0            | 42                                      |
| Kettering Neighbourhood Account                         | 15,503             | (15,503)        | 0            | 32                                      |
| <b>Net Position 2021/22</b>                             | <b>35,150</b>      | <b>(35,150)</b> | <b>0</b>     | <b>74</b>                               |

#### **4. Recommendations**

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- 4.1 It is recommended that the Executive:
- a) Note the Council's forecast outturn position for 2021/22 and the associated risks and other considerations;
  - b) Note the assessment of the current deliverability of the 2021/22 saving proposals in Appendix A to this report;
  - c) Approve a virement of £690k from contingency to enabling and support services to allow budget realignment within overall available resources, as set out in paragraph 6.54 and 6.58 of this report;
  - d) Continue to support local bus services, to maintain concessionary bus fare reimbursements to bus operators at pre-Covid levels for the remainder of the current financial year (2021/22), which accords with the request from the Department for Transport.
- 4.2 *Reason for Recommendations – to note the forecast financial position for 2021/22 as at Period 4 and consider the impact on this year and future years budgets.*

#### **5. Report Background**

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- 5.1 The Council's General Fund net revenue budget for 2021/22 is £292.505m and was approved by the Shadow Authority at its meeting on 25 February 2021. This included £19.161m of savings. This report sets out the in-year variations to budgeted assumptions.
- 5.2 The Council's Housing Revenue Account budget for 2021/22 is £35.150m and was approved by the Shadow Authority at its meeting on 25 February 2021. This

report includes an early analysis of the in-year variations to budgeted assumptions.

### **Housing Revenue Account**

- 5.3 The Housing Revenue Account (HRA) is a separate ring-fenced account within the Council for the income and expenditure associated with its housing stock. The HRA does not directly impact on the Council's wider General Fund budget or on the level of council tax. Income to the HRA is primarily received through the rents and other charges paid by tenants and leaseholders.
- 5.4 Within North Northamptonshire prior to 1 April 2021 there were two HRA accounts, covering the sovereign Councils of Kettering and Corby respectively. As part of the move to a single unitary council for North Northamptonshire, there was a statutory requirement to create a single HRA for the area. Whilst North Northamptonshire Council must only operate one HRA it will, for a period of time, operate two separate Neighbourhood Accounts, these being:
- the Corby Neighbourhood Account - responsible for the stock that was managed by Corby Borough Council and
  - the Kettering Neighbourhood Account - responsible for the stock that was managed by Kettering Borough Council.

## **6. Overview of Forecast Position 2021/22**

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### **Available Resources and Corporate Costs**

- 6.1 The Council is responsible for the collection of local taxes (Council Tax and Business Rates). At the end of July 2021, 38.16% of Council Tax had been collected. However, it is too early to predict what the final Council Tax collection will be by the end of the year. The Council has re-introduced debt collection procedures for Council Tax following their suspension during 2020/21.
- 6.2 Business Rates collection is 30.20% at the end of July 2021. The sum of Business Rates collected is particularly impacted by the volatility of appeals and the effect of COVID-19. Currently, a number of businesses are in receipt of business rates relief and other financial support because of COVID-19, and it is unknown how businesses will be affected in the longer term and particularly when this support ceases. This means that the position remains subject to change.
- 6.3 The total net budget for Corporate Resources is £23.950m which consists of the contingency budget and budgets for treasury related costs.
- 6.4 The contingency budget is held to meet unforeseen or unplanned/unbudgeted costs. The balance on contingency budget is currently £5.274m subject to Executive approval (recommendation 4.1c) this would reduce by £690k to £4.584m.

## Directorate Budgets

- 6.5 This section of the report provides an analysis of the forecast variations against the 2021/22 General Fund for each of the Directorates. The table below summarises the position.

| <b>General Fund Forecast Outturn 2021/22 by Directorate</b> |                   |                                   |   |
|---|-------------------|-----------------------------------|---|
| <b>Directorate</b>  | <b>Net Budget</b> | <b>Forecast Spend at 31/03/22</b> | <b>P4 Forecast Variance at 31/03/22</b> |
|   | £'000             | £'000                             | £'000                                   |
| Children's & Education                                      | 60,351            | 60,351                            | 0                                       |
| Adults Communities & Wellbeing Services                     | 120,854           | 120,604                           | (250)                                   |
| Place & Economy   | 55,783            | 55,135                            | (648)                                   |
| Enabling & Support Services                                 | 31,567            | 32,124                            | 632                                     |
| <b>Total Directorate Budgets</b>                            | <b>268,555</b>    | <b>268,289</b>                    | <b>(266)</b>                            |
| Corporate Costs   | 23,950            | 23,950                            | 0                                       |
| <b>Net Budget Requirement</b>                               | <b>292,505</b>    | <b>292,239</b>                    | <b>(266)</b>                            |
| Less Funding  | (292,505)         | (292,505)                         | 0                                       |
| <b>Net Position 2021/22</b>                                 | <b>0</b>          | <b>(266)</b>                      | <b>(266)</b>                            |

### Children's and Education Services – Balanced

- 6.6 The net revenue budget for Children's Services is £60.351m which includes the Northamptonshire Children's Trust and Education Services not funded by the Dedicated Schools Grant.
- 6.7 The budgeted figure for the Children's Trust is £137.18m for 2021/22. This is split £60.57m (44%) to North Northamptonshire Council and £76.61m (56%) to West Northamptonshire Council. The original contract for the services of the Trust will run for 17 months to 31 March 2022. It is currently forecast that the outturn position for the Trust will be within the contract sum, which has been confirmed with the Trust.
- 6.8 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
  - Northamptonshire Children's Trust Intelligent Client Function (ICF)

- 6.9 The full year effect of prior year savings decisions is £1.7m and includes improving the edge of care support and intervention (£400k), working to minimise the amount of time a child is in care (£300k), step down from high end residential placements to fostering placements (£200k), reduced requirement for inflation (£300k), reducing agency staff (£100k) and capacity building within foster care (£400k). These services and savings are currently being delivered through Northamptonshire Children's Trust. However, this report was written before the Trust had produced its first formal budget monitoring report for 2021/22.
- 6.10 At this early stage the forecast outturn is for a balanced budget across Children's and Education Services which includes the full delivery of the savings targets. The situation will be kept under review and the Finance Director for the Trust is meeting regularly with senior finance officers of both North and West Northamptonshire to provide a detailed update on the budget position.

### **Adults, Communities and Wellbeing Directorate - Forecast underspend of £0.250m**

- 6.11 The net revenue budget covers Adult Social Services, Community Services and Public Health and Wellbeing and totals £120.854m in 2021/22. Significant work continues to be undertaken to understand the likely ongoing commitment to packages of care within the Unitary following disaggregation and the impact of the pandemic. The details of the forecast are set out in the paragraphs which follow and are in line with those previously reported.

### **Adult Social Care, Safeguarding & Wellbeing and Commissioning & Performance Services – Forecast Underspend £0.5m**

- 6.12 Under the 2014 Care Act, local authority Adults Services have a responsibility to make sure that people over 18 who live in their areas are provided with personal day to day care (helping people get dressed, washed, going to the toilet, 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.
- 6.13 Care can take many forms and can be provided directly by the Council, through contracted organisations or families can receive a personal budget to buy suitable care for themselves. Although receiving formal or long-term care is subject to people meeting the Council's eligibility criteria, the service also has a key responsibility for helping people to stay independent and preventing or delaying the need for care.
- 6.14 The service has indicated that an uplift award ranging between 2.2% and 2.65% to care providers for providing care packages on framework rates during 2021/22 will be made, this is expected to cost approximately £1.2m which has been met through additional investment in Adult Social Care as part of the 2021/22 budget setting process.
- 6.15 At this point in the year, whilst there is some capacity for further net growth in care costs there remains a risk to the financial position from the volatility of

demand predominantly due to underlying care conditions and the ongoing pressures on the care sector from the pandemic.

- 6.16 Within Adult Social Care there is £1.3m for demographic growth of which £0.3m 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 Northamptonshire.
- 6.17 COVID-19 has had a significant impact in Adult Care budgets with additional pressures forecast in 2021/22 of £4.6m of which £3.9m relates to Clinical Commissioning Group (CCG) discharges in to care facilities as part of the rapid response discharge process from hospital and £0.7m relates to pressures within the Mental Health Pooled Fund. There are budgeted care related savings of £4.4m proposed to be delivered by Adult Social Care in 2021/22. Prior year savings of £2.1m are also assumed to be delivered. The 2020/21 savings were not achieved in full due to the impact of the COVID-19 pandemic, however due to a revised phasing methodology adopted as part of the 2021/22 budget proposals this has partly been mitigated down to £1.1m, it is currently forecast that these will be met in 2021/22. The position will continue to be monitored throughout the year.
- 6.18 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 (£1.9m), which is a new service (initially funded by the business rates pilot fund) provided by Adult Social Care with health partners. The Admission Avoidance care model focuses on patients/clients presenting at acute hospitals with relevant conditions who can be rapidly assessed, diagnosed and treated without being admitted to a ward, if clinically safe to do so. Currently the Crises Response Team supports the back door discharges at the acute hospitals, where Admission Avoidance will focus on the significant opportunity to provide care on/at the front door to avoid hospital admissions and care costs increases client outcomes.
  - Strength Based Working Project (£2.2m) 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.
- 6.19 Additional savings for 2021/22 total £0.6m and cover Learning Disability Provider Framework efficiencies, Specialist centre for Step down Care Mental Health and Acquired brain injury, Prevention contract cessation/redesign and Sheltered Housing Contracts cessation/redesign.
- 6.20 At this early stage it is assumed that the savings will be delivered in full. This will be reviewed throughout the year as part of the budget monitoring process.



- 6.21 The current forecast is for an underspend of c£0.5m against budget and the details are set out in the paragraphs which follow. However, it should be noted that further work is being undertaken within the service to review the service users assigned from the County to each of the successor Councils (North and West) at vesting day as well as the potential care commitments that are included within the position as both may impact on the forecast.
- 6.22 Specialist and Complex - Mental Health (NCC) - forecast underspend of £2m. This is the result of clients transferring from the Mental Health Pool previously managed by the CCG and which Northamptonshire County Council gave notice to withdraw from the pool arrangements as at 31 March 2021. The disaggregation of the County Council budget was based on an initial analysis of the ordinary residence of 40% of the pool clients which suggested that the mix of pool clients included 45% to North Northamptonshire. However, analysis of the actual clients transferred has resulted in only 30% to North Northamptonshire. 5% of cases remain to be completed and are under review. This has resulted in a projected underspend on the original pooled budget disaggregation.
- 6.23 Specialist and Complex - Older People - there is a forecast pressure of £2.1m (variance of 3% against budget) against older people services which is related to the mix (costs) of clients and the number of clients, within this financial year compared to the bought forward disaggregated budget from 2020/21.
- 6.24 Specialist and Complex - Mental Health - there is a forecast underspend of £0.5m related to underlying Adults only Mental Health clients (non-pool) due to reduced number of actual clients being provided a service by the Council compared to the disaggregation analysis. The original disaggregation assumed 59% of the Countywide clients would be North Northamptonshire clients but only 46% have transferred to the Council.
- 6.25 Other variances across the directorate total a forecast £0.1m underspend.

#### **Public Health – Forecast balanced position.**

- 6.26 Public Health and Wellbeing is currently leading Northamptonshire's response to the COVID-19 pandemic. The Gross expenditure budget is primarily funded by Public Health England.
- 6.27 Currently an additional £6.4m has been added to the budget for 2021/22 in relation to forecast grant funding that has been carried forward from 2020/21 to support the activity associated with the Contain Outbreak Management Fund and Test and Trace. As this is a carry forward of grant, the final sum available for this will be dependent on the closing figure to be carried over from 2020/21 as part of the closure of the County Council's accounts.
- 6.28 Close monitoring of the commitments against COVID-19 funding streams is taking place. The relaxation of restrictions and the rising case numbers may change the priority and profile of spend against this funding.

## **Housing and Community Services – Forecast pressure £250k**

- 6.29 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. The forecast remains in line with the previous month.
- 6.30 There is a forecast £0.1m pressure related to staffing costs within Housing, Homelessness and Community Leisure services due to the high level of temporary staff currently employed covering permanent posts due to a number of factors such as vacancies, maternity leave, etc. This is being reviewed by the service at present and exploring ways of mitigating costs.
- 6.31 The forecast also includes a pressure of £0.6m related to a reduction of income for leisure services mainly at the Corby International Pool (£0.3m) and Corby Lodge Park Sports Centre (£0.2m) with a further £0.1m in other areas, due to the current restrictions on visitors numbers. This is in part offset by lower staff costs which are estimated to be around £0.2m. The service will make a claim against COVID-19 funding which is available from Government until the end of June and which, if successful, could reduce the pressure, by around £250k, and this has been assumed in the forecast.

## **Place and Economy - £648k Underspend**

- 6.32 The Place and Economy net budget totals £55.783m and is forecasting an underspend of £648k, which is a favourable change of £200k since last month. Place and Economy covers the following four areas:
- Growth and Regeneration
  - Assets and Environment
  - Highways and Waste
  - Regulatory Services
- 6.33 Services within Asset and Capital Management include the management of the Council's corporate assets and capital programmes, together with the effective management of the Council's strategic assets and landholdings.
- 6.34 Other key components within Place and Economy are Waste Management, Highways and Transportation, (including the Streetlighting PFI), Economic Development, Infrastructure and Funding, Trading Standards and Flood and Water Management.
- 6.35 Within Place the key budgets affected by demand/volumes are Home to School Transport, Concessionary Fares and Waste Disposal and Collection. The Directorate also includes responsibility for the Council's commercial estate which will often be influenced by economic conditions.
- 6.36 As part of the budget setting additional funding was provided for contract inflation of £1.1m covering Home to School transport (£300k), Street Lighting

PFI (£100k) and general contract inflation (£0.7m). Savings include changes in waste tonnages including recycling, composting and food waste of £2.0m, Recycling credits £0.6m and additional income through fees and charges due to rising demand of £200k.

- 6.37 The Service has a forecast underspend of £648k which consists of the following main movements as outlined in the paragraphs below

#### **Car Parking Income - £421k Pressure**

- 6.38 As previously reported last month there is a forecast pressure for car parking income in relation to Kettering as charging has been suspended for a number of months – the estimated pressure has increased from £158k to £178k. Car Parking charges have been reintroduced from 9<sup>th</sup> August following the removal of COVID-19 restrictions on 19 July.
- 6.39 There is also a forecast net pressure of £33k (£18k reduction from Period 3) for Corby car parking income as, although charging is in place, receipts have been lower than would normally be expected. The projection assumes a return to budgeted levels of income from August with COVID-19 restrictions being lifted. The Council will seek support from the Government Scheme to reimburse Local Authorities for lost income which is paid at 75% once the Council has met losses equivalent to 5% of the budget. This funding is only payable in respect of claims for losses in the first quarter of 2021/22 and is not available where Councils have chosen to suspend car parking charges.
- 6.40 There is also a forecast pressure on the number of Fixed Penalty Charges for on-street parking estimated to be £210k. This is an area that will continue to be monitored closely.

#### **Concessionary Fares - £836k Underspend**

- 6.41 This has remained unchanged since last month and assumes that guaranteed payments to bus service operators as a result of the agreed payment mechanism under COVID-19 will continue for the 2021/22 financial year which will result in an underspend of £236k. This is because the payments typically would be based on the actual number of journeys – however as a result of COVID-19 the basis of the calculation changed to the average for the actual number of journeys in the winter months prior to the COVID-19 outbreak (December 2019 to February 2020). The number of journeys in the winter months are less than at other times of the year and this has resulted in a saving to the Council.
- 6.42 The Department for Transport has requested that authorities continue with these arrangements the alternative is that the Council reverts to paying bus operators on the actual number of journeys. Reimbursing bus operators based on the average rather than the actual usage is estimated to be between £500k and £700k higher but by providing fixed payments to bus operators at pre-Covid levels, the Council is supporting the bus industry and therefore safeguarding local bus services for residents throughout the pandemic and during the recovery period.

- 6.43 The Executive is asked to confirm that they continue to support this approach in order to provide bus operators with certainty of income in relation to discretionary payments and thus support them through the recovery period.
- 6.44 A further underspend is a result of the disaggregation principles applied to the former County Council budget whereby it is estimated that the North will underspend against its assumed budget requirement by around £0.6m.

#### **Subsidised Bus Services - £30k Pressure**

- 6.45 There is a forecast pressure of £30k which is unchanged from Period 3 on subsidised bus services due to the potential difference between the anticipated cost of the service and the funding available from parish councils, S106 developer contributions and Bus Services Ring-Fenced Grant. This is unchanged from last month.

#### **Markets - £16k Pressure**

- 6.46 The responsibility for the markets is being transferred to Kettering Town Council (KTC) and the net impact is forecast to be around £16k, unchanged from last month, as the costs associated with managing the market will also transfer to the Town Council. A previous decision was taken by Kettering Borough Council in May 2020 not to charge Market Stall Holders rent owing to the pandemic and this arrangement has continued – future decisions relating to markets will be taken by KTC.

#### **Waste - £279k Underspend**

- 6.47 There is a forecast net underspend of £77k on the Refuse and Recycling Collection Service across the Kettering and Corby areas which is the same as the Period 3 projection. This comprises a projected saving of £235k on co-mingled waste and a projected saving of £19k on food waste due to reduced gate fees. This is partly offset by pressure on garden waste of £115k due to a higher gate fee and a pressure of £62k as the Council previously received an income stream for paper. Additionally, Kettering and Corby trade waste income is forecasting £101k more income than budget, based on Q1 actuals and previous year trends.
- 6.48 The Waste Management service is also forecasting an underspend of £101k due to lower than anticipated tonnages for:

- Domestic waste (£46k)
- Hazardous Waste (£11k)
- Household Waste Recycling Centres (HWRCs) (£44k)

#### **Commercial Income**

- 6.49 The Council's commercial estate remains an important source of income to the Council as well as providing a good basis for regeneration and generating economic activity. The Council's Property Management Team continue to work closely with tenants and despite the challenging economic climate the commercial income portfolio remains on target to be delivered within budget.

## **Enabling and Support Services - £632k pressure**

- 6.50 Enabling and Support Services consists of the following main grouping of services which also includes a number of corporate budget areas:
- Finance, Procurement and Revenues and Benefits Service
  - Human Resources, Legal and Democratic Services
  - Transformation, ICT and Customer Services
- 6.51 Overall for these services the net revenue budget is £31.567m in 2021/22. Currently there is a forecast pressure of £0.632m which is set out in the following paragraphs.
- 6.52 There is a forecast overspend of £463k relating to income assumptions within the treasury management function, which is unchanged from the Period 3 projection. This is due to two pressures which have arisen following the disaggregation of the County Council's budget, the first is a budget for the capitalisation of interest of £211k and the second is interest on equity of £212k, both of which are no longer considered achievable and will become a pressure in 2021/22 and the longer term. There is also a £40k shortfall in the investment income forecast which assumes that the historically low interest rates will continue throughout the year.
- 6.53 Work is ongoing to mitigate budget pressures through reviewing the council's investment portfolio and seeking further investment opportunities.
- 6.54 The Revenues and Benefits Service was forecasting an overspend of £94k at the end Period of 3, this remains unchanged for Period 4. The overall variance relates to the under recovery of court costs (£295k) offset by additional income relating to the business rates cost of collection (£53k). The under recovery of court costs reflects the decision the Council has made in not taking recovery action for Council Tax arrears in the first quarter of the financial year, leaving a shortfall against the budget. Recovery has commenced in quarter two of this year. The additional income for business rates cost of collection reflects the position calculated for the annual estimated return to Government, which was higher than the prior year legacy budgets on which the 2021/22 budget was based. This is further offset by additional grant income of £148k for the Housing Benefit Administration Grant which was higher than the prior year legacy budgets on which the 2021/22 budget was based.
- 6.55 The Council is undertaking a Pay and Grading review. It is estimated that this will require external support of £55k for Hay training and evaluations and Advisory, Conciliation and Arbitration Service (ACAS) consultations. The cost of the scheme is to be met from within overall council resources which will require a virement of £55k from contingency. The forecast outturn included within this report assumes that this virement will be approved. Additional officer resourcing requirements are currently being reviewed any further support required over and above the normal establishment budgets are expected to be funded from the contingency budget – this will be reported to a future meeting of the Executive.
- 6.56 North Northamptonshire has a dedicated transformation team working to deliver the changes required in the North to bring services together effectively and move towards more efficient operating models for services. This will include

reviewing how the Council interacts with its customers, residents, partners and other stakeholders and will involve contractual arrangements, opportunities to expand and enhance the digital experience and realising property efficiencies, thereby reducing costs and improving services going forward.

- 6.57 As approved within the 2021/22 budget the service is, in the main, funded through a time limited contribution from reserves. Any variance against the £2.3m budget will be met through an adjustment to the movement to or from reserves.
- 6.58 The ICT budget is forecasting a pressure of £75k. This is in relation to a historical budget pressures inherited from a legacy borough in relation to contract inflation and remote support from a contract with Capita.
- 6.59 Additionally, as identified in Period 3, software licensing requirements for the new Council are being reviewed. Pressures have been identified in relation to annual Microsoft 365 subscription licences procured for NNC before Local Government re-organisation. Ongoing revenue costs were not reflected in the original 2021/22 budget and the expected pressure is forecast to be £635k. Funding this additional expenditure will require a virement of £635k from contingency. The forecast outturn included within this report assumes that this virement will be approved.

### Summary of General Fund Savings Delivery

- 6.60 The Council has a savings requirement of £19.161m (including income proposals) within its 2021/22 budget. The deliverability of these proposals is being monitored by each accountable service lead, budget manager and senior officer up to Service Director level. These are summarised in the following Table and full details are provided in Appendix A to this report. It is still early days with a number of the savings areas, however, the potential upward movement in COVID-19 cases may put savings at risk particularly with regard to Adult Social Care. The position is unchanged from Period 3.

|   | Children's & Education | Adults, Communities and Wellbeing Services | Place and Economy | Enabling & Support Services | Total           |
|---|------------------------|--|-------------------|-----------------------------|-----------------|
|   | £000                   | £000                                       | £000              | £000                        | £000            |
| <b>Service Savings</b>                  |                        |  |                   |                             |                 |
| Demographic/ service demand             | 0                      | (25)                                       | (2,817)           | (750)                       | (3,592)         |
| Legislative changes                     | 0                      | 0  | 0                 | (356)                       | (356)           |
| Full year effects of previous decisions | (1,706)                | (8,637)                                    | (452)             | (723)                       | (11,518)        |
| Pay                                     | (113)                  | (46)                                       | 0                 | (667)                       | (826)           |
| Technical changes                       | (142)                  | 0  | (383)             | 0                           | (525)           |
| LGR                                     | 0                      | (44)                                       | 0                 | (2,300)                     | (2,344)         |
| <b>Service Savings</b>                  | <b>(1,961)</b>         | <b>(8,752)</b>                             | <b>(3,652)</b>    | <b>(4,796)</b>              | <b>(19,161)</b> |

## 7. Housing Revenue Account (HRA)

- 7.1 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 the Corby Neighbourhood Account and the Kettering Neighbourhood Account.
- 7.2 The Period 4 projections for the Corby Neighbourhood Account remain unchanged and show a pressure of £42k, this as a result of the Service Charge income being lower than budget. The costs incurred for service charges in 2020/21 are recovered in 2021/22. The forecasts for the Corby Neighbourhood Account are reflected in the following table.

| <b>Corby Neighbourhood Account</b> |                                    |                               |                 |
|------------------------------------|------------------------------------|-------------------------------|-----------------|
|                                    | <b>Original Budget<br/>2021/22</b> | <b>Projection<br/>2021/22</b> | <b>Variance</b> |
|                                    | <b>£000</b>                        | <b>£000</b>                   | <b>£000</b>     |
| <b>INCOME</b>                      |                                    |                               |                 |
| Rents - Dwellings Only             | 18,956                             | 18,956                        | 0               |
| Service Charges                    | 622                                | 580                           | 42              |
| HRA Investment Income              | 69                                 | 69                            | 0               |
| <b>Total Income</b>                | <b>19,647</b>                      | <b>19,605</b>                 | <b>42</b>       |
| <b>EXPENDITURE</b>                 |                                    |                               |                 |
| Repairs and Maintenance            | 5,550                              | 5,550                         | 0               |
| General Management                 | 5,176                              | 5,176                         | 0               |
| HRA Self Financing                 | 14,663                             | 14,663                        | 0               |
| Revenue Contribution to Capital    | 3,791                              | 3,791                         | 0               |
| Transfer To / (From) Reserves      | (10,646)                           | (10,646)                      | 0               |
| Special Services                   | 692                                | 692                           | 0               |
| Other                              | 421                                | 421                           | 0               |
| <b>Total Expenditure</b>           | <b>19,647</b>                      | <b>19,647</b>                 | <b>0</b>        |
| <b>Net Operating Expenditure</b>   | <b>0</b>                           | <b>42</b>                     | <b>42</b>       |

- 7.3 The forecast position for the Kettering Neighbourhood Account at the end of Period 4 remains unchanged from Period 3 and shows a pressure of £32k. Rental income from dwellings is forecast to be £16k less than budget – this is a result of higher void rates than budgeted and there is also a pressure of £16k from lower service charge income. The forecasts for the Kettering Neighbourhood Account are reflected in the table below.

| <b>Kettering Neighbourhood Account</b> |                                    |                               |                 |
|--|------------------------------------|-------------------------------|-----------------|
|  | <b>Original Budget<br/>2021/22</b> | <b>Projection<br/>2021/22</b> | <b>Variance</b> |
|  | <b>£000</b>                        | <b>£000</b>                   | <b>£000</b>     |
| <b>INCOME</b>                          |                                    |                               |                 |
| Rents - Dwellings Only                 | 15,066                             | 15,050                        | 16              |
| Service Charges                        | 430                                | 414                           | 16              |
| HRA Investment Income                  | 7                                  | 7                             | 0               |
| <b>Total Income</b>                    | <b>15,503</b>                      | <b>15,471</b>                 | <b>32</b>       |
| <b>EXPENDITURE</b>                     |                                    |                               |                 |
| Repairs and Maintenance                | 4,041                              | 4,041                         | 0               |
| General Management                     | 2,784                              | 2,784                         | 0               |
| HRA Self Financing                     | 4,585                              | 4,585                         | 0               |
| Revenue Contribution to Capital        | 2,555                              | 2,555                         | 0               |
| Transfer To / (From) Reserves          | (119)                              | (119)                         | 0               |
| Special Services                       | 1,111                              | 1,111                         | 0               |
| Other                                  | 546                                | 546                           | 0               |
| <b>Total Expenditure</b>               | <b>15,503</b>                      | <b>15,503</b>                 | <b>0</b>        |
|  |                                    |                               |                 |
| <b>Net Operating Expenditure</b>       | <b>0</b>                           | <b>32</b>                     | <b>32</b>       |

## **8. Conclusions**

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- 8.1 The forecast underspend as at Period 4 is £266k which is a favourable movement of £325k since Period 3 where a minor underspend of £59k was reported.
- 8.2 The key risks which are set out in the report will continue to be monitored and mitigations sought as required throughout 2021/22. The achievement of the approved savings targets is also integral to this process and will continue to be closely monitored and reported. Further work is ongoing in a number of areas to strengthen the forecast, most notably related to the disaggregation of the budget and services from the County Council.
- 8.3 The prior year outturn position and accounts of the predecessor Councils are yet to be reported and formally signed off. The Council may be required to consider any legacy issues arising as a result of the closedown and subsequent audits. Further updates relating to this will be provided at future meetings of the Executive.

## **9. Implications (including financial implications)**

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### **Resources and Financial**

- 9.1 The resource and financial implications of North Northamptonshire Council are set out in this report. The current forecast position for the General Fund is an underspend of £266k and the Housing Revenue Account is forecasting an overspend of £74k.



## **Legal**

- 9.2 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).
- 9.3 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 Shadow Authority agreeing its 2021/22 budget.

## **Risk**

- 9.4 The deliverability of the 2021/22 Revenue Budget is monitored by Budget Managers. However, it is acknowledged that the Council's budget has been arrived at through using a number of disaggregation methodologies from the predecessor County budget rather than being built up over a period of time and as such there are inherent risks in this early forecast position which will require close monitoring.
- 9.5 Where any variances or emerging pressures are identified during the year then mitigating actions will be sought and management interventions undertaken.
- 9.6 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, commercial income which is at risk due to the prolonged impact of COVID-19 and the continuing review of budgets disaggregated from the County Council against actual/likely commitments.
- 9.7 The staffing budget is a significant part of this review and officers are working to ensure that funded posts and associated costs are understood and within budget. Controls are in place with regard to approval of recruitment requests whilst the budgets are reviewed.
- 9.8 The Council holds a contingency and a number of reserves to help safeguard against the risks inherent within the budget.

## **Consultation**

- 9.9 The 2021/22 budget was subject to consultation prior to approval by the North Northamptonshire Shadow Authority on 25 February 2021.

## **Climate Impact**

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

## **Community Impact**

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

## **10. Issues and Choices**

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- 10.1 The report focuses on the forecast revenue outturn against budget for 2021/22 and makes recommendations regarding approval and actions. There are no specific choices within the report.

## **11. Background Papers**

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

Final Budget 2021/22 and Medium-Term Financial Plans, including the Council Tax Resolution, North Northamptonshire Shadow Authority, 25 February 2021. [North Northamptonshire Shadow Authority meeting 25 February 2021](#) (Item 5 refers)

Monthly Budget Forecast Reports to the Executive.