

EXECUTIVE 30th September 2021

Report Title	Budget Forecast 2021/22 as at Period 5
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Lead Member(s)	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 (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 5 monitoring forecasts for the General Fund and the Housing Revenue Account.
- 1.2. The monitoring report sets out the material financial issues identified since the 2021/22 budget was set in February 2021, based on the income and expenditure as at end of August 2021 (Period 5) and the views of the budget managers.
- 1.3. The report recognises that the forecast outturn position is based on comparatively early indications of spend in the new Council. As previously reported, 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 shape the medium-term financial plan.

- 1.4. Some areas remain unchanged from Period 4 and the detail of those variations is included within the report for completeness.

2. Executive Summary

- 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 1st 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 continue to 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 at this stage with work continuing between the two authorities to confirm the charges.
- 2.3 The balances on the reserves will not be complete until the accounts of the predecessor Councils are signed off. The draft outturn position for both Kettering Borough Council and the Borough Council of Wellingborough were reported to this Committee on 26th August 2021 this included a forecast reserves position for these two former authorities at 31st March 2021. Draft figures have also now been made available for the former County Council and it is intended that these will be reported at the next Executive meeting.
- 2.4 The audit report 2020/21 for Kettering Borough Council is being presented to the Audit and Governance Committee on 27th September and currently remains in draft form pending the conclusion of outstanding items. The accounts for the Borough Council of Wellingborough remain in draft format as the external audit is still on-going. The outcome of this audit is scheduled to be reported to the Audit and Governance Committee at the meeting on 8th November 2021.
- 2.5 Future reports will be provided to the Executive regarding the outturn of Corby Borough Council, East Northamptonshire Council and the County Council for 2020/21. For each of these Councils the audit of 2019/20 and 2020/21 requires completion.

3. Revenue Budget

- 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	804.9
Income	(337.0)	(57.2)	(36.6)	(80.3)	(1.3)	(512.4)
TOTAL	60.4	120.8	55.8	31.5	24.0	292.5

- 3.2 The Council's overall outturn forecast for the General Fund for 2021/22, as at Period 5 is a forecast overspend of £73k against the approved budget of £292.5m. This is summarised in the table below:

General Fund Forecast Outturn 2021/22			
	Net Budget	Forecast Position at 31/03/22	P5 Forecast Variance at 31/03/22
	£'000	£'000	£'000
Net Total Available Resources	292,505	292,505	0
Total Corporate Budgets	23,950	23,950	0
Children's & Education	60,351	60,351	0
Adults Communities & Wellbeing Services	120,854	120,604	(250)
Place & Economy	55,783	55,184	(599)
Enabling & Support Services	31,567	32,489	922
Total Directorate Budgets	268,555	268,628	73
Total Budget	292,505	292,578	73
Net Position 2021/22	0	73	73

- 3.3 The forecast overspend as at Period 5 of £73k is an adverse movement of £339k since Period 4 where an underspend of £266k was reported. The following table summarises the movement of £339k.

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General Fund Forecast Movement (Period 4 v Period 5)		
	Report Reference	Movement in Forecast £'000
Place –Car Parking Income / Maintenance	6.38 – 6.40	22
Place – Refuse & Recycling Collection	6.46	9
Place – Trade Waste Income	6.46	18
Place – Reductions in Waste Tonnages	6.47	(64)
Place – Commercial Income	6.48	(200)
Place – Planning & Building Control Income	6.49	236
Place – Temporary Toilets	6.50	28
Enabling Services - Municipal Mutual Insurance	6.56	31
Enabling Services - Public Sector Audit Appointments Ltd (PSAA)	6.57	(41)
Enabling Services – IT Income	6.61	300
Total		339

- 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 5, 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 4. 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.

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

4. Recommendations

- 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**.

- 4.2 Reason for Recommendations – to note the forecast financial position for 2021/22 as at Period 5 and consider the impact on this year and future years budgets.

5. Report Background

- 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 25th 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 25th 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 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.

6. Overview of Forecast Position 2021/22

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 August 2021, 47.50% 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 39.03% at the end of August 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. The

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Government for the first three months of the 2021/22 financial year (April to June) extended the 100% relief available throughout 2020/21 so that there is 100% business rate relief for properties in the retail, hospitality and leisure sectors. From July 2021, those properties will get 66% relief until March 2022. The impact of extended retail relief and the change from 100% relief to 66% during the year, aligned with the need to reapply for relief, has lowered the collection rate at this point in time, however, it is expected that this will level out over the year.

- 6.3 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.
- 6.4 The total net budget for Corporate Resources is £23.950m which consists of the contingency budget and budgets for treasury related costs.
- 6.5 The original contingency budget was £5.724m this was held to meet unforeseen or unplanned/unbudgeted costs. The balance on the contingency budget is currently £4.584m.

Directorate Budgets

- 6.6 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.

General Fund Forecast Outturn 2021/22 by Directorate			
Directorate	Net Budget	Forecast Spend at 31/03/22	P5 Forecast Variance at 31/03/22
	£'000	£'000	£'000
Children's & Education	60,351	60,351	0
Adults Communities & Wellbeing Services	120,854	120,604	(250)
Place & Economy	55,783	55,184	(599)
Enabling & Support Services	31,567	32,489	922
Total Directorate Budgets	268,555	268,628	73
Corporate Costs	23,950	23,950	0
Net Budget Requirement	292,505	292,578	73
Less Funding	(292,505)	(292,505)	0
Net Position 2021/22	0	73	73

Children's and Education Services – Balanced

- 6.7 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.

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- 6.8 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.
- 6.9 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)
- 6.10 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.
- 6.11 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

- 6.12 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

- 6.13 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

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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.

- 6.14 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.
- 6.15 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.
- 6.16 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.
- 6.17 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 North Northamptonshire.
- 6.18 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 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.
- 6.19 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

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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.
- 6.20 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.
- 6.21 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.
- 6.22 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.
- 6.23 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 31st 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 is currently at c30%. Obviously this service, like most services within Adult Social Care, is subject to demand fluctuation.
- 6.24 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.
- 6.25 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 to date c46% have transferred to the Council.
- 6.26 Other variances across the directorate total a forecast £0.1m underspend.

Public Health – Forecast balanced position.

- 6.27 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.
- 6.28 The service is working with a number of funding streams that have been made available as a result of COVID-19 such as the Contain Outbreak Management Fund. The potential commitments against such funding streams are influenced by the incidence of COVID-19 cases which 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 - £599k Underspend

- 6.32 The Place and Economy net budget totals £55.783m and is forecasting an underspend of £599k, which is an adverse change of £49k 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.

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- 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 £599k which consists of the following main movements as outlined in the paragraphs below

Car Parking Income - £443k Pressure

- 6.38 As previously reported last month there is a forecast pressure for car parking income in relation to Kettering as charging had previously been suspended for a number of months – the estimated pressure is £158k. Car Parking charges were reintroduced from 9th August following the removal of COVID-19 restrictions on 19 July.
- 6.39 There is also a forecast net pressure of £33k which is unchanged from Period 4) for Corby car parking income as, although charging is in place, receipts have been lower than would normally be expected. 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. This is reflected in the forecast net pressure. There is a further pressure of £43k relating to additional costs for maintenance work at the Car Parks in Corby.
- 6.40 The 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. The Department for Transport had requested that authorities continue to reimburse bus operators based on the average number of journeys in the winter months prior to the COVID-19 outbreak (December 2019 to February 2020).
- 6.42 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. The

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Council's support to the bus industry helps safeguard local bus services for residents throughout the pandemic and during the recovery period. This approach was agreed by the Executive at the meeting on 26th August. The estimated underspend is £236k.

- 6.43 Further to this it is forecast that the Council will underspend against the budget determined through the disaggregation principles by around £0.6m.

Subsidised Bus Services - £30k Pressure

- 6.44 There is a forecast pressure of £30k which is unchanged from Period 4 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

- 6.45 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 Kettering Town Council.

Waste Management - £316k Underspend

- 6.46 There is a forecast net underspend of £68k on the Refuse and Recycling Collection Service across the Kettering and Corby areas which is a reduction of £9k from the Period 4 projection. This comprises a projected saving of £234k on co-mingled waste and a projected saving of £19k on food waste due to reduced gate fees. This is partly offset by pressures on garden waste of £123k 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 £100k more income than budget which is partially offset by additional costs of £17k.

- 6.47 The Waste Management service is also forecasting an underspend of £165k (Period 4 £101k) due to lower than anticipated tonnages for:

- Domestic waste (£84k)
- Hazardous Waste (£41k)
- Household Waste Recycling Centres (HWRCs) (£40k)

Commercial Income - £200k Underspend

- 6.48 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 around £200k better than budget.

Planning Fees / Building Control Income - £236k Pressure

- 6.49 Income from both Planning Fees and Building Control income is forecast to be lower than budget, this is an area that remains difficult to predict in the current economic climate and is one that will continue to be closely monitored.

Temporary Toilets - £28k pressure

- 6.50 During COVID-19 temporary toilets were set up at Meadow Road in Kettering and these are expected to remain until the end of the year resulting in an additional pressure of £28k.

Enabling and Support Services - £922k pressure

- 6.51 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

- 6.52 Overall, for these services the net revenue budget is £31.567m in 2021/22. Currently there is a forecast pressure of £0.922m which is set out in the following paragraphs.

- 6.53 There is a forecast overspend of £463k relating to income assumptions within the treasury management function, which is unchanged from the forecast reported in Period 4. 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.

- 6.54 Work is ongoing to mitigate budget pressures through reviewing the council's investment portfolio and seeking further investment opportunities.

- 6.55 The Revenues and Benefits Service were forecasting an overspend of £94k at the end Period of 4, this remains unchanged for Period 5. 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 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.

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- 6.56 During Period 5 an ongoing levy of £31k has been identified in relation to the management of historic insurance liabilities associated with the former Councils within North Northamptonshire through Municipal Mutual Insurance (MMI).
- 6.57 Public Sector Audit Appointments Ltd (PSAA) is the body a number of local authorities have used to appoint external auditors. The revenue PSAA receives covers the costs of its auditors and operating expenses. As PSAA operates on a not-for-profit basis surplus funds are redistributed to those authorities who opted into the PSAA, this amounts to one off income for the Council of £41k.
- 6.58 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.
- 6.59 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.
- 6.60 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.
- 6.61 A review of all income budgets within the Transformation Directorate is currently underway, with £300k already being identified as unachievable in relation to ex LGSS income budgets for business systems and change management. These budgets were allocated between Councils as part of the general disaggregation principles for the County Council's budget. " This has now been reflected as a pressure within the ICT budget.

Summary of General Fund Savings Delivery

- 6.62 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**. It is recognised that the continuing numbers of COVID-19 cases may put some savings at risk particularly with regard to Adult Social Care. Where there is concern regarding the achievement of savings mitigations are being sought. The position is unchanged from Period 4.

ITEM 6 - APPENDIX 1

	Children's & Education	Adults, Communities and Wellbeing Services	Place and Economy	Enabling & Support Services	Total
	£000	£000	£000	£000	£000
Service Savings					
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)
Service Savings	(1,961)	(8,752)	(3,652)	(4,796)	(19,161)

7. Housing Revenue Account

- 7.1 Within North Northamptonshire prior to 1st April 2021 there were two HRA accounts, covering the sovereign Councils of Kettering and Corby respectively. As part of the move to a single unitary council for North Northamptonshire, there was a statutory requirement to create a single HRA for the area. Whilst North Northamptonshire Council must only operate one HRA it will, for a period of time, operate two separate Neighbourhood Accounts, these being.
- 7.2 The Period 5 projections for the Corby Neighbourhood Account remain unchanged and show a pressure of £42k this is 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.

ITEM 6 - APPENDIX 1

Corby Neighbourhood Account			
	Original Budget 2021/22	Projection 2021/22	Variance
	£000	£000	£000
INCOME			
Rents - Dwellings Only	18,956	18,956	0
Service Charges	622	580	42
HRA Investment Income	69	69	0
Total Income	19,647	19,605	42
EXPENDITURE			
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
Total Expenditure	19,647	19,647	0
Net Operating Expenditure	0	42	42

- 7.3 The forecast position for the Kettering Neighbourhood Account at the end of Period 5 remains unchanged from Period 4 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.

Kettering Neighbourhood Account			
	Original Budget 2021/22	Projection 2021/22	Variance
	£000	£000	£000
INCOME			
Rents - Dwellings Only	15,066	15,050	16
Service Charges	430	414	16
HRA Investment Income	7	7	0
Total Income	15,503	15,471	32
EXPENDITURE			
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
Total Expenditure	15,503	15,503	0
Net Operating Expenditure	0	32	32

8. Conclusions

- 8.1 The forecast overspend as at Period 5 is £73k which is an adverse movement of £339k since Period 4 where an underspend of £266k 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)

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 overspend of £73k 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 Council budget rather than being built up over a period of time and as such there are inherent risks in the forecast position as the actual activity for North Northamptonshire takes place during the year which may not directly align to the split within the disaggregation.
- 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 both expenditure and income.
- 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 for 2021/22. Where required pressures and other movements will be included as part of the Council's Medium Term Financial Strategy when this is updated from 2022/23.

Consultation

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

Climate Impact

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

Community Impact

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

10. Issues and Choices

- 10.1 The report focuses on the forecast revenue outturn against budget for 2021/22 and makes recommendations for the Executive to note the current budgetary position as such there are no specific choices within the report.

11. Background Papers

- 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, 25th February 2021.

Monthly Budget Forecast Reports to the Executive.