

## EXECUTIVE 18<sup>th</sup> November 2021

<b>Report Title</b>	<b>Budget Forecast 2021/22 as at Period 6</b>
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<b>Executive Member</b>	Councillor Lloyd Bunday, Executive Member for Finance and Transformation

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

### List of Appendices

#### Appendix A – Savings Schedule

#### **1. Purpose of Report**

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- 1.1. The purpose of this report is to set out the forecast outturn position for the Council based on the Period 6 monitoring forecasts for the General Fund and the Housing Revenue Account. Some areas remain unchanged from Period 5 and the detail of those variations is included within the report for completeness.
- 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 September 2021 (Period 6) and the views of the budget managers.

#### **2. Executive Summary**

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- 2.1 The revenue budgets (2021/22) and Medium-Term Financial Plans for North Northamptonshire Council for the General Fund and the Housing Revenue

Account (HRA) were approved by the Shadow Authority at its meeting on 25<sup>th</sup> February 2021.

- 2.2 This 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.
- 2.3 The report provides commentary on the Council's current forecast financial outturn position for 2021/22 for both the General Fund and the HRA. With the move to a new Unitary Council from 1<sup>st</sup> April 2021 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 using the latest intelligence available.
- 2.4 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, determining the outturn under the current circumstances presents an element of risk which will continue to be closely monitored during the financial year.
- 2.5 As a newly created 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.
- 2.6 The balances on the reserves brought forward to the Council will not be complete until the accounts of its predecessor Councils are signed off. The draft outturn position for both Kettering Borough Council and the Borough Council of Wellingborough were reported to Executive on 26<sup>th</sup> August 2021. The audit report 2020/21 for Kettering Borough Council was presented to the Audit and Governance Committee on 27<sup>th</sup> September 2021 and the reserves position previously reported to this Committee remains unchanged. 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 was reported to the Audit and Governance Committee at the meeting on 8<sup>th</sup> November 2021.
- 2.7 The 2020/21 outturn position for Corby Borough Council, East Northamptonshire Council and the County Council for 2020/21 are summarised within a separate report on this agenda. The 2019/20 audit results for both Corby Borough Council and East Northamptonshire Council are expected to be reported to the Audit and Governance Committee meeting on 10<sup>th</sup> January 2022, with the results of the 2020/21 audit to follow around March 2022.
- 2.8 The Council's overall outturn forecast for the General Fund for 2021/22, as at Period 6 is a forecast overspend of £26k 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>P6 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	121,104	250
Place & Economy	55,783	55,137	(646)
Enabling & Support Services	31,567	31,989	422
<b>Total Directorate Budgets</b>	<b>268,555</b>	<b>268,581</b>	<b>26</b>
<b>Total Budget</b>	<b>292,505</b>	<b>292,531</b>	<b>26</b>
<b>Net Position 2021/22</b>	<b>0</b>	<b>26</b>	<b>26</b>

- 2.9 The forecast overspend as at Period 6 of £26k is a favourable movement of £47k since Period 5 where an overspend of £73k was reported. The following table summarises the movement of £47k.

<b>General Fund Forecast Movement (Period 5 v Period 6)</b>		
	<b>Report Reference</b>	<b>Movement in Forecast £'000</b>
Adults	5.27	500
Place – Car Park Income	5.44	24
Place – Facilities Management	5.46	91
Place – Planning Income	5.48	37
Place – Bus Service Pressure	5.55 – 5.57	16
Place – Transport Pressure	5.58	50
Place – Waste Management	5.59 – 5.61	(219)
Place – Verge Maintenance	5.63	24
Place – Emergency Planning	5.64	(178)
Place – Trading Standards	5.66	71
Place – Pest Control	5.67	37
Corporate – Capital Financing (Minimum Revenue Provision)	5.75	(500)
<b>Total</b>		<b>(47)</b>

- 2.10 The Council's overall outturn forecast for the Housing Revenue Account – which comprises of two Neighbourhood Accounts (Corby and Kettering) for 2021/22, as at Period 6, is a forecast pressure of £183k against the approved budget of £35.2m. This will be managed through seeking mitigation in year or use of the HRA reserve - this is an increased pressure of £109k to that reported in Period 5. This is summarised in the table below and further details are set out in Section 7. It is important to note that this is 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>P6 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	174
Kettering Neighbourhood Account	15,503	(15,503)	0	9
<b>Net Position 2021/22</b>	<b>35,150</b>	<b>(35,150)</b>	<b>0</b>	<b>183</b>

### **3. Recommendations**

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3.1 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.
- c) Note that in accordance with the Council's Constitution the Executive Director of Finance (S151 Officer), in consultation with the Executive Member for Finance and Transformation, has approved funding of up to £16,263 to the operator of the Bus Service W8 between Wollaston, Bozeat and Wellingborough to cover the period from 8<sup>th</sup> November 2021 to 1<sup>st</sup> April 2022.
- d) Note and approve the application of the Council's contingency budget in 2021/22 as set out in paragraph 5.5.
- e) Approve an increase in the gross revenue budget to reflect additional Household Support Fund grant received from Government. It is forecast that this figure will be £2.508m based on the allocation for the County, however, final confirmation is awaited from government on the individual allocations to North Northamptonshire Council and West Northamptonshire Council, see paragraph 5.65.
- f) Note that an urgent decision was made to approve the funding of Free School Meal vouchers for the October half term at an approximate cost of £0.152m from the Household Support Fund.
- g) Approve the use of the Household Support Fund grant to meet the estimated cost of £0.305m for Free School Meal vouchers for the Christmas break and note that a separate report is on the agenda for this Committee proposing the use of the Household Support Fund.
- a) Note that an urgent decision was made to increase the Council's minimum hourly wage rate for staff to the Real Living Wage of £9.50 per hour at an estimated cost of £0.8m to be funded from the Council's contingency budget in year and included within the Council's Medium Term Financial Plan from 2022/23.

- 3.2 Reason for Recommendations – to note the forecast financial position for 2021/22 as at Period 6 and consider the impact on this year and future years budgets.

## **4. Report Background**

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- 4.1 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<sup>th</sup> February 2021. This included £19.161m of savings. This report sets out the in-year variations to budgeted assumptions.
- 4.2 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<sup>th</sup> February 2021. This report includes an early analysis of the in-year variations to budgeted assumptions.

### **Housing Revenue Account (HRA)**

- 4.3 The HRA is a separate ring-fenced account within the Council for the income and expenditure associated with its housing stock. The HRA does not directly impact on the Council's wider General Fund budget or on the level of council tax. Income to the HRA is primarily received through the rents and other charges paid by tenants and leaseholders.
- 4.4 Within North Northamptonshire prior to 1<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 - 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.

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

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

- 5.1 The Council is responsible for the collection of local taxes (Council Tax and Business Rates). At the end of September 2021, 56.79% 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 as a consequence of the COVID-19 pandemic.
- 5.2 Business Rates collection was 48.72% at the end of September 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 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.

- 5.3 It is unknown how businesses will be affected in the longer term following the reduction / cessation of COVID-19 related financial support and the position on collection is monitored each month.
- 5.4 The total net budget for Corporate Resources is £23.950m which consists of the contingency budget and budgets for treasury related costs.
- 5.5 The contingency budget is held to meet unforeseen or unplanned/unbudgeted costs. The balance on the budget is currently £3.784m following the urgent decision to utilise c£0.8m to fund the pay changes. It is proposed that the contingency budget is also used to meet the final funding requirement for the operation of the Chester House Estate once the position is confirmed on future contributions following the exit of West Northamptonshire Council on 23<sup>rd</sup> October and taking into account the deficit identified in the business plan for this year (see paragraph 5.36). Ongoing costs will be incorporated into the Council's Medium Term Financial Plan.

### Directorate Budgets

- 5.6 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.

<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>P6 Forecast Variance at 31/03/22</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Children's & Education	60,351	60,351	0
Adults Communities & Wellbeing Services	120,854	121,104	250
Place & Economy	55,783	55,137	(646)
Enabling & Support Services	31,567	31,989	422
<b>Total Directorate Budgets</b>	<b>268,555</b>	<b>268,581</b>	<b>26</b>
Corporate Costs	23,950	23,950	0
<b>Net Budget Requirement</b>	<b>292,505</b>	<b>292,531</b>	<b>26</b>
Less Funding	(292,505)	(292,505)	0
<b>Net Position 2021/22</b>	<b>0</b>	<b>26</b>	<b>26</b>

## **Children's and Education Services – Balanced**

- 5.7 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.
- 5.8 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<sup>st</sup> 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.
- 5.9 The Children's and Education Services remaining in the Council include the client-side function that oversees the performance of the Northamptonshire Children's Trust on behalf of both North Northamptonshire Council and West Northamptonshire Council and the Local Authority statutory education functions as listed below:
- Education Inclusion
  - Education Psychology
  - Support for children with Special Educational Needs and Disabilities (SEND)
  - School Improvement
  - Virtual Schools (lead in the North Northamptonshire Unitary Authority)
  - School admissions and school place planning
  - Early Education and Child Care
- 5.10 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.
- 5.11 At this 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

### Children's Trust

- 5.12 As at the end of Period 6 the forecast outturn position for 2021/22, is an overspend of £0.622m against the approved budget of £123.348m. This is the budget for the whole County and North Northamptonshire will be c44% of that sum in line with the agreed disaggregation. This represents 0.5% of the Trust's controllable budget.
- 5.13 The trust will mitigate this pressure through the use of the carry forward reserve of £0.812m (relating to the financial period Nov 2020–Mar 2021). The carry forward reserve figure has reduced by £0.280m from £1.092m due to an end of

year adjustment relating to accumulated absences £0.277m and minor admin expenses £0.003m. Through the detailed monthly financial reporting key budget risk areas will continue to be reported to ensure effective monitoring is in place.

- 5.14 Within external placements, an additional resource is in place to support the development of provision in line with the sufficiency action plan, with a key focus on provision for emergency and complex referrals. All placements, especially the high costs ones, are regularly reviewed by the Trust using a risk-based approach to ensure sufficiency of provision and improve outcomes for the children and young persons.
- 5.15 A revised joint funding panel has been launched on the 1<sup>st</sup> November 2021 to agree funding for placements with a social care, education and health.

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

- 5.16 The net revenue budget covers Adult Social Services, Community Services and Public Health and Wellbeing and totals £121.080m in 2021/22. Significant work continues to be undertaken to understand the likely ongoing commitment to packages of care within the Council 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 balanced position.**

- 5.17 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.
- 5.18 Care can take in many forms and can be provided directly by the Council, through contracted organisations or families can receive a personal budget to buy suitable care for themselves. Although receiving formal or long-term care is subject to people meeting the Council's eligibility criteria, the service also has a key responsibility for helping people to stay independent and preventing or delaying the need for care.
- 5.19 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.
- 5.20 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 COVID-19 pandemic.



- 5.21 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.
- 5.22 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 forecast 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.
- 5.23 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 Crisis Response Team supports the back door discharges at the acute hospitals, where Admission Avoidance will focus on the significant opportunity to provide care on/at the front door to avoid hospital admissions and care costs increases client outcomes.
  - Strength Based Working Project (£2.2m) which is the Transformation of Adults Services pathways and processes to ensure focus on client outcomes, independence, better decision making, and best practice approaches reduce delays and spend.
- 5.24 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.
- 5.25 The achievement of the planned savings is reviewed throughout the year and, whilst most are forecast to be achievable, there is a significant shortfall currently forecast on the planned savings for Admissions Avoidance, predominantly due to the impact of COVID-19.
- 5.26 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.

- 5.27 Specialist and Complex - Mental Health (NCC) - forecast underspend of £1.5m. 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<sup>st</sup> 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%. This service, like most services within Adult Social Care, is subject to demand fluctuation.
- 5.28 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.
- 5.29 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.
- 5.30 Other variances across the directorate total a forecast £0.1m underspend.

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

- 5.31 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.
- 5.32 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**

- 5.33 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.
- 5.34 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.

- 5.35 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 visitor numbers. This is in part offset by lower staff costs which are estimated to be around £0.2m. The service has made a claim against COVID-19 funding which is available from Government for income losses until the end of June 2021 totalling £250k. This funding has been taken into account in the forecast.
- 5.36 The Chester House Estate has now had a successful go-live event. The revised Business Plan had projected a £115k pressure in the first six months of trading to the end of the 2021/22 financial year. This was due to the one-off costs of bringing the service to operational readiness. However, subsequent to this West Northamptonshire Council (WNC) has confirmed its intention to withdraw from the service as of 23 October 2021 and there will be a reduction in contributions as a result which will be met by North Northamptonshire Council. This additional shortfall will be finalised once the continuing contribution to the joint archives service is confirmed. Any shortfall for the Estate will be met from the Council's contingency budget in-year.

#### **Place and Economy - £646k Underspend**

- 5.37 The Place and Economy net budget totals £55.783m and is forecasting an underspend of £646k, which is a positive change of £47k since last month. Place and Economy covers the following four areas:
- Growth and Regeneration
  - Assets and Environment
  - Highways and Waste
  - Regulatory Services
- 5.38 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.
- 5.39 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.
- 5.40 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.
- 5.41 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.

- 5.42 The Service has a forecast underspend of £646k which consists of the following main movements as outlined in the paragraphs below

#### **Car Parking Income - £468k Pressure**

- 5.43 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 9<sup>th</sup> August 2021 following the removal of COVID-19 restrictions on 19<sup>th</sup> July 2021.
- 5.44 There is also a forecast net pressure of £57k 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.
- 5.45 The forecast pressure on the number of Fixed Penalty Charges for on-street parking is estimated to be £210k. This is an area that will continue to be monitored closely to understand the reasons for the movement and the implications for the longer term.

#### **Facilities Management - £91k Pressure**

- 5.46 There is a reduction in income due to the expiry of a lease at Eaton Walk in relation to Wilko in May this year. The year-to-date impact of this is a loss of income of £82k, with other small variances of £9k. This is a total pressure of £91k.

#### **Commercial Income - £200k Underspend**

- 5.47 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 - £273k Pressure**

- 5.48 Income from both Planning Fees and Building Control income is forecast to be lower than budget, the forecast pressure is £273k this is an increase of £37k from Period 5. 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**

- 5.49 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.

### **Markets - £16k Pressure**

- 5.50 As previously reported, 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. The costs associated with managing the market have also transferred to Kettering Town Council.

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

- 5.51 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).
- 5.52 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 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 26<sup>th</sup> August 2021. The estimated underspend is £236k.
- 5.53 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**

- 5.54 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.

### **Bus Service W8 Wollaston and Bozeat: Local Bus Contract - £16k Pressure**

- 5.55 The operator has informed the Council, as the Transport Authority, that the service is no longer commercially viable and without subsidy, they will withdraw the service. Furthermore, the driver shortage which has been reported nationally, has affected services locally, whereby they may not be able to provide a service even with subsidy from NNC. Therefore, they have submitted a formal notice of intention to terminate the service on 15<sup>th</sup> November 2021.
- 5.56 In order to find an alternative operator, a tendering exercise under the Northamptonshire County Council Local Bus Services Framework was conducted and has generated a compliant bid from Stagecoach Midlands. In a subsidy-based bid, they have requested £139/day from NNC to support the

service. Under this agreement, they will retain all on-bus revenue as a subsidy-based arrangement.

- 5.57 In accordance with the Constitution the requirement for an urgent decision was agreed between The Executive Director of Finance (S151 Officer) and the Executive Member for Finance to provide funding up to £16,263 to the operator of the Bus Service W8 between Wollaston, Bozeat and Wellingborough to cover the period from 20<sup>th</sup> October 2021 (or as soon as reasonably practical to start the service after this date) to 1<sup>st</sup> April 2022.

### **Transport - £50k Pressure**

- 5.58 There are other transport & contract pressures of £48k, these include an unbudgeted payment of £12k for East Midlands Rail Franchise in collaboration with other East Midland authorities and a reduction of £11k in income from sponsorship of roundabouts and £25k additional salary costs for Transport & Highways Management.

### **Waste Management - £535k Underspend**

- 5.59 There is a forecast net underspend of £89k on the Refuse and Recycling Collection Service across the Kettering and Corby areas which is an increase of £21k from the Period 5 projection. This comprises a projected saving of £261k 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 £129k due to a higher gate fee and a pressure of £62k as the Council previously received an income stream for paper.
- 5.60 Kettering and Corby trade waste income are forecasting a net underspend of £74k (Period 5 - £83k) this results from forecasting £100k more income than budget which is partially offset by additional costs of £26k.
- 5.61 The Waste Management service is also forecasting an underspend of £163k (Period 5 - £165k) due to lower than anticipated tonnages for:
- Domestic waste (£82k)
  - Hazardous Waste (£41k)
  - Closed landfill sites (HWRCs) (£40k)
- 5.62 The Housing Waste Recycling Centres are forecasting an underspend of £209k. The variances relate to;
- Basket price of commodities (£128k)
  - Transportation efficiencies from haulage contractors (£58k)
  - Staffing (£23k)

### **Maintenance of Verges - £24k**

- 5.63 There is a forecast pressure of £24k relating to highways and grass verge maintenance due to the difference between the anticipated cost of the service and the disaggregated budget from NCC.

### **Emergency Planning - £178k Underspend**

- 5.64 There is an underspend of £178k for emergency planning for salary vacancies not recruited to during the year, due to higher-than-expected staff turnover.
- 5.65 The Emergency Planning team oversee the Household Support Fund which is a new grant allocation of £5.065m for Northamptonshire. The grant allocation to North Northamptonshire is estimated at £2.508m when allocated on the basis of the COVID Relative Needs Formula; the Council is currently in dialogue with government regarding confirmation of the grant allocation specific to the Council. There is a separate report on the agenda which sets out proposals for the use of the Household Support Fund. Within this is it proposed that the Fund meet the cost of the Free School Meal vouchers approved for the October school break, alongside the Christmas school break as a priority.

### **Trading Standards - £71k Pressure**

- 5.66 There is a pressure of £71k for trading standards, this is due to unbudgeted costs of £79k for the ICT investment in a new Trading Standards Database to support the information requirements for the service; partially offset by costs recovered from a fraud prosecution case of £35k. There is also a pressure of £27k due to the impact of the disaggregation move to Deene House and increased costs for agency support for the team.

### **Pest Control - £37k Pressure**

- 5.67 There is a pressure of £37k for pest control relating to unbudgeted salary costs.

### **Enabling and Support Services - £422k pressure**

- 5.68 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
- 5.69 Overall, for these services the net revenue budget is £31.567m in 2021/22. Currently there is a forecast pressure of £0.422m which is set out in the following paragraphs.
- 5.70 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 5. 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.
- 5.71 Work is ongoing to mitigate budget pressures through reviewing the council's investment portfolio and seeking further investment opportunities.

- 5.72 The Revenues and Benefits Service were forecasting an overspend of £94k at the end Period of 5, this remains unchanged for Period 6. 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.
- 5.73 During Period 5 an ongoing levy of £31k was identified in relation to the management of historic insurance liabilities associated with the former Councils within North Northamptonshire through Municipal Mutual Insurance (MMI).
- 5.74 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.
- 5.75 The required level of Minimum Revenue Provision (MRP) for 2021/22 has been reviewed, together with the provisional slippage of the capital program in 20/21 from the legacy authorities, realising a potential underspend of £500k.
- 5.76 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.
- 5.77 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.
- 5.78 The ICT budget is forecasting a pressure of £75k. This is in relation to a historical budget pressure inherited from a legacy borough in relation to contract inflation and remote support from a contract with Capita.
- 5.79 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.



## Changes to the Pay Scale

- 5.80 In October the Council was pleased to announce that all its directly employed staff would receive, as a minimum, £9.50 per hour. The change in pay was to be backdated to 1<sup>st</sup> April 2021, this is equivalent to the Real Living Wage set by the Living Wage Foundation in November 2020 and which allows six months for implementation. Alongside this the Council also reviewed the differentiation between pay scales at the lower end of the salary scale increasing the rate of pay further for some employees.
- 5.81 The estimated impact from the minimum pay rate and the change in pay scale differentiation is estimated to be around £0.8m funded from the contingency budget. The figures in the report reflect this. The recurring costs will be incorporated within the Council's Medium term Financial Plan from 2022/23.

## Summary of General Fund Savings Delivery

- 5.82 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 5.

	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)
Service Savings	(1,961)	(8,752)	(3,652)	(4,796)	(19,161)

## 6. Housing Revenue Account

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

time, operate two separate Neighbourhood Accounts, these being the Corby Neighbourhood Account and the Kettering Neighbourhood Account.

- 6.2 The forecast position for the Corby Neighbourhood Account at the end of Period 6 shows a pressure of £174k which is an increase of £132k to that reported in Period 5. Rental income from dwellings is forecast to be £125k less than budget – this is a result of reduced Right to Buy Sales and the void rates being higher than budgeted. There is also a pressure of £43k from lower service charge income (Period 5 - £42k). There are also minor pressures of £6k within Repairs and Maintenance. The forecasts for the Corby Neighbourhood Account are reflected in the following table.

<b>Corby Neighbourhood Account</b>			
	<b>Original Budget 2021/22</b>	<b>Projection P6 2021/22</b>	<b>Variance</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>INCOME</b>			
Rents - Dwellings Only	18,956	18,831	125
Service Charges	622	579	43
HRA Investment Income	69	69	0
<b>Total Income</b>	<b>19,647</b>	<b>19,479</b>	<b>168</b>
<b>EXPENDITURE</b>			
Repairs and Maintenance	5,550	5,556	6
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>19,653</b>	<b>6</b>
<b>Net Operating Expenditure</b>	<b>0</b>	<b>174</b>	<b>174</b>

- 6.3 The forecast position for the Kettering Neighbourhood Account at the end of Period 6 shows a pressure of £9k which is a reduction of £23k to that reported in Period 5. Rental income from dwellings is forecast to be £46k less than budget – this is a result of higher void rates than budgeted and there is also a pressure of £22k from lower service charge income. This is offset by savings of £59k within Repairs and Maintenance. The forecasts for the Kettering Neighbourhood Account are reflected in the table below.

<b>Kettering Neighbourhood Account</b>			
	<b>Original Budget 2021/22</b>	<b>P6 Projection 2021/22</b>	<b>Variance</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>INCOME</b>			
Rents - Dwellings Only	15,066	15,020	46
Service Charges	430	408	22
HRA Investment Income	7	7	0
<b>Total Income</b>	<b>15,503</b>	<b>15,435</b>	<b>68</b>
<b>EXPENDITURE</b>			
Repairs and Maintenance	4,041	3,982	(59)
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>15,444</b>	<b>(59)</b>
<b>Net Operating Expenditure</b>	<b>0</b>	<b>9</b>	<b>9</b>

## **7. Conclusions**

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- 7.1 The forecast overspend as at Period 6 is £26k which is a favourable movement of £47k since Period 5 where an overspend of £73k was reported.
- 7.2 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.
- 7.3 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.

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

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### **Resources and Financial**

- 8.1 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 £26k and the Housing Revenue Account is forecasting an overspend of £183k.

## **Legal**

- 8.2 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).
- 8.3 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**

- 8.4 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, and aggregation of former district and borough council budgets. Over time, the budget will be informed by financial reality however at present, there are inherent risks in the forecast position as actual activity may not directly align to the budgets provided through aggregation or disaggregation of services.
- 8.5 Where any variances or emerging pressures are identified during the year, mitigating actions will be considered and appropriate management interventions undertaken.
- 8.6 Details of pressures, risks and mitigating actions implemented will be provided as part of the finance monitoring reports as the year progresses. The main risks identified include demand led services such as Adult Social Care, 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 in both expenditure and income.
- 8.7 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.
- 8.8 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**

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

## **Climate Impact**

- 8.10 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**

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

## **9. Issues and Choices**

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- 9.1 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.

## **10. Background Papers**

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- 10.1 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.

Monthly Budget Forecast Reports to the Executive.