

## Finance and Resources Scrutiny Committee 1 February 2022

<b>Report Title</b>	Budget Forecast 2021/22 as at Period 7
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Appendix A – Savings Schedule

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

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- 1.1. The revenue budgets (2021/22) and Medium-Term Financial Plans for North Northamptonshire Council for the General Fund and the Housing Revenue Account were approved by the Shadow Authority at its meeting on 25 February 2021. The purpose of this report is to set out the forecast outturn position for the Council based on the Period 7 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 October 2021 (Period 7) 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 has also helped to shape the medium-term financial plan.
- 1.4. Some areas remain unchanged from Period 6 and the detail of those variations is included within the report for completeness.
- 1.5. This report was submitted to the Executive for consideration at its meeting on 13th January 2022.

## **2. Executive Summary**

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- 2.1 The report provides commentary on the Council's current forecast financial outturn position for 2021/22 for both the General Fund and the Housing Revenue Account. With the move to a new Unitary Council from 1 April this year and the continuing issues presented by COVID-19, financial forecasting remains challenging. The Council will continue to assess and refine the forecasts on a regular basis using the latest intelligence available. The forecast presented in the report is based on the best available data and information of the operations of the Council 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.
- 2.2 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 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 this Committee 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 and the reserves position previously reported to this Committee remains unchanged. The accounts for the Borough Council of Wellingborough were reported to the Audit and Governance Committee at the meeting on 8<sup>th</sup> November 2021 with reserves position remaining unchanged.
- 2.4 The 2020/21 outturn position for both Corby Borough Council, East Northamptonshire Council and the County Council for 2020/21 were reported to this committee in November. 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.

## **3. Recommendations**

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- 3.1 It is recommended that the Finance and Resources Scrutiny Committee:
- a) Note the content of the report
  - b) Note the recommendations approved by the Executive at its meeting on 13<sup>th</sup> January when considering the report on the budget forecast position as at Period 7, and which are set out below:
    - Note the Council's forecast outturn position for 2021/22 and the associated risks and other considerations.

- Note the assessment of the current deliverability of the 2021/22 saving proposals in Appendix A.
- Approve the use of the Business Rates Retention Pilot project reserve to fund the feasibility works for the telephony infrastructure scheme as set out in paragraphs 5.76 to 5.80.
- Note that the Council has been allocated £7.654m of grant funding for the COVID-19 Additional Relief Fund (CARF) as set out in paragraphs 5.84 to 5.86 and delegate authority to the Executive Member for Finance and Transformation in consultation with the Executive Director of Finance to develop a discretionary scheme for the allocation of this funding.
- Note the additional one-off grant funding to businesses with premises in the hospitality and leisure sectors in response to the Omicron variant as indicated in paragraph 5.87. This will be funded in full from Government S31 grant.
- Note the third top-up of Government funding for the COVID-19 Additional Restrictions Grant to support business severely impacted by the pandemic as highlighted in paragraph 5.88.

3.2 Reason for Recommendations – to note the forecast financial position for 2021/22 as at Period 7 and consider the impact on this year and future years budgets.

#### 4. Report Background

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##### General Fund

4.1 The Council's Revenue Budget was set at the meeting of the Shadow Authority in February 2021. The overall outturn forecast for the General Fund for 2021/22, as at Period 7 is a forecast overspend of £12k 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>P7 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	59,498	59,498	0
Adults Communities & Wellbeing Services	120,581	121,427	846
Place & Economy	54,617	53,280	(1,337)
Enabling & Support Services	33,859	34,362	503
<b>Total Directorate Budgets</b>	<b>268,555</b>	<b>268,567</b>	<b>12</b>
<b>Total Budget</b>	<b>292,505</b>	<b>292,517</b>	<b>12</b>
<b>Net Position 2021/22</b>	<b>0</b>	<b>12</b>	<b>12</b>

- 4.2 The forecast overspend as at Period 7 of £12k is a favourable movement of £14k since Period 6 where an overspend of £26k was reported. The following table summarises the movement of £14k.

<b>General Fund Forecast Movement (Period 6 v Period 7)</b>				
	<b>Report Reference</b>	<b>P6 Variance £000</b>	<b>Movement in Forecast £000</b>	<b>P7 Variance £000</b>
Adults – Public Health	5.26 – 5.28	0	596	596
Adults – Housing & Community	5.30 – 5.31	250	0	250
Place – Car Parking Income	5.38 – 5.40	468	0	468
Place – Facilities Management	5.41	91	109	200
Place – Commercial Income	5.42	(200)	(450)	(650)
Place – Planning Income	5.43	273	33	306
Place – Temporary Toilets	5.44	28	0	28
Place – Markets	5.45	16	0	16
Place – Concessionary Travel	5.46 – 5.48	(836)	10	(826)
Place – Bus Service	5.49 – 5.52	46	(10)	36
Place – Transport	5.53 – 5.54	50	(111)	(61)
Place – Waste Management	5.55 – 5.59	(536)	(554)	(1,090)
Place – Highways	5.60	24	357	381
Place – Emergency Planning	5.61	(178)	0	(178)
Place – Trading Standards	5.62	71	3	74
Place – Environmental Health	5.63	37	(78)	(41)
Enabling Services	5.66 – 5.75	422	81	503
<b>Total</b>		<b>26</b>	<b>(14)</b>	<b>12</b>

### **Housing Revenue Account**

- 4.3 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.
- 4.4 Within North Northamptonshire prior to 1 April 2021 there were two HRA accounts, covering the sovereign Councils of Kettering and Corby respectively. As part of the move to a single unitary council for North Northamptonshire, there was a statutory requirement to create a single HRA for the area. Whilst North Northamptonshire Council must only operate one HRA it will, for a period of time, operate two separate Neighbourhood Accounts, these being:
- the Corby Neighbourhood Account - responsible for the stock that was managed by Corby Borough Council and
  - the Kettering Neighbourhood Account - responsible for the stock that was managed by Kettering Borough Council.
- 4.5 The Council's overall outturn forecast for the Housing Revenue Account as at Period 7, is a forecast pressure of £183k against the approved budget of

£35.150m. This will be managed through seeking mitigation in year or use of the HRA reserve - this is unchanged to that reported in Period 6. 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>P7 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>

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

### **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 October 2021, 65.88% 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.
- 5.2 Business Rates collection is 58.57% at the end of October 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 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.
- 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 contingency budget is currently £3.545m.

## **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 as set out in the table at paragraph 4.2.

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

- 5.7 The net revenue budget for Children's Services is £59.498m 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 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 Intelligent Client Function for the Northamptonshire Children's Trust and the Local Authority statutory education functions as listed below:

- Education Inclusion
- Education Psychology
- Support for children with Special Educational Needs and Disabilities (SEND)
- School Improvement
- Virtual Schools (lead in the North Northamptonshire Unitary Authority)
- School admissions and school place planning
- Early Education and Child Care

- 5.10 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 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 overspend of £0.250m**

- 5.12 The net revenue budget covers Adult Social Services, Community Services and Public Health and Wellbeing and totals £120.581m 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 balanced position.**

- 5.13 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 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.
- 5.14 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.
- 5.15 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.
- 5.16 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.
- 5.17 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.
- 5.18 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.

- 5.19 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 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.
- 5.20 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.
- 5.21 The current forecast is a balanced position against budget and variances when this 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.
- 5.22 Specialist and Complex - Mental Health - 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 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.
- 5.23 Specialist and Complex - Older People - there is a forecast pressure of £2.1m (variance of 3% against budget) against older people services which is related to the mix (costs) of clients and the number of clients, within this financial year compared to the bought forward disaggregated budget from 2020/21.
- 5.24 Specialist and Complex - Mental Health - there is a forecast underspend of £0.5m related to underlying Adults only Mental Health clients (non-pool) due to reduced number of actual clients being provided a service by the Council compared to the disaggregation analysis. The original disaggregation assumed 59% of the Countywide clients would be North Northamptonshire clients but to date c46% have transferred to the Council.



5.25 Other variances across the directorate total a forecast £0.1m underspend.

**Public Health – Forecast pressure £596k.**

5.26 Public Health and Wellbeing is currently leading Northamptonshire's response to the COVID-19 pandemic. The gross expenditure budget is funded by Public Health England.

5.27 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.

5.28 A forecast pressure of £0.596m is reported and this reflects the split between grant and expenditure following disaggregation of the Public Health budget.

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

5.29 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.

5.30 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.

5.31 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 visitor 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 reduction has been assumed in the forecast.

5.32 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 has confirmed its intention to withdraw from the service as of 23<sup>rd</sup> 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 - £1.337m Underspend**

- 5.33 The Place and Economy net budget totals £54.617m and is forecasting an underspend of £1.337m, which is a favourable change of £691k since last month. Place and Economy covers the following four areas:
- Growth and Regeneration
  - Assets and Environment
  - Highways and Waste
  - Regulatory Services
- 5.34 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.
- 5.35 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.
- 5.36 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.
- 5.37 The Service has a forecast underspend of £1.337m which consists of the following main movements as outlined in the paragraphs below

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

- 5.38 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 9<sup>th</sup> August following the removal of COVID-19 restrictions on 19 July.
- 5.39 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.
- 5.40 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.

### **Facilities Management - £200k Pressure**

- 5.41 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 £165k, with other small variances of £9k. In addition, pressure on electricity costs on street lighting £26k. This is an increase of £110k from Period 6.

### **Commercial Income - £650k Underspend**

- 5.42 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 is forecast to be around £650k better than budget, which is a favourable movement of £450k.

### **Planning Fees / Building Control Income - £306k Pressure**

- 5.43 Income from both Planning Fees and Building Control income is forecast to be lower than budget, the forecast pressure is £149k, additional consultancy & legal costs £89k and staffing pressures of £68k. This is an area that remains difficult to predict in the current economic climate and is one that will continue to be closely monitored. Overall this results in an increase pressure of £33k from Period 6.

### **Temporary Toilets - £28k pressure**

- 5.44 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**

- 5.45 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.

### **Concessionary Fares - £826k Underspend**

- 5.46 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).
- 5.47 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 26th August. The estimated underspend is £226k (Period 6 - £236k).

- 5.48 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 - £20k Pressure**

- 5.49 There is a forecast pressure of £20k 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**

- 5.50 The operator informed the Transport Authority that the service is no longer commercially viable and without subsidy, it will withdraw the service. Furthermore, the driver shortage situation that is reported nationally has affected the service locally, whereby it may not be able to provide a service even with subsidy from the Council. Therefore, the operator submitted a formal notice of intention to terminate the service on 15<sup>th</sup> November 2021.
- 5.51 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.
- 5.52 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 and Transformation 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 - £61k Underspend**

- 5.53 Transport pressures include a contract management pressure of £148k (£50k Period 6). Loss of income from roundabout sponsorship £11k. In addition, there is a pressure on the Home to school transport of £260k due to higher student numbers and vehicles costs.
- 5.54 During Period 7 additional income of £480k has been identified in relation to identifying dedicated routes across North Northamptonshire which aim to aid traffic flow.

#### **Waste Management - £1.090m Underspend**

- 5.55 There is a forecast net underspend of £150k (Period 6 £89k) on the Refuse and Recycling Collection Service across the Kettering and Corby areas which is an increase of £61k from the Period 6 projection. This comprises a projected saving of £333k 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 £140k due to a higher gate fee and a pressure of £62k as the Council previously received an income stream for paper.

- 5.56 There is a total net underspend (overachievement of income) of £320k (Period 6 - £74k) from waste income, this results from forecast additional income for Kettering and Corby trade waste (£100k), additional recycling income (£202k) and additional bulk waste income (£42k); these are partially offset by additional costs of £24k.
- 5.57 The Waste Management service is also forecasting an underspend of £165k (Period 6 £163k) due to lower than anticipated tonnages for:
- Domestic waste £84k
  - Hazardous Waste £41k
  - Closed landfill sites £40k
- 5.58 A new underspend relating to Street cleansing staff savings of £141k due to higher number of vacant posts and delayed recruitment.
- 5.59 The Housing Waste Recycling Centres are forecasting an underspend of £314k (Period 6 £209k). The variances relate to;
- Basket price of commodities £207k
  - Transportation efficiencies from haulage contractors £48k
  - Income from Permits £24k
  - Disaggregation savings £38k
  - Staffing savings £24k, and
  - Traffic signage pressure £27k

### **Highways & Traffic Management - £381k Pressure**

- 5.60 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 this remains unchanged to that reported in Period 6. Additional pressures include Street lighting £84k, Winter maintenance £144k and additional costs due to accidents & vandalism £129k

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

- 5.61 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.

### **Trading Standards - £74k Pressure**

- 5.62 There is a pressure of £74k for trading standards, this is due to unbudgeted costs of £79k for a new CX Database; partially offset by costs recovered from a fraud prosecution case of £35k. There is also a pressure of £30k due to the impact of the disaggregation move to Deene House and increased costs for agency support for the team.

## **Environmental Health - £41k Underspend**

- 5.63 Staffing vacancy savings of £71k, partially offset by pressure of £30k for pest control relating to unfunded salary costs.

## **Enabling and Support Services - £503k pressure**

- 5.64 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

- 5.65 Overall, for these services the net revenue budget is £33.865m in 2021/22. Currently there is a forecast pressure of £0.503m which is set out in the following paragraphs.

- 5.66 There is a forecast overspend of £534k (Period 6 £463k) relating to income assumptions within the treasury management function. 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 £282k, this has moved by £71k from period 6 from £211k following further investigation. The second variance relate to interest on equity of £212k which remains unchanged from period 7. Both areas of income 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.

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

- 5.68 The Revenue and Benefits Service was forecasting an overspend of £94k at the end Period of 6, this remains unchanged for Period 7. 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.

- 5.69 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).

- 5.70 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. This has been offset by a £10k pressure identified in period 7 which relates to additional audit fees for the Kettering audit in 2018/19 due to additional work carried out by the external auditors in relation to valuations and pensions. The fee is set by the PSAA.

- 5.71 The required level of Minimum Revenue Provision (MRP) for 21/22 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.
- 5.72 North Northamptonshire Council 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.
- 5.73 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.
- 5.74 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.
- 5.75 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.

### **Telephony Infrastructure**

- 5.76 The current telephony infrastructure across North Northants is split between the four geographic areas of the previous legacy councils and NCC. The infrastructure is in need of updating to support the current needs of this Council and the diverse range of services that our customers need to access.
- 5.77 Telephony covers direct access to services through contact centres, back office and support service operations, direct delivery at our depots, payment terminals and corporate services.
- 5.78 The customer contact centres are currently the main recipients of calls and the telephony system is crucial for the council in delivering the modern public services set out in the corporate plan alongside our plans to improve accessibility through digital delivery.
- 5.79 The proposal is to upgrade the telephony infrastructure to a single North Northamptonshire system and the following two options are being considered

## Option 1

A new “*on premise*” telephony system to replace existing systems with the latest version of what each council has in situ, whilst rationalising into one scalable estate. This option would form part of the Council’s Capital Programme.

## Option 2

A new “*cloud*” telephony system - this solution would predominantly be funded through the Council’s General Fund Revenue Budget.

- 5.80 A feasibility study will be undertaken and a sum of £40,000 is to be drawn down from the Northamptonshire Business Rates Retention Pilot project reserve for Customer and digitalisation projects. The outcome of the feasibility study together with a preferred option will be brought to a future meeting of the Executive.

## Changes to the Pay Scale

- 5.81 In October the Council was pleased to announce that all its direct staff would receive, as a minimum, £9.50 per hour. The change in pay was to be backdated to 1 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.
- 5.82 The estimated impact from the minimum pay rate and the change in pay scale differentiation is estimated to be around £0.8m and the Executive in November agreed for this to be funded from the contingency budget. The recurring costs have been incorporated within the Council’s medium-term financial plan from 2022/23.

## Summary of General Fund Savings Delivery

- 5.83 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 7.

	Children’s & Education	Adults, Communities and Wellbeing Services	Place and Economy	Enabling & Support Services	Total
	£000	£000	£000	£000	£000
<b>Service Savings</b>					



	Children's & Education	Adults, Communities and Wellbeing Services	Place and Economy	Enabling & Support Services	Total
	£000	£000	£000	£000	£000
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)

### **COVID Funding – Support for Businesses – Business Rates Relief and Grant Funding**

- 5.84 The allocations for a £1.5bn COVID-19 Additional Relief Fund (CARF) for 2021/22 have been published and North Northamptonshire Council will receive £7.654m.
- 5.85 The funding is to support billing authorities, such as North Northamptonshire Council, to make awards to businesses based on their own discretionary schemes. Payments up to the value of these grant allocations will be reimbursed to billing authorities based on their NNDR3<sup>1</sup> returns. There is no financial impact on the precepting authorities because any reduction in payable business rates in 2021/22 will be reimbursed through this grant scheme.
- 5.86 The government guidance states that support should be directed “towards ratepayers who have been adversely affected by the pandemic and have been unable to adequately adapt to that impact”. Ratepayers who for the same period of the relief either are, or would have been, eligible for the Extended Retail Discount (covering Retail, Hospitality and Leisure) or the Nursery Discount will not be eligible. Neither will empty properties.
- 5.87 The Government also recognises that the rise of the Omicron variant means some businesses are likely to struggle in the immediate future. Therefore, over the coming weeks the Council will be distributing one-off grants of up to £6,000 per premises for businesses in the hospitality and leisure sectors. This will be funded through S31 Government Grant.
- 5.88 A third top-up of the Additional Restrictions Grant (ARG) was announced by the Chancellor on 21<sup>st</sup> December 2021 to support businesses severely impacted by COVID-19 and the increase in the Omicron variant. There is a £102m of funding

<sup>1</sup> NNDR3 – the National Non-Domestic Rates Outturn data collection form designed to reconcile and report each Council's actual non-domestic rates (business rates) collected. The completed form is required to be returned to Government.

available nationally to enable grants to be issued at the discretion of the local authority, based on local economic need. The Council is awaiting further details of the individual allocations to each Council area before finalising its scheme. This is expected to take place in early January 2022.

## 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.
- 6.2 The forecast position for the Corby Neighbourhood Account at the end of Period 7 shows a pressure of £174k which is unchanged from Period 6. Rental income from dwellings is forecast to be £125k less than budget – this is a result of the Right to Buy Sales and the void rates being higher than budgeted. There is also a pressure of £43k from lower service charge income. 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 P7 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 7 shows a pressure of £9k which is unchanged from that reported in Period 6. 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>P7 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 7 is £12k which is an adverse movement of £14k since Period 6 where an overspend of £26k 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 £12k and the Housing Revenue Account is forecasting an overspend of £183k.

- 8.2 The Council retains a contingency for in-year, unfunded requirements. If the contingency is not utilised then it can be used to replenish reserves for greater resilience and/or future use.

### **Legal**

- 8.3 The provisions of the Local Government Finance Act 1992 set out requirements for the Council to set a balanced budget with regard to the advice of its Chief Finance Officer (Section 151 Officer).
- 8.4 The robustness of the budget estimates and the adequacy of the proposed reserves were considered under Section 25 of the Local Government Act 2003 prior to the Shadow Authority agreeing its 2021/22 budget.

### **Risk**

- 8.5 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.
- 8.6 Where any variances or emerging pressures are identified during the year then mitigating actions will be sought and management interventions undertaken.
- 8.7 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.
- 8.8 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.
- 8.9 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 have been included as part of the Council's medium-term financial plan updated for 2022/23 onwards and presented to Executive at its meeting on 23<sup>rd</sup> December 2021.

### **Consultation**

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

### **Climate Impact**

- 8.11 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**

- 8.12 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.