

Finance and Resources Scrutiny Committee 5 April 2022

Report Title	Budget Forecast 2021/22 as at Period 10
Report Authors	Janice Gotts Executive Director of Finance Janice.gotts@northnorthants.gov.uk
Lead Member(s)	Councillor Lloyd Bunday, Executive Member for Finance and Transformation

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1. Purpose of Report

- 1.1. The revenue budgets (2021/22) and Medium-Term Financial Plans for North Northamptonshire Council for the General Fund and the Housing Revenue Account were approved by the Shadow Authority at its meeting on 25 February 2021. The purpose of this report is to set out the forecast outturn position for the Council based on the Period 10 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 January 2022 (Period 10) 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 9 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 17th March 2022.

2. Executive Summary

- 2.1 The report provides commentary on the Council's current forecast financial outturn position for 2021/22 for both the General Fund and the Housing Revenue Account. With the move to a new Unitary Council from 1 April 2022 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 following Table provides an update on the current position for the four former Council's in North Northamptonshire;

Legacy Authority	2019/20	2020/21	Comments
Kettering	Completed	Completed	
Wellingborough	Completed	Completed	
Corby	Audited	Draft Accounts	Awaiting outcome of asset valuation to sign off accounts for 19/20. Draft accounts for 20/21 being finalised
East Northants	Audited	Draft Accounts	Awaiting outcome of asset valuation and opinion on legal case to sign off accounts for 19/20. Draft accounts issued audit to commence early April 22.

3. Recommendations

- 3.1 It is recommended that the Finance and Resources Scrutiny Committee:
- Notes the content of the report
 - Notes the recommendations approved by the Executive at its meeting on 17th March when considering the report on the budget forecast position as at Period 10, 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.

3.2 Reason for Recommendations – to note the forecast financial position for 2021/22 as at Period 10 and consider the impact on this year and future years budgets.

4. Report Background

General Fund

4.1 The Council's Revenue Budget for 2020/21 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 10 is a forecast underspend of £949k against the approved budget of £292.5m. This is summarised in the table below:

General Fund Forecast Outturn 2021/22			
	Net Budget	Forecast Position at 31/03/22	P10 Forecast Variance at 31/03/22
	£'000	£'000	£'000
Net Total Available Resources	292,505	292,505	0
Total Corporate Budgets	23,950	23,950	0
Children's & Education	59,498	59,498	0
Adults Communities & Wellbeing Services	120,581	121,200	619
Place & Economy	54,617	53,248	(1,369)
Enabling & Support Services	33,859	33,660	(199)
Total Directorate Budgets	268,555	267,606	(949)
Total Budget	292,505	291,556	(949)
Net Position 2021/22	0	(949)	(949)

4.2 The forecast underspend as at Period 10 of £949k is a favourable movement of £69k since the last report to Executive (Period 9) where an underspend of £880k was reported. The following table summarises the movement.

General Fund Forecast Movement (Period 9 v Period 10)				
	Report Reference	P9 Variance £000	Movement in Forecast £000	P10 Variance £000
Adults	5.13 – 5.34			
Adults – Commissioning	5.13 – 5.26	(227)	0	(227)
Adults – Public Health	5.27 – 5.29	596	0	596
Adults – Housing & Community	5.30 – 5.33	250	0	250
Place – Growth & Regeneration	5.39 – 5.42			
Place – Planning Service	5.39	372	108	480
Place – Temporary Toilets	5.40	36	0	36

General Fund Forecast Movement (Period 9 v Period 10)				
	Report Reference	P9 Variance £000	Movement in Forecast £000	P10 Variance £000
Place – Markets	5.41	16	0	16
Place – Growth and Regeneration Other	5.42	45	96	141
Place – Assets & Environment	5.43 – 5.52			
Place – Car Parking Income	5.43 – 5.45	529	9	538
Place – Facilities Management	5.46 – 5.48	571	(76)	495
Place – Commercial Income	5.49	(655)	0	(655)
Place – Transport	5.50	(480)	0	(480)
Place – Assets & Environment Other	5.51 – 5.52	78	26	104
Place – Highways & Waste	5.53 – 5.69			
Place – Highways	5.53	331	0	331
Place – Waste Management	5.54 – 5.59	(1,211)	(48)	(1,259)
Place – Concessionary Travel	5.60 – 5.62	(842)	0	(842)
Place – Bus Service	5.63 – 5.66	22	(15)	7
Place – Transport	5.67 – 5.68	617	(7)	610
Place – Highways Other	5.69	(116)	0	(116)
Place – Regulatory	5.70 – 5.76			
Place – Emergency Planning	5.70 – 5.71	(556)	0	(556)
Place – Trading Standards	5.72	81	5	86
Place – Environmental Health	5.73	(143)	(31)	(174)
Place – Other Regulatory	5.74 – 5.76	(93)	(38)	(131)
Enabling Services	5.77 – 5.92	(101)	(98)	(199)
Total		(880)	(69)	(949)

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 10, is a forecast pressure of £116k (Period 9 £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 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.

Housing Revenue Account Forecast Outturn 2021/22				
Directorate	Expenditure	Income	Net	P10 Forecast Variance at 31/03/22
	£'000	£'000	£'000	£'000
Corby Neighbourhood Account	19,647	(19,647)	0	86
Kettering Neighbourhood Account	15,503	(15,503)	0	30
Net Position 2021/22	35,150	(35,150)	0	116

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 January 2022, 93.10% of Council Tax had been collected. The Council has re-introduced debt collection procedures for Council Tax following their suspension during 2020/21 as a result of the uncertainties posed by COVID-19 at that time.
- 5.2 Business Rates collection is 87.03% at the end of January 2022. 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. Further to this the Government has recently announced further reliefs for the hospitality and leisure sector to run until March 2022. This was reported to Executive at its meeting on 13 January 2022.
- 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.

Corporate Resources

- 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 contingency budget as at Period 10 is £3.619m which is unchanged to that reported in Period 9.

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 already built into the budget is £1.7m with the bottom line having been adjusted to reflect this planned level of savings. The savings include 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 The forecast outturn is for a balanced budget across Children's and Education Services which includes the delivery of the savings targets. The situation is kept under review and the Finance Director for the Trust is meeting regularly with senior finance officers of both North and West Northamptonshire Councils to provide a detailed update on the budget position. The Children's Trust at the end of Period 10 is showing a pressure of £3.461m (across the County). This may, in part, be mitigated through bids for COVID related funding totalling

£2.631m. These bids are currently being considered by both of the Unitary authorities. If the bids are successful, then the overspend would reduce to £830k, which would be met through the use of the carry forward reserve within the Trust and which relates to the period November 2020 to March 2021. However, if the bids are not successful, then any balance which cannot be funded through financial capacity and mitigations within the Trust will be met from Council resources, in line with the agreed funding arrangements. The main pressure item within the Trust's budget continues to relate to the numbers and costs for Looked After Children placements. A summary of the Children's Trust Budget Report for Period 10 is detailed at Appendix B.

Adults, Communities and Wellbeing Directorate - Forecast overspend of £0.619m

- 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 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 and Wellbeing and Commissioning and Performance Services – Forecast underspend £227k.

- 5.13 Under the 2014 Care Act, local authority Adults Services have a responsibility to make sure that people aged over 18 years who live in their areas are provided with personal day to day care (helping people get dressed, washed, going to the bathroom, eating etc.) where they cannot do things for themselves or access family support. The service also provides other physical or psychological support to people with disabilities in order to help them live a full life. The overriding responsibility is to keep people safe and protect them from harm or neglect.
- 5.14 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 supported an uplift award ranging between 2.2% and 2.65% to care providers for providing care packages on framework rates during 2021/22, this is expected to cost approximately £1.2m during the year 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 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, and 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. These savings have been adversely impacted in 2021/22 as a result of COVID-19, however they have been mitigated in part through early discharge income.
 - 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 £227k underspend against budget as 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% and therefore is forecasting an underspend against the allocated budget. 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 Additional income of £227k has been received from health partners to cover the first 4 weeks of care following hospital discharge covering costs already forecast within Older Persons Residential & Nursing care.
- 5.26 Other variances across the directorate total a forecast £0.1m underspend.

Public Health – Forecast pressure £596k

- 5.27 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.
- 5.28 The service is working with a number of funding streams that have been made available as a result of COVID-19 such as the Contain Outbreak Management Fund. The potential commitments against such funding streams are influenced by the incidence of COVID-19 cases which may change the priority and profile of spend against this funding.
- 5.29 A forecast pressure of £0.596m is reported and this reflects the split between grant and expenditure following disaggregation of the Public Health budget, this remains unchanged from that previously reported.

Housing and Community Services – Forecast pressure £250k

- 5.30 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 report.

- 5.31 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.
- 5.32 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 until the end of June. This will reduce the pressure by £250k which has been included in the forecast.
- 5.33 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. The latest forecast indicates a position closer to breakeven, which will not require the use of contingency as planned, however West Northamptonshire Council has confirmed its intention to withdraw from the service as of 23rd October 2021 and there will be a reduction in contributions as a result, which will be met by North Northamptonshire Council. This shortfall will be around £99k for a full year and will amount to £41k for 2021/22 the use of the contingency has been reduced by £74k to reflect these changes.

Place and Economy - £1.369m Underspend

- 5.34 The Place and Economy net budget totals £54.617m and is forecasting an underspend of £1.369m, which is an adverse movement of £29k from Period 9. Place and Economy covers the following four areas:
- Growth and Regeneration
 - Assets and Environment
 - Highways and Waste
 - Regulatory Services
- 5.35 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.
- 5.36 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.
- 5.37 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.

- 5.38 The Service has a forecast underspend of £1.435m which consists of the following main movements as outlined in the paragraphs below

Growth & Regeneration – £673k pressure

Planning Fees Income - £480k Pressure

- 5.39 Income from Planning Fees is forecast to be lower than budget, the forecast pressure is £38k this is unchanged from Period 9. Consultancy & legal costs remain unchanged from Period 9 with a forecast pressure of £76k. Staffing pressures relating to Development Management due to agency costs covering vacant posts and increased workload across the service has increased the forecast by £108k from £258k in Period 9 to £366k. 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 £108k from Period 9.

Temporary Toilets - £36k pressure

- 5.40 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 £36k (Period 9 was £36k).

Markets - £16k Pressure

- 5.41 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.

Minor Variances - £141k Pressure

- 5.42 Other minor variances relating to Growth and Regeneration amount to £141k in Period 10.

Assets and Environment – £2k Overspend

Car Parking Income - £538k Pressure

- 5.43 As previously reported in Period 9 there was a forecast pressure for car parking income in relation to Kettering following the suspension of charges for a number of months, this pressure remains the same in Period 10 at £158k. Car Parking charges were reintroduced from 9 August following the removal of COVID-19 restrictions on 19 July.
- 5.44 There is also a forecast net pressure in Period 10 of £135k (Period 9 £135k) 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 £35k (Period 9 £26k) 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 in Period 10 is estimated to be £210k (Period 9 £210k).

Facilities Management - £495k Pressure

- 5.46 There is a reduction in income due to the expiry of a lease at Eaton Walk in May 2021. The year-to-date impact of this is a loss of income is £143k (Period 9 £143k). In addition, there is an underspend on street lighting of £16k (Period 9 £28k), offset by minor pressures elsewhere in the service of £75k (Period 9 £18k). This reflects a saving on the budget for repairs and maintenance works.
- 5.47 Further pressures in facilities management relating to one-off maintenance at Grosvenor House and Corby Cube were identified amounting to £108k. In addition, this is offset through salary and lower running costs of £145k.
- 5.48 There are pressures of £330k (Period 9 £330k) relating to Knuston Hall which is a facility which provides various types of learning, both residential and day courses, for international and national customers. Over the past two years of the pandemic Knuston Hall has suffered losses of income due to lockdown and COVID-19 rules for indoor gatherings etc. The facility is now providing a greatly reduced service because of social distancing rules and clients moving to virtual meetings, with maintenance issues also requiring the closure of the site to overnight guests. The facility is expected to return to normal trading during 2022/23.

Commercial Income - £655k Underspend

- 5.49 The Council's commercial estate remains an important source of income to the Authority as well as providing a good basis for regeneration and increasing economic activity and jobs creation. 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 £655k better than budget (Period 9 £655k).

Transport - £480k Underspend

- 5.50 Additional income of £480k was identified in relation to identifying dedicated routes across North Northamptonshire which aim to aid traffic flow in Wellingborough, this remains unchanged in Period 10.

Other Assets & Environment Areas - £104k Pressure

- 5.51 A pressure of £89k (Period 9 £75k) for fleet costs has been identified, although fuel consumption remains broadly on budget the cost of fuel has increased.
- 5.52 Minor Variances for Assets and Environment amount to £15k in Period 10 (£3k Period 9).

Highways and Waste – £1.269m Underspend

Highways and Traffic Management - £331k Pressure

- 5.53 There is a forecast pressure of £24k relating to highways and grass verge maintenance, this remains unchanged to that reported in Period 9. Additional pressures include Street lighting £84k (Period 9 £84k), winter maintenance £89k (Period 9 £89k) and additional maintenance work of £134k delivered through the Highways Contract (Period 9 £134k).

Waste Management - £1.259m Underspend

- 5.54 There is a forecast net underspend of £95k (Period 9 £149k) on the Refuse and Recycling Collection Service across the Kettering and Corby areas. This comprises a projected saving of £259k 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 £121k due to a higher gate fee and a pressure of £62k as the Council previously received an income stream for paper.
- 5.55 There is a total net underspend (overachievement of income) of £359k in Period 10 (Period 9 - £304k) from waste income, this results from forecast additional income for Kettering and Corby trade waste of £216k (Period 9 £216k), additional recycling income of £203k (Period 9 £202k) and additional bulk waste income of £145k (£97k Period 9); these are partially offset by additional costs of £6k (Period 9 £13k) relating to East Northamptonshire area trade waste and £199k relating to an increase in disposal costs for the Wellingborough area (Period 9 £199k).
- 5.56 There is work being undertaken to migrate the Wellingborough disposal service from Norse into an inhouse function. Migration costs are currently estimated to be around £130k (Period 9 £100k) which have been reflected in the forecast outturn position.
- 5.57 The Waste Management service is also forecasting an underspend of £297k (Period 9 £272k) due to lower than anticipated tonnages for:
- Domestic waste £165k
 - Hazardous Waste £79k
 - Closed landfill sites £53k
- 5.58 There are savings relating to Street cleansing staff of £98k (Period 9 £107k) due to a higher number of vacant posts.
- 5.59 The Housing Waste Recycling Centres are forecasting an underspend of £540k (Period 9 £479k). The variances relate to;
- Basket price of commodities £273k
 - Transportation efficiencies from haulage contractors £82k
 - Income from Permits £26k
 - Disaggregation savings £195k
 - Staffing savings £29k
 - Additional Site Opening £37k pressure, and

- Traffic signage pressure £28k

Concessionary Fares - £842k Underspend

- 5.60 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).
- 5.61 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 £242k (Period 9 - £242k).
- 5.62 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 - £9k Underspend

- 5.63 There is a forecast underspend of £9k which is a movement of £15k from Period 9 where a £6k pressure was reported this reflects a forecast pressure of £6k 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 and a £15k saving on lower IT costs.

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

- 5.64 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 15th November 2021.
- 5.65 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 the Council to support the service. Under this agreement, they will retain all on-bus revenue as a subsidy-based arrangement.
- 5.66 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 20th October 2021 (or as soon as reasonably practical to start the service after this date) to 1st April 2022.

Transport - £610k Pressure

- 5.67 Transport pressures include a contract management pressure of £158k (£158k Period 9). Loss of income from roundabout sponsorship remains unchanged from Period 9 at £11k. In addition, there is a pressure on the Home to school transport of £740k due to higher student numbers and vehicle related costs. (Period 9 £740k) due to two items, namely, walking routes which have not been completed as initially envisaged when setting the budget, leading to a pressure of £232k from unachievable savings, together with a £508k pressure due to confirmed higher pupil numbers.
- 5.68 These pressures have been partially offset by a number of underspends, these relate to staffing savings of £28k and Bridge Maintenance, hire of skips and scaffolding of £68k. In addition, savings have been identified in relation to disaggregation of Highways amounting to c£203k

Other Highways and Waste - £116k Underspend

- 5.69 As part of the disaggregation process a budget of £125k remains unallocated and is forecast to be underspent. A £9k pressure reflects minor variances within Highways and Waste.

Regulatory Services – £775k Underspend

Emergency Planning - £556k Underspend

- 5.70 There is an underspend of £276k for emergency planning due to higher-than-expected staff turnover. The underspend remains unchanged from Period 9.
- 5.71 In Period 9 a favourable variance of £280k was identified as costs previously relating to PPE and funded through emergency planning are covered through COVID-19 funding.

Trading Standards - £86k Pressure

- 5.72 There is a pressure of £86k for trading standards (£81k Period 9), this is due to increased costs of £99k for a new Trading Standards Database; partially offset by costs recovered from a fraud prosecution case of £21k. There is also a net pressure of £8k due to the impact of the disaggregation.

Environmental Health - £174k underspend

- 5.73 Staffing vacancy savings of £201k (Period 9 £170k), partially offset by a pressure of £27k (£27k Period 9) from reduced income for training courses.

Other Regulatory Services - £131k underspend

- 5.74 Savings were identified in relation to Licensing amounting to £256k (Period 9 £182k) reflecting staffing savings due to vacant posts.
- 5.75 These savings have been partially offset by £93k relating to maintenance costs at Wellingborough Doddington of £40k and utility charges at Kettering Crematorium of £53k in Bereavement Services

- 5.76 A number of smaller savings amounting to £32k account for the remaining variance

Enabling and Support Services - £199k underspend

- 5.77 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

- 5.78 Overall, for these services the net revenue budget is £33.865m in 2021/22. Currently there is a forecast saving of £199k (Period 9 - £101k) which is set out in the following paragraphs.

- 5.79 There is a forecast pressure of £534k (Period 9 £534k) 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, the second variance relate to interest on equity of £212k both remain unchanged from period 9. Both areas of income are no longer considered achievable and will become a pressure in 2021/22 and the longer term. In addition, there is a £40k shortfall in the investment income forecast which assumes that the historically low interest rates will continue throughout the year.

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

- 5.81 The Revenue and Benefits Service are forecasting an overspend of £17k at the end Period of 10 which is a movement of £50k from Period 9 where an underspend of £33k was reported. The Council received additional New Burdens Grant of £127k from Government for the distribution of grants. The remaining variance relates to the under recovery of court costs of £345k, offset by additional income relating to the business rates cost of collection of £53k. The under recovery of court costs reflects the decision the Council 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.

- 5.82 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). This remains unchanged in Period 10.

- 5.83 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 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.

- 5.84 During Period 9 additional Income of £84k was identified in relation to the Dedicated Schools Grant. This income variance reflects the Council's Statutory and Regulatory duties in this area and remains unchanged in Period 10.
- 5.85 The required level of Minimum Revenue Provision (MRP) for 2021/22 has been reviewed, together with the provisional slippage of the capital programme in 2020/21 from the legacy authorities, realising a potential underspend of £500k.
- 5.86 The contingency budget is held to meet unforeseen or unplanned/unbudgeted costs. The balance on contingency budget for Period 10 is £3.619m which is unchanged to that reported in Period 9.
- 5.87 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.
- 5.88 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.
- 5.89 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.
- 5.90 There is an estimated underspend of £605k (Period 9 - £400k) in relation to in year transformation salaries and customer services. This reflects the significant level of vacancies held by those teams during 2021/22, plans are in place to recruit to the majority of these vacancies.
- 5.91 The ICT budget is forecasting a pressure of £143k (Period 9 £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.
- 5.92 There are other savings which amount to £4k this is a movement of £11k from Period 9 where a pressure of £7k was reported.

Summary of General Fund Savings Delivery

5.93 The Council had 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 9.

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

6. Housing Revenue Account

- 6.1 Within North Northamptonshire prior to 1st April 2021 there were two HRA accounts, covering the sovereign Councils of Kettering and Corby respectively. As part of the move to a single unitary council for North Northamptonshire, there was a statutory requirement to create a single HRA for the area. Whilst North Northamptonshire Council must only operate one HRA it will, for a period of time, operate two separate Neighbourhood Accounts, these being.
- 6.2 The forecast position for the Corby Neighbourhood Account at the end of Period 10 shows a pressure of £86k which is a reduction of £88k from Period 9 (£174k). Rental income from dwellings is forecast to be £92k 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 £44k from lower service charge income. These pressures are partly offset by salary savings from vacant posts within General Management (£16k) and Special Services (£45k).

Corby Neighbourhood Account			
	Current Budget 2021/22	Projection P10 2021/22	Variance
	£000	£000	£000
INCOME			
Rents - Dwellings Only	18,956	18,864	92
Service Charges	622	578	44
HRA Investment Income	69	69	0
Total Income	19,647	19,511	136
EXPENDITURE			
Repairs and Maintenance	5,550	5,556	6
General Management	5,176	5,160	(16)
HRA Self Financing	12,963	12,963	0
Revenue Contribution to Capital	3,791	3,791	0
Transfer To / (From) Reserves	(8,946)	(8,946)	0
Special Services	692	647	(45)
Other	421	426	5
Total Expenditure	19,647	19,597	(50)
Net Operating Expenditure	0	86	86

- 6.3 The forecast position for the Kettering Neighbourhood Account at the end of Period 10 shows a pressure of £30k which is an increase of £21k to that reported in Period 9 (£9k). Rental income from dwellings is forecast to be £45k less than budget – this is a result of higher void rates than budgeted and there is also a pressure of £19k from lower service charge income. These pressures are partly offset by savings of £34k in General Management which relate to salary savings due to vacant posts.

Kettering Neighbourhood Account			
	Current Budget 2021/22	P10 Projection 2021/22	Variance
	£000	£000	£000
INCOME			
Rents - Dwellings Only	15,066	15,021	45
Service Charges	430	411	19
HRA Investment Income	7	7	0
Total Income	15,503	15,439	64
EXPENDITURE			
Repairs and Maintenance	3,964	3,964	0
General Management	2,784	2,750	(34)
HRA Self Financing	4,585	4,585	0
Revenue Contribution to Capital	2,632	2,632	0
Transfer To / (From) Reserves	(119)	(119)	0
Special Services	1,111	1,111	0
Other	546	546	0
Total Expenditure	15,503	15,469	(34)
Net Operating Expenditure	0	30	30

7. Conclusions

- 7.1 The forecast underspend as at Period 10 is £949k which is a favourable movement of £69k since Period 9 where an underspend of £880k 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.
- 7.4 The Council holds a contingency budget of c£3.6m as referenced in paragraph 5.86. This will support unforeseen risks and is particularly important for a new Council, where a number of transactions remain to be actioned to enable a full year of operation to be assessed, and also at a time of increased uncertainty as COVID-19 continues to impact.

8. Implications (including financial implications)

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 underspend of £949k and the Housing Revenue Account is forecasting an overspend of £116k.
- 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 were included as part of the Council's 2022/23 budget and medium-term financial plan approved by Council at its meeting on 24th February 2022.

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

- 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

- 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.