

WEST NORTHAMPTONSHIRE SHADOW AUTHORITY

SHADOW AUTHORITY MEETING

23 February 2021

Report Title	Budget 2021-22 and Medium-Term Financial Plan – General Fund Revenue and Capital
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1. Purpose of Report

- 1.1. This report sets out the first Revenue Budget and Medium-Term Financial Plan for West Northamptonshire Council. It identifies the key factors influencing and informing the development of the Council's financial plans for 2021-22, and the on-going financial impact of those plans into the medium term.
- 1.2. The final budget proposals consider responses to the public consultation exercise and the deliberations of the Overview and Scrutiny Committee.
- 1.3. This budget report includes the following financial plans;
 - Revenue Budget 2021-22
 - Dedicated Schools Grant 2021-22
 - Public Health Grant 2021-22
 - Medium Term Financial Plan
 - Capital Programme 2021-2025
 - Flexible Use of Capital Receipts Strategy

- 1.4. The budget report sets out the latest estimated funding position, service budget pressures, key financial risks and challenges influencing the development of West Northamptonshire Council's financial plans for 2021-22 and the ongoing financial impact of those plans, together with the medium term estimates of funding and spending requirements.

2. Executive Summary

- 2.1. This report presents the first budget and medium-term financial plan for West Northamptonshire Council. West Northamptonshire Council will provide a range of services to residents and businesses across the area including care to vulnerable adults and children, education, the collection and disposal of waste, household waste recycling, leisure and community wellbeing, highways, planning, economic development, housing and support for the homeless.
- 2.2. The creation of a new single tier council provides the opportunity to transform and improve local services for the residents of West Northamptonshire in line with the vision previously set out in the prospectus for change and the stated ambition of the executive. The Council will also work with businesses and other partners to support economic recovery following the COVID-19 pandemic and to promote economic recovery and growth. We will also continue to protect and support our communities and vulnerable people as we emerge from the public health crisis and through our ongoing work with system partners, agencies and the voluntary and community sector.
- 2.3. The budget has been set in the context of the current health emergency and its impacts but with a focus on building a strong foundation with a 'safe and legal plus' transition from the four sovereign councils to a single new West Northants Council. The budget does include initial efficiencies arising from a review of the senior management structures and builds in the resources to progress significant transformation and drive benefits from bringing four councils together. But it also recognises the current uncertainties of a single year settlement and post COVID world by setting aside resources to respond to unexpected pressures.
- 2.4. Our plans and proposals ensure that resources are prioritised and earmarked to continue to support the most vulnerable in our local community.
- 2.5. The creation of a new Council does present a number of opportunities, such as the financial benefits of economies of scale both from amalgamating four councils into one and from the consolidation of contracts, assets and the redesign of processes. However, there remains a significant amount of financial risk, such as the nationally recognised budget pressures for local government, not only from the longer-term impact of COVID-19 on costs and income, but also from demand led and other cost pressures which pre-date the pandemic.
- 2.6. The creation of the new Council has also created some additional and unavoidable cost pressures to ensure the ongoing safe and legal provision of services and as a result of changes in the business rate calculations based on the new Council footprint.

- 2.7. The budget is also the very first budget created for this new authority. While significant due diligence has been undertaken to create the baseline budgets transferring from the sovereign Councils there are some inherent financial risks associated with the demand for services in the first year of the new organisation as a result of the unprecedented impacts of the pandemic. Where such risks have not been mitigated through the provisional settlement, they have been mitigated by including some contingency funding with these plans.
- 2.8. This budget directly addresses these financial issues and has been prepared to deliver a balanced budget for 2021-22. The current plans assume no service reductions. This is in recognition of the need for stability as we start the new Council and the ongoing actions and changes that we have been asked to make through national COVID guidelines. This is a sensible and prudent approach for West Northamptonshire and is supported by contingency to mitigate against any unforeseen financial challenges.
- 2.9. Post vesting day officers and the executive will work together to create a three-year corporate plan accommodating the transformation, consolidation, efficiency improvement and corporate priorities so that West Northamptonshire can deliver its longer-term sustainability and ambitions. This will include a zero-based budgeting exercise that will commence in April 2021, supported by robust savings and improvement plans and the promised longer-term settlement from government. This will create a clear and certain path for the new unitary.
- 2.10. To help maintain and protect levels of service provision the Shadow Authority consulted on a core Council Tax increase of 1.99% in line with the maximum limit set by government without triggering a referendum and utilising the allowable Council Tax social care precept increase of 3% in full. The combined total resulting in an increase of 4.99% on the average Council Tax calculated for the West Northamptonshire area.
- 2.11. This would contribute around £10.2m per annum and would represent an average Band D level of Council Tax for West Northamptonshire Council of £1,566.39 in 2021/22, equivalent to £30.12 per week. This Band D figure does not include the Council Tax for individual town and parish councils or the Council Tax set for fire and police by the Northamptonshire Police, Fire and Crime Commissioner.
- 2.12. The Council tax also assumes harmonisation based on the average Council Tax across West Northamptonshire as described in the section on Council Tax Harmonisation later in this report.

Budget Headlines

- 2.13. The following summarises the main features of the proposed draft budget:
- § A balanced budget achieved in challenging circumstances
 - § The protection of existing service levels
 - § No reductions in any service provision
 - § Efficiency savings of £13.4m

- § Average Council Tax increase of £6.20 per month for a band D equivalent property
- § Incorporation of contingencies to mitigate the potential uncertainties associated with the first year of operation.
- § Preservation of all current capital schemes across West Northamptonshire

3. Recommendations

3.1 It is recommended that the shadow authority:

- a) Approves the 2021-22 Budget for West Northamptonshire set out in this report as recommended by the shadow executive at the meeting held on 12 February 2021, including:
 - i. an estimated net revenue budget of £712.776m (£326.570m excluding Dedicated Schools Grant) as set out in Appendix A.
 - ii. Council Tax harmonisation for West Northamptonshire using the alternative notional amount approach over a 3-year period.
 - iii. an average Band D Council Tax in 2021-22 of £1,566.39 for West Northamptonshire Council which represents an increase of 4.99% on the average Council Tax levied across the West Northamptonshire area (1.99% increase in 'core' Council Tax and 3% Adult Social Care Precept).
 - iv. The utilisation of the Dedicated Schools Grant as set out in Appendix E
 - v. The Fees and Charges schedule as set out in Appendix F
 - vi. The Capital Programme as set out in Appendix G
 - vii. Setting the authorised limits for borrowing as set out in the table at paragraph 16.7
 - viii. The Flexible Use of Capital Receipt Strategy set out in Appendix H

- b) Approves the following further recommendations from the shadow executive to the shadow authority to ensure that the revenue and capital budget and all associated financial policies can be delivered in a safe and legal manner from 1 April 2021 and also to ensure there is flexibility to manage the overall budget in the year:
 - i. To delegate authority to the Executive Director - Finance in consultation with the portfolio holder for Finance to amend the capital programme for 2021-22 going forward so that it accurately reflects issues such as slippage on current year projects that will need to be added to the programme, any amendments made to existing capital programmes, adjustments to accommodate any future use of capital receipts policy and for any other reason where the capital programme needs to be adjusted.
 - ii. To delegate authority to the Executive Director - Finance to employ earmarked reserves for the purposes they were originally set up for.
 - iii. To delegate authority to the Executive Director – Finance and the Director of Transformation in consultation with the portfolio holder for Finance to release the earmarked reserve of £500,000 for transformation projects subject to them being

satisfied with the business case received seeking the release of such funding.

- iv. To delegate authority to the Executive Director – Finance in consultation with the portfolio holder for finance to release the general contingency fund of £5m if required in the year.
 - v. To delegate authority to the Executive Director – Finance in consultation with the portfolio holder for Finance to amend Fees and Charges if required in 2021-22
 - vi. To delegate authority to the Executive Director – Finance to finalise and agree all outstanding financial policies and strategies in order to ensure that the Council has the policies in place by 1 April 2021
 - vii. To delegate authority to the Executive Director – Finance to resolve any other financial related matters to ensure the efficient operation of the new council and to ensure that it operates within a safe and legal manner from 1 April 2021.
- c) Notes the estimated taxbase for West Northamptonshire has been calculated at 137,520 band D equivalents as set out in paragraphs 9.6 to 9.8
- d) Considers the S25 statement of the Chief Finance Officer detailed at paragraphs 17.1 – 17.11 of the report.
- e) Notes the approach to Fees and Charges as set out in section 12 and the proposed Fees and Charges included as Appendix F
- f) Notes the allocations, and planned usage of the Dedicated Schools Grant (DSG) for 2021-22 as set out in the DSG settlement. Delegates authority to the Director for Children’s Services in consultation with the Portfolio Holder for Children’s Services, the Portfolio Holder for Finance and the Executive Director of Finance (S151 Officer) to determine any further adjustments required for the DSG 2021-22 allocations, schools funding formula, high needs funding arrangements and the Early Years Funding Formula in line with Department for Education guidance.
- g) Notes the consultation feedback on the budget in Appendix I
- h) Notes the feedback from the Overview and Scrutiny Committee in Appendix J
- i) Notes the inclusion in the budget from the shadow executive meeting held on 12 February 2021 to include **£425,000 for a Financial Hardship Fund** to be funded from General Fund Balances in 2021-22.
- j) Notes the inclusion in the budget from the shadow executive meeting held on 12 February 2021 to include **£75,000 for a Care Leavers Council Tax package** to be funded from General Fund balances in 2021-22.

3.2 Reason for Recommendations:

- *To ensure that the Shadow Authority complies with its Constitution and all other relevant requirements in setting the budget for West Northamptonshire.*

4. Report Background

4.1 The budgets of the new West Northamptonshire Council will comprise:

- a general fund revenue account
- a Dedicated Schools Grant (DSG) funded budget
- a Public Health funded budget,
- a housing revenue account (though this is subject to a separate report)
- a capital programme.

4.2 The general fund includes all revenue income and expenditure, including day to day running costs, financed from Council Tax, Business Rates, government grants and fees and charges, but excluding those related to council housing.

4.3 The DSG focuses on the funding for schools and Early Years settings as well as other specific Education related costs.

4.4 The Public Health budget funds a range of local public health activities.

4.5 The housing revenue account (considered in a separate report elsewhere on the agenda) includes all revenue expenditure and income on activities related to the Council's role as a housing landlord.

4.6 The capital programme includes all capital expenditure and income, including the acquisition, replacement and enhancement of assets financed from government grants, external contributions, revenue contributions, capital receipts and borrowing.

4.7 This report focuses on the Council's general fund revenue and capital budgets and notes the planned use of the Dedicated Schools Grant for 2021-22 and into the medium term.

Provisional Local Government Finance Settlement

4.8 The provisional settlement was announced on 17 December 2020 and the main announcements for West Northamptonshire were as follows:

- Total spending power announced of £304m. Spending power is a measure the Government uses to estimate how much authorities can spend using the grants they announce in the settlement and an assumption on the amount of Council Tax that can be raised if maximum increases are incorporated. The spending power can be broken down further as follows:

	<u>£m</u>
Business Rates Baseline funding	50.100
Revenue Support Grant	3.636
Business Rates multiplier compensation	2.613
Improved Better Care fund	9.772
Social Care Grant	7.990
New Homes Bonus	6.777
Rural Services Delivery Grant	0.393
Lower tier services grant	<u>0.461</u>
Total grant funding announced	81.742
<u>Assumed</u> Council Tax income*	<u>222.366</u>
Total spending power announced	<u>304.108</u>

* Assumed Council Tax income is a notional calculation made by the Government based on an assumed taxbase and Council Tax amount and will differ from the actual Council Tax estimates included within this report.

- There was also an announcement about COVID allocations for 2021-22. In the spending review a national amount of £1.55bn was announced and of this amount it was provisionally announced that West Northamptonshire would receive £9.524m
 - The spending review also highlighted £670m for the impact of the increase in demand for the Council Tax Reduction Scheme (CTRS). West Northamptonshire have been provisionally awarded £3.109m of this funding.
 - The spending review highlighted a further £800m to provide financial support to compensate authorities for the 'irrecoverable' loss in Council Tax and Business rates as a result of the pandemic. This element of funding is subject to further consultation from the Government. The allocation to West Northamptonshire will not be known until after the submission of NDR and Collection Fund returns to MHCLG.
 - As detailed later in this report there are £12.5m of COVID expenditure or loss of income pressures built into the draft budget (not including collection fund losses, tax base reductions or CTRS increase). The provisional settlement announcement confirmed that £12.633m of COVID grants have been allocated so far and a further allocation for 'irrecoverable' collection funds losses is also to be received.
- 4.9 Due to the fact it is a one-year Settlement and many of the announcements are for one-off funding only, the position for 2022-23 and beyond remains uncertain and potentially extremely challenging. This makes the zero-based budgeting exercise crucial and this will be supported by strong budget monitoring, service intelligence and benchmarking to ensure that we are proactive in dealing with emerging short and long-term issues and mitigations.

5. Changes from the Draft Budget 2021-22

- 5.1 Work has continued to refine and develop draft budgets to ensure that they are as accurate and up to date as possible. The overall net impact is zero and the Council continues to have a balanced budget in 2021-22 as the net budget reductions have been offset by an increased contingency to ensure that any further budget adjustments can be accommodated.
- 5.2 The movements between draft and final budget are included in Appendix C. The main changes from draft to final can be highlighted as follows:

	<u>£m</u>
Increased business rate income	(3.3)
Technical changes	(0.7)
Increases in savings and efficiencies	(0.3)
Increase in taxbase calculation	(0.2)
Increased in base budget contingency	3.2
Increase in collection fund deficit estimate	1.1
Net impact of other adjustments	0.2
Overall net impact on the 2021-22 budget	0.0

- 5.3 The revised budget proposals incorporating the movements from the draft to final budget are included in Appendices B1 – B5 and reflect the most up to date intelligence and information in relation to the currently anticipated cost of services for next year.
- 5.4 At the shadow executive meeting held on 12 February 2021 the executive amended the final budget report to include:
- A care leavers package of £75,000 to assist young people leaving care in meeting some of their financial obligations in respect of the payment of Council Tax
 - A financial hardship fund of £425,000 to assist those residents across the area who are facing hardship in respect of being able to pay their Council Tax bill.

Both of these additions will be funded through general fund balances in 2021-22.

A policy for both of these initiatives is being drafted by officers and will be in place before the start of the financial year.

6. Governance

6.1 Governance processes which were established to support the development of the budget have included:

- the establishment of cross-party member led Task and Finish Groups to oversee and progress plans for:
 - Council Tax Harmonisation and Council Tax Reduction Scheme
 - Disaggregation of the County Council's revenue budget, capital programme, dedicated schools grant and public health budget
 - The development of the budget and medium-term financial plan.
- regular budget development sessions with members of the shadow executive
- Officer led budget working groups for West Northamptonshire combining lead officers from all the sovereign Councils

7. Developing the Budget

7.1 The approach taken in setting the 2021-22 Budget and Medium-Term Financial Plan for West Northamptonshire Council has been to:

- Establish the baseline budget for 2020-21 through the disaggregation of Northamptonshire County Council's budget and the aggregation of the three District and Borough councils' budgets for Daventry, Northampton and South Northamptonshire. This work was undertaken under the oversight of the Disaggregation Task and Finish Group, which presented a progress report to the West Northamptonshire shadow executive Committee on 25th August 2020.
- Identify pressures and initial savings in 2021-22 and into the medium term from the existing councils, including the disaggregated split of the County Council's pressures and savings, and the full year effects of previous decisions and demand for services.
- Identify efficiency opportunities arising from the transformation programme such as savings arising from senior management restructure. Work will start on the wider organisational, contractual and financial benefits of the wider consolidation of services post vesting day and as the COVID pandemic hopefully subsides.
- Review the funding position and assumptions.
- Interpret and incorporate the information coming out of the provisional local government settlement announcements.
- Establish forecasts of Council Tax yield based on an assumption of harmonisation adopting the Alternative Notional Amount methodology (the average Council Tax approach) where the referendum principles are applied to the average Council Tax for the area, as recommended to the shadow executive Committee by the Council Tax Harmonisation Task and Finish Group on 25th August 2020.

Future Northants Programme

7.2 The Future Northants Programme has been in place to support the delivery of the two new unitary authorities, with dedicated programmes set up to deliver the new Council blueprints and supporting legal, workforce and technology

infrastructure. First and foremost, all programmes must achieve a safe and legal day one transition. This means that each organisation must have the staff, systems, budgets, procedures and policies to deliver their statutory duties. This is to avoid disruption to services to residents and businesses and ensure that nothing falls through the net in the transfer, especially protecting vulnerable residents.

- 7.3 Wherever it is safe and practical, the Future Northants programme has sought to find ways and opportunities to transform and deliver “plus” elements in the programme, allowing improvements to be delivered in time for vesting day on 1 April 2021. This transformational activity will continue beyond vesting day, when the majority of service and process improvements will be delivered. To this end, a transformation team will be set up within each of the new unitary Authorities, led by a Director of Transformation who is already in post and leading the drive towards delivering ‘safe and legal (plus)’ arrangements by April and the further and more significant transformation of the future.

West Northamptonshire Transformation Programme

- 7.4 West Northamptonshire will have a dedicated transformation team working to deliver the transformation required in the West to separate the remaining hosted County services, bring services together, move towards single more efficient operating models for the services, utilise other potential contract and property efficiencies and therefore reduce costs going forward.
- 7.5 The Director of Transformation has put forward plans which estimates the annual cost of the team required to deliver the transformation programme over the next two years will be £2.9m each year. This amount can be funded through the budgets already agreed for the transformation programme and reserves that currently exist.
- 7.6 The transformation team will be fundamental to the delivery of the savings built into these draft plans which total £3.7m per year. Savings will also be subject to robust business case verification, tracking and reporting to ensure that appropriate mitigations are put in place for unavoidable slippage and services are held to account to deliver in line with their plans.
- 7.7 In addition to the above the budget also includes a £500,000 one off fund which will be controlled by the Director of Transformation and used to fund investment that makes processes more efficient and can also be used as ‘seed funding’ for projects that will go on to deliver savings greater than the initial funding requirement. The release of these funds will be subject to a business case and at the discretion of the Executive Director of Finance and the Director of Transformation, in consultation with the Finance Portfolio holder.
- 7.8 In order for expenditure to continue to be incurred on transformation from 1 April a spending budget of £3.4m for 2021-22 and £2.9m for 2022-23 needs to be established which will be funded through earmarked reserves. These costs are funded through the revenue budget but will be included in the ‘Future Use of Capital Receipts ‘ policy so there is an option to fund through capital receipts should this be deemed to be the more appropriate funding route.

Future Use of Capital Receipts (FUCR)

- 7.9 Certain costs can be funded through the Future Use of Capital Receipts.
- 7.10 Qualifying revenue expenditure is time-limited expenditure incurred by the Council on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery in order to reduce costs or demand for services in future years.
- 7.11 Although set-up and implementation costs of any new processes or arrangements can be classified as qualifying expenditure, the ongoing revenue costs of the new processes or arrangements are excluded.
- 7.12 The decision to use capital receipts to fund transformational expenditure is one that will be considered by the full authority when considering the final budget proposals.
- 7.13 Using capital receipts to fund this type of expenditure provides greater flexibility in terms of how our overall capital and revenue resources are utilised and frees up revenue funding.
- 7.14 The transformation costs referred to above and expenditure required to deliver some of the adult social care efficiencies are areas where we would seek authority to use capital receipts instead of revenue resources.
- 7.15 A policy on the Flexible Use of Capital Receipts is attached at Appendix H. This provides for the flexibility to fund the following costs through the capital programme rather than through the revenue account:
- Transformation Team £2.9m
 - Transformation 'seed funding' £0.5m
 - Redundancy costs £4.0m
 - Strength based working costs £0.4m

The policy does not dictate that capital receipts have to be used to fund these costs but provide the option to do so if that is deemed to be the most appropriate funding route in order to free up revenue resources.

Future Northants Benefits Realisation

- 7.16 As previously reported to the Shadow Executive Committee, an analysis of the impact of the COVID pandemic on the realisation of financial benefits has been undertaken on each of the Business Rates Retention Pilot schemes and NCC savings on the basis of what is currently known or assumed.
- 7.17 Although there may be some delay in delivering the benefits due to COVID impacts it is still expected that annual benefits of Local Government Reform plans of up to £85m a year will be achieved across Northamptonshire. With one off costs of £53.3m this still represents a significant return on investment and a positive legacy for the two new unitary councils. Of the total £85m it is expected that £35m will be delivered after vesting day. The delivery of these

remaining savings will be fundamentally reviewed in 2021-22 and closely monitored from the outset.

- 7.18 The £35m savings which are forecast to be delivered after vesting day have been disaggregated in line with the principles set out in section 7.21 below and are included in the Medium-Term Financial Plans.

Disaggregation of the Northamptonshire County Council Budget

- 7.19 As part of the process of disaggregating the County Council's complex service budgets, a number of key overarching disaggregation principles were agreed by the S151 officer group in conjunction with the member Task and Finish Group. Individual services have been reviewed and analysed with the appropriate disaggregation principle being applied based on the nature, demand and any statutory rules for services costs. A particularly detailed analysis of these has taken place in adult social services. As the largest and most complex budget additional extra steps have been taken so disaggregation matches demand, complexity, caseloads and services provisions within geographic areas.

- 7.20 Whilst the majority of disaggregation principles have been agreed there are still some areas to be finalised particularly in relation to the balance sheet, corporate and support service budgets, capital financing, reserves, investments and the pensions deficit. This work is being undertaken in conjunction with the Council's external treasury advisers and the pension fund actuary.

- 7.21 The disaggregation principles applied in order to split the County Council's services and therefore develop a proxy for splitting the budget between West and North Northamptonshire can be grouped by the following categories:

- **Ordinary Residence** – Used to split Adult Social Care budgets based upon home postcode of service user, taken from CareFirst system and in line with the legal guidance on liabilities for social care. Ordinary Residence is a long-established legal principle for establishing responsibility for care. The allocation of client contributions towards care packages is also split based on ordinary residence.
- **Geographic Location** – Based upon the location used to deliver the service, for example location of Country Parks.
- **Cost drivers** – Underlying cost drivers for service areas, for example the Highways budget has been split by road length
- **Population** – for demand led services where costs are based upon usage.
- **Funding Formula** – Where the split is prescribed within funding terms and conditions. For example, Dedicated Schools Grant (DSG) and Public Health Grant have used specific grant formula / data to allocate the funding.
- **Staff numbers** – Used to pro-rata for support services, where the driver will be based upon the size of each unitary authority, for example the cost of a particular support service. In the case of adults staff are allocated on the basis of actual demand, caseloads, complexity and geography.

		Budget disaggregation based upon:					
		Ordinary Residence	Geographic location	Cost drivers	Population	Funding Formula	Staffing numbers
NCC budget element	Adult Social Care	X	X		X		
	Children's Social Care		X	X	X		
	Place		X	X	X		X
	Corporate Services		X		X		
	Back Office Support Services						X
	Corporate items		X	X			X
	Revenue Funding					X	
	DSG					X	
	Public Health		X		X	X	
	Balance Sheet		X	X		X	

7.22 The data sets used to calculate the budget allocation have been taken at a point in time, and whilst they are regularly updated there is a risk that with demand led budgets such as Adults Social Care there may be variations in volume trends between now and the start of the new financial year or predicted going forward

7.23 Following the application of the disaggregation principles the County Council's baseline net revenue budget for 2020-21 of £469.5m (excluding contribution to reserves) has been disaggregated across the two unitary councils as follows:

	North Northamptonshire (£m)	West Northamptonshire (£m)
County Council Baseline Budget	221.9	247.6

Disaggregation of Northamptonshire County Council Balance Sheet

7.24 There are linkages between items on the balance sheet, service revenue budgets, and the capital programme. Therefore, the principles used to disaggregate the balance sheet need to be consistent with the principles used to disaggregate revenue budgets and the capital programme.

7.25 The disaggregation of the County Council's Balance Sheet has been undertaken on a principles-based approach. It is important to note that the opening values for West Northamptonshire Council's Balance Sheet cannot be confirmed until the final audits of the previous sovereign councils' accounts have been completed, and this will be after vesting day.

7.26 Disaggregation principles have been applied in order to split the County Council's Balance Sheet. These can be grouped by the following categories:

- **Unitary Geography**– Fixed Assets (e.g. Land and Buildings) have been allocated based upon the geographic location of the asset.
- **Link to Capital Programme / Capital Financing Requirement (CFR)** – For example borrowing to support historic capital expenditure. Further work is ongoing to determine the final splits that are linked to the capital programme.
- **Link to corresponding service disaggregation** – Where balance sheet items are linked to particular service areas, for example service related

provisions, these have been disaggregated on the same basis as the corresponding service budget.

- **Caretaker authority** – Outstanding legacy items such as debtor/creditor balances which will transfer to one of the unitary authorities to be managed after vesting day on behalf of both.
- **District/Borough Council areas** – Collection Fund related balances can be allocated to specific Borough/District council areas.

7.27 As noted previously, whilst the majority of disaggregation principles have been agreed there is still some further work being undertaken to disaggregate some areas of the County Council’s budgets and balance sheet.

Aggregation of County Council and District and Borough Budgets

7.28 The aggregation of the three District and Borough councils’ budgets together with the disaggregated County Council position for the West was undertaken under the oversight of the Disaggregation Task and Finish Group, which presented a progress report to the West Northamptonshire Shadow Executive Committee on 25th August 2020.

7.29 The initial aggregated position was established based on the 2020-21 approved revenue budgets and was then reviewed and updated to incorporate budget movements to develop the draft 2021-22 budget, as set out in Section 7 below.

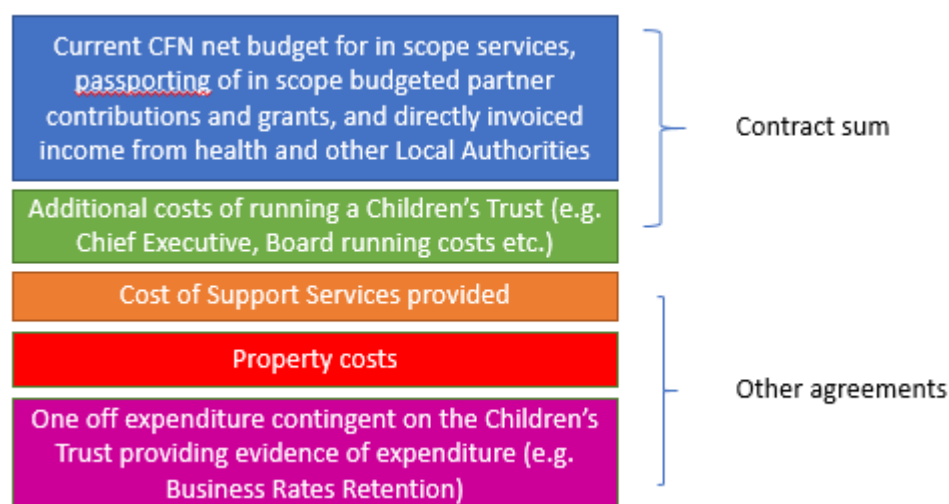
Aggregated Net Budget Baseline 2020-21	£m
Northamptonshire County Council (West Share)	247.6
Daventry District Council	15.8
Northampton Borough Council	28.8
South Northamptonshire Council	15.2
Total	307.4

Children’s Trust

7.30 The Northamptonshire Children’s Trust (NCT) was established from 1st November 2020 as a company wholly owned by Northamptonshire County Council, to deliver early help and social care services for children and families on behalf of the Council. From 1st April 2021 the ownership of NCT will transfer to the two new unitary Authorities.

7.31 Northamptonshire County Council remains responsible and accountable for the delivery of Children’s statutory duties (as will the two successor councils for North and West), employing a joint Director of Children’s Services who ensures that the Councils’ duties are met via the Trust. The Councils set the strategic outcomes and priorities. The Trust is responsible for delivering those outcomes. The Trust remains “operationally independent” and decides how those outcomes are met.

7.32 The Children’s Trust budget is made up of the following components, in the diagram CFN stands for Children First Northamptonshire:



- 7.33 The draft Budget included a provisional figure in the Northamptonshire Children's Trust contract sum for support services and property whilst further due diligence was undertaken. This work has now concluded and the revised contract sum has been updated and slightly increased for the initial 17-month period from 1st November 2020 to 31st March 2022.
- 7.34 The revised budgeted figure for the total contract is £137.18m for 2021-22. This is split £60.57m (44%) to North Northamptonshire Council and £76.60m (56%) to West Northamptonshire Council. The increase in budget relates to the cost of support services arrangements to the Trust which have been subject to a detailed negotiation.
- 7.35 For West Northamptonshire the contract sum is funded by £69.28m net revenue general fund budget for in scope services, £4.91m grant income and partner contributions and the balance being formed of income back into the Council by the Trust for support services provided and property related costs.

8. Revenue Budget Overview

- 8.1 The Summary General Fund Budget is set out in Appendix A. This section describes each of the budget movements and further detailed budget proposal breakdowns are set out in Appendices B1 – B5.

COVID-19 Impacts – Total £12.5m

- 8.2 Dealing with the impact of COVID-19 has resulted in significant additional costs and lost income for the existing sovereign councils in 2020-21. These pressures are forecast to continue into 2021-22 and, in some cases, beyond for the new Council as a result of the ongoing impact of restrictions and national lockdowns on businesses, the economy and employment in the short and long term. The impact of the pandemic could not have been foreseen and the new Council, like many other authorities across the country is facing a significant and long-term challenge.

- 8.3 Substantial new one-off funding has been provided in 2020-21 to the existing sovereign councils to support COVID-19 pressures. For 2021-22 the government announced further one off COVID funding allocations to West Northamptonshire of £12.6m and are soon to announce further funding to deal with the impact of reduced collection of Council Tax and Business rates, which will have an impact on the Council.
- 8.4 Some of the main pressures which are forecast to continue into 2021-22 relate to the cost of social care packages commissioned by the Clinical Commissioning Group during the first wave of COVID as the hospitals were cleared to deal with the anticipated surge in admissions. These budget proposals represent additional demand for those packages continuing into 2021/22 (£3.596m). There are also increased COVID demand pressures in Adults mental health (£0.845m), children's and education services (£0.845m), additional waste volumes (£0.222m) and additional costs of remote working (£0.250m).
- 8.5 In addition, the budget includes a contingency of £6.681m to cover other predicted COVID pressures that are likely to arise but to be quantified as we recover from the current pandemic, such as additional costs of Leisure provision and lost income from Sales, Fees and Charges. This contingency will be increased if required, to reflect any increase in government funding for COVID, and will be allocated to services as needs arise.
- 8.6 The draft budget assumes total government funding of £12.6m for COVID related pressures to offset the potential COVID pressures referred to above.

Local Government Reorganisation - Total £1.724m

- 8.7 It was always expected that there would be some structural costs and benefits to the aggregation and disaggregation of the eight Local Authorities into the two new unitary authorities across Northamptonshire.
- 8.8 Within West Northamptonshire's budget costs of disaggregation of £1.2m largely reflect the need for additional posts that will be required due to current County Council functions needing to be delivered separately in the two Unitaries. These additional costs have been scrutinized and challenged and the additional posts have been validated based on statutory, business and demand need. There were inevitably some diseconomies of scale.
- 8.9 These will be offset by savings generated on the new senior leadership structure, which as reported to the November Executive and are anticipated to be approximately £1.8m. In addition, it is also anticipated that a saving of around £1.9m will be realised through the aggregation and rationalisation of the services currently provided by the three District and Borough Councils and the consolidation of contracts, systems and assets. These savings have been included within the 'Savings and Efficiencies' proposals contained in Appendix B4.
- 8.10 Specific additional one-off costs of £0.5m have been identified in relation to the closure of the accounts for the legacy sovereign councils. The statement of accounts will be under particular scrutiny and will therefore require additional

temporary Finance staff to complete the accounts, and potentially additional costs of audit.

- 8.11 One further unintended consequence of the LGR process is the impact on the amount of Business Rates growth to be retained by West Northamptonshire. The Northamptonshire authorities currently operate a pool, but in 2021-22 this will need to be split West and North. In the West this will create a situation where a share of Business Rate growth has to be paid over to central government due to the imposition of a levy. This is a loss of around £4m of funding, which is recognised in the funding forecasts for 2021-22. MHCLG have been made aware of this situation.

Budget Pressures – Total £10.427m

- 8.12 These are changes and additions to the baseline 2020-21 budget in order to reflect the anticipated cost of current service provision as adjusted for the anticipated demand for services in 2021-22.

- 8.13 These pressures total £10.427m and include:

- Contingency for an employee Pay Award, Increments and other employee budget adjustments of £2.68m – this includes:
 - Provision for National Living Wage increase
 - Incremental increases for transferring staff where applicable in relation to their transferring terms and conditions.
 - Provision for a potential staff pay award although no decision has been taken on pay awards at this point pending the outcome of the national public sector pay discussions. This will be held as a contingency until then and once the Councils final costs of salaries and budget situation becomes clearer later in the year.
 - Salary budget adjustments where required
- Contractual Inflation £8.029m – This provides for in-built contractual and other inflationary cost related pressures such as care package costs, which are normally adjusted to reflect the costs faced by providers.
- Demography and Service Demand Changes – net budget reduction (£0.282m) – while there are increases and decreases in current and predicted demand, this reflects the overall position based on detailed historic and predictive modelling.

Savings and Efficiencies – Total savings (£13.364m)

- 8.14 A total of £13.364m of savings are included in the budget for 2021-22, as well as a further £9.099m in future years. These reflect the savings arising from decisions made in previous years' budgets and cover transformation savings funded through Business Rate Pilot programmes, through NCC's own transformation programme and measures put in place by the existing Districts and Borough. While the timing of these has been impacted by COVID the deliverability confidence of the services remains high.

- 8.15 As highlighted in the section on Local Government Re-organisation there are also £3.7m worth of savings associated with:

- A reduced requirement for the total number of senior managers across West Northamptonshire when compared to the number of senior managers employed in total in the sovereign councils.
 - An assumption that the cost of staffing will reduce when services are combined
- 8.16 Significant savings are anticipated from the continued implementation of the following transformation programmes within Adult Social Care.
- Admissions Avoidance Service (£1.76m) previously called “Rapid Response”, which is a new service (initially funded by the business rates pilot fund) provided by Adult Social Care with health partners. The Admission Avoidance care model focuses on patients/clients presenting at acute hospitals with relevant conditions who can be rapidly assessed, diagnosed and treated without being admitted to a ward, if clinically safe to do so. Currently the Crisis Response Team supports the back-door discharges at the acute hospitals, where Admission Avoidance will focus on the significant opportunity to provide care on/at the front door to avoid hospital admissions and care costs and improve client outcomes.
 - Strength Based Working Project (£2.47m) which is the Transformation of Adults Services pathways and processes to ensure focus on client outcomes, increased independence, better decision making and best practice approaches to reduce delays and spend. Business Rate Pilot funded assessment stage and now out for tender for implementation of new Target Operating Model (TOM) service design.
- 8.17 Savings of £1.5m are reflected in the Children’s Trust contract in relation to capacity building in foster care, reducing reliance on agency staff and improving outcome’s for children.
- 8.18 There will be a saving in the base budget contribution required to fund elections of £0.761m. The base budget can be reduced as there are already sufficient Elections Reserves held specifically to cover the costs of the Elections in 2021 and possibly the costs of the Elections in 2025.
- 8.19 A saving of £0.75m reflects the increased take up of the paid-for Green Waste collection service in the Northampton area, from the prior year levels. Other savings largely reflect the removal of one-off budgets that are no longer required in 2021-22.
- 8.20 All the savings above that were already agreed and in train from previous budget decisions do not represent any additional changes to service provision or levels.
- 8.21 New opportunities to realise efficiency and other savings will arise as the services in the new Council are embedded and come together and we take the opportunity to consolidate, transform and create economies of scale. As noted earlier, a Transformation Director is in place and has responsibility to deliver a programme of transformation across all services in conjunction with partners and wider stakeholders.

Technical Changes –Net budget increase £2.83m

8.22 Technical changes to budgets have no impact on the method or levels of service provided. For 2021-22 there is a net budget increase of £2.83m. Full details are provided in Appendix B5, but the main areas to highlight are:

- Removal of a revenue contribution that was included in Daventry District Council's budget to forward fund infrastructure costs, that is not required in 2021-22 - £2.7m reduction
- An increase of £0.82m from the level of general contingency inherited from NCC, to bring it up to £3m. This will ensure that there is sufficient contingency within the base budget to cover any final adjustments as detailed budgets are reviewed.
- In order for expenditure to continue to be incurred on transformation from 1 April a spending budget of £3.4m for 2021-22 and £2.9m for 2022-23 needs to be established which will be funded through transformation reserves, as detailed in paragraphs 6.4 to 6.8.
- A Council Tax hardship fund and the Care Leavers' package which taken together total £500,000 are included in this category. These will be funded by general fund reserves in 2021-22.
- Other technical changes, both increases and decreases, net to an increase in the 2021-22 Base Budget of £0.810m.

Contingencies

8.23 There have been several contingencies built into the budget for 2021-22. This reflects the degree of uncertainty inherent within the first year for a new organisation with a net budget of over £325m

- **Covid Contingency** – As explained earlier in the report £12.5m has been set aside to deal with the ongoing impact of the Covid pandemic. Of this amount £5.82m has been allocated to services and the balance of £6.68m will be held as a central contingency. This expenditure will be funded through the Government Grant allocated for this purpose.
- **Base budget contingency** – There is a contingency of approximately £5.1m included in the base budget to deal with any in year pressures that need to be managed outside of the service budgets.
- **General Contingency** - The proposed budget for 2021-22 also includes a one-off contingency of £5m, funded from general fund reserves, to cover the any associated risks within the budget and will be available to adjust budgets if necessary. This first budget for the new unitary council has, of necessity, been produced on a summarised level, on a risk based approach, identifying material changes from the 2020-21 baseline and a contingency is required in order to be able to respond effectively to any unanticipated increases in costs or demand that cannot be managed within the budget. The release of this contingency will be at the discretion of the Executive Director of Finance in consultation with the Finance portfolio holder.

- 8.24 Budgets would ordinarily be built from the bottom up, for example a salaries budget would be developed with reference to staff in post. This has not been possible this year as recruitment to the senior management structure has not been completed and service structures below Assistant Director level have not been designed and implemented yet. As stated, an exercise will be undertaken as soon as possible and will be used to inform the in-year monitoring and the preparation of the 2022-23 budget
- 8.25 The table below sets out the total budget for 2021-22 by Directorate (excluding DSG). This is based on the split of the 2020-21 Baseline plus/minus the budget movements allocated as shown in Appendices B1 – B5. The figures are provisional and therefore indicative as they may be subject to change when detailed budgets are built from the bottom up as described above.

	Baseline 2020-21 (£m)	Net Movements (£m)	Final Budget 2021-22 (£m)
Adults, Communities & Wellbeing	109.287	4.454	113.741
Children's (including Trust)	71.655	1.942	73.597
Place and Economy	72.629	1.652	74.281
Finance	7.670	0.665	8.335
Corporate Services	20.948	4.967	25.915
Technical/Centrally Held Items	25.264	5.437	30.251
	307.453	18.617	326.570

9. Overview of Funding Assumptions

- 9.1 The new Council's net budget will be funded from three main sources, Council Tax, Business Rates and government grants. In recent years Central Government Funding has reduced and the ability to grow and maintain resources raised locally, such as Council Tax, has become even more important for local authorities' financial sustainability, particularly when considered against the change in local government funding and short-termism of financial settlements which does not facilitate medium term financial planning.
- 9.2 The provisional settlement for local government was issued on 17 December 2020 and is incorporated within the figures contained within this report. Paragraphs 4.8 and 4.9 provide further detail on the settlement.
- 9.3 The funding assumptions included in the 2021-22 budget are set out below.

Council Tax

- 9.4 Council Tax is the most stable, sustainable and significant source of income for West Northamptonshire Council and the impact of the pandemic must be taken into consideration. It is driven by both the taxbase (number of Band D equivalent properties in the area) and the level of the Band D charge set by the Council.
- 9.5 The government's provisional settlement confirmed that the referendum thresholds for 2021-22 are a 2% increase in 'core' Council Tax plus a further 3% increase in the Adult Social Care Precept. Any increase above these thresholds would be subject to a local referendum. The draft budget figures set out in Appendix A are based on an average increase in the Band D Council Tax for West Northamptonshire of 4.99%.

Council Taxbase

- 9.6 The taxbase for 2021-22 has been calculated by the existing billing authorities based on a consistent set of assumptions and then aggregated to provide a single taxbase for West Northamptonshire.
- Property growth is calculated by reference to known developments, as provided by Planning colleagues
 - A Council Tax Reduction Scheme (CTRS) with a minimum taxpayer contribution of 20%, as decided by Shadow Executive on 26th January.
 - A collection rate of 98%.
- 9.7 Based on these assumptions the total taxbase would be 137,520, a fall of just under 1% from the 2020-21 taxbase, as detailed and explained below.

	2020-21 Band D Equivalents	2021-22 Band D Equivalents	Change %	
Total before CTRS	149,922	150,654	0.49%	Lower level of growth than in recent years due to economic slowdown.
CTRS Impact	(8,757)	(10,328)	17.9%	Increase in claimant caseload/awards of 7.9% over last 12 months plus forecast further 10%
Non- collection	(2,330)	(2,806)	20.4%	Forecast higher levels of non-collection due to economic conditions.
Taxbase	138,835	137,520	-0.95%	Net reduction in taxbase

9.8 This taxbase has been set by the Chief Finance Officer and notified to precepting authorities by the statutory deadline of 15th January. The decision to set the CTRS minimum percentage at 20% (see paragraphs 8.17 to 8.21 below) may reduce the total net Council Tax collectable, depending on the number of claimants. Any net reduction in Council Tax collectable would create a deficit in the Collection Fund that would need to be recovered in 2022/23.

Council Tax Rate Harmonisation

9.9 Across the West Northamptonshire area different levels of Council Tax have previously been raised in each of the existing Districts and Borough. Whilst the Council Tax level set by NCC is the same for all parts of the County, the rates set by the Districts and Borough are different.

9.10 In order to set a single rate of Council Tax for West Northamptonshire there is a requirement to harmonise Council Tax. This is a process whereby the rates are adjusted over an agreed period to arrive at a single consistent rate.

9.11 The average Council Tax for 2020-21 levied for each of the individual areas (based on a Band D property) is set out below and includes the County Council’s element of the charge and Special Expenses where appropriate. The weighted average charge is £1,491.94.

Daventry District	£1,451.56
Northampton Borough	£1,516.26
South Northamptonshire	£1,481.75

9.12 It should be noted that these figures do not include the Council Tax for individual town and parish councils or the Council Tax set for fire and police by the Northamptonshire Police, Fire and Crime Commissioner.

9.13 Detailed regulations governing the transition process are made by Statutory Instrument, the latest being SI 2018 no.1296.

9.14 There are two options to harmonise Council Tax. The Council Tax Harmonisation Task and Finish Group have recommended using a referendum limit based on overall average Council Tax for West Northamptonshire (alternative notional amount, or ANA), which uses a weighted average of all Council Tax based on a Band D property. This approach generates the highest Council Tax yield.

9.15 It is a requirement to have harmonised Council Tax across the area by the start of the eighth year of the new organisation. The maximum period to achieve this is therefore seven years from vesting day. The harmonisation period does not impact on the total Council Tax yield but does impact on the percentage increases in each of the current District areas. It is recommended that the harmonisation period is three years. This provides a balance between limiting the increases to a reasonable level and achieving harmonisation in a reasonable timeframe. Further details are set out in Appendix D.

Special Expenses

- 9.16 Special expenses are a part of the overall council tax charged by West Northamptonshire Council. Most of the Authority's council tax is evenly distributed across all areas of the Council. However, special expenses allow some specific costs to be distributed according to where the services are provided.
- 9.17 Special expenses relate to expenditure deemed solely to apply to a part of the Council where precepting authorities in other parts of the Council have chosen to precept and supply the same service separately. These are known as concurrent services.
- 9.18 The Council charges special expenses for the maintenance of its smaller parks and open spaces and closed church yards as this service is also carried out by Parish Councils in some areas. Because these smaller parks and open spaces are not evenly distributed across the Council, the special expense charge (unlike the main council tax element) differs across the parishes of the Council.
- 9.19 In the previous year 2020/21, special expenses were charged by both Northampton Borough Council and Daventry District Council, but they were not required in South Northamptonshire Council as there were no concurrent services operating in that area. The same principles and methodology for special expenses has been applied by West Northamptonshire Council, as was applied in the sovereign authorities in the prior year 2020/21.
- 9.20 The basic mechanism is to deduct the relevant expenditure from the total council tax applying to the total tax base, and then re-apply that expenditure over the parishes affected. This means that residents in different parts of the Council will pay different amounts according to the distribution of parks and open spaces and closed church yards across the Council.

Local Council Tax Reduction Scheme

- 9.21 The Local Council Tax Reduction Scheme (LCTRS) replaced Council Tax benefit in 2013. Council Tax benefit was a nationally prescribed scheme, whereas LCTRS is a local scheme set at the discretion of the relevant billing authority.
- 9.22 The scheme applies to working age claimants. Eligible pensioners continue to receive up to 100% Council Tax support depending on the levels of income they are in receipt of. The greater the level of support granted the greater the contribution from the Council. The schemes are different across the three district and borough councils in the West by some margin as set out in the table below:

	Minimum Contribution from Taxpayer	Maximum Contribution from Council
Daventry District Council	20%	80%
Northampton Borough Council ^[1]	31%	69%
South Northamptonshire Council	8.5%	91.5%

[1] Note: there are two ways to calculate the scheme percentage. Daventry and South Northants calculated it using one method and Northampton used the other method. Neither are incorrect. In order to compare the schemes on a 'like for like' basis the Northampton method was re-calculated, so it became consistent with the method of calculation used by South Northants and Daventry

- 9.23 The Task and Finish Group recommended that the harmonised scheme should be cost neutral for the new Council. It was estimated that this would be a 26.5% scheme whereby claimants would have to pay a minimum of 26.5% of their Council Tax. The shadow authority went out to wide ranging consultation on a 26.5% scheme.
- 9.24 The Shadow Executive Committee on 26th January 2021 determined that the minimum percentage should be set at 20% in order to limit the impact on the most vulnerable residents. As noted at paragraph 8.8 above this may have an impact on total Council Tax income, depending on claimant numbers. However, it was estimated that the total impact on the taxbase would be approximately 0.36% and therefore could be accommodated within the existing estimates.

Business Rates Baseline

- 9.25 The Comprehensive Spending Review in November 2020 confirmed the delay to the Business Rates review, Fair Funding Review and Business Rates Baseline reset. These will now not have an impact on the Council's funding until at least 2022-23. The delay in resetting the Business Rates baseline has brought some benefit as the accumulated growth is a significant funding source in 2021-22. However, the drop in funding when this does happen presents significant uncertainty in the medium term.
- 9.26 The provisional local government finance settlement was announced on 17th December.
- 9.27 The level of government funding is determined by the Settlement Funding Assessment (SFA), which is driven by a formula that has been in place since 2013-14. The budget shows a single figure for Government funding equivalent to the SFA, which is made up of both Revenue Support Grant and the Business Rates Baseline Funding Level.

Business Rates

- 9.28 Business Rates yield could be significantly impacted in 2021-22 due to the number of businesses that could potentially cease trading and a reduction in the collection rate.
- 9.29 Whilst the volatility is recognised, this will not directly impact the 2021-22 budget due to the accounting mechanisms of the Collection Fund whereby the demand from the Collection Fund is reflected in year regardless of what is collected, and the impact is felt in future years.
- 9.30 It should also be noted that, as a result of the Government's response to the COVID pandemic the 2020-21 deficit on the collection fund will be spread over three years rather than have to fund the loss in one year as was previously the case. The Government has also announced that up to 75% of 'irrecoverable' losses will be funded and has commenced consultation on this scheme as part of the provisional settlement.

- 9.31 The budget shows funding from Business Rates and Revenue Support Grant to be a total of £69.97m, including the baseline funding, growth and Section 31 grants (which compensate the Council for income lost as a result of central government decisions). This is an increase of over £3m from the draft budget forecast, following the completion of the detailed NDR1 return to MHCLG.
- 9.32 Northamptonshire has benefitted well under the present system due to an above average increase in business growth across the County, and from a pooling arrangement whereby there has been a nil levy from central government and growth has been retained locally. However, West Northamptonshire will be charged a levy which reduces the forecast for retained growth to £11.1m.
- 9.33 The way that the business rate retention scheme operates in future years could have major financial implications for Councils. Members will recall that all Northamptonshire authorities participated in a single Pilot for 75% Business Rates Retention in 2019-20. The financial benefit of being in a pilot for all Northamptonshire authorities amounted to around £18m.
- 9.34 The Spending Review announced that there would be a freeze in the National Multiplier (this is used to calculate the Business Rates paid by businesses by multiplying it by the Rateable Value of the property). Councils will be recompensed for the loss in income through a Section 31 Grant.

New Homes Bonus

- 9.35 New Homes Bonus was introduced in 2011 to encourage local authorities to grant planning permission for new houses in return for additional revenue. It is a grant paid by central government to local authorities to reflect and incentivise housing growth in their areas.
- 9.36 It is based on the amount of extra Council Tax revenue raised for new-build homes, conversions and long-term empty homes brought back into use and it is based on the national average for a Band D property. There is also an extra payment for providing affordable homes, which amounts to £350 per home. Payments are split 80/20 in two tier areas between Districts and Counties. In unitary areas no split exists.
- 9.37 Payments of New Homes Bonus were originally made for six years; however, payments were reduced to five years from 2017-18 and then to four years from 2018-19. A national baseline of 0.4% housing growth was also introduced, below which grants will not be made.
- 9.38 Central government have previously announced that New Homes Bonus payments will be phased out over time. However, a further allocation was announced in the spending review and provisional settlement. As a result, included in the budget are legacy New Homes Bonus Payments of £5.1m and a new allocation for 2021-22 of £1.7m, giving a total of £6.8m.

Social Care Grant

- 9.39 In the Spending Review of September 2019, the government announced an additional £1bn of funding for Local Authorities through a grant to be made in 2020-21. Of this funding, £850m was allocated using Adult Social Care Relative Needs Formula (RNF), with the remaining £150m allocated based on Adult Social Care precept flexibility. The 2019 Spending Review announcement also stated that existing £2.5bn of social care funding for 2019-20 would continue for 2020-21 at the same level. These elements were all rolled up together into the Social Care Grant for 2020-21. The 2020-21 allocation for Northamptonshire in totality was £15.3m. The draft budget assumptions included the continuation of this funding into 2021-22, at the same level as 2020-21.
- 9.40 The Spending Review announced an additional £300m of funding nationally for Adult and Children's Social Care. The allocations of this along with existing grant amount to a total of £7.99m for West Northamptonshire.

Improved Better Care Fund (IBCF)

- 9.41 The original health funding for the improved Better Care Fund was confirmed as part of the Local Government Finance Settlement 2016-17 as funding for 2017-18 onwards and supports the integration of Health and Adult Social Care support services. It is managed as an aligned, and in some areas, pooled budget with the local Clinical Commissioning Group (CCG) and expenditure and plans must be agreed with the CCG and signed off formally through the Health and Wellbeing Board.
- 9.42 It is envisaged that during 2021-22 the IBCF will become part of the Integrated Care System (ICS) plans and that the schemes and allocations will be aligned to the ICS plans being developed by all areas for implementation in April 2021. The Adults service has been heavily engaged in that planning and integrated working forms part of the approved blueprint for the Council.
- 9.43 Further funding for the Improved Better Care Fund was announced as part of the Spring Budget 2017 with an additional £2bn made available to Councils over a three-year period. The purpose of this funding is:
- Meeting adult social care needs.
 - Reducing pressures on the NHS, including supporting more people to be discharged from hospital when they are ready.
 - Ensuring that the local social care provider market is supported.
- 9.44 The improved Better Care Fund for 2021-22 was confirmed in the Provisional Financial Settlement as £9.772m for West Northamptonshire.

Impact of COVID-19 on Collection Fund

- 9.45 COVID-19 is likely to have a significant impact on the Collection Fund for both Council Tax and Business Rates as a result of the short and medium-term economic impacts of the pandemic. The impact on Council Tax would be a reduced yield as a result of a reduction in collection rates, lower housing growth and increased Council Tax Reduction Scheme (CTRS) caseloads. For Business Rates the impact of COVID-19 would be businesses ceasing to trade

and increase in the number of businesses applying for reliefs as well as a reduction in collection rates.

- 9.46 Due to the mechanics of the Collection Fund the amount that is actually collected in 2020-21 will not impact on the 2020-21 budget as the precepts and demands have been set for the year, however any changes in collection rates are accounted for in the following year and this will have a significant impact. The implications of existing and future bad debt and appeals provisions will also need to be factored in.
- 9.47 The impact of COVID-19 on the Collection Fund will result in an overall deficit position. Councils will estimate the deficit for 2020-21 and budget for it in 2021-22, the deficit position has raised concerns that an additional significant budget pressure would be created especially during time of uncertainty.
- 9.48 Therefore, the government announced that they would amend secondary legislation and require authorities to spread the estimated deficit on the 2020-21 Collection Fund in equal instalments over 3 years – 2021-22 to 2023-24, after taking into account the impact of irrecoverable losses funding announced in the Spending Review on 25th November 2020. The provisional settlement announcement highlighted that government would be going out to consultation on this scheme and the approach to be taken.
- 9.49 The final Collection Fund deficit for Council Tax to be charged to the General Fund in 2021-22 is £1.925m.
- 9.50 For Business Rates the estimated deficit is considerably higher in the first year, this is due to the Extended Retail Relief Scheme which was introduced as part of the government's COVID-19 response. This resulted in many retail and hospitality businesses getting 100% rate relief. A s31 grant has been made available by the government to reduce any cashflow pressures arising from the scheme. The estimated Business Rates deficit to be charged to the General Fund in 2021-22, after retail reliefs, is £5.025m,

10. Dedicated Schools Grant

- 10.1 The Dedicated Schools Grant (DSG) is a ringfenced grant allocated to Local Authorities by the government to support a range of education related services. The majority (>90%) of the DSG is allocated to the Local Authority and paid to providers based on a national formula which funds direct education provision including schools (Local Authority maintained and academies), early years' providers and high needs education in Further Education (age 16 to 25). The remaining 10% is paid to nurseries, schools and higher education institutions. The individual school's budgets for academies and funding for high needs 'places' in academies (set prior to the start of academic year) are paid to academies directly from the Education Skills and Funding Agency (ESFA). This funding is taken off the Dedicated Schools Grant before the grant is paid to LAs and is termed 'recoupment'.
- 10.2 Due to the majority of DSG funding being formula driven to arrive at the Local Authority's funding allocation, disaggregation has to replicate the national formulae used by the DFE for the North and West Unitaries. The work to

arrive at indicative allocations for the two new Unitaries has been completed working closely alongside the ESFA.

- 10.3 The following table sets out the indicative disaggregated DSG funding based on the provisional settlement:

Schools Block	Early Years Block	High Needs Block	Central Schools Services Block (CSSB)	Total
£301.0m	£25.6m	£54.9m	£4.7m	£386.2m

Full details of the DSG are included in Appendix E.

11. Public Health

- 11.1 Public Health aims to protect and improve the health and wellbeing of Northamptonshire residents and reduce inequalities in order to enable people to live healthy, happy and productive lives. Public Health services specifically address prevention and reduce inequalities in Northamptonshire. These include; Substance Misuse, Sexual Health, Health Protection, Health promotion, Health improvement, Falls service, Commissioned Health – Wellbeing services, Mental Health prevention services and 0-19 services. This service is funded through a ring-fenced grant from the Department for Health and Social Care.
- 11.2 At this stage, the government has not confirmed 2021-22 grant allocations, however the expectation is that the grant will continue into 2021-22 at a similar level to 2020-21 allocation. Based on this assumption, the estimated Public Health grant for 2021-22 is £18m following a county council disaggregation process which replicates the current government funding methodology, largely driven by population, expenditure budgets have been disaggregated based on local need.

12. Fees and Charges

- 12.1 Income from fees and charges represents an important source of funds to the Council and enables a range of services to be provided within the area and beyond. West Northamptonshire's draft budget generates income in the region of £27m from Fees and Charges.
- 12.2 This is the first year that West Northamptonshire Council will need to set fees and charges. In previous years, fees and charges have been set by the previous District and Borough Councils, and the County Council.
- 12.3 The proposed fees and charges are largely based on those that were charged by the previous authorities that now make up West Northamptonshire Council.
- 12.4 In some cases there will have been different fees and charges set by the previous authorities for the same services. In these cases West Northamptonshire Council has looked to harmonise these fees and charges so that one consistent fee or charge is applied across the whole Council area.

This has been done for most areas where there were different fees and charges for the same services, including all those where there is a legal requirement to harmonise. In a few cases harmonisation has not been possible for this financial year, and these fees and charges will be reviewed again during the year to look to harmonise as soon as possible.

- 12.5 A proposed Fees and Charges schedule is included at Appendix F. This has been considered by the Budget and MTFP Task and Finish Group.
- 12.6 Delegated authority to the Executive Director of Finance is sought in order to make any amendments to the Fees and Charges schedule prior to vesting day and throughout 2021-22.

13. Reserves

- 13.1 The Council will inherit reserves from the existing Districts and Borough as well as the disaggregated County Council. Many of these are earmarked for a specific purpose, although some are more flexible.
- 13.2 Based on the latest estimates for reserves remaining at the end of 2020-21, West Northamptonshire could inherit total reserves of £95m split as follows:
- General fund balances of £40m
 - Earmarked reserves of £55m

The final position will depend on levels of expenditure in 2020-21 and the finalisation of the accounts for the predecessor authorities.

The analysis above does not include any COVID related funding that remains at the end of the year.

- 13.3 A General Fund balance of £40m is considered to be prudent and sufficient to cover the risks in the budget. It represents more than 12% of the net budget (excluding DSG).
- 13.4 The budget for 2021-22 shows a balanced position including some minimal use of reserves for specific purposes, namely:
- Use of general fund balances of £5.5m to fund a general contingency (£5.0m), council tax hardship relief (£425,000) and a care leavers' package (£75,000). This funding would only be released if required and would be controlled by the Executive Director of Finance.
 - Use of the specifically earmarked Enterprise Zone reserve to fund Enterprise Zone admin costs of £661,000
 - Use of the Elections Reserve to fund the costs of the May 2021 elections, estimated to be £560,000
 - Use of earmarked reserves to fund the cost of the transformation team for 2021-22, estimated to be £2.9m and to set up a fund of £500,000 for invest to save schemes.

It should be noted that the flexible use of capital receipts may be used instead of these earmarked reserves as explained earlier in the report.

14. Medium Term Financial Plan Forecasts

- 14.1 Although the budget for 2021-22 shows a balanced position, there is considerable uncertainty in the medium term due to the probable implementation of Business Rates reform, rebaselining and the Fair Funding Review, as well as the transition to new models of service delivery as the new Council develops.
- 14.2 Medium term assumptions around funding assume an inflationary growth in Government funding based on the Office of Budget Responsibility's forecasts for CPI and no assumptions are made regarding the impact of any future growth-rewarding mechanisms. The Council Tax referendum limit is assumed to be 1.99% per year and prudent assumptions around taxbase growth are included.
- 14.3 A number of transformation savings have an impact in future years and the impact of COVID is expected to completely fall out by 2024-25. The underlying forecast deficit in that year is £11.35m, around 3.4% of net budget, a challenging but achievable target that will be addressed through the zero-based budgeting and longer-term savings and improvement plans to be developed post April 2021.
- 14.4 The table below summarises the medium-term financial position:

	2021/22	2022/23	2023/24	2024/25
	£000	£000	£000	£000
Estimated Budget				
Deficit	-	14,864	13,353	11,349

15. Capital Programme 2021-22

- 15.1 The Capital Programme has been put together by taking the already approved schemes in year from each of the existing West Districts and Borough and the West share of NCC's 2021-22 schemes including already approved slippage from the councils' 2020-21 programme. This has resulted in a General Fund Capital Programme of £84.223m over the four-year period. Full details are set out in Appendix G, including the total programme for 2020-21, some of which may slip further into 2021-22.
- 15.2 The table below shows the total capital programme by directorate.

	Draft Programme 2021-22 (£m)	Total Programme 2021-22 to 2024-25 (£m)

Adults, Communities & Wellbeing	5.097	13.754
Children's	14.464	14.740
Place and Economy	31.342	53.780
Finance	0.425	0.569
Corporate Services	0.897	1.380
	52.225	84.223

15.3 The updated figure for the 2020-21 programme reflects further slippage of £11.4m partially offset by fully-funded additions to existing authorities' capital programmes of £2.8m. After taking into account slippage, the total programme for 2021-22 has increased by £8.9m, the main components of this being:

- Disabled Facilities Grants - £3.1m – to fully reflect all three authorities' current allocations across all years (only included DDC for 24/25 in draft).
- Capitalisation of Community Equipment - £2.2m – this gives rise to a revenue saving reflected in the revenue budgets, therefore required in the capital programme.
- Social Care Replacement System (Eclipse) - £0.7m
- Refurbishment costs of £0.35m for a commercial property in Daventry in order to deliver £150,000 rental income stream into the revenue account.
- The remaining £2.55m is comprised of a number of changes of no more than £0.5m individually.

15.4 The final capital programme is fully funded through the sources set out in Appendix G

15.5 It is recommended that delegated authority is given to the Executive Director – Finance, in consultation with the Finance Portfolio holder, to amend the Capital Programme as required to:

- Reflect the level of capital slippage in the current financial year that will need to be incorporated into the programme for next year.
- To reflect any other changes made by the sovereign councils over the remainder of this financial year.
- To make any other changes required to the Capital Programme for next year.

16. Treasury Management Strategy

- 16.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) has defined treasury management as “the management of the organisation’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”
- 16.2 The new Council (as with its predecessors) will borrow and invest substantial sums of money and will therefore be exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the new Council’s treasury management strategy.
- 16.3 Delegated authority is requested for the Executive Director of Finance to finalise and agree all required financial policies and strategies, including the Treasury Management Strategy in order for the Council to be ‘safe and legal’ when it comes into operation.
- 16.4 However, it is good practice for executive to recommend and full authority to set limits on how much money can be borrowed. The two limits are known as the operational limit and the authorised limit.
- 16.5 The **operational limit** is the limit beyond which borrowing is not normally expected to exceed. Officers will always seek to operate within these limits.
- 16.6 The **authorised limit** is set at a higher level than the operational limit and provides some headroom for unusual cashflows and other exceptional needs to borrow. It is prohibited to borrow beyond the authorised limit.
- 16.7 The limits detailed in the table below are recommended for approval to full authority:

	2021-22	2022-23	2023-24	2024-25
	<u>£m</u>	<u>£m</u>	<u>£m</u>	<u>£m</u>
Total Operational Limit	800	850	850	850
Total Authorised Limit	850	900	900	900

- 16.8 All other aspects of the Treasury Management Strategy will be considered as part of finalising that document through the delegated authority being sought.

17. Section 25 Statement

- 17.1 The robustness of the proposed estimates and the adequacy of the proposed reserves must be addressed in the formal report to be made in February 2021 to both the Shadow Executive and the Shadow Authority by the Chief Finance Officer (Section 151 Officer). This report is required under Section 25 of the Local Government Act 2003 prior to the Shadow Authority agreeing its 2021-22 budget.
- 17.2 Section 12 of this report provides an estimate of the levels of reserves anticipated at the end of this financial year and therefore available at the start of 2021-22. It also highlights how some of those reserves may be used as part of these budget proposals.

17.3 Paragraph 3.3.6 of the HRA budget setting report highlights that a reasonable level of HRA balances to hold for 2021-22 is £5m.

17.4 Separately the external audit has taken an interest in whether West Northamptonshire is, in the opinion of the Chief Financial Officer (CFO), a 'going concern' for 2021-22. Information has been provided to the external auditor setting out why the CFO does believe that the Council is a going concern for the financial year 2021-22.

17.5 The note to the auditor described:

- the approach that has been taken in setting the budget (as outlined also in this report)
- the levels of contingencies inherent in the budget
- the level of reserves

17.6 CIPFA define a 'going concern' as follows:

'The concept of a going concern assumes that an authority's functions and services will continue in operational existence for the foreseeable future. The provisions in the Code in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting.'

17.7 Two reports were made to the external auditor one in November 2020 as the budget was being formulated and the second one in January 2021 once the draft budget had been prepared and the provisional settlement was known.

The conclusion by the CFO in November was:

"I am confident that West Northamptonshire will be a going concern once created and in line with the CIPFA definition detailed above."

Given the update in January 2021 had the benefit of the provisional settlement information and was in the light of a balanced draft budget for 2021-22 the earlier view of the CFO could be reinforced. The conclusion of the CFO in January 2021 was:

"Compared to the previous statement and for the reasons set out above [in the statement provided to the external auditor] we are in a much stronger financial position than previously reported. This strengthens my previous view that there are no 'going concern' issues in respect of West Northamptonshire Council."

17.8 Given the information contained within this report in respect of the process undertaken to formulate the budget for 2021-22 the CFO believe the budget proposals are realistic and robust for all of the areas of spend (revenue and capital) contained within this report and also in respect of the HRA budget which appears elsewhere on this agenda.

- 17.9 Given the information contained within this report in respect of the levels of reserves expected to be at the disposal of the new authority the CFO is satisfied that the level of reserves are adequate to support the needs of the new authority for both the general fund and the housing revenue account.
- 17.10 Furthermore, the CFO has already confirmed to the external auditor that he believes West Northamptonshire is a 'going concern' as detailed above.
- 17.11 Taken together, the CFO believes he has discharged his responsibility under S25 of the Local Government Act 2003.

18. Implications (including financial implications)

Resources and Financial

- 18.1 The resource and financial implications of the Shadow Authority's budget plans are set out in the body of, and appendices to, this report.

Legal

- 18.2 The provisions of the Local Government Finance Act 1992 set out what the Shadow Authority has to base its budget calculations upon for the new Council, and require the Shadow Authority to set a balanced budget with regard to the advice of its Chief Finance Officer (Section 151 Officer).

Risk

- 18.3 The task of planning how the new West Northamptonshire Council will use its financial resources in an unprecedented and challenging economic climate with significant uncertainty around funding into the medium-term results in high budget delivery risks.
- 18.4 Significant risks for the 2021-22 budget include the disaggregation of the County Council's service delivery budgets and balance sheet between the North and West, which could give rise to significant budget pressures and the ongoing impact of COVID-19 on the Council's resources and transformation programme.
- 18.5 Any risks or benefits crystallising in 2021-22 will be managed within the wider budget and the Medium-Term Financial Plan will be updated accordingly.
- 18.6 The longer-term mitigation of these risks and stability of the Council will be assured through the planned transformation and three year corporate and

financial plan development that will commence at the outset of the new Council Term.

- 18.7 The in-year risks are mitigated by the levels of contingency incorporated into the budget and the level of general fund and earmarked reserves available for 2021-22.

Consultation

- 18.8 The draft budget was subject to a full public and business consultation exercise which ran for four weeks and closed on 2 February 2021.

- 18.9 There are three statutory instruments underpinning the need for Budget consultation:

- Section 65 of the Local Government Finance Act (1992);
- Section 149 of the Equality Act (2010), specifically 'Due regard' to [the] impact of proposed changes;
- Section 3 of the Local Government Act (1999), and Best Value provisions.

- 18.10 In terms of best practice, Consultation Institute guidance emphasises the need for consulters to recognise the 'Doctrine of Legitimate Expectation' as a key component of public sector budget consultation. In short, in terms of public participation, "...the courts...recognise Consultees' right to expect fair process from public bodies...and incorporates much guidance and management promises into the law."¹

- 18.11 Opportunities to take part in the consultation were promoted in the local media via press releases. The press release went to over 60 newsrooms (local and national, print and broadcast), plus individual reporters and other local news sites. It was promoted through the sovereign Council's and Future Northants websites, e-newsletters and social media channels, enabling both internal (e.g. staff) as well as external consultees to get involved in the process.

- 18.12 Councillors, local MPs, district and borough councils, parish and town councils, partner organisations, voluntary and community sector organisations, representatives of protected characteristic groups, local business groups, and members of the Northamptonshire Residents' Panel were invited to give their views and asked to promote the consultation to their members, or within their local area where appropriate.

- 18.13 Local people, organisations and other interested parties were able to have their say about the draft Budget proposals in a range of ways, by:

- Visiting the draft Budget Consultation webpage and completing the questionnaire or requesting a paper questionnaire
- Emailing futurenorthants@northamptonshire.gov.uk
- Writing to Budget Consultation Response, West Northamptonshire Shadow Authority, Consultation & Engagement Team, One Angel Square, 4 Angel Street, Northampton, NN1 1ED
- Using social media by Tweeting or posting comments on the Future Northants Facebook page
- Contacting us by telephone to give verbal feedback

¹ The Consultation Institute Engaging on Public Service Budgets, 17 September 2015

- A toolkit was developed to enable user groups/ forums to hold their own discussions and provide their feedback as a collective group.
- 18.14 Using the various means available to consultees, **local people and organisations contributed to the consultation 457 times**. Respondents could choose which questions they responded to within the consultation questionnaire, so there are lower response numbers to each question when compared with the overall number of participants, depending on whether participants had a particular interest in the subject matter.
- 18.15 The consultation focused on the draft budget proposals that would likely affect residents and service users. However, respondents were invited to comment on anything within the draft budget.
- 18.16 When asked about Council Tax harmonisation a total of 54.72% respondents said that they strongly agree or tend to agree that all Council Tax Bands A–H should be harmonised for residents of West Northamptonshire, while 33.47% said they strongly disagree or tend to disagree.
- 18.17 A total of 45.85% of respondents said that they strongly agree or tend to agree that the Council should use an Average Council Tax approach to recalculate the Council Tax Bands A–H, while 38.34% said they strongly disagree or tend to disagree.
- 18.18 When asked over what period should Council Tax rates be harmonised 45.41% said they would prefer the harmonisation to be introduced within the first three years, with 17.90% saying they would prefer harmonisation within the first year. However, 23.58% said they would rather harmonisation be implemented as late as possible and opted for year seven. There was little desire for harmonisation to be implemented between four to six years (15.72%).
- 18.19 When asked about a general Council Tax increase of 1.99%, 47.58% of respondents said that they strongly agree or tend to agree with the proposed increase, while 39.20% said they strongly disagree or tend to disagree. And when asked about the proposed 3% precept increase for Adult Social Care, 40.18% of respondents said that they strongly agree or tend to agree with the proposed increase, while 44.64% said they strongly disagree or tend to disagree.
- 18.20 When asked about the Housing Revenue Account (HRA) proposal to increase rent by 1.5% on average across the Council's housing stock in line with national government policy 48.06% of respondents said that they strongly agree or tend to agree with the proposed increase, while 26.22% said they strongly disagree or tend to disagree. And when asked about the proposed increase to general service charges by 0.5%, 43.00% of respondents said that they strongly agree or tend to agree with the proposed increase, while 19.50% said they strongly disagree or tend to disagree.
- 18.21 The feedback on all the proposals is analysed in more detail in Appendix I. Members should ensure they read and consider the analysis and redacted comments that have been made available to them before making their decision on the budget.

18.22 The draft budget was considered by Overview and Scrutiny Committee on 12 January and their response to the draft budget is included at Appendix J

18.23 The timeline for the rest of the budget process is as set out below:

- Council Tax and Budget report published 15 February
- Full authority considers final budget 23 February

18.24 In addition to the general budget consultation there has already been a specific consultation process on the Council Tax Reduction Scheme.

Equality Screening

18.25 The Council has a strong commitment to equality and diversity. This means considering how all groups and individuals within our community get the services they require and are not disadvantaged, and that services are available to them on an equal basis in order to meet their needs. Equality Impact Assessments help the Council to make informed decisions and to remove or minimise any impact on persons who share a protected characteristic.

18.26 An overall Equality Impact Assessment has been completed for the budget proposals for 2021-2022. The potential impact of the proposals on equalities groups has been assessed and, taking into account mitigating action that is planned or that is in place, many of the proposals are considered to have no or low, or in some cases a positive impact on service users.

18.27 An equality Impact assessment has been undertaken on the proposals to harmonise Council Tax. As Council Tax is applicable to all properties it is not considered that the plans to harmonise Council Tax impact on any persons or groups with protected characteristics.

18.28 The Equality Impact Assessments will be reviewed following an analysis of the results from the budget consultation process

18.29 A separate Equality Impact Assessment has been undertaken on the proposals for a Local Council Tax Reduction Scheme 2021-2022

19. Background Papers

19.1 The following documents disclose important facts on which the report is based and have been relied upon in preparing the report.

- Spending Review Announcement 25th November 2020:
<https://www.gov.uk/government/publications/spending-review-2020-documents>
- Provisional settlement announcements 17 December 2020:
<https://www.gov.uk/government/collections/provisional-local-government-finance-settlement-england-2021-to-2022>

- Previous reports to West Northamptonshire Shadow Executive

25th August 2020 (Council Tax Harmonisation and Disaggregation Task and Finish Group reports):

<https://cmis.northamptonshire.gov.uk/cm5live/MeetingsCalendar/tabid/73/ctl/ViewMeetingPublic/mid/410/Meeting/3677/Committee/463/Default.aspx>

5 January 2021 (Draft budget proposals):

<https://cmis.northamptonshire.gov.uk/cm5live/MeetingsCalendar/tabid/73/ctl/ViewMeetingPublic/mid/410/Meeting/3681/Committee/463/Default.aspx>

12 February 2021 (Final budget proposals)

<https://cmis.northamptonshire.gov.uk/cm5live/MeetingsCalendar/tabid/73/ctl/ViewMeetingPublic/mid/410/Meeting/3683/Committee/463/Default.aspx>