

# WEST NORTHAMPTONSHIRE COUNCIL CABINET

15 FEBRUARY 2022

**CABINET MEMBER RESPONSIBLE FOR FINANCE:**  
**COUNCILLOR MALCOLM LONGLEY**

Report Title	Revenue Monitoring Period 9 - Financial Year 2021-22
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Appendix A – 2021-22 Revenue Forecast Outturn by Directorate as at Period 9  
Appendix B – Budget Savings Tracker

### 1. Purpose of Report

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- 1.1. The report provides an assessment of the Council's financial performance against its approved 2021-22 budget, incorporating key financial risks, issues and opportunities identified since 1st April 2021 for General Fund and the Housing Revenue Account (HRA).

## **2. Executive Summary**

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- 2.1. West Northamptonshire Council provides 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, collection of council tax and business rates, housing benefit, council tax support, housing and support for the homeless.
- 2.2. The creation of a new Council presents 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.
- 2.3. Whilst there are inherent financial risks associated with the first year of a new organisation, the Council's zero-based budget review, and financial monitoring programme has made good progress in assessing the robustness of budgets brought forward from legacy councils and assessing an estimate of the financial outturn.
- 2.4. The Council continues to develop and embed its understanding of the inherited budgets, ensuring this intelligence is also used to inform the Period 9 revenue monitoring report alongside the Council's 2022-23 final budget report also presented to Cabinet within this agenda.
- 2.5. Table one summarises the revenue forecast currently being estimated for this financial year. It highlights some identified service pressure which will seek to be managed within the year.

**Table One: Forecast Outturn 2021-22 by Directorate**

Directorate	Net Budget £'000	Forecast Net Spend at 31/03/22 £'000	P9 Forecast Variance at 31/03/22 £'000	P7 at 31/03/22 £'000	Movement since P7 £'000	% Forecast Variance against budget
Corporate Services	20,850	21,178	328	570	(242)	1.6%
Chief Executive Office	2,109	2,218	109	125	(16)	5.2%
Children's Service (Including Trust)	74,912	74,475	(437)	(179)	(258)	-0.6%
Adults, Communities & Wellbeing	109,349	111,678	2,329	1,103	1,227	2.1%
Place, Economy and Environment	80,543	78,287	(2,256)	(730)	(1,526)	-2.8%
Finance Directorate	10,743	10,604	(139)	(139)	0	-1.3%
<b>Cost of services</b>	<b>298,506</b>	<b>298,440</b>	<b>(66)</b>	<b>750</b>	<b>(816)</b>	<b>0.0%</b>
Technical / Centrally Controlled Budgets	24,020	26,964	2,944	1,600	1,344	12.3%
<b>Total budgeted expenditure *</b>	<b>322,526</b>	<b>325,404</b>	<b>2,878</b>	<b>2,350</b>	<b>528</b>	<b>0.9%</b>
Less funding	(322,526)	(322,526)	0	0	0	0.0%
<b>Net Position 2021-22 - excluding use of contingency</b>	<b>0</b>	<b>2,878</b>	<b>2,878</b>	<b>2,350</b>	<b>528</b>	
Less use of budget contingency		(2,878)	(2,878)	(2,350)	(528)	
<b>Overall Net Position 2021-22</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

\*Net budget excludes general contingency budget of £5m

- 2.6. The forecast outturn position for 2021-22 Period 9 is a **balanced position**, however it does assume the use of £2.9m of the general contingency set aside in the budget. The potential use of the contingency has increased by £0.5m from the Period 7 position reported to Cabinet on 21st December; the drivers of this movement are set out in the relevant directorate sections (section 5).
- 2.7. The budget included a general contingency of £5m to deal with any unexpected budget pressures that emerged in year. This was prudent given the levels of demand, the true cost of service delivery when we brought services together in a single new Council and because the impacts of stabilisation could not be fully known until the financial year commenced for the new organisation. The contingency has been held centrally and is only allocated to services at the discretion of the Executive Director of Finance and the portfolio holder for Finance, once satisfied that services have taken all appropriate mitigating actions to try and address in year pressures.

2.8. At this point it remains our expectation that the service pressures highlighted above will be mitigated in the year. Service management team reviews of finance are embedded within the monthly budget monitoring process. These identify both the nature of pressures, their causes and mitigating action plans to be taken including cost efficiencies and the release of any inherited budget lines deemed surplus to requirements. Only in the event that full mitigation is not possible will the contingency be drawn down and used for the purpose it was intended.

2.9. The HRA forecast outturn at the end of the Period 9 is as follows:

**Table Two - HRA**

<b>Other Funds - HRA</b>	<b>Net Budget £'000</b>	<b>Forecast Net Spend at 31/03/22 £'000</b>	<b>Forecast Variance at 31/03/22 £'000</b>	<b>% Forecast Variance against budget</b>
Income (Rent & Services charges)	(54,735)	(54,317)	418	0.76%
Repairs & Maintenance	13,954	14,499	545	3.09%
General Management	8,959	8,984	25	0.27%
Special Services	4,854	4,932	78	1.60%
Rents, Rates, Taxes & Other Charges	302	302	0	0.00%
Bad Debt Provision Charge	400	200	(200)	(50.00)%
Recharges from the General Fund	2,650	2,650	0	0.00%
Interest & Financing Costs	7,186	7,324	138	1.92%
Revenue Contributions to Capital	642	1,806	1,164	181.30%
Depreciation	15,150	13,500	(1,650)	(10.89)%
Contribution to / (from) Reserves	639	120	(519)	81.22%
<b>Net Position 2021-22</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.00%</b>

2.10. The Housing Revenue Account (HRA) new build programme has suffered significant delays and supply issues that has required a re-phasing of capital expenditure from 2020-21 into 2021-22 and beyond. Following a review of the current and future years' delivery programme for new build properties coming on stream, it is anticipated that there will be a pressure on anticipated rental and service charge income of £0.4m in the current year.

2.11. There is a backlog of revenue repairs (made worse by COVID isolation absences) and a growing reliance on the use of sub-contractors to address this backlog adding additional costs. The forecast variance in special services can be attributed to the rising cost of energy and ground maintenance, partly offset by increased service charge income. The level of rent and service charge arrears is closely monitored each month and due to pro-active arrears management, it is anticipated that the bad debt provision included in the budget will not be fully utilised.

2.12. During the year the HRA capital programme has been re-profiled which means some of the capital grants and receipts have also had to be carried forward into future years resulting in additional borrowing. The charge for depreciation is calculated according to the estimated asset life of the asset (dwellings). Since the original estimate was prepared, further valuations of the housing stock have been made and it is now anticipated that the charge for depreciation will be lower than originally estimated.

- 2.13. In the same way as the re-profiling of the capital programme has increased the level of borrowing, it has also been necessary to increase the revenue contribution to finance the capital programme.
- 2.14. The forecast overall Period 9 position is a total deficit of £519k, resulting in a revised forecast contribution to reserves of £120k, which will be monitored closely in the last quarter of 2021-22.
- 2.15. The Dedicated Schools Grant (DSG) is a ring-fenced specific grant allocated to the Local Authority (LA) by the Government to support a range of education related services.
- 2.16. The Department for Education (DfE) currently operate a four-block funding model for funding schools and pre-16 education including early years as set out in the following table:

<b>Dedicated Schools Grant</b>			
Schools Block	Early Years Block	High Needs Block	Central Schools Services Block (CSSB)

- 2.17. The individual school's budgets (ISB) 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) reflecting the shift in responsibility for the funding of academies. This funding is taken off the DSG before the grant is paid to LAs and is termed 'recoupment'.
- 2.18. Academies are independent of the local authority and are accountable directly to the DfE. The DfE agency responsible for all school related funding is the Education and Skills Funding Agency (ESFA).
- 2.19. Maintained schools continue to receive funding directly from the Council through the DSG.
- 2.20. The Dedicated Schools Grant (DSG) forecast at the end of period 9 is as follows:

**Table Three – DSG**

<b>DSG Block</b>	<b>Gross Expenditure Budget*</b>	<b>Recoupment</b>	<b>Net Expenditure Budget</b>	<b>Forecast Net Spend</b>	<b>Variance</b>	<b>% Forecast Variance against budget</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	
Schools	300,240	-235,679	64,561	64,561	0	0.00%
Early Years Provision	25,898	0	25,898	26,250	352	1.36%
High Needs	55,548	-15,211	40,337	42,860	2,523	6.25%
Central Schools Services Block	4,670	0	4,670	4,665	(5)	(0.11%)
<b>TOTAL</b>	<b>386,356</b>	<b>-250,890</b>	<b>135,466</b>	<b>138,336</b>	<b>2,870</b>	<b>2.12%</b>

- 2.21. In the main, the forecast overspend in the High Needs Block relates to the increased demand for special school places, and increased cost of new places in independent schools (which must be used when West Northamptonshire Special School places are full).
- 2.22. The funding available to support pupils with high needs has become a national issue over the five years since reforms were introduced to better support children and young people with special educational needs and disabilities (SEND). There is a Government led review currently underway aimed at improving the services available to families who need support and to equip staff in schools and colleges to respond effectively to their needs. The review also aims to ensure that public money is spent in an efficient, effective and sustainable manner, placing a premium on securing high quality outcomes for those children and young people who need additional support the most.
- 2.23. WNC is not currently predicting an overall deficit on the DSG as there are other funding sources that can be used to offset the pressure. However, the authority is implementing a high needs block recovery plan with the intention of bringing the block back into balance in the medium term and ensuring we have commissioned the supply of enough special needs places to meet the growth in forecasted demand over the next 3-4 years.

### **3. Recommendations**

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- 3.1 It is recommended that the Cabinet;
- a) Note the forecast outturn position for 2021-22 and associated risks;
  - b) Note the deliverability assessment of West Northamptonshire Council savings requirement for 2021-22 and 2022-23 in Appendix B.
  - c) Approves the virements set out in section 5.81

### **4. Reason for Recommendations:**

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- To ensure that the Authority complies with its financial regulations.

### **5. Report Background**

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- 5.1 The Council's budget for 2021-22 is £326.6m and was approved on 23 February 2021, the budget includes £13.4m of savings proposals. This report includes an analysis of the deliverability of these savings proposals, and the in-year variations to budgeted assumptions.
- 5.2 Covid-19 has had considerable impact on the way services are provided by the Council and its partners, as well as presenting significant financial challenges due to the Council's crisis response.

The implementation of nationwide lockdown has meant that the financial impact of the virus will continue to be felt on the 2021-22 budget and in later years.

5.3 However, it should be noted that this authority and the predecessor authorities have received one-off Covid-19 funding to assist in dealing with these pressures, as set out in Section 6.

5.4 This report provides a detailed commentary on the anticipated spending pressures and loss of income as a result of Covid-19, as well as the utilisation of government grant funding.

## **6. Financial Overview by Directorate**

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6.1 This section of the report provides an update on the forecast variations against 2021-22 budget (BAU) and the anticipated financial implications of the Covid-19 pandemic by directorate. A more detailed breakdown of the 2021-22 forecast is included in Appendix A.

### **6.2 Corporate Services**

**Net Budget** £20.85m

**Forecast Outturn** £21.18m

**Forecast overspend** £0.33m

**Variance percentage** 1.6%

6.3 The Corporate Services directorate includes a number of support services such as IT, HR and Legal Services. The budgets for these services are subject to ongoing detailed review and restructuring, as the previous council budgets were structured in different ways to reflect differing service delivery models across the former predecessor councils.

6.4 From the initial budget review to date, there have been several historical issues which have been identified, including shortfalls in service provision in IT services, which have been offset by vacancy savings in other parts of the service; and unachievable capital recharges, resulting in an estimated in year net shortfall of £0.2m.

6.5 In addition to this, following the transfer and consolidation of resource budgets, including the repatriation of former LGSS Services, there is an identified shortfall in budget, which will impact the delivery of the Service Aggregation savings proposal, resulting in undeliverable savings of £0.13m.

6.6 The movement of £0.24m from P7 is due mainly to vacancies reducing pressure on the staffing budgets within the IT service. We recognise that this is not a sustainable or desirable way to manage, and we are aiming to ensure that a service review and restructure ensures that we have the right capacity and skills to deliver a stable, secure and modern service.

6.7 There is currently a financial deep dive being undertaken within this Directorate to assess any further opportunities to mitigate the pressures identified, including the opportunity to modernise the estate and consolidate contracts. The results of this review will be fed into the future monitoring position.

### **Covid-19 Pressures**

6.8 The ongoing pressures of Covid-19 continue to impact the Registrars Service (£57k), regarding the additional staffing resources required to deal with the backlog which built up due to restrictions on the service during the lockdown periods.

6.9 The Coroners Service needs to maintain the capacity and preparedness of the temporary mortuary site (£90k), so that it is ready should it be required to be activated as happened recently during a period of COVID pressure. This cost is to fund equipment for the site and training/deployment of staff.

6.10 Additional pressures have been identified in relation to the cost of running Covid-19 compliant Council meetings (£37k) and the need to fund an additional HR Business Partner (£32k) to support Covid-19 compliance work.

6.11 These Covid-19 pressures will be offset against the non-ringfenced Covid-19 grant.

### 6.12 **Chief Executive Services**

**Net Budget** £2.11m

**Forecast outturn** £2.22m

**Forecast overspend** £0.11m

**Variance percentage** 5.2%

6.13 Chief Executive Services includes Chief Executive, Assistant Chief Executive, Communications and Business Intelligence Services. Following a review of the budgets within the Directorate, a net shortfall of £0.22m in respect of service aggregation savings has been identified. This was a result of assumed senior staff savings from bringing the Councils together not fully matching with the budgets that came across from the four legacy authorities. Other minor variances totalling £0.04m have also been identified.

There are in-year vacancies of £0.15m which partially mitigate this overspend; giving an overall position of £0.11m overspend.



#### 6.14 **Children's Services (including the Children's Trust)**

**Net Budget** £74.92m

**Forecast outturn** £74.48m

**Forecast underspend** £0.44m

**Variance percentage** -0.6%

- 6.15 The Children's Directorate is made up of Council services which deliver statutory education functions across approximately 200 duties as set out in various Education and Children Acts, and regulations including but not limited to school quality assurance and intervention, pupil place planning and admissions, early years and special educational needs.
- 6.16 The Northamptonshire Children's Trust (NCT), was established as a company limited by guarantee on 1<sup>st</sup> November 2020, and from 1<sup>st</sup> April 2021 is wholly owned by West and North Northamptonshire Councils. NCT delivers children's social care and targeted early help services on behalf of the Councils including front door and safeguarding services, support and placements for children in care and disabled children, and in house fostering and residential provisions. The provision of these services is set out in a contractual arrangement between NCT as the provider, and the Councils which retain statutory responsibility for these services.
- 6.17 Following a review of the budgets within the Education Service, as part of the 'zero-basing' exercise, there are no general fund base budget financial implications at this current stage. Staffing budgets have been realigned across the Service within the existing resources and the additional costs of disaggregation are in line with the budgeted sum of £0.3m. Base budget pressures of £0.2m due to previously non-ringfenced grant income being removed and £0.1m tribunal legal costs have been offset by other non-pay budgets identified across the Directorate as no longer required and budgets realigned accordingly.
- 6.18 During the Covid-19 pandemic, there have been significant changes and challenges across Children and Education Services in meeting their statutory duties, securing care packages, retaining staff cover, and in adapting delivery to best support children, young people and families.
- 6.19 As Covid-19 restrictions have been lifting, the Directorate and NCT have been focussed on understanding the impact on the flow of work and demand following the pandemic, to maintain effective service delivery and anticipate possible trends as a result of the additional challenges faced, increase in demand, complexity and uncertainty.

#### **Education**

- 6.20 Interim Senior Management resource throughout the year is expected to generate a pressure of £78k.

- 6.21 This is mitigated by staff vacancies across the wider Education service area including the statutory Inclusion, Leadership and Governance and Specialist Support Services teams with a combined forecast underspend of £470k – a further underspend of £151k from the position previously reported mainly due to additional vacancies arising in the Inclusion and Specialist Support Services teams which are being actively recruited to.
- 6.22 There is a national shortage of Educational Psychology professionals and locally this has translated to delays in receiving statutory advice from the Educational Psychology team due to staff vacancies in this area. There is some reliance on agency Educational Psychologists to cover these vacant posts to improve performance in this area, however despite the agency staff premium, there is a net forecast underspend of £118k on staffing in this team. This underspend has reduced by £176k from the position previously reported due to additional forecast agency costs to begin to undertake traded work, although not to full capacity.
- 6.23 The importance of having full time staff and a fully staffed service is recognised as vital to meeting both the statutory timescales for reviews and in generating any income. Funding was agreed to boost the service with additional assistants and crucially the Council has been in positive discussions with the unions about a solution to a long-standing dispute it inherited about matching national Soulbury Pay scales for WNC Educational Psychology professionals. This is vital to attracting and retaining staff and to reduce agency use and we are hopeful of a good conclusion shortly.
- 6.24 These variances combined result in an aggregated underspend of £510k – a net reduction in the underspend previously reported of £103k.
- 6.25 Due to the focus on completing statutory work, there is a resultant impact on the ability to do traded work, which in turn poses a risk to meeting budgeted income targets. Currently the estimated shortfall in year is £344k – an improvement of £200k. There is ongoing recruitment to vacant posts in this area and whilst statutory work is currently being prioritised, capacity to begin to step up traded work is reviewed on an ongoing basis against vacancies being filled.
- 6.26 Smaller variances on non-pay budgets across the Directorate combined total a £161k underspend – in the main relating to staff travel due to covid restrictions.
- 6.27 One off grant income totalling £110k has been offered up as a further mitigation to the traded income shortfall this financial year.

## **Northamptonshire Children's Trust**

- 6.28 NCT was established from 1st November 2020 to deliver early help and social care services for children and families on behalf of NCC until 31st March 2021; with ownership then transferring to the two new unitary authorities thereafter.
- 6.29 The initial NCT contract sum spans a 17-month period (1<sup>st</sup> November 2020 to 31<sup>st</sup> March 2022). The part year impact of the core budget for the Northamptonshire Children's Trust was determined largely based on 5 months of the annual 2020-21 approved budget for in scope services (with the exception of legal and transport budgets which are for 6 months based on the profile of demand forecasts), plus the 2021-22 approved full year budget, plus the material additional costs of running a Trust (additional management costs and pensions deficit contribution). The contract sum also includes notional sums for the buyback of property, support services and insurance which continue to be provided by the Councils and collectively are termed as "other agreements".
- 6.30 The savings targets as identified in the Councils' MTFPs are incorporated into the initial 17-month Northamptonshire Children's Trust budget and financial performance is monitored through the Finance Mechanism. A monthly financial monitoring report is presented at the Operational Commissioning Group, including a review of the delivery of the transformation and savings programme.
- 6.31 NCT are currently forecasting an overspend of £3.28m against the total contract sum across West and North Northamptonshire Councils. This is largely due to emergency and complex placement costs which remains the biggest single risk and is incredibly volatile, with a single placement costing £0.5m. The forecast demonstrates the volatility, inefficiency of joint health and care funding processes, current flux of emergency placements and the increasing complexity of need. Within the forecast overspend, pressures attributable to covid-19 include additional social worker capacity, additional packages of support for disabled children and sickness cover across care settings. These total £2.6m which will be met through base budget covid contingency and general covid grant funding. Paragraph 5.36 outlines the WNC share of this. The Trust will mitigate the remaining forecast pressure after the application of these new covid funds through the use of their reserve totalling £0.81m carried over from the initial 5 months of operation over the period Nov 2020–Mar 2021.
- 6.32 Therefore, at this stage there is no formal contract variation or change control escalation required in relation to the reported pressure.
- 6.33 In light of the national trend of increasing caseloads and complexity against a backdrop of limited placement capacity, there is a significant ongoing risk around placement forecasts. This does present a risk if pressures continue to rise and work is underway to look at commissioning

solutions to address this, including the development of more in house provisions. In the event that pressures in this area continue to rise the Trust are required under their contract to seek initially to mitigate this by specific reserves held, identify and specify pressures attributable to covid-19 and develop management actions to mitigate any potential forecast overspends before seeking any formal variation to the contract sum. The West Northamptonshire share of any pressure resulting in a formal contract variation would be 56% based on the agreed disaggregation principles.

### **Covid-19 Pressures**

- 6.34 The Council committed to provide free school meal vouchers throughout the October half term and the Christmas holidays at a forecast cost £0.45m to be met through Household Support covid-19 Grant. More recently it has been agreed to also fund the February 2022 and Easter Holidays using funds allocated from this grant alongside support for fuel and food poverty. It is not expected at this time that we will receive any more grants or funding to cover free school meals or vouchers beyond the Easter holidays.
- 6.35 Nationally, the area of SEND (Special Educational Needs and Disability) has a high profile with significant parent and legal advisor focus on the implementation and delivery of the Children and Families Act 2014. This has resulted in a requirement for an additional 12 FTE caseworkers in the Education and Healthcare (EHC) statutory team which manages the assessment and educational placements of children and young people, to manage increasing workloads whilst ensuring timeliness of assessments is in line with Department for Education expectations. The additional part year cost based on the estimated recruitment timescales is £142k. The full year effect has been factored in to the 2022-23 proposed budget.
- 6.36 As stated above, NCT have provisionally identified a total of £2.6m pressures due to the impact of covid-19. The West Northamptonshire share is approximately £1.5m, or 56% based on the agreed disaggregation. The pressures largely relate to the additional cost of staff in the Duty and Assessment, and Safeguarding Teams due to the increase in families requiring support and complexity of cases as a direct result of covid-19 such as poverty, anxiety, poor child and adult mental health, loss and bereavement. The additional cost to WNC will be met through £845k base budget covid contingency held in the Children's Directorate and £606k general covid-19 funds.

### 6.37 **Adults, Communities & Wellbeing**

**Net Budget** £109.35m

**Forecast outturn** £111.68m

**Forecast overspend** £2.33m

**Variance percentage** 2.1%

- 6.38 The Adults, Communities and Wellbeing Directorate consists of Adult Social Care services that provides support to older people or those living with disabilities or with mental or physical illness, under the Care Act, to promote their independence and improve their well-being. This support enables them to manage their needs and live life to the fullest regardless of the challenges they may face as a result of their circumstances. The Directorate also has responsibility for housing, sport and leisure and a range of community services alongside responsibility for public health.
- 6.39 The Adults, Communities and Wellbeing Directorate are forecasting an overall £2.33m pressure against budget for 2021-22. This is an increase of £1.23m on the period 7 reported position and is mainly driven by increased demand pressure on the independent care budgets.
- 6.40 A number of areas of pressure have been identified through the zero basing exercise post vesting day, most notably emerging pressures within Independent Care and the continued impact of the Covid 19 pandemic.
- 6.41 There is forecast pressure of £2.55m in total against the Independent Care budgets, driven by a combination of increased referrals across client groups and other cost pressures in the market. This is primarily found in Older Peoples services, where a combination of drivers such as significant pressures on hospital discharge, capacity amongst independent care market due to inability to recruit staff and quality concerns raised of some providers have adversely impacted the care budgets.
- 6.42 The commissioning and performance function is reporting a pressure of £0.37m as a result of higher than originally budgeted unitary charge for those properties that remain under the PFI contract, underfunded external provider contract costs resulting from the disaggregation of budget and lower than estimated external direct payments recharges.
- 6.43 £0.23m of demand pressure is being reported against the assisted transport budgets driven mainly by increased demand from eligible service users to enable them access services as the covid 19 lockdown restrictions have been eased this year.
- 6.44 Following the budget review £0.12m of pressure has been identified within Adult Social Care comparing the staffing establishment to base budget. In addition, this review has also evidenced a shortfall in base budget of £0.08m from the disaggregation of Housing and Communities Library Services.

- 6.45 Forecast underspends of £0.98m against staffing budgets within Adult Social Care services are driven by the increasing difficulty in recruiting to the number of vacancies across both provider services and locality teams.
- 6.46 Following review of in year budgets across the Housing and Communities area; the services are forecasting one off underspends to mitigate the £0.41m pressure of the non-deliverable savings for service aggregation. These forecast underspends have been identified from a number of service areas, from in depth review of both staffing and non-staffing budgets with budget managers.
- 6.47 There are other minor underspends of £0.06m comprising of a lower than planned expenditure and additional contributions to the Public Health budgets.

### **Covid-19 Pressures**

- 6.48 There is a £2.18m pressure on independent care budgets as a result of the inability to deliver base budget savings from the Admissions Avoidance project. This was a cost avoidance scheme to reduce hospital admissions by placing social care resource at the front door of the hospitals. In 2020-21 no savings were delivered against this scheme due to Covid-19 and these savings were carried forward into 2021-22 budgets. Forecast savings of £0.54m are on track to be achieved in 2021-22 with greater savings to be generated by the outputs of the ICAN (Integrated Care across Northamptonshire) programme in 2022-23.
- 6.49 An additional demand pressure of £2.12m has been identified against Learning Disability Independent care budgets. This is as a direct result of the pandemic over the last 18 months, where vulnerable clients have not accessed services and have had heavy reliance on family carers and now require services in a crisis.
- 6.50 An additional pressure of £0.63m has been identified across Mental Health independent care budget. This has been mainly driven by an increase in demand for those with Mental Health needs as the pandemic has progressed, with a number of individuals going into crisis.
- 6.51 Whilst the Covid-19 pandemic continues to have an impact, it is anticipated that under Housing and Communities area, support payments to Leisure Centres across South Northants and Daventry will continue to providers. There has been an improvement in forecast from Quarter 1 reducing the forecast pressure with Leisure providers reporting better recovery figures for Period 9. The total reduced forecast support payments and forecast income levels is £0.62m.
- 6.52 Additionally, there is also a risk in the delivery of Civil Penalty Income in the inherited Private Sector Housing service where it is currently anticipated that there will be an in-year pressure against target income of £0.25m. Besides the impact of the Covid-19 pandemic, there are a

number of other risks associated with issuing Civil Penalty Notices. These include the debt taking longer to recover and spanning financial years, and a reduction in the amount of actual debt recovery following First Tier Tribunal (FTT) hearings. Also, there is an in-year pressure on income targets across the Library Service of £0.08m where income levels have currently been forecast at 50% of target.

- 6.53 £0.23m Covid-19 funding has been earmarked for a Councillor Covid Support Fund for the remainder of 2021-22. This provides funding for Councillors to access in order to grant award organisations and groups in their Wards who need support to recover from the impact of Covid.
- 6.54 It is expected that £0.15m of MTFP savings will not be delivered this year from the delayed opening of the new specialist centre for step down care for Mental Health and Acquired Brain injury. This project has been significantly delayed due to the impact of the pandemic, and clients moved in from October 21st. In addition to this, £0.1m of staffing costs is required to enable the provider to retain the recruited staff for the scheme who can continue to assess and support people that have been referred to the accommodation.
- 6.55 There is further pressure of £0.10m arising from the need to support the provider of a purpose-built block of flats aimed at supporting people with LD and LD/PD. The pandemic and the associated restrictions led to delays in identifying, assessment and moving people into all the flats.
- 6.56 As a result of the winter related pressures and mandatory vaccination requirements coming into force, there is the need to attract and recruit staff to our residential settings and community roles to ensure that the services remain safe for the residents we serve. Furthermore, the need for a dedicated resource in the Northamptonshire Safeguarding Adults Board's (NSAB) business office has been identified to support the development of its quality and performance priorities, improve audit activities as well as provide senior administrative support. These have resulted in an additional pressure of £0.10m.
- 6.57 These Covid-19 pressures will be offset against the non-ring fenced Covid-19 grant.

6.58 **Place and Economy**

**Net Budget** £80.54m

**Forecast outturn** £78.29m

**Forecast underspend** £2.26m

**Variance percentage** -2.8%

- 6.59 Overall, the Place and Economy Directorate is reporting a forecast underspend of £2.26m. This is an improved position of £1.53m on the £0.7m underspend reported in Period 7.

- 6.60 The increase in the underspend is made up of a number of changes across the directorate, including: a £0.31m improvement in the Asset, Traffic Management & Regulations area, mainly due to an over-achievement of income; a £0.23m improvement in the Refuse & Recycling (Northampton) area due to increases in income from green waste and S106; £0.23m across Domestic Waste, and Household Waste Recycling Centres mainly due to income being higher than expected in this area; a £0.27m improvement in Hard Facilities Management and Property Management, partly due to decreased office use during COVID; a £0.12m improvement in Development Services due to higher fees associated with a few large one-off development schemes; and various other smaller changes.
- 6.61 The main elements of the overall forecast underspend of £2.26m for this period are shown below.
- 6.62 The Growth, Climate & Regeneration area is reporting an underspend of £1.99m. The largest area of underspend within this is the Development Services area (£1.22m), which is mainly due to an over achievement of fees associated with a few large one-off development schemes. There are also underspends in the Economic Development area (£0.31) due to a combination of staffing vacancies, and grant income; and in the Planning Policy area (£0.26m) due to staffing underspends for vacant posts. The rest of the underspend is made up of various smaller items.
- 6.63 The Highways & Waste area is reporting a forecast underspend of £0.99m. Included within this is are underspends on Household Waste Recycling Centres (£0.39m) and in the Asset, Traffic Management & Regulations area (£0.39m), both mainly due to an over-achievement of income. There is also an underspend on Parking & Bus Lane Enforcement (£0.41m) due to a reduction in costs associated with parking enforcement, and an overachievement of income for bus lane enforcement. These underspends are partially netted off by an overspend in the Home to School Transport area (£0.43m) due to a rise on the costs of SEN travel. The remainder of the variance is made up of various smaller items.
- 6.64 The Assets & Environment area is reporting a forecast underspend of £0.27m. This is made up of an in-year underspend of £0.71m covering several areas including Facilities Management (£0.27), Reactive Maintenance (£0.16m), and Strategic Assets (£0.11m). There is also a structural budget pressure of £0.43m, mainly related to expected insurance rebates being less than budgeted in the Schools PFI area and staffing cost pressures.
- 6.65 The Regulatory Services area is reporting an overall overspend of £0.02m. This is made up of a staffing structural budget pressure of £0.09m; and an in-year underspend of £0.07m made up of various small in-year underspends.
- 6.66 There is an under-achievement of savings in the Place Directorate for the current year of £0.99m. This relates to a saving proposal for the current year of £0.89m relating to service aggregation will not be achieved in the current year, as the transformation required to these service areas



has not yet been completed. This transformation work is expected to continue leading to this saving being achieved in future years. In addition, there is a £0.10m pressure due to the saving on tier 1-3 senior staffing only being partially achievable, as one of the posts being removed for this saving did not have a base budget. In the current year the non-achievement of these savings is offset by the other underspends being reported for the Place Directorate resulting in this Directorate area still having an overall net underspend position.

### **Covid-19 Pressures**

6.67 Within the Place & Economy directorate, there are various pressures associated with continuing to deliver services during the Covid-19 pandemic. These pressures come to a total of £4.53m and include a £2.95m pressure in the Assets & Environment area due to loss of income from car parks, estates management, catering and others, and additional costs including extra cleaning costs, and costs of improving car parking payment systems.

6.68 There is a pressure of £1.41m in Highways & Waste due to an increase in waste tonnages and HWRCs being open additional days, additional costs in Highway maintenance due to social distancing requirements, and loss of on-street parking income; a £0.12m pressure in the Regulatory Services area due to lost income from Licensing and additional staffing costs; and a £0.05m pressure in Growth, Climate & Regen due to loss of income from the Museum Service

6.69 These Covid-19 pressures will be offset against the non-ring fenced Covid-19 grant.

### 6.70 **Finance**

**Net Budget** £10.74m

**Forecast outturn** £10.60m

**Forecast underspend** £0.14m

**Variance percentage** -1.3%

6.71 The Finance Team has had a number of vacancies throughout the year, and as such is reporting an in-year underspend of £0.14m.

6.72 Following a review of the budgets within the Directorate, a shortfall of £0.05m has been identified within the Procurement Service, mainly attributable to a historical now non-achievable income stream, and additional licensing costs. Additional one-off income will be received this year that will mitigate this budget shortfall.

## **Covid 19 Pressures**

- 6.73 The Covid pandemic has had a significant impact on collection of both in year and prior year debts, requiring additional resource to address. Left unaddressed there will be a shortfall in actual arrears collection compared to that expected and assumed in the budget.
- 6.74 Both the Corporate Debt service and Revenues and Benefits require additional staff to address the backlog in debt recovery, with a total estimated cost of £0.46m. Recruitment is underway, but inevitably some of this cost will fall into 2022-23. Forecasts will be refined as the position becomes clearer, but currently the entire cost is shown as a 2021-22 pressure to be funded from un-ringfenced Covid funding.
- 6.75 **Technical/Centrally Held Items**
- Net Budget** £24.02m  
**Forecast Outturn** £26.97m  
**Forecast overspend** £2.95m  
**Variance percentage** 12.3%
- 6.76 Technical and centrally controlled budgets include the Treasury budgets, pension deficit contribution payments for West Northants and the contingency budgets which cover identified risks such as Covid impact and budget disaggregation.
- 6.77 There is a pressure of £1.6m within the Treasury Management Budget, due to legacy issues. £0.8m is due to the late technical change in the methodology of a predecessor authority's Minimum Revenue Provision policy during the closedown of the 2019-20 statement of accounts (and after the 2021-22 Budget was set), with the remaining £0.8m pressure as a result of lower yields on Treasury Investment income than budgeted for.
- 6.78 Throughout the course of the year a significant amount of work has been undertaken on ensuring the legacy council's of West Northamptonshire statutory accounts for 2019-20 onwards could be agreed and signed off with the external auditors. The Council has now received a combination of actual and estimated costs for the statutory audit concluded/being concluded. Due to the quantum of accounts that have already been approved this year, coupled with the complexity and high-risk nature of the work involved, the additional costs over and above the audit scale fees and amounts provided for, has resulted in an additional cost of £0.7m. The funding for the additional fees will be drawn down from contingency as this was an unknown sum prior to local government reorganisation. This relates specifically to the complex closedown of the predecessor organisations accounts and not West Northamptonshire. However, as the successor body we must pick up the costs (including a share of the ex-County Council costs).

- 6.79 Moving forward, once the county council and borough council's 2020-21 accounts have been signed, which is expected in the coming months, fees will be significantly reduced as the Council will only need to undertake one audit for West Northamptonshire Council.
- 6.80 A council wide contingency budget is managed within the centrally controlled budget. At the start of the year this stood at £17.5m, this was created for disaggregation costs £1.2m, pay inflation £1.7m, base budget contingency of £3.2m, Covid-19 contingency of £6.4m and a £5m general contingency. Since the start of the year, there have been drawdown requests of £0.4m to cover disaggregation costs and £2.5m base budget pressures to date. This includes the transfer to Waste Services of £2.0m for a previously identified disaggregation issue that was approved in the Quarter 1 Cabinet Report.
- 6.81 In line with the Council's financial regulations, virements exceeding £500k require Cabinet approval. Detailed below are further virement requests to date exceeding £500k requested to offset identified expenditure pressures, that require Cabinet approval.

Table Four

<b>Budget Contingency – Virements for Cabinet Approval</b>	<b>£k</b>
<b>Opening contingency balance</b>	<b>17,488</b>
Previously approved virements:	
Transfer to Waste Services	1,984
<b>Total Cabinet approved virements to date:</b>	<b>1,984</b>
Delegated approval:	
Costs of disaggregation: NASS, Specialist Support Services, Procurement, Business Intelligence	567
MFR pressure funded via general contingency	2,258
<b>Total delegated approval:</b>	<b>2,825</b>
<b>Virements to be approved:</b>	
As detailed within section 6.2 the Council is monitoring COVID expenditure in 2021-22 and there is a requirement to fully utilise the COVID contingency budget of £6.4m (set out in section 6).	6,401
Following a review of Adults Social Care budgets post vesting day, there is a forecast pressure that has resulted from the disaggregation of expenditure and income budgets. As part of the detailed budget setting process for 2021-22 for both West and North Northamptonshire, disaggregation task and finish groups could only estimate the splits.	562
To reflect the negotiated 2021-22 pay award there is a requirement to vire the pay inflation contingency budget of £1.7m to service areas to match expenditure in line with the original budget proposal. Further to this and to ensure that service area budgets reflect the total cost of the 2021-22 pay award an additional £1.5m will be vired from the budget contingency including £0.6m specifically transferred from the general contingency budget.	3,164
As detailed in paragraph 5.78 there is a forecast pressure relating to the estimated cost of closing down the accounts for the legacy councils.	658
<b>Total virements to be approved:</b>	<b>10,785</b>
<b>Budget contingency remaining</b>	<b>1,878</b>

- 6.82 These contingency budgets form part of the 2021-22 base budget and therefore the virements will not affect the year-end variance. Note that the 2022-23 budget includes an adjustment in the base budget in respect of the catch-up for the 2021-22 pay award.
- 6.83 Work is currently being undertaken to ascertain the impact of insurance costs as a result of the new Unitary Authority, in addition to the need to still maintain adequate reserves to cover historic liabilities from the predecessor authorities.
- 6.84 There is a risk of additional costs due to the overall risk increase of a new organisation. Should these pressures materialise the remaining contingency budget would be utilised.

## 6.85 Funding

6.86 The Council's net service budget is funded from the following areas; Council Tax income, Business Rates income, Government grants, one off COVID funding and reserves. A breakdown of the funding budget is detailed below in Table 5.

**Table Five**

<b>Funding</b>	<b>Net Budget</b>
	<b>£000</b>
Council Tax income	(208,459)
Business Rates income (including S31 Grant)	(69,965)
Adult Social Care Grant	(17,762)
One off COVID funding	(12,633)
Transfer from Reserves	(10,120)
New Homes Bonus	(6,777)
Other Government Grants	(854)
<b>Total Funding</b>	<b>(326,570)</b>

## 7. Covid-19 Summary

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7.1 There are continuing pressures associated with the delivery of services during the Covid-19 pandemic as detailed in the directorate sections. The balance of un-ringfenced Covid-19 funding received from the government by legacy Councils, brought forward and available to utilise in 2021-22 totals £13.6m. Alongside this there is additional funding within the 2021-22 budget of £6.4m, resulting in a total available funding of £20m.

7.2 The table below details the forecast position as at the end of Period 9; Covid-19 grant available to utilise, and forecast cost pressures:

**Table Six**

<b>Directorate</b>	<b>Savings under-delivery due to covid</b>	<b>Other covid related pressures</b>	<b>Total Pressure forecast as at P9</b>	<b>Covid grant balances</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Un-ringfenced Covid grant available (£13.6m reserves; and £6.4m in the 2021-22 budget)				19,994
Corporate Services	0	216	<b>216</b>	
Chief Executive Office	0	0	<b>0</b>	
Children's Including Trust	0	748	<b>748</b>	
Adults, Communities & Wellbeing	1,365	5,103	<b>6,468</b>	
Place, Economy and Environment	0	4,529	<b>4,529</b>	
Finance Directorate	0	462	<b>462</b>	
Technical / Centrally Controlled Budgets	0	0	<b>0</b>	
<b>Total Covid pressures</b>			<b>12,423</b>	
Less: Assumed use of Non ringfenced Covid grant			(12,423)	(12,423)
<b>Net position</b>			<b>0</b>	<b>7,571</b>

7.3 The table above forecasts the balance to be carried forward into future years as £7.57m, however this has been earmarked to fund proposals in 2022-23 and 2023-34 and therefore is now fully committed.

## **8. Summary of Savings Delivery 2021-22 and 2022-23**

8.1 The Council has a savings requirement within its 2021-22 budget of £13.4m. Finance and Service Directors have undertaken a review of savings deliverability, with the summary forecast position reported in table seven.

Table Seven

Directorate	2021-22 Savings Proposals £'000				
	RAG Analysis				Total
	Blue	Green	Amber	Red	
Adults, Communities & Wellbeing	(3,563)	(89)	(146)	(1,777)	(5,575)
Chief Executive Office	0	(762)	0	(219)	(981)
Children's Directorate	(5)	0	0	0	(5)
Children's Trust	0	(1,874)	0	0	(1,874)
Corporate Services	0	(761)	(451)	(128)	(1,340)
Finance Directorate	0	(409)	0	0	(409)
Place, Economy and Environment	(1,445)	(520)	0	(985)	(2,950)
Finance - Technical Adjustment	(230)	0	0	0	(230)
<b>Total</b>	<b>(5,243)</b>	<b>(4,415)</b>	<b>(597)</b>	<b>(3,109)</b>	<b>(13,364)</b>
<b>% Total</b>	<b>39.2%</b>	<b>33.0%</b>	<b>4.5%</b>	<b>23.3%</b>	
<b>Movement from prior month</b>	<b>(45)</b>	<b>(97)</b>	<b>134</b>	<b>8</b>	<b>0</b>
<b>Prior month position</b>	<b>(5,198)</b>	<b>(4,318)</b>	<b>(731)</b>	<b>(3,117)</b>	<b>(13,364)</b>

Blue = Delivered and Confirmed  
 Green = Deliverable, on target  
 Amber = Deliverable, with risks  
 Red = Unlikely to be delivered

- 8.2 Overall, there are seven savings targets for 2021-22 that are considered to be 'red' and are at high risk of not being delivered by the end of the financial year. These are set out in the directorate section and included as a pressure in the budget monitoring figures contained in the report.
- 8.3 There are three proposals still classified as 'amber'. This is because there is a level of uncertainty and risk within the delivery aspect of the savings proposal and service review is ongoing to confirm the classification of these proposals.
- 8.4 The admission avoidance saving within Adults has £146k of savings remaining as 'amber' that reflects the volatility of the Health and care system currently. Over the past few months, a lower level of savings have been achieved than earlier in the year due to the resource constraints within the sector.
- 8.5 Work is ongoing to refine the detailed budgets in Corporate Services, especially in relation to staffing. Until this work is complete it is uncertain whether or not the assumed aggregation savings have or will be achieved, although vacancies during 2021-22 are likely to mean that this will not lead to a significant overspend this year.
- 8.6 A detailed assessment of the individual savings proposals is set out in Appendix B.

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

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### **9.1 Resources and Financial**

9.2 The resource and financial implications of the West Northamptonshire Council are set out in the body of, and appendices to, this report.

### **9.3 Legal**

9.4 There are no legal implications arising from the proposals. The report has been cleared by Legal Services

### **9.5 Financial Risks**

9.6 This report sets out the financial forecast and risks identified following the Period 9 review of the council's budgets.

### **9.7 Consultation**

9.8 All 2021-22 Budget proposals were consulted on prior to the budget being approved by Full Council in February 2021.

9.9 Any management interventions that require a policy change will be subject to a consultation before any decision is taken.

9.10 Where consultation is necessary, full details will be presented to Cabinet separately. Cabinet can only make a decision after taking careful account of the results of such consultation in order to reach an informed decision.

## **10. Background Papers**

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

- Previous reports to West Northamptonshire Shadow Executive, 23 February 2021: [Meeting of West Northamptonshire Shadow Authority on Tuesday 23rd February 2021 - West Northamptonshire Council \(moderngov.co.uk\)](#)



- Period 7 Revenue Monitoring Report reported to Cabinet, 21 December 2021:  
[Agenda for Cabinet on Tuesday 21st December 2021, 6.00 pm - West Northamptonshire Council \(moderngov.co.uk\)](#)
- Quarter 1 Revenue Monitoring Report reported to Cabinet, 14 September 2021:  
[Agenda for Cabinet on Tuesday 14th September 2021, 6.00 pm - West Northamptonshire Council \(moderngov.co.uk\)](#)