

WEST NORTHAMPTONSHIRE COUNCIL CABINET

20 DECEMBER 2022

**CABINET MEMBER WITH RESPONSIBILITY FOR FINANCE: COUNCILLOR
MALCOLM LONGLEY**

Report Title **Revenue Monitoring, Quarter 2 - Financial Year 2022-23**

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1. Purpose of Report

- 1.1. The report provides an assessment of the Council's financial performance against its approved 2022-23 budget, incorporating key financial risks, issues and opportunities identified since 1st April 2022 for General Fund and the Housing Revenue Account (HRA).

2. Executive Summary

- 1.2. 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.
- 1.3. The Council successfully balanced its 2021-22 budget and published the details in the provisional outturn report that Cabinet has previously considered.
- 1.4. However, since the last year, the Council, alongside many other local authorities and organisations across the nation, has seen a significant impact on its finances as a result of external factors beyond its control. The main drivers of these cost pressures are highlighted below:
 - Inflationary and cost of living pressures impacting on the cost of providing services.
 - Ongoing financial impact of COVID allied with the withdrawal of significant COVID funds previously received.
 - Demand led and inflationary pressures within the Children's Trust.
 - Significant pressures within Home to School Transport.
 - Demand led pressures within Adult Social Care.
 - Cost of living pay award significantly greater than the amount included at the time of setting the budget based on the latest national pay award offer made by the employers' organisation.
- 1.5. As a result of these externally driven financial challenges, Directorate Management Teams continue to be focussed on reducing the cost-of-service delivery in their areas to support the council to forecast spend closer in line with the budget, while ensuring that services are still delivered and that there isn't a corresponding reduction in service provision.
- 1.6. Table one summarises the revenue forecast currently being estimated for this financial year.

Table One: Forecast Outturn 2022-23 by Directorate

Directorate	Net Budget £'000	Forecast Net Spend at 31/10/22 £'000	Q2 Forecast Variance at 31/10/22 £'000	Q1 Forecast Variance as at 31/07/22 £'000	Movement Since Q1 £'000	% Forecast Variance against budget
Corporate Services	22,553	22,427	(126)	210	(336)	-0.6%
Chief Executive Office	3,305	2,832	(473)	0	(473)	-14.3%
Education Services	4,540	4,433	(107)	(385)	278	-2.4%
Children's Trust	70,664	77,366	6,702	4,441	2,261	9.5%
Communities and Opportunities	11,024	11,335	311	506	(195)	2.8%
Adult Social Care	105,631	113,897	8,266	6,889	1,377	7.8%
Place and Economy	83,211	88,756	5,545	6,487	(942)	6.7%
Finance Directorate	10,575	9,922	(653)	(362)	(291)	-6.2%
Cost of services	311,503	330,969	19,466	17,785	1,681	6.2%
Technical / Centrally Controlled Budgets	30,815	21,891	(8,924)	(6,510)	(2,414)	-29.0%
Total budgeted expenditure	342,318	352,860	10,542	11,275	(734)	3.1%
Less funding	(342,318)	(349,118)	(6,800)	(3,700)	(3,100)	1.9%
Net Position 2022-23	0	3,742	3,742	7,575	(3,834)	1.1%

1.7. The forecast outturn position for 2022-23 is an overspend of £3.7m, after use of £10.1m of budget contingencies, which were set aside in the budget for risks that have subsequently crystallised in the current financial year. This represents a favourable movement of £3.8m from the Quarter 1 position reported to Cabinet in September. The detailed forecast variations against budget are set out in section 6.

1.8. The main reasons for the underlying pressures which directorates are seeking to mitigate are as follows;

- Increasing levels of inflation, with RPI currently standing at 14.2% and CPI currently standing at 11.1% affecting contracts, operations and running costs.
- Increase in homelessness and the use of expensive nightly purchase temporary accommodation.
- Increase in adult social care demand at the end of 2021-22 due to demands from hospital discharges.

- More adults care packages at higher costs reflecting both increase in complexity following COVID and market conditions. Demand is outstripping supply which is directly pushing costs up.
- The Children's Trust is seeing increasing demand for limited, and expensive placements for children with complex needs. This is driving up costs.
- The staff pay award has now been agreed and is greater than anticipated when the budget was set.
- Significant pressures relating to Home to School Transport spend.

Housing Revenue Account

- 1.9. The Housing Revenue Account (HRA) is a ring-fenced account used to manage the Council's housing stock. The costs of managing and maintaining the properties, collecting rents and meeting the interest cost of monies borrowed to pay for investment in the housing stock are all charged to the housing revenue account.
- 1.10. Northampton Partnership Homes (NPH) is an arms-length management organisation and manages the Council's housing stock on its behalf, and is responsible for the delivery of the following services:
- Allocations and lettings
 - Repairs and maintenance
 - Housing management, including dealing with anti-social behaviour
 - Tenancy support
 - Tenant involvement.
- 1.11. The financial reporting of service delivery for these areas is also supplied by NPH and is incorporated in the Council's HRA financial position for the current year:

Table two: HRA Forecast Outturn 2022-23 by Activity

Other Funds (HRA)	Net Budget	Forecast Net Spend at 31/10/22	Q2 Variance at 31/10/22	Q1 Variance at 31/07/22	Movement
	£'000	£'000	£'000	£'000	£'000
Dwelling rents	(53,050)	(52,417)	633	619	14
Non-dwelling rents	(951)	(1,029)	(78)	(82)	4
Other charges for services	(2,435)	(2,592)	(157)	(149)	(8)
Contributions towards expenditure	(16)	(9)	7	(6)	13
Repairs & Maintenance	14,892	15,412	520	50	470
General Management	9,391	9,253	(138)	17	(155)
Special Services	5,277	5,342	65	0	65
Rents, Rates, Taxes & Other	302	302	0	0	0
Provision for Bad Debts	400	400	0	0	0
General Fund Recharges	2,650	2,650	0	0	0
Interest & Capital Financing	8,802	7,440	(1,362)	(1,277)	(85)
Depreciation (Major Repairs Allowance)	13,500	13,500	0	0	0
Rev Contributions to Capital	1,238	1,238	0	0	0
Budgeted Position	0	(510)	(510)	(828)	318
Contribution to/(from) Reserves	0	510	510	828	(318)
Overall Position	0	0	0	0	0

- 1.12. The HRA is experiencing forecast pressures mainly on reductions in anticipated dwelling rental income due to the delay in new properties being let to tenants, and pressures in repairs and maintenance due to the increased cost of sub-contractors and building materials, as well as increase inflationary pressures due to a shortage of skilled labour and disruptions in the supply chain. These pressures have been offset by reduced interest and capital financing charges as a result of slippage on the capital programme.
- 1.13. The forecast HRA position has worsened by £318k between Quarter 1 and Quarter 2 but is still reporting an overall underspend against the original budget. This has predominately been driven by the repairs and maintenance forecast overspend, and the increase costs of gas and electricity within Special Services. These forecast pressures have been offset by efficiency savings and reduction in borrowing costs due to the latest phasing of the capital programme.

Dedicated Schools Grant

- 1.14. The Dedicated Schools Grant (DSG) is a ring-fenced specific grant allocated to the Local Authority by the Government to support a range of education related services.
- 1.15. 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:

Dedicated Schools Grant			
Schools Block	Early Years Block	High Needs Block	Central Schools Services Block (CSSB)

1.16. The Dedicated Schools Grant (DSG) forecast at the end of Quarter 2 is as follows:

Table Three – DSG

DSG Block	Gross Exp Budget	Recoupment	Net Exp Budget	Forecast Net Spend	Quarter 2 Variance	Quarter 1 Variance	Movement
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Schools*	318,848	(253,204)	65,644	65,644	0	0	0
Early Years Provision	26,572	0	26,572	26,791	219	0	219
High Needs	63,557	(16,028)	47,529	49,261	1,732	393	1,339
Central Schools Services Block*	4,153	0	4,153	4,153	0	0	0
TOTAL	413,130	(269,232)	143,898	145,849	1,951	393	1,558

*Includes carry forwards totalling £657k

- 1.17. The DSG is currently forecasting an overspend of £2.0m, with £1.8m overspend forecast in the high needs block and £0.2m in the early years block. This is an adverse movement of £1.6m from the prior reported position, based on the increased demand for services.
- 1.18. The pressure in the main relates to increased demand for educational placements, and out of county placements provision for pupils with special educational needs and disabilities (SEND) due to a growth in education, health and care plans, and a shortage of placements in county. The 2022-23 capital programme includes investment to increase resourced places in mainstream schools and special school expansions.
- 1.19. The early years block variance relates to demand above budgeted levels on the SEND inclusion fund for emerging and low-level needs.
- 1.20. DSG budgets are being reviewed to ensure that all of the education elements of funded placements are accurately forecast.

3. Recommendations

3.1 It is recommended that the Cabinet:

- a) Note the forecast outturn position for 2022-23 and associated risks
- b) Note the deliverability assessment of West Northamptonshire Council savings requirement for 2022-23 summarised in section 7 and detailed in Appendix B
- c) Delegate authority to the Executive Director – Finance in consultation with the portfolio holder to apply any budget virements required to effectively manage the overall budget during the 2023/24 year.

- d) Cabinet are requested to note and endorse the three requests made by the Children's Trust set out in paragraphs 6.4, 6.5 and 6.7 and supported by the Strategic Commissioning Group and recommend to Council that they should be approved and for the approval of further contract sum adjustments to be delegated to the Executive Director – Finance in consultation with the Finance Portfolio holder.
- e) To note the position on Capital Dispensations set out in paragraph 6.48.1

4. Reason for Recommendations

- *To update members on the financial position of the Council and ensure that the Authority complies with its financial regulations*

5. Report Background

- 5.1 The Council's budget for 2022-23 is £342.3m and was approved on 24 February 2022 by Full Council including £19.3m of savings proposals. This report includes an analysis of the deliverability of these efficiency and income proposals, and the in-year variations to budgeted assumptions.

6. Financial Overview by Directorate

- 6.1 This section of the report provides an update on the forecast variations against 2022-23 budget. A more detailed breakdown of the 2022-23 forecast is included in Appendix A.

Corporate Services

Net Budget £22.5m

Forecast Outturn £22.4m

Forecast underspend £0.1m

Variance percentage -0.6%

- 6.2 The Corporate Services Directorate delivers services including human resources, customer services, Digital Technology and Innovation (DTI), legal, democratic, coroners, registration and transformation services.
- 6.3 The Directorate is reporting a forecast outturn position of £0.1m underspend, which is a favourable movement of £0.3m from the reported Quarter 1 position.
- 6.4 This position includes overspends of £1.5m of which mainly relate to increases in the costs of IT contracts, the additional cost of mobile phone usage, legacy council income targets which cannot be met, and several services with staffing pressures. These are partly mitigated through one-off income and staffing underspends in other areas of Corporate Services.
- 6.5 To address this, the Corporate Services Management Team has identified efficiency proposals which will contribute £0.9m towards mitigating current budget pressures.

- 6.6 The favourable movement of £0.3m from Quarter 1 is driven by further pressures of £0.2m mainly due to IT license fees that were not anticipated, offset by £0.5m underspends of which £0.3m is due to staff vacancies, a revised estimate on members allowances, and reductions in non-essential spend.

Chief Executive Directorate

Net Budget £3.3m

Forecast outturn £2.8m

Forecast underspend £0.5m

Variance percentage -14.3%

- 6.7 Chief Executive Directorate includes the Chief Executive, Assistant Chief Executive, Executive Support, Communications and Business Intelligence Services.
- 6.8 The Directorate is reporting a forecast outturn position of £0.5m underspend, and a favourable movement of £0.5m from Quarter 1 reported position.
- 6.9 This position includes an overspend of £0.2m which in the main relates to a shortfall in service aggregation savings which was a result of assumed senior staff savings from bringing the legacy councils together not fully matching with the budgets that came across from the four legacy authorities.
- 6.10 This pressure is mitigated through one-off income and staffing underspends due to delay in restructure in Business Intelligence.
- 6.11 The Management Team in the Chief Executive Directorate has identified efficiency proposals which will contribute a further £0.3m to reduce the pressures reported in other directorates.
- 6.12 The favourable movement of £0.5m from Quarter 1 is largely driven by the identification of savings opportunities due to the release of £0.4m one-off budget and carry forward allocated to Business Intelligence no longer required due to delays in restructure, staff vacancy management and other minor variances across the directorate following recent review of budgets.

Education Services

Net Budget £4.5m

Forecast outturn £4.4m

Forecast underspend £0.1m

Variance percentage -2.4%

- 6.13 Education Services is made up of Council services within the People Directorate which deliver statutory education functions against 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.

- 6.14 Education Services are reporting an underspend of £0.1m, which is an adverse movement of £0.3m from the reported Quarter 1 position.
- 6.15 Children and Education are forecasting overspends of £0.5m made up of £0.3m forecast traded income shortfall in Educational Psychology based on latest capacity available to fulfil service level agreement take up, £0.1m legal cost overspend relating to SEND tribunals and £0.1m disaggregation costs.
- 6.16 This is mitigated in part by underspends totalling £0.4m due to staffing vacancies underspends, mainly across Educational Psychologist posts, of which there is a national shortage of qualified staff.
- 6.17 In addition, Education Services has identified efficiency proposals which will contribute a further £0.2m of budget mitigations.

Northamptonshire Children's Trust

Net Budget £70.7m

Forecast outturn £77.4m

Forecast overspend £6.7m

Variance percentage 9.5%

- 6.1 The contract for Northamptonshire Children's Trust (NCT) provides children's social care services across both West and North Northamptonshire Councils.
- 6.2 NCT is forecasting a total overspend of £11.9m against the approved contract sum of £137.45m. Based on the agreed contract split between West and North Northamptonshire Councils, WNC's share of the total is a forecast overspend of £6.7m against the contract sum of £76.75m (56%).
- 6.3 The main reason for the forecast overspend relates to placements for children in care which amounts to a total of £8m. There are increasing numbers of children coming into care in Northants due to the impact of covid and the national economic picture. The current levels of volatility, efficiency of joint funding process, flux of emergency placements and increasing complexity of need, in addition to inflationary pressures, represent a significant financial challenge for the year ahead. This is representative of the national picture where there is a shortage of appropriate places in children's homes and with foster carers, meaning that high prices are often being paid by local authorities who are responsible for placing children in appropriate settings. The key drivers of the overspend are residential and supported accommodation placements, with the top five placements costing in excess of £10,000 per week.
- 6.4 The staffing budget is forecast to overspend by £1.901m with a provision for national pay award. Increases have also been included in relation to the uplift in agency rates, which have seen an average increase of 5%. The Strategic Commissioning Group (SCG) received and supported a contract sum uplift request for this amount. WNC's share of this would be £1.062m and makes up part of the total forecast overspend.

- 6.5 There is a forecast pressure of £0.844m relating to The Local Government and Social Care Ombudsman decision on the historic treatment and compliance with Special Guardianship Allowance policy. The additional costs relate to the implementation of the Ombudsman decision and the backdating of payments to all Special Guardianship payments. The decision was made on 24 August, and the new policy and payments must be made within three months of the decision. The SCG received and supported a contract sum uplift request for this amount. WNC's share of this would be £0.471m and makes up part of the total forecast overspend.
- 6.6 There are also forecast pressures on transport costs of £0.7m which is a result of an increase in fuel costs. The impact of covid led to increased transport demand for supporting children in care. Whilst work is underway in implementing transition arrangements to reduce historic agreements, there is a risk that the inflation on transport costs could rise above current levels and the recent increase in covid infections may reduce the opportunities to lessen demand.
- 6.7 Internal foster care provision is more cost effective than paying for external placements, therefore to ensure the Trust can continue to recruit and retain internal foster carers it has been decided to provide a greater inflationary uplift to their foster carer payments (an increase from 1.5% to 4%, back dated to October 2022). This costs an additional £0.103m. The SCG received and supported a contract sum uplift request for this amount. WNC's share of this would be £0.058m and makes up part of the total forecast overspend.
- 6.8 The Trust will continue to use a managed social care team until the end of the financial year, which will provide additional capacity to the safeguarding service, ensuring that social care caseloads continue at a manageable level. This will result in an additional pressure of £0.7m, WNC's share is £0.4m.
- 6.9 The Trust continues to develop proposals to mitigate their forecast pressures, and this will be followed up as part of the governance arrangements between the Council and the Trust, which includes regular monitoring reports.
- 6.10 As detailed above the SCG received and supported three contract sum uplift requests for some of the pressures highlighted above. All three were contained within their forecast outturn position. Cabinet are requested to note and endorse these requests and recommend to Council that they should be approved and for the approval of further contract sum adjustments to be delegated to the Executive Director – Finance in consultation with the Finance Portfolio holder.

Communities and Opportunities

Net Budget £11.0m

Forecast outturn £11.3m

Forecast overspend £0.3m

Variance percentage 2.8%

- 6.11 The Communities and Opportunities Directorate includes Housing, Leisure, Libraries, Economic Development, Regeneration and Community Safety & Engagement. The Directorate is

forecasting an overspend of £0.3m, which is a favourable movement of £0.2m from the reported Quarter 1 position.

- 6.12 The favourable movement is driven by a lower forecast overspend on expensive nightly purchase Temporary Accommodation as management action to reduce the usage of expensive nightly purchase starts to take effect, the receipt of leisure contract management fee as per contract for the first six months of the year, various management actions in holding recruitment to non-statutory posts and general spending review panel effect. These favourable movements are partly offset by the non-delivery of service aggregation, and a worsening of forecast housing benefit subsidy loss.
- 6.13 The £0.3m directorate pressure in the main relates to four issues.
- 6.14 The first is the result of increases in the cost of temporary accommodation. The nightly costs of housing are increasing rapidly due to economic inflationary pressures totalling £0.3m, consisting of additional bed and breakfast costs and additional temporary private housing costs.
- 6.15 A £0.4m pressure relating to an increase in Housing Benefit subsidy loss due to the higher demand for temporary accommodation for the homeless and the increasing use of expensive nightly purchase accommodation. This pressure is being directed to the Housing service where Homelessness and temporary accommodation use is managed.
- 6.16 The service aggregation saving carried forward from 2021-22 is not achievable. When the current budget was set it was assumed that restructuring throughout the directorate would deliver the savings proposal, however as transformation work is still on-going, this is causing a savings shortfall of £0.4m.
- 6.17 The final key issue relates to a forecast reduction of £0.25m in management fee from a leisure facility in the South Northants area. The leisure facility advised that the impact of Covid has meant that they are operating at a loss, as such the management payment of 0.45m is forecast to be under recovered. A benchmarking exercise is underway and will dictate payments from Sept 2022 to March 2023.
- 6.18 The Communities and Opportunities Management Team has utilised a number of mitigating actions to improve the financial position of the directorate.

Adult Social Care

Net Budget £105.6m

Forecast outturn £113.9m

Forecast overspend £8.3m

Variance percentage 7.8%

- 6.19 Adult Social Care is part of the People Directorate and consists of services that provide 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.

- 6.20 The Directorate also has responsibility for Public Health. This service was successfully disaggregated on the 1st October 2022 from the previous arrangement where Public Health was hosted in North Northants. Work is in progress to align budgets to the individual service areas.
- 6.21 Adult Social Care is forecasting an overall £8.3m pressure against budget for 2022-23 which is an adverse movement of £1.4m from the reported Quarter 1 position. The reported pressure of £8.3m is driven largely by significant demand and cost pressures since budget setting.
- 6.22 The adverse movement of £1.4m from the position reported in Quarter 1 is largely driven by independent care package cost pressures of £1.3m across client groups. This is where the cost of living pressures are being passed on from providers in placement costs outside of commissioned frameworks. There is a further £0.3m of pressure on client transport budgets where costs have risen significantly due to fuel prices. A further £0.2m of forecast vacancies have arisen due to the difficulty in recruitment across the social care sector that has mitigated the cost pressures forecast in the last quarter.
- 6.23 There are now 500 more clients requiring care than in April 2021, a considerable increase on the 3,500 clients at that time and a clear sign of the level of demand experienced. This has resulted in a significant upturn in the level and cost of independent care packages across client cohorts of £6.4m following the publication of the 2022-23 budget. £3.0m of this is driven by cost and volume increases within Learning Disability and Mental Health cohorts. This is as a result of both the long-term impact of the pandemic and the alignment of clients to West Northants based on their ordinary residence. £3.3m of the pressures in Older People's services driven by higher complexity of individuals. This pressure is the net impact of the client care costs and the contributions to care.
- 6.24 At the height of the pandemic, there was an urgency to clear hospitals of medically fit clients and the cost of the first four weeks of these Discharge to Assess (D2A) placements was covered by Health but this has since ceased. The cessation of the national funding from the beginning of this financial year has created a budget pressure of £1.7m. The service assumed that clients discharged from hospital could be covered within existing care budgets. In addition to this there is a residual pressure of £1.0m on the Older People's Residential budgets from the D2A placements, driven by a combination of the significantly high cost per week and higher than average length of time clients have remained in these placements.
- 6.25 On a related issue, following a detailed review, there is a significant risk to budgeted savings delivery of £7.0m. The Strength Based Working planned savings of £4.1m are at risk of delivery as even though tracked savings for 2021-22 evidenced delivery of £5m, independent care budgets are not seeing an associated reduction due to the increased demand the service is encountering the overall expenditure remained unchanged in the current year.
- 6.26 In addition, £2.9m of Admission avoidance savings, including undelivered savings brought forward from 2021-22 of £2.3m, is likely to be undelivered in year. This is due to insufficient evidence that the targeted reduction in acute admissions has reduced Adult Social care demand in this financial year. Current new demand through the acutes is outstripping the demand management interventions put in place.

- 6.27 There are external contract pressures of £0.4m from the Adult prevention contracts, from property voids mainly as a result of the inability to fill some beds due to compatibility issues and from increased legal costs due to an increase in the number and complexity of cases. In addition, the PFI contract budget is forecast to overspend by £0.3m due to a higher than budgeted indexation level. The social care transport service is also reporting a £0.5m pressure due to increased demand for transport from eligible service users to enable them to access services and promote independence. The Deprivation of Liberty Safeguards (DOLS) service is also reporting a pressure of £0.1m from statutory doctors' section 12 assessments.
- 6.28 In House Provider Services are forecasting an underspend of £0.04m, however, there is a potential risk around the delivery of the £0.9m savings target attached to improving utilisation rates due to the ongoing options appraisal around future MTFP savings.
- 6.29 The Adult Social Care teams are forecasting an underspend of £0.4m as a result of difficulties in filling social worker vacancies due in part to a nationwide shortage of care workers and regional competition for qualified and experienced staff.
- 6.30 There are also a number of further vacancies across Commissioning and Performance particularly in Financial Operations who are forecasting an underspend of £0.3m.
- 6.31 In addition to the above the Adult Social Care Management Team has identified efficiency proposals that will contribute £8.4m to reduce costs pressures within the directorate.

Place and Economy

Net Budget £83.2m

Forecast outturn £88.8m

Forecast overspend £5.6m

Variance percentage 6.7%

- 6.32 The Place Directorate delivers services including Waste Management, Highways and Transportation, (including Home to School Transport), Asset Management (including car parking), Environment Services, Regulatory Services and Planning. The Directorate has been significantly impacted by the long-term effect of covid and the rising cost of inflation on contracts and service provision. Demand has altered because of changes in people's behaviours, and the national labour shortage in the transport market has resulted in decreased competition and a subsequent increase in operator prices.
- 6.33 Overall, the Place and Economy Directorate is reporting a forecast a net overspend of £5.6m, which is a favourable movement of £0.9m from the position reported in Quarter 1. The movement from Q1 is predominantly due to an increase in Home to School Transport costs of £2.2m, and waste tonnage of £0.2m, offset by reduced utility costs, (£0.7m), reduction in staff costs pressure (£0.2m), reduction in property income pressure and other over spends of £0.2m, plus additional underspends of £2.4m as a result of spending restrictions and an increase in waste recycle income.

- 6.34 The underlying pressures in this directorate total £9.7m, of which Home to School transport is forecasting a pressure of £5.3m due to a combination of both the long-term impact of covid on the transport market and increased fuel prices.
- 6.35 There is a forecast pressure of £1.7m on energy costs across properties within Place & Economy, street lighting and traffic signals. Contract inflation is causing a pressure of £1m due to the inflation rates being higher than estimated during budget setting.
- 6.36 The service aggregation saving carried forward from 2021-22 is not achievable. When the current budget was set it was assumed that restructuring throughout the directorate would deliver the savings proposal, however as transformation work is still on-going, this is causing a savings shortfall of £0.8m.
- 6.37 There are a number of other pressures resulting from several income streams that have not yet returned to pre-covid levels due to a reduction in demand, an increase in tonnages of both domestic waste and at household waste recycling centres and additional play areas to maintain, totalling £0.9m.
- 6.38 The underlying pressures are being partly offset by underspends totalling £2.8m. These include additional income across the directorate of £0.8m, underspends of £0.9m in property management running costs and a reduction in reactive maintenance due to continued working from home arrangements, underspends on staffing as a result of the vacancy freeze and Highways & Transport disaggregation (£0.9m) and reductions in concessionary fare payments (£0.2m).
- 6.39 The Place and Economy Management Team has identified efficiency proposals that will contribute £1.4m to offset the reported position within the directorate.

Finance

Net Budget £10.6m

Forecast outturn £9.9m

Forecast underspend £0.7m

Variance percentage -6.2%

- 6.40 The Finance Directorate services include strategic finance, accountancy, revenue and benefits, procurement, and internal audit services. The directorate is reporting a £0.7m underspend, which is a favourable movement of £0.3m from the position reported to Cabinet in Quarter 1.
- 6.41 The directorate underspend is made up primarily of savings on vacant posts, additional unbudgeted income and savings attributed to bring the internal audit team back in house.
- 6.42 The movement since the last report relates mainly to an increase in vacant posts across the directorate.

Technical/Centrally Held Items

Net Budget £30.8m

Forecast Outturn £21.9m

Forecast underspend £8.9m

Variance percentage -29%

- 6.43 Technical and centrally controlled budgets include the treasury budgets, pension deficit contribution payments for West Northants and the contingency budgets. This area will also reflect any council-wide corporate cross cutting issues or opportunities. This area is forecasting an overall underspend of £8.9m against budget for 2022-23.
- 6.44 This position includes a budget pressure relating to the pay award agreed for staff which was greater than that assumed at the time of setting the budget. The Council's budgets were prepared and published in February 2022 and since then the national economic outlook has materially changed with rapidly increasing inflation rates. The pressure of £3.4m is the amount over and above what was included in the February 2022 budget, which for 2022-23 was linked to the national pay offer which has recently been agreed with the Trade Unions.
- 6.45 A council-wide contingency budget is managed within the centrally controlled budget which at the start of the year stood at £15.4m. This consists of disaggregation budget of £0.4m brought forward from 2021-22, pay inflation £4.9m and a general contingency of £10.1m. The Council's Quarter 2 position assumes the full utilisation of £10.1m contingency budget within the position.
- 6.46 There is a forecast underspend of £2.0m within treasury management. This underspend is due to several factors including an improved position on investment income due to higher interest rate yields, underspends on borrowing costs due to changes in the loan portfolio offset by pressures on finance and insurance charges.
- 6.47 Other forecast pressures include a pressure of £0.3m against a 2022-23 historic income target that is not expected to be achieved.
- 6.48 There is a £0.4m in year benefit identified following review of Minimum Revenue Provision (MRP) requirement and additional small underspends totalling £0.2m including additional grant income and an underspend relating to a saving on legacy audits.

Capital Dispersations

- 6.48.1 The Government has confirmed a capital dispensation for the authority and this can be used to fund costs that are ordinarily funded by the revenue account through capital borrowings. The dispensation covers the cost of redundancies and transformation costs. An exercise has been commenced to determine what costs currently charged to the revenue account may be able to be transferred to Capital. An example of this would be the recently agreed Children's Trust system which could be legitimately be charged against the dispensation. Cabinet are asked to note this position. It is likely that the use of the Capital Dispensation will be determined as part of the provisional outturn report for this year.

Funding

- 6.49 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 Five:

Table Five

Funding	Net Budget
	£'000
Council Tax income	224,146
Business Rates income (including S31 Grant)	64,696
Adult Social Care Grants	22,414
Transfer from Reserves	21,464
New Homes Bonus	5,152
Services Grant 22-23	3,457
Other Government Grants	989
Total Funding	(342,318)

- 6.50 Within the funding budget it has been identified that business rates income (including S31 grant) will be greater than the set budget by £6.8m and this is incorporated into the forecast outturn position.

7. Summary of savings delivery 2022-23

- 7.1 The Council has a savings requirement within its 2022-23 budget of £19.3m. Finance and Service Directors have undertaken a review of savings deliverability, with the summary forecast position reported in table six.

Table Seven

Directorate	2022-23 Savings Proposals £'000					
	Budgeted saving	RAG Analysis				Expected saving
		Blue	Green	Amber	Red	
Adults Social Care	(11,711)	(844)	(5,402)	(804)	(4,661)	(11,711)
Chief Executives Office	(248)	0	(248)	0	0	(248)
Communities & Opportunities	(660)	0	(390)	0	(270)	(660)
Children's Services	(762)	(664)	(98)	0	0	(762)
Corporate Services	(908)	(60)	(737)	0	(111)	(908)
Place and Economy	(3,215)	(980)	(1,453)	(457)	(325)	(3,215)
Finance	(837)	0	(837)	0	0	(837)
Centrally controlled Budget	(966)	(966)	0	0	0	(966)
Total	(19,306)	(3,514)	(9,164)	(1,261)	(5,367)	(19,306)

Blue = Delivered and Confirmed

Green = Deliverable, on target

Amber = Deliverable, with risks

Red = Unlikely to be delivered

- 7.2 Overall, there are seven savings (£5.4m) flagged as 'red' which are unlikely to be delivered and nine savings (£1.3m) flagged as 'Amber' which are deliverable but have risks. The largest red rated savings proposal is the Adult Social Care proposal for strengths based working efficiencies detailed in section 6.24. In addition to this there are £2,321k savings brought forward from 2021-22 which relate to strengths based working in adults that aren't being delivered.
- 7.3 These pressures are set out in the directorate section and included in the budget monitoring figures contained in the report. A detailed assessment of the individual savings proposals is set out in Appendix B.

8. Implications (including financial implications)

Resources and Financial

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

Legal

8.2 There are no legal implications arising from the proposals.

Risk

8.3 This report sets out the financial forecast for this financial year. The key risks associated with this report relate to continuing demand led pressures, COVID impacts and spiralling inflationary costs driving further financial pressures over and above the pressures already identified. These risks were identified earlier in the report.

Communications and Consultation

8.4 The Council carries out public consultation and communications on its annual Budget proposals. These activities took place in the months prior to the budgets being approved by Full Council in February 2022 for the 2022/23 budget.

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

8.6 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.

8.7 Communications with staff has played an important role in identifying where efficiencies can be made along with suggestions for better, more efficient ways of working. Communications and engagement activities with staff will continue to ensure that the Council achieves a balanced budget in 2022-23.

Consideration by Overview and Scrutiny

8.8 All 2022-23 budget proposals were consulted on prior to the budget being approved by Full Council in February 2022. Any management interventions that require a policy change will be subject to a consultation before any decision is taken. Where consultation is necessary, full details will be presented to Cabinet separately.

Climate Impact

8.9 All management interventions and mitigations identified within this report will be reviewed on an individual basis for any environmental impact.

Community Impact

8.10 This report will have a positive impact on the community by providing scrutiny on how public funds are being used to fund services for local residents in 2022-23.

9. Background Papers

- 9.1 The following documents disclose important facts on which the report is based and have been relied upon in preparing the report:
- 9.2 Final Budget Report and Medium Term Financial Plan, meeting of Council, 24 February 2022
[Agenda item - Final Budget 2022-23 and Medium Term Financial Plan - West Northamptonshire Council \(moderngov.co.uk\)](#)
- 9.3 Revenue monitoring Quarter 1 Report , Cabinet meeting 23rd September 2022
[Agenda for Cabinet on Friday 23rd September 2022, 6.00 pm - West Northamptonshire Council \(moderngov.co.uk\)](#)