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George Street,
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Northants,
NN17 1QG

Meeting: Executive
Date: Thursday 23rd December, 2021
Time: 10.00 am
Venue: Council Chamber, Cedar Drive, Thrapston, NN14 4LZ

Committee Membership:

Councillors Jason Smithers (Chair), Helen Howell (Vice-Chair), David Brackenbury, Lloyd Bunday, Scott Edwards, Helen Harrison, David Howes, Graham Lawman, Andy Mercer and Harriet Pentland

A G E N D A SUPPLEMENT

The following additional addendum has now been published which was not available at the time the agenda was published.

This supplementary agenda has been published by Democratic Services.
Contact: democraticservices@northnorthants.gov.uk

Item	Subject	Member Presenting Report	Page no.
04	Draft Budget 2022-23 and Medium-Term Financial Plan Addendum - Budget Update 2022-23 - following publication of the Provisional Local Government Financial Settlement	Cllr Lloyd Bunday	3 - 12

Members' Declarations of Interest

Members are reminded of their duty to ensure they abide by the approved Member Code of Conduct whilst undertaking their role as a Councillor. Where a matter arises at a meeting which **relates to** a Disclosable Pecuniary Interest, you must declare the interest, not participate in any discussion or vote on the matter and must not remain in the room unless granted a dispensation.

Where a matter arises at a meeting which **relates to** other Registerable Interests, you must declare the interest. You may speak on the matter only if members of the public are also allowed to speak at the meeting but must not take part in any vote on the matter unless you have been granted a dispensation.

Where a matter arises at a meeting which **relates to** your own financial interest (and is not a Disclosable Pecuniary Interest) or **relates to** a financial interest of a relative, friend or

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Agenda Item 4

(ADDENDUM TO DRAFT BUDGET 2022-23 & MEDIUM-TERM FINANCIAL PLAN)



EXECUTIVE

23rd December 2021

Report Title	Budget Update 2022-23 - following publication of the Provisional Local Government Financial Settlement
Report Author	Janice Gotts, Executive Director of Finance janice.gotts@northnorthants.gov.uk
Executive Member	Councillor Lloyd Bunday, Executive Member for Finance and Transformation

1. Purpose of the Addendum

- 1.1 The purpose of this addendum to the main budget report is to update Members of the outcome of the provisional Local Government Finance Settlement which was published 16th December 2021, following a written statement from the Secretary of State for Levelling Up, Housing and Communities, Michael Gove. The Settlement sets out the funding for individual Councils following the Spending Review earlier this year.
- 1.2 Whilst the Spending Review 2021, announced on 27th October, covered a period of three years, the Local Government Finance Settlement is for one year only. This means that for each Council uncertainty will remain regarding future years funding, and it is the strongest suggestion yet that funding reform for Local Authorities (both the base funding and business rates) will be introduced from 2023-24.
- 1.3 This addendum sets out the funding changes for North Northamptonshire from the assumptions within the recently published budget report when compared to the provisional Finance Settlement.

2. Summary

- 2.1 The Local Government Finance Settlement is a one-year settlement for 2022-23 only. There are no projected or indicative details about individual Council allocations for the remainder of the spending review period (2023-24 and 2024-

- 25). Indeed, more fundamental changes in local government funding have been clearly signalled for 2023-24, so this one-year settlement, which is predominantly a rollover from the previous year, is generally focussed on “stability”.
- 2.2 The settlement itself is relatively good for local government when compared to the settlements the sector received before 2020-21. Core Spending Power (i.e. the general funding to Councils including Council Tax, Business Rates and grants) is increasing by £3.5bn (6.9%, cash), well above inflation.
 - 2.3 Local government was allocated £1.5bn in additional funding as part of the Spending Review 2021. Around 40% of this funding increase has been allocated to social care. Inflation has been applied to the Improved Better Care Fund, and £636m added to the Adult Social Care Support Grant. This has taken North Northamptonshire’s Adult Social Care Grant to £11.427m. This is an increase of £3.749m compared to the published budget report.
 - 2.4 The remainder of the £1.5bn has largely been allocated through the new one-off 2022-23 Services Grant (£822m), of which North Northamptonshire received £3.914m.
 - 2.5 The new 2022-23 Services Grant and the increase against the social care grant (which takes council tax equalisation into account) are £1.6m more than that anticipated in the budget report of £6.022m. This is mainly due to the methodology of the distribution which was not known at the time of the budget report and was therefore based on an average percentage allocation.
 - 2.6 The changes in grants introduced in the 2021-22 settlement have largely persisted into this settlement.
 - 2.7 The Secretary of State, in his written statement to Parliament, states that the funding from the new Services Grant (which is £3.9m for North Northamptonshire and £822m nationally) is one-off and that the Government will “*take the time to fully consider its future distribution in consultation with councils*”, and further that this funding will be excluded from any proposed baseline for transitional support as a result of any proposed system changes.
 - 2.8 More fundamental changes in the distribution of funding could be implemented as early as 2023-24, with work starting “*in the coming months*” to work out “*with the sector*” how to update funding distribution and “*challenges and opportunities facing the sector*”.
 - 2.9 These changes in funding could be significant and will make forecasting for 2023-24 and beyond very difficult. Some or all of the Fair Funding Review could be resurrected, and a business rates baseline reset seems likely which has a potentially significant detrimental impact on the funding for previous growth

areas such as North Northamptonshire. It is hoped that damping or transitional support will help soften losses in funding.

- 2.10 In that context, the 2022-23 settlement is a one-year holding position and represents a favourable movement of £6.188m against the Council's budget proposals. Of this sum, c£385k of grant will need to be matched with increased spend budgets within Social Care, leaving £5.803m to support the Council's general spend and/or reserves. Section 3 sets out the further information on the settlement and the reasons for the movement.
- 2.11 The Local Government Finance Settlement is now open for four-weeks consultation prior to the publication of the Final Settlement around February 2022.
- 2.12 Considering the updated position set out in this paper, the Executive should consider the inclusion of additional grant funding of £6.188m in the Council's budget for 2022-23 and the inclusion of a proposal that £385k of this additional funding will have a matched increase in spend for Adult Social Care.
- 2.13 In addition, the Executive should consider including within the draft budget for consultation that £5.803m is contributed to the Council's business rates and smoothing reserves. This will enable the Council to underwrite (or smooth) the risks in the medium-term financial forecast (noting the forecast deficits in future years) or provide time limited investment for Council priorities and/or invest to save opportunities.

3. Details of the Local Government Finance Settlement for North Northamptonshire Council

General Fund

- 3.1 The revised funding compared to the budget assumptions is set out in the table below.

Table 1 - Revised Funding following the LG Finance Settlement

	2022/23 Budget £000	2022/23 Settlement £'000	2022/23 Difference £'000
Net Budget Requirement	293,164	293,164	0
Funded By:			
Revenue Support Grant	(4,756)	(4,910)	(154)
Business Rates Funding Baseline	(84,403)	(85,736)	(1,333)

	2022/23 Budget £'000	2022/23 Settlement £'000	2022/23 Difference £'000
Business Rates Collection Fund	6,154	6,154	0
Council Tax	(178,408)	(178,408)	0
Council Tax Collection Fund	3,149	3,149	0
New Homes Bonus	(1,819)	(4,070)	(2,251)
Rural Services Delivery Grant	(35)	(35)	0
Lower Tier Support Grant	0	(424)	(424)
Improved Better Care Fund	(11,186)	(11,522)	(336)
The following three grants need to be viewed together when considering the movement:			
- Social Care Grant	(7,678)	(11,427)	(3,749)
- Services Grant	-	(3,914)	(3,914)
- Other - Additional Funding	(6,022)	-	6,022
Market Sustainability and Fair Cost of Care	(803)	(852)	(49)
Transfer to / (From) Reserves	(7,357)	(7,357)	0
Total Funding	(293,164)	(299,352)	(6,188)

- 3.2 The key elements in the 2022-23 provisional settlement are set out in the following paragraphs.
- 3.3 **Revenue Support Grant (RSG). NNC Allocation £4.910m.** A small increase has been applied to the RSG (£72m nationally, 0.5%). The Council's share of this uplift explains the difference of £154k between its original assumption of a flat cash rollover from the previous year and the revised figure.
- 3.4 **Compensation for under-indexing the multiplier.** Compensation had been calculated based on the Consumer Price Index (CPI), which was 3.1% in September 2021 and was widely expected to be the indicator used. However, it is understood that the Settlement will use the Retail Price Index (RPI) – which is higher. This change in the indexation from CPI to RPI explains the **additional funding of £1.333m** against business rates for North Northamptonshire when compared to the original assumptions.
- 3.5 **Council Tax.** The Government calculations assume that every authority will increase Band D Council Tax by the maximum amount allowable (core 1.99% (2% referendum limit) and 1% for ASC precept). The Government also assumes that the taxbase will increase in 2022-23 for each authority in line with their average taxbase increase between 2017-18 and 2021-22.
- 3.6 **New Homes Bonus (NHB) - NNC Allocation £4.070m.** The government has added a further year of funding (Year 12 - £333m nationally) in addition to the legacy payment for Year 8. For the Council's budget it was originally assumed

that only the legacy payment would remain as per earlier guidance. The move to extending NHB by an additional year has increased the Council's funding assumption by £2.251m.

- 3.7 **Rural Services Deliver Grant - NNC Allocation £35k.** No change to the funding assumption in the budget.
- 3.8 **Lower Tier Services Grant. NNC Allocation £424k.** This grant was introduced in 2021-22 and is continued into 2022-23. The minimum cash guarantee element has been recalculated (cost reduces from £25m to £20m nationally). Overall, the grant quantum remains the same (£111m). It had originally been assumed within the Council's budget that this grant would not continue into 2022-23, therefore, this represents additional income against the current budget funding forecast.
- 3.9 **Improved Better Care Fund (IBCF). NNC Allocation £11.522m.** Inflation is being added to the existing IBCF (£63m to £2.077bn). This inflationary increase explains the movement of £336k from the original assumptions for North Northamptonshire, which had assumed a flat cash rollover from the previous year.
- 3.10 The grants detailed in paragraphs 3.11 and 3.12 account for the main increase of c£1.5bn in Local Government funding as announced in the 2021 Spending Review. They consist of £636m for the Social Care Support Grant and £822m for the new Services Grant. Originally, the Council had forecast that the increase from the Spending Review would amount to a grant of c£6.022m (shown as Other - Additional Funding in the table) for North Northamptonshire based on an average percentage increase, and in lieu of any further detail regarding the allocation methodology.
- 3.11 **Social care support grant. NNC Allocation £11.427m.** Nationally £636m will be added to the existing £1.710bn grants. This is an increase of £3.749m above the original forecast for this grant. However, £0.7m of this movement is due to the Council's original assumption that the extra grant received in 2021-22 would not roll forward in addition to this year's allocation; this had been assumed by a number of Councils.
- 3.12 **Services Grant. NNC Allocation £3.914m.** Allocation of new one-off grant to support general Council services. The grant will not form part of the base when considering transitional support to Authorities following the introduction of the new funding arrangements which are expected in 2023-24.
- 3.13 **Market Sustainability and Fair Cost of Care Grant. NNC Allocation £852k.** This is part of the government's funding for adult social care reform (£162m nationally). It is a new grant from 2022-23 with an expectation of a further £600m nationally in each of 2023-24 and 2024-25. This will be allocated subject

to returns to the government from each Local Authority. Further information on this new grant is shown below. There is a minor favourable movement of £49k in the Finance Settlement above the assumptions in the Council's draft budget report. This will need to be matched by an additional spend budget allocation with Adult Social Care.

- 3.14 Supporting Families (£40m) and Cyber Security (£12m). These are new grants announced in the Spending Review but no allocations have been published in the settlement. There is, therefore, no assumption within the Council's current budget. However, it is expected that additional spend would also be incurred to match any allocation.
- 3.15 Funding for increases in National Insurance Contributions, the National Living Wage, and pay awards is included within the settlement package, and effectively funded through the various grant increases. There will be no further government funding for these pressures.

Council Tax

- 3.16 An increasing share of the growth in the Core Spending Power will come from local taxpayers. Although the maximum increase in "core" Band D will remain at 1.99% in 2022-23, a number of authorities will be able to increase their Band D by more than this. These are the Council Tax principles for 2022-23:
- Core principle of a maximum increase of 1.99% in Band D - This applies to unitary councils, county councils, London boroughs, GLA precept, and fire and rescue authorities.
 - Continuation of the adult social care precept, allowing an additional 1% of Band D in 2022-23.
 - Shire district councils will be able to increase Band D by the higher of 1.99% or £5.
 - Police and Crime Commissioners will be able to increase their precept by a maximum of £10 in each of the next 3 years. The maximum increase in precept was £15 in 2021-22, £10 in 2020-21, and preceded by £24 in 2019-20 and £12 in 2018-19.
 - Fire authorities will be able to increase their precept by 2% (except those with the lowest precepts, who will be able to increase by £5).
- 3.17 Ministers have not set a maximum precept increase for any of the mayoral combined authorities and has also decided to defer setting any referendum principles for town and parish councils.

Dedicated Schools Grant (DSG)

- 3.18 The Dedicated Schools Grant (DSG) is a ringfenced grant that support schools, early years and other educational settings. Within the Council's budget report for Executive on 23rd December, the indicative DSG allocation of £325.43m was

included based on the position as at 28th September 2021. However, the Final DSG Settlement which was published on 16th December indicated an increase in funding in the main blocks for North Northamptonshire of £4.94m, taking into account the latest pupil numbers and any cross-boundary movements. The Early Years funding is based on the past two years January census data and may be subject to change. There was also an additional allocation for High Needs of c£1.89m. The table below sets out the changes.

DSG Blocks	Provisional Settlement 2022-23 £m	Final Settlement 2022-23 £m	Difference 2022-23 £m
Schools Block	250.38	254.88	4.50
Central School Services Block	3.55	3.57	0.02
High Needs Block	49.36	50.11	0.75
Early Years Block	22.14	21.81	-0.33
TOTAL	325.43	330.37	4.94
Additional High Needs Funding	-	1.89	1.89
TOTAL	325.43	332.26	6.83

3.19 The Department for Education has also promised North Northamptonshire mainstream schools a one-off additional £7.32m of School Supplementary Grant in 2022-23. For early years and post-16 provision in schools, the grant is being provided in respect of the Health and Social Care Levy. For primary and secondary provision, the grant is being provided in respect of both the Health and Social Care Levy and other cost pressures. Details will be announced in Spring 2022.

3.20 Details of the revised allocations will be reflected in the final budget report.

Adult Social Care Reform

3.21 The Government announced its plans to reform adult social care in September 2021:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1015736/Build_Back_Better_-_Our_Plan_for_Health_and_Social_Care.pdf

3.22 As a result of these reforms, local authorities will incur additional costs from the reform proposals in two ways:

- The first is from the changes in the “cap” and the capital limits. Local authorities will have to fund a greater share of the care costs that are currently paid for by self-funders. There will be a £86,000 “cap” on the maximum that individuals will pay towards their care. The capital limits will increase to £100,000 and is a significant increase in the current £23,250 threshold. Individuals will make no payments for their care if their assets

are less than £20,000, but contributions will be means-tested if their assets are between £20,000 and £100,000.

- The second increase in costs will be from the “market equalisation” of care costs. Self-funders will be able “to ask their local authority to arrange their care for them so that they can find better value care”. Self-funders typically pay higher rates than their local authority and so any equalisation will result in increased rates for local authorities. Some of the financial pain might fall to care providers – but given their financial state, this is not likely to be viable at any scale. £162m has been made available for this in 2022-23, with a further £600m in each of 2023-24 and 2024-25. So far only the allocations for 2022-23 have been published.

3.23 There will be tax increases to fund the additional cost of these reforms. National Insurance Contributions will be increased by 1.25% in April 2022. Of the additional tax income, £5.4bn will be allocated to social care, of which £3.6bn will be used to fund the cost of these social care reforms. The remaining funding from the £5.4bn has been held-back by the Department for Health and Social Care and will be used in line with the proposals in the White Paper, which was published earlier this month.

3.24 As mentioned in paragraph 3.13, an initial allocation (£162m) from the £3.6bn has been distributed through the Settlement. The grant is focussed on market sustainability and Fair Cost of care, and the relatively small amounts reflect the assumption that costs will initially be relatively low in 2022-23. Funding has been distributed using the current Adult Relative Needs Formula (RNF). It is expected that a new formula is to be used in future years that takes into account the varying impacts of self-funders within England.

4. Options

4.1 The provisional Local Government Finance Settlement has resulted in an improvement in the Council’s funding by £6.188m of which £385k is to be matched with an equivalent spend budget requirement, leaving £5.803m towards the Council’s General Fund budget.

4.2 There are a number of options for which the funding could be used. However, it must be borne in mind that this is a one-year only Settlement, and the Government has already been clear that the funding for the Service Grant (£3.914m in NNC) should be treated as one-off and will not form part of any transitional arrangement in a future Settlement. Similarly, New Homes Bonus payments will finally cease as the funding regime for Local Government changes.

4.3 The components of the new funding mechanism for local government are unknown, particularly in light of the “levelling up” agenda. However, it is

acknowledged that the Council will lose its retained Business Rates growth following the reset, and that this is unlikely to be fully supplemented through any new funding arrangements; this is one of the main contributing factors to the current estimated funding gap of £23.5m in 2023-24. There is no guarantee of future grant funding at the same level as this year.

- 4.4 Therefore, at this point the funding should be considered as a non-recurring resource. With this in mind it could be used to boost reserves for future resilience and smoothing across years or to pump prime change activity.
- 4.5 In order to set an approved budget, it is recommended that the additional funding is accounted for as a contribution to reserves. This will exclude the Social Care grant related growth of £385k, which will require matched spend budgets.
- 4.6 This will enable the Council to underwrite and smooth future funding variations, noting the forecast deficits in future years and/or provide time-limited investment for Council priorities or invest to save opportunities.
- 4.7 If the option, which is to move the additional budget to reserves, is taken forward, then the funding statement for the Council will change as set out in the following table, with a reduction in the net transfer from reserves of £5.803m to £1.554m, and there will be a net increase in the overall budget requirement of £385k as referred to previously, which will fall to Adult Social Care:

Table 2 – Updated Funding Statement and Net Budget Requirement Based on Settlement and Preferred Option

	2022/23 Budget £000	2022/23 Updated Budget £'000	2022/23 Difference £'000
Net Budget Requirement	293,164	293,549	385
Funded By:			
Revenue Support Grant	(4,756)	(4,910)	(154)
Business Rates Funding Baseline	(84,403)	(85,736)	(1,333)
Business Rates Collection Fund	6,154	6,154	-
Council Tax	(178,408)	(178,408)	-
Council Tax Collection Fund	3,149	3,149	-
New Homes Bonus	(1,819)	(4,070)	(2,251)
Rural Services Delivery Grant	(35)	(35)	0
Lower Tier Support Grant	-	(424)	(424)
Improved Better Care Fund	(11,186)	(11,522)	(336)

	2022/23 Budget £000	2022/23 Updated Budget £'000	2022/23 Difference £'000
The following three grants need to be viewed together when considering the movement:			
- Social Care Grant	(7,678)	(11,427)	(3,749)
- Services Grant	-	(3,914)	(3,914)
- Other - Additional Funding	(6,022)	-	6,022
Market Sustainability and Fair Cost of Care	(803)	(852)	(49)
Transfer to / (From) Reserves	(7,357)	(1,554)	5,803
Total Funding	(293,164)	(293,549)	(385)

- 4.8 The updated position will be reflected in the final budget report to both Executive and Council in February.