



EXECUTIVE 9th February 2023

Report Title	General Fund Budget 2023-24 and Medium-Term Financial Plan
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Lead Member	Councillor Lloyd Bunday, Executive Member for Finance and Transformation

Key Decision	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Is the decision eligible for call-in by Scrutiny?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Are there public sector equality duty implications?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Does the report contain confidential or exempt information (whether in appendices or not)?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Applicable paragraph number for exemption from publication under Schedule 12A Local Government Act 1974	

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1. Purpose of Report

- 1.1 This report sets out the final revenue budget (2023-24) and Medium-Term Financial Plan for North Northamptonshire Council. The draft budget proposals were considered by the Executive on 22nd December 2022 along with an Addendum to the main budget report which provided an update to Members following the provisional Local Government Finance Settlement, which was

published on 19th December 2022, following a written statement from the Secretary of State for Levelling Up, Housing and Communities.

- 1.2 The budget consultation period commenced on 22nd December 2022 and ended on 27th January 2023. The draft budgets have been subject to scrutiny by the Finance and Scrutiny Committee. The consultation provided residents, local partners and other stakeholders the opportunity to review the budget proposals and provide feedback during the five-week consultation period.
- 1.3 This report sets out the revenue budget for 2023-24 and the Medium-Term Financial Plan for North Northamptonshire Council, including the proposed Council Tax level for 2023-24, for approval by Council on 23rd February 2023.
- 1.4 The Revenue Budget 2023-24 and Medium-Term Financial Plan forms part of a full suite of budget reports being presented to the Executive at this meeting. These include the Housing Revenue Account Budget 2023-24, the Capital Strategy, Capital Programme, and the Treasury Management Strategy. These reports together will provide a framework for revenue and capital planning for 2023-24 and into the medium term. The aforementioned suite of budget reports, including the Council Tax Resolution will be considered by Council on 23rd February 2023.

2. Executive Summary

- 2.1 This report presents the final draft of the 2023-24 revenue budget and Medium-Term Financial Plan for North Northamptonshire Council prior to its submission to Council at its meeting on 23rd February 2023. The report includes the outcomes of the budget consultation undertaken between 22nd December 2022 to 27th January 2023 and builds on the draft budget proposals taken to Executive on 22nd December 2022.
- 2.2 The Local Government Provisional Finance Settlement published on 19th December 2022 was a one-year settlement only. It assumes an increase of 9.1% in the Core Spending Power for Local Authorities to meet demand and cost pressures and contains the expectation that each Council will increase its Council Tax precept by the maximum amount allowable, i.e., 4.99%, inclusive of a 2% precept for Adult Social Care.
- 2.3 Whilst the additional funding provided within the Settlement is welcome, this alone is insufficient to address the pressures and funding risks facing local authorities during a time of high inflation and increasing demand. Further service efficiencies and an increase in the level of Council Tax will enable a balanced budget to be set for 2023-24 as well as supporting the medium-term position.
- 2.4 The proposed budget for North Northamptonshire Council includes a core Council Tax increase of 2.99% and applies the maximum allowable social care precept increase of 2%. This contributes around £9m per annum towards services and represents a Band D level of Council Tax for North Northamptonshire Council of £1,657.51 in 2023-24 an increase of £78.78 equivalent to £1.52 per week from

2022-23. The majority of properties in North Northamptonshire are in Bands A and B which would see an increase of £52.53 a year (£1.01 per week) and £61.27 per year (£1.18 per week) respectively. These figures do not include the Council Tax for individual town and parish councils or the Council Tax set by the Northamptonshire Police, Fire and Crime Commissioner.

- 2.5 The Final Settlement is expected to be laid before Parliament, for approval, in early February. At this stage there are no changes anticipated from the Final Settlement.
- 2.6 The Medium-Term Financial Plan has been updated to reflect the 2022-23 budget position and latest forecasts which will impact in future years as well as further expected changes from 2023-24.
- 2.7 The draft budget proposals support a wide range of services to residents and businesses across the area including care to vulnerable adults and children, education, the disposal and collection of waste, household waste recycling, economic development, housing and support for the homeless. The budget will underpin the priorities contained within the Council's Corporate Plan which was approved by Council at its meeting on 1st December 2021 and has the following six key thematic policy areas:
- **Helping people to lead active, fulfilled lives** – helping people be more active, independent, and fulfilled
 - **Building better, brighter futures** – caring for young people, providing them with a high-quality education and opportunities to help them flourish
 - **Develop safe and thriving places** – enabling a thriving and successful economy that shapes great places to live, learn, work and visit
 - **Create a green, sustainable environment** – taking a lead on improving the green environment, making the area more sustainable for generations to come
 - **Build connected communities** – ensuring communities are connected with one another so they are able to shape their lives and areas where they live
 - **Develop modern public services** – proving efficient, effective and affordable services that make a real difference to all our local communities
- 2.8 The budget is set in the context of an uncertain economic picture, predominantly due to the global and national challenges and high levels of inflation, that the country is facing. This has resulted in there being significant changes to the Council's Medium-Term Financial Plan compared to the position modelled just less than a year ago.
- 2.9 Unitarisation brought with it both opportunities and challenges. The opportunity to create a new single tier authority to work with residents, businesses, and other

partners to help strengthen the local economy, create jobs, improve infrastructure and transport links, protect vulnerable people and improve life chances through education and training – supporting greater resilience within families and communities. Financially, the new Council could benefit from economies of scale, and, through the aggregation of the previous sovereign councils, it had the opportunity to streamline processes, consolidate and reduce the number of contracts, better manage assets for the benefit of the area and improve end to end service delivery.

- 2.10 Transformation plays a key part in maximising those opportunities, helping to re-imagine the shape of the Council and how it interacts with the community and other stakeholders whilst recognising the need to ensure the Authority can demonstrate value for money, improve services and achieve efficiencies. Over time transformation can deliver real positive change, however, there is a need to first stabilise the position and create a solid foundation on which to build. Inevitably this takes time and is one of the major challenges facing new Councils such as North Northamptonshire. The Council has reviewed how Service Transformation will be delivered and this will be delivered within each Directorate. This follows a recent report to the Employment Committee in September 2022.
- 2.11 As part of Local Government Reorganisation (LGR) programme in Northamptonshire there was a commitment to deliver significant savings, with some to be achieved across the County Council and District and Borough councils prior to vesting day (1st April 2021) and some to be realised once the two new unitary councils were in place. Together these amounted to £85.9m.
- 2.12 Of this total, £49.4m was delivered prior to vesting day and these were included in the eight predecessor councils' budgets as at 2020-21. These savings included a range of service initiatives, cost reductions and additional income targets to be made in the final year of operation alongside wider service transformation savings, for example, from the implementation of a new single Finance and HR system replacing the eight systems used by the previous councils, a new website and automated customer service technology. All of these were delivered by the year end 2020-21.
- 2.13 When the two new Unitary Councils were formed the remaining savings to be delivered were the responsibility of each Council. This included savings like the reduction in senior staff costs as the councils were amalgamated and the rapid response service in Adult Social Care amongst others.
- 2.14 Inevitably some of the remaining savings were more challenging and subsequently some were not considered achievable, however, others have been identified. To date, including the savings proposed for 2023-24 (but excluding direct service grant income), the Council has targeted a further c£42m of efficiencies and cost reductions.
- 2.15 As a comparatively new authority the stabilisation of the finances continues to be key. However, the past couple of years has seen unprecedented financial challenges predominantly through external factors such as COVID-19 and inflation, but also as a result of increasing demand for services and it is anticipated

that some of these will continue into the third year of the Council. The Council's Medium-Term Financial position remains challenging, and it must continue to deliver further transformation opportunities to help create a strong and modern Council delivering quality, cost effective services for the benefit of its residents.

- 2.16 The Council, like most Authorities in the Country, will face financial challenges, risks, and uncertainties over the short and medium term. This is not only from the pressures brought about by high levels of inflation but also the general upturn in demand for services as a result of the current economic climate and other factors.
- 2.17 The draft Medium-Term Financial Plan (MTFP) set out in this report incorporates a number of assumptions regarding the pressures, savings and investment plans for the Council. It also includes the overall funding available for Local Government as well as other key economic indicators. The detail of the individual allocations to each Council were announced as part of the Provisional Local Government Finance Settlement which was announced on 19th December 2022. At the time of writing the Final Settlement had yet to be published.
- 2.18 The full details of the Council's revenue budget and the Dedicated Schools Grant is set out in this report. Elsewhere on the agenda are reports for the Housing Revenue Account (HRA) and the Capital Programme.

2023/24 Budget Approach and Headlines

- 2.19 The main headline assumptions within the draft budget proposals are:
- A balanced budget for 2023-24.
 - Further investment of circa £57m to both protect vital services and invest in service change and improvement. This includes requirements set out within the 2022-23 medium term financial plan that remain in place for 2023-24. The overall investment allows for demand and cost increases including Home to School Transport (c£7m), Adult Social Care (c£20m) and the Children's Trust (c£6m). The Trust is also seeking further one-off investment of £2.2m county wide (c£1m from North Northamptonshire) to help deliver further service improvements and generate efficiencies.
 - These pressures are offset, in part, by savings, efficiencies and income generation across Council Services of £17m which includes new direct service grants. This figure also includes the continuation of savings already included as part of the 2022-23 medium term financial plan and which remain deliverable. The remainder of the resource requirement has been met through improved business rates income, council tax income and Government grants.
 - The use and retention of reserves to support non-recurring investment in service improvement, fund time limited projects, pump-prime invest to save schemes and help manage risk.
 - The investment in Social Care recognises the increase in the National Living Wage from 1 April 2023 to £10.42 per hour and the reversal of a 1.25% increase in national insurance contributions for care providers, following the changes put forward by Government's.

- Changes following the reversal of the 1.25% National Insurance charge more widely have been matched with a reduction in Government grant funding.
- An increase in Council Tax of 4.99%, consisting of 2.99% for the “core” council tax and 2% for the Adult Social Care precept, which results in a new Band D equivalent Council Tax of £1,657.51, an average weekly increase of £1.52 (based on Band D equivalent) from the previous year.
- No change to the Local Council Tax Support Scheme for 2023-24, which will continue at 25%.
- Inclusion of a contingency to mitigate against uncertainty, which totals £3.6m and is equivalent to around 1% of the Council’s Net Budget. This recognises that there remains uncertainty in funding and spending predictions.
- An allowance for a pay award of 4% in 2023-24 which will be subject to final determination as part of national pay negotiations.
- Officers will continue to seek efficiencies in order to help address the budget requirement from 2024-25 and into future years.

2.20 **Appendix A** sets out the summary position for 2023-24 and the indicative forecast for 2024-25 and 2025-26.

2.21 Work has been undertaken to review the budget requirement across all service headings and seek mitigating actions (or savings) in order to remain within the funding envelope and set a balanced budget for the Council in line with statutory requirements. The content of the report, along with the detail in Appendix B, outlines the pressures and savings for each of the Directorates. These have been the subject of scrutiny by the Finance and Resources Scrutiny Committee in accordance with the budget strategy and timeline paper that was presented to Executive on 10th November 2022.

2.22 As part of the 2023-24 budget setting process a number of Budget Challenge Sessions were held to help inform the budget process, these consisted of Officers and Executive Members and the objective of these sessions were as follows:

- To remind all service areas of the financial position of the Council and the need to ensure value for money.
- To understand the risks and pressures in the budget, including any new risks for 2023-24 and identify any efficiencies to offset against these.
- To review the existing medium term financial plan for 2023-24 onwards including the pressures and savings already included and whether these remained valid for inclusion in the budget.
- To utilise the information gathered to date during 2022-23 monitoring to inform the budget planning for 2023-24.
- To understand the planned service developments, alongside the associated costs/benefits and timing. This will include the continuing disaggregation of

former County services between North Northamptonshire and West Northamptonshire Councils, as well as service change.

- 2.23 The outcome was to achieve an agreed way forward on the service proposals for 2023-24 and beyond for consideration as part of the Medium-Term Financial Plan and this forms the basis of the contents of this report.
- 2.24 As part of the budget process, scrutiny was undertaken over two phases through the Finance and Resources Scrutiny Committee. The first phase, during late October/early November 2022, was to consider the 2022-23 in-year position based on the forecast as at Period 6. This was to enable scrutiny members to question and understand the underlying financial position and its potential impact in to 2023-24. Building on this, the second phase, which was held in January 2023, considered the detail of the 2023-24 budget proposals.
- 2.25 Each phase of Scrutiny required a separate budget task and finish scrutiny session for each of the following main service areas:
- Children's and Education Services – including the Children's Trust
 - Place and Economy
 - Enabling and Support Services – Finance, Performance, Communications, ICT, Customer and Governance
 - Adults, Communities and Wellbeing Services, including the HRA.
- 2.26 The Children's Trust was also subject to a two-phase scrutiny process which completed in December 2022, to enable the sum to be agreed in January 2023 in line with the contract requirements.
- 2.27 A full Member Budget Briefing Session was held prior to the publication of the draft budget in December and the budget proposals were also discussed with Trades Union representatives in January (as part of the Joint Consultative Forum). Separate budget sessions were also offered to the political groups.

Funding Context

Government Grants

- 2.28 The Chancellor announced the Autumn Statement in Parliament on 17 November 2022. As part of this statement, the Government confirmed that it is prioritising further funding to support the healthcare system and schools but has recognised the challenges faced by Councils.
- 2.29 For local government, approximately £6.5bn will be made available for local authorities to deliver core services in 2023-24 and 2024-25, this funding also demonstrates that the Government acknowledges that the performance of the NHS relies in part on the adult social care system. This funding is in addition to what was agreed at the 2021 Spending Review and includes:
- Up to £1.8bn in further flexibility for councils on council tax.

- £3.2bn from delaying the rollout of adult social care charging reform from October 2023 to October 2025 enabling the grant to be re-purposed.
- £1.9bn in new grant funding for adult social care with the Local Government funding limits with includes a 50% share (£0.8bn) of the £1.6bn allocated through BCF for discharge with the remainder going to Health, together with £1.1bn which will be distributed through a grant ringfenced for adult social care which will also support discharge.

2.30 Further to this, there will also be a reduction in funding to recognise the reversal of the requirement to fund an additional 1.25% in National Insurance Contributions, this totals - £0.2bn across each of the two years.

2.31 The movements can be summarised in the table below:

Changes in Funding for Core Services	2023/24 £bn	2024/25 £bn	Total £bn
Change to Council Tax Assumptions	0.6	1.2	1.8
Re-purposed adult social care funding	1.3	1.9	3.2
New adult social funding included in the Local Government Department Expenditure Limit (LGDEL)	0.7	1.2	1.9
Sub-Total Change in Funding	2.6	4.3	6.9
Removal of National Insurance Contribution Requirements (at 1.25% of National Insurance)	-0.2	-0.2	-0.4
TOTAL	2.4	4.1	6.5

2.32 Generally, other government grants from 2022-23 will, in the main, rollover in to 2023-24 with the exceptions being the Services Grant which will reduce to partly reflect the scrapping of the national insurance contributions for the health and social care levy and to support the growth in the Supporting Families Grant, and the Lower Tier Services Grant and the legacy element of the New Homes Bonus which will be re-purposed to create a one-off funding guarantee to ensure that all Councils see an increase of at least 3% in their Core Spending Power. Continuing New Homes Bonus funding will not attract legacy payments, similar to the arrangements in 2022-23. There will be a consultation on the future of New Homes Bonus ahead of the Settlement for 2024-25.

2.33 In 2024-25, the introduction of the Extended Producer Responsibility for packaging (EPR) scheme will have an impact on both local authority revenues and potentially costs. Ministers will consider whether these should be factored into the Finance Settlement for 2024-25.

2.34 Overall, whilst the additional funding is welcomed for Local Government, it is acknowledged that some of it will come with further spend expectations and will not be available to underwrite existing spend pressures or further demand and cost risks.

Business Rates and Council Tax

- 2.35 The Government's plans for funding reform within the Sector as part of the Review of Relative Needs and Resources (formerly the Fair Funding Review) and changes to the Business Rates Retention (BRR) system including the reset continue to be delayed with no change expected until 2025-26.
- 2.36 From 1st April 2023, a revaluation will update rateable values for non-domestic properties in England and the multiplier in line with evidence from April 2021. In general, a revaluation does not affect the finances of individual Councils as adjustments are made to safeguard the baseline funding for each Council. However, the Autumn Statement announced a £13.6bn support package to protect ratepayers facing increases. There will be a new Transitional Relief scheme limiting the rate at which bills can increase due to the revaluation and funded, for the first time, by the Exchequer.
- 2.37 The business rates multipliers for 2023-24, will be frozen with Councils protected to recognise lost inflationary increases, based on CPI as at September 2022.
- 2.38 The Government will support a more generous Retail, Hospitality and Leisure relief for eligible properties in 2023/24 and there will be a Supporting Small Business scheme to cap bill increases for businesses that lose other relief due to the revaluation.
- 2.39 Guidance for local authorities on new reliefs will be published shortly. Local authorities will be fully compensated for any loss of income as a result of these business rates measures and will receive new burdens funding for administrative and IT costs.
- 2.40 For 2023-24, the Government has indicated that Local Government will be able to increase Council Tax by up to 3% for core pressures, and a further 2% precept for Adult Social Care. The Government makes the assumption that Councils will raise their Council Tax by the maximum allowed when determining the Core Spending Power¹ for Local Authorities.
- 2.41 To help maintain and protect levels of service provision the Councils proposed budget for 2023-24 includes a core Council Tax increase of 2.99% which is up to the level set by the government without triggering a referendum, and it will also utilise the allowable social care precept increase of 2% in full. An overall increase of 4.99% for 2023-24. This would contribute around £9m per annum towards service priorities and would represent a Band D level of Council Tax for North Northamptonshire Council of £1,657.51 which is an increase of £78.78 (equivalent to £1.52 per week) from the Band D Council Tax level of £1,578.73 in 2022-23. This Band D figure does not include the Council Tax for individual Town and Parish Councils or the precept set by the Northamptonshire Police, Fire and Crime Commissioner.

¹ The Core Spending Power measures the core revenue funding available for local authority services, including Council Tax and locally retained business rates – essentially setting out the money that has been made available through the Local Government Finance Settlement.

- 2.42 Council Tax income remains the most stable form of income to the Local Government Sector, and it will continue to be key to the ongoing financial sustainability of the Council and the delivery of vital services to its residents, a number of which are vulnerable, alongside investment in its Neighbourhoods; this is particularly important when there is such significant uncertainty regarding the funding and pressures for local government services in future years.
- 2.43 Alongside the Local Government Finance Settlement, the Government announced £100m of additional funding to provide for a Council Tax Support Fund, to help local authorities to support the most vulnerable households in England.
- 2.44 This will allow authorities to deliver additional support to 3.8 million households already receiving council tax support, whilst providing councils with the resources and flexibility to determine the local approach to support other vulnerable households in their area. This funding supports the government's council tax referendum package, which is aiming to strike a fair balance to ensure taxpayers are not over-burdened at a time of significant pressure on the public finances.

The Overall Position 2023-24 and beyond

- 2.45 The Council initially had a forecast funding gap of £25.2m for 2023-24 which included an estimate for the loss of income from funding reforms. Having incorporated changes arising from the announcements made as part of the Autumn Statement and provisional Financial Settlement, applying a Council Tax increase of 4.99% (including 2% for Adult Social Care) and revising the budget assumptions for 2023-24 including a number of new spend pressures and savings, the Council is now able to propose a balanced draft budget for 2023-24.
- 2.46 Whilst the budget is initially balanced for 2023-24, significant pressures remain in the medium term, most notably due to the assumed changes to Local Government funding following a Business Rates reset. This is now expected in 2025-26 and will see the Council potentially lose a significant proportion of the Business Rates growth that it has built up and benefited from over several years.
- 2.47 To help address the longer-term deficit the Council is continuing to review its service delivery for the future and has dedicated transformation resources working to deliver the changes required, bringing services together in to more efficient and effective operating models. This will help contribute towards the financial requirements of the Council over the Medium-Term. This includes reviewing how the Council interacts with its customers, residents, partners, and other stakeholders and will take into account service delivery, contractual arrangements, opportunities to expand and enhance the digital experience and realising property efficiencies, thereby reducing costs and improving services going forward. There is a separate report on this agenda which outlines the transformation work.
- 2.48 It is important to note that the budget is not just about how to manage within available resources but also where funding should be invested, recognising residents' priorities, and working with partners to jointly develop service delivery

proposals, giving families strength and self-reliance so they will benefit from greater self-determination and improved life chances. There is a balance to be maintained between encouraging growth, providing high quality universal services, and protecting those that are the most vulnerable.

2.49 It is important to ensure that the position is closely monitored and reviewed throughout the year with mitigating actions taken as necessary. There will be a three-way push to keep the basics on track, prevent problems down the line and tackle complex problems together.

3. Recommendations

3.1 It is recommended that the Executive endorses the contents of this report and recommends the budget proposals on to Council for approval. This includes:

- a) the 2023-24 revenue budget for approval and adoption as set out in this report, which sets:
 - i. a budget requirement of £691.458m including Dedicated Schools Grant of £354.963m resulting in a net revenue budget requirement of £336.495m as set out in Appendix A.
 - ii. a total Council Tax requirement for the Council's own purposes of £189.419m as contained in paragraph 5.27.
 - iii. An average Band D Council Tax of £1,657.51 for North Northamptonshire Council, representing a 2.99% increase in the 'core' Council Tax and a further 2% for the Adult Social Care Precept, noting that a separate Council Tax Resolution Report will be presented to Full Council.
 - iv. the detailed proposals of savings, pressures and income generation for 2023-24 as set out within the report and Appendix B.
 - v. the provisional dedicated schools grant budget of £354.963m for 2023-24, as detailed in Appendix C, and summarised in paragraphs 5.47 – 5.58.
 - vi. the draft planned use of, contribution to, and movement in, reserves as identified in paragraph 5.60 and section 9 subject to the final call on reserves after any changes are required to account for final charges etc.
 - vii. the corporate budget requirements as set out in paragraph 8.1, including a contingency sum of £3.651m as set out in paragraph 8.2.
 - viii. the Treasury Management Strategy for 2023-24 as set out in Appendix H, including the Authorised Borrowing Limit of £798m, and to note a further update to the Strategy will be provided once the disaggregation of Northamptonshire County Council's Balance Sheet has been finalised, subject to the External Audit of the former County Council's accounts.

- ix. that Council delegate authority to the Executive Member for Finance and Transformation in consultation with the Executive Director of Finance and Performance (Section 151 Officer) to agree any necessary variations to the budget prior to 1st April 2023.
 - x. that Council delegate authority to the Executive Member for Finance and Transformation in consultation with the Executive Director of Finance and Performance (Section 151 Officer) to agree the use of the following reserves which will provide the flexibility to manage the overall budget during 2023-24.
 - Social Care Reserve
 - Transformation Reserve
 - Public Health Reserve
 - Waste Management Reserve
 - General Risk Reserve
- b) the forecast financial position for 2024-25 and 2025-26, noting that this will be reviewed as further information becomes available and updated as part of the budget process for 2024-25 onwards.

3.2 It is recommended that the Executive:

- a) notes that the financial position has been based on the Provisional Local Government Finance Settlement announced on 19th December 2022 together with any further announcements as at the date of the publication of this report;
- b) notes that the Final Local Government Finance Settlement is yet to be published and, therefore, some figures may be subject to change;
- c) considers the consultation feedback as summarised in the report and attached at **Appendix E**;
- d) considers the outcome from the Finance and Resources Scrutiny Committee, as detailed at **Appendix G** and any subsequent representations to this Committee;
- e) notes the Equality Impact Screening Assessment as at **Appendix F** as having been taken into consideration;
- f) considers the Section 25 Report of the Executive Director of Finance and Performance (Section 151 Officer) as set out in Section 15, including her review of the robustness of the estimates and the adequacy of the reserves;
- g) delegates authority to the Executive Member for Children, Education and Skills and the Executive Member for Finance and Transformation in consultation with the Executive Director of Children's Services and the Executive Director of Finance and Performance (Section 151 Officer) to approve North Northamptonshire's Schools Funding Formula and to finalise the funding allocation for schools, in line with North Northamptonshire's

Schools Funding Formula and following confirmation of the funding allocation mechanism for Maintained Nurseries;

- h) delegates authority to the Executive Member for Finance and Transformation in consultation with the Executive Director of Finance and Performance (Section 151 Officer) to draft the recommended budget resolution for Council in accordance with the necessary legal requirements and to take into account the decisions of the Executive and any final changes and other technical adjustments that may be required;
- i) notes that the transfer of £3.879m from reserves relates to a timing issue in respect of Business Rates Reliefs. This is a timing issue which recognises that these reliefs were awarded and accounted for in the General Fund in 2022-23 but the reduced yield in Business Rates is not reflected in the Collection Fund until 2023-24;

3.3 Reason for Recommendations:

- *To ensure that the Council complies with its Constitution and legislative requirements in setting the budget for North Northamptonshire Council from 2023-24.*

3.4 Alternative Options Considered – The Budgets have been subject to a formal budget consultation and comments from the consultation have been considered as part of this process.

4. Report Background

4.1 The budgets for North Northamptonshire Council comprise of a General Fund Revenue Account, a Housing Revenue Account (HRA), a Dedicated Schools Grant (DSG) budget and a capital programme.

- The **General Fund** includes all revenue income and expenditure, including day to day running costs, financed from Council Tax, Business Rates, government grants and fees and charges, excluding those related to council housing.
- The **Housing Revenue Account (HRA)** includes all revenue expenditure and income on activities related to being a housing landlord.
- The **Dedicated School Grants (DSG)** focuses on the funding for schools and early years settings as well as other specific education related costs.
- The **Capital Programme** includes all capital expenditure and income, including the acquisition, replacement and enhancement of assets financed from government grants, external contributions, revenue contributions, capital receipts and borrowing.

- 4.2 This report focuses on the Council's General Fund budget and notes the planned use of the DSG for 2023-24 and into the medium-term. Reports containing full details of the proposed draft budgets for the Housing Revenue Account and the Capital Programme are included as separate reports to this meeting of the Executive.

National and Economic Context to the 2023-24 Budget

Economic Context

- 4.3 Sustainable public finances underpin the economy and help provide the conditions for growth. When the Chancellor delivered his three-year Spending Review for 2022-23 to 2024-25 on 27th October 2021, the overall economic picture indicated at the time was one of an improving fiscal position, recognising that this was from a very difficult place as the economy was emerging from the pandemic.
- 4.4 However, since then the UK economy has been subject to significant global shocks, with energy prices pushed to record levels, which in turn has contributed to high inflation. This has led the Office for Budget Responsibility (OBR) to forecast a recession that started in Quarter 3 of 2022. The Monetary Policy Committee (MPC) of the Bank of England is taking action to get inflation under control; this has resulted in increases in the base rates to 3.5% as at December, latest at time of report.
- 4.5 In the labour market, unemployment was 3.6% in Q3, close to its lowest rate in 50 years. At the same time the economic recovery from the pandemic pushed the total number of vacancies in the economy above the total number of unemployed people for the first time on record. However, working age inactivity remains high, with, nationally 630,000 more people inactive compared to pre-pandemic levels. Recruitment difficulties are contributing to strong nominal wage growth of 6% (including bonuses) on average in Q3.
- 4.6 Alongside the continuing effects of the pandemic on global supply and demand, the rise in energy prices has contributed to a slowdown in the global economy, with the International Monetary Fund anticipating that more than a third of the global economy will contract this year or next. The UK is a net importer of energy with a high dependence on gas and oil and is expected to spend 8% of its Gross Domestic Product (GDP) on energy compared to 2% prior to the pandemic. High inflation restrains customer demand and spending, it also increases the costs for businesses which can lead to limited investment and a slowdown in growth.
- 4.7 The Chancellor in his Autumn Statement for 2023-24 recognised that the UK's economic and fiscal outlook had deteriorated significantly since March 2022, predominantly as a result of higher inflation and interest rates and slower economic growth. This has adversely affected public finances. The Autumn Statement acknowledged that difficult decisions needed to be made to course correct the economy over the medium term which included both taxation and public spending. However, it also recognised that whilst demonstrating fiscal

discipline, the Government also needed to balance this with support for vulnerable households and businesses with their energy bills, and to protect public services. The Energy Price Guarantee announced by Government in response to rising energy prices, lowers the peak of inflation and provides support to households.

- 4.8 The Government has stated that it remains committed to tackling low pay and will increase the National Living Wage from 1st April 2023 by 9.7% to £10.42 an hour for those aged 23 years and over. This is in line with the target for the National Living Wage to reach two-thirds of median earnings by 2024, and for the age threshold to be lowered to those aged 21 years and over. In the main, for the Council, this will apply to staff employed by third party care providers who are likely to pass the costs on to the Authority through increased fee requests.
- 4.9 To support people in social housing who may be suffering hardship through the cost-of-living crisis, the Government is capping rental increases through the Housing Revenue Account to 7%. Without the cap and in line with the regulations, the actual increase could have been 11.1% (CPI + 1%). Whilst the Council recognises the benefit to the tenant of capping the increase, it is also recognised that the costs within the HRA will likely increase closer to CPI levels and therefore this places an extra strain on the HRA over the longer term.
- 4.10 Full details of the Autumn Statement announced by the Chancellor and the accompanying policy paper² published on 12th December 2022 are available on the Government's website. The paragraphs which follow set out the main points for local government and potential future implications. It should be noted that the individual allocations to each council were confirmed as part of the Provisional Local Government Finance Settlement which was published 19th December 2022 and the budget proposals are based on that settlement.
- 4.11 Full details of the Provisional Local Government Finance Settlement 2023-24 are available using the link below.

[Provisional local government finance settlement: England, 2023 to 2024 - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/publications/provisional-local-government-finance-settlement-2023-24-to-2024-25)

Background and Context - Local Government Finance Announcements with the Autumn Statement 2022 and the accompanying Policy Paper

- 4.12 Prior to the Local Government Finance Settlement being issued in December 2022, the Chancellor announced the Autumn Statement on 17th November 2022 and was accompanied by a policy paper which was published on 12th December 2022. For background and contextual purposes, details from the Statement and subsequent policy paper are set out in the following paragraphs.

² For full details see: <https://www.gov.uk/government/publications/local-government-finance-policy-statement-2023-24-to-2024-25/local-government-finance-policy-statement-2023-24-to-2024-25>
<https://questions-statements.parliament.uk/written-statements/detail/2022-12-12/hcws437>

- 4.13 Inflation was a significant theme. Forecasts from the OBR indicated that inflation was expected to average out at 9.1% in 2022 and 7.4% in 2023, falling sharply in 2024. However, inflation forecasts are obviously more uncertain the further into the future a forecast takes place. At a local level the forecast for inflation is relevant when considering the cost pressures for 2023-24, much more so than it has been in previous years. All services have considered the contract inflationary impact for their areas when putting forward spending proposals for the MTFP.
- 4.14 Overall, the Government advised that there will be no cuts to the funding allocations announced in the previous Spending Review. This was welcome news to the Local Government sector as there had been significant concern that the funding position would be constrained. Indeed, the Local Government Resource Department Expenditure Limit (DEL) increased by 33% from 2022-23 to 2023-24. However, it is expected that the growth in spending from 2025-26 will increase at a lower rate and unprotected departments such as Local Government may be at risk.
- 4.15 The most significant single funding announcements for Local Government were around Social Care. Nationally there is an additional £1bn of new grant funding in 2023-24 and then £1.7bn in 2024-25. Of this additional new money, £600m in 2023-24 and £1bn in 2024-25 will be allocated through the Better Care Fund to “get people out of hospital on time” (of which 50% will be payable to Local Government with the other 50% being payable to Health). The remainder of £400m in 2023-24 and £680m in 2024-25) will be allocated through a ringfenced grant to local authorities. The Government has also indicated that through Council Tax flexibilities and the ability to increase the precept, a further £1.8bn could be invested in social care over the two-year period 2023-2025.
- 4.16 Departmental funding and local government funding will be adjusted to reflect the reversal of the Health and Social Care Levy (i.e., the 1.25% increase to National Insurance Contributions). The Services Grant, new in 2022-23, will be reduced in 2023-24 by £0.2bn to reflect this change. This grant will be further reduced to accommodate the increase to the Supporting Families Grant.
- 4.17 There will be a new round of the New Homes Bonus in 2023-24, with the potential for a further round in 2024-25m but as yet there is no commitment to this. No further legacy payments will be made and instead the legacy payments from New Homes Bonus together with the funding from the Lower Tier Services Grant will be combined and repurposed to provide protection for Councils through a “one-off funding guarantee”. This is designed to ensure that all Councils see at least a 3% increase in Core Spending Power before organisational efficiencies, use of reserves and council tax precept increases (although taxbase growth will be included). The funding is not additional money and is already with the funding quantum for Local Government.
- 4.18 Four grants, totalling £239 million, will be consolidated into the local government finance settlement with their existing distributions: Independent Living Fund’ Council Tax Discounts – Family Annexe; Local Council Tax Support Administration Subsidy; and Natasha’s Law.

4.19 The Rural Services Delivery Grant is unchanged.

4.20 There will be a cash terms growth in the Core Spending Power (CSP) in 2023-24 and 2024-25 because of the increases in Social Care funding and the Band D threshold increases (with a referendum limit of 3% and an allowable Adult Social Care precept increase of a further 2%). CSP is a measure of the resources available to local authorities to fund service delivery. It sets out the money that has been made available to local authorities and is a combination of both central and local government decisions. CSP is the Government's preferred choice for the measure of the resources available to councils and includes the estimated level of Council tax, assuming the full precepts are taken.

Business Rates

4.21 The Chancellor announced a range of business rates measures and for 2023-24 which included:

- From 1st April 2023, the overall package for business rates bills in England will be updated to reflect the changes in property values since the last revaluation in 2017. A package of targeted support worth £13.6bn over the next five years will support businesses as they move to their new bills, protect businesses from the full impact of inflation and support the high streets. Councils will be fully compensated for the loss of income as a result of these business rates measures and will receive new burdens money for administrative and IT costs.
- A freezing of the multipliers at 49.9p (small business multiplier) and 51.2p (standard multiplier), preventing them from increasing to 52.9p and 54.2p. This is a tax cut worth £9.3bn over the next five years to businesses. This will support all ratepayers and mean that bills are 6% lower than without the freeze, before any reliefs are applied.
- The Transitional Relief Scheme will support properties by capping bill increases caused by changes in rateable values at the 2023 revaluation. The £1.6bn of support will be funded by the Exchequer rather than limiting bill decreases (which was the position at previous revaluations).
- Support for eligible retail, hospitality and leisure businesses is being extended and increased from 50% to 75% business rates relief, up to £110,000 per business in 2023-24.
- Supporting Small Business Scheme (SSBS) will ensure that bill increases for the smallest businesses losing eligibility or seeing reductions in Small Business Rates Relief or Rural Rates Relief will be capped at £600 from 1st April 2023.
- Business Rates Improvement Relief was announced at the Autumn Budget 2021 to ensure that ratepayers do not see an increase in their rates for 12 months as a result of qualifying improvements to a property they

occupy. This will now be introduced from April 2024 and will be available until 2028, when the Government will review the position.

- The Government will proceed to make the adjustments to tariffs and top-ups to reflect the 2023 business rates revaluation and transfers of certain hereditaments to the Central Rating List, following its previous technical consultation. The methodology and adjustments were confirmed alongside the provisional 2023-24 Settlement. Adjustments will be made to account for compiled rating list data for the 2023 list as of 1st April 2023 and for Outturn Business Rates data for 2022-23 at the 2024-25 local government finance settlement, with the final adjustment at the 2025-26 settlement.
- For North Northamptonshire, because the Business Rates revaluation proposed from April 2023 represents a significant increase, this has moved the authority from a top-up to a tariff position. This requires a levy payment to be made to Government and is not compensated for through the adjustments elsewhere. This has been raised with Central Government (DLUHC) both directly and through the Finance Settlement consultation.

4.22 The Council Tax announcements are as follows:

- Core referendum limit will increase to 3% a year (previously 2% in 2022-23).
- Social care precept will be up to 2% per year (previously 1% in 2022-23).
- A £5 referendum principle on Band D equivalent bills for all fire and rescue authorities.
- A £15 referendum principle on Band D equivalent bills for police and crime commissioners.

4.23 The subsequent policy paper issued on 12th December has advised that the referendum principles and the allowance for an adult social care precept uplift in 2024-25 will remain the same as for 2023-24, i.e., 3% core referendum limit and 2% for adult social care, enabling a maximum uplift of 4.99% without triggering a referendum.

4.24 In conclusion, additional government funding is welcome in consideration of the demand and inflation pressures facing public finances; however, it is not expected this will meet all the extra cost and demand pressures anticipated over the period and therefore further action is necessary.

Other Announcement from the Autumn Statement and accompanying policy papers.

4.25 The Government will increase the Core Schools Budget by £2.3bn in 2023-24 and a further £2.3bn in 2024-25. After the adjustment to account for the removal of the compensation for the employer costs in relation to the Health and Social Care Levy, this leaves the school budget as a total of £58.8bn nationally, £2bn greater than published at Spending Review 2021.

- 4.26 A further £1bn (including the Barnett impact) will be provided to enable the extension of the Household Support Fund in England over 2023-24. The Fund is administered by local authorities who deliver support to households to help with the cost of essentials. Proposals for the use of the grant will be brought forward to Executive for approval once the allocation of the grant and the conditions applying are known.
- 4.27 The National Minimum Wage will increase to £10.42 per hour from 1st April 2023. An increase of 9.7% on the previous level of £9.50.
- 4.28 The Public Health Grant is expected to be maintained in real terms in line with previous announcements, but this is subject to the announcement in the Finance Settlement.
- 4.29 The Government has stated that in future there may be new requirements on the transparent reporting of reserves held by Councils.
- 4.30 In 2024-25, the introduction of the Extended Producer Responsibility for packaging (EPR) scheme will have an impact on both local authority revenues and potentially costs as well. Ministers will consider whether these should be factored into the settlement in 2024-25.
- 4.31 The Government has agreed to introduce two new fiscal rules. Firstly, over a five-year period, Public Sector borrowing is to stay below 3% of GDP and, secondly, debt to be falling as a share of GDP by the 5th year of a rolling cycle.
- 4.32 The Government will explore a potential user-friendly publication on local authority reserves, using data currently collected through the local authority revenue expenditure and financing (outturn) statistics.
- 4.33 The Government will be extending the Statutory Override for the Dedicated Schools Grant for the next three years from 2023-24 to 2025-26.

Local Government Funding Context

- 4.34 Nationally, the future of local government funding remains uncertain with the position being made more difficult as Councils continue to recover from the effects of the pandemic whilst tackling the significant impact of inflation and demand pressures during a cost-of living crisis.
- 4.35 The Review of Relative Needs and Resources which would seek to rebalance the funding formula used to assess resource needs for local authorities, is now not expected to take effect until 2025-26 at the earliest, and indications are that the Government is prioritising the need for stability and greater certainty over calls for reform to distribution systems, with indicative national funding being announced for the period 2023-25 following the Autumn Statement.
- 4.36 Whilst the funding reforms are delayed, their likely commencement from 2025-26 adds to the uncertainty around the future level of business rate funding for the Council, as the resetting of the base level may see the growth in business

rates income, which has been significant over previous years for North Northamptonshire, being redistributed to areas deemed to be of higher need.

- 4.37 This partially accounts for the forecast budget gap for the Council from 2025-26, as set out in the report. This is alongside other assumption regarding pay and price increases and the impact of service change.
- 4.38 Once further information is released regarding the impacts of the issues described above, finance officers will model this into the Medium-Term Financial Plan and provide an updated position.
- 4.39 It is essential that the Council continues to seek further efficiencies, cost reductions and income generation over the medium term in order to balance the budget in future years. As a comparatively new Council there are some inherent difficulties in identifying savings while still in the early years of operation, particularly when this has also seen the Council tackling the impact of the pandemic and, over the last financial year, working to address the challenges of high inflation, interest rates and increasing demand. However, work continues to identify service improvement and efficiencies through transformation led by each of the Directorates and which will continue to be built on and expanded. Directorates are also reviewing budgets with a view to accelerating savings in advance of 2024/25 where possible.

5. Council Funding

- 5.1 The following table provides a summary of the 2023-24 Budget and the Medium-Term Financial Plan and its funding. This section provides narrative around each of these funding streams. Whilst the position is balanced for 2023-24, the gap in 2024-25 increases to £17.1m and in 2025-26 to £53.1m. Essentially the delay to the funding review has deferred the concerns regarding the loss of funding by a further year. This is predominantly as a result of loss of cumulative business rates growth.

	2023/24 £000	2024/25 £000	2025/26 £000
Base Budget (excluding DSG Funding)	336,495	358,963	388,644
Base Budget (DSG Funded)	354,963	354,963	354,963
Net Budget Requirement	691,458	713,926	743,607
Funded By:			
New Homes Bonus	(1,839)	(1,839)	0
Business Rates Funding Baseline	(98,316)	(98,735)	(85,796)
Business Rates Collection Fund	3,699	0	0
Council Tax	(189,419)	(191,314)	(193,226)
Council Tax Collection Fund	(1,971)	0	0
Revenue Support Grant	(5,740)	(5,741)	(6,267)
Social Care Grant	(11,427)	(11,427)	(11,427)
Social Care Funding – Other	(6,799)	(9,424)	(15,872)

	2023/24 £000	2024/25 £000	2025/26 £000
Market Sustainability and Improvement Fund	(2,955)	(4,428)	(5,357)
Improved Better Care Fund	(13,138)	(14,002)	(15,490)
Dedicated Schools Grant	(354,963)	(354,963)	(354,963)
Rural Services Delivery Grant	(35)	(35)	(35)
Transfer to / (From) Reserves	(6,349)	(2,712)	(1,998)
Services Grant	(2,206)	(2,206)	0
Lower Tier Services Grant	0	0	0
Total Funding	(691,458)	(696,826)	(690,431)
Remaining Budget Requirement	0	17,100	53,176

Overview of Funding

- 5.2 The Council's General Fund budget is funded from five main income sources which are Council Tax, Business Rates, government grants, fees and charges and, where needed, the use of reserves. The ability to grow and maintain resources raised locally, such as Council Tax, has become even more important for local authorities' financial sustainability, particularly when considered against the change in local government funding and short-termism of financial settlements which does not facilitate meaningful medium term financial planning.
- 5.3 The headline figures for local authorities were announced as part of the Autumn Budget, detailed funding allocations were made available as part of the provisional Local Government Finance Settlement, which was announced on 19th December 2022. The Final Finance Settlement is expected to be made early in February and, whilst significant changes are not expected, the figures remain provisional at this stage.
- 5.4 The funding set out in Table at 5.1 is detailed under the relevant headings below.

New Homes Bonus

- 5.5 New Homes Bonus was introduced in 2011 to encourage local authorities to grant planning permission for new houses in return for additional revenue. It is a grant paid by central government to local authorities to reflect and incentivise housing growth in their areas.
- 5.6 It is based on the amount of extra Council Tax revenue raised for new-build homes, conversions and long-term empty homes brought back into use and it is based on the national average for a Band D property. There is also an extra payment for providing affordable homes, which amounts to £350 per home.

Payments are split 80/20 in two tier areas between Districts and Counties. In Unitary areas such as North Northamptonshire no split exists

- 5.7 Payments of New Homes Bonus were originally made for six years; however, payments were reduced to five years from 2017-18 and then to four years from 2018-19. A national baseline of 0.4% housing growth was also introduced, below which grants will not be made.
- 5.8 The settlement policy statement confirmed that New Homes Bonus (NHB) would continue for a future year in 2023-24, however, there will be no legacy payments attached.
- 5.9 The total value of NHB fell from the 2022-23 allocation with funding being repurposed elsewhere within the Local Government funding framework.
- 5.10 The future of the New Homes Bonus remains uncertain. The Government has not made a commitment to a new round of payments in 2024-25 but has instead committed to set out the future position in the year ahead. Such a commitment has been made several times in recent years without being fulfilled and, therefore, assumptions for future years remain difficult. The funding allocation for 2024-25 has been assumed the same as 2023-24, with no allocation assumed in 2025-26 onwards.

Lower Tier Services Grant

- 5.11 The lower tier services grant (which was payable in 2022-23) and a proportion of the expired new homes bonus legacy payments has been repurposed to guarantee that all authorities see an increase in core spending power of at least 3% before additional council tax income is factored in. No allocation of the grant was made to North Northamptonshire in 2023-24 and this position is assumed to continue in to 2024-25 and 2025-26.

Business Rates Funding

- 5.12 The draft budget shows funding from Business Rates to be c£98.3m, this includes the baseline funding, growth and S31 grants, these assumptions have been rolled into 2024-25. North Northamptonshire has benefitted well under the present Business Rates Retention system due to an above average increase in business growth across its area.
- 5.13 The way that the business rate retention scheme operates in future years could have major financial implications for Councils.
- 5.14 Since 2013-14 the majority of local government has retained 50% of business rates (with 1% of this set outside for Fire Authorities) through the business rates retention scheme. Some Council areas retain 100% following the introduction of pilot schemes several years ago.
- 5.15 The Finance Settlement funded the freeze in the National Multiplier (which is used to calculate the Business Rates paid by businesses by applying it to the

Rateable Value of the property). Councils will be recompensed for the loss in income through an uplift in the baseline funding and S31 Grants as in previous years. There will also be no reset of the Business Rates Baselines, being the point from which growth is measured, until at least 2025-26. Since 2013-14 the baselines have remained unchanged.

5.16 Any gains that are not lost through the economic slowdown could be lost following a reset, although this has been deferred until 2025-26 it will pose a significant risk to future funding from Business Rates. A reset could result in a significant proportion of the Council's Business Rates growth in funding being taken away and effectively re-allocated to other areas as part of this, and the review of Relative Needs and Resources and this reduction in Business Rate Retention has been reflected in the budget funding assumptions for 2025-26. This is a very significant funding risk and the outcome of this will be determined by the methodology used to redistribute any remaining growth in the system and whether there will be any "floors" or "ceilings" introduced to protect those Councils that have lost a significant proportion of their funding, such as North Northamptonshire. Any assumptions around the re-distribution of growth, are difficult to model without any underlying methodology provided from Government and therefore have been excluded within the funding assumptions for 2025-26.

5.17 The three key variables in any changes to the Business Rates System are as follows:

- The resetting of the Business Rates Baselines – the point from which growth is measured
- Funding Levels
- The Business Rates Yield

5.18 The Business Rates yield could be impacted by the following factors:

- The growth in businesses
- The number of businesses that cease trading
- The amount of the business rates multiplier
- Reduction in the collection rate.

5.19 Whilst the volatility is recognised, this will not directly impact the 2023-24 budget due to the accounting mechanisms of the Collection Fund whereby the demand on the Collection Fund is reflected in year regardless of what is collected and the impact from a lower or higher yield would be felt in future years.

5.20 The Business Rates revaluation to review the rateable value of non-domestic properties has taken place and will come into effect on 1st April 2023, this was a delay to the date originally proposed as it was intended to better reflect the impact of COVID-19. The revaluation was based on property values as at 1st April 2021 as the basis for calculating what businesses rates should be paid by each hereditament³. This has seen a 19% increase in the rateable value for

³ The term hereditament is used in local business rates taxation to refer to rateable units of property.

North Northamptonshire, however it is assumed that nationally any impact of the business rates due to the revaluation will be neutral. For North Northamptonshire the significant change in valuation moved the authority from a top-up to a tariff, requiring the Council to pay a levy. This has been raised with DLUHC to seek a resolution.

- 5.21 Following the 2023 revaluation, future revaluations will take place every three years.

Business Rates Collection Fund

- 5.22 For 2023-24 the Government has extended property relief for retail, hospitality, and leisure sectors, a similar practice to that in 2022-23.

- 5.23 In 2022-23 additional reliefs for the COVID-19 Additional Relief Funding (CARF) were allocated to North Northamptonshire of £7.654m, (49% of which was retained by the council £3.751m as part of its Collection Fund), and this has impacted on the deficit on the collection fund. Due to the timing of payments of this relief, the deficit shown in 2023-24 reflects this relief. A S31 grant has been received to compensate for this relief in 2022-23 and will be set aside in reserves to fund this in 2023-24.

- 5.24 The mechanics of the Collection Fund means that what is actually collected in 2023-24 will not impact on the 2023-24 budget, as the demands have been set for the year, however any changes in collection rates are accounted for in the following year. The implications of existing and future bad debts and appeals provisions will be closely monitored to assess the impact on future years.

- 5.25 The government amended secondary legislation, which allowed Authorities to spread the in-year estimated deficit on the 2020-21 Collection Fund in equal instalments over three years (2021-22 to 2023-24). The regulations to allow Collection Fund spreading became law on 1st December 2020. The Business Rates estimated deficit was £1.781m of which £56k related to prior years which were not able to be spread over three years meaning £1.725m could be spread equally over the three-year period 2022-23 to 2024-25. In accordance with legislation £575k was spread in each of these years. The composition of the Business Rates Collection Fund is shown in the following table.

	2023/24	2024/25	2025/26
	£000	£000	£000
Business Rates Collection Fund Deficit	3,124	-	-
Spreading Business Rates Deficit	575	n/a	n/a
Total Business Rates Collection Fund Deficit	3,699	-	-

Council Tax

- 5.26 Council Tax is a relatively stable and sustainable source of income for Councils. In North Northamptonshire it represents nearly 60% of the total funding in 2023-24, excluding the ringfenced Dedicated Schools Grant. The Council Tax Yield

for 2023-24 is influenced by the following factors and these will be closely monitored during the year.

- Increase in caseloads for Local Council Tax Support (LCTS)
- Lower or higher Collection rates
- Slowdown or increase in housing growth.

- 5.27 The Taxbase for 2023-24 was reported to Council at the meeting on 24th November 2022, the Taxbase is based on a Band D and includes projected growth and an average collection rate of 98.5%. The tax base for 2022-23 was 113,047 and it is estimated that this will increase by 1,232 to 114,279 for 2023-24 resulting in a total yield of £189.419m.
- 5.28 The Government has announced that the “core” Council Tax referendum threshold for 2023-24 is 3%. Any increase in Council Tax of 3% or above would be subject to a local referendum. The Government also provided Councils with the ability to raise a further 2% through the Adult Social Care precept. For 2022-23, the levels were 2% ‘core’ plus 1% for the Adult Social Care precept.
- 5.29 The Council’s budget is based on a core Council Tax increase of 2.99% and 2% for the Adult Social Care precept increase which is the Government limit, without triggering a referendum resulting in a total increase of 4.99%. This results in a proposed 2023-24 Band D Council Tax for North Northamptonshire Council of £1,657.51 (excluding the Council Tax for individual town and parish councils and the Council Tax set by the Northamptonshire Police, Fire and Crime Commissioner). This is an increase of £78.78 from £1,578.73 in 2022-23, which is equivalent to a weekly increase of £1.52.
- 5.30 The Local Council Tax Reduction Scheme (LCTRS) replaced Council Tax benefit in 2013. Council Tax benefit was a nationally prescribed scheme, whereas LCTRS is a local scheme set at the discretion of the Council. The scheme applies to working age claimants. Eligible pensioners continue to receive up to 100% Council Tax support depending on the levels of income they receive.
- 5.31 The Council Tax support scheme for 2023-24 was considered by Finance and Resources Scrutiny on 18th October, the Executive at its meeting on 10th November and Council at its meeting on 24th November 2022 agreed the recommendation to continue with the existing 25% scheme in 2023-24. The 2023-24 budget reflects this decision.
- 5.32 Any change in the scheme would impact on the Council’s budget. Generally, a 1% movement in the minimum payment rate from the current scheme of 25% amounts to a change in the Council’s budget of c£80k.
- 5.33 As mentioned in section 2 of the report, alongside the publication of the Finance Settlement the Government announced £100m of additional funding in respect of a new Council Tax Support Fund which is intended to enable local authorities to support the most vulnerable households in England.

- 5.34 On 23rd December 2022, the government published guidance on the operation of the Fund and provisional allocations to each Council. North Northamptonshire Council were allocated £460,101.
- 5.35 The Government expects local authorities to use the majority of their funding allocations to reduce Council Tax bills for current working age and pension age Local Council Tax Support claimants by up to £25. Councils can use their remaining allocation as they see fit to support vulnerable households with Council Tax bills. The discount applies to current LCTS claimants that have an outstanding Council Tax liability for the 2023-24 financial year. Where a taxpayer's liability for 2023-24 is, following the application of Council Tax Support, less than £25, then their liability will be reduced to nil. Where a taxpayer's liability for 2023-24 is nil, no reduction to the Council Tax bill will be available.

Council Tax Collection Fund

- 5.36 Due to the mechanics of the Collection Fund, it means that what is actually collected in 2023-24 will not impact on the 2023-24 budget as the precepts and demands have been set for the year, however any changes in collection rates are accounted for in the following year and this could have an impact on the 2024-25 budget.
- 5.37 As with Business Rates the government amended secondary legislation to allow Authorities to spread the in-year estimated deficit for Council Tax on the 2020-21 Collection Fund in equal instalments over 3 years (2021-22 to 2023-24). The estimated Collection Fund surplus for Council Tax for 2022-23 is £2.446m, after taking account of spreading of the 2020-21 deficit of £475k, this decreases the 2023-24 surplus to £1.971m. The Council notified the major preceptors (Police and Fire) of this calculation by the 15th January 2023 which accords with The Local Authorities (Collection Fund: Surplus and Deficit) (Coronavirus) (England) Regulations 2020. The composition of the Council Tax Collection Fund estimated deficit is shown in the following table.

	2023/24	2024/25	2025/26
	£000	£000	£000
Council Tax Collection Fund Deficit	(2,446)	-	-
Spreading Council Tax Deficit	475	n/a	n/a
Total Council Tax Collection Fund Deficit	(1,971)	-	-

- 5.38 Other elements contributing to the surplus in 2023-24 included a review of historic bad debt provisions held by the previous legacy authorities due to the impact of COVID-19 and have now been reduced going forward to reflect collection rates returning to expected levels.

Revenue Support Grant

- 5.39 The Revenue Support Grant is a central government grant given to local authorities which can be used to finance revenue expenditure on any service.

The amount of Revenue Support Grant to be provided to authorities is established through the Local Government Finance Settlement. The grant has been uplifted by CPI for 2023-24, this has been rolled over into 2024-25 at the same level, increasing in 2025-26 reflecting the impact of the Business Rates reset Baseline Funding Levels.

Social Care Grant

- 5.40 In the Autumn Statement in November, the government announced a 'holding position' in terms of funding and that existing social care funding for 2022-23 would continue for 2023-24 at the same level, with social care reform being delayed until 2025-26.
- 5.41 The allocation for North Northamptonshire for social care funding was £11.427m in 2022-23 and has been rolled over into 2023-24 and 2024-25. The Autumn Statement has indicated that the social care reform grant of £1.265m in 2023-24 and £1.877m in 2024-25 has been repurposed to support ongoing costs pressures within adult social care. This funding will be allocated based on the relative need's formula, estimated to be £6.779m in 2023-24 and £9.992m in 2024-25.
- 5.42 A new ringfenced grant of £562m in 2023-24 and £845m in 2024-25 in support of ongoing capacity and discharge costs with an allocation of £2.995m in 2023-24 and £4.428m in 2024-25, it is assumed that the funding will be matched by the need for new and additional spend within the Directorate Budgets.
- 5.43 As the Government has announced a delay in the Social Care Reform Funding until 2025-26, funding for Social Care beyond 2025-26 for Local Government is now uncertain, for the purposes of the budget the social care grant has been assumed to roll over across the medium term at the current allocation basis.

Services Grant

- 5.44 The Services Grant has been reduced to accommodate for the reversal of the increase in National Insurance Contributions and funding to the Supporting Families programme amongst other changes. This distribution of the remaining grant is as per the Finance Settlement for 2023-24 and this position is assumed to continue in to 2024-25 only.

Improved Better Care Fund (iBCF)

- 5.45 The original funding for the improved Better Care Fund was confirmed as part of the Local Government Finance Settlement 2016-17 as funding for 2017-18 onwards and supports the integration of Health and Adult Social Care support services. It is managed as a pooled budget with the local Clinical Commissioning Group (CCG). Further funding for the improved Better Care fund was announced as part of the Spring Budget 2017 with an additional £2bn made available to Councils over a three-year period. The purpose of this funding is:

- Meeting adult social care needs.

- Reducing pressures on the NHS, including supporting more people to be discharged from hospital when they are ready.
- Ensuring that the local social care provider market is supported.

5.46 The improved Better Care Fund for 2023-24 will be £13.138m when taking into account the additional funding for discharge and capacity announced as part of the Autumn Statement and included within the Finance Settlement. These assumptions have been reflected to continue into 2024-25 and 2025-26 assuming the Better Care Fund will increase to £14.0m and £15.5m respectively. Any changes in grant funding have been reflected in the spending assumptions.

Dedicated Schools Grant

5.47 The Dedicated Schools Grant (DSG) is a ringfenced grant allocated to Local Authorities by the government to support a range of education related services.

5.48 The DSG consists of the following four blocks.

- **Schools Block** (age 5 to 16) based on the primary units of funding (PUF) and secondary units of funding (SUF), premises funding announced in July 2022 updated for the number of pupils in the October 2022 school census and growth funding.
- **Central School Services Block (CSSB)** based on the units of funding and total historic commitments funding announced in July 2022 updated for the number of pupils in the October 2022 school census.
- **High Needs Block** (age 0 to 24) based on the allocations announced in July 2022 with the basic entitlement element updated for the number of pupils in the October 2022 school census.
- **Early Years Block** based on the early years funding rates published in December 2022 based on January 2022 school and early years census.

5.49 The majority (>90%) of the DSG is allocated to the Local Authority and paid to providers based on a national formula which funds direct education provision including maintained schools and academies, early years' providers and high needs education (age 0 to 24).

5.50 The individual school budgets for academies and funding for high needs 'places' in academies, free schools and FE colleges (set prior to the start of the academic year) are paid to academies directly by the Education Skills and Funding Agency (ESFA). The ESFA deducts this funding from a Council's Dedicated Schools Grant before the grant is paid to the Council and is termed 'recoupment'.

5.51 Since the disaggregation of Northamptonshire County Council's DSG in 2021-22, North Northamptonshire Council and West Northamptonshire Council receive separate DSG allocations as two separate unitary authorities.

- 5.52 The December DSG Settlement provides the final settlement figures for the DSG Schools Block and Central School Services Block based on October 2022 census. However, the Early Years Block is an indicative figure as it is based on the January 2022 census. The Early Years Block will be updated in July 2023 (to reflect the January 2023 census data) and will be further updated in July 2024 (to reflect January 2024 census data). The final settlement figure for the DSG High Needs Block is adjusted to reflect any further cross boundary pupil changes. This is known as Import and Export Adjustments.
- 5.53 The following table sets out the indicative disaggregated DSG funding based on the provisional settlement:

DSG Blocks	Provisional 2023-24 DSG Allocation
	£m
Schools Block	270.28
Central School Services Block	3.29
High Needs Block	57.85
Indicative Early Years Block	23.54
Total DSG Allocation	354.96

Full details of the DSG are included in Appendix C to this report.

- 5.54 The draft budget papers estimate a DSG settlement of £347.97m and for budget purposes is assumed at the same level for 2024-24 and 2025-26. Whilst there are different percentage variances between the different funding blocks, this is due to the principles that make up the National Funding Formula (NFF), the overall DSG figure in the Settlement is in line with the draft budget. The table below summarises the movements between the 2022-23 allocation and the 2023-24 DSG settlement budget position.

Dedicated Schools Grant	Schools Block	Central School Services Block	High Needs Block	Early Years Block	Total DSG
	£m	£m	£m	£m	£m
2022-23 DSG Allocation (inc. Schools Supplementary Grant and Teachers Pay and Pension Grant)	262.17	3.57	52.37	22.55	340.66
2023-24 DSG Settlement	270.28	3.29	57.85	23.54	354.96
Change from 2022-23	8.11	-0.28	5.48	0.99	14.30
% Change	3.10%	-7.86%	10.46%	4.38%	4.20%
<i>Note – The Central School Services Block has reduced by £0.28m this is the net reduction of which there is an estimated reduction of £0.36m relating to the historical commitments in the General Fund and £0.08m increase in funding for on-going responsibilities which is reflected in the DSG.</i>					

- 5.55 North Northamptonshire Council consulted with schools and academies on the options of setting a Minimum Funding Guarantee for Primary and Secondary Schools and Academies of Option A at 0.5% and Option B at 0% with the remainder being used to determine the Pupil Growth Fund budget. The actual amount transferred will be dependent on the October 2022 school census. The consultation ran from 16 November 2022 to 30 November 2022 and the preferred option will require the agreement of Schools Forum. There were 18 responses (out of 132 maintained schools and academies, c14% response rate) to the Mainstream Schools Funding consultation, of which 100% responses preferred the option of setting the Schools Minimum Funding Guarantee at 0.5%. Schools Forum decided at its meeting on 14 December 2022 to adopt the option of setting the Mainstream Schools Funding Formula at 0.5% MFG leaving the remainder of Schools Block in Pupil Growth Fund for the 2023-24 Schools Block DSG. The final recommendation to Executive and Council was agreed at the 19 January 2023 Schools Forum meeting.
- 5.56 Schools Forum also agreed to recommend that there will not be a transfer from Schools Block to High Needs Block in 2023-24 in view of the difficult and challenging financial climate schools are currently experiencing. This in effect protects individual schools funding in preparation of the implementation the direct National Funding Formula.
- 5.57 It was also agreed by Schools Forum that any remaining Schools Block will be allocated to the Pupil Growth Fund for bulge classes in 2023-24.
- 5.58 The allocation to individual schools will be delegated in accordance with the recommendations in this report. The mechanism for the calculation and distribution of funding for maintained nurseries will be subject to confirmation

following the presentation of the Finance and Resources Scrutiny Committee report on its findings for maintained nursery funding elsewhere on this agenda.

Rural Services Delivery Grant

5.59 There is no change to the distribution of this grant for 2023-24.

Transfers to / from Reserves

5.60 The proposed transfers to and from the Council's reserves are summarised in the following table.

	2023/24 £m	2024/25 £m	2025/26 £m
Transfer to Reserves			
Elections	0.150	0.150	0.150
Total to Reserves	0.150	0.150	0.150
Transfer from Reserves			
Business Rates Reserve – Movement for grant repayment to the Collection Fund	(3.879)	0.000	0.000
Transformation Reserve – funding for Transformation Team*	(2.170)	(2.170)	0
Smoothing Reserves – Funding for voluntary organisations – earmarked reserve established in 2021-22 for three years	(0.200)	0.000	0.000
Elections – earmarked reserve previously established	0.000	0.000	(0.600)
Smoothing Reserves - Climate Change – earmarked reserve established in 2022-23 for three years	(0.250)	(0.250)	0.000
Investment Property- rent free smoothing – earmarked reserve previously established.	0.000	(0.442)	(1.548)
Total from Reserves	(6.499)	(2.862)	(2.148)
Net Transfer to / (from) Reserves	(6.349)	(2.712)	(1.998)

** the future funding for the team will be dependent upon the programme requirements and will be considered as part of Directorate staffing structures for the future.*

5.61 There has been a transfer of £3.741m from the Business Rates reserve to fund the adjustment to the Business Rates Collection Fund as set out in paragraphs above.

- 5.62 To fund the commitment to the transformation programme, there is a transfer from reserves each year of £2.170m to support this activity in helping the council transform and improve services as well as achieve the savings targets required for future years.
- 5.63 In 2021-22 the Council committed to adding a further £200k per annum for a period of three years (2021-2024) towards community and voluntary organisations, particularly as a number had been adversely affected by the COVID-19 crisis.
- 5.64 In support of the council's commitment to climate change and moving forward to achieve carbon neutrality, investment of £1m is being made available from the Council's smoothing reserves over the three-year period 2022-25 (£500k in 2022-23; £250k in 2023-24 and £250k in 2024-25).
- 5.65 As part of the commercial investment strategy the Council set aside resources to fund future known contractual obligations in 2024-25 and 2025-26.

6. Fees and Charges

- 6.1 Fees and Charges will be set in accordance with the Council's constitution which requires any changes to be agreed by the respective Executive Member (Portfolio Holder) in conjunction with the service Executive Director and Assistant Director.
- 6.2 The income that the Council derives from fees and charges is important to support Council services. In line with the Council's Constitution, fees and charges have been reviewed by Services Leads for 2023-24 and further changes are proposed. Any changes in income assumptions are included within the Council's MTFP.
- 6.3 Alongside harmonisation of charges, uplifts may be applied in line with inflationary increases, where applicable, or other guidance as appropriate.

7. Directorate Budgets for 2023-24

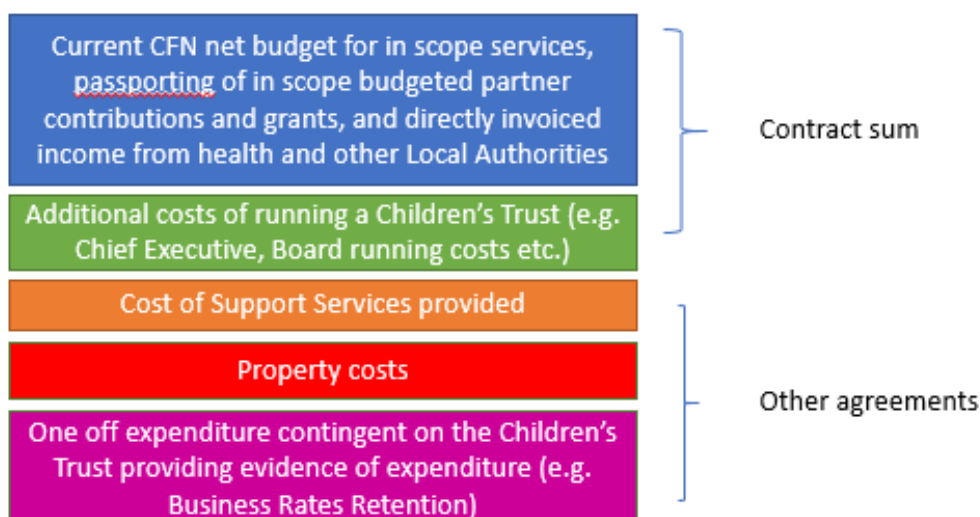
- 7.1 This Section provides an overview of the following main budget areas within the Council across:
- Children's and Education
 - Adults Communities and Wellbeing
 - Place and Economy
 - Enabling and Support Services
- 7.2 The following table provides a high-level summary of the draft 2023-24 budget proposals by Directorate with the detail being set out in Appendix B:

	Children's and Education	Adults, Communities and Wellbeing Services	Place and Economy	Enabling and Support Services	Corporate	Total
	£000	£000	£000	£000	£000	£000
Net Budget	69,530	132,642	68,500	36,102	29,721	336,495

**This reflect the previous management structure and changes to budget responsibilities following the Leadership Review will be built into the new budgets for 2023-24. This does not affect the Council's overall bottom line budget requirement.*

Children's and Education Services

- 7.3 The draft net revenue budget for Children's Services includes the Northamptonshire Children's Trust and Education Services not funded by the DSG for 2023-24 the Net Budget is £69.530m (2022-23 is £63.695m).
- 7.4 From 1st November 2020, the Northamptonshire Children's Trust delivered children's social care and targeted early help on behalf of Northamptonshire County Council, and from 1st April 2021 this was delivered on behalf of North Northamptonshire Council and West Northamptonshire Council. The Councils set the strategic outcomes and priorities and the Trust is responsible for delivering those outcomes.
- 7.5 The Children's Trust budget is made up of the following components:



*CFN = Children First Northamptonshire

- 7.6 Services provided by the Trust include:
- Targeted early help services to children and families
 - Front door and safeguarding services

- Support and placements for Children in Care
- Support and placements for Disabled Children
- In house fostering and residential provision
- Commissioning of external placements and contracts
- Commissioned legal services and transport for children in care

7.7 Making a difference to children, young people and families is of high importance to both Councils as joint owners of Northamptonshire Children’s Trust. The financial proposals contained within the NCT business plan build on the recent Ofsted monitoring visit which was encouraging and highlighted the tangible progress being made and the ‘relentless commitment’ of colleagues at West Northamptonshire Council, North Northamptonshire Council and the Children’s Trust working in partnership in improving services, alongside areas to focus on further development.

7.8 The Children’s Trust Budget is monitored in year through regular meetings between officers of both North and West Northamptonshire Councils and the Trust.

7.9 The Children’s and Education Services remaining with the Council includes the Intelligent Client Function (ICF) for the Northamptonshire Children’s Trust and the Local Authority statutory education functions as follows:

- Education Inclusion
- Education Psychology
- Support for children with Special Educational Needs and Disabilities (SEND)
- School Improvement
- Virtual Schools (lead in the North Northamptonshire Unitary Authority)
- School admissions and school place planning
- Early Education and Child Care

7.10 The initial contract sum was submitted on 15th September 2022 which was in accordance with the contract. The Intelligent Client Function (ICF) led a working party (with representatives from both Councils and NCT) which held weekly meetings to undertake a detailed a review of the contract submission. This resulted in a final contract sum being presented to the Strategic Group at the meeting on 30th November and will be presented to the Northamptonshire Children’s Trust Joint Committee.

	North	West	Total
	£’000	£’000	£’000
Contract Sum	66,654	84,284	150,938
Less Drawdown Payment	(4,199)	(5,310)	(9,509)
Base Contract Sum	62,455	78,974	141,429
One-off Funding	991	1,252	2,243
Total	63,446	80,226	143,672

Contract Sum

- 7.11 The movement in the total contract sum between 2022/23 (£137.450m) and 2023/24 (£150.938m) is £13.488m. The Council's share of this increases the budget for 2023/24 by £5.956m, this has been partially offset by £172k as the 2022/23 budget was higher than the agreed sum and the 2023/24 budget has been increased by £5.784m to reflect this. The contract sum is split between North Northamptonshire and West Northamptonshire in accordance with the contract split and results in a budget pressure to the West of £7.532m.
- 7.12 The Contract sum totalling £150.938m has been provisionally agreed for 2023/24 – a net increase across the County of £13.488m from the current year, which is indicative of the national picture of rising costs of children's social care, and a position that has been informed by the forecast outturn for this financial year. The Contract Sum of £150.938m has been split into two parts, this consists of a Base Contract Sum (£141.429m) and a "drawdown payment" relating to actuals on agreed elements of demand led services (£9.509m) which will be based on the 2022/23 and 2023/24 outturn position, which ensures we only lock in actual demand costs in the contract sum.

	Base Contract	Drawdown Payment	Total
	£'000	£'000	£'000
Placements for children in care. The market and availability of placements remains challenging. The placements budget will continue to remain under pressure as it remains extremely volatile both locally and nationally. The Trust is working on how these pressures can be mitigated in future years. The drawdown payment of £8.834m consists of £7.640m for 22/23 Placements and £1.194m for 23/24 Growth Demands.	3,431	8,834	12,265
Staffing Costs – The Children's Trust had assumed a pay award of 2% in their 2022-23 contract – the national pay award for 2022-23 was £1,925 per employee. In addition, the Children's Trust have budgeted for a pay award of 4% in 2023-24 which is in line with the assumptions being modelled by both North Northamptonshire and West Northamptonshire. The total pay award pressure is £3.740m which is partially offset by a reduction in the employer pension contributions of £791k	2,949	0	2,949

	Base Contract	Drawdown Payment	Total
	£'000	£'000	£'000
following a review by the Pension Fund Actuary.			
Transport Costs – There are pressures on transport costs as a result of an increase in fuel costs. The total pressure reflected in the 2023-24 contract is £940k of which £675k relates to a drawdown payment based on the forecast pressure in 2022/23.	265	675	940
Adoption - The Local Government and Social Care Ombudsman recently made a decision on the historic treatment and compliance on Special Guardianship Allowances. This ruling has resulted in a pressure of £730k and a further £205k has been included for inflationary increases.	935	0	935
Treasury Management – The Children's Trust have forecast additional income of £900k from Treasury Management activities which reflects the increase in interest rates.	(900)	0	(900)
Value in Care - Adoption of a Valuing Care approach to better understand the needs of children to improve support and sufficiency resulting in reductions in spend and demonstrable improvements in need.	(3,200)	0	(3,200)
Other – There are further changes to the contract sum which amount to a net increase of £499k.	499	0	499
Total Change in Contract	3,979	9,509	13,488

One-off funding outside of the Contract Sum.

- 7.13 In addition, there has been a number of one-off funding requests received from the Children's Trust which are not included in the 2023-24 contract sum. These

requests are summarised in the following Table and will be subject to separate detailed business cases in accordance with each Council's governance process.

Item	Amount £'000
Early Help to address complexity and increase statutory social work step down.	400
Foster Care – This is an investment in developing NCT to operate as an Independent Fostering Agency (IFA). This approach will improve practice and increase the number of in-house Foster Carers therefore reduce placement costs.	250
Valuing Care Proposal – additional resources to deliver savings of £3.8m to the Placements Budget	1,300
Children's Homes – Initial set up costs	294
Total	2,243
NNC Contribution (44.16%)	991
WNC Contribution (55.84%)	1,252

7.14 The Children's Directorate draft budget including the Children's Trusts reflects pressures of £9.296m and savings of £3.461m resulting in a net pressure of £5.835m if the Children's Trust were excluded this would result in a net saving of £346k as the pressures from the Children's Trust amount to £6.181m.

7.15 The main pressures in addition to the increase in the contract sum for the Children's Trust include the following:

- The Government have announced a 20% annual reduction in the historical funding element of the Central Schools Services Block. This funding supports expenditure on statutory education services which the authority is unable to reduce in line with the reduction in Central Government funding, which results in a reduction in DSG income of £366k. Therefore, creating a pressure to the General Fund.
- The Council's share of the NCT contract agreement includes an amount for support services provided to NCT by both North and West Northamptonshire, of which the Council budgeted to receive £1.758m. This assumed support services were provided in line with how the contract sum had been split. However, it is anticipated that the Council will provide less support services and this will be in line with those provided in 2022/23. This will in effect reduce the Council's income to £1.073m, resulting in a pressure of £685k.
- A re-alignment of services previously funded from the DSG (£618k) to be funded from the General Fund.

7.16 The main savings within the Children's Directorate include the following.

- The Teacher's Pension Strain was disaggregated between the North and West, the 2022/23 budget assumed a split 44% North and 56% West which was in line with the contract sum. The budget for the North was

£1.109m, however following a further review, the cost to the North was revised to £834k. This resulted in a budget saving of 275k.

- The pre 2013 Teachers' Pension strain is funded from DSG and the amount of DSG funding was previously understated, resulting in additional DSG income of £462k. This income however correlates with expenditure.
- There was budgetary provision of £691k which was to meet any unforeseen pressures within the Commissioning Service, this will be used in full to mitigate the increased costs across Children's Services and any pressures will be funded from the Council's Corporate Contingency – this approach is then consistent with other Council Directorates.
- There was budgetary provision of £412k following the disaggregation of NCC this budget has not been utilised and has been removed resulting in a saving.

7.17 Full details of the 2023-24 budget and Medium-Term Financial pressures and savings to 2025-26 are contained within Appendix B.

Adults, Communities and Wellbeing

7.18 The draft net revenue budget for Adults, Communities & Wellbeing includes Adult Social Services, Community Services, Housing, Public Health and Wellbeing. The draft net budget for 2023-24 is £132.642m (2022-23 is £119.230m). Details of the net budget and the adjustments for pressures and savings for the period 2023-24 to 2025-26 are set out in Appendix B.

Adult Social Care Services

7.19 Under the 2014 Care Act, local authority Adults Services have a responsibility to make sure that people over 18 who live in their areas are provided with an assessment of need, and when deemed eligible are subsequently provided with support to meet those eligible needs where they cannot do things for themselves or access family support. The service also provides other physical or psychological support to people with disabilities in order to help them live a full life. The overriding responsibility is to keep people safe and protect them from harm or neglect.

7.20 At any one time around 3% of the over 65 population receive long term care organised by the council, but over half the population will be known to social care at some point. This service also cares for many younger adults with complex learning disabilities, physical disabilities, and mental ill-health.

7.21 Care can take many forms and can be provided directly by the Council, through contracted organisations or families can receive a personal budget to buy suitable care for themselves. Although receiving formal or long-term care is subject to people meeting the Council's eligibility criteria, the service also has a

key responsibility to promote wellbeing and helping people to stay independent and preventing or delaying the need for care.

7.22 It is likely that additional pressures will result from demographic increases over the medium to long term planning period. The budget requirements for Adult Social Care will continue to be monitored with demographic trends and reflecting the on-going impact of external factors such as COVID-19 and the move toward a more integrated care system with Health partners.

7.23 The Adults Social Care, budget reflects pressures of £20.232m and savings of £6.932m resulting in a net pressure of £13.300m. The main pressures include the following.

- Contractual Inflation and other increases (subject to tendering where appropriate) for independent care placements which incorporates the National Living Wage pressures for social care providers. The projected inflation requirements of £8.319m are based on a number of factors, the most significant is a provision for the National Living Wage (NLW) to increase across the board by 9.7% in line with announcements by Government, other increases include national insurance and other overheads as well as general fee movements in line with market factors.
- Demographic and service demand growth for Adult Social Care is budgeted to cover the anticipated increased costs due to additional clients requesting support from the service. Within Adult Social Care there is a provision for demographic growth and the increase of acuity packages of £4.114m. These are driven by the forecast number of additional clients requiring care. The past four years' growth in adult social care costs in Northamptonshire have largely been driven by two factors, general market inflation (predominately wage related) and acuity of care needs of existing clients, rather than increased clients due to demographic changes, this is anticipated to continue into 2023-24 and into the Medium-Term.
- Increase additional ringfenced grant funding to meet Social Care related demand in respect of discharge and capacity funding of £1.984m. This is an estimate, and the final allocation will be included within the Finance Settlement.
- The Council's 2023/24 budget includes an additional allocation of £1.616m for the Better Care Fund (BCF). This grant is part of an overall allocation of £600m to get people out of hospital on time and into care settings, of which 50% (£300m) is payable to Local Government and the remainder to Health.
- Should the Council receive a different level of funding to that being modelled in the draft budget this will result in the expenditure be realigned to the new amended amount of grant funding.

- Growth of £1.788m for the Provider Service Transformation Phase. There will be savings generated from ongoing reductions in the independent market spend to mitigate against some of these costs. Full details of this proposal are detailed in a separate report. If the recommendation is not approved future budget reports will reflect this decision.

7.24 The main savings within the Adults Social Care Directorate include the following.

- Reduction in the number of residential placements made in the independent sector owing to an increase in the utilisation of beds in PPP properties (£1.192m).
- Increase utilisation of capacity within Discharge to Access the savings include improving efficiencies and utilising the placements within the Shaw PPP provision, generating an ongoing saving of £1.058m in 2023-24 this is in addition to the £441k which was reflected in the 2022-23 budget with further estimated savings of £617k in 2024-25 resulting in total savings of £2.116m over the three-year period.
- There are savings of £587k for the final year of the Strength Based Working Project which is the Transformation of Adults Services pathways and processes to ensure focus on client outcomes, independence, better decision making, and best practice approaches reducing delays and spend.
- Provider Service Transformation Phase 1 - £1.189m as per comments in 7.23, which assumes that elements of support previously met through external care markets would be met from the enhanced model.

7.25 Savings of £112k in relation to Devolved Community Grants have been removed from the budget proposals. The Council has listened to the feedback received during the budget consultation and adjusted the saving requirement with an added commitment to review the Community Grants across North Northamptonshire during 2023-24 in order to set out the position for future years. This will involve further detailed work with all stakeholders to identify how services can be maintained in the future including access to funding. The contingency budget will be adjusted to meet the gap arising as a result of the removal of this saving.

Housing and Communities

7.26 Housing and Communities incorporate a wide spectrum of services and functions including the Library Service, Community Safety, Chester House Estate, Community Leisure facilities and Homelessness support across the region of North Northamptonshire.

7.27 The main pressures and savings include the following.

- £1.270m due to the increase in utility costs for the pool at Corby East Midlands Pool and to cover existing contractual obligations to external leisure providers,
- An additional amount £500k of Grant Funding has been included in the 2023/24 draft budget this is to support services in addressing Public Health needs.

7.28 The services continue to look at transformation to bring the previous functions of each sovereign Council together and realise the aggregation benefits of 'one council – one service'. It is expected that the resultant savings will materialise from this over the next couple of years, following an initial period of stabilisation. This will continue to be worked on and incorporated in the budget when available. If any savings can be accelerated in to 2023-24 then this action will be taken, which will assist future resilience.

7.29 A significant proportion of the Housing and Communities Service supports the Housing Revenue Account which is the subject of a separate budget report elsewhere on this Agenda.

7.30 Full details of the 2023-24 budget and Medium-Term Financial pressures and savings are contained within **Appendix B**.

Public Health and Wellbeing

7.31 Public Health and Wellbeing is supporting substance misuse treatments, sexual health, health protection, health promotion, health improvements, falls and commissioned health which are all part of the approach to public policies across sectors that systematically takes into account the health implications of decisions, seeks synergies, and avoids harmful health impacts in order to improve population health and health equity. It improves accountability of policymakers for health impacts at all levels of policymaking. It includes an emphasis on the consequences of public policies of health systems, determinants of health and wellbeing.

7.32 Public Health Grant allocations are usually announced in the new year, at this stage no changes have been made to the grant assumptions, although it is anticipated that there will be a real-terms increase to keep pace with inflation. The grant is ringfenced and any increase in funding will remain held against Public Health Service to fund additional costs of service priorities.

Place and Economy

7.33 The net revenue budget for Place and Economy for 2023-24 is £68.500m (2022-23 is £56.445m). Details of the net budget and the adjustments for pressures and savings for 2023-24 to 2025-26 are set out in Appendix B.

7.34 Place and Economy is about shaping great places together – for people, businesses, and the environment. It leads and/or contributes to the following strategic priorities:

- Enabling Sustainable Growth
- Enhancing the Environment
- Connecting our communities
- Transforming the way, we work

7.35 The Directorate delivers a wide range of services and is organised into four functional areas as follows:

7.36 **Assets & Environment** which includes Facilities Management, Property Estate Management, Energy & Fleet Management, Grounds Maintenance, Parks & Open Spaces, On & Off-street parking enforcement. Services also includes Asset and Capital Management of the Council's corporate assets and capital programmes, together with the effective management of the Council's strategic assets and landholdings. Key income and cost drivers include footfalls to the high street for parking income, number of visitors to Parks & Heritage sites, demand for commercial rental spaces, use of office space and use of energy.

7.37 **Growth and Regeneration** which includes Planning Services, Economic Development, Growth and infrastructure, Regeneration, Digital Infrastructure, Climate Change and Flood & Water Management. Key income/costs drivers include local demand and volume of Planning services, including major development fees, availability of Planning resources e.g., Surveyors and demand for economic activities.

7.38 **Highways and Waste** includes street cleaning, waste and recycling collections and disposals, including the household waste and recycling centres. The highways services maintain the extensive network of public roads, footpaths, and rights of way, including highway related infrastructure such as streetlights, traffic signals, bridges, gullies, and highway trees. Services also include School Transport and Concessionary fares. Key cost drivers include the tonnes of waste materials collected from households, businesses, and litter bins for recycling and disposal, variations to costs per tonnage, existing conditions, and Investment on various highway assets, as well as the impact of extreme weather conditions, school age population for school transport and the agility of the older population for concessionary fares.

7.39 **Regulatory Services** includes Bereavement Services, Building Control, Emergency Planning, Environmental Health, Trading Standards, Private Sector Housing and the Travellers Unit. The main income and cost drivers include the local economy and market for Building Control Income, age/morbidity demographic rate for bereavement services (burials and cremations), public health demand for Environmental Health services, and legal/statutory obligations for Building regulations and Licensing.

7.40 Key current areas of risks within the Directorate include:

- Utilities costs.
- Contract inflation.
- Increasing service demand from a growing population.

- Legacy income target.
- Failure to maintain and invest in the estate.
- Lack of funding and expertise to deliver highways schemes.

7.41 Place and Economy, like other Directorates, continues to deal with the detrimental economic impact of the pandemic. The previous lockdown measures have reduced income generating activities such as car parking, and commercial contract income as well as placing pressure on several services including waste management with the volume of household waste disposals increasing.

7.42 The Place and Economy Directorates draft budget reflects pressures of £14.898m and savings of £2.843m resulting in a net pressure of £12.055m. The main pressures include the following.

- In total there is £4.562m for contract changes and other inflation which includes fuel costs of £294k, Street Lighting PFI energy & contract inflation of £961k, utilities inflation of £1.340m, waste management contract inflation of £1.547m and other general contract inflation of £420k. Recognising the volatile nature of energy markets, the above utility inflation is an estimation at present, and will be refined as information on 2023/24 contract pricing is received from the Councils suppliers.
- The budget proposals also include provision for the client costs for the highways team following disaggregation from the Lead Authority arrangements, which over two years is expected to be in the region of £900k (£525k in 2022-23).
- There is a £300k pressure in Bereavement Services Income relating to unachievable legacy income targets for sales, including memorials, grave reservations and burials at Wellingborough (£120k) and Kettering (£136k) and anticipated dividend income at Nene Valley Crematorium (£44k).
- The £932k pressure associated to Wellingborough relates to commercial income and fleet hire costs from contracts associated with the previous contractor service. These contracts were not held by the Council and so did not transfer as part of the base budget.
- The Directorate has a number of demographic volume changes which include home to school transport and changes to waste management costs. These total £7.242m and includes a £7m pressure on home to school transport and £242k pressure on waste, management disposal costs.

7.43 The increase in Home to School transport is a result of a continued increase in children requiring specialist transport in line with Education Health and Care Plans (EHCP) which has been rising nationally and reflected in local demand pressures. This is coupled with an increase in prices following the hyper-inflation

of fuel, the shortage of drivers and passenger assistants, and the state of the transport sector following the COVID-19 pandemic.

- 7.44 The Council is taking steps to ensure they are achieving value for money in all the transport contracts they put in place. The Home to School transport team is looking to manage this through a number of actions. They are working closely with the Education and Children's' teams with a view to ensuring that the Council is not just providing transport in line with statutory requirements and the Council's policies but also ensuring we get best value from the market. The home to school planning team is continuing the work on assessing routes to maximise capacity on existing transport and to optimise routes in order to find the most efficient and cost-effective way to transport children.
- 7.45 A particular focus is being put on assessing those routes which are currently single (or low) occupancy to determine whether they can be provided in a more cost-effective way by combining routes or contracts. Compliant procurement processes are in place through the Council's dynamic purchasing framework, and these are used to challenge the market to provide the most economically advantageous contracts for the Council. Now that all contracts are in place for the year, the team are currently focussing on re-procuring the most expensive contracts to ascertain whether a better price can be achieved from the market.
- 7.46 In some circumstances, it can be less expensive for the Council to offer mileage payments to families in place of providing transport. The team will further promote this option for those families where it is possible for them to arrange their own transport. The team will also investigate providing independent travel training to families to reduce their reliance on transport provided by the Council; this can increase the independence of young people as well as reduce the financial burden on the Council. All of these actions, and others, will seek to ensure the Council is achieving best value and contain costs as much as possible against a backdrop of the macro-economic trend of rising prices and the national context of increased demand for SEND transport.
- 7.47 The main savings through efficiencies and income generation within the Place and Economy Directorate include the following:
- Garden Waste - £1.358m budgeted income from garden waste charges
 - Other changes relate to transformation, legislative and technical changes and total a net credit of (£0.375m), mainly due to transformation related savings in service redesign.
- 7.48 Full details of the budget and Medium-Term Financial pressures and savings for 2023-24, 2024-25 and 2025-26 are contained within **Appendix B**.

Enabling Services

Background

- 7.49 The net revenue budget for Enabling Services for 2023-24 is £36.102m (2022-23 is £38.035m). Full details for the service changes can be seen in Appendix B which include assumptions into 2024-25 and 2025-26.
- 7.50 Enabling and Support Services consists of the following main grouping of services, which also includes several corporate budget areas:
- Finance, Procurement and Revenues and Benefits Service
 - Human Resources, Legal and Democratic Services
 - ICT, Communications and Customer Services
- 7.51 The 2023-24 draft budget for Enabling and Support Services reflects pressures of £1.243m and savings of £3.176m resulting in a net saving of £1.933m.
- 7.52 The main pressures include the following:
- There is a pressure of £107k from the Shared Finance Operations – this includes accounts payable, accounts receivable, debt collection, insurance and business systems.
 - There is an estimated pressure of £500k in relation to external audit fees.
 - Pressures arising within Legal and Democratic services are associated with the costs of the coroner's storage facility (£100k) and the restructure of the Governance staffing establishment (£160k), this is netted off against increases in legal income targets and savings to ancillary budgets as listed below.
 - Additional IT licensing costs of £100k arising from inflationary increases on contracts and further one-off costs of £153k for the extension of the Council's current income and payment system. There is a requirement to continue to run the current system until the new system is fully implemented and live, thereby ensuring the income and payments functions can continue.
 - A pressure of £70k has arisen within Customer Services, resulting from the need to realign budgets following disaggregation for the issuing of blue disabled parking badges.
- 7.53 The main savings within the Enabling Directorate include the following:
- There are technical changes within Finance and Accountancy from the historic pension's deficit of £232k and the disaggregation of legacy pensions of £450k. Following actuarial advice and an improved funding position in the Pension Fund the council is able to reduce its pension contribution rate by 3% which results in a saving of £1.890m.

- Within Legal and Democratic Services, savings arise through generating additional income from services provided to other public organisations (£150k) and through staffing changes (£100k).
- Within the IT Service, rationalisation of mobile phone contracts and Microsoft applications provide a saving of £100k. In addition, a saving on staff costs in Customer Services of £106k arises through the replacement of the customer case management and telephony systems.
- The restructuring of Transformation resources has allowed a reduction in the staffing costs of this function, providing an additional saving of £106k.

7.54 Full details of the 2022-23 budget and Medium-Term Financial pressures and savings are contained within **Appendix B**.

8. Corporate Resources

8.1 The draft net revenue budget for 2023/24 is £29.8m (£18.5m 2022-23 - restated following movements from contingency during 2022-23 and allocation of centrally held budgets for pay) the composition of this budget for 2023/24 and the restated position for 2022/23 is shown in the following table:

Description	2023/24 Draft Budget £'000	2022/23 Restated Budget £'000
Corporate Contingency	3,651	1,668
MRP	7,970	6,432
Pay Contingency	5,441	621
Anticipated costs associated with the pay and grading review	2,479	0
Insurance	600	0
Treasury	8,710	9,661
Bad Debts Provision	870	120
Total	29,721	18,502

8.2 The Councils Corporate Contingency Budget for 2023-24 is £3.651m, which represents around 1% of the net budget. This recognises the financial uncertainty faced and that risks remain in the financial position with a number of assumptions within the budget subject to further decisions, such as the pay changes. The contingency budget has been adjusted by £112k since the draft budget report was presented to Executive in December 2022, to offset the savings previously proposed for devolved community centre grants and which have now been removed.

8.3 The Minimum Revenue Provision (MRP) reflects the minimum amount a Council must charge to the revenue budget each year to set aside a provision for

repaying external borrowing. The increase in the MRP provision of £1.538m for 2023/24 is to ensure the provision is aligned to the MRP policy moving into the medium term.

- 8.4 The Council has set aside a draft budget of £5.441m in 2023-24 to allow for potential pay changes of 4%, with the final requirement determined by the outcome of pay negotiations, and the cost of increments. This budget will be allocated in 2023-24 according to need.
- 8.5 Additionally, a pressure of £2.479m is included in the 2023-24 budget. This reflects the initial costings for the implementation following the Pay and Grading review, which includes all staff recruited to North Northamptonshire Council posts since 1st April 2021.
- 8.6 The draft budget includes a provision of £600k relating to insurance. This reflects the estimated increase in the premium and a review of the future policy requirements.
- 8.7 The Treasury Management Budget amounts to £8.710m for 2023-24 (£9.661m 2022-23). The results in a saving of £951k consisting of two main elements - external borrowing costs and investment income. The external borrowing costs reflect the interest payable on the Council's loan portfolio and these costs have reduced by £109k. In respect of investment income, one off COVID-19 pressures of £342k have been reversed and in addition to this higher than anticipated interest rates are estimated to generate additional income of £500k.
- 8.8 The bad debt provision has increased to £870k to reflect the risk associated with the collection of debt in the current economic climate.
- 8.9 Full details of the 2023-24 budget and Medium-Term Financial pressures and savings are contained within **Appendix B**.

9. Reserves

- 9.1 A core element of a financially sustainable and resilient council is to maintain a prudent level of reserves. This is demonstrated by the Chartered Institute of Public Finance Accountants (CIPFA) who have stated as part of their Financial Management Code:

“Local government reserves play a crucial role in good public financial management. They exist so that a council can invest in service transformation for the future or else allow them to respond to unexpected events or emerging needs.”
- 9.2 At this stage the levels of reserves for the Council are an indicative forecast based on the best information available at this time. There are also several significant uncertainties that need to crystallise before the level of reserves will be known, including the final outturn position for 2022-23.

9.3 The position on all the ex-sovereign council reserves brought forward is dependent of the certification of each of the final audited accounts for all the sovereign councils for 2020-21. At the time of writing this report two legacy council accounts for 2020-21 are still to be certified by the External Auditors (Corby Borough Council and Northamptonshire County Council), and therefore the reserves position will be subject to change.

9.4 The latest forecast for the level of general fund revenue reserves for North Northamptonshire Council available as at 1st April 2023, taking into account the assumed movement in reserves in 2022-23 is summarised in the table below. The forecast movement in reserves in 2023-24 is also summarised in the table below to provide a forecast closing balance as at 31st March 2024. This movement is also set out in paragraph 5.57.

	Forecast Opening Balance 01.04.2023	Transfer to Reserve	Transfer from Reserve	Forecast Closing Balance 31.03.2024
	£000	£000	£000	£000
General Fund Balance	(24,170)	-	-	(24,170)
Earmarked Reserves				
Smoothing Reserves	(32,743)	(150)	250	(32,643)
Business Rates Retention	(32,232)	-	3,879	(28,353)
Transformation	(13,370)	-	2,170	(11,200)
Building Maintenance Reserves	(1,603)	-	-	(1,603)
Planning	(571)	-	-	(571)
Regeneration	(7,046)	-	-	(7,046)
Specific Reserves	(20,814)	-	200	(20,614)
Capital Programme Funding – GF	(6,374)	-	-	(6,374)
Insurance	(2,690)	-	-	(2,690)
Total Earmarked Reserves	(117,443)	(150)	6,499	(111,094)
Total Forecast General Fund Reserves and Balances	(141,613)	(150)	6,499	(135,264)

9.5 The estimated total level of general fund revenue reserves of £135.3m as at 31st March 2024 is made up of general balances and earmarked reserves. This sum allows for the adjustment in respect of Business Rates grants under S31 of the Local Government Finance Act 2008 received in 2022-23, which is budgeted to be drawn down in 2023-24 to fund the Business Rates Collection Fund deficit. There is a lag in the timing between when the grant is received and the impact on the Collection Fund which is managed through the reserves to transfer the resources across financial years. Whilst the general reserves of £24.2m provide a working balance to help cushion the impact of unexpected events or emergencies, the earmarked reserves balance reflects balances set aside for a specific purpose or risk which will include commitments into future years.

9.6 The Reserves Strategy (see **Appendix D**) includes a range for the level of general fund balances to be at a minimum of 5% and a maximum of 10% of the net revenue budget. The level of reserves included in the budget are £24.2m which is c7.2% of the proposed net revenue budget of £336.5m.

10. Flexible Use of Capital Receipts

- 10.1 Certain costs can be funded through the Future Use of Capital Receipts. Qualifying revenue expenditure is time-limited expenditure incurred by the Council on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery in order to reduce costs or demand for services in future years.
- 10.2 Although set-up and implementation costs of any new processes or arrangements can be classified as qualifying expenditure, the ongoing revenue costs of the new processes or arrangements are excluded.
- 10.3 The decision to use capital receipts to fund transformational expenditure is one that will be considered by the full Council when considering the final budget proposals.
- 10.4 Using capital receipts to fund this type of expenditure provides greater flexibility in terms of how the Council's overall capital and revenue resources are utilised and frees up revenue funding.
- 10.5 Transformations costs and other expenditure required to deliver some of the service improvements and efficiencies are areas where the Council could seek authority to use capital receipts instead of revenue resources. This would also include meeting any associated severance costs.
- 10.6 The Council received approval for a capital direction to cover the two-year period 2021-2023. However, looking forward it is important that the Council also has the flexibility to also underwrite applicable costs from FUCR. Therefore, an updated strategy for 2023-24 will be presented to February Council.
- 10.7 It is important to note that the policy does not dictate that capital receipts have to be used to fund these costs but provide the option to do so if that is deemed to be the most appropriate funding route in order to free up revenue resources and improve the general financial resilience of the Council.

11. Treasury Management

- 11.1 The purpose of the Treasury Management Strategy is to establish the framework for the effective and efficient management of the Council's treasury management activity, including the Council's investment portfolio, within legislative, regulatory, and best practice regimes, and balancing risk against reward in the best interests of stewardship of the public purse.
- 11.2 During 2022-23 CIPFA consulted on the principles of the Prudential Code for Capital Finance in Local Authorities (Prudential Code) and the Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes (Treasury Management Code). These changes have been fully reflected within the updated Treasury management Strategy (Appendix H).

- 11.3 Changes to the capital framework for Minimum Revenue Provision (MRP) which seeks to better enforce the duty of local authorities to make prudent Minimum Revenue Provision each year. MRP is required to be set aside from the revenue account when local authorities borrow to finance capital spend.

12. Consultation Response

- 12.1 The Council consulted on the proposals in the draft 2023-24 budget. The consultation commenced on 22nd December 2022 following the approval of the draft budget for consultation at Executive and concluded on 27th January 2023.
- 12.2 There are three statutory instruments underpinning the need for Budget consultation:
- Section 65 of the Local Government Finance Act (1992);
 - Section 149 of the Equality Act (2010), specifically 'Due regard' to [the] impact of proposed changes;
 - Section 3 of the Local Government Act (1999), and Best Value provisions.
- 12.3 In terms of best practice, the Consultation Institute guidance emphasises the need for consulters to recognise the 'Doctrine of Legitimate Expectation' as a key component of public sector budget consultation. In short, in terms of public participation, "...the courts...recognise Consultees' right to expect fair process from public bodies...and incorporates much guidance and management promises into the law.⁴"
- 12.4 Opportunities to take part in the consultation were also promoted in the local media via press releases. The press release went to 38 newsrooms (local and national, print and broadcast), plus individual reporters and other local news sites. It was promoted through the Council's website, e-newsletters and social media channels, enabling both internal (e.g., staff) as well as external consultees to get involved in the process.
- 12.5 Councillors, local MPs, town and parish councils, partner organisations, voluntary and community sector organisations, representatives of protected characteristic groups, local business groups, and members of the North Northamptonshire Residents' Panel and the Council's Consultation Register were invited to give their views and asked to promote the consultation to their members, or within their local area where appropriate.
- 12.6 Local people, organisations and other interested parties were able to have their say about the draft budget proposals in a range of ways, by:
- Visiting the Draft Budget Consultation webpage and completing the questionnaire or requesting a paper questionnaire
 - Emailing CET@northnorthants.gov.uk

⁴ The Consultation Institute Engaging on Public Service Budgets, 17 September 2015

- Writing to Budget Consultation Response, North Northamptonshire Council, Sheerness House, Meadow Road, Kettering, NN16 8TL
 - Using social media by Tweeting or posting comments on the Council's Facebook page
 - Contacting us by telephone to give verbal feedback
 - A toolkit was developed to enable user groups/ forums to hold their own discussions and provide their feedback as a collective group.
- 12.7 Using the various means available to consultees, local people and organisations contributed to the consultation 453 times. Respondents could choose which questions they responded to within the consultation questionnaire, so there are lower response numbers to each question when compared with the overall number of participants, depending on whether participants had a particular interest in the subject matter.
- 12.8 Respondents could choose which questions they responded to within the consultation questionnaire, so there are lower response numbers to each question when compared with the overall number of participants, depending on whether participants had a particular interest in the subject matter.
- 12.9 The consultation focused on the draft budget proposals that would likely affect residents and service users. However, respondents were invited to comment on anything within the draft budget.
- 12.10 When asked about a general "core" Council Tax increase of 2.99%, 33.9% of respondents said that they strongly agree or tend to agree with the proposed increase, while 58.4% said they strongly disagree or tend to disagree.
- 12.11 When asked about the proposed 2% precept increase for Adult Social Care, 36.1% of respondents said that they strongly agree or tend to agree with the proposed increase, while 49.2% said they strongly disagree or tend to disagree.
- 12.12 The feedback on all the proposals, which includes the comments received to the budget proposals, including the Draft Capital Programme 2023-26, is analysed in more detail in **Appendix E**. Members should ensure they read and consider the analysis and redacted comments that have been made available to them before making their decision on the budget.

13. Scrutiny

- 13.1 The Finance and Resources Scrutiny Committee considered a report at its meeting on 18th October 2022 on the budget scrutiny process. At its meeting on 10th November the Executive approved the approach put forward by the Finance and Resources Scrutiny Committee.
- 13.2 Scrutiny took place over two phases. The first to consider the in-year position for 2022-23 and any implications for 2023-24 and the second to consider the detailed proposals for 2023-24. The first phase took place during November

2022 and the second phase in January 2023 to allow time for the Committee to provide feedback to the Executive at its meeting on 9th February 2023.

13.3 The Scrutiny of the Budget Process covered the following main service areas:

- Place and Economy
- Children's and Education Services (06/01/23)
- Place and Economy (17/01/23)
- Enabling and Support Services (18/01/23)
- Adults, Communities and Wellbeing Services, including the HRA (23/01/23)

13.4 The Children's Trust was subject to separate scrutiny by the Committee, in line with the budget setting timeline for the Trust as set out in its contract,

13.5 For the remaining Council services, there were a total of four individual budget scrutiny sessions, covering each of the four main areas of services detailed in paragraph 13.3 above.

13.6 Following the Budget Scrutiny sessions, a report was presented by the Finance and Resources Committee at its meeting on 30th January 2023 to set out the Committee's response to the budget setting process. A copy of the minutes from the scrutiny meetings is attached at **Appendix G**.

14. CIPFA Financial Management Code

14.1 CIPFA published a Financial Management Code which requires authorities to demonstrate that the processes they have in place satisfy the principles of good financial management. The Council's has undertaken a review of the Financial Management Code outlining compliance to the code and this is currently being reviewed by Internal Audit and the outcome of this will be reported to a future meeting of the Audit and Governance Committee.

14.2 The FM Code applies a principle-based approach. It requires that a local authority demonstrates that its processes satisfy the principles of good financial management for an authority of its size, responsibilities, and circumstances. The principles are:

- **Organisational leadership** – demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture.
- **Accountability** – based on medium-term financial planning that drives the annual budget process supported by effective risk management, quality supporting data and whole life costs.
- **Financial management** is undertaken with transparency at its core using consistent, meaningful and understandable data, reported frequently with evidence of periodic officer action and elected member decision making.

- **Adherence to professional standards** is promoted by the leadership team and is evidenced.
- **Sources of assurance are recognised** as an effective tool mainstreamed into financial management, including political scrutiny and the results of external audit, internal audit and inspection.
- The **long-term sustainability of local services is at the heart of all financial management** processes and is evidenced by prudent use of public resources.

14.3 The Code is structured over seven sections as shown below:

Section 1: The responsibilities of the chief finance officer and leadership team

Section 2: Governance and financial management style

Section 3: Long to medium-term financial management

Section 4: The annual budget

Section 5: Stakeholder engagement and business plans

Section 6: Monitoring financial performance.

Section 7: External financial reporting

14.4 The FM Code has provided a guide and framework in the setting of the annual budget for 2023-24. The code specifies the following two key areas around Budget Setting – the Council is compliant with both.

- **Standard J**, which requires the authority to comply with its statutory obligations in respect of the budget setting process.
- **Standard K**, which requires the budget report to include a statement by the Chief Finance Officer on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves.

15. Section 25 Report - Budget Calculations: Report on the robustness of estimates and adequacy of proposed financial reserves

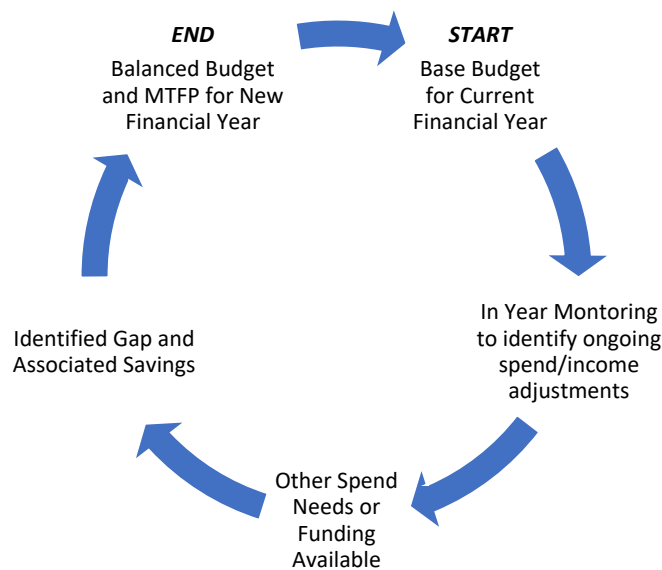
15.1 Section 25 of the Local Government Act 2003 requires that when a local authority is making its budget calculations, the Chief Finance Officer (CFO) of the authority must report to the Council on the robustness of the estimates made for the purposes of the calculations and the adequacy of the proposed financial reserves. The Council has a statutory duty to have regard to the CFO's report when making decisions about the calculations. The requirement on the CFO is to ensure that the budget recommended to Council is balanced (i.e., expenditure matches income), is robust and therefore deliverable and has an adequate level of reserves. The Council has a balanced budget, the CFO's report in relation to the robustness of the estimates and adequacy of the reserves is set below.

Robustness of the Estimates

15.2 The Council has a duty to act reasonably taking into account all relevant considerations and not considering anything which is irrelevant. This report together with the other budget related reports on the agenda set out a total

picture of the proposals from which members can consider the risks and the arrangements for mitigation.

- 15.3 The Council's budget strategy process and timeline for 2023-24 was reported to both the Finance and Resources Scrutiny Committee (18th October 2022) and the Executive (10th November 2022). The Budget Strategy provides the basis for the setting of the 2023-24 Budget and the Medium-Term Financial Plan.
- 15.4 The robustness of both the budget pressures and savings are of equal importance when setting a balanced budget – the pressures need to reasonably reflect those that the Council is facing, and the savings must be deliverable.
- 15.5 The high-level strategy process for setting the budget is as illustrated in the diagram below.



- 15.6 Information will be taken from the 2022-23 budget, amended for recurring issues identified through the budget monitoring process, together with any other adjustments (investment/income changes) before arriving at the net funding gap to be met through identified savings or income generation before coming to a balanced budget position for 2023-24.
- 15.7 The Council has a statutory requirement to balance its budget which includes the services provided by the Children's Trust which operates across Northamptonshire. The Trust provides Children's Social Care support under contract to North Northamptonshire Council and West Northamptonshire Council. Each year the Councils consider the funding requirement for the Trust in line with the contract arrangements between the Councils and the Trust. The Trust budget proposals are subject to Scrutiny and the Council will include the contract sum as part of its budget requirements for approval.
- 15.8 The uncertainty regarding future funding for local authorities makes a robust and evidenced assessment of financial governance and future resilience critical. The

CFO has examined the major assumptions used within the budget calculations to ascertain the levels of potential risk in the assumptions being used. A summary of the key risks is set out in the table below.

Risk	Mitigations
Overall Medium-Term funding is less than forecast	<p>Additional savings proposals will need to be identified by reducing or redesigning services.</p> <p>Maximise annual Council Tax increases to provide stability of funding in the future.</p>
Changes to the Local Government funding system as a result of the Fair Funding Review and changes to Business Rates Retention negatively impact on medium term funding forecasts.	<p>Additional savings proposals will need to be identified.</p> <p>Maximise annual Council Tax increases to provide stability of funding in the future.</p>
Volatility of business rates funding given the uncertainty around the economic impact and the potential impact of change of circumstances and successful appeals.	Use of earmarked reserves.
Council Tax and Business Rates Collection Fund deficits are higher, or surpluses are lower than forecast as a result of the current economic impact from the increase in the cost of living.	Use of earmarked reserves.
Non delivery or under delivery of savings within services	<p>Use of reserves.</p> <p>Alternative mitigations through other budget heads where possible.</p> <p>Maximise annual Council Tax increases to provide greater stability and resilience to protect services</p>
The cost-of-living crisis, high levels of inflation and increasing interest rates could impact on the Councils income streams, service demand and the cost of services and capital, including the risk that the pay award may exceed budget.	<p>Maximise annual Council Tax increases to provide stability.</p> <p>Increased lobbying of Government for support.</p> <p>Review of service provision and/or design and/or investment will take place in the first instance to understand whether service change or project redesign could mitigate costs and assist need as</p>

Risk	Mitigations
	<p>well as affordability both in the immediate and longer term.</p> <p>Use of contingency and/or earmarked reserves to manage in -year position and provide the time for appropriate and safe change.</p>
<p>The position on brought forward reserves is lower than anticipated following the final accounts certification by External Audit</p>	<p>Ensure adequate level of reserves to provide capacity to manage this risk. Replenish reserves over the medium term.</p>
<p>The disaggregation of the former County Council's balance sheet following certification of the final accounts may not be as anticipated and give rise to unplanned changes.</p>	<p>Ensure adequate level of reserves to provide capacity to manage this risk. Replenish reserves over the medium term.</p>
<p>Further disaggregation of services previously provided under a lead/host arrangement following LGR may give rise to unplanned changes</p>	<p>Reviews of service need and design following disaggregation and the associated budgets will be carried out to work within available budgets.</p> <p>Where this is not feasible then use of contingency or reserves will be applied to manage the service through the initial period until it can be included within the budget strategy for future years as required.</p>
<p>The Band D Council Tax is low compared to national average rates for Unitary councils, restricting the ability to maximise income from Council Tax due to restrictions imposed by national referendum principles.</p>	<p>Maximise annual Council Tax increases to provide stable funding source.</p>
<p>If Council Tax is not maximised, then there is a risk that services will need to be (further) reduced.</p>	<p>Maximise annual Council Tax increases to provide stable funding source.</p> <p>Seek alternative income streams, recognising risk.</p>
<p>Unplanned and unforeseen consequences and costs arising from the implementation of new or changed systems and processes across service areas within the Council.</p>	<p>Reviews of services and the budgets associated with them will be carried out throughout 2023-24 to ensure that priorities are deliverable within the approved budgets.</p>

Risk	Mitigations
	<p>Use of available contingency.</p> <p>Use of earmarked reserves to support one-off costs and to provide the time for appropriate and safe service change.</p> <p>Maximise annual Council Tax increases to provide stability of funding in the future.</p>
<p>Unplanned and unforeseen consequences and costs arising from demand led services.</p>	<p>Robust financial management and reporting processes to give early warning of potential risks and issues. In-year mitigations to overspends are sought where possible, including service change and/or greater spending controls.</p> <p>Use of available contingency.</p> <p>Use of earmarked reserves to support one-off costs and to provide the time for appropriate and safe service change.</p> <p>Maximise annual Council Tax increases to provide stability of funding in the future.</p>

- 15.9 It is the opinion of the CFO that any significant budget risks to the General Fund and the Housing Revenue Account have been identified and that suitable proposals are being put in place to mitigate against these risks where possible. The Council's Budget Monitoring procedures will be embedded across the authority and are designed to specifically monitor high level risks and volatile budgets. An assessment of anticipated business rates income has been carried out based on the information available and provision has been made for outstanding appeals. There is considered to be a prudent provision.
- 15.10 The 2023-24 budget continues to have some complexities brought about from disaggregating the County Council's budget and aggregating the District and Borough budgets in 2021-22. The CFO considers that the assumptions on which the 2023-24 budget has been based are reasonable.
- 15.11 The Council has a contingency budget of £3.651m in 2023-24 (£4.750m in 2022-23). This is £1.099m lower than in 2022-23 and is considered a prudent level of contingency, acknowledging that the level of risk and uncertainty from disaggregating the County Council's budgets should be further reduced in 2023-24. However, it is also recognised that risk inevitably remains within the budget

estimates, particularly as a result of the uncertainty in the global economic climate and the pressures from inflation.

- 15.12 The Council holds a number of reserves that can be called on if necessary and the CFO is confident that overall, the budget position of the Council can be sustained within the overall level of resources available. However, to the degree that the budget savings are not achieved in a timely manner and reserves are called on to achieve a balanced position, further savings will need to be identified and implemented in order to ensure the Council's future financial stability is maintained.
- 15.13 The Council needs to be satisfied that it can continue to meet its statutory duties and meet the needs of vulnerable young people and adults. Proposals have been drawn up on the basis that Strategic Directors are satisfied that this will enable them to continue to meet their statutory duties and the needs of the most vulnerable.

Adequacy of the proposed Financial Reserves

- 15.14 The General Fund Reserve is held to meet costs arising from any unplanned event. It also acts as a financial buffer to help mitigate against the financial risks the Council faces and can be used to a limited degree to "smooth" expenditure across years. It is currently estimated that the balance on the reserve at 1st April 2023 will be £24.2m and this will remain unchanged for the year. This includes an allocation for the split of the County Councils reserves which are still subject to final Audit certification.
- 15.15 The level of General Fund reserves held has been assessed by the CFO and is felt to be prudent given the level of volatility in Council funding streams such as business rates and general uncertainty over the levels of funding available going forwards.
- 15.16 The expected level of the General Reserve is therefore seen as the minimum level required to be held to protect the Council from the financial risks inherent within the proposed budget strategy. Any variation in spend at the year's outturn will also affect the level of General Fund Reserve available next year.
- 15.17 The Council also has a number of Earmarked General Fund Reserves which are detailed in the 2023-24 budget report. The estimated level of General Fund reserves, excluding Schools, as at 31st March 2024 is £111.1m. The detail of which is set out in **Appendix D**. The level of reserves required is assessed as part of the budget setting process and the monitoring of these reserves will take place through the monthly reporting process to Senior Managers and Members during the financial year and at the year-end as part of the closure of accounts.
- 15.18 The Council is an extremely complex organisation with a wide scale and diversity of assets, interests, liabilities and other responsibilities. By their nature many of the risks are unknown and cannot be quantified, particularly in the current challenging financial climate. It is therefore essential that the Council maintains adequate general reserves, particularly as a result of the current

economic challenges and the risk that the unprecedented levels of inflation could bring to the delivery of key demand led services.

- 15.19 It may be worth emphasising that reserves should not be seen in a short-term context with regard to their use. They should be placed in the context of the long-term funding reductions, service pressures and service delivery issues that the council may face. It is, however, legitimate for the council to call on reserves to mitigate short term pressures, smooth out the impact of extraordinary one-off demands such as government grant reductions, to meet the cost of unforeseen events and to enable any necessary structural budget adjustments to be implemented in a measured and planned way.
- 15.20 In particular, the Council's reserves may be required from 2025-26 to be used to smooth potential reductions in government funding brought about by the resetting of the Business Rates System and the outcome of the Fair Funding review. This is an area and approach that the Council will have to keep under review.
- 15.21 The Chartered Institute of Public Finance and Accountancy (CIPFA) has carried out some benchmarking on the level of reserves held by unitary authorities and identified that they tend to maintain unearmarked reserves between 5% and 10% of net revenue expenditure. For North Northamptonshire this would mean maintaining such reserves at between £16.8m and £33.6m. The estimated level of general reserves on 1st April 2023 is £24.2m (7.2%) and this is not currently forecast to change during the year.

Fiduciary and Statutory Considerations

15.22 In setting the budget the Council has a duty to ensure:

- It continues to meet its statutory duties.
- Governance processes are robust and support effective decision making its Medium-Term Financial Strategy reflects the significant challenges being faced and remains responsive to the uncertainties in the economy by continuing to deliver against its savings targets.
- The Medium-Term Financial Plan is a live document and is a key tool in assessing the financial viability of the Council.
- Its savings plans are clearly communicated and linked to specific policy decisions, with the impact on service provision clearly articulated.
- It has the appropriate levels of reserves and that it closely monitors its liquidity to underpin its financial resilience.
- It continues to provide support to members and officers responsible for managing budgets.

- It prepares its annual statement of accounts in an accurate and timely manner.

15.23 In coming to decisions in relation to the revenue budget and Council Tax the Council has various legal and fiduciary duties. The Council is required by the Local Government Finance Act 1992 to make specific estimates of gross revenue expenditure and anticipated income leading to the calculation of the council tax requirement and the setting of the overall budget and council tax. The amount of the council tax requirement must be sufficient to meet the Council's legal and financial commitments, ensure the proper discharge of its statutory duties and lead to a balanced budget.

15.24 In exercising its fiduciary duty, the Council should be satisfied that the proposals put forward are a prudent use of the Authority's resources in both the short and long term:

- that the proposals strike a fair balance between the interests of Council taxpayers and ratepayers on the one hand and the community's interests in adequate and efficient services on the other and
- that they are acting in good faith for the benefit of the community whilst complying with all statutory duties.
- Officers have addressed the duty to strike a fair balance between the different elements of the community and the interests of council tax and business rate payers in developing the budget proposals.

15.25 Section 25 of the Local Government Act 2003 requires that when a local authority is making its budget calculations, the Chief Finance Officer ('CFO') of the authority must report to the Council on:

- a) the robustness of the estimates made for the purposes of the calculations, and
- b) the adequacy of the proposed financial reserves

15.26 The Council has a statutory duty to have regard to the CFO's report when making decisions about the calculations and whilst council tax can only be set for one year at a time it is imperative Members give consideration to the Medium-Term Financial position when setting Council Tax levels.

15.27 Section 28 of the Local Government Act 2003 also imposes a statutory duty on the Council to monitor during the financial year its expenditure and income against the budget calculations. If the monitoring establishes that the budgetary situation has deteriorated, the Council must take such action as it considers necessary to deal with the situation. This might include, for instance, action to reduce spending in the rest of the year, or to increase income, or to finance the shortfall from reserves.

15.28 Under Section 114 of the Local Government Finance Act 1988, where it appears to the CFO that the expenditure of the authority incurred (including expenditure

it proposes to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure, the CFO has a duty to make a report to the Council.

- 15.29 The report must be sent to the Council's External Auditor and every member of the Council, and the Council must consider the report within 21 days at a meeting where it must decide whether it agrees or disagrees with the views contained in the report and what action (if any) it proposes to take in consequence of it. In the intervening period between the sending of the report and the meeting which considers it, the authority is prohibited from entering into any new agreement which may involve the incurring of expenditure (at any time) by the authority, except in certain limited circumstances where expenditure can be authorised by the CFO. Failure to take appropriate action in response to such a report may lead to the intervention by the Council's Auditor. Following well publicised difficult financial positions of some local authorities there is a growing scrutiny of the financial position of individual local authorities.

Equalities Duties

- 15.30 In considering the budget for 2023-24 the Council must also consider its ongoing duties under the Equality Act 2010 to have due regard to the need to eliminate discrimination and advance equality of opportunity between all irrespective of whether they fall into a protected category such as race, gender, religion, etc. Having due regard to these duties does not mean that the Council has an absolute obligation to eliminate discrimination but that it must consider how its decisions will contribute towards meeting the duties in the light of all other relevant circumstances such as economic and practical considerations.
- 15.31 The Council will continue to use its Equality Impact Screening framework as an integral tool to ensure that all relevant services have due regard to the effect that their business proposals will have on protected groups within North Northamptonshire.
- 15.32 The Equality Impact Screening Assessment is attached as **Appendix F**.

Financial Governance.

- 15.33 The Council complies in full with the requirements set out in the CIPFA Statement on the role of the Chief Finance Officer. The S151 duties lie with the CFO who is also the Executive Director of Finance and Performance and is a full member of the Corporate Leadership Team and fully involved in the Council's governance and decision-making processes.

16. Implications (including financial implications)

Resources, Financial and Transformation

- 16.1 The resource and financial implications of the Council's budget proposals are set out in the body of, and appendices to, this report.

Legal and Governance

- 16.2 The provisions of the Local Government Finance Act 1992 set out what the Council has to base its budget calculations upon and require the Council to set a balanced budget with regard to the advice of its Chief Finance Officer (Section 151 Officer).
- 16.3 Under the Local Government Finance Act 1992, the council has a statutory duty to consult ratepayer representatives on its annual spending proposals, ahead of setting its budget.
- 16.4 Under the Local Government Act 1999 the council has a statutory duty to consult representatives of a wide range of local persons. It also has a duty to consult ratepayer representatives to help ensure that service delivery is continuously improved in relation to economy, efficiency and effectiveness.
- 16.5 The Equality Act 2010 addresses discrimination and inequalities and protects all individuals from unfair treatment. The council has a number of statutory duties arising from the Act to better advance equality into our service planning and decision-making processes.

Relevant Policies and Plans

- 16.6 The budget provides the financial resources to enable the Council to deliver on its plans and meet corporate priorities as set out in the Council's Corporate Plan.

Risks

- 16.7 The basis of the budget proposals are to enable the Council to deliver a balanced budget for 2023-24; however, there are risks that may cause expenditure to increase or income to reduce. Consequently, income and expenditure levels will be kept under review throughout the budget process.
- 16.8 Every effort has been made to establish robust estimates, however, inevitably risks will remain. These are also acknowledged in the Section 25 report which is set out in paragraph 15 of this report.
- 16.9 It is recognised that as a new Council arising from a Local Government Reorganisation process, there remains a number of risks in the budget assumptions as the Authority seeks to settle into a more regular "business as usual" pattern for North Northamptonshire following the cessation of the former County Council and the District and Borough Councils.
- 16.10 The disaggregation of the County Council's balance sheet between North and West Northamptonshire remains a risk to the assumed position, which could give rise to unplanned changes. Work in this area is ongoing and will be dependent on the finalisation of the former County Council's accounts for 2020-21 before a final position can be established.

- 16.11 There remain several lead and host arrangements between West and North Northamptonshire, some of which will be disaggregated over the coming months and years in line with an agreed programme. Until this work has been carried out it is difficult to identify the potential implications.
- 16.12 There is a great deal of uncertainty surrounding Local Government Funding in future years with a potential new funding regime being implemented from 2025-26 impacting on both the funding distribution and business rates retention. The likely reset of business rates and redistribution of growth brings significant risk to areas such as North Northamptonshire and other authorities that have experienced a significant growth in their Business Rates base since the retention arrangements came into force.
- 16.13 The task of planning how the Council will use its financial resources in an unprecedented and challenging economic climate with significant uncertainty around funding into the medium-term results in high budget delivery risks and makes informed medium term financial planning incredibly difficult. As a sector, Local Government, has previously stated that it would welcome multi-year settlements which would significantly assist with Medium Term Financial Planning, reducing the uncertainty around funding. Currently Councils receive only a single year settlement, and accordingly the Council has set out its balanced budget for the immediate financial year (2023-24), with indicative budgets for 2024-25 and 2025-26 which will be firmed up alongside government funding announcements.
- 16.14 The Council will seek to manage any risks within the wider budget and take corrective action as necessary. Where necessary changes will be made to subsequent Financial Plans.

Consultation

- 16.15 The formal consultation on the draft budget proposals commenced on 22nd December 2022 and concluded on 27th January 2023 this allowed time for the preparation of the final budget proposals for this meeting of the Executive and for the Council meeting on 23rd February 2023.
- 16.16 The structure and design of the consultation set out the budget proposals and enabled both online and non-digital means of participation, in accordance with good practice. To ensure the widest possible reach, a variety of consultation methods were used to maximise the range of accessible channels for consultees, these included:
- Online survey – available free at libraries for those without internet access (with hard copies and copies in other formats available on request)
 - An email address and telephone number
 - Social media - including Facebook, Twitter and LinkedIn
 - Postal address

- Emails to key stakeholders, inviting them to comment through the above consultation channels and asking them to promote the consultation to their members/community: e.g., partner organisations, MPs, Town and Parish Councils, Voluntary Sector Infrastructure Organisations.
- Emails to Residents' Panel members and other stakeholders who have registered to receive consultation alerts, inviting them to comment through the above consultation channels.

16.17 The purpose of the consultation is to ensure that, when the final budget proposals are considered by Council on 23rd February 2023, Members are fully aware of the consultation feedback and are in a position to take it into account when making their decisions. This includes full consideration of any viable alternatives for ways to save money/generate income, if provided.

16.18 In addition, there was specific consultation for budget proposals that required targeted consultation with service users. This included consultation with local residents regarding the HRA and proposed rent levels via the Tenants Advisory Panel.

16.19 Section 12 of this report provides a summary of the Consultation responses and further details are set out in **Appendix E**.

16.20 A meeting took place with between Council Officers and representatives of the Trades Unions on 25th January 2023 to set out the budget proposals and respond to any questions raised.

Consideration by Executive Advisory Panel

16.21 Not applicable.

Consideration by Scrutiny

16.22 The Finance and Resources Scrutiny Committee has a critical role to play in scrutinising and reviewing the budget proposals, ensuring that they are subject to rigorous challenge, comments from the Scrutiny process are set out in **Appendix G** of this report.

16.23 Scrutiny is a means for councillors not on the Executive to influence the development of Council policies and services and hold decision makers to account. Budget Scrutiny involves councillors reviewing significant proposals from across the draft budget and reporting their conclusions about the deliverability and service impact of these proposals to the Executive. In this way Budget Scrutiny contributes to the development of the final budget proposals and supports local democracy.

16.24 Prior to the scrutiny of the 2023-24 budget, the Finance and Resources Scrutiny Committee reviewed the in-year position for 2022-23 during November 2022.

This was to enable the Committee to interrogate the forecast for 2022-23 and identify any issues in advance of the budget setting for 2023-24.

- 16.25 In respect of the 2023-24 budget, the scrutiny of the budget proposals took place following the presentation of those proposals to Executive on 22nd December 2022 which took into account the outcome of the Local Government Finance Settlement, through the publication of an addendum to the main report. The Scrutiny sessions were completed on 23rd January 2023 and a separate report was published by the Committee following its meeting on 30th January 2023.
- 16.26 A total of four Budget Scrutiny sessions were undertaken for 2023-24 and covered the following main service areas, excluding the Children's Trust which was subject to an earlier and separate session in line with the budget setting timetable. The areas covered were:
- Children's and Education Services (06/01/23) excluding the Children's Trust
 - Place and Economy (17/01/23)
 - Enabling and Support Services – Finance and Performance, ICT, Communications, Customer and Governance (18/01/23)
 - Adults, Communities and Wellbeing Services, including the HRA (23/01/23)
- 16.27 The relevant senior Council Officers and Executive Member portfolio holders attended each scrutiny session to put forward the detail of their budget proposals and answer any question put forward by the Committee Members. The sessions included both the revenue budget and the capital programme for each of the main service areas.
- 16.28 The outcome from the scrutiny process is included in this report for consideration by the Executive prior to the Executive making its decisions on the budget to recommend to Council on 23rd February 2023.

Equality Impact Screening

- 16.29 The Equality Act (2010) contains a range of rights, powers and obligations to assist in the drive towards equality. North Northamptonshire Council has a duty towards people who share 'Protected Characteristics' to have 'due regard' to:
- Eliminating discrimination;
 - Promoting equality;
 - Fostering good relations.
- 16.30 The Council must demonstrate compliance with the duties in its decision-making processes, which it does so by requiring decisions made at Executive to be accompanied, where appropriate, by Equality Impact Assessments (EqIAs) to measure the effect of the proposed decision or policy on people with protected characteristics:

- Age
 - Sex
 - Disability
 - Gender reassignment
 - Race
 - Sexual Orientation
 - Marriage and civil partnership
 - Pregnancy and maternity
 - Religion or belief (including no belief)
- 16.31 The provision of equality impact analysis supports Members to consider the potential impact on groups who are protected under the Equality Act 2010 both before and during consideration of a decision, which is required by law. We do this by using an impact assessment form.
- 16.32 Equality Screening Assessments (EqIAs) were available throughout the consultation process in draft form. **Appendix F** sets out the Equality Screening Assessment for the final budget proposals.

Climate and Environment Impact

- 16.33 North Northamptonshire Council adopted a Climate framework and action plan (March 2021) and in July 2021 declared a Climate and Environment Emergency as first steps in its strategic journey on climate change mitigation. As part of this declaration, a commitment was made to develop a Climate Change Action Plan, setting out the earliest date that the council and the area can be carbon neutral, and establishing targets to meet that date.
- 16.34 Significant progress has since been made and reported into the Climate, Growth and Environment Executive Advisory Panel at regular intervals throughout 2022.
- 16.35 Some examples of this progress in the last 12 months include the planting of around 4,000 trees on land we manage to improve the landscape, wildlife habitats, recreation and offset carbon emissions. The Council has also delivered Carbon Literacy Training for elected members and over 50 senior managers. A Train the trainer programme is currently under development to roll this out to the wider workforce over the next 2 years. Over the last 6 months our grounds maintenance operations in Corby/Kettering have collected 155,000 Kg of green waste, saving an estimated 12,000 kg of CO₂e.
- 16.36 A new Carbon Management Action Plan was presented to the Executive in December 2022. The Plan confirms the councils baseline figure of carbon emissions and also details how the council will look to reduce this across a number of key areas including its buildings, fleet, highways, waste and recycling, and behaviour change to mention a few. The Plan also provides actions to be taken over the short (1-2 years), medium (2-5 years) and long term (5+ years). There are over 40 actions alone to be worked through in the next two years. One of the first is to undertake energy surveys on our 10 highest energy consumption buildings, the results of which will provide actions to reduce both

gas and electricity consumption, this reducing our carbon emissions as well as mitigating expenditure costs for the council. Progress is also being made to move a number of our fleet vehicles to electric and a wider Electric Vehicle Strategy will be finalised in the Spring 2023.

16.37 A £1m pump priming investment was included within the 2022-23 budget allocated across the three-year period 2022-25 to enable the council to develop a robust response and deliver against the actions within the Carbon Management Plan. The allocation for 2023-24 is £250k and is funded through an earmarked reserve.

Community Impact

16.38 No distinct community impacts have been identified as a result of the proposals included in this report.

Crime and Disorder Impact

16.39 There are no specific issues arising from this report.

17. Background Papers

17.1 The following background papers can be considered in relation to this report.

- Executive Meeting (22/12/22) – Draft Budget 2023/24 and Medium-Term Financial Plans
<https://northnorthants.moderngov.co.uk/ieListDocuments.aspx?CId=14&MIId=900&Ver=4>
- Council Budget Setting Meeting (24/02/22) - Final Budget 2022/23 and Medium-Term Financial Plans, including the Council Tax Resolution -
<https://northnorthants.moderngov.co.uk/ieListDocuments.aspx?CId=151&MIId=179&Ver=4>
- Executive Meeting (10/02/22) – Draft Budget 2022/23 and Medium-Term Financial Plans
<https://northnorthants.moderngov.co.uk/ieListDocuments.aspx?CId=142&MIId=330&Ver=4>
- Budget Forecast Reports to the Executive and Finance & Resources Scrutiny Committee