

(ADDENDUM TO DRAFT BUDGET 2024-25 AND MEDIUM-TERM
FINANCIAL PLAN)

EXECUTIVE
21st December 2023

Report Title	Budget Update 2024-25 - following publication of the Provisional Local Government Financial Settlement
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1. Purpose of the Addendum

- 1.1 The purpose of this addendum to the main budget report is to update the Executive following the publication of the provisional Local Government Finance Settlement on 18th December 2023. The Settlement details the funding allocations for individual Councils following the Autumn Statement announced earlier this year.
- 1.2 This addendum sets out the revised financial position for North Northamptonshire Council arising from the Settlement and compares it to the assumptions within the draft budget report to be considered by Executive at its meeting on 21st December.
- 1.3 The Settlement details the funding allocations for one year only (2024-25).

2. Summary

- 2.1 The provisional Local Government Finance Settlement was published on 18th December 2023. Overall, there has been little change from the funding announced as part of the 2022 Autumn Statement which was re-affirmed in the 2023 Autumn Statement released earlier this year.
- 2.2 The Settlement represents a 6.5% (£4bn) increase nationally in Core Spending Power¹. Whilst this is helpful, the high levels of inflation and demand growth have resulted in significant pressures across Council Services which has

¹ The Core Spending Power is a measure of the resources available to local authorities to fund service delivery.

outstripped this increase and requires further savings to be found. The table below illustrates the average increase in Core Spending Power in 2024-25 across the classes of authorities.

Table 1: Core Spending Power by class of Authority

	Gov't funding increase (£M)	Gov't funding increase (%)	Council tax increase (£M)	Council tax increase (%)	CSP increase (£M)	CSP increase (%)
Inner London boroughs	162.0	6.99%	82.4	6.18%	244.3	6.69%
Outer London boroughs	149.6	6.52%	171.3	5.91%	320.9	6.18%
Metropolitan districts	474.3	6.94%	344.6	6.09%	818.9	6.55%
Unitary authorities	456.4	7.15%	575.9	6.13%	1,032.4	6.54%
Shire counties	411.2	7.89%	670.5	6.17%	1,081.7	6.73%
Shire districts	54.9	6.14%	59.1	4.17%	114.0	4.93%
Greater London Authority	75.4	5.02%	130.8	9.67%	206.2	7.22%
Combined fire authorities	28.1	5.87%	32.8	4.11%	60.9	4.77%
Metropolitan fire authorities	13.2	4.49%	10.5	4.06%	23.7	4.29%
England	1,825.1	6.96%	2,077.9	6.11%	3,903.0	6.48%

2.3 For North Northamptonshire Council its Core Spending Power rose from £1,923 per dwelling in 2023-24 to £2,049² per dwelling in 2024-25, an increase of around 6.55%. The national average for England increased by 6.48% from £2,364 in 2023-24 to £2,517² in 2024-25.

2.4 Approximately half of the growth in the Core Spending Power will come from local taxpayers through Council Tax increases. The maximum allowable increase in the “core” Band D equivalent Council Tax charge will be 2.99% in 2024-25, however, a small number of authorities in financial difficulty will be able to increase their Band D equivalent Council Tax by more than this. The council tax principles across all bodies for 2024-25 are set out below:

- **Core** principle of a maximum increase of 2.99% in Band D - This applies to unitary councils, county councils, London boroughs, and fire and rescue authorities.
- Continuation of the **adult social care precept**, allowing an additional 2% of Band D in 2024-25.
- **Greater London Authorities** will be able to increase their precept by a maximum of £20 in 2024-25
- **Shire District Councils** will be able to increase Band D by the higher of 1.99% or £5.
- **Police and Crime Commissioners** will be able to increase their precept by a maximum of £13 in 2024-25. The maximum increase in precept was £15 in 2023-24.

² Based on the movement shown in the provisional settlement core spending information tables 2024-25: [Core spending power table: provisional local government finance settlement 2024 to 2025 - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/statistics/core-spending-power-table-provisional-local-government-finance-settlement-2024-to-2025)

- There will be no council tax referendum thresholds for either the **mayoral combined authorities** or **town and parish councils**.
- 2.5 In his written statement to Parliament when announcing the Settlement, the Secretary of State highlighted that the Government continues to encourage local authorities to consider, where possible, the use of their reserves to maintain services in the face of service pressures.
- 2.6 Furthermore, the Government will be extending the flexibility to use capital receipts to fund revenue costs to March 2030. This is designed to support projects that reduce costs and improve efficiency. The Government will also engage with the sector to explore additional capital flexibility options to enable invest-to-save and transformation initiatives.
- 2.7 Where relevant, inflationary increases have been recognised based on the September 2023 CPI figure.
- 2.8 The assumptions also include the Chancellor's decision to exercise the new power to set the small and standard business rating multipliers separately in 2024-25.
- 2.9 The Government has also taken the opportunity to make changes to existing grants. Noticeably the Services grant, which has been reduced significantly and far higher than had been indicated to the sector.
- 2.10 In summary the key points from the Settlement announced on 18th December are:
- It is a one-year settlement for 2024-25.
 - The Business Rates funding levels and compensation for the freezing of the business rates multiplier have been set. However, the de-coupling of the business rates multiplier has provided further complication to this complex calculation. At present, in the absence of further information, it is assumed that the de-coupling will not have any further impact on the budget above that already assumed.
 - Revenue Support Grant (RSG) has been uplifted by CPI as expected.
 - Social Care Grant is £4.544bn nationally and includes the £3.852bn from 2023-24.
 - The ASC Market Sustainability and Improvement Fund (£1.050bn) includes £562m that authorities received in 2023-24 to support care costs, including a specific workforce fund introduced during 2023-24.
 - The Discharge Fund of £500m includes £300m that authorities received in 2023-24. This has been shown separately within the Core Spending Power and is to be distributed through the Better Care Fund.
 - All social care grants are distributed using the Adults Relative Needs Formula. The level of the grant equalised to recognise the varying capacity of Councils to raise funding from increasing the precept percentage is £160m, which is less than originally anticipated. Half of the equalisation has been funded from elsewhere within the Settlement.

- Services Grant is significantly lower than expected, reduced from £483m in 2023-24 to £77m in 2024-25 (a reduction of 84%). It was anticipated that this would be top sliced to fund the continued 3% funding guarantee for Councils. However, it is clear that some of this grant has been used elsewhere. The same basis of distribution for this grant has been used as in the previous year.
- The 3% Core Spending Power Funding Guarantee will cost £197m in 2024-25. North Northamptonshire will not receive any grant allocation as part of this guarantee.
- An additional year of New Homes Bonus (NHB) allocations worth £291m has been announced, however, no legacy payments will be attached to this. There is no indication about the future of NHB in 2025-26 and beyond.
- There is no change in the Rural Services Delivery Grant (RSDG) (£95m).
- Core Spending Power assumes that authorities apply the maximum increase in Band D Council Tax, and that taxbase rises in line with the four-year average for the authority.
- There are no indicative allocations for 2025-26 onwards.

2.11 Section 4 sets out further information on the settlement and the reasons for the movement.

2.12 Overall, the 2024-25 settlement represents a net adverse movement in the Council's funding assumptions of £0.748m against the draft budget proposals, mainly due to the significant reduction in funding nationally for the Services Grant. It is proposed that this gap is closed using the Council's Budget Smoothing Reserve, which was established to support the medium-term delivery of budget plans and this is included within the final budget proposals. However, it should be noted that officers will continue to explore options for further long-term savings to meet this cost.

2.13 The provisional Local Government Finance Settlement is now open for four-weeks consultation prior to the publication of the Final Local Government Finance Settlement around February 2024.

3. Recommendations

3.1 The Executive is asked to:

- a) Note the changes to the draft budget arising from the provisional Local Government Finance Settlement.
- b) Approve the use of the Budget Delivery Smoothing Reserve to meet the net shortfall in funding of £0.748m arising, predominantly, from a reduction to the Services Grant. Noting that further work will now be undertaken to look at options to meet this shortfall on a recurring basis.

3.2 Reasons for Recommendations: The recommendation is to meet the immediate shortfall in funding in full from the Budget Smoothing Reserve, in order to retain

the contingency at a higher level. This is in recognition of the risks that remain prior to the final settlement being published (around February 2024) and the final budget proposals.

3.3 Alternative Options Considered Other options considered were as set out in paragraph 5, namely:

- a) To meet the full amount of the shortfall in funding from the draft contingency budget, or
- b) To meet the shortfall from a combination of the contingency budget and the budget smoothing reserve, i.e. retain the contingency budget as in 2023-24, at £3.746m, releasing £355k to the General Fund with the balance of £393k being met from the smoothing reserve.

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

General Fund

4.1 The revised funding compared to the budget assumptions is set out in the table below. The movements leave a minor net budget requirement (shortfall) of £0.748m. It is proposed that this is met through a transfer from the smoothing reserve, as this earmarked reserve has been established to mitigate against fluctuations in medium term budget plan assumptions.

Table 2 - Revised Funding following the Local Government Finance Settlement (General Fund)

	2024-25 Budget Assumption £000	2024-25 Provisional Settlement £000	Change £000
Funding Streams:			
New Homes Bonus	(2,609)	(2,609)	0
Business Rates Funding Baseline	(110,525)	(110,525)	0
Business Rates Collection Fund	(2,764)	(2,764)	0
Council Tax	(201,599)	(201,599)	0
Council Tax Collection Fund	(1,986)	(1,986)	0
Revenue Support Grant	(6,120)	(6,120)	0
Social Care Grant	(21,175)	(21,212)	(37)
Social Care – Market Sustainability and Improvement Fund	(4,444)	(4,444)	0
Improved Better Care Fund	(11,523)	(11,523)	0
Adult Social Care Discharge Funding (Ring fenced)	(2,693)	(2,693)	0
Social Care Workforce Fund	(1,078)	(1,078)	0

	2024-25 Budget Assumption £000	2024-25 Provisional Settlement £000	Change £000
Services Grant	(1,146)	(361)	785
Rural Services Delivery Grant	(40)	(40)	0
Transfer to / (from) Reserves	(3,756)	(3,756)	0
Total Funding	(371,458)	(370,790)	748
Use of Resources:			
Service Budgets	371,458	371,458	0
Total Use of Resources	371,458	371,458	0
Net Budget Requirement	0	748	748

4.2 The key elements in the 2024-25 provisional settlement are set out in the following paragraphs.

4.3 **Business Rates Funding Baseline.** The business rates funding has been calculated on a weighted average multiplier due to the de-coupling of the small business and standard business rating multiplier. The cap compensation payments will be amended to take account of the two multipliers. The assumptions are in line with the original budget expectations.

4.4 **Council Tax.** The Government calculations assume that every authority will increase Band D council tax by the maximum amount allowable (core 2.99% (3% referendum limit) and 2% for ASC precept). The Government also assumes that the taxbase will increase for each authority in line with its average taxbase increase over prior years. North Northamptonshire Council is proposing to increase its Council Tax by 4.99% to help address price and demand pressures.

4.5 **Social Care Grant and Other Funding. NNC Allocation £21.212m (previously assumed as £21.175m).** As part of the Autumn Statement 2022 the Government indicated that the reforms of adult social care would be delayed, and this would enable the repurposing of the funding previously set aside for the reforms. The Autumn Statement 2023 reaffirmed the continuation of the funding for 2024-25 in line with the national growth assumptions. The grant has **increased marginally by £0.037m** against the draft budget proposals.

4.6 **Services Grant. NNC Allocation £0.361m (previously assumed as £1.146m).** There were indications that the Services Grant would reduce again this year and indeed the Council had reduced its forecast from the £2.296m received in 2023-24 to £1.146m, however the scale of the reduction from £483m nationally to £77m (a reduction of 84%) is more significant than many had predicted. This has had an **adverse impact of £0.785m** on the Council's available funding from that set out in the draft budget.

4.7 The remaining grants are in line with the draft budget proposals as set out below:

- a) New Homes Bonus (NHB) £2.609m.
- b) Revenue Support Grant £6.120m.
- c) Market Sustainability and Improvement Fund £4.444m.
- d) Improved Better Care Fund (IBCF) £11.523m.
- e) Adult Social Care Discharge Funding £2.693m.
- f) Social Care Workforce Funding £1.078m.
- g) Rural Services Delivery Grant £0.040m.

4.8 The **Public Health grant** is outside the Core Spending Power calculation for Councils. The indicative allocation for North Northamptonshire in 2024-25 is £18.906m (£18.659m in 2023-24). There will also be further investment in 2024-25 of £70m nationally to support local authority led efforts to stop smoking.

Dedicated Schools Grant (DSG)

4.9 The Dedicated Schools Grant (DSG) is a ringfenced grant that support schools, early years and other educational settings. Within the Council's budget report for Executive on 21st December, the indicative DSG allocation of £388.1m was included based on the position as at 31st October 2023. However, the Final DSG Settlement which was published on 19th December indicated an increase in funding in the main blocks for North Northamptonshire of £0.33m, taking into account the latest pupil numbers and any cross-boundary movements as well as the increase in funding promised by the Government in the Autumn 2023 statement.

4.10 The Indicative Early Years funding is based on the January 2023 census data and will be subject to change during 2024-25 to reflect January 2024 and January 2025 Early Years census. The final Early Years Block allocation will be based on the January 2025 census. The additional allocation of c£10.84m for the new entitlement of 15 hours of free childcare for eligible children aged two years and under is included in the Early Years Block DSG. Starting from April 2024 this applies to two-year-old children and from September 2024 for children aged between 9 months and two years old, but not including two-year-olds.

4.11 The table below sets out the changes to the DSG funding blocks.

Table 3 – DSG Allocation by Block

DSG Blocks	DSG Allocation 2023-24	Provisional Settlement 2024-25	Final Settlement 2024-25	Change Final 2024-25 from 2023-24	Change Final 2024-25 from Provisional
	£m	£m	£m	£m	£m
Schools Block	279.33	287.56	287.28	7.95	-0.28
Central School Services Block	3.28	3.08	3.08	-0.20	0.00

DSG Blocks	DSG Allocation 2023-24	Provisional Settlement 2024-25	Final Settlement 2024-25	Change Final 2024-25 from 2023-24	Change Final 2024-25 from Provisional
	£m	£m	£m	£m	£m
High Needs Block	57.92	60.57	60.98	3.06	0.41
Early Years Block	23.16	36.90	37.10	13.94	0.20
TOTAL	363.69	388.11	388.44	24.75	0.33

4.12 The latest allocations will be reflected in the final budget report produced in February.

5. Options for Meeting the Shortfall in Funding following the Settlement

5.1 The provisional Local Government Finance Settlement has resulted in a shortfall in the Council's General Fund budget of £0.748m as set out in table 2.

5.2 The immediate options available to meet the budget requirement are to:

- a) fund the full amount through a reserve, namely the Budget Delivery Smoothing Reserve which is set aside to smooth funding requirements across years, or
- b) meet the full amount from the contingency budget of £4.101m, or
- c) a combination of the two, i.e. retain the contingency budget level in line with 2023-24 at £3.746m, releasing £355k to the General Fund with the balance of £393k being met from the Budget Delivery Smoothing Reserve.

5.3 It is recommended that the shortfall is met in full from the Budget Delivery Smoothing Reserve, enabling the contingency to be protected at the higher level and in consideration of the final finance settlement and other possible changes prior to the final budget proposals. Please note that officers will be asked to seek further efficiencies to meet this gap in the longer term,

5.4 Funding the budget requirement through a contribution from reserves, will result in the following revised position and a balanced budget.

Table 4 – Updated Funding Statement and Net Budget Requirement Based on Settlement and Preferred Option

	2024-25 Budget £000	2024-25 Settlement £000	Change £000
Funding Streams:			
New Homes Bonus	(2,609)	(2,609)	0
Business Rates Funding Baseline	(110,525)	(110,525)	0
Business Rates Collection Fund	(2,764)	(2,764)	0

	2024-25 Budget £000	2024-25 Settlement £000	Change £000
Council Tax	(201,599)	(201,599)	0
Council Tax Collection Fund	(1,986)	(1,986)	0
Revenue Support Grant	(6,120)	(6,120)	0
Social Care Grant	(21,175)	(21,212)	(37)
Social Care – Market Sustainability and Improvement Fund	(4,444)	(4,444)	0
Improved Better Care Fund	(11,523)	(11,523)	0
Adult Social Care Discharge Funding (Ring fenced)	(2,693)	(2,693)	0
Social Care Workforce Fund	(1,078)	(1,078)	0
Services Grant	(1,146)	(361)	785
Rural Services Delivery Grant	(40)	(40)	0
Transfer to / (from) Reserves ^{note 1}	(3,756)	(4,504)	(748)
Dedicated Schools Grant ^{note 2}	(388,108)	(388,440)	(332)
Total Funding	(759,566)	(759,898)	(332)
Use of Resources:			
Service Budgets	371,458	371,458	0
Dedicated Schools Grant	388,108	388,440	332
Total Use of Resources	759,566	759,898	0
Net Budget Requirement	0	0	0

Note 1 – The funding now recognises that the shortfall of £0.748m against the draft budget identified in Table 2 has been funded through a contribution from the Council's Budget Delivery Smoothing Reserve. All other areas remain in line with Table 2.

Note 2 – This recognises the increase in funding and expenditure of £0.332m in relation to the Dedicated Schools Grant Settlement as shown in Table 3.

5.5 The final budget report will be presented to both Executive and Council in February 2024.