

## EXECUTIVE 8<sup>th</sup> February 2024

<b>Report Title</b>	<b>Budget 2024-25 and Medium-Term Financial Plan</b>
<b>Report Author</b>	Janice Gotts, Executive Director of Finance and Performance
<b>Lead Member</b>	Councillor Lloyd Bunday, Executive Member for Finance and Transformation

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

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### **1. Purpose of Report**

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- 1.1 This report sets out the final revenue budget for 2024-25 and the Medium-Term Financial Plan for North Northamptonshire Council. The draft budget proposals were considered by the Executive on 21<sup>st</sup> December 2023 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 18<sup>th</sup> December 2023, following a written statement from the Secretary of State of Levelling Up, Housing and Communities.

- 1.2 Further to the Provisional Financial Settlement on 18<sup>th</sup> December 2023, the Secretary of State announced a further c£600m of funding for Local Government to increase support for Social Care (£500m), increase the Rural Services Delivery Grant (£15m) and improve the Core Spending Power protection from 3% to 4% (£87m) alongside other smaller funding changes. The impact on North Northamptonshire Council of these recent changes is reflected in this report.
- 1.3 The budget consultation period for the draft budget commenced on 21<sup>st</sup> December 2023 and ended on 26<sup>th</sup> January 2024. The draft budgets have also been subject to scrutiny by the Corporate 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.
- 1.4 This report builds on the draft budget report and reiterates the key points from that report to ensure that this is a complete document when setting out the revenue budget for 2024-25 and the Medium-Term Financial Plan for North Northamptonshire Council, including the proposed Council Tax level for 2024-25.
- 1.5 The Revenue Budget 2024-25 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 2024-25, the Capital Strategy, Capital Programme 2024-25 to 2027-28 and the Treasury Management Strategy. These reports when taken together will provide a framework for the Council's financial planning for 2024-25 and into the medium term. The aforementioned suite of budget reports, including the Council Tax Resolution will be considered by Council on 22<sup>nd</sup> February 2024.

## **2. Executive Summary**

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- 2.1 The report presents the final draft of the Revenue Budget and Medium-Term Financial Plan for North Northamptonshire Council prior to its submission to Council at its meeting on 22<sup>nd</sup> February 2024. The report includes the outcomes of the budget consultation undertaken between 21<sup>st</sup> December 2023 to 26<sup>th</sup> January 2024 and builds on the draft budget proposals taken to Executive on 21<sup>st</sup> December 2023 together with the changes in the Addendum to the budget reports also presented to that meeting.
- 2.2 Since the draft budget was presented the budget assumptions have continued to be reviewed in line with the latest monitoring position and other changes. This has resulted in a net budget increase of £3.875m consisting of an additional pressure of £4.096m for Adult Social Care Services, which has been partially offset by £221k relating to a change in the income forecast for Garden Waste based on the proposed charge. The main areas of spend driving the increase in Adult Services relates to independent care provision including residential and nursing care for individuals aged 18-64 years old and those aged 65 years and

over. The service has seen a significant and persistent increase in service demand during 2023-24 as well as higher costs, often due to acuity of need.

- 2.3 The 2024-25 Adult Social Care draft budget presented to the December Executive had been based on the numbers available at the time and the assumption that the increase in demand had peaked. It also had a number of planned mitigations built in that were intended to reduce the ongoing pressure from the independent care budgets. These assumptions have continued to be reviewed and following the Period 8 forecast outturn position for 2023-24 it has been necessary to revise the forecast into 2024-25 and also to identify options to offset this position.
- 2.4 Therefore, the draft budget assumptions have been reviewed and revised to reflect an updated demographic and inflationary position, which has required further growth of £9.205m. This has been partially offset by additional management actions of £5.109m reducing the cost pressure to £4.096m for Adult Social Care. Taken together with an increase in fees and charges income for Garden Waste of £0.221m, this has resulted in a net pressure of £3.875m to be met.
- 2.5 This table below summarises the remaining net pressure and associated funding:

<b>Changes in Budget</b>	<b>2024/25 £m</b>
Increased net pressure in Adult Social Care	4.096
Increase in Fees and Charges	(0.221)
<b>Change in Net Budget</b>	<b>3.875</b>
Funded By:	
Forecast additional Adult Social Care Grant (additional funding announcement on 24 <sup>th</sup> January)	2.629
Adult Social Care Reserve	1.467
Additional Rural Services Delivery Grant	0.006
Smoothing Reserve movement	(0.227)
<b>Change in Funding</b>	<b>3.875</b>

- 2.6 The Local Government Provisional Finance Settlement published on 18<sup>th</sup> December 2023 was a one-year settlement only. It assumed an increase of 6.5% 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. The additional funding announced on 24<sup>th</sup> January of £600m has further increased the average Core Spending Power for Local Authorities to 7.5%.

- 2.7 Whilst the funding provided within the Settlement and subsequent grant 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 and the necessary use of reserves will enable a balanced budget to be set for 2024-25 as well as supporting the medium-term position where relevant.
- 2.8 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 represents a Band D level of Council Tax for North Northamptonshire Council of £1,740.22 in 2024-25 an increase of £82.71 equivalent to £1.59 per week from 2023-24. The majority of properties in North Northamptonshire are in Bands A and B which would see an increase of £55.14 a year (£1.06 per week) and £64.33 per year (£1.24 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.
- 2.9 The Final Settlement is expected to be laid before Parliament, for approval, in early February.
- 2.10 The Council's Medium-Term Financial Plan has been updated to reflect the 2023-24 budget position and latest forecasts which will impact in future years as well as further expected changes from 2024-25.
- 2.11 The 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 1<sup>st</sup> 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.
  - **Developing safe and thriving places** – enabling a thriving and successful economy that shapes great places to live, learn, work and visit.
  - **Creating a green, sustainable environment** – taking a lead on improving the green environment, making the area more sustainable for generations to come.
  - **Building connected communities** – ensuring communities are connected with one another so they are able to shape their lives and areas where they live.

- **Developing modern public services** – proving efficient, effective and affordable services that make a real difference to all our local communities.
- 2.12 The budget is set in the context of continuing uncertainty around the economic picture for the Country as a whole. Increasing demands and higher than forecast inflation has resulted in significant changes to the Council’s Medium-Term Financial Plan compared to the position modelled just less than a year ago.
- 2.13 North Northamptonshire Council is a comparatively new Authority. It commenced operations on 1<sup>st</sup> April 2021 following the Local Government Reorganisation (LGR) programme in Northamptonshire. LGR committed to deliver significant savings of £85.9m; some of which were to be achieved across the County Council and District and Borough Councils prior to vesting day with the remainder to be realised once the two new unitary councils were in place.
- 2.14 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.
- 2.15 When the two new Unitary Councils were formed the remaining savings to be delivered were the responsibility of each Council. This included savings such as the reduction in senior staff costs following the amalgamation of the Councils and the rapid response service in Adult Social Care amongst others.
- 2.16 Inevitably some of the remaining savings were more challenging and subsequently a number were considered as no longer achievable, however, other savings have been identified. To date since 2021-22 and including the savings proposed for 2024-25, the Council has targeted further efficiencies and cost reductions of over £60m.
- 2.17 The past couple of years has seen unprecedented financial challenges predominantly through external factors such as the longer-term impact of the pandemic on resident needs and sustained high inflation. The medium-term financial position remains very challenging, and the Council must continue to develop and deliver further transformation programmes to help create a strong and modern Council delivering quality, cost effective services for the benefit of its residents.
- 2.18 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 assumptions based on the announcements in the Autumn Budget 2023 which was presented to Parliament on 22<sup>nd</sup> November 2023, alongside the subsequent Finance Policy Statement issued on 5<sup>th</sup> December. These documents set out 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 18<sup>th</sup> December 2023. At the time of writing the Final Settlement had yet to be published.

- 2.19 The report also includes a summary of the financial position for the Dedicated Schools Grant (DSG). The DSG is a ring-fenced grant from Government to support education related services. The allocation is driven by a number of factors, but predominantly relates to pupil numbers. For 2024-25 the indicative settlement is £388.4m covering the schools block, high needs block, early years block and the central schools' services block. Councils across the country are generally seeing significant pressures within services funded through the High Needs Block, which supports children and young people with Special Educational Needs and Disabilities from 0 to 24 years of age.
- 2.20 The full details of the Council's revenue budget and 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.

### **2024-25 Budget Approach and Headlines**

- 2.21 The main headline assumptions within the draft budget proposals are:
- A balanced general fund budget for 2024-25, with funding supporting net spend requirements of £375.3m (excluding the DSG).
  - Further investment of circa £62.6m to both protect vital services and invest in service change and improvement. This allows for demand and cost increases in services, most notably investment in Adult Social Care (£28.7m) and Children's Services (£15.1m).
  - Cost pressures and service investment are, in part, offset by savings, efficiencies and income generation of £23.8m, this includes the continuation of savings already included as part of the 2024-25 medium term financial plan and which remain deliverable, with the remainder being met through improved business rates income, council tax income and Government grants.
  - An investment in Social Care which recognises a 9.8% increase in the National Living Wage from 1 April 2024 to £11.44 per hour.
  - An increase in Council Tax 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 £1,740.22, an average weekly increase of £1.59 (based on Band D equivalent).
  - No change to the Local Council Tax Support Scheme which will continue at 25%.
  - Inclusion of a contingency to mitigate against unforeseen cost pressures totalling £4.1m. This is equivalent to over 1% of the Council's net budget and recognises the risks posed by the wider economy and rising demand.
  - The use and retention of reserves to support investment in service improvement, fund time limited projects, pump-prime schemes and help manage risk and associated cost pressures both in-year and across years.
  - Officers will continue to seek efficiencies in order to help address the budget requirement from 2025-26 and into future years.

- A DSG settlement of £388.4m – see also Appendix C for further detail.
- 2.22 **Appendix A** sets out a summary position for 2024-25 and the indicative forecast for 2025-26 to 2027-28.
- 2.23 Work has been undertaken to review underlying pressures across services and seek mitigating actions around future forecast increases in service need. The content of the report, along with the detail in **Appendix B**, outlines the pressures and savings for each of the Directorates. The budget proposals have been scrutinised by the Corporate Scrutiny Committee in accordance with the budget strategy paper that was presented to Executive on 16<sup>th</sup> November 2023.
- 2.24 As part of the 2024-25 Budget setting process a number of budget challenge sessions were held to help inform the budget process. These consisted of senior officers and Executive Members with the objectives set out below:
- 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 2024-25 and identify any efficiencies to offset against these.
  - To review the existing MTFP for 2024-25 onwards – pressures and savings and the ability of services to achieve these for inclusion in the budget.
  - To utilise the information gathered to date during 2023-24 monitoring to inform the budget planning for 2024-25.
  - To understand the planned service developments, alongside the associated costs/benefits and timing. This will include the continuing disaggregation of services between North and West Northamptonshire Council, as well as service change.
- 2.25 The outcome was to achieve an agreed way forward on the service proposals for 2024-25 and beyond for consideration as part of the Medium-Term Financial Plan and this forms the basis of the contents of this report.
- 2.26 The position is reviewed in advance of the final budget proposals to ensure that the budget proposals represent the best forecast available for the coming years based on the information available at the time.

### Funding Context

### Government Grants

- 2.27 The Chancellor announced the Autumn Statement in Parliament on 22<sup>nd</sup> November 2023. The Statement reaffirmed the Government's previous commitments to the sector.

2.28 This reaffirmation of funding includes the following to deliver core services in 2024-25:

- Up to £1.2bn in further flexibility for councils on council tax.
- £1.9bn from delaying the rollout of adult social care charging reform from October 2023 to October 2025 enabling the grant set aside for this to be re-purposed.
- £1.2bn in new grant funding for adult social care with the Local Government funding limits which includes a 50% share (£0.5bn) of the £1.0bn allocated through BCF for discharge with the remainder going to Health, together with £0.7bn which will be distributed through a grant ringfenced for adult social care which will also support discharge.

2.29 During 2023-24 £0.205bn in new grant funding for social care workforce support was announced outside the Autumn Statement 2022 which will be distributed through a grant ringfenced for adult social care as part of the Market Sustainability and Improvement Fund.

2.30 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, totalling -£0.2bn for 2024-25.

2.31 On 24<sup>th</sup> January further one-off funding of £600m was announced to support the ongoing challenges faced by Local Government, in particular £500m to support service needs within Social Care.

2.32 The overall movements of £4.9bn can be summarised in the table below:

<b>Changes in Funding for Core Services</b>	<b>2024/25 £bn</b>
Change to Council Tax Assumptions	1.2
Re-purposed adult social care funding	1.9
New adult social funding included in the Local Government Department Expenditure Limit (LGDEL)	1.2
Workforce Fund	0.2
Removal of National Insurance Contribution Requirements (at 1.25% of NI)	-0.2
Additional Funding Announcement 24 <sup>th</sup> January 2024 <i>(includes £0.5bn for Social Care)</i>	0.6
<b>TOTAL</b>	<b>4.9</b>

2.33 Overall, whilst the additional funding Local Government is welcomed, it is acknowledged that some of it came with further spend expectations and will not be available to underwrite existing and growing spend pressures. Inflation is also higher than originally envisaged as part of the previous funding



announcements and therefore this too has eaten into the capacity available to councils.

## Business Rates

- 2.34 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 of the baseline continue to be delayed. The Council's MTFP forecasts have been updated and now assume no funding reform changes until 2026-27.
- 2.35 The Government has, this year, decoupled the Business Rates (BR) multiplier for small business rates and standard business rates. The small business rates (BR) multiplier will be frozen, and the standard multiplier will be fully indexed for 2024-25. The cost of freezing the small BR multiplier for 2024-25 is £350m compared to £1.8bn in 2023-24. De-coupling the multipliers has allowed the Chancellor to preserve about 80% of the revenues from indexing the multiplier.
- 2.36 The standard multiplier will increase from 51.2p in 2023-24 to 54.6p in 2024-25 based on the September 2023 CPI.
- 2.37 This will impact the cap compensation, starting in 2024-25, separate under-indexation factors (UIFs) will be used, which will reduce the cap compensation that is paid. It is not yet been confirmed how the new arrangements will work and there will be amendments required to Council systems.
- 2.38 Councils have been asked to split their business rates income in the NNDR<sup>1</sup> 2024-25, but it is not clear how the two UIFs will be applied to the Base Funding Level (BFL) and therefore how the cap compensation will be calculated for the Council's top-ups and tariffs. This creates a risk within the modelling for the MTFP for the cap compensation element of business rates funding until the provisional settlement is received.
- 2.39 The assumption shown in the MTFP is that this will have no financial impact, however, high-growth council's, such as North Northamptonshire will be subject to a levy on the increased business rates income arising from indexing the standard multiplier.
- 2.40 The Government will support continued Retail, Hospitality and Leisure relief for eligible properties in 2024-25 and there will be a Supporting Small Business scheme to cap increases for businesses that lose other relief due to the revaluation.
- 2.41 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

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<sup>1</sup> The NNDR1 is a return from all Councils to Government setting out the forecast business rates position for the year.

business rates measures and will receive new burdens funding for administrative and IT related costs.

### Council Tax

- 2.42 For 2024-25, the Government has proposed 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 Power<sup>2</sup> for Local Authorities.
- 2.43 To help maintain and protect levels of service provision it is proposed that the Council will consult on 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 2024-25. This would contribute around £9.6m per annum towards service priorities and would represent a Band D level of Council Tax for North Northamptonshire Council of £1,740.22 which is an increase of £82.71 (equivalent to £1.59 per week) from the Band D Council Tax level of £1,657.51 in 2023-24. This Band D figure does not include the Council Tax for individual Town and Parish Councils or the Council Tax set for Fire and Police by the Northamptonshire Police, Fire and Crime Commissioner.
- 2.44 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 neighbourhoods and communities; this is particularly important when there is such significant uncertainty regarding the funding and pressures for local government services in future years.

### The Overall Position 2024-25 and beyond

- 2.45 The Council initially had a forecast funding gap of £17.1m for 2024-25. Having incorporated forecast changes arising from the announcements made as part of the Finance Settlement, applying a Council Tax increase of 4.99% (including 2% for Adult Social Care) and revising the budget assumptions for 2024-25 including a number of new spend pressures and savings based on the latest assumptions, the Council is proposing a balanced budget for 2024-25.
- 2.46 Whilst the proposed budget is balanced for 2024-25 including the use of reserves as referenced within the report, significant pressures remain in the medium term, most notably due to inbuilt inflationary increases, continuing demand and the assumed changes to Local Government funding following a business rates reset. The reset is now expected in 2026-27 and will see the

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<sup>2</sup> 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.

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 using dedicated transformation resources to identify and deliver the changes required, including bringing services together in to more efficient and effective operating models. This will help contribute towards the financial position 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.
- 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 The position will be closely monitored and reviewed throughout the year with actions taken as necessary when pressures and risks arise. As always, 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**

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- 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 2024-25 revenue budget for approval and adoption as set out in this report, which sets:
    - i. a budget requirement of £763.773m including Dedicated Schools Grant of £388.440m resulting in a net revenue budget requirement of £375.333m as set out in **Appendix A**.
    - ii. a total Council Tax requirement for the Council's own purposes of £201.599m as contained in paragraph 5.25.
    - iii. An average Band D Council Tax of £1,740.22 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 Council.
    - iv. the detailed proposals of savings, pressures and income generation for 2024-25 as set out within the report and **Appendix B**.

- v. the provisional Dedicated Schools Grant budget of £388.440m for 2024-25, as detailed in **Appendix C**, and summarised in paragraphs 5.42 – 5.56.
- vi. the draft planned use of, contribution to, and movement in, reserves as identified in paragraph 5.57, section 9 and **Appendix D** of this report, subject to the final call on reserves as a result of the Final Financial Settlement or other changes.
- vii. the corporate budget requirements as set out in paragraph 8.1, including a contingency sum of £4.101m as set out in paragraph 8.2.
- viii. the Treasury Management Strategy for 2024-25 as set out in **Appendix H**, including the Authorised Borrowing Limit of £907m and to note a further update to the Strategy will be provided once the disaggregation of the former Northamptonshire County Council's Balance Sheet has been finalised.
- ix. the recommended Flexible Use of Capital Receipts Strategy as set out in Section 10 and **Appendix J**.
- 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 any necessary variations to the budget prior to 1st April 2024.
- xi. 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 2024-25.
  - Transformation Reserve
  - Public Health Reserve
  - Waste Management Reserve
  - Adult Social Care Reserve
  - Budget Delivery Reserve
  - Business Rates Retention Reserve
  - General Risk Reserve
- b) the forecast financial position for 2025-26 to 2027-28, noting that this will be reviewed as further information becomes available and updated as part of the budget process for 2025-26 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 18th December 2023 together with any further announcements and updates to the forecast budget position as at the date of the publication of this report;

- b) notes the net movement of £3.875m in 2024-25, together with the associated funding, against the draft budget reported to December Executive and as summarised in paragraph 2.5, noting that any impact in the medium term has been reflected in the table under paragraph 5.1;
  - c) notes that, at the time of writing, the Final Local Government Finance Settlement is yet to be published and, therefore, some figures may be subject to change;
  - d) considers the consultation feedback as summarised in the report and attached at **Appendix E**;
  - e) considers the Equality Impact Screening Assessment as at **Appendix F**;
  - f) considers the outcome from the Corporate Scrutiny Committee, as detailed at **Appendix G** and any separate representations to this Committee;
  - g) notes the legal background for setting the revenue budget and Council Tax as set out in **Appendix I**.
  - h) 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;
  - i) 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 for Adults, Health Partnerships and Housing (and Children's Services – Interim) 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;
  - j) 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;
- 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 2024-25.
- 3.4 Alternative Options Considered – The budgets have been subject to a formal budget consultation and scrutiny and the feedback has been considered as part of this process.

## 4. Report Background

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- 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 **Dedicated School Grants (DSG)** focuses on the funding for schools and early years settings as well as other specific education related costs (and is included as part of the General Fund report).
  - The **Housing Revenue Account (HRA)** includes all revenue expenditure and income on activities related to the Council being a housing landlord.
  - 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 2024-25 and into the medium-term. Reports containing full details of the proposed 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 2024-25 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 27<sup>th</sup> 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 resulting in both high inflation and high interest rates which have impacted heavily on all sectors and seen a cost-of-living crisis for many.
- 4.5 In January 2023, the Prime Minister set out three economic priorities which were to reduce inflation, grow the economy and reduce debt.
- 4.6 In December 2023 the Consumer Price Index (CPI) was 4%, compared to a peak of 11% last Autumn. Data from the Office for Budget Responsibility (OBR) has indicated that the Government policies from the Autumn Statement will reduce inflation next year.

- 4.7 The independent Monetary Policy Committee (MPC) of the Bank of England has responded to high inflation by tightening monetary policy, including raising the Bank Interest Rate, currently set at 5.25% (from 0.1% in December 2021), this is due to be reviewed at the next MPC on 1<sup>st</sup> February 2024. There has been a global increase in interest rates to bring inflation down and this has impacted on growth in the UK and other advanced economies. Government debt costs arising from interest charges has also increased as a result.
- 4.8 The economy is predicted to grow in each year of the forecast period and underlying debt is forecast to fall as a proportion of the Country's Gross Domestic Product (GDP) from 2027-28.
- 4.9 It is forecast that the policies within the Autumn Statement will increase the economy's potential output by 0.3% in the medium-term, which is in addition to the 0.2% increase to the potential GDP from announcements in the Spring Budget 2023. However, whilst GDP growth is higher than originally thought it has slowed in the second half of 2023 as higher interest rates contributed to a fall in household consumption.
- 4.10 The OBR's forecast shows that, compared to Spring Budget 2023, borrowing is lower this year and next, as well as on average across the forecast period, and debt as a proportion of GDP is lower every year.
- 4.11 Further the OBR estimates that government decisions at the Autumn Statement will boost business investment by £14 billion and bring a further 78,000 people into employment by the end of the forecast period.
- 4.12 In the labour market, indicators suggest that recruitment difficulties as a whole have eased since the Spring with vacancies falling across most sectors of the economy and the number of unemployed people per vacancy rising. This is expected to lead to slower wage growth over time. Wage growth remains elevated at 7.9% in Q3 of 2023, however, the high nominal wage growth has boosted tax receipts.
- 4.13 The Government has stated that it remains committed to tackling low pay and will increase the National Living Wage from 1 April 2024 by 9.8% to £11.44 an hour with the age threshold lowered from 23 to 21 years old. This is in line with the target for the National Living Wage to reach two-thirds of median earnings. In the main, for the Council, this will impact on staff employed by third party care providers who are likely to pass on such costs back to the Authority through increased fee requests. More widely the Government is providing direct support to encourage individuals in to work.
- 4.14 Full details of the Autumn Statement announced by the Chancellor are available using the link below<sup>3</sup>. The paragraphs which follow set out the main points, focussing on those which may affect local government. It should be noted that

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<sup>3</sup> Autumn Statement 2023

[https://assets.publishing.service.gov.uk/media/655dbc3d544aea000dfb322d/E02982473\\_Autumn\\_Statement\\_No\\_v\\_23\\_BOOK\\_PRINT.pdf](https://assets.publishing.service.gov.uk/media/655dbc3d544aea000dfb322d/E02982473_Autumn_Statement_No_v_23_BOOK_PRINT.pdf)

the individual allocations to each council were confirmed as part of the Provisional Local Government Finance Settlement which was published on the 18<sup>th</sup> December 2023 and the budget proposals are based on that settlement.

- 4.15 Full details of the Provisional Local Government Finance Settlement 2024-25 are available using the link below:

[Provisional local government finance settlement: England, 2024 to 2025 - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/provisional-local-government-finance-settlement-england-2024-to-2025)

### **Local Government Finance Announcements with the Autumn Statement 2023**

- 4.16 Prior to the Local Government Finance Settlement being issued in December 2023, the Chancellor announced the Autumn Statement on 21<sup>st</sup> November 2023 which contained details of the national spend priorities and economic forecasts.
- 4.17 There are a number of changes proposed in the Autumn Statement, however, the paragraphs in this report focus predominantly on those that will have a direct impact on the Local Government sector and these details are set out in the following paragraphs.
- 4.18 It has been widely reported that the financial pressures on Local Authorities have been growing, particularly in demand led services such as Social Care, and an increasing number of councils have issued, or are considering issuing, S114 Notices<sup>4</sup>. Whilst the Autumn Statement reaffirms the overall commitments to Local Government made last year for 2024-25, it does not provide additional funding to the sector to support the further costs witnessed as a result of an increasing population, demand growth and high inflation.
- 4.19 Local Government can play a key role in job creation, building new affordable homes, addressing the skills gap, unlocking the labour market and creating physical and community infrastructure but it needs the right powers and adequate long-term funding in order to facilitate effective planning and investment.

#### *Fiscal measures*

- 4.20 No further funding increases for local government beyond those that had been previously announced. Additional funding for the NHS and adult social care announced in the Autumn Statement 2022 has been “reaffirmed”.
- 4.21 Government Departmental Expenditure Limit (DEL) budgets will increase by 1.0% in real terms over the medium term, which implies a real-terms cut for unprotected services, such as local government, as inflation is forecast to exceed this.

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<sup>4</sup> A council’s chief financial officer has a statutory duty to issue a Section 114 (S114) notice if they believe the council will be unable to meet its expenditure commitments from its income. The chief financial officer does not need councillors’ consent to issue this notice.



- 4.22 The Chancellor is seeking to improve productivity in the public sector (by 0.5% per year) and to reduce the size of the civil service (returning it to its pre-pandemic levels). He would like to see a “more productive state not a larger state”.
- 4.23 Capital spending will follow the cash profile agreed at Spring Budget 2023, with any new commitments funded in addition to this, including further support for levelling up programmes and business access to finance.
- 4.24 Following consultation, the Government has confirmed that guidance for the Local Government Pension Scheme (LGPS) in England and Wales will be revised to implement a 10% allocation ambition for investments in private equity, which is estimated to unblock £30 billion. The Government is also establishing a March 2025 deadline for the accelerated consolidation of LGPS assets into pools and setting a direction towards fewer pools exceeding £50 billion of assets under management.
- 4.25 The Investment Zones Programme in England will be extended from 5 to 10 years. Investment Zones will be provided with a £160m envelope from 2024-25 to 2033-34 which can be used between spending and tax incentives, subject to ongoing co-design of proposals and agreement of delivery plans. Investment Zones have been announced for Greater Manchester, West Midlands (focusing on Birmingham, Wolverhampton, and Coventry) and East Midlands (Nottinghamshire, Derby and Derbyshire). The Government is also creating a £150m Investment Opportunity Fund over five years to support Investment Zones and Freeports across the UK.
- 4.26 The National Minimum Wage will increase to £11.44 per hour from 1<sup>st</sup> April 2024. An increase of 9.8% on the previous level of £10.42.
- 4.27 The Government will commit to funding for Growth Hubs in 2024-25 delivering local business advice and support.
- 4.28 A funding simplification doctrine will come into force from January 2024, to simplify the “local government funding landscape, giving councils greater flexibility and freeing up resources for delivery”. Streamlining the list of local funding pots and reducing the need for funding competitions.
- 4.29 The Department for Levelling Up, Housing and Communities (DLUHC) will work with the UK Infrastructure Bank, the British Business Bank, Homes England and other departments to consider – with local and private sector partners – how to support levelling up through improving access to finance. The group will report to Ministers by the Spring.

#### *Supporting vulnerable people*

- 4.30 Local Housing Allowance (LHA) rates will be raised to the 30% percentile of local market rents from April 2024. This is seen as a positive step in increasing the security of housing, reducing homelessness, and supporting the most

vulnerable people. It is estimated that, nationally, 1.6 million low-income households will be better off, gaining £800 on average in 2024-25.

### *Devolution*

- 4.31 Four new devolution deals have been agreed. Mayoral deals (Level 3) with Greater Lincolnshire and Hull and East Yorkshire, and non-mayoral deals (Level 2) with Lancashire and Cornwall.
- 4.32 An 'intention' to expand Level 2 devolution to eligible councils across England that represent a whole county or functional economic area 'where there is local consent to such arrangements'.
- 4.33 Combined, these new deals, and the extended Level 2 offer, could increase the proportion of people in England included within devolved powers to over two-thirds.
- 4.34 A new 'Level 4' of the devolution framework. Devolved institutions with a directly elected leader that meet eligibility requirements will be able to draw down from this framework, which delivers deeper powers alongside new scrutiny expectations. The powers include new levers over local transport.

### *Investing in housing supply*

- 4.35 £5m will be made available for the Planning Skills Delivery Fund to target planning application backlogs.
- 4.36 A Local Nutrient Mitigation Fund of £110m will be available to support planning authorities to deliver high quality schemes to offset nutrient pollution, unlocking planning permissions that are otherwise stalled.
- 4.37 The Government will expand the existing £3 billion Affordable Homes Guarantee Scheme by a further £3 billion to support housing associations to access cheaper loans for quality and energy efficiency works as well as new homes.
- 4.38 The Housing Revenue Account borrowing discount rate will be extended. Nationally this equates to a £5m extension to June 2025 of the Public Works Loan Board policy margin announced in the Spring Budget 2023. This supports local authorities' investment into social housing through access to reduced borrowing rates.
- 4.39 There will be a third round of the Local Authority Housing Fund (LAHF) and £450 million has been set aside to deliver 2,400 new housing units to house Afghan refugees and ease wider housing and homelessness pressures. This will bring the total amount spent of the LAHF nationally to over £1.2 billion.
- 4.40 The "thank you" payments for homes for Ukraine and homelessness prevention will be extended into a third year for Homes for Ukraine sponsors across the

UK. The payments will remain at £500 per month and reflect the ongoing generosity of hosts in supporting those who have fled the war.

- 4.41 A consultation on a new Permitted Development Right for subdividing houses into two flats without changing the façade will take place and will be implemented in 2024 following consultation early in the New Year.

*Infrastructure, planning and regulation.*

- 4.42 The government has published its response to the National Infrastructure Commitments and infrastructure planning reforms, with measures to return consent times to two and a half years on average, is designating low carbon infrastructure as a critical national priority in updated Energy National Policy Statements, and will consult on amending the National Planning Policy Framework to ensure that the planning system prioritises the rollout of electric vehicle charging infrastructure, including EV charging hubs, and also introduce new permitted development rights to end the blanket restriction on heat pumps one metre from a property boundary in England.
- 4.43 DLUHC will bring forward plans for authorities to offer guaranteed accelerated decision dates for major developments in England in exchange for a fee, ensuring refunds are given where deadlines are not met and limiting use of extension of time agreements.
- 4.44 The Statement references support for substantial commercial development, incentivising greater use of Local Development Orders to ensure key commercial developments are approved faster.
- 4.45 The Government is consulting on proposals to strengthen the regulation of the energy, water and telecoms sectors, focussing on encouraging investment and growth.

**Business Rates**

- 4.46 The Chancellor also announced a range of business rates measures in his Autumn Statement and for 2024-25 this includes:
- The small business rates multiplier in England will be frozen for a fourth consecutive year at 49.9p, while the standard multiplier will be updated by the September CPI to 54.6p. This decoupling of the multipliers between small and standard business rates is a change from previous years. At this point it is assumed that the financial impact on each Council of decoupling the multipliers is neutral, however, the detail of the calculations is awaited from Government.
  - The current 75% business rates relief for eligible retail, hospitality and leisure businesses is being extended for 2024-25, a tax cut worth £2.4

billion. Eligible businesses will be able to receive support up to a cash cap of £110,000 per business.

- Councils will be fully compensated for the loss of income as a result of these business rate measures and will receive new burdens funding for administrative and IT costs.
- More widely the Chancellor has agreed the detailed terms on the long-term business rates retention arrangements for Greater Manchester and West Midlands Combined Authorities, delivering on the commitment of the trailblazer deals announced at Spring Budget 2023, and these will commence from April 2024.

### **Council Tax**

- 4.47 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% in Council Tax without triggering a referendum.

### **Other Items of Note**

- 4.48 The Household Support Fund (HSF) which has been in operation since October 2021 is currently expected to end on 31<sup>st</sup> March 2024. Whilst confirmation is still awaited, services and organisations should plan for its potential cessation. The HSF has been used to help households with the cost of essentials as well as the free school meal vouchers for eligible children during the school holidays.
- 4.49 It has been confirmed previously that the introduction of the Extended Producer Responsibility for packaging (EPR) scheme which will have an impact on both local authority revenues and potentially costs has been delayed and will now be introduced in October 2025 (previously October 2024).

### **Local Government Provisional Finance Settlement**

- 4.50 The Government issued a Local Government Provisional Finance Settlement on 18<sup>th</sup> December and contains allocations in relation to grant funding on the financial picture for the sector following the publication of the Autumn Statement in November and subsequent Policy Statement.
- 4.51 The Settlement confirmed that the Government has protected the funding position of councils as far as possible through a Funding Guarantee to ensure that all authorities will see at least a 3% increase in their Core Spending Power before organisational efficiencies, use of reserves, and revised council tax levels. For North Northamptonshire, that are above this threshold it resulted in a further reduction in the Services Grant which has been used to support this mean a further reduction in other grants, most likely the Services Grant. For North Northamptonshire, that are above this threshold it resulted in a further reduction in the Services Grant which has been used to support the

protection. For North Northamptonshire, that is above this threshold it resulted in a further reduction in the Services Grant which has been used to support the Core Spending Power protection.

4.52 The proposed package of referendum principles across those bodies that can set a Council Tax or levy a precept on the Council Tax was confirmed within the Statement. For North Northamptonshire the relevant bodies are listed below:

- a core council tax referendum limit for local authorities of up to 3%;
- an adult social care precept of 2% for all authorities responsible for adult social care services;
- a council tax referendum principle of £13 for police authorities;
- the core council tax principle of up to 3% will apply to fire and rescue authorities; and
- no council tax referendum principles for mayoral combined authorities or town and parish councils, but the government will review the decisions taken by these authorities when considering referendum principles in future years.

4.53 Overall, the Council's budget assumptions are in line with the Provisional Finance Settlement and subsequent announcements. The final funding allocations will be included within the Final Finance Settlement which is expected in early February and had not been received at the time of writing this report. Any changes from the Final Finance Settlement, if it is received in time, will be included within the report to February Council.

4.54 Other key messages are:

- All current enhanced business rates retention areas will continue for 2024 to 2025. During this time the government will continue to review the role of such arrangements as a source of income for areas and its impact on local economic growth, and as part of deeper devolution commitments as set out in the Levelling Up White Paper.
- The continuation of Business Rates Pooling for 2024-25
- Authorities are asked to continue to consider how they can use their reserves to maintain services over this and the next financial year, recognising that not all reserves can be reallocated, and that the ability to meet spending pressures from reserves will vary between authorities.
- The government continues to explore ways to move councils away from establishing 'four-day working week' practices, as the Government does not believe that they represent good value for taxpayers' money. In the meantime, the Government has stated that those councils operating or considering a four-day working week pattern should stop.
- The Statutory Override for the Dedicated Schools Grant will continue until 31<sup>st</sup> March 2026.
- Where possible, councils should invest in areas that help place children's social care services on a sustainable financial footing. This includes investment in expanding family help and targeted early intervention,

expanding kinship care, and boosting the number of foster carers. There is, however, currently no further funding indicated.

- The National Minimum Allowance (NMA) for foster carers is routinely uplifted each year, taking into account changes in inflation and other factors. The government has uplifted the NMA by 6.88% for this financial year.
- Government will work closely with councils to increase transparency around the costs of residential placements for children, as a precursor to wider commissioning and market shaping reforms being rolled out through Regional Care Co-Operatives.
- The Exceptional Financial Support framework is available to provide support where a council has a specific and evidenced concern about its ability to set or maintain a balanced budget, including where there has been local financial failure. Where councils need additional support from the Government, the Statement states that they should take every possible step to minimise the need for that support to be funded by national taxpayers. As part of that process, the government will consider representations from councils, including on council tax provision.

4.55 The Government states that it remains committed to improving the local government finance landscape in the next Parliament. It also recognises that the sector is calling for financial stability. However, the Government considers that “now is not the time for fundamental reform”, for instance implementing the Review of Relative Needs and Resources or a reset of accumulated business rates growth.

4.56 In respect of Public Health funding the statement reaffirms that indicative allocations for the Public Health Grant 2024-25 have been published and will continue to increase to nearly £3.6 billion. Further specific investment will continue to improve the start for life offer and support improvements in the quality and capacity of drug and alcohol treatment. There is also a further £70 million per year from 2024-25 to support local authority-led efforts to stop smoking. This total funding package will deliver real terms increase in investment of more than 7% in local authority public health functions over the two-year period 2023-25.

### **Local Government Funding Context**

4.57 Nationally, the future funding of local government remains uncertain with the position being made more difficult as councils continue to tackle the significant impact of inflation and rising demand particularly in Children’s Services and Adult Social Care.

4.58 The resetting of the business rates baseline together with a review of relative needs and resources for all councils has now been delayed by Government for a number of years. The Council’s Medium Term Financial Plan assumes that funding reforms will take place from 2026-27, however, the implications are difficult to quantify accurately in the absence of a consultation document from Government.

- 4.59 It is forecast that any national resetting of the business rates baseline will reduce the Council's funding. North Northamptonshire Council has seen significant growth in business rates income over a number of years and it is anticipated that this will be redistributed to other areas deemed to be of higher need in any formula review.
- 4.60 This partially accounts for the forecast budget gap for the Council from 2026-27, as set out in the report. This is alongside other assumptions regarding pay and price increases and the impact of service change including demand assumptions.
- 4.61 Once further information is released regarding future funding, finance officers will model this into the Medium-Term Financial Plan and provide an updated position.
- 4.62 The budget gap over the medium to longer term is significant. It is essential that the Council continues to seek further efficiencies, cost reductions and income generation to balance the budget in future years. Further targeted transformation work is essential to redesign services and improve systems and processes, with the needs of our residents and customers at the heart of it.

## 5. Council Funding

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- 5.1 The following table provides a summary of the 2024-25 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 2024-25, the gap in 2025-26 increases to £41.6m, in 2026-27 to £60.9m and in 2027-28 to £87.7m. The delay to the funding review has deferred the concerns regarding the loss of business rates funding to come into effect from 2026-27, although significant challenges remain for 2025-26. This is predominantly as a result of the loss of cumulative business rates growth. The position for all four years will be reviewed following receipt of the Local Government Funding Settlement and individual Local Authority allocations.

	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
Base Budget (excluding DSG Funding)	375,333	410,962	442,131	475,122
Base Budget (DSG Funded)	388,440	388,440	388,440	388,440
<b>Net Budget Requirement</b>	<b>763,773</b>	<b>799,402</b>	<b>830,571</b>	<b>863,783</b>
<b>Funded By:</b>				
New Homes Bonus	(2,609)	0	0	0
Business Rates Funding Baseline	(110,525)	(115,001)	(98,230)	(99,962)
Business Rates Collection Fund	(2,764)	0	0	0
Council Tax	(201,599)	(203,614)	(205,650)	(207,707)
Council Tax Collection Fund	(1,986)	0	0	0

	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
Revenue Support Grant	(6,120)	(6,420)	(13,421)	(12,240)
Social Care Grant	(23,841)	(23,169)	(64,073)	(67,653)
Social Care – Market Sustainability and Improvement Fund	(4,444)	(4,444)	0	0
Improved Better Care Fund	(11,523)	(11,523)	0	0
Adult Social Care Discharge Funding (Ring fenced)	(2,693)	(2,693)	0	0
Social Care Workforce Fund	(1,078)	0	0	0
Services Grant	(361)	(361)	0	0
Rural Services Delivery Grant	(46)	(40)	(40)	(40)
Dedicated Schools Grant (changes in grant will be reflected in the budget requirement above)	(388,440)	(388,440)	(388,440)	(388,440)
Transfer to / (From) Reserves	(5,744)	(2,243)	150	150
<b>Total Funding</b>	<b>(763,773)</b>	<b>(757,948)</b>	<b>(769,704)</b>	<b>(775,892)</b>
<b>Budget Gap</b>	<b>0</b>	<b>41,454</b>	<b>60,867</b>	<b>87,670</b>

*Note: The funding forecast from 2025-26 does not include any assumption of an increase in Council Tax. At 4.99%, in line with the current year, this would amount to additional income of c£10m each year.*

## Overview of Funding Assumptions

- 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 national 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 18<sup>th</sup> December 2023. 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 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) will continue for 2024-25 and is forecast as £2.609m.
- 5.9 The future of the New Homes Bonus remains uncertain. The Government has not made any commitment to a new round of payments in 2025-26 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. Due to this uncertainty no funding allocation for 2025-26 has been assumed.

## **Business Rates Funding**

- 5.10 The budget shows funding from Business Rates to be c£110.5m, this includes the baseline funding, growth and S31 grants. North Northamptonshire has benefitted well under the present Business Rates Retention system due to an above average increase in business growth across its area.
- 5.11 The way that the business rate retention scheme operates in future years could have major financial implications for Councils.
- 5.12 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.
- 5.13 The Government in its Autumn Budget announced its intention to de-couple the small and standard business rating multipliers. Therefore, the small business rate multiplier will remain frozen at 49.9p and the standard multiplier will increase from 51.2p to 54.6p in 2024-25 based on September 2023 CPI.

- 5.14 The Financial Settlement confirms that Councils will be recompensed for the loss in income through an uplift in the baseline funding and S31 Grants as in previous years. The de-coupling of the multipliers, starting in 2024-25 will create separate indexation factors for the small and standard, which will reduce the cap compensation that this paid.
- 5.15 It is not yet clear how the new arrangements will work or the overall impact on local authorities' finances, the assumptions reflected within the draft MTFP assume minimal financial impact, but there is a risk to authorities who have high growth such as North Northamptonshire.
- 5.16 Any gains that are not lost through the economic slowdown could be lost following a reset, although this has been deferred until 2026-27 in the Council's assumptions it will pose a significant risk to future funding to the Council 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. 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" as part of transitional arrangements introduced to protect those councils that have lost a significant proportion of their funding.
- 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 – impact of compensation for relief granted through S31 grant, including the impact of the multiplier compensation.
  - 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.
  - A reduction in the collection rate.
- 5.19 Whilst the volatility is recognised, this will not directly impact the 2024-25 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 yield would be felt in future years.

### **Business Rates Collection Fund**

- 5.20 For 2024-25 the Government has extended property relief for retail, hospitality, and leisure sectors, a similar practice to that in 2023-24.
- 5.21 The mechanics of the Collection Fund means that what is actually collected in 2024-25 will not impact on the 2024-25 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.

## **Council Tax**

- 5.22 Council Tax is a relatively stable and sustainable source of income for councils. In North Northamptonshire it represents nearly 55% of the total funding in 2024-25, excluding the ringfenced Dedicated Schools Grant. The legal background to setting the budget and Council Tax is set out in **Appendix I**, which will be formally agreed at Council. The Council Tax yield for 2024-25 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 collection rates.
  - Slowdown in housing growth.
- 5.23 The Council Tax Base for 2024-25 was reported to Council at its meeting on 7<sup>th</sup> December 2023. The Tax Base is based on an equivalent Band D level and includes projected growth for the year, together with an average collection rate of 98.5%. The tax base for 2023-24 was 114,279 and has increased by 1,568 (1.37%) to 115,847 for 2024-25.
- 5.24 The “core” Council Tax referendum threshold for 2024-25 is 3%. Any increase in Council Tax of 3% or above would be subject to a local referendum. The Government has also provided Councils with the ability to raise a further 2% through the Adult Social Care precept. This remains unchanged from 2023-24.
- 5.25 The Council’s budget is based on a core Council Tax increase of 2.99%, together with utilising the allowable adult social care precept increase of 2% in full, without triggering a referendum resulting in a total increase of 4.99%. This results in a 2024-25 Band D Council Tax for North Northamptonshire Council of £1,740.22 (excluding the Council Tax for individual town and parish councils and the Council Tax set for the fire and police by the Northamptonshire Police, Fire and Crime Commissioner). This is an increase of £82.71 from £1,657.51 in 2023-24, which is equivalent to a weekly increase of £1.59. This results in an overall yield of £201.599m.
- 5.26 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.
- 5.27 The Council Tax support scheme for 2024-25 was considered by the Corporate Scrutiny Committee at its meeting on 10<sup>th</sup> October 2023, the Executive on 16<sup>th</sup> November 2023 and approved by Council at its meeting on 7<sup>th</sup> December 2023. The 2024-25 budget reflects this decision.

- 5.28 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.

### **Council Tax Collection Fund**

- 5.29 Due to the mechanics of the Collection Fund, it means that what is actually collected in 2024-25 will not impact on the 2024-25 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 2025-26 budget.
- 5.30 Other elements contributing to the surplus in 2024-25 included a review of historic bad debt provisions held by the previous legacy authorities due to the impact of Covid 19 and have been reduced going forward to reflect collection rates returning to expected levels.

### **Revenue Support Grant**

- 5.31 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 2024-25, increasing in 2025-26 reflecting the impact of the Business Rates reset Baseline Funding Levels.

### **Social Care Grant**

- 5.32 The 2023 Autumn Statement in November announced no new money for local government. The increases for social care had already been announced for 2024-25 as part of the 2022 Autumn Statement and Financial Settlement.
- 5.33 The allocation for North Northamptonshire for social care funding was £11.427m in 2023-24 and has been rolled over into 2024-25. The Autumn Statement has reaffirmed that the social care reform grant of £1.877 billion 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 £9.785m in 2024-25.
- 5.34 The additional funding of £0.5 billion announced by the Secretary of State on 24<sup>th</sup> January will be allocated based on the relative need's formula, estimated to be £2.629m and taking the total to £23.841m.

### **Social Care Market Sustainability and Improvement Fund**

- 5.35 The market sustainability and improvement fund is a ringfenced grant of £0.845bn in 2024-25 in support of ongoing capacity and discharge costs. The allocation of this is £4.444m in 2024-25 and it is assumed that the funding will be matched by the need for additional spend within the Directorate budgets.

## **Improved Better Care Fund (iBCF)**

5.36 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.

5.37 The improved Better Care Fund for 2024-25 will be £11.523m as included within the provisional Financial Settlement. These assumptions have been reflected to continue into future years. Any changes in grant funding have been reflected in spending assumptions.

## **Discharge Fund**

5.38 The Discharge Fund of £0.500bn is to support the cost to Local Authorities of discharges individuals from hospital that need Social Care support, with an allocation to North Northamptonshire of £2.693m.

## **Social Care Workforce Fund**

5.39 A grant has been awarded over the period 2023-24 and 2024-25 of £1.919m and £1.078m for each year respectively to provide additional support for those working in Adult Social Care.

## **Services Grant**

5.40 The Services Grant is a general un-ringfenced grant made available to support Local Authority Services. The provisional Financial Settlement confirmed that this grant will reduce in 2024-25 to £0.361m, which takes into account a reduction in national funding of £406m.

## **Rural Services Delivery Grant**

5.41 Changes are expected to the distribution of this grant for 2024-25 with an additional funding allocation of £15m in 2024-25, increasing the total allocation of £46k for North Northamptonshire from £40k in 2023-24.

## **Dedicated Schools Grant**

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

- 5.43 The Department for Education (DfE) currently operate a four-block funding model for funding schools and pre-16 education including early years as set out in the following table:

<b>Dedicated Schools Grant (DSG)</b>			
<b>Schools Block</b>	<b>Central Schools Services Block</b>	<b>High Needs Block</b>	<b>Early Years Block</b>
The School's Block is the largest element of the DSG and is allocated to Schools and Academies for day-to-day spending in their individual budgets.	The Central Schools Block provides funding for local authorities to carry out central functions on behalf of maintained schools and academies.	The High Needs funding system supports provision for Children and Young People with Special Educational Needs and Disabilities (SEND) from 0-24 years old.	The Early Years Block provides funding for 9 months, 2-, 3- and 4-year-olds.

- 5.44 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 years).
- 5.45 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 the Council's Dedicated Schools Grant before the grant is paid to the Council and this is termed 'recoupment'.
- 5.46 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.
- 5.47 The December DSG Settlement provides the final settlement figures for the DSG Schools Block and Central School Services Block based on October 2023 census. However, the Early Years Block is an indicative figure as it is based on the January census. The Early Years Block will be updated in July 2024 (to reflect the January 2024 census data) and will be further updated in July 2025 (to reflect January 2025 census data). The final settlement figure for the DSG High Needs Block is adjusted to reflect any further cross boundary pupil changes during the year. This is known as Import and Export Adjustments.
- 5.48 The following table sets out the indicative disaggregated DSG funding based on the provisional settlement:

<b>DSG Blocks</b>	<b>Estimated 2024-25 DSG Allocation £m</b>
Schools Block	287.277
Central School Services Block	3.081
High Needs Block	60.980
Early Years Block	37.102
<b>Estimated Total DSG Allocation</b>	<b>388.440</b>

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

- 5.49 The budget papers have a Provisional DSG settlement of £388.440m. 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 2023-24 allocation and the Provisional 2024-25 DSG budget position.

<b>Dedicated Schools Grant</b>	<b>Schools Block<sup>5</sup></b>	<b>Central School Services Block<sup>6</sup></b>	<b>High Needs Block</b>	<b>Early Years Block<sup>7</sup></b>	<b>Total DSG</b>
	£m	£m	£m	£m	£m
2023-24 DSG Allocation (inc. Mainstream Schools Additional Grant)	279.334	3.287	57.919	23.159	363.699
Provisional 2024-25 DSG Settlement	287.277	3.081	60.980	37.102	388.440
Change from 2023-24	7.943	(0.206)	3.061	13.943	24.741
% Change	2.84%	(6.28%)	5.29%	60.20%	6.80%

- 5.50 In discharging its responsibilities on Schools Block DSG, North Northamptonshire Council consulted with schools and academies on the option of setting the Schools Budget with a transfer of 0.5% from Schools Block to High Needs Block, setting a Minimum Funding Guarantee for Primary and Secondary Schools and Academies at 0.5%, capped at 0.5% and scaled at 100% with the remainder being used to determine the Pupil Growth Fund and Falling Pupil Roll

<sup>5</sup> Mainstream Schools Additional Grant has been added to the 2023-24 Schools Block Allocation to enable similar year on year comparison with the 2024-25 NFF Provisional Allocation. Provisional 2024-25 Schools Block includes Growth Funding of £1.659m. North Northamptonshire Council did not receive any Falling Pupil Roll Fund which will be funded for the first time by the DFE in 2024-25.

<sup>6</sup> The DFE continue to apply 20% year on year reduction to Historical Commitments of Central School Services Block.

<sup>7</sup> The Early Years Block Provisional 2024-25 Early Years Block DSG Settlement figure is indicative. It takes into account DFE's proposal to extend the free childcare offer so that eligible working parents in England will be able to access 30 hours of free childcare per week for 38 weeks per year from the term after their child turns 9 months to when they start school.

• From April 2024, working parents of 2-year-olds will be able to access 15 hours of free childcare per week (38 weeks a year)

• From September 2024 this will be extended to include parents of 9 month to 2-year-olds to access 15 hours of free childcare per week (38 weeks a year)

Fund budget. The amount to be transferred is based on 19<sup>th</sup> December 2023 2024-25 DSG Settlement which applied the October 2023 school census. The consultation ran for two weeks from 3<sup>rd</sup> November 2023 to 17<sup>th</sup> November 2023 and the preferred option was agreed at Schools Forum on 14<sup>th</sup> December 2023 to run the 2024-25 Mainstream Schools Funding Formula.

- 5.51 There were 18 responses (out of 38 maintained schools and 106 academies, c12.5% response rate) to North Northamptonshire Council's consultation with Schools and Academies for 2023-24 and 2024-25. 100% of the responses agreed to set the Schools Minimum Funding Guarantee at 0.25%, 61% of responses were in favour of transferring 0.5% to High Needs Block with 38% of the responses against the proposal. Schools Forum decided at its meeting on 14<sup>th</sup> December 2023 the options to adopt for the 2024-25 Schools Block DSG budget with the final decision made on 18<sup>th</sup> January 2024. Following the announcement of 19<sup>th</sup> December 2023 DSG Settlement by the DFE, the ESFA's Authority Proforma Tool was completed applying the options agreed at 14<sup>th</sup> December 2023 Schools Forum and the Provisional 2024-25 Schools Block DSG Settlement for the 2024-25 Mainstream Schools Funding Formula. Schools Forum was presented with the final version and agreed at 18<sup>th</sup> January 2024 meeting to transfer 0.5% (equivalent to £1.436m) from Schools Block to High Needs Block, set Minimum Funding Guarantee at 0.5% capped at 0.5% and scaled at 100% and allocate the remaining £2.27m to the Growth Fund.
- 5.52 Although the DfE will be funding local authorities for a Falling Pupil Roll Fund for the first time in 2024-25, North Northamptonshire did not receive any funding in 2024-25. Schools Forum therefore agreed to the recommendation not to introduce a Falling Pupil Roll Fund in North Northamptonshire in 2024-25.
- 5.53 Schools Forum agreed that all remaining Schools Block will be allocated to the Pupil Growth Fund for bulge classes in 2024-25 once funding for new and growing schools have been accounted for.
- 5.54 The position on the Council's DSG in 2023-24 has moved into a forecast deficit of c£9m predominantly driven by spending within the High Needs Block.
- 5.55 As a consequence of the 2023-24 pressures the Council has been unable to set a balanced High Needs Block budget for 2024-25. Schools Forum was presented with a proposed deficit budget plan for 2024-25 of £7.7m. This together with the forecast year end deficit for 2023-24 of £9m means North Northamptonshire will be setting a cumulative deficit DSG budget of £16.7m in 2024-25. This is after attaining approval for a transfer of 0.5% from Schools Block to High Needs Block of £1.5m in 2024-25.
- 5.56 Where councils have significant deficits on the DSG there is a Safety Valve Intervention programme. The programme requires local authorities involved to develop substantial plans for reform to rapidly place them on a sustainable footing. If the local authorities can demonstrate sufficiently that their DSG management plans create lasting sustainability, the department will enter into an agreement with the local authority. Upon the local authority demonstrating progress they will receive incremental funding to eliminate their



historic deficits, generally spread over 5 financial years. The Council has met with officials from the ESFA and further meetings are planned to progress work on how the deficit is reduced and progress on this must be monitored and regularly reported.

### Transfers to / from Reserves

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

	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Elections	0.150	0.150	0.150	0.150
<b>Total to Reserves</b>	<b>0.150</b>	<b>0.150</b>	<b>0.150</b>	<b>0.150</b>
<b>Transfer from Reserves</b>				
Transformation Reserve – funding for transformation related posts*	(2.170)	0	0	0
Smoothing Reserves – Children's Trust Contribution to non-recurring costs	(1.044)	(0.245)	0	0
Adult Social Care Reserves – contribution to independent care provision	(1.467)	0	0	0
Elections – earmarked reserve previously established	0	(0.600)	0	0
Smoothing Reserves – reduction in service grant allocation	(0.521)	0	0	0
Smoothing Reserves - Climate Change – earmarked reserve established in 2022-23 for three years to 2024-25	(0.250)	0	0	0
Investment Property- rent free smoothing – earmarked reserve previously established.	(0.442)	(1.548)	0	0
<b>Total from Reserves</b>	<b>(5.894)</b>	<b>(2.393)</b>	<b>0</b>	<b>0</b>
<b>Net Transfer to / (from) Reserves</b>	<b>(5.744)</b>	<b>(2.243)</b>	<b>0.150</b>	<b>0.150</b>

*\* The future funding for transformation will be dependent upon the programme requirements and will be considered as part of Directorate needs for the future.*

5.58 To fund the continuing commitment to the transformation programme, there is a transfer from reserves 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.

- 5.59 Non-recurring funding for specific Children's Trust transformation activities, covering Circle to Success, Innovate and Managed Teams projects as been set aside in reserves, amounting to £1.289m over two years.
- 5.60 To fund the net balance arising from Adult Social Care pressures there is transfer of £1.467m from the Adult Social Care Reserves.
- 5.61 To utilise £0.521m of the Council's Smoothing Reserves to support the overall budget. The requirement to do this is predominantly due to a reduction in Services Grant funding in 2024-25 of £0.785m as announced in the Provisional Settlement. In part this has been offset by other positive funding changes to reduce the call on reserves.
- 5.62 A reserve of £0.6m is built up across four years to contribute to the cost of the Council's elections in 2025-26.
- 5.63 In support of the council's commitment to climate change and moving forward towards achieving a carbon neutral organisation, £1m was transferred from smoothing reserves over three years 2022-25 to provide funding to support this programme. 2024-25 represents the final allocation of £0.250m.
- 5.64 As part of the commercial investment strategy the Council set aside resources to fund future known contractual obligations in 2024-25 and 2025-26 amounting to £0.442m and £1.548m respectively.

### **Medium Term Forecast**

- 5.65 Whilst the budget is balanced for 2024-25, the Council's Medium-Term Forecast predicts a budget gap of £41.5m in 2025-26, rising to £60.9m in 2026-27 and £87.7m in 2027-28. This predominantly relates to assumptions around continuing spend pressures in Adult Social Care of c£18m each year and to a lesser extent, but still significant, Children's Services, which is forecast as around £10m across Northamptonshire of which around c£4.5m will fall to North Northamptonshire Council. Further work is taking place with the Children's Trust to confirm the Medium-Term proposals.
- 5.66 Pay assumptions also contribute to this growth in costs. The cost of Local Government pay awards, in particular, have proven difficult to predict over the last couple of financial years with sustained high levels of inflation, which has remained for longer than originally envisaged. The latest projections from Government suggest that inflation will continue to reduce during 2024 but it is recognised that the risks here continue to be significant as the economic picture is influenced by both national and global events.
- 5.67 From 2026-27, the financial picture for the Council is expected to worsen further with the anticipated introduction of the funding reforms for Local Government including the Business Rates reset. Since its introduction in 2013, North Northamptonshire (and its predecessor Councils) has benefitted greatly from the ability to retain Business Rates growth resulting from inward investment and growth in its business rates base. Once the business rates are reset, it is

expected that the growth that Councils such as North Northamptonshire has seen will be redistributed across the wider Local Government Sector as part of the funding reforms and meeting area needs as determined through a new national funding formula.

- 5.68 The changes to the funding regime for Councils have been delayed for a number of years and no exemplars have been shared for consultation. It is likely that some form of transitional support will be made available to those Councils seeing a significant reduction in funding, however, the extent of this is unknown and no assumptions have been made in the budget at this stage. Any transitional support would reduce the forecast gap.
- 5.69 Currently the forecast gap over the medium-term makes no assumption regarding an increase in the Council Tax from 2025-26. Should the Council be able to raise the Council Tax at the current level of 4.99%, this would improve the financial position by c£10m cumulatively each year.
- 5.70 The forecast for individual service changes in future years is set out in **Appendix B** to this report.

## **6. Fees and Charges**

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- 6.1 The income that the Council derives from fees and charges is important to support Council services. The Council's fees and charges have been reviewed for 2024-25 and any changes to income assumptions have been included within the Council's MTFP.
- 6.2 Uplifts may be applied in line with inflationary increases, where applicable, or other guidance as appropriate.
- 6.3 Fees and Charges are 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 Executive Director and Assistant Director for the relevant area.

## **7. Directorate Budgets for 2024-25**

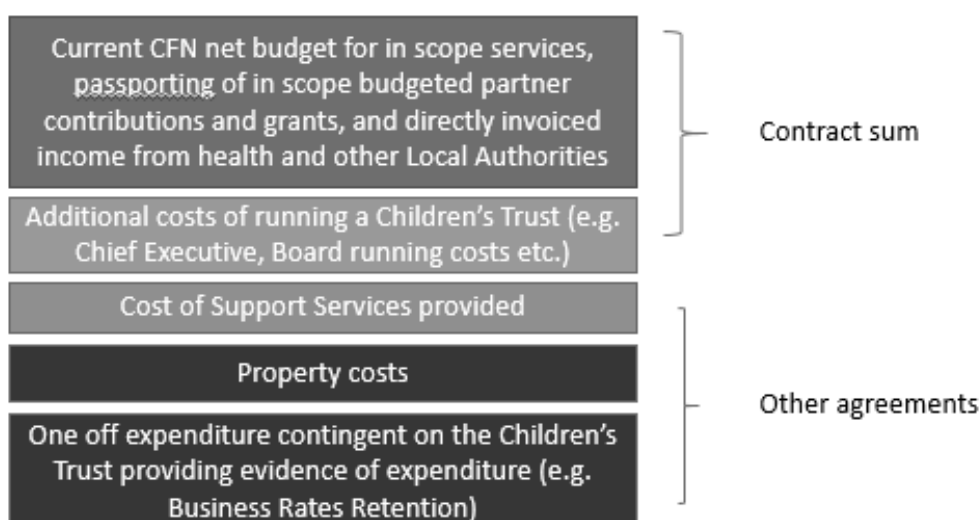
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- 7.1 This Section provides an overview of the following main budget areas within the Council.
- Children's Services and Education
  - Adults, Health Partnerships and Housing
  - Public Health and Communities
  - Place and Economy
  - Enabling and Support Services
- 7.2 The following table provides a high-level summary of the draft 2024-25 budget proposals:

Summary by Directorate	2024/25 £000
Children and Education	85,417
Adults, Health Partnerships and Housing	146,009
Public Health and Communities	8,553
Place and Economy	70,264
Enabling and Support Services	30,693
Corporate	34,397
<b>Total Base Budget</b>	<b>375,333</b>

### 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 2024-25 the Net Budget is £85.417m (2023-24 is £70.186m).
- 7.4 From 1<sup>st</sup> November 2020, the Northamptonshire Children's Trust delivered children's social care and targeted early help on behalf of Northamptonshire County Council, and from 1<sup>st</sup> 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 Trust's 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 Childcare

7.10 The initial contract sum was submitted on 15<sup>th</sup> September 2023 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 regular 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 28<sup>th</sup> November and was be presented to the Northamptonshire Children's Trust Joint Committee.

### **Contract Sum**

7.11 The movement in the overall contract sum across the County between 2023-24 (£150.938m) and 2024-25 (£183.300m) is £32.362m. The Council's share of this increase for 2024-25 by £14.291m. The contract sum is split between North Northamptonshire and West Northamptonshire in accordance with the agreed contract split.

7.12 The increase 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 for the Trust for 2024-25 has been split into the following three blocks:

- **Block 1 – Core Contract Sum** - £177.429m, an increase of £26.491m from 2023-24.
- **Block 2 – Agreed Transformation Costs** - £2.580m
- **Block 3 – Transformation Costs** - £3.291m

7.13 The changes across each of the three blocks are summarised in the following Table:

Description	Detail	Amount
<b>Block 1 - Core Contract Sum Changes</b>		<b>£'000</b>
2024-25 Pressures	Forecast pressures from 2023-24	21,662
Staffing	Budgetary provision for a pay award of 4% and staff increments.	3,240
Placement Inflation	The market and availability of placements for children in care remains challenging. The placements budget will continue to remain under pressure due to an extremely volatile local and national market. NCT is working on how these pressures can be mitigated in future years. The placement budget assumes a range of inflation between 4%-7% dependant on placement type.	4,781
Transport	There are pressures on transport costs as a result of inflation, including fuel costs, and an increase in demand. NCT have allowed 14% to account for this. Provision has also been included to move to a new SLA with WNC and NNC Transport Teams as of April 2024.	537
General Inflation and DBS	Inflationary pressures of 4% have been included on NCT's non placement contracts and provision has been made for increases to the cost of conducting DBS checks.	1,116
Support Services and Property Costs	Following a review of support services undertaken in September 2023 the budget reflects the increased cost of providing these services and also incorporates an additional 10% to reflect the cost of overheads.	739
Placement Demand Growth	Included in the 2023-24 pressures of £21.662m is the placement pressure of £20.199m which passports into 2024-25. The additional increase of £2.747m in the contract sum for 2024-25 relates to assumed levels of demographic growth of children in care.	2,747
Staffing Vacancy Factor	NCT's vacancy factor has been reduced which has resulted in an additional pressure.	714

<b>Description</b>	<b>Detail</b>	<b>Amount</b>
Savings / Income Generation	These reflect a range of savings and additional income agreed with NCT that reduce the contract sum for 2024-25.	(9,045)
<b>Block 1 - Total Core Contract Sum Changes</b>		<b>26,491</b>
<b>Block 2 – Agreed Transformation</b>		
Circle to Success - Innovate Teams	One-off invest to save funding outside of the contract sum for 2024-25 to support the continuation of the Circle to Success programme and delivery of associated savings. The impact of this will be monitored by the newly created Joint Transformation and Efficiencies Board.	880
Circle to Success – Impower	One-off invest to save funding for 2024-25 retained by the Council to support the continuation of the Circle to Success programme and delivery of associated savings. The impact of this will be monitored by the newly created Joint Transformation and Efficiencies Board.	400
Managed Teams	Time limited funding due to continued high caseloads and vacancies in social work teams it is necessary to continue the use of Managed Teams. Development of an exit strategy will be overseen by the newly formed Transformation and Efficiencies Board.	1,083
Practice Model	Implementation of a systemic social work practice model to deliver more effective support for families in a consistent, empowering and child-focussed way. The DFE will be providing £0.192m of match funding in 2024-25.	132
IRO & CP Chairs	To provide additional capacity to meet the increased volume of child protection conferences.	85
<b>Block 2 Total Agreed Transformation</b>		<b>2,580</b>
<b>Block 3 - Transformation and Efficiency Fund</b>		
		<b>3,291</b>
<b>Total Contract Changes</b>		<b>32,362</b>

7.14 The items included within Block 2 (Agreed Transformation Costs) amount to £2.580m. Of this sum £2.363m as shown in the table below is non-recurring. The Council has used reserves to fund the non-recurring element (£1.044m being the Council's allocation of the total).

<b>Non-Recurring Items for Block 2</b>	<b>Amount 2024/25 £'000</b>
Circle to Success – Innovate – 2024-25 only	880
Circle to Success – Innovate - Impower - Retained and Commissioned by the Council – 2024-25 only	400
Managed Teams – non-recurring	1,083
<b>Total non-recurring items (NNC share £1.044m)</b>	<b>2,363</b>

7.15 The Children’s Directorate draft budget, including the Council’s contribution to Northamptonshire Children’s Trust, reflects net pressures of £15.231m of which £14.373m relates to the Children’s Trust, including £14.291m in respect of the 2024-25 contract sum change as set out in 7.11. The remaining movement of £858k is in respect of Children’s Service delivered within the remit of the Council and outside the Trust.

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

- There is a staffing pressure of £300k within the Education Health and Care (EHC) service this is as a result of the increasing level of need and the need to fulfil statutory obligations.
- The Government have announced a 20% annual reduction in the historical funding element of the Central Schools Services Block, this amounts to £288k. 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 £288k. Therefore, creating a pressure to the General Fund.
- The School Improvement Monitoring and Brokering grant has now ceased, which has resulted in a pressure of £227k.

7.17 There are other smaller adjustments to the budget amounting to a net pressure of £43k.

7.18 The Council’s share of the NCT contract agreement includes an amount for support services provided to NCT by both North and West Northamptonshire. The Council in 2024-25 has reallocated over £1m of this income which had previously been accounted for across the Children’s Directorate to the Directorates provided the service – the corresponding income is shown within **Appendix B** for each of the respective Directorates.

### **Children’s Trust Transformation and Efficiency Board**

7.19 In negotiating the contract sum for the Children’s Trust it was felt that stronger governance arrangements should be put in place to consider and approve business cases against the Transformation Fund of £3.291m (Block 3). To facilitate this a Transformation and Efficiency Board has been created between



North Northamptonshire Council, West Northamptonshire Council and Northamptonshire Children's Trust.

- 7.20 The Transformation and Efficiency Board is a shared strategic partnership of both Councils and the Trust. The Board aims to create systemic improvement in services for children in Northamptonshire, whilst driving value for money to ensure that resources are used effectively to support and improve outcomes.
- 7.21 Schemes will be agreed on the understanding that, where applicable, exit plan proposals are brought forward for both councils to agree as part of the Transformation and Efficiency Board governance regime. To progress the schemes at pace delegations were approved at the December Executive meeting to approve allocations from the Transformation and Efficiency funding held within the Children's Trust budget, these will be subject to approval following the submission of detailed business cases. The core principle to decision making to support business cases presented to the Transformation and Efficiency Board are set out below:
- North Northamptonshire Council, West Northamptonshire Council and Northamptonshire Children's Trust agree on a broad transformation agenda.
  - Investment into these areas will be considered via robust business cases at presented for consideration by the newly formed Transformation and Efficiencies Board.
  - Both Councils make appropriate provision in their budgets to support the investment in business cases approved by the Transformation and Efficiencies Board
  - Subject to the final agreed Terms of Reference for the Transformation and Efficiencies Board business cases will follow the following principles:
    - Where it is a time limited resource, there must be clear end dates to work to and success triggers.
    - There should be quantifiable benefits (i.e. payback periods, costs reduction assumption, management of a material operational risk [Cost Avoidance], improved outcomes).
    - Alternative options to be reviewed as part of each case and explained why these have been discounted to get to recommendation.
    - All proposals must be considered against the Trust's MTFP and those of both Councils.
- 7.22 In order to ensure that change can be enacted swiftly, the Executive delegated authority to the Executive Member for Children, Families, Education and Skills in consultation with the Executive Member for Finance and Transformation, Executive Director for Adults, Health Partnerships and Housing (and Children's Services - Interim) and the Executive Director of Finance and Performance to allocate resources from the agreed transformation budget held for this work.
- 7.23 Full details of the 2024-25 budget and Medium-Term Financial pressures and savings are contained within **Appendix B**.

## **Adults, Health, Partnerships and Housing**

- 7.24 The draft net revenue budget for 2024-25 for Adults, Health, Partnerships and Housing is £146.009m (2023-24 is £126.183m). Details of the net budget and the adjustments for pressures and savings are set out in **Appendix B**. The Adults Social Care, draft budget reflects pressures of £29.152m and savings of £9.326m resulting in a net pressure of £19.826m.

### **Adult Social Care Services**

- 7.25 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.
- 7.26 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.
- 7.27 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.
- 7.28 The main areas of spend for Adult Social Care is in relation to Third Party Payments and are in respect of independent care spend including Residential and nursing care for both 65+ year old and the 18-64 years old clients. The service has seen a significant increase in service demand during 2023-24 including more people and, in some areas, higher costs. Client numbers have increased since April 2022 by 25% in the 65+ cohort and 15% in the 18-64 cohort with similar costs to existing cohorts. Previously there had been 14 years of stable demand in the 65+ cohort so this level of increase is unprecedented.
- 7.29 The 2024-25 draft budget had assumed that this increase in demand would lessen, and mitigations would be successful in reducing the ongoing pressure to the independent care budgets. These assumptions have continued to be reviewed and following the Period 8 forecast outturn position for 2023-24 it is now prudent to assume that growth will continue into 2024-25.
- 7.30 Therefore, the draft budget assumptions have been reviewed and include increased demographic and inflationary growth of £9.205m along with additional management actions to partially offset this growth of £5.109m. These changes

have resulted in a net pressure of £4.096m and the following table summarises these changes.

<b>Assistant Director</b>	<b>Proposal Description</b>	<b>Dec Draft Budget 2024/25 £000</b>	<b>Changes £000</b>	<b>Feb Draft Budget 2024/25 £000</b>
Adult Services	Contractual Inflation/fee increases for independent care placements incorporating National Living Wage pressures for social care providers.	3,988	384	4,372
Adult Services	Budgeted growth to cover the increased cost of new clients eligible for social care with increased acuity and complex needs.	11,015	8,821	19,836
<b>Total Pressures</b>		<b>15,003</b>	<b>9,205</b>	<b>24,208</b>
Commissioning & Performance	Budget Realignment to meet demographic growth	0	(1,000)	(1,000)
Adult Services	High-Cost Placements Review	(1,000)	(500)	(1,500)
Adult Services	Improved performance in bed based reablement, earlier intervention through admission avoidance and positive reduction in post-hospital demand	0	(2,000)	(2,000)
Adult Services	Increased Client Contributions	0	(1,000)	(1,000)
Adult Services	Single Handed Care	0	(500)	(500)
Adult Services	Increased use of Shared Lives Service	0	(84)	(84)
Safeguarding and Wellbeing	Review of in-house services and implementation of Phase 2 and 3 of NNC's provider transformation programme ensuring people are supported to achieve good outcomes.	(180)	(25)	(205)
<b>Total Savings</b>		<b>(1,180)</b>	<b>(5,109)</b>	<b>(6,289)</b>

<b>Assistant Director</b>	<b>Proposal Description</b>	<b>Dec Draft Budget 2024/25 £000</b>	<b>Changes £000</b>	<b>Feb Draft Budget 2024/25 £000</b>
	<b>Net Change</b>		<b>4,096</b>	

- 7.31 The additional pressure of £4.096m will be met, in part, from the further forecast Social Care Grant of £2.629m announced on 24<sup>th</sup> January with the balance remaining being underwritten from the Adult Social Care Reserve which has been set aside in previous years for the risks associated with this demand led service. This will smooth the impact of increased growth while the service models and implements further transformation changes to be delivered in 2025-26 and future years to offset the impact of this growth and cost pressure.
- 7.32 The budget requirements for Adult Social Care will continue to be monitored with demographic trends, reflecting the on-going impact of external factors and the move toward a more integrated care system with Health partners.
- 7.33 It is recognised that risk still remains in the budget assumptions for Adult Social Care but the increase in the 2024-25 budget will help mitigate this risk. In addition, the Council has smoothing reserves set aside to help underwrite such risk and to smooth any impact over the longer term whilst alternative mitigations are sought.
- 7.34 The main pressures include the following:
- Contractual Inflation and other increases (subject to tendering where appropriate) for independent care placements which incorporates the net impact of National Living Wage pressures for social care providers. The projected inflation requirements are based on a number of factors and looks at the capacity available in the base budget, the most significant change is to make a provision for the National Living Wage (NLW) increase across framework packages in line with announcements by Government, 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 of £19.836m. During the last couple of years North Northamptonshire have seen a significant increase in the number of clients requiring care. The growth reflects this increase in client numbers.
  - Additional costs are included within the budget for 2024-25 of £1.498m for the ringfenced grant funding to meet Social Care related demand in respect of discharge and capacity funding. This is an estimate, and the final allocation will be included within the Finance Settlement.

- The Council's 2024-25 budget includes an additional allocation of £1.078m in support of discharge. This grant is part of an overall allocation of £1 billion to get people out of hospital on time and into care settings, of which 50% (£500m) is payable to Local Government and the remainder to Health.
- The Council 2024-25 budget also includes a ringfenced grant of £1.078m for funding to support the Adult Social Care workforce.

7.35 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 £695k.
- Demand management efficiency of £6.7m to include the review of high-cost placements, the review of the learning disabilities care model and other system and processes across the service.

### **Strategic Housing, Development and Property Services**

7.36 Strategic Housing, Development and Property Services provides strategic direction and leadership for the delivery of the Housing Service and housing management, this includes support for homeless people.

7.37 The pressures and savings within Strategic Housing, Development and Property Services include the following.

- A pressure of £500k to address the increase in the homelessness demands, which is reflective of the national pressures being faced by Council's regarding homelessness.
- The use of grants will be maximised within housing to allow for £375k of efficiencies to be achieved.

7.38 A significant proportion of the housing service supports the Housing Revenue Account which is the subject of a separate budget report elsewhere on this Agenda.

7.39 Full details of the 2024-25 budget and Medium-Term Financial pressures and savings are contained within **Appendix B**.

### **Public Health and Communities**

7.40 The draft net revenue budget for 2024-25 for Public Health and Communities is £8.553m (2023-24 is £8.999m). Details of the net budget and the adjustments for pressures and savings are set out in **Appendix B**.

7.41 The Director of Public Health and Wellbeing is a statutory officer and the principal adviser on all health matters to elected members, officers, and partners, with a leadership role spanning health improvement, health protection

and healthcare public health. This includes delivering core public health services in line with grant funding and statutory requirements.

- 7.42 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.
- 7.43 The 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 an increase to keep pace with inflation. The grant is ringfenced and any increase in funding will remain held against the Public Health Service to fund additional costs of service priorities.
- 7.44 Communities and Leisure includes libraries, cultural facilities (such as museums, theatres, art galleries and heritage sites), sports and leisure facilities (such as swimming pools, tennis courts, golf, playing pitches, indoor courts/sports halls etc), archaeological archiving and activities and access to parks and open spaces for play and recreation. The Service is also responsible for community grants as well as providing education and outreach services and advice and support, encouraging physical and mental wellbeing of residents through sport and leisure-based activities.
- 7.45 The main pressure within Communities and Leisure is £244k and relates to the increase in the running costs and the repair and maintenance costs associated with the leisure facilities.
- 7.46 The main savings within Communities and Leisure include the following.
- Additional leisure income of £400k due to a change in VAT legislation.
  - Strategic Investment into VCSE to be funded from Public Health reserves for three years £121k.
  - Community Wellbeing grants - to be funded by Public Health grant in line with the Health and Wellbeing Strategy £120k.
- 7.47 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'. If any savings can be accelerated in to 2024-25 then this action will be taken, which will assist future resilience.
- 7.48 Full details of the 2024-25 budget and Medium-Term Financial pressures and savings are contained within **Appendix B**.

## Place and Economy

- 7.49 The draft net revenue budget for Place and Economy for 2024-25 is £70.264m (2023-24 is £69.953m). Details of the net budget and the adjustments for pressures and savings are set out in **Appendix B**.
- 7.50 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
- 7.51 The Directorate delivers a wide range of services and is organised into four functional areas as follows:
- 7.52 **Assets and Environment**, includes Facilities Management, Property Estate Management, Energy and Fleet Management, Grounds Maintenance, Parks and Open Spaces and On and Off-street parking enforcement. It 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 parking income, number of visitors to country parks and open spaces, demand for commercial rental spaces, use of corporate workspaces and use of energy.
- 7.53 **Growth and Regeneration** includes Planning Services, Economic Development, Growth and Infrastructure, Regeneration, Digital Infrastructure, Climate Change and Flood and Water Management. Key income/costs drivers include local demand and volume of applications for the Planning service, including major development fees, availability of Planning resources e.g., planning professionals and demand for economic activities.
- 7.54 **Highways and Waste** includes street cleaning, waste and recycling collections and disposals, including the household waste and recycling centres and Transport Management. 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, 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.
- 7.55 **Regulatory Services** includes Bereavement Services, Building Control and Local Land Charges, Emergency Planning, Environmental Health and Licensing, 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.

7.56 Key current areas of risks within the Directorate include:

- Utilities costs
- Contract inflation
- Increasing service demand from a growing population
- Failure to maintain and invest in estates.
- Increased requirement for repairs due to the deterioration of the highway network.

7.57 The Place and Economy Directorates draft budget reflects pressures of £5.849m and savings of £5.538m resulting in a net pressure of £311k. The main pressures include the following:

- In total there is £3.460m for contract changes and other inflation which includes Home to School Transport of £1.415m, Street Lighting PFI energy and contract inflation of £277k, waste management contract inflation of £1.212m and other general contract inflation of £556k.
- A £450k pressure within Planning and Development Services to address the legacy issues relating to staffing budgets.
- There is an income pressure of £442k associated with a one-off rental pressure for the Commercial Property Portfolio which is to be funded by reserves.
- The Directorate has a number of demographic volume changes totalling £1.010m which includes £395k for changes to waste management costs and £550k for Highways maintenance services of. There is also a pressure of £65k relating to the enhanced provision of the Travellers Unit.

7.58 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 Childrens' 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.

7.59 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.

- 7.60 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.
- 7.61 Since launching the subscription for the garden waste service in April 2023, the Council has subsidised the service as the actual cost of operation is more than the income from the subscription payments. During the year, the costs of running the service have increased, particularly in relation to staffing and operational costs for the vehicles. It is proposed to reduce the subsidy on the garden waste service by increasing the charge to £45.60 per bin, an increase of under 11 pence per week for each customer. The cost of running the service is still greater than the income received. This additional income reduces the need for the use of reserves and in doing so, helps to safeguard essential services provided by the Council. The Council continues to offer alternative methods for disposing of garden waste through our network of Household Waste and Recycling Centres, as well as providing options to buy subsidised home composting bins or garden waste sacks, the prices of which remain unchanged.
- 7.62 The main savings through efficiencies and income generation within the Place and Economy Directorate include the following:
- Statutory Planning Fees increase of £801k.
  - Additional income of £600k derived from dedicated routes to aid traffic flow across North Northamptonshire.
  - Garden Waste - £534k from harmonisation of collection services and £386k through the increase to garden waste subscription services.
  - Recognising the volatile nature of energy markets, the estimated utility inflation for 2023-24 has been part reversed based on the information received from the Council's suppliers resulting in a saving of £500k.
- 7.63 Full details of the 2024-25 budget and Medium-Term Financial pressures and savings are contained within **Appendix B**.

### **Enabling Services**

- 7.64 The draft net revenue budget for Enabling Services for 2024-25 is £30.693m (2023-24 is £35.017m). Full details for the service changes can be seen in **Appendix B**.

7.65 Enabling and Support Services consists of the following main grouping of services, which also includes several corporate budget areas:

- Finance and Performance Service
- Customer Services, HR and Governance (Legal and Democratic Services)
- Chief Executive's Office including ICT, Communications and Engagement

7.66 The **Finance and Performance Service** is responsible for leading the management, development, performance and continuous improvement of all Finance, Audit and Risk services. The Procurement Service leads on all aspects of procurement delivery, category management, commissioning and contract management. The Revenue and Benefits Service is responsible for the collection of both Council Tax and Business Rates and in assessing, awarding and payment of benefits.

7.67 **Human Resources** is responsible for the leadership, development and implementation of relevant strategies for the area and council, enabling the delivery of corporate HR priorities, including HR Advisory, Workforce Planning & Development. **Legal and Democratic Services** is responsible for developing and delivering a strong governance and ethical framework and the management of the internal Legal Services Team, Democratic & Election Services, FOI & Data Governance and Registration and the Coroners Services.

7.68 **ICT** are responsible for the delivery of efficient and effective management of all aspects of IT operations, Digital, IT programmes of work, IT commercial contracts and supplier relationships, IT Service delivery teams and for transforming the IT and Digital Services team. This includes managing IT services provided by West Northamptonshire Council.

7.69 **Customer Services** are responsible for leading and implementing the transformation and aggregation of all the Customer Service and Complaints teams and for setting the key priorities and direction for Customer Services and Complaints in line with the corporate plan. The role is also responsible for the leadership, development and implementation of customer and digital strategies for the council, to deliver an improved customer experience and the administration of the 'Blue Badges' parking scheme.

7.70 The functions managed through the **Chief Executive's Office** include the Chief Executive, the Assistant Chief Executive, Executive Support, Communications, Consultation, Engagement and Corporate Equalities, Print Room and the Web Team. The service supports teams across the authority, providing leadership and strategic direction to secure a cohesive and coordinated approach to the delivery of improved organisation-wide service provision, resource allocation and prioritisation.

7.71 The 2024-25 draft budget for Enabling and Support Services reflects pressures of £2.655m and savings of £6.979m resulting in a net saving of £4.324m.

7.72 The main pressures within Enabling Services include the following:

- Cost associated with the delivery of the IT Strategy (£1.061m),
- Contract and staff inflation incurred on services delivered by WNC (£854k),
- Costs associated with the implementation of new systems, including the Education Case Management System (£208k)
- Inflationary increases on license renewals (£168k)
- The removal of legacy income budgets not now deliverable (£149k)
- Inflation on Lead Authority Support Services (£115k)

7.73 The main savings within Enabling Services include the following:

- Increase in investment income of £4.697m this reflects the increase in the Bank of England base rate on future investments and is based on an average cash balance of £157m at a weighted average rate of 5.01% for a full year.
- Realignment of income and change in fees charged to the Children's Trust to reflect levels of support services provided across Finance and HR (£591k)
- The realignment of budgets (£262k)
- The rationalisation of service contracts, applications and licenses (£335k)
- Changes in customer contact (£157k)
- Registrations, arising from a review of fees and charges for wedding ceremonies (£136k)
- Legal Services, through bringing upper tier services in-house (£117k)
- Elections, legacy budgets no longer required (£113k)
- Savings from the Telephony project (£100k)

7.74 Full details of the 2024-25 budget and Medium-Term Financial pressures and savings are contained within **Appendix B**.

## 8. Corporate Resources

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8.1 The draft net revenue budget for 2024-25 is £34.4m (£26.3m 2023-24 - restated following movements from the contingency during 2023-24 and allocation of centrally held budgets for pay) the composition of this budget for 2024-25 and the restated position for 2023-24 and the impact on the 2024-25 MTFP is shown in the following table:

Description	2023/24 Restated Budget £'000	2024/25 MTFP Impact £'000	2024/25 Draft Budget £'000
Corporate Contingency	1,524	2,577	4,101
MRP	7,970	1,735	9,705

<b>Description</b>	<b>2023/24 Restated Budget £'000</b>	<b>2024/25 MTFP Impact £'000</b>	<b>2024/25 Draft Budget £'000</b>
Pay Contingency	1,406	3,873	5,279
Pay and grading review	2,479	(415)	2,064
Insurance	0	550	550
Treasury	12,003	482	12,485
Bad Debts Provision	870	0	870
IT Related Costs	0	500	500
Staff Turnover	0	(1,157)	(1,157)
<b>Total</b>	<b>26,252</b>	<b>8,145</b>	<b>34,397</b>

- 8.2 The Council's Corporate Contingency Budget for 2024-25 is £4.101m, 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.
- 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 £1.735m for 2024-25 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 £5.279m to reflect potential pay changes of 4% and increments in 2024-25. This budget will be allocated in 2024-25 according to need.
- 8.5 A budget of £2.064m is included in the 2024-25 budget, reflecting the latest costings for the implementation of the Pay and Grading review, which includes all staff recruited to North Northamptonshire Council posts since 1 April 2021.
- 8.6 The draft budget includes a provision of £0.550m relating to insurance. This reflects the estimated increase in the premium and a review of the future policy requirements.
- 8.7 The Council's Treasury Management Debt Portfolio and other associated Treasury Management costs is £12.5m (£12m in 2023-24). The composition of this budget is as follows:

Description	Original Budget 2023-24	Change	Draft Budget 2024-25
£'000	£'000	£'000	£'000
Borrowing Costs	11,273	(172)	11,101
Other Treasury Management costs	730	654	1,384
<b>Total</b>	<b>12,003</b>	<b>482</b>	<b>12,485</b>

8.8 The reasons for the changes in budget are as follows:

- The external borrowing costs reflect the interest payable on the Council's loan portfolio and these costs will reduce by £172k following the maturity and planned repayment of existing loans.
- There are additional pressures of £654k, relating to increased bank charges of £232k, unrealised internal interest income of £267k and recovery of debt management expenses of £155k.

8.9 If interest rates remain high over the longer term this will also create risk in relation to acquiring new loans to finance future capital programmes. The current PWLB rate for borrowing over a 30-year period is around 5.50%, for every £1m borrowed this would be an additional interest payable of £55,000.

8.10 There continues to be risks around the overall cash and loan position for North Northamptonshire, not only from a volatile marketplace, but also due to the outstanding legacy audits for 2020/21 and the disaggregation of the opening position from the former Northamptonshire County Council. The audit for the former County Council has recently been completed. Only one legacy audit now remains outstanding and is with the relevant external auditors to go through their sign off processes; this is expected to be completed imminently.

8.11 The bad debt provision is unchanged at £0.870m and reflects the risk associated with the collection of debt in the current economic climate.

8.12 The 2024-25 budget includes provision of £500k for revenue costs for ICT systems as the Council seeks to upgrade its systems including moving to single systems. This budget will be released based on business cases to support the investment.

8.13 The assumptions regarding staff turnover (vacancy factor) have been realigned to 2.5% to reflect a more realistic position. This has resulted in an increase of £1.157m from 2024-25. This budget change will be allocated to services prior to the start of the financial year to be managed as part of their delegated budgets.

8.14 Full details of the 2024-25 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 completion of the disaggregation of the former Northamptonshire County Council’s balances and any other unexpected events on the outturn position for the Council in 2023-24, therefore, the reserves position will be subject to change.
- 9.3 The latest forecast for the level of general fund revenue reserves for North Northamptonshire Council available as at 1<sup>st</sup> April 2024, taking into account the assumed movement in reserves in 2023-24 is summarised in the table below. The forecast movement in reserves in 2024-25 is also summarised in the table below and is set out in section 5.57.

<b>Forecast Reserves Position</b>	<b>01/04/2024</b>	<b>2024-25 Transfer to Reserves</b>	<b>2024-25 Transfer from Reserves</b>	<b>31/03/2025</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
General Fund Balance	(24,170)	0	0	(24,170)
<b>Earmarked Reserves</b>				
Smoothing Reserves	(36,615)	(150)	2,257	(34,508)
Business Rates Retention Risks	(24,299)	0	0	(24,299)
Building Maintenance Reserves	(1,607)	0	0	(1,607)
Planning Reserves	(451)	0	0	(451)
Regeneration Reserves	(7,046)	0	0	(7,046)
Specific Reserves	(21,065)	0	1,467	(19,598)
Other Earmarked Reserves	(5,027)	0	2,170	(2,857)
Capital Reserves - General Fund	(6,408)	0	0	(6,408)
Insurance Reserves	(2,690)	0	0	(2,690)
<b>Total Earmarked Reserves</b>	<b>(105,208)</b>	<b>(150)</b>	<b>5,894</b>	<b>(99,464)</b>

Forecast Reserves Position	01/04/2024	2024-25 Transfer to Reserves	2024-25 Transfer from Reserves	31/03/2025
	£000	£000	£000	£000
<b>Total General Fund and Earmarked Reserves</b>	<b>(129,378)</b>	<b>(150)</b>	<b>5,894</b>	<b>(123,634)</b>

- 9.4 The estimated total level of general fund revenue reserves of £123.6m as at 31<sup>st</sup> March 2025 is made up of general balances and earmarked reserves. Whilst the general reserves of £24.2m provides 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.
- 9.5 The reserves will be further risk assessed in advance of the February budget report to confirm the levels needed against each earmarked reserve based on the latest information available.
- 9.6 The Reserves Strategy 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 c6.4% of the proposed net revenue budget of £375.3m.

## 10. Flexible Use of Capital Receipts

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- 10.1 On 18<sup>th</sup> December 2023, the Secretary of State for the Department for Levelling Up, Housing and Communities (DLUHC) announced that the Flexible Use of Capital Receipts will be extended to 31<sup>st</sup> March 2030. The Government have engaged with councils to identify and develop options for the use of capital resources and borrowing to support and encourage invest-to-save activity and more flexibilities to use capitalisation without the requirement to approach Government.
- 10.2 Options for consideration were:
- **Supporting invest-to-save activity.** Increasing the flexibilities to use capital receipts and borrowing to finance the costs of transformation and efficiency projects.
  - **Local management of budget pressures.** Providing greater flexibilities on the use of capital receipts, including the scope to meet general budget pressures, and potential additional flexibilities where the proceeds relate to the sale of investment properties.
- 10.3 The consultation for comments from Local Government closed on 31<sup>st</sup> January 2024.

- 10.4 Until the outcome of the consultation is known the current restrictions have been assumed to remain for 2024-25 in that 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.
- 10.5 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.
- 10.6 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.
- 10.7 Using capital receipts to fund this type of expenditure provides greater flexibility in terms of how our overall capital and revenue resources are utilised and frees up revenue funding.
- 10.8 The transformation costs referred to above and other expenditure required to deliver some of the service improvements and efficiencies are areas where the Council would seek authority to use capital receipts instead of revenue resources. This would also include meeting any associated severance costs.
- 10.9 The Council received approval for a capital direction to cover the two-year period 2021-2023 and has sought further flexibility from 2023-24 within the approved sum as transformation continues. However, it is important that the Council also has the flexibility to also underwrite applicable costs from Flexible Use of Capital Receipts (FUCR). Therefore, an updated strategy for 2024-25 is included in **Appendix J**.
- 10.10 The FUCR policy does not dictate that capital receipts have to be used to fund these costs, but it is there to 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**

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- 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 An updated Treasury Management Strategy for 2024-25 is attached as **Appendix H**.
- 11.3 The capital framework for Minimum Revenue Provision (MRP) seeks to ensure that local authorities make a prudent Minimum Revenue Provision each year.



MRP is therefore required to be set aside from the revenue account when local authorities borrow to fund capital expenditure.

## 12. Consultation Response

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- 12.1 The Council consulted on the proposals in the draft 2024-25 budget. The consultation commenced on 21<sup>st</sup> December 2023 following the approval of the draft budget for consultation at Executive and concluded on 26<sup>th</sup> January 2024.
- 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.<sup>8</sup>"
- 12.4 Opportunities to take part in the consultation were promoted in the local media via press releases. The press release went to 26 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 [YourVoiceMatters@northnorthants.gov.uk](mailto:YourVoiceMatters@northnorthants.gov.uk)
  - Writing to Budget Consultation Response, North Northamptonshire Council, Sheerness House, Meadow Road, Kettering, NN16 8TL
  - Contacting us by telephone to give verbal feedback

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<sup>8</sup> The Consultation Institute Engaging on Public Service Budgets, 17 September 2015

- 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 475 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 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.
- 12.9 When asked about a general “core” Council Tax increase of 2.99%, 44.3% of respondents said that they strongly agree or tend to agree with the proposed increase, while 47.5% said they strongly disagree or tend to disagree.
- 12.10 When asked about the proposed 2% precept increase for Adult Social Care, 42.8% of respondents said that they strongly agree or tend to agree with the proposed increase, while 45.2% said they strongly disagree or tend to disagree.
- 12.11 The feedback on all the proposals, which includes the comments received to the budget proposals, including the Draft Capital Programme 2024-28, 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**

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- 13.1 The Corporate Scrutiny Committee considered a report on the budget scrutiny process at its meeting on 10<sup>th</sup> October 2023. This was subsequently approved by the Executive at its meeting on 16<sup>th</sup> November 2023.
- 13.2 Scrutiny took place over two phases. The first to consider the in-year position for 2023-24 and any implications for 2024-25 and the second to consider the detailed proposals for 2024-25. The first phase took place during November 2023 and the second phase in January 2024 to allow time for the Committee to provide feedback to the Executive at its meeting on 8<sup>th</sup> February 2024.
- 13.3 The Scrutiny of the Budget Process covered the following main service areas:
- Enabling and Support Services (08/01/24)
  - Public Health and Communities (12/01/24)
  - Children’s and Education Services (15/01/24) excluding the Children’s Trust
  - Place and Economy (19/01/24)
  - Adults, Health Partnerships and Housing, including the HRA (19/01/24)

- 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 five 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 agreed by the Corporate Scrutiny Committee at its meeting on 23<sup>rd</sup> January 2024 to set out the Committee's response to the budget setting process. A copy of the minutes from the scrutiny meetings are attached at **Appendix G**.

#### **14. CIPFA Financial Management Code**

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- 14.1 CIPFA has 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 previously undertaken a review of the Financial Management Code outlining compliance to the code.
- 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 2024-25. 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 – this will be reported to the Executive meeting on 9<sup>th</sup> February 2024 once the budget consultation process has been concluded and the detail of the Finance Settlement is known.

## **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.

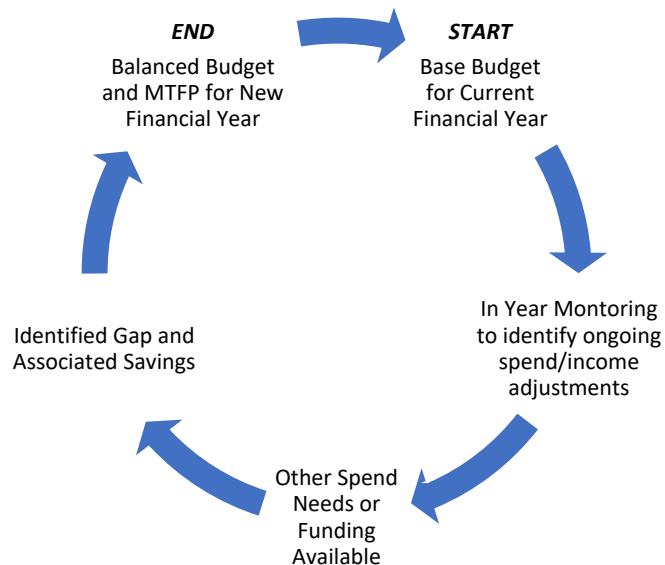
### **Robustness of the Estimates**

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 2024-25 was reported to both the Corporate Scrutiny Committee (10<sup>th</sup> October 2023) and the Executive (16<sup>th</sup> November 2023) for comment and approval. The budget strategy process provides the basis for the setting of the 2024-25 Budget and the Medium-Term Financial Plan including scrutiny and consultation arrangements.

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 has been taken from the 2023-24 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 2024-25.

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.

15.9 Whilst not a specific mitigation, it is important that the Council continues to lobby Government, whether separately or alongside others within the sector, to provide support to Local Government to meet the challenges that it faces in the first instance. Use of reserves and other one-off funding is a useful tool to assist with pump-priming, time-limited investment or the smoothing of funding requirements whilst longer term actions are identified, however, it is not a solution to underlying and recurring need. Local Government can provide place and system leadership to improve the social, health, educational and economic

outcomes for the area but it needs the freedoms, flexibilities and resources to enable such potential to be realised.

<b>Risk</b>		<b>Mitigations</b>	<b>Budget Sensitivity</b>
1	Overall Medium-Term funding is less than forecast – linked also to risk 2 below in relation to growing cost pressures.	<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>	Forecast gap of £31.5m to £66.8m over the 4-year period. Assuming Council Tax increases at the current levels.
2	Unplanned and unforeseen consequences and costs arising from demand led services including the impact on the Medium-Term financial position.	<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>	Unable to forecast at the time of writing. Contingency of £4.1m available.
3	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 in the short term to smooth impact. Longer term movements in the funding to be recognised in the MTFP.	Assumed growth of £5m in 2024-25 which is considered secure. Further growth of £5m

Risk	Mitigations	Budget Sensitivity	
		<p>in 2025-26 will need to be re-assessed.</p> <p>The impact of Fair Funding is not anticipated to take effect until 2026-27.</p>	
4	<p>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.</p>	<p>Use of earmarked reserves to smooth the impact. Such movements are considered on a year-by-year basis.</p>	<p>Not assumed as ongoing in the MTFP.</p>
5	<p>Non delivery or under delivery of savings within services</p>	<p>Use of reserves in the short term. Any implications for the longer term to be picked up in the MTFP.</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> <p>Strengthening of in-year spending controls.</p>	<p>Range £0m to max of £18m. Most significant risk in Social Care of c£5m</p>
6	<p>Failure to remain within the in-year budget</p>	<p>Use of reserves in the short term. Any implications for the longer term to be picked up in the MTFP.</p> <p>Alternative mitigations through other budget heads where possible.</p> <p>Strengthening of in-year spending controls.</p>	<p>Unable to forecast at the time of writing. Contingency of £4.1m available alongside reserves.</p>

Risk	Mitigations	Budget Sensitivity	
	<p>Use of contingency</p> <p>Maximise annual Council Tax increases to provide greater stability and resilience to protect services.</p>		
7	<p>The cost-of-living crisis, high levels of inflation and increasing interest rates could impact on the Council's income streams, service demand and the cost of services and capital, including the risk that the pay award may exceed budget.</p>	<p>Maximise annual Council Tax increases to provide stability.</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 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>Unable to forecast at the time of writing. Contingency of £4.1m available alongside reserves.</p>
8	<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>This is an ongoing situation and the sensitivity in value terms is not available at this time.</p>
9	<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 or items under dispute.</p>	<p>Ensure close working with colleagues in West Northamptonshire to confirm the agreed balances and seek to address any areas of dispute in an efficient manner to represent a reasonable split between the Councils.</p>	<p>This is an ongoing situation and the sensitivity in value terms is not available at this time.</p>



Risk	Mitigations	Budget Sensitivity	
	<p>In situations where the Councils cannot resolve any disputed items locally, an agreed dispute process will be followed by both parties.</p> <p>Maintain and adequate level of reserves to provide capacity to manage this risk. Replenish reserves over the medium term if they are applied.</p>		
10	<p>Further disaggregation of services previously provided under a lead/host arrangement following LGR may give rise to unplanned changes or areas under dispute.</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>This will be subject to individual service planning at the time of disaggregation.</p>
11	<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>1% change in the Council Tax is equivalent to c£1.9m in 2024-25.</p>
12	<p>Unplanned and unforeseen consequences and costs arising from the implementation of new or changed structures, systems and processes</p>	<p>Reviews of services and the budgets associated with them will be carried out to ensure that priorities are deliverable within the approved budgets.</p>	<p>This will be subject to the assessment and impact of individual service changes applying at the</p>

Risk	Mitigations	Budget Sensitivity	
across service areas within the Council.	<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>	time. To date all anticipated changes have been included within the MTFP.	
13	Change in interest rates impacting in the assumptions for treasury investment.	Impact of interest rate movements have been mitigated by forward investments deals in 2024-25 and assuming interest rates at lower than current levels, average interest rate assumed at 5.01% (0.24% lower than current bank rates of 5.25%).	0.25% change in interest rates is equivalent to c£0.395m.
14	Risk to the Council's reserves position as a result of the potential removal of the statutory override of the DSG deficit in March 2026.	<p>Ultimately the decision is outside the control of the Council, but the Sector is actively lobbying Government on this issue to continue the override arrangements.</p> <p>Work with ESFA on arrangements to reduce the DSG deficit, including use of the Safety Valve mechanism.</p> <p>Work with Schools Forum to consider potential transfers from the Schools Block to the High Needs Block to</p>	Forecast risk of c£17m up to and including 2024-25. Action being taken to reduce this risk with ESFA and Schools Forum.

Risk	Mitigations	Budget Sensitivity
	<p>recognise demand pressures.</p> <p>Underwrite from Council reserves, therefore need to safeguard reserves to an adequate level.</p>	

- 15.10 For 2024-25, 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.
- 15.11 The 2024-25 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 2024-25 budget has been based are reasonable.
- 15.12 The Council has retained a contingency budget of £4.101m in 2024-25 (£3.746m in 2023-24). This 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 2024-25 and that it is unlikely that the pay award will be at the levels experienced in 2023-24 due to the falling rate of inflation. 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, the pressures from inflation and the demand for services.
- 15.13 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 in the short-term. 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.
- 15.14 The CFO, however, has significant concerns regarding the medium-term financial position for the Council and in particular the continuing pressures that are being witnessed within Northamptonshire Children's Trust (of which the Council supports c44% of the costs) and Adult Social Care Services. The Council's forecast gap for 2025-26 is c£41.5m rising to c£87.7m by 2027-28. This makes no assumption about Council Tax increases which may reduce the deficit by c£10m (based on a continuing 4.99%) which will increase cumulatively

each year; however, the subsequent gap would still remain a very real challenge.

- 15.15 The Council has reserves to underwrite the position for a short period of time, but this is not a sustainable position for the longer term and decisive action will be required, at pace, during the next six to twelve months. This will require actions across all services, including the Children's Trust, to seek to transform, reduce, devolve or indeed cease services when these can no longer be supported in the face of statutory demand requirements. The CFO is aware that external support is being sought to help drive further change in the Council's continuing push for value for money in its services. It is anticipated that this resource will not only provide the capacity to move the work required at speed but will also provide greater intelligence on actions that have been taken in other similar organisations which have had the greatest impact, enabling the Council to make change in the timeliest manner.
- 15.16 Furthermore, a transformation and efficiency board has now been established for the Children's Trust which consists of officers from North Northamptonshire Council, West Northamptonshire Council and Northamptonshire Children's Trust, alongside colleagues from DfE. Both Councils will be providing staffing capacity to the Trust to help develop business cases which are seeking to improve outcomes for children and provide cost effective services from 2024-25 and into the longer term. The effectiveness of this Board is still too early to determine but it is a positive approach to help address the challenges that we are witnessing in Children's Social Care. Outside the specific transformation related projects, work will be required with the Trust to look at all aspects of spend and the potential to reduce costs whilst ensuring.
- 15.17 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.
- 15.18 The position on the Council's DSG has moved into a forecast deficit of c£9m predominantly driven by spending within the High Needs Block.
- 15.19 As a consequence of the 2023-24 pressures the Council has been unable to set a balanced High Needs Block budget for 2024-25. Schools Forum was presented with a proposed deficit budget plan for 2024-25 of £7.7m. This together with the forecast year end deficit for 2023-24 of £9m means North Northamptonshire will be setting a cumulative deficit DSG budget of £16.7m in 2024-25. This is after attaining approval for a transfer of 0.5% from Schools Block to High Needs Block of £1.5m in 2024-25.
- 15.20 Where Councils have significant deficits on the DSG there is a Safety Valve Intervention programme. The programme requires local authorities involved to develop substantial plans for reform to rapidly place them on a sustainable footing. If the local authorities can demonstrate sufficiently that their DSG management plans create lasting sustainability, the department will

enter into an agreement with the local authority. Upon the local authority demonstrating progress they will receive incremental funding to eliminate their historic deficits, generally spread over 5 financial years. The Council has met with officials from the ESFA, and further meetings are planned to progress work on how the deficit is reduced and progress on this must be monitored and regularly reported.

### **Adequacy of the proposed Financial Reserves**

- 15.21 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 2024 will be £24.2m and this is forecast to remain unchanged for the year. This includes an allocation for the split of the County Council’s reserves which are still subject to final Audit certification.
- 15.22 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 and demand led services and general uncertainty over the levels of funding available going forwards.
- 15.23 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.
- 15.24 The Council also has a number of Earmarked General Fund Reserves which are detailed in the 2024-25 budget report. The estimated level of General Fund earmarked reserves, excluding Schools, as at 31<sup>st</sup> March 2025 is £99.5m. The detail of which is set out in **Appendix D** to this report. The level of reserves required against risk/need is assessed as part of the budget setting process and the monitoring of these reserves will take place during the financial year and at the year-end as part of the closure of accounts. The Council had previously held a specific reserve for the risks surrounding Adult Social Care of £4m, which has now been applied in part to support of the additional needs within the 2024-25 budget for the service. It is important that when reserves are utilised that the Council seeks to ensure that these are replenished over time to ensure that the resilience of the Council is safeguarded. Therefore, where there is an opportunity to contribute to reserves this must be considered as a priority.
- 15.25 The Council is an extremely complex organisation that operates at scale. It has a wide 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.

- 15.26 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.
- 15.27 In particular, the Council's reserves may be required from 2026-27 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 keep under review in light of any new proposals including whether transitional support is available to move to a new funding regime.
- 15.28 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 £18.8m and £37.5m. The estimated level of general reserves on 1 April 2024 is £24.2m (6.5%) and this is not currently forecast to change during the year.

### **Fiduciary and Statutory Considerations**

- 15.29 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.

- 15.30 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.
- 15.31 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.
- 15.32 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
- 15.33 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.
- 15.34 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.
- 15.35 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.

15.36 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**

15.37 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.

15.38 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.

15.39 The Equality Impact Screening Assessment is attached as **Appendix F**.

### **Financial Governance.**

15.40 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)**

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### **Resources, Financial and Transformation**

16.1 The resource and financial implications of the Council's draft budget plans 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 will ensure that the Council delivers a balanced budget for 2024-25; 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 CFO's Section 25 report which is set out in paragraph 15 of this report.
- 16.9 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.
- 16.10 There is significant uncertainty regarding Local Government Funding in future years with potentially a new funding regime being implemented from 2026-27. This brings significant risk to areas such as North Northamptonshire and those authorities that have experienced a significant growth in their Business Base as those that have delivered most could stand to be the most adversely affected through changes in Government Funding. In addition, this could result in North

Northamptonshire having to pay a higher levy on its Business Rates growth which would reduce the amount of growth that is retained locally.

- 16.11 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. The Local Government Sector would welcome multi-year settlements, alongside adequate resourcing, which would greatly support effective Medium Term Financial Planning.
- 16.12 Risks for the 2024-25 budget includes the continuing disaggregation of service delivery budgets between North and West Northamptonshire Councils where these have been held under “host” or “lead” arrangements. This could give rise to additional budget pressures; however, it may also provide the opportunity to re-think service provision for North Northamptonshire in a more cost-effective way that is beneficial to our residents. More significantly the Council is also seeking to finalise the balances that it is to receive from the former County Council. Whilst the majority of balances have been agreed, discussions are ongoing with West Northamptonshire Council to progress this area of work and move to formal arbitration where the Councils are unable to reach mutual agreement.
- 16.13 Whilst the Council has set aside funding for investment in IT related costs, this will ultimately be dependent on the business cases that come forward and whether the proposals are Cloud based or on premise as this can influence the funding route. Where necessary earmarked reserves can be applied to support such this and other transformation.
- 16.14 Where possible, any risks or benefits crystallising in 2024-25 will be managed within the wider budget including the available contingency and/or earmarked reserves and the Medium-Term Financial Plan will be updated accordingly.

### **Consultation**

- 16.15 The formal consultation on the draft budget proposals commenced on 21<sup>st</sup> December 2023 and concluded on 26<sup>th</sup> January 2024 this allowed time for the preparation of the final budget proposals for this meeting of the Executive and for the Council meeting on 22<sup>nd</sup> February 2024.
- 16.16 The structure and design of the consultation will set out the budget proposals and will enable both online and non-digital means of participation, in accordance with good practice. This is to ensure the widest possible reach, a variety of consultation methods will be used to maximise the range of accessible channels for consultees, these include:
- 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 is considered by Council on 22<sup>nd</sup> February 2024, Members are fully aware of the consultation feedback and are in a position to take it into account when making final decisions. This includes full consideration of any viable alternatives for ways to save money/generate income, if provided.

16.18 In addition, there will be specific consultation for any budget proposals that require targeted consultation with service users. This will include 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**.

### **Consideration by Executive Advisory Panel**

16.20 Not applicable.

### **Consideration by Scrutiny**

16.21 The Corporate 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.

16.22 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.

16.23 Prior to the scrutiny of the 2024-25 budget, the Corporate Scrutiny Committee reviewed the in-year position for 2023-24 during November 2023. This was to enable the Committee to interrogate the forecast for 2023-24 and identify any issues in advance of the budget setting for 2024-25.

- 16.24 In respect of the 2024-25 budget, the scrutiny of the budget proposals took place following the presentation of those proposals to Executive on 21<sup>st</sup> December 2023 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 19<sup>th</sup> January 2024 and a separate report was published by the Committee following its meeting on 23<sup>rd</sup> January 2024.
- 16.25 A total of five Budget Scrutiny sessions were undertaken for 2024-25 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:
- Enabling and Support Services (08/01/24)
  - Public Health and Communities (12/01/24)
  - Children's and Education Services (15/01/24) excluding the Children's Trust
  - Place and Economy (19/01/24)
  - Adults, Health Partnerships and Housing, including the HRA (19/01/24)
- 16.26 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.
- 16.27 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 22<sup>nd</sup> February 2024.

### **Equality Impact Screening**

- 16.28 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.
- 16.29 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)

16.30 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.

16.31 Equality Screening Assessments (EqIAs) were available throughout the consultation process in draft form. **Appendix F** sets out the initial Equality Screening Assessment for the budget proposals.

### **Climate and Environment Impact**

16.32 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.

16.33 Significant progress has since been made and reported into the Climate, Growth and Environment Executive Advisory Panel at regular intervals throughout 2022.

16.34 During 2023, significant progress on climate action has been made and reported to the Sustainable Communities Executive Advisory Panel at regular intervals throughout the year. The initial focus has been to identify mechanisms, procedures and systems that will provide a solid foundation for further development of climate action as we plot our course towards reaching the Council's target of becoming carbon neutral by 2030 and complying with the national legal requirement of achieving Net Zero by 2050, or sooner.

16.35 North Northamptonshire Council's first ever Carbon Management Plan was approved and published in December 2022. The plan sets out what we aim to achieve as a council to reduce our greenhouse gas emissions, working with our local communities and partner organisations over the coming years to achieve our commitment to the authority becoming carbon neutral by 2030. The Carbon Management Plan is a corporate approach to identifying, reducing and removing greenhouse gas emissions, where possible and safe to do so, from all council services, assets, vehicles and machinery. Eighty-two actions have been identified in the plan across eight categories so far and these were assigned to the most appropriate officers in the Council during 2023. The Carbon Management Plan is reaching its first year of implementation and the Council's first annual report on carbon management is due for release at the start of the financial year.

- 16.36 Achievements include the planting of around 10,000 trees during the 2023-24 planting season on land we manage to improve landscape, wildlife habitats, recreation and offset carbon emissions. Additionally, ICT have made some gains in energy reduction, that are both tangible and permanent. The replacement of 37 servers with 6 servers has resulted in a net reduction in consumption of 34,944 kWh per annum, which is an equivalent reduction of 13.5 tonnes of carbon emissions. Our Grounds Maintenance teams have progressed work to phase in the use of battery-powered equipment, vehicles and machinery during 2024, and phase out fossil fuel powered kit. Furthermore, during 2023 we have enabled the installation of electric vehicle charging points in 23 locations where there is no access to off-street parking providing local residents with the opportunity to transition to electric vehicles.
- 16.37 The Climate Change Investment Fund made progress by approving funding of over £350,000 for internal projects to save on carbon emissions. Progress will be reported through the Sustainable Communities Executive Advisory Panel. The Climate Change Investment Fund is a £1m pump priming investment, that 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 2024-25 is £250k and is funded through an earmarked reserve.
- 16.38 Carbon Literacy Awareness Training started in 2022, with the training of councillors and over 50 senior managers. The Council has now started delivery of an accredited internal training programme to roll out to the wider workforce over the next two years. Monthly training courses started in September 2023 with 15 officers trained and 3 officially certified as carbon literate so far, with more to follow over the coming months as the course gains traction.
- 16.39 The implementation of our Climate Change Impact Assessment (CCIA) is planned for early in 2024. The tool provides a standardised approach to evaluate climate impacts for any change or where we develop a new policy, project, service, function, strategy, or when we are procuring new goods and services. The primary aim of the tool is to inform decision-making by demonstrating how changes to policies, proposals, projects, and operations made by the Council will impact carbon emissions and our wider goal of becoming carbon neutral by 2030.
- 16.40 The development of a new Sustainability and Climate Change Strategy is underway and is expected to be completed over the course of 2024. It will be informed by many sources, including, for example, the climate change evidence base that is currently being developed for the Local Plan.
- 16.41 The Council has hosted three Climate Conferences (NNClimate21, 22, 23) since vesting day in April 2021 to showcase some of the work undertaken in the North Northants area. Having the conference accessible to a wide audience by hosting online sparks healthy debate, which can lead to innovative ideas, and collaboration, which are essential if we are to solve challenging environmental

problems. It also ensures that the information is available for sharing after the event. Forums like this are important to bring people together to help find solutions.

- 16.42 Internal communication and engagement methods have been implemented, such as The Green Thread internal newsletter for Sustainability and Climate Change information sharing, as well as The Green Network, to provide a unique staff forum for the Council to share deliverable solutions on how we can integrate climate change awareness and sustainability into the workplace and their personal lives.
- 16.43 A number of working groups have continued or started during 2023, such as, for example, the Biodiversity Net Gain / Local Nature Recovery Strategy group, the Carbon Sequestration working group, and the Northamptonshire Farming and Sustainability working group (for which the Council provided the Framework document).
- 16.44 North Northamptonshire Council continues to work with many other partner groups and organisations, such as, for example, the Big50, the Environment Agency, Hydrogen Valley, Cranfield University and the University of Northampton, to deliver activities which help to reduce climate and environmental impacts. This work will continue in 2024-25.

### **Community Impact**

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

### **Crime and Disorder Impact**

- 16.46 There are no specific issues arising from this report.

## **17. Background Papers**

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- 17.1 The following background papers can be considered in relation to this report.
- **Executive Meeting (21/12/23)**  
Draft Budget 2024-25 and Medium-Term Financial Plans  
<https://northnorthants.moderngov.co.uk/ieListDocuments.aspx?CId=142&MId=1539&Ver=4>
  - **Council Budget Setting Meeting (23/02/23)**  
Final Budget 2023-24 and Medium-Term Financial Plans, including the Council Tax Resolution  
<https://northnorthants.moderngov.co.uk/ieListDocuments.aspx?CId=151&MId=767&Ver=4>

- **Executive Meeting (09/02/23)**  
Draft Budget 2023-24 and Medium-Term Financial Plans  
<https://northnorthants.moderngov.co.uk/ieListDocuments.aspx?CId=142&MId=919&Ver=4>
- **Budget Forecast Reports to the Executive and Corporate Scrutiny Committee**