



## EXECUTIVE

### 19<sup>th</sup> December 2024

<b>Report Title</b>	<b>Draft Budget 2025-26 and Medium-Term Financial Plan</b>
<b>Lead Member</b>	Councillor Lloyd Bunday, Executive Member for Finance and Transformation
<b>Report Author</b>	Claire Edwards - Executive Director of Finance

<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>	N/A
<b>Which Corporate Plan priority does the report most closely align with?</b>	Modern public services

#### List of Appendices

- Appendix A** – Budget Summary
- Appendix B** – Budget Change Proposals
- Appendix C** – Dedicated Schools Grant
- Appendix D** – Reserves Strategy
- Appendix E** – Initial Equality Screening Assess

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

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- 1.1 This report sets out the draft revenue budget 2025-26 and the indicative medium-term financial plan for North Northamptonshire Council and it will form the basis of the budget consultation process. Residents, local partners and other stakeholders will have the opportunity to review the draft budget proposals during the five-week consultation period, which will commence following this meeting and will run until 24<sup>th</sup> January 2025. The draft budget will also be presented to the Corporate Scrutiny Committee for feedback.
- 1.2 At its meeting on 6<sup>th</sup> February 2025 the Executive will consider the outcome of the consultation together with a report from Corporate Scrutiny Committee when determining the final draft budget proposals and the Council Tax Levels for 2025-26 to recommend on to Council at its meeting on 20<sup>th</sup> February 2025. The Council Tax Resolution report presented to February Council will contain the

final information from all the precepting authorities required to propose the Council Tax for all areas of North Northamptonshire.

- 1.3 This report sets out the latest estimated funding position, service budget pressures and savings and other key factors influencing the development of the Council's draft budget for 2025-26 and its financial forecasts over the medium term.
- 1.4 The Revenue Budget 2025-26 and Medium-Term Financial Plan forms part of a full suite of budget reports being presented to the Executive. These include the Housing Revenue Account Budget 2025-26 and the Capital Programme 2025-26 to 2028-29. These reports when taken together will provide a framework for the Council's financial planning for 2025-26 and into the medium term.

## 2. Executive Summary

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- 2.1 The report presents the draft General Fund Revenue Budget and Medium-Term Financial Plan for North Northamptonshire Council. The draft budget proposals support a wide range of services to residents and businesses across the area including care to vulnerable adults and children, education, leisure and culture, waste management, transport connectivity, economic development and housing. The budget will underpin the key commitments contained within the Council's Corporate Plan which has the following six 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.
- 2.2 The budget is set in the context of continuing uncertainty around the economic picture for the Local Government Sector as a whole. Increasing demands has resulted in significant changes to the Council's Medium-Term Financial Plan compared to the position modelled just less than a year ago.
- 2.3 The past couple of years has seen unprecedented financial challenges predominantly through increased demand and high levels of inflation, although recently these have returned to levels more in line with the Governments

inflationary targets. 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.

- 2.4 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 2024 which was presented to Parliament on 30<sup>th</sup> October 2024, alongside the subsequent Finance Policy Statement issued on 28<sup>th</sup> November. These documents set out the overall funding available for Local Government as well as other key economic indicators. However, the detail of the individual allocations to each Council will not be known until the publication of the Local Government Finance Settlement which is currently anticipated to be during the week of the 16<sup>th</sup> December 2024.
- 2.5 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 2025-26 the indicative settlement is £414.5m 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 under 25 years of age.

### **2025-26 Budget Approach and Headlines**

- 2.6 The main headline assumptions within the draft budget proposals are:
- A balanced general fund budget for 2025-26, with funding supporting net spend requirements of £400.927m (excluding the DSG).
  - Further investment of circa £51.9m to both protect vital services and invest in service change and improvement. This allows for demand and cost increases in services, most notably Adult Social Care (£29.2m) and Children's Services (£6.2m).
  - Cost pressures and service investment are, in part, offset by savings, efficiencies and income generation of £26.3m, this includes the continuation of savings already included as part of the 2025-26 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 6.7% increase in the National Living Wage from 1 April 2025 from £11.44 per hour to £12.21 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 £1,827.06, an average weekly increase of £1.67 (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 £2.6m. This is equivalent to around 0.65% of the Council's net

budget and will be used to meet any risks around the wider economy and the increased demand for services.

- The use and retention of reserves to support one-off investment in service improvement, fund time limited projects, pump-prime schemes and help manage risk both in year and across years.
- Officers will continue to seek efficiencies to help address the budget requirement from 2026-27 and into future years.
- An indicative DSG settlement of £414.5m

2.7 **Appendix A** sets out a summary of the financial position.

2.8 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 will be scrutinised by the Corporate Scrutiny Committee in accordance with the budget strategy paper that was presented to Executive on 14<sup>th</sup> November 2024 – the link to this report is as follows:

[Indicative Budget Timeline and Scrutiny Process 2025-26](#)

2.9 As part of the 2025-26 Budget setting process several 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 2025-26 and identify any efficiencies to offset against these.
- To review the existing MTFP for 2025-26 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 2024-25 monitoring to inform the budget planning for 2025-26.
- To understand the planned service developments, alongside the associated costs/benefits and timing.

2.10 The outcome was to achieve an agreed way forward on the service proposals for 2025-26 and beyond for consideration as part of the Medium-Term Financial Plan and this forms the basis of the contents of this report.

### Policy Statement

### Government Grants

2.11 A new government brings with it uncertainty around previous decisions and priorities, the Chancellor announced the Autumn Statement in Parliament on 30<sup>th</sup> October 2024. The Statement made a clear indication of how future funding will be targeted to those authorities with the highest levels of deprivation, whilst reaffirming the prior Government's previous commitments to the sector. New

Grant funding of £1.3bn to recognise the continued challenges faced by councils in social care provision.

2.12 This additional funding for Local Government, approximately £3.6bn, will be made available to deliver core services in 2025-26 and includes:

- Up to £2.1bn in further flexibility for councils on council tax.
- £680m Adult social care grant, will increase by £80m (£600m already announced in the 2024 Budget)
- £600m Recovery Grant is additional funding which will be targeted towards authorities with the highest levels of deprivation
- £250m Children’s Services Prevention Grant

2.13 Further to this, service grant and rural service delivery grant will be abolished for 2025/26. Overall effect of this with various other grants rolled into the Revenue Support Grant, together with the inflationary impact for the financial settlement this sees an overall reduction in small grant allocations of £47m.

2.14 The movements can be summarised in the table below:

<b>Changes in Funding for Core Services</b>	<b>2025/26 £bn</b>
Change to Council Tax Assumptions	2.12
Social care funding	0.68
Recovery Grant	0.60
Children’s Services Prevention Grant	0.25
Sub-Total Change in Funding	3.65
Service Grant/Rural Service Delivery Grant and other grant movements	-0.05
<b>TOTAL</b>	<b>3.6</b>

2.15 The Autumn Statement, although did not provide an indication of future funding it did outline the intention from 2026-27 to implement the Fair Funding Review, resetting the business rates retention system, together with the commitment to providing the sector with a multi-year settlement.

2.16 Funding outside of the Local Government Settlement was announced, with additional funding of £1.1bn from the Extended Producer Responsibility for packaging and £1bn for continuing costs for SEND provision into the Dedicated Schools Grant.

2.17 Overall, whilst the additional funding in 2025-26 for Local Government announced in the Autumn Statement was welcomed there are still significant challenges with the sector around ongoing pressures within the social care.

2.18 At the time of writing this report the detail of the provisional Local Government Finance Settlement which sets out the allocation of funding to each individual Local Authority had not been announced.

Business Rates

- 2.19 The Government is committed to reforming the current business rates system. 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 funding reform changes will take place from 2026-27.
- 2.20 The Government last 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 2025-26. The Council will be compensated for the loss in income for the freeze. The standard multiplier will increase from 54.6p in 2024-25 to 55.5p in 2025-26 based on the September 2024 CPI.
- 2.21 The decoupling of the multipliers will impact the cap compensation, separate under-indexation factors (UIFs) will be used, to calculate the cap compensation that is to be paid to councils these are yet to be confirmed for 2025-26 and are likely to be announced alongside the Provisional Financial Settlement. The Council systems will need updating to provide data for both the small multiplier and the standard multiplier which will need to be split for the NNDR1<sup>1</sup> 2025-26. 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.
- 2.22 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, however this should be offset by an increase in the Business Rates yield.
- 2.23 Local authorities should be fully compensated for any loss of income because of these changes to business rates and should receive new burdens funding for any administrative and IT related costs.

### Council Tax

- 2.24 For 2025-26, 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 assumes that councils will raise their Council Tax by the maximum allowed when determining the Core Spending Power<sup>2</sup> for Local Authorities.
- 2.25 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 2025-26. This would contribute around £10.2m per annum towards service priorities and would represent a Band D level of Council Tax for North Northamptonshire Council of £1,827.06 which is an increase of £86.84

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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.

<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.

(equivalent to £1.67 per week) from the Band D Council Tax level of £1,740.22 in 2024-25. 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.

- 2.26 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 2025-26 and beyond

- 2.27 The Council initially had a forecast funding gap of £41.5m for 2025-26. Having incorporated forecast changes arising from the announcements made as part of the Autumn Statement, applying a Council Tax increase of 4.99% (including 2% for Adult Social Care) and revising the budget assumptions for 2025-26 including a number of new spend pressures and savings, the Council is now able to propose a balanced draft budget for 2025-26.
- 2.28 Whilst the budget is initially balanced for 2025-26, subject to the outcome of the Finance Settlement, 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 Council potentially lose a significant proportion of the business rates growth that it has built up and benefited from over several years.
- 2.29 To help address the longer-term deficit the Council is continuing to review its service delivery for the future and in 2025-26 has dedicated transformation resources working to deliver the changes required, bringing services together in to more efficient and effective operating models. This will help contribute towards the financial 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.

#### Next Steps

- 2.30 Following the consultation on the draft budget and scrutiny the updated full suite of budget reports will be presented to the Executive on 6<sup>th</sup> February 2025. This will include:
- the General Fund Revenue Budget 2025-26 and Medium-Term Financial Plan, including the Dedicated Schools Grant
  - the Housing Revenue Account Budget 2025-26 and Medium-Term Financial Plan,
  - the Capital Strategy and Capital Programme, and
  - the Treasury Management Strategy.

- 2.31 The Draft Housing Revenue Account Budget 2025-26 will also be considered by the Tenants representatives.
- 2.32 These reports together will provide a framework for revenue and capital planning for 2025-26 and into the medium term. The suite of budget reports, including the Council Tax Resolution will be considered by Council on 20<sup>th</sup> February 2025, following the recommendation of the Executive at its meeting on 6<sup>th</sup> February 2025.
- 2.33 The budget timetable, from the time of writing this report, is set out in the table below.

<b>Key Dates</b>	<b>Activity</b>
w/c 16 <sup>th</sup> December 2024	Local Government Finance Settlement expected (exact date to be confirmed)
19 <sup>th</sup> December 2024	Draft budget report 2025-26 presented to Executive for approval.  Formal consultation on the budget will commence following the meeting, and subject to Executive approval.
January 2025	Corporate Scrutiny Committee members scrutinise the individual Directorate budget plans, in advance of February Executive.  HRA rent increase consultation to Tenants representatives.
16 <sup>th</sup> January 2025	Budget Update to Executive, if required, following the Local Government Finance Settlement.
24 <sup>th</sup> January 2025	Budget consultation ends.
6 <sup>th</sup> February 2025	Updated Budget report, including feedback from Corporate Scrutiny Committee, presented to Executive for approval and recommendation on to Council.
20 <sup>th</sup> February 2025	Setting of the Budget and Council Tax - Suite of budget reports presented to Council for approval.

- 2.34 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.



2.35 It is important to ensure that the position is closely monitored and reviewed throughout the year with mitigating actions taken as necessary. 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:

- a) Approves for consultation the 2025-26 Draft Revenue Budget, which includes:
  - i. an estimated net revenue budget of £815.4m (£414.5m including the Dedicated Schools Grant) as set out in Appendix A, noting that this is subject to further update and change following the publication of the provisional Local Government Finance Settlement.
  - ii. a Band D Equivalent Council Tax of £1,827.06 for North Northamptonshire Council, representing an increase of 2.99% in the 'core' Council Tax and a further 2% for the Adult Social Care Precept.
  - iii. pressures of £51.9m, including adjustments for the reversal of one-off funding in 2024-25, and savings, efficiencies and income proposals of £26.3m as detailed in Appendix B.
  - iv. the provisional Dedicated Schools Grant budget of £414.5m for 2025-26, pending the final settlement, as detailed in Appendix C.
  - v. the draft planned use of, contribution to, and movement in, reserves as identified in paragraph 5.42, section 9 and Appendix D of the report, noting the reserves will be reviewed again after the Finance Settlement and prior to the final budget proposals, to consider the risk applying at that time.
  - vi. corporate budget requirements as set out in paragraph 8.1, including a contingency sum of £2.6m as set out in paragraph 8.2.
- b) For the Dedicated Schools Grant (DSG):
  - i. Notes the provisional allocations of the funding for the Schools Block, Central School Services Block, High Needs Block and Early Years Block
  - ii. Following consultation with the Schools Forum, delegates authority to the Executive Member for Children, Families, Education and Skills in consultation with the Executive Director of Finance and Performance (S151 Officer), Executive Member for Finance and Transformation and the Executive Director for Children's Services, to determine the DSG 2025-26 schools funding formula, high needs funding arrangements and the early years funding formula in line with Department for Education guidance.

- c) Endorses the budget consultation process as outlined at paragraphs 13.16 to 13.20 which commences following the approval of the recommendations in this report.
  - d) Notes that the funding allocations are estimates only at this stage and will not be confirmed until the publication of the provisional Local Government Finance Settlement.
  - e) Delegates authority to the Executive Member for Finance and Transformation in consultation with the Executive Director of Finance (S151 Officer) to amend the draft budget following the publication of the provisional Local Government Finance Settlement.
- 3.2 Reason for Recommendations: To ensure that the Council complies with its Constitution and legislative requirements in setting the budget for North Northamptonshire Council from 2025-26.
- 3.3 Alternative Options Considered – This is the start of the formal budget consultation for the General Fund and any comments from the consultation, together with any changes from the Finance Settlement, will be considered as part of this process to inform the need for alternative options.

#### **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 2025-26 and into the medium-term. Reports containing full details of the proposed draft budgets for the Housing Revenue Account and the Capital Programme are included as separate reports to this meeting of the Executive.

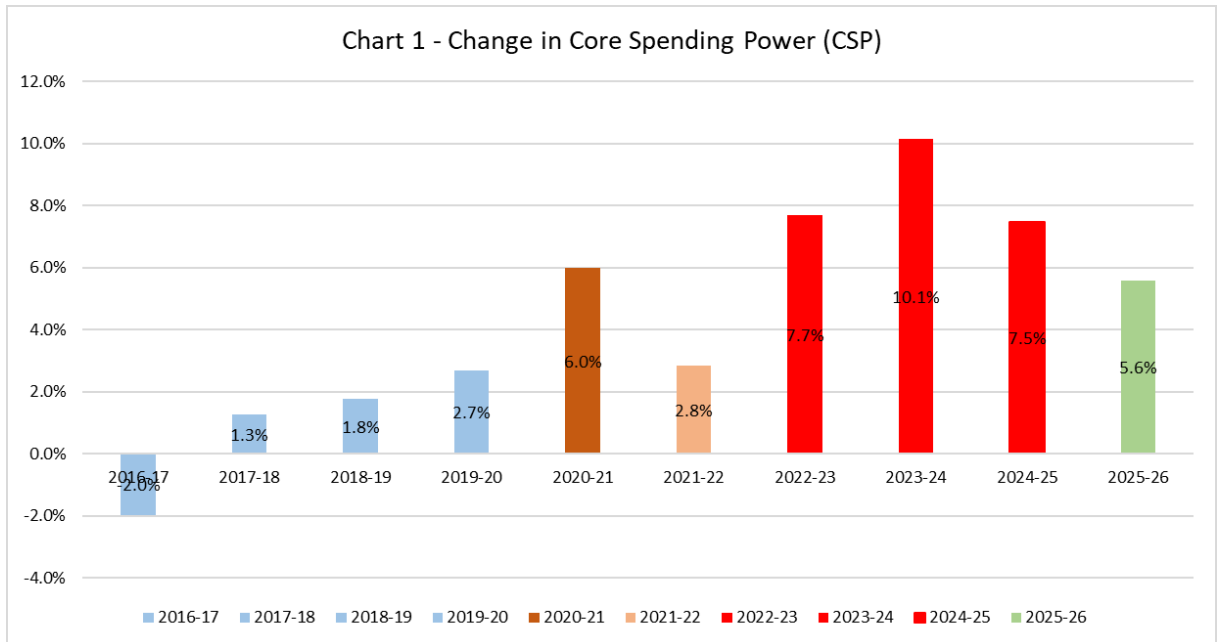
## **The Economic, Financial and National Policy Context (Autumn Statement 2024)**

- 4.3 The Autumn Statement was announced by the Chancellor of the Exchequer on 30<sup>th</sup> November 2024 and contained details of the national spend priorities and economic forecasts.
- 4.4 Economic and fiscal instability creates uncertainty for households, businesses, and markets. UK economic policy uncertainty has been higher than the global measure in recent years.
- 4.5 Without a spending review since 2021, departmental budgets did not account for the significant spike in inflation and other factors. It also meant departmental planning horizons had shrunk to less than one year.
- 4.6 Plans set at Spring Budget 2024 were for public sector net investment (PSNI) to fall from 2.5% in 2023-24 to 1.7% of GDP in 2028-29. Public services performance had reached historic lows across health, education, housing, police, justice, and social care services. These outcomes do not just affect people directly but the wider economy. In the latest data, output in the health sector remains nearly 16% below its pre-pandemic level.
- 4.7 The UK economy over recent years has flatlined, seeing low productivity impact the UK's ability to deliver growth and remains weak, contributing to a challenging fiscal position. The economy is expected to grow by 1.1% by the end of 2024, before increasing to 2.0% and 1.8% in 2025 and 2026.
- 4.8 In September the Consumer Price Index (CPI) was 1.7%, compared to the high inflation seen in prior years. Data from the Office for Budget Responsibility (OBR) expects that the Government policies from the Autumn Statement will see inflation remain close to the 2% target throughout the forecast period.
- 4.9 The Autumn budget is expected to boost business investment with growth in spending, taxation and borrowing of £100m over the next 5 years. This will be funded by an increase in taxes, mainly on employers through National Insurances increases, together with tighter controls through greater tax compliance. This will generate £36bn a year in additional revenue and will push taxation of 38% of Gross Domestic Product (GDP) by 2029/30.
- 4.10 The OBR forecast that the unemployment rate will be an average 4.3% in 2024, a small increase on 2023, before remaining close to 4.0%. The employment rate (for those aged 16 and over) is expected to remain close to 60% over the forecast. The OBR expects part of the additional costs from the employer NICs rise to be passed through to lower real wages, which would reduce the supply of labour, and partly through to lower profits.
- 4.11 Global developments continue to weigh on the outlook for growth and inflation. The illegal war in Ukraine and ongoing conflict in the Middle East pose risks to the UK and global economies. Any material escalation that further disrupts energy and goods trade could contribute to higher oil prices and increased shipping costs.

- 4.12 Sustainable public finances will contribute to a more stable business environment, supporting businesses and households to make long-term decisions, boosting investment and output. While some of the decisions taken at this event affect inflation and output within the five-year forecast, the government has prioritised investments that will pay off in the longer term.
- 4.13 Whilst the Statement provides an indication of the potential impact on Local Government, it does not confirm the funding allocations for each Council and therefore these assumptions remain at risk until the Finance Settlement is published. There are several 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.
- 4.14 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>3</sup>. The Autumn Statement reaffirms commitments to Local Government made last year for 2025-26 and provides additional funding to the sector to support the further costs witnessed as a result of an increasing population, demand growth and high inflation of £1.53bn.
- 4.15 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 to facilitate effective planning and investment.
- 4.16 Through the Autumn Statement, the government confirmed, that the provisional 2025/26 settlement would be a 1-year settlement completing Phase 1 of Spending Review 2025, resetting departmental budgets for 2024-25 and setting budgets for 2025-26.
- 4.17 Phase 1 has focused on stabilising and supporting public services, delivering a real terms increase in departmental spending of 4.3% per year on average over 2024-25 and 2025-26.
- 4.18 Phase 2 of the Spending Review will conclude in late spring 2025. This will focus on reform and technology-enabled approach to funding public services while investing in long-term growth.
- 4.19 In the Autumn Statement, the initial reaction is that there is more funding for local government in 2025-26 than we had been anticipating, confirming a 5.6% in cash terms, or 3.2% real-terms increase in the Core Spending Power for local government in 2025-26 but is lower than in previous years. However this includes Council Tax and Business Rates increases, which have already accounted for.

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<sup>3</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.



4.20 The budget states that an additional £1.3bn of extra grant will be paid to local government in 2025/26 this includes at least £680m for social care. The budget documents confirm that for 2025/26 that the remaining funding will be targeted to those councils most in need and not based on current formulas.

4.21 The budget in key areas of demand such as Adult and Children's Social Care and homelessness has been significantly impacted by increased complexity, the ongoing challenges in the health service and external markets and the wider economic climate, so these budgets will be closely monitored and reviewed again prior to the Final Budget.

### **Business Rates**

4.22 The Chancellor also announced a range of business rates measures in his Autumn Statement and for 2025-26 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 uprated by the September CPI from 54.6p to 55.5p.
- The rate of business rates relief scheme for retail, hospitality and leisure properties would be reduced to 40%, up to a cash cap of £110,000 per business. Businesses in this sector may face a potentially sharp rise in business rates.
- This 40% relief rate is temporary until permanent lower multipliers for retail, hospitality and leisure (RHL) properties with a rateable value (RV) under £500,000 are in place from 2026-27. Rateable value is an estimate by the Valuation Office Agency of how much it would cost to rent a property for a year. Business rates are calculated by multiplying the rateable value by the standard, or small business multiplier.
- The lower multipliers are to be funded by higher multipliers on properties with a rateable value of £500,000 and above, which includes many large distribution warehouses such as those used by online companies.

## Council Tax

- 4.23 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 £14 for police authorities;
  - the core council tax principle of 2.99% or £5 will apply for the 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.
- 4.24 Overall, the Council's budget assumptions are in line with the Policy Statement, but as stated previously the exact allocations will not be confirmed until the provisional Finance Settlement is issued in December. The Government will consult on the Provisional Settlement at this point, with responses considered before publishing a Final Settlement in the new year. The Settlement measures are therefore subject to change following the consultation. In recent years such changes have been minimal.
- 4.25 Other key messages are:
- The Autumn Statement confirms the continuation of the Household Support Fund for 2025/26 used to help households with the cost of essentials as well as the free school meal vouchers for eligible children during the school holidays. Formal confirmation on the future of the grant is awaited, and the Council is looking at the implications should the fund not be extended beyond 2025-26.
  - The Public Health Grant is expected to be maintained in line with previous announcements, but this is subject to confirmation as part of the Finance Settlement.
  - The government is introducing the first integrated settlements for Greater Manchester and West Midlands combined authorities from 2025-26, looking to announce further combined authorities from 2026-27 looking to simplify the wider local funding landscape. The English Devolution White Paper will set out more detail on the Governments devolution plans for the future.
  - £233m of additional spend in 2025-26 to prevent homelessness, helping to reduce the number of families in temporary accommodation and rough sleeping.
  - It is assumed that the Statutory Override for the Dedicated Schools Grant will continue until 31<sup>st</sup> March 2026 – this should be confirmed as part of the financial settlement.
  - Capital investment of £6.7bn, the majority will be to improve the condition and building programme of the school estate.

- 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.

## **Local Government Funding Context**

- 4.26 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.
- 4.27 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.
- 4.28 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.
- 4.29 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.
- 4.30 Once further information is released regarding future funding, finance officers will model this into the Medium-Term Financial Plan and provide an updated position.
- 4.31 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 This section provides narrative around each of the Council’s Funding streams.
- 5.2 As part of the Autumn Statement, it was announced that there would be a funding review for 2026-27 the timescales for this will be very tight for changes to be implemented in 2026-27. It is expected that the government “will set out further details through an upcoming local government finance policy statement.”,

and we would anticipate that this will mean a consultation paper on funding principles alongside the provisional settlement in December, followed by a full consultation in the Spring (or potentially before the Summer Recess).

- 5.3 Significant challenges remain for 2026-27 and the years thereafter and this also brings significant risk to authorities who have delivered significant Business Growth such as this Council and the loss of cumulative business rates growth. The position for all four years will be reviewed following receipt of the Local Government Funding Settlement which will provide individual Local Authority allocations, which is expected w/c 16<sup>th</sup> December 2024.
- 5.4 Whilst the position is balanced for 2025-26, the gap in 2026-27 increases to £33.8m, in 2027-28 to £53.8m and in 2028-29 to £74.4m. The following table provides a summary of the 2025-26 Budget and the Medium-Term Financial Plan and its proposed funding.



Description	2025/26	2026/27	2027/28	2028/29
	£'000	£'000	£'000	£'000
Base Budget	400,927	426,569	456,293	486,822
Dedicated Schools Grant	414,499	414,499	414,499	414,499
<b>Net Budget</b>	<b>815,426</b>	<b>841,068</b>	<b>870,792</b>	<b>901,321</b>
<b>Funding</b>				
New Homes Bonus	(3,087)	0	0	0
Business Rates Funding Baseline	(114,924)	(87,869)	(90,964)	(94,284)
Business Rates Collection Fund	3,409	345	0	0
Council Tax	(214,835)	(217,521)	(220,239)	(222,993)
Council Tax Collection Fund	(2,297)	0	0	0
Revenue Support Grant	(6,223)	(14,321)	(13,380)	(12,359)
Recovery Fund	(3,384)	0	0	0
Extended Producer Responsibility	(6,652)	0	0	0
Social Care Grant	(26,719)	(71,718)	(76,588)	(81,458)
Social Care - Market Sustainability and Improvement Fund	(5,522)	0	0	0
Children's Services Prevention Grant	(1,380)	(1,407)	(1,435)	(1,464)
Improved Better Care Fund	(11,523)	0	0	0
Discharge Funding (Ring Fenced) - Renamed to Market Sustainability and Improvement Fund	(2,693)	0	0	0
Flexible Use of Capital Receipts	(1,230)			
Transfer to / (From) Reserves	(3,867)	(250)	150	150
Dedicated Schools Grant	(414,499)	(414,499)	(414,499)	(414,499)
<b>Total Funding</b>	<b>(815,426)</b>	<b>(807,240)</b>	<b>(816,955)</b>	<b>(826,907)</b>

*Note: The funding forecast from 2026-27 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£11m each year.*

## Overview of Funding Assumptions

- 5.5 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. Although the Autumn Statement did helpfully include an

announcement that the Government would be moving to multi-year settlements from 2026-27.

- 5.6 The national headline figures for local authorities were announced as part of the Autumn Budget, detailed funding allocations for each Council will be made available as part of the Provisional Local Government Finance Settlement, which is expected to be made week commencing 16<sup>th</sup> December 2024.
- 5.7 The funding assumptions made in the table at paragraph 5.4 are set out under the relevant headings below.

### **New Homes Bonus**

- 5.8 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.
- 5.9 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
- 5.10 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.
- 5.11 Indications are that New Homes Bonus (NHB) will continue for 2025-26 and is forecast the Council will receive £3.087m.

### **Business Rates Funding**

- 5.12 The draft budget shows funding from Business Rates to be £114.924m, 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.
- 5.13 The way that the business rate retention scheme operates in future years could have major financial implications for councils.
- 5.14 Since 2013-14 the majority of local government has retained 50% of business rates (with 1% of this set outside for Fire Authorities) through the business rates retention scheme. Some Council areas retain 100% following the introduction of pilot schemes several years ago.
- 5.15 The Government in its Autumn Budget in 2024 announced, the small business rate multiplier will remain frozen at 49.9p and the standard multiplier will increase from 54.6p to 55.5p in 2025-26 based on September 2024 CPI.
- 5.16 Any gains that are not lost through the economic slowdown could be lost following a reset, this has been deferred until 2026-27 and the Council's MTFP

is modelling this change in funding, the assumptions will be revised as the financial landscape from 2026-27 becomes clearer.

5.17 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.

5.18 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.

5.19 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.

5.20 Whilst the volatility is recognised, this will not directly impact the 2025-26 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**

5.21 The mechanics of the Collection Fund means that what is actually collected in 2025-26 will not impact on the 2025-26 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 54% of the total funding in 2025-26, excluding the ringfenced Dedicated Schools Grant. The Council Tax yield for 2025-26 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 2025-26 was reported to Council at its meeting on 5<sup>th</sup> December 2024. 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 2024-25 was 115,847 and it is estimated that this will increase by 1,738 (1.5%) to 117,585 for 2025-26.
- 5.24 The “core” Council Tax referendum threshold for 2025-26 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 2024-25.
- 5.25 The Council will consult on a core Council Tax increase up to the level of the government limits, without triggering a referendum, of 2.99%, together with utilising the allowable adult social care precept increase of 2% in full. A total increase of 4.99%. This would result in a 2025-26 Band D Council Tax for North Northamptonshire Council of £1,827.06 (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 £86.84 from £1,740.22 in 2024-25, which is equivalent to a weekly increase of £1.67.
- 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 2025-26 was considered by the Executive on 14<sup>th</sup> November 2024 and approved by Council at its meeting on 5<sup>th</sup> December 2024. The 2025-26 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£124k.

### **Council Tax Collection Fund**

- 5.29 Due to the mechanics of the Collection Fund, it means that what is actually collected in 2025-26 will not impact on the 2025-26 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 2026-27 budget.

### **Revenue Support Grant**

- 5.30 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.

- 5.31 It is expected that payments will continue as part of the roll over settlement, and it has been indicated that this will be uplifted by CPI. The estimated grant for 2025-26 is £6.223m.

### **Recovery Fund**

- 5.32 In the Autumn Statement it was announced that there would be additional funding available for local government which would distribute more funding to higher-need authorities. The Policy Paper issued on 28<sup>th</sup> November confirmed this – the distribution for this grant is still to be confirmed – the Council are currently modelling that this funding will be distributed using the Index of Multiple Deprivation (IMD).
- 5.33 Nationally funding of £600m has been made available and based on the IMD the Council is estimating to receive funding of £3.384m (0.56%).

### **Extended Producer Responsibility (EPR)**

- 5.34 In the Autumn Statement it was announced that local authorities would receive £1.1bn of new funding in 2025-26 through the implementation of the Extended Producer Responsibility (EPR) scheme to improve recycling outcomes and that the Government will guarantee that if local authorities do not receive EPR income in line with the central estimates there will be an in year top up.
- 5.35 It was announced by DEFRA on 28<sup>th</sup> November that the Council would receive funding in 2025-26 of £6.652m (0.60%). At this stage no assumptions have been made on EPR funding from 2026-27 onwards when further announcements are made the MTFP will be updated accordingly.

### **Social Care Grant**

- 5.36 This is a Grant to fund both adult social care and children's social care needs. The allocation for North Northamptonshire in 2024-25 was £23.842m. The Finance Policy Statement announced an increase nationally of £680m in the Social Care Grant in 2025-26. This additional funding based on the relative need's formula (RNF) distribution, is estimated to be £2.877m in 2025-26 and will take the total estimated grant to £26.719m.

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

- 5.37 The market sustainability and improvement fund is a ringfenced grant of £1.050bn in 2024-25 in support of ongoing capacity and discharge costs. The allocation of this in 2024-25 was £5.222m it is assumed that the funding is unchanged in 2025-26 with the related spend within the Directorate budgets.

### **Children's Services Prevention Grant**

- 5.38 The Children's Social Care Prevention Grant amounts to £250m nationally, in 2025-26. The grant is to support children's social care reform, enabling investment in additional prevention activity through Family Help. The Council has estimated funding of £1.380m (0.55%) in 2025-26.

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

5.39 The funding for the improved Better Care Fund 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). 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.

5.40 The improved Better Care Fund for 2025-26 will be confirmed in the Provisional Local Government Finance Settlement for 2025-26. Within the draft budget this funding is currently forecast to rollover into 2025-26 of £11.523m. Any change in grant funding will be reflected in spending assumptions.

## **Discharge Fund**

5.41 The Discharge Fund Grant nationally amounts to £500m in both 2024-25 and 2025-26 and is to support the cost to Local Authorities for discharging individuals from hospital that are in need of Social Care support. The Councils allocation in 2024-25 was £2.693m and it is assumed that this is unchanged for 2025-26.

## **Transfers to / from Reserves**

5.42 The proposed transfers to and from the Council's reserves for the period 2025-26 to 2028-29 are summarised in the following table. Section 9 of the report provides further details around the Council's reserves. In addition there is a planned use of £1.230m for the Flexible Use of Capital Receipts.

		2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m
	<b>Transfer to Reserves</b>				
5.43	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>				
5.43	Elections – earmarked reserve previously established	(0.600)	0.000	0.000	0.000
5.44	Transformation Reserve	(0.298)	(0.298)	0.000	0.000
5.45	Investment Property- smoothing reserve	(1.548)	0.000	0.000	0.000
5.46	Regeneration – Town Centre Master Plan	(0.100)	0.000	0.000	0.000
5.47	Smoothing Reserves – Children’s Trust Contribution	(1.128)	0.000	0.000	0.000
5.48	Budget Delivery - Project Management Resource	(0.099)	0.000	0.000	0.000
5.49	Budget Delivery - Operational Delivery Management	(0.244)	(0.102)	0.000	0.000
	<b>Total from Reserves</b>	<b>(4.017)</b>	<b>(0.400)</b>	<b>0.000</b>	<b>0.000</b>
	<b>Net Transfer to / (from) Reserves</b>	<b>(3.867)</b>	<b>(0.250)</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.*

- 5.43 The Elections reserve is built up across four years at £150k per annum, amounting to £600k over the four-year period and is used to meet the cost of the local council elections. The next election is in 2025-26 and the budget reflects the £600k transfer from reserves with the corresponding expenditure shown within Enabling Services in **Appendix B**.
- 5.44 The Transformation reserve is to fund the continuing commitment to the transformation programme, there is a transfer from reserves of £298k to support this activity within the Children’s Directorate which also includes the corresponding expenditure.
- 5.45 The Investment Property Reserve forms part of the commercial investment strategy whereby the Council set aside resources to fund future known contractual obligations
- 5.46 Use of regeneration reserve is to facilitate the delivery of the Council’s Town Centre Master Plan.
- 5.47 The smoothing reserve has been used to fund pressures relating to the Children’s Trust social workers. Further work is being undertaken by NCT to mitigate this additional cost in the medium term.
- 5.48 The Budget Delivery Reserve has been used to fund Project Management support for the delivery of the OFSTED Local Area Partnership Priority Action

Plan, this had previously been approved by Council at the meeting on 29<sup>th</sup> August 2025.

- 5.49 The Budget Delivery Reserve has been used to fund the delivery of projects within the OFSTED Local Area Partnership Priority Action Plan, this had previously been approved by Council at the meeting on 29th August 2025.

**Dedicated Schools Grant**

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

- 5.51 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 to under 25 years old.	The Early Years Block provides funding for 9 months, 2-, 3- and 4-year-olds.

- 5.52 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 under 25 years).

- 5.53 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 Department for Education (DfE). The DfE deducts this funding from the Council's Dedicated Schools Grant before the grant is paid to the Council and this is termed 'recoupment'.

- 5.54 The December DSG Settlement provides the final settlement figures for the DSG Schools Block and Central School Services Block based on October 2024 census. However, the Early Years Block is an indicative figure as it is based on the January census. Early Years Block will be updated in July 2025 (to reflect the January 2025 census data) and will be further updated in July 2026 (to reflect January 2026 census data). The final settlement figure for the DSG Early Years Block will reflect 5/12 of January 2025 census data and 7/12 of the



January 2026 census data for Disadvantage 2 year olds and 3 & 4 year olds whilst Working Parents entitlements for over 9 months and 2 year olds will be based on termly participation census. High Needs Block is also adjusted to reflect any further cross boundary pupil changes during the year. This is known as Import and Export Adjustments.

5.55 The following table sets out the indicative disaggregated DSG funding based on the provisional National Funding Formula (NFF) settlement announced on 28<sup>th</sup> November, a further announcement will be made alongside the provisional financial settlement which is expected week commencing 16<sup>th</sup> December. At this stage no announcements have been made for the Early Years Block and the current years allocation has been assumed for 2025-26.

<b>DSG Blocks</b>	<b>Provisional 2025-26 NFF Allocation</b>
	£m
Schools Block	308.316
Central School Services Block	3.082
High Needs Block	66.084
Early Years Block	37.017
<b>Estimated Total DSG Allocation</b>	<b>414.499</b>

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

5.56 The structure of the schools NFF will remain largely unchanged in 2025-26. Key changes include:

- Rolling in the 2024 to 2025 teachers pay additional grant (TPAG), the teachers' pay employer contribution grant (TPECG) and the core schools budget grant (CSBG) into the NFF.
- A further uplift to NFF factor values.
- Changes to the PFI factor.
- Technical changes to the split sites factor.

5.57 The draft budget papers estimate a DSG settlement of £414.499m. 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 2024-25 allocation and the draft estimated 2025-26 budget position.

<b>Dedicated Schools Grant</b>	<b>Schools Block<sup>4</sup></b>	<b>Central School Services Block<sup>5</sup></b>	<b>High Needs Block</b>	<b>Early Years Block<sup>6</sup></b>	<b>Total DSG</b>

<sup>4</sup> Rolling in the 2024-25 teachers pay additional grant (TPAG), the teachers pay employer contribution grant (TPECG) and the core schools budget grant (CSBG) into the NFF Provisional 2025-26 Schools Block. It excludes estimated Growth Funding of £1.645m from 2024-25 due to complete Oct 2024 census not being available. It does not include Falling Pupil Roll Fund which was funded for the first time by the DFE in 2024-25.

<sup>5</sup> The DFE continue to apply 20% year on year reduction to Historical Commitments of Central School Services Block.

<sup>6</sup> The Early Years Block Provisional 2025-26 NFF Settlement figure is estimate to be the same as 2024-25 allocation as the settlement figure has not been announced. It takes into account DFE's free childcare offer for eligible working parents in England will be able to access up to 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.

	£m	£m	£m	£m	£m
2024-25 DSG Allocation	287.277	3.109	60.868	37.017	388.271
Teachers Pay Additional Grant (TPAG)	4.702	0.000	0.000	0.000	4.702
Teachers Pension Employer Contribution Grant (TPECG)	5.755	0.039	0.000	0.000	5.794
Core Schools Budget Grant (CSBG)	5.860	0.046	0.000	0.000	5.906
2024-25 DSG Allocation (inc. TPAG, TPECG and CSBG)	303.594	3.194	60.868	37.017	404.672
Provisional 2025-26 NFF Settlement	308.316	3.082	66.084	37.017	414.499
Change from 2024-25	4.723	-0.112	5.217	0.000	9.827
% Change	1.56%	-3.52%	8.57%	0.00%	2.43%

- 5.58 There are significant financial pressures across the High Needs Block (HNB) nationally and this was in part recognised by the Government, when in the Autumn Statement it was announced that an additional £1bn would be made available in 2025-26.
- 5.59 The individual authority allocations are expected to be announced week commencing 16<sup>th</sup> December 2024 and it is assumed that NNC's HNB funding will increase from £60.868m in 2024-25 to £66.084m in 2025-26 which is an increase of £5.217m. Whilst the increase in funding is welcome – the expected costs across the HNB in 2025-26 amount to £86.656m which results in a shortfall of around £17.594m.
- 5.60 The way in which local authorities account for DSG deficits has been altered by the [Local Authorities \(Capital Finance and Accounting\) \(England\) \(Amendment\) Regulations 2020 \(SI 2020 No 1212\)\[NS14\] \[AW15\]](#) , made by what is now the Department for Levelling Up, Housing and Communities (DLUHC), which require DSG deficits to be held in a separate reserve in local authorities' accounts. This is the accounting treatment that local authorities must follow while those regulations are in force. DLUHC have announced that they are extending these regulations up to and including the accounts for 2025 to 2026. This is known as the statutory override.
- 5.61 However, the way in which local authorities should plan their management of DSG and report to DfE remains governed by the School and Early Years Finance (England) Regulations 2023.
- 5.62 Under Schedule 2 to the School and Early Years Finance (England) Regulations 2023, local authorities are required to carry forward overspends to their schools budget either in the immediately following year or the year after. They can apply to the Secretary of State to disregard this requirement. In the case of the

Secretary of State giving such permission, this may be for all or part of the sum requested by a local authority, and permission may be given subject to conditions.

- 5.63 The impact of these provisions means that a local authority with a DSG deficit from the previous year must either:
- a. carry the whole of the deficit forward to be dealt with in the schools budget for the new financial year
  - b. carry part of it forward into the new financial year and the rest of it into the following financial year
  - c. carry all of it into the following financial year
  - d. apply to the Secretary of State under the regulations for authorisation to disregard the requirements in Schedule 2 relating to deficits if it wishes to fund any part of the deficit from a source other than the DSG.
- 5.64 [The Accounts and Audit \(England\) Regulations 2015](#) incorporate a requirement for a note to the statement of accounts confirming actual deployment of the DSG. The guidance on this and illustrative table have been amended so that the note will show both the formal accounting position (under the DLUHC regulations) and the total surplus or deficit for the purpose of the DfE regulations.
- 5.65 The original DSG Budget for 2024/25 had a budget deficit of £7.705m. The forecast outturn at Period 6 is a pressure of £9.639m resulting in an overall deficit of £17.344m. In addition, there was a deficit of £6.869m in 2023-24 which takes for the forecast DSG deficit at 31<sup>st</sup> March 2025 to £24.213m.
- 5.66 There is significant work being done across the Council to address the financial challenges within the HNB. Where a local authority has an overall deficit on its DSG account at the end of the financial year, or where a surplus has substantially reduced during the year, they must provide information to the DfE about pressures and savings on the High Needs Budget as part of a DSG Deficit Management Plan. The Council continue to work with the DfE as it develops a Deficit Management Plan.
- 5.67 The national pressure on services to support the education of children with additional needs is well documented. This has been exacerbated by the ongoing impacts of COVID on children and young people's health and wellbeing. Many Councils are struggling to contain expenditure within the budget available to meet needs. The mitigation actions that are available often have front loaded costs and benefits are felt over the course of many years. Whilst funding has been increased, this has not reflected the full increase in needs that are being identified.
- 5.68 Nationally, the number of children and young people subject to statutory plans (Education, Health & Care Plans (EHCP) and Statements of Special Educational Needs prior to 2014) has more than doubled in the last five years.
- 5.69 Nationally, the number of new EHCPs plans awarded in 2023 increased by 27% from 2022, suggesting that growth in statutory plans is still accelerating.

- 5.70 In North Northamptonshire, the number of new EHCPs awarded since 2021 has more than doubled (from a lower baseline compared to national and regional averages).
- 5.71 Traditional forecasting models for SEND have been overridden by this unprecedented growth.
- 5.72 The Council is looking to mitigation these pressures through a combination of measures which include:
- 5.73 **The Executive Director, Children's Services (DCS)** commenced in post on the 16th September 2024 and plans have been underway to develop a multifaceted strategy to address the legacy DSG budget pressures and the cumulative deficit position as well as mitigate against future incoming demand. A DSG/ High needs block programme and plan has been constructed and is in place and will be monitored through a revised set of governance arrangements. This will include an Access Gateway panel to robustly assess all incoming independent sector requests as well a high-cost independent provision tracking panel to ensure systematic grip and monitoring oversight of all placement activities etc.
- 5.74 To support delivery of the plan a new DSG 'Dedicated Schools/High Needs Block' unit has been formed, comprising of a dedicated team to drive and implement plans and strategies into action. The unit conducts weekly meetings and will be further supported by a DSG strategic board, which is responsible for monitoring, scrutinising, and overseeing the implementation of the plan. This oversight will be underpinned by performance dashboards that track progress and ensure accountability.
- 5.75 In the immediate, a rapid whole scale strategic review of all independent sector placements is being commissioned to understand how and why placements are being made, supported by a robust financial model to provide insight into and inform future opportunities for transition as well as implementation of governance and monitoring systems to reduce this number where possible. These plans will take time to impact, therefore the pattern of commissioning additional high-cost places will continue into the 2025-26 DSG budget cycle.
- 5.76 NNC's Children Services are developing a large-scale transformation programme working closely with schools focused on creation of an alternative delivery model to deliver greater integration and inclusion for children and young people. This will involve two interconnected areas of work:
- 5.77 A comprehensive strategic review of all Education and Inclusion services with plans underway to redesign and reshape the offer to schools to maximise impact in reducing number of children and young people at risk of permanent exclusion and young people requiring independent sector provision.
- 5.78 Developing a multi-dimensional dynamic early help team around the school offer to reduce need and demand for high-cost provision. This strategy involves working collaboratively with schools to deploy creative solutions and wrap around support to reduce the number of children requiring specialist provision. We are planning a series of workshops to take place with schools and FE

colleges to co design this and the Early Help Team around the school service and offer is expected to go live from March 2025 onwards.

- 5.79 To improve strategic modelling around placement sufficiency forecasting we are developing specialist commissioning plans to create and commission the additional places needed to meet this demand at pace to ensure the appropriate support and systems are in place to reduce this number where possible.
- 5.80 In the interim, everything possible will be done to minimise the impact through line by line review of high cost SEND pupil placements but the significant mitigation will come once our new provision is delivered.
- 5.81 North Northamptonshire Council consulted with schools and academies on the options of setting the Schools Budget, the proposals are as follows:
- To transfer of 0.5% from Schools Block to High Needs Block or not to make a transfer from Schools Block to High Needs Block. **North Northamptonshire Council supports a 0.5% Transfer from the Schools Block to High Needs Block. Schools Forum has been recommended to adopt this option.**
  - Setting a Minimum Funding Guarantee for Primary and Secondary Schools and Academies at 0%, capped at 0% and scaled at 25% and
  - The remainder being used to determine the Pupil Growth Fund.
- 5.82 The actual amount to be transferred will be dependent on the confirmed October 2024 school census. The consultation ran for a week from 5<sup>th</sup> December 2024 5pm to 11<sup>th</sup> December 2024 5pm and the preferred option will require the agreement of Schools Forum. The consultation timeframes are shorter than in previous years due to the DFE announcing the NFF allocations later than in previous years.
- 5.83 Schools Forum will decide at its meeting on 12<sup>th</sup> December 2024 (after this report has been published) the options to adopt for the 2025-26 Schools Block DSG budget with the final decision being made at the Schools Forum meeting on 16<sup>th</sup> January 2025.
- 5.84 Proposals to Schools Forum will include that any remaining Schools Block will be allocated to the Pupil Growth Fund for bulge classes in 2025-26 once funding for new and growing schools have been accounted for as part of Schools Block Mainstream Schools Funding Formulae.

### **Medium Term Forecast**

- 5.85 Whilst the budget is balanced for 2025-26, the Council's Medium-Term Forecast predicts a budget gap of £33.8m in 2026-27, rising to £53.8m in 2027-28 and £74.4m in 2028-29. This predominantly relates to assumptions around continuing spend pressures in Adult Social Care which range between c£18m and c£22m each year over the MTFP and to a lesser extent, but still significant, Children's Services, which is forecast at 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.

- 5.86 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 Consumer Price Index (CPI) has fallen rapidly over the last 12 months it fell from 6.7% in September 2023, to 4.0% in January 2024, and in September 2024 was down to 1.7% before rising to 2.3% in October 2024. The Chancellor has confirmed that the Bank of England's inflation target will remain at 2.0%. The assumption being modelled regarding pay awards is 3% across the MTFP.
- 5.87 From 2026-27, the financial picture for the Council is expected to be challenging 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 as a result of the inward investment and growth in its business rates base. Once the business rates are reset, the growth that has been generated by Councils 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.
- 5.88 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 could reduce the forecast gap being modelled.
- 5.89 Currently the forecast gap over the medium-term makes no assumption regarding an increase in the Council Tax from 2026-27. Should the Council be able to raise the Council Tax at 4.99%, this would improve the financial position by c£11m cumulatively each year.
- 5.90 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 2025-26 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 2025-26

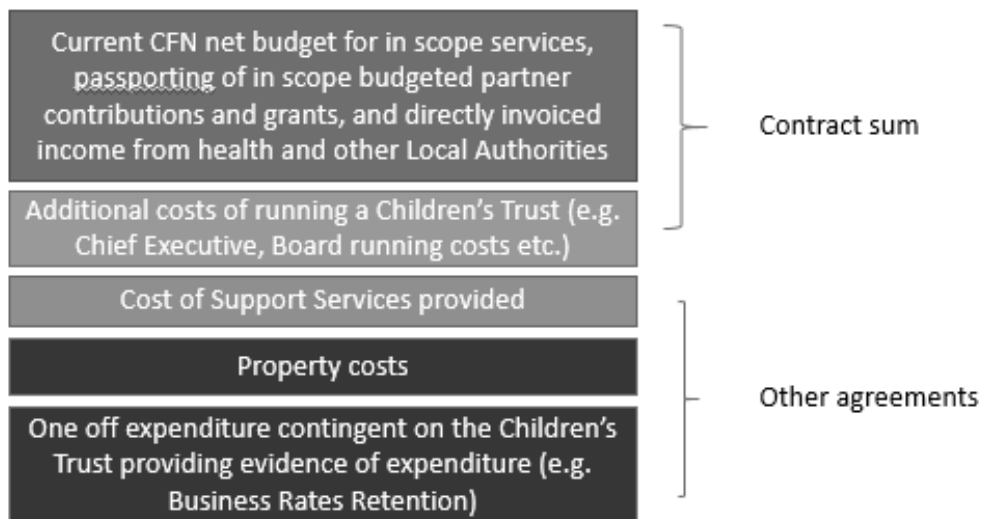
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- 7.1 This Section provides an overview of the following main budget areas within the Council.
- Children’s Services and Education
  - Adults, Health Partnerships and Housing
  - Public Health and Communities
  - Place and Economy
  - Enabling and Support Services
- 7.2 The following table provides a high- level summary of the draft 2025-26 budget proposals:

<b>Summary by Directorate</b>	<b>2025-26 £000</b>
Children and Education	89,208
Adults, Health Partnerships and Housing	164,268
Public Health and Communities	9,605
Place and Economy	78,383
Enabling and Support Services	43,666
Corporate	15,797
<b>Total Base Budget</b>	<b>400,927</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 2025-26 the Net Budget is £89.208m (2024-25 is £85.417m).
- 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 13<sup>th</sup> September 2024 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 14<sup>th</sup> November and will be presented to the Northamptonshire Children’s Trust Joint Committee.

### Contract Sum

- 7.11 The original contract sum for 2024-25 was £183.300m, this has been rebased to £181.998m, this follows the transfer of £1.302m in 2024-25 back to the councils for investment into Early Help. A further adjustment of £4.853m has been made reflecting the transfer of legal services back to the councils, which results in a rebased contract sum of £177.145m.
- 7.12 The contract sum for 2025-26 is £185.329m which is an increase of £7.901m from the rebased position of £177.429m from 2024-25. The Council’s share of this is £3.489m which is in accordance with the contract split between North Northamptonshire Council (44.16%) and West Northamptonshire Council (55.84%).
- 7.13 The following Table provides a breakdown of the changes to the 2025-26 contract sum:

Description	Detail	Amount
		<b>£'000</b>
	2024/25 Forecast Pressure	8,838
New Inescapable Service Pressures	The placement budget includes a 3% increase (£2.799m) and an increase of £2.555m for social workers agency staff. Other pressures amount to £869k for demand and demographic changes.	6,223
Inflation and Service adjustments	The budget includes provision for inflationary pressures on pay of 2% (£2.344m) and general inflationary increases of £2.178m which includes costs for placements, transport, adoption allowances, and contracts.	4,522
Transformation Funding	Beyond the core contract sum budget pressures, additional investment is needed for initiatives such as Circle to Success, in-house therapeutic services, enhanced fostering, managed teams and practice model.	3,069
Transformation Funding (Year 2)	NCT will continue to deliver on several targeted transformation projects, with financial commitments allocated to the following key areas: placement efficiency, improving outcomes for children, exploitation hub, edge of care services, valuing care, and the MASH review.	2,335

<b>Description</b>	<b>Detail</b>	<b>Amount</b>
		<b>£'000</b>
Savings Programme	The Circle2Success project is budgeted to generate further savings of £5.739m. There are other savings anticipated to be achieved through the use of digital technology, reviewing placements and reviews of contracts.	(7,440)
Joint Transformation projects	The Council's financial commitments to transformation programmes are expected to yield significant savings through enhanced capacity, more effective demand management, and improved commissioning.	(4,793)
Legal Transfer	This adjustment reflects the transfer of legal services back to the councils, this had previously formed part of the NCT Contract.	(4,853)
<b>Total Contract Changes</b>		<b>7,901</b>

7.14 The Children's Directorate's draft budget including the Children's Trusts reflects pressures of £6.218m this includes pressures of £3.489m for the Children's Trust as detailed in the Table at 7.13. Other pressures amount to £2.729m and savings amount to £2.654m. The main pressures are detailed below:

- An increase of £1.686m for additional staffing resources with the wider implications of delivering the service needed in relation to the demand in Educational Health Care Plans (£671k) and Educational Psychology (£1.015m) which will reduce the reliance on agency staff.
- There is an ongoing cost of £266k for the new Education Case Management System.
- The Government has announced a 20% annual reduction in the historical funding for the Central Schools Services Block, resulting in a £230k pressure.
- Additional staffing resources of £298k to support service delivery of the Transformation and Improvement Team responsible for delivering the Directorate Improvement Plan.
- The Family Hubs grant is expected to end at the close of the 2024-25 financial year. This has been shown as a saving of £1.314m. There has an investment of £500k to continue delivering this service.
- The contract sum with NCT across both councils was reduced by £1.302m in 2024-25 which has enabled the councils to further invest in the early help offer – the Council's share of this is £575k and this has been reflected in the 2025-26 budget. This has been offset by a saving of £575k which was reflected in the base position for 2024-25.

The main savings are:

- The additional investment into the Educational Psychology service will generate income of £1.077m.
- The SEND Inclusion team is expanding the SEND brokerage function to include the procurement of additional education support services which will increase income by £173k.
- The NCT contract previously included the cost for Legal Services this has now come back in-house to the councils and will result in the contract sum reducing by £4.853m of which NNC's share is £2.143m. The cost of delivering this service in-house has been reflected with enabling services and is estimated to cost £1.693m resulting in an overall saving of £450k.

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

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

- 7.15 The draft net revenue budget for 2025-26 for Adults, Health, Partnerships and Housing is £164.268m (2024-25 is £148.326m). 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 £23.689m and savings of £7.747m resulting in a net pressure of £15.942m.

### **Adult Social Care Services**

- 7.16 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.
- 7.17 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.
- 7.18 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.
- 7.19 It is likely that additional pressures will result from demographic increases over the medium to long term planning period. The budget requirements for Adult Social Care will continue to be monitored with demographic trends and reflecting

the on-going impact of external factors and the move toward a more integrated care system with Health partners.

7.20 It is recognised that risk still remains in the budget assumptions for Adult Social Care due to the influence of the demand within the system. A reserve is set aside to help underwrite such risk and to smooth any impact over the longer term whilst alternative mitigations are sought,

7.21 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. The growth included is £5.850m
- 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 £15.539m. 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.

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

- Savings as a result of increases from Strength Based Practice of £1.150m.
- Commissioning efficiencies of £1.132m
- Increases in client contributions of £4.669m as a result of higher costs.

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

7.23 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.

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

- Efficiencies within the homelessness service of £500k.

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

7.26 Full details of the 2025-26 budget and Medium-Term Financial pressures and savings are contained within **Appendix B**.

## Public Health and Communities

- 7.27 The draft net revenue budget for 2025-26 for Public Health and Communities is £9.605m (2024-25 is £9.413m). Details of the net budget and the adjustments for pressures and savings are set out in **Appendix B**.
- 7.28 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.
- 7.29 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.
- 7.30 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.
- 7.31 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.
- 7.32 The main pressure within Communities and Leisure is £463k and relates to staffing enhancements following the Pay and Grading review, £226k relates to the increased running costs and the repair and maintenance costs associated with the leisure facilities and £121k relates to inflation pressures
- 7.33 The main savings within Communities and Leisure include the following.
- Additional fees and charges income of £195k
  - Use of Homes for Ukraine (Un-ringfenced) Grant of £500k
- 7.34 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 into 2025-26 then this action will be taken, which will help meet future years financial challenges.

7.35 Full details of the 2025-26 budget and Medium-Term Financial pressures and savings are contained within **Appendix B**.

### **Place and Economy**

7.36 The draft net revenue budget for Place and Economy for 2025-26 is £78.383m (2024-25 is £71.928m). Details of the net budget and the adjustments for pressures and savings are set out in **Appendix B**.

7.37 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

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

7.39 **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.

7.40 **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.

7.41 **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.

7.42 **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.

7.43 Key current areas of risks within the Directorate include:

- Utilities costs
- Contract inflation
- Increasing service demand from a growing population
- Increased cost to maintain and invest in the Council's estates and land holdings due to its deterioration
- Recruitment and Retention of permanent employees and increased costs as a result of reliance on agency staff
- Failure to meet income targets due to reduced demand The Commercial property portfolio coming under pressure from changes in occupancy.
- Increased requirement for repairs due to the deterioration of the highway network.

7.44 The Place and Economy Directorates draft budget reflects pressures of £9.603m and savings of £3.450m resulting in a net pressure of £6.153m. The main pressures include the following:

- In total there is £5.434m for contract changes and other inflation which includes Home to School Transport of £3.490m, Street Lighting PFI energy and contract inflation of £256k, waste management contract inflation of £1.232m and other general contract inflation of £356k.
- There is an income pressure of £991k associated with a one-off rental pressure for the Commercial Property Portfolio which is to be funded by reserves. This pressure is part of a planned contractual commitment, and results in a continued and increased rental income for the Council over the next 5 years, with a reversal of the pressure in financial year 2026/27. Additionally, there is an income and cost pressure of £700k due to commercial tenants exercising breaks in letting contracts. This pressure is linked to the Council's office rationalisation programme.
- The Directorate has demographic volume changes totalling £482k of changes to waste management costs

7.45 The Council is taking steps to ensure they are achieving value for money in all the transport contracts they put in place. The Home to School transport team is looking to manage this through a number of actions. They are working closely with the Education and Children's teams with a view to ensuring that the Council is not just providing transport in line with statutory requirements and the Council's policies but also ensuring we get best value from the market. The home to school planning team is continuing the work on assessing routes to maximise capacity on existing transport and to optimise routes in order to find the most efficient and cost-effective way to transport children.

7.46 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.

- 7.47 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.
- 7.48 The main savings through efficiencies and income generation within the Place and Economy Directorate include the following:
- Statutory Planning Fees increase of £80k.
  - Additional income from rent reviews across the commercial portfolio of £450k
  - Savings related to LED installation of £845k
- 7.49 Full details of the 2025-26 budget and Medium-Term Financial pressures and savings are contained within **Appendix B**.

### **Enabling Services**

- 7.50 The draft net revenue budget for Enabling Services for 2025-26 is £43.666m (2024-25 is £40.255m). Full details for the service changes can be seen in **Appendix B**.
- 7.51 Enabling and Support Services consists of the following main groupings of services, which also includes several corporate budget areas:
- Finance and Performance Service
  - Customer & Governance (Includes, HR, Legal and Democratic Services)
  - IT & Customer Services
  - Chief Executive's Office
- 7.52 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.
- 7.53 **Human Resources** is responsible for the leadership, development and implementation of relevant strategies for the council, enabling the delivery of corporate HR priorities, including HR Advisory, Workforce Planning and



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, Registrations and the Coroner's Services.

- 7.54 **ICT** is responsible for the delivery of efficient and effective management of all aspects of ICT operations, Digital, ICT programmes of work, commercial contracts and supplier relationships, ICT Service delivery teams and for transforming the ICT and Digital Services team. This includes managing ICT services provided by West Northamptonshire Council.
- 7.55 **Customer Services** is 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. This role is also responsible for the leadership, development and implementation of customer and digital strategies for the council, the delivery of an improved customer experience and the administration of the 'Blue Badges' parking scheme.
- 7.56 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.
- 7.57 The 2025-26 draft budget for Enabling and Support Services reflects pressures of £6.001m and savings of £2.590m, resulting in a net pressure of £3.411m.
- 7.58 The main pressures within Enabling Services include the following:
- Reduction in Benefit Subsidy (£900k),
  - Inflationary increases in postage costs (£100k),
  - Costs of elections, funded by the Elections Reserve (£600k),
  - Inflationary increases in the costs of the Coroner's Service (£178k),
  - Increased costs of Legal Services provided to NCT, now delivered through in-house provision. This increase is offset by a reduction in contract value in Children's services (£1.693m),
  - Costs incurred through the extension of licensing for the income management system (£100k),
  - Costs associated with the implementation of new systems, chiefly the Education Case Management System (£143k)
  - Inflationary increases on license renewals (£100k)
  - The removal of legacy income budgets not now deliverable (£444k)
- 7.59 The main savings within Enabling Services include the following:
- Staff savings in the Revenue and Benefits service, arising from a restructure following the consolidation of systems and processes (£800k),
  - Increase in income from DSG in respect of support services provided (£130k),

- Contribution from the Adult Learning Grant in respect of support services provided (£165k),
- Reduction in costs following a review of operations within Customer Services (£157k),
- Reduction in costs through optimisation of customer contact process, included the use of digital technology (£200k),
- Costs of user devices now capitalised (£103k),

7.60 Full details of the 2025-26 budget and Medium-Term Financial pressures and savings are contained within **Appendix B**.

## 8. Corporate Resources

8.1 The draft net revenue budget for 2025-26 is £15.797m (£19.767m 2024-25 - restated following movements from the contingency during 2024-25 and allocation of centrally held budgets for pay). The composition of this budget for 2025-26, the restated position for 2024-25 and the impact on the 2025-26 MTFP is shown in the following table:

Description	2024-25 Restated Budget £'000	2025-26 MTFP Impact £'000	2025-26 Draft Budget £'000
Corporate Contingency	3,894	(1,300)	2,594
MRP	9,869	(5,278)	4,591
Pay Contingency	(273)	3,969	3,696
Pay and grading review	0	1,000	1,000
Insurance	0	600	600
Treasury	4,907	(827)	4,080
Bad Debts Provision	870	0	870
IT Related Costs	500	500	1,000
Public Health	0	(510)	(510)
Staff Turnover	0	(2,124)	(2,124)
<b>Total</b>	<b>19,767</b>	<b>(3,970)</b>	<b>15,797</b>

8.2 The Council's Corporate Contingency Budget for 2025-26 is £2.594m which represents around 0.65% 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. Over the previous four years the Council built a contingency in relation to MRP to offset any potential impact following the

disaggregation of the former County Councils balance sheet. A review of the MRP policy was undertaken with our Treasury Advisors, Arlingclose.

- 8.4 Based on this review the budget has been adjusted from £9.9m to £4.6m, reducing the budget by £5.3m.
- 8.5 The Council has set aside a draft budget of £3.696m to reflect potential pay changes of 3% and increments in 2025-26 and the ending of pay protection following waves 1 and 2 of pay and grading. This budget will be allocated in 2025-26 according to need.
- 8.6 A budget of £1m is included in the 2025-26 budget, which reflects part of the costs associated with staff on legacy terms and conditions opting to transfer to NNC terms and conditions.
- 8.7 The draft budget includes a provision of £600k relating to insurance. This reflects the estimated increase in the premium and a review of the future policy requirements.
- 8.8 The Council's Treasury Management Debt Portfolio and other associated Treasury Management costs is £4.080m (£4.907m in 2024-25). The composition of this budget is as follows:

<b>Description</b>	<b>Original Budget 2024-25</b>	<b>Change</b>	<b>Draft Budget 2025-26</b>
<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Borrowing Costs	12,549	(751)	11,798
Other Treasury Management costs	576	(576)	0
Investment Income	(8,218)	500	(7,718)
<b>Total</b>	<b>4,907</b>	<b>(827)</b>	<b>4,080</b>

- 8.9 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 banking charges. There is a reduction in the net cost of borrowing of £946k following the maturity and planned repayment of existing loans, further savings of £585k relating to interest payable and a pressure relating to new borrowing of £280k. There is also an inflationary increase in the bank charges budget of £500k.
  - There are additional savings of £576k, relating to savings arising from the reduction in PFI payments.
  - There is a reduction of £500k relating to the interest receivable budget due to expected changes in interest rates.
- 8.10 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.
- 8.11 The bad debt provision is unchanged at £870k and reflects the risk associated with the collection of debt in the current economic climate.

- 8.12 The 2025-26 budget includes provision of £1m for revenue costs for ICT systems which is an increase of £500k from 2024/25 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 There has been an increase in the use of the Public Health Grant of £510k in 2025-26 this will be allocated to the respective directorates to reflect where the costs have been incurred.
- 8.14 The assumptions regarding staff turnover (vacancy factor) have been aligned to 4%. This has resulted in an increase of £2.124m in 2025-26. The budget change will be allocated to services prior to the start of the financial year to be managed as part of their delegated budgets.
- 8.15 Full details of the 2025-26 budget and Medium-Term Financial pressures and savings are contained within **Appendix B**.

## **9. Reserves**

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- 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 uncertainties that need to crystallise before the level of reserves will be known, including the completion of the external audit of the 2023/24 Statement of Accounts any unexpected events which may impact on the outturn position for the Council in 2024-25, 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 2025, taking into account the assumed movement in reserves in 2024-25 is summarised in the table below. The forecast movement in reserves in 2025-26 is also summarised in the table below and is set out in section 5.42.

Forecast Reserves Position	01/04/2025	2025-26 Transfer to Reserves	2025-26 Transfer from Reserves	31/03/2026
	£000	£000	£000	£000
General Fund Balance	(23,426)	0	0	(23,426)
<b>Earmarked Reserves</b>				
Smoothing Reserves	(34,025)	(150)	3,619	(30,556)
Business Rates Retention Risks	(28,005)	0	0	(28,005)
Building Maintenance Reserves	(1,831)	0	0	(1,831)
Planning Reserves	(506)	0	0	(506)
Regeneration Reserves	(7,140)	0	100	(7,040)
Specific Reserves	(17,984)	0	0	(17,984)
Other Earmarked Reserves	(3,478)	0	298	(3,180)
Capital Reserves - General Fund	(10,844)	0	0	(10,844)
Insurance Reserves	(2,695)	0	0	(2,695)
<b>Total Earmarked Reserves</b>	<b>(106,508)</b>	<b>(150)</b>	<b>4,017</b>	<b>(102,641)</b>
<b>Total General Fund and Earmarked Reserves</b>	<b>(129,934)</b>	<b>(150)</b>	<b>4,017</b>	<b>(126,067)</b>

- 9.4 The estimated general fund revenue reserves are £126.1m as at 31<sup>st</sup> March 2026 this consists of £102.6m of Earmarked Reserves and £23.5m of general reserves. Whilst the general reserves 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 could 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 reserves 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 £23.4m which is c6% of the proposed net revenue budget of £400.9m.

## 10. Flexible Use of Capital Receipts

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- 10.1 Certain costs can be funded through the Future Use of Capital Receipts. Qualifying revenue expenditure is time-limited expenditure incurred by the Council on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery in order to reduce costs or demand for services in future years.
- 10.2 Although set-up and implementation costs of any new processes or arrangements can be classified as qualifying expenditure, the ongoing revenue costs of the new processes or arrangements are excluded.

- 10.3 The decision to use capital receipts to fund transformational expenditure is one that will be considered by the full Council when considering the final budget proposals.
- 10.4 Using capital receipts to fund this type of expenditure provides greater flexibility in terms of how our overall capital and revenue resources are utilised and frees up revenue funding.
- 10.5 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.
- 10.6 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.
- 10.7 An updated strategy for 2025/26 will be presented to the Executive and Council in February 2025.

## **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 2025-26 will be presented to the Executive and Council in February 2025.
- 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.
- 11.4 The Council to date has continued with different MRP calculations in its policy, which reflected the historical position of legacy authorities. On completing the disaggregation process and finalising the Capital Financing Requirement, the Council are proposing to consolidate the MRP policy position and move forward using one consistent methodology. This aligns with the One Council principles.
- 11.5 The methodology proposed is the annuity method which is set out in legislation. This methodology is a prudent approach to providing MRP, takes account for the time value of money and clears the unfinanced capital expenditure in full over time.

## 12. CIPFA Financial Management Code

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

12.2 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.

12.3 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

12.4 The FM Code has provided a guide and framework in the setting of the annual budget for 2025-26. 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 6<sup>th</sup> February 2025 once the

budget consultation process has been concluded and the detail of the Finance Settlement is known.

### **13. Implications (including financial implications)**

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

- 13.1 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**

- 13.2 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).
- 13.3 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.
- 13.4 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.
- 13.5 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**

- 13.6 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**

- 13.7 The basis of the budget proposals are to ensure that the Council delivers a balanced budget for 2025-26; however, there are inevitably 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.
- 13.8 The most immediate risk is that, at the time of publishing this report, the Provisional Local Government Finance Settlement has not been published. Once this is received the assumptions will be revisited to identify any changes which need to be made, and prior to the final budget being proposed in February 2025.



- 13.9 The Settlement is not expected to be announced until the week commencing 16<sup>th</sup> December with the Final Settlement being announced late January / early February.
- 13.10 At this stage it is not anticipated that the Finance Settlement will contain additional funding in support of Local Government above that already announced in the Autumn Statement 2024. This is obviously of concern to North Northamptonshire, and the sector, which is seeing rising costs in demand led areas such as Children's Services and Adult Social Care.
- 13.11 Should the levels of funding being modelled differ significantly or other changes be required to the forecasts because of new information this will be included in a further report to Executive regarding the financial position and the proposed actions.
- 13.12 There is much 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.
- 13.13 The task of planning how the Council will use its financial resources in an unprecedented and challenging economic climate with significant uncertainty around funding into the medium-term results in high budget delivery risks and makes informed medium term financial planning incredibly difficult. The Local Government Sector would welcome multi-year settlements which would significantly assist with Medium Term Financial Planning and the autumn statement made reference to multi-year settlements and that these could take place from 2026-27.
- 13.14 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.
- 13.15 Where possible, any risks or benefits crystallising in 2025-26 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**

- 13.16 If the proposals set out in this report are endorsed, formal consultation on the proposals contained within the Draft Budget 2025-26 will begin on or immediately after 19<sup>th</sup> December 2024, subject to Executive approval of the draft budget proposals for 2025-26. It will conclude on 24<sup>th</sup> January 2025 in preparation for the presentation of the final budget proposals to Executive and Council in February 2025.

13.17 If there are any changes made to any of these proposals following the consultation process, then the effect of this upon the overall budget position will be considered for the final budget paper to Executive on 6<sup>th</sup> February 2025. This does not predetermine any decision that the Council may make on 20<sup>th</sup> February 2025.

13.18 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.

13.19 The purpose of the consultation is to ensure that, when the Final Budget is considered by Council on 20<sup>th</sup> February 2025, 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.

13.20 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.

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

13.21 Not applicable.

### **Consideration by Scrutiny**

13.22 The Corporate Scrutiny Committee has a critical role to play in scrutinising and reviewing the budget proposals, ensuring that they are subject to rigorous challenge. The Corporate Scrutiny Committee will provide recommendations back to the Executive on the proposals put forward.

13.23 Scrutiny is a means for councillors not on the Executive to influence the development of Council policies and services and hold decision makers to account. Budget Scrutiny involves councillors reviewing significant proposals from across the draft budget and reporting their conclusions about the

deliverability and service impact of these proposals to the Executive. In this way Budget Scrutiny contributes to the development of the final budget proposals and supports local democracy.

13.24 In order to assist in the scrutiny process, it is proposed that after the draft budget is presented to Executive in December, that separate scrutiny sessions take place across the main service areas of:

- Children's and Education Services – this will include the Children's Trust
- Adults, Health, Partnerships and Housing (including the HRA)
- Public Health and Communities
- Place and Economy
- Enabling and Support Services – Finance and Performance Service, Customer & Governance (Includes, HR, Legal and Democratic Services), IT & Customer Services and the Chief Executive's Office.

13.25 The relevant senior Council Officers and Executive Member portfolio holders will attend each scrutiny session to answer any question put forward by the Committee Members.

13.26 This will include both the revenue budget and the capital programme for each of the main service areas.

13.27 Each service area, as outlined above, will attend its respective scrutiny session to present its service and budget plans. The Corporate Scrutiny Committee will scrutinise each plan and may request further details on a particular area.

13.28 To maximise the effectiveness of the planned scrutiny sessions, Scrutiny Members are requested to identify any areas requiring further detailed information prior to the meeting with the Directorates taking place in order that this can be drawn together in preparation for the meeting. This will enable the Corporate Scrutiny Committee to ensure that it has the required information necessary to adequately scrutinise the proposals and provide any subsequent recommendations to the Executive.

13.29 The outcome from the scrutiny process will be fed back to the Executive at its meeting on 6<sup>th</sup> February 2025 to take into consideration when making its decisions on the budget to recommend to Budget Council on 20<sup>th</sup> February 2025.

### **Equality Impact Screening**

13.30 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.

13.31 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)

13.32 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.

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

### **Climate and Environment Impact**

13.34 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. In 2022, progress was reported into the Climate, Growth and Environment Executive Advisory Panel at regular intervals. In 2023, progress was reported to the Sustainable Communities Executive Advisory Panel. Initially, the focus was to identify mechanisms, procedures, and systems that would 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.

13.35 In December 2022, North Northamptonshire Council's [Carbon Management Plan](#) (CMP) was approved. The plan sets out the Council's aim to be carbon neutral by 2030. The CMP 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. The programme is comprised of 94 activities, which have been identified across eight thematic areas. Accountability for the delivery of activities sits with individual services/ teams, and accountable/ responsible officers were appointed during 2023

13.36 The first [Annual Report for the CMP](#) was approved by the Executive in June 2024, the report outlined the Council's 2022/23 carbon footprint, updates on the 82 original activities, outlined delivery term changes for 15 activities, and

identified 12 new activities that were added to the programme. Achievements include:

- The delivery of 21 activities, across all eight thematic areas;
- Carbon reduction and sustainability questions added to procurement exercises for contracts of £100K or more;
- Feasibility analysis conducted to explore decarbonisation options such as improvements to building energy efficiency and opportunities for renewables (i.e., solar PV);
- 24 stock condition surveys completed on 10 leisure facilities and 14 corporate buildings;
- 24 Energy Performance certificates received to inform investment decisions;
- Cost benefit analysis conducted for introducing low carbon bunkered fuel; and
- Procurement of a Fleet Decarbonisation Report;
- 100% of the Highways winter gritting fleet now utilising hydrotreated vegetable oil (HVO) instead of diesel;
- 35% of petrol driven hand-tools replaced with electric alternatives.
- Over 5,000 halogen lamps have been converted to LED;
- 1 Electric Refuse Collection Vehicle (eRCV) is in use out of the Wellingborough Depot.
- 18% of our newly ordered fleet is electric;
- 18 EV charge points have been installed at council owned car parks, and a further 169 have been installed on-street across North Northamptonshire;
- Energy consumption of IT equipment has been reduced by 69,800 kWh - a carbon savings of 27.18 tCO<sub>2</sub>e;
- Creation of a new energy management system via Laser and supporting monitoring service, which over time will enable the organisation to understand and improve energy efficiency in buildings and reduce carbon emissions;
- Grounds Services are in the process of switching approximately 350 petrol/ diesel driven hand tools to battery operated alternatives;
- 20 urban parks identified in Wellingborough suitable for a variety of living things for capturing and storing carbon
- Over 10,000 trees were planted during 2023/24 across North Northamptonshire on land we manage to improve landscape, wildlife habitats, recreation, and offset carbon emissions.

13.37 To date the Climate Change Investment Fund, a £1m pump priming investment included within the 2022-23 budget and allocated over a three-year period (2022-25) to enable the Council to develop a robust response and deliver against the actions within the CMP, has allocated £468,326.50 of funding for internal projects to save on carbon emissions. Further funding requests are also in the pipeline for 2024/25. Progress for the fund is reported through the Sustainable Communities Executive Advisory Panel.

13.38 In 2022, Carbon Literacy Awareness Training commenced with the training of councillors and over 50 senior managers. The Council now has an accredited internal training programme, which has been rolled out to the wider workforce. Monthly training courses launched in September 2023 and are available to book

on iLearn. As of November 2024, 124 officers and 37 elected members have completed the course.

- 13.39 The implementation of our Climate Change Impact Assessment (CCIA) launched in January 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.
- 13.40 The development of a new Climate Change Strategy for North Northamptonshire is underway and expected to go before the Executive for approval in early 2025. The strategy has been informed by thorough research from a variety of sources, to include the climate change evidence base that is currently being developed for the Local Plan. Interviews were also conducted with 50 key stakeholders and a robust public consultation, to which over 350 respondents participated, took place in 2024.
- 13.41 The Council has hosted four Climate Conferences (NNClimate21, 22, 23, 24) 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. The open forum can lead to innovative ideas and collaboration, which are essential if we are to solve climate change related risks impacting the area.
- 13.42 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 personal lives. A number of other internal educational campaigns have also been featured in the staff bulletin and intranet news centre in 2023 and 2024.
- 13.43 A number of working groups continue to progress delivery of the Council's climate ambitions, to include the Biodiversity Net Gain / Local Nature Recovery Strategy group, the Carbon Sequestration working group, the Carbon Management Programme Board and the Northamptonshire Farming and Sustainability working group (for which the Council provided the Framework document).
- 13.44 North Northamptonshire Council continues to work with many other partner groups and organisations, to include, the Big50, the Environment Agency, Hydrogen Valley, Cranfield University, Tresham College, and the University of Northampton, to deliver activities which help to reduce climate and environmental impacts and enhance opportunities for economic growth. This work will continue in 2025-26.

## **Community Impact**

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

## **Crime and Disorder Impact**

13.46 There are no specific issues arising from this report.

## **14 Issues and Choices**

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14.1 The report focuses on the draft budget proposals for 2025-26 and asks the Executive to commence the formal budget consultation and the responses from the budget consultation will inform future reports.

## **15. Background Papers**

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

- **Council Budget Setting Meeting (22/02/24)**  
Final Budget 2024-25 and Medium-Term Financial Plans, including the Council Tax Resolution  
<https://northnorthants.moderngov.co.uk/documents/g1553/Public%20reports%20pack%2022nd-Feb-2024%2010.00%20Council.pdf?T=10>
- **Executive Meeting (08/02/24)**  
Draft Budget 2024-25 and Medium-Term Financial Plans  
<https://northnorthants.moderngov.co.uk/documents/g1554/Public%20reports%20pack%2008th-Feb-2024%2010.00%20Executive.pdf?T=10>
- **Budget Forecast Reports to the Executive and Corporate Scrutiny Committee**