

EXECUTIVE

16th January 2025

Report Title	Post-Financial Settlement Budget Update
Lead Member	Councillor Lloyd Bunday, Executive Member for Finance and Transformation
Report Author	Claire Edwards, Executive Director of Finance claire.edwards@northnorthants.gov.uk

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

List of Appendices

None

1. Purpose of Report

- 1.1. The Draft General Fund Budget proposals for 2025-26 were presented to the Executive at the meeting on 19th December 2024. The purpose of this report is to update the Executive following the publication of the provisional Local Government Finance Settlement which was announced on 18th December 2024.
- 1.2. The Settlement details the funding allocations for individual Councils and follows the Autumn Statement which was announced on 30th October 2024 and the Finance Policy Statement which was announced on 28th November 2024.
- 1.3. This report sets out the revised financial position for North Northamptonshire Council arising from the Settlement and compares it to the assumptions within the draft budget proposals which were reported to the Executive at its meeting on 19th December 2024.

2. Executive Summary

- 2.1 This report presents an updated General Fund Budget for 2025-26 following the announcement of the local government finance settlement, which was announced on 18th December 2024. The Council's draft budget proposals had assumed funding of £400.927m. Following the announcement of the provisional local government finance settlement the funding has been reduced by £1.197m. There is an improved funding position of £956k based on the latest modelling for Business Rates Growth which has resulted in a net adverse movement of £241k.
- 2.2 The main changes in funding are set out in Table 2 at Section 4 and the changes relate to the following:
- **New Homes Bonus** – The grant has increased by £136k from the original draft budget proposals of £3.087m to £3.223m.
 - **Business Rates Funding Baseline** - in the draft budget funding from Business Rates was modelled at £114.924m. Following the provisional finance settlement the funding for Business Rates has moved favourably by £956k to £115.880m.
 - **Revenue Support Grant** – The grant has increased by £365k from the original draft budget proposals of £6.223m to £6.588m.
 - **Recovery Fund** – The draft budget was based on the grant being allocated using the Index of Multiple Deprivation (IMD) and had assumed funding of £3.384m. However, the provisional settlement announced a cap on the grant whereby those authorities who have an increase greater than 3% of core spending power do not receive any funding, resulting in NNC not receiving any funding via the Recovery Fund. The grant is being distributed to places with greater need and demand for services which are least able to fund their own services locally.
 - **Social Care Grant** - The grant has increased by £1.048m against the draft budget proposals, from £26.719m to £27.767m
 - **Children's Services Prevention Grant** - The grant is to support children's social care reform, the Council in the draft budget proposals had assumed funding of £1.380m the provisional settlement announced a grant of £2.018m, meaning an increase in funding of £638k. The grant has been distributed using an interim children's relative needs-based formula, the funding nationally in the provisional settlement is £250m this is expected to be uplifted to £263m in the final settlement. Any changes will be reflected in the final budget proposals and could result in further funding of around £67k.
- 2.3 The reduction in funding is £241k less than previously reported to the December Executive, this will be funded following a review of the original inflationary assumptions for the Waste Management Contract.
- 2.4 The Public Health grant is outside the Core Spending Power calculation for Councils. The indicative allocations are still to be announced, although this

expected to be made shortly the grant in 2024-25 was £18.906m. The grant is ringfenced and any changes in funding will be reflected in the how the grant is spent.

- 2.5 The **Dedicated Schools Grant (DSG)** is a ringfenced grant that support schools, early years and other educational settings. Within the Council's budget report to the Executive on 19th December 2024, the indicative DSG allocation was £414.5m. The Final DSG Settlement which was published on 18th December indicated an increase in funding of £12.720m to that previously reported. Further details on these changes are set out in Section 4.13.

3. Recommendations

- 3.1 It is recommended that the Executive:
- a) Note the funding changes to the draft budget as set out in Table 2.
 - b) Approve the reduction in the waste management inflationary increase from £756k, as presented in the draft budget report to the Executive at the meeting on 19th December 2024 by £241k to £505k.
- 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 – The formal budget consultation commenced on 19th December when the draft budget report was presented to the Executive. This report provides an update following the announcement of the provisional financial settlement and any comments from this report and the report presented to the Executive at the meeting on the 19th December will be considered as part of the consultation process.

4 Report Background

- 4.1 The local government finance settlement was announced on 18th December 2024. This report provides an update on the national context and highlights the changes from what the Council had been modelling to the amounts contained in the provisional financial settlement, full details of this comparison are set out in Table 2 at Section 4.7.
- 4.2 The Settlement represents a £3.9bn (6%) increase nationally in Core Spending Power. Whilst this is helpful, the demand in growth for services have resulted in significant pressures across the Local Government Sector which has outstripped this increase and required further savings to enable balanced budgets to be set.
- 4.3 Table 1 below shows illustrates the average increase in Core Spending Power in 2025-26 across the classes of authorities.

Table 1 – Change in Core Spending Power by Class of authority

	Gov't funding increase (£M)	Gov't funding increase (%)	Council tax increase (£M)	Council tax increase (%)	CSP increase (£M)	CSP increase (%)
Shire districts	-46.4	-4.75%	60.3	4.08%	8.0	0.32%
Outer London boroughs	117.3	4.71%	183.5	5.94%	322.7	5.78%
Metropolitan districts	706.9	9.50%	366.1	6.06%	1,130.4	8.37%
Unitary authorities (non-CCN)	337.4	7.58%	325.8	6.08%	693.2	7.05%
Unitary authorities (CCN)	83.2	3.23%	284.3	6.12%	371.5	5.14%
Inner London boroughs	120.4	4.79%	84.1	5.95%	221.7	5.64%
Combined fire authorities	-17.2	-3.31%	55.7	6.69%	38.5	2.85%
Shire counties	298.1	5.12%	704.4	6.11%	1,019.6	5.86%
Metropolitan fire authorities	-2.0	-0.63%	19.4	7.14%	17.5	3.00%
Greater London Authority	25.7	1.61%	74.7	5.01%	78.9	2.53%
England	1,623.4	5.66%	2,158.3	5.97%	3,901.9	6.00%

4.4 For North Northamptonshire Council its Core Spending Power rose from £2,050 per dwelling in 2024-25 to £2,175 per dwelling in 2025-26, an increase of £125 (6.1%) per dwelling. The national average for England increased by 6% from £2,531 in 2024-25 to £2,683 in 2025-26 an increase of £152 per dwelling.

4.5 Approximately 55% of the growth in the Core Spending Power will come from local taxpayers through Council Tax increases. The Council Tax principles across all bodies for 2025-26 are set out below:

- Referendum principles apply to the increase in the band D Council Tax charge set by a local authority. For 2025-26 the government proposes a core referendum threshold of 3%. Local authorities with social care responsibilities will also be able to set an additional adult social care precept of up to 2% per year without a referendum.
- A bespoke flexibility of up to 3% or £5, whichever is higher, without a referendum for shire districts;
- Fire and rescue authorities will be able to set an increase of up to £5 without a referendum;
- Police authorities and police and crime commissioners (PCC) will be able to set an increase of up to £14 without a referendum.
- There will be no Council Tax referendum thresholds for either mayoral combined authorities or town and parish councils. As ever, there is the threat of introducing thresholds in future years if these councils agree excessive increases.
- As with previous years, where a council in need of exceptional financial support views additional Council Tax increases as critical to maintaining their financial sustainability, the government will consider requests for bespoke referendum principles. Local proposals will be considered on a case-by-case basis.

4.6 Furthermore, the Government will be extending the flexibility to use capital receipts to fund revenue costs to March 2030. This is designed to support projects that reduce costs and improve efficiency, and Authorities will also be able to capitalise redundancy costs.

4.7 Overall, the 2025-26 funding is showing a net adverse movement in the Council's funding assumptions of £241k against the draft budget proposals, Table 2 summarises these changes.

Table 2 - General Fund Draft Funding			
Description	2025/26 Draft Budget Report	2025/26 Following Provisional Settlement	Change
	£'000	£'000	£'000
Funding			
New Homes Bonus	(3,087)	(3,223)	(136)
Business Rates Funding Baseline	(114,924)	(115,880)	(956)
Business Rates Collection Fund	3,409	3,409	0
Council Tax	(214,835)	(214,835)	0
Council Tax Collection Fund	(2,297)	(2,297)	0
Revenue Support Grant	(6,223)	(6,588)	(365)
Recovery Fund	(3,384)	0	3,384
Extended Producer Responsibility	(6,652)	(6,652)	0
Social Care Grant	(26,719)	(27,767)	(1,048)
Social Care - Market Sustainability and Improvement Fund	(5,522)	(5,522)	0
Children's Services Prevention Grant	(1,380)	(2,018)	(638)
Improved Better Care Fund	(11,523)	(11,523)	0
Discharge Fund	(2,693)	(2,693)	0
Transfer to / (From) Reserves	(5,097)	(5,097)	0
Total Funding	(400,927)	(400,686)	241

4.8 The changes in funding are summarised as follows:

- **New Homes Bonus** – The grant has increased by £136k from the original draft budget proposals of £3.087m to £3.223m.
- **Business Rates Funding Baseline** - in the draft budget funding from Business Rates was modelled at £114.924m. Following the provisional finance settlement and further modelling of Business Rates growth the funding for Business Rates has moved favourably by £956k to £115.880m.
- **Revenue Support Grant** – The grant has increased by £365k from the original draft budget proposals of £6.223m to £6.588m.
- **Recovery Fund** – The draft budget was based on the grant being allocated using the Index of Multiple Deprivation (IMD) and had assumed funding of £3.384m. However, the provisional settlement announced a cap on the grant whereby those authorities who have an increase greater than 3% of core spending power do not receive any funding, resulting in

NNC not receiving any funding via the Recovery Fund. The grant is being distributed to places with greater need and demand for services which are least able to fund their own services locally.

- **Social Care Grant** - The grant has increased by £1.048m against the draft budget proposals, from £26.719m to £27.767m.
- **Children's Services Prevention Grant** - The grant is to support children's social care reform, the Council in the draft budget proposals had assumed funding of £1.380m the provisional settlement announced a grant of £2.018m, meaning an increase in funding of £638k. The grant has been distributed using an interim children's relative needs-based formula, the funding nationally in the provisional settlement is £250m this is expected to be uplifted to £263m in the final settlement. Any changes will be reflected in the final budget proposals and could result in further funding or around £67k.

- 4.9 The remaining grants that are set out in Table 2 are unchanged to those set out in the draft budget proposals.
- 4.10 These funding changes have resulted in the provisional settlement being £241k less than previously reported to the December Executive, this will be funded following a review of the original inflationary assumptions for the Waste Management Contract which have been reduced by £241k from £746k to £505k.
- 4.11 The **Public Health grant** is outside the Core Spending Power calculation for Councils. The indicative allocations are still to be announced, although this expected to be made shortly the grant in 2024-25 was £18.906m. The grant is ringfenced and any changes in funding will be reflected in the how the grant is spent.
- 4.12 Funding of £515m for the increase in **Employer National Insurance Contributions** (ENICs) will be made available to local government but allocations will not be "confirmed" until the final settlement. The £515m has been determined based on local government's share of the "directly employed staff across the public sector". This will fund local authorities, fire authorities and combined authorities; police authorities are funded separately however it is unclear if authorities will be fully compensated.

Dedicated Schools Grant (DSG)

- 4.13 The Dedicated Schools Grant (DSG) is a ringfenced grant that support schools, early years and other educational settings. Within the Council's budget report to the Executive on 19th December 2024, the indicative DSG allocation was £414.5m. The Final DSG Settlement which was published on 18th December indicated an increase in funding of £12.720m to that previously reported. Table 3 sets out the changes to the DSG funding blocks.

Table 3 - DSG Draft Funding			
Description	2025/26 Draft DSG in the Budget Report	2025/26 Following Provisional DSG Settlement	Change
	£'000	£'000	£'000
Funding			
Schools Block	(308,316)	(309,026)	(710)
Central Schools Services Block	(3,082)	(3,078)	4
High Needs Block	(66,084)	(65,701)	383
Early Years Block	(37,017)	(49,414)	(12,397)
Total Funding	(414,499)	(427,219)	(12,720)

4.14 The main reasons for the changes in funding are as follows:

- The Indicative 2025-26 Schools Block Dedicated Schools Grant (DSG) is based on the October 2024 census whereas the Provisional 2025-26 Schools National Funding Formula (NFF) is based on October 2023 census.
- In the October 2024 census, there was a reduction of 165.5 primary pupils (-£893k) and an increase of 67 secondary pupils (£470k). Growth funding (£1,132k) which was not included in the Provisional 2025-26 Schools NFF but is now included in the Indicative 2025-26 Schools Block DSG. This gave a net increase of £710k in Schools Block DSG funding in 2025-26.
- The reduction of £4k in the Central School Services Block (CSSB) is due to the net reduction of 98.5 pupils in the October 2024 census (-165.6 primary and + 67 secondary pupils) multiplied by CSSB unit of funding per pupil of £42.84.
- In High Needs Block there was also a reduction of 80.5 pupils (-£377k) in special schools and academies. This is because the Provisional 2025-26 High Needs NFF funding is based on number of pupils and students used to calculate the basic entitlement factor and is determined using:
 - (a) the number on roll at maintained special schools and special academies as recorded in the October 2023 school census, and
 - (b) the number of pupils with special educational needs and disabilities (SEND) in independent schools as recorded in the January 2023 AP census.

The basic entitlement factor funding in the 2025-26 Provisional DSG allocations is subsequently updated with the October 2024 school census data and January 2024 AP census data. There was also an adjustment for 1 pupil under import and export adjustments which caused a further reduction of £6k.

- The Early Years Block in the 2025-26 Draft DSG in the Budget Report was an estimate based on the November 2024 2024-25 Indicative Early Years Block DSG allocation as the DfE had not published any provisional

2025-26 allocation at the time the Budget Report was published. The 2025-26 Provisional DSG Settlement figure indicates that there is an increase in hourly funding rate across all the funding streams of the Early Years Block for under 2-, 2-, 3- & 4-year-olds as well as expected increases in participation on the under 2 and 2 year old working parents' entitlement.

- 4.15 The latest allocations will be reflected in the final budget report which will be presented to the Executive at the meeting on 6th February 2025.
- 4.16 The consultation period on the provisional Local Government Finance Settlement commenced on 19th December 2024 and is open for four-weeks (closing on 24th January 2025) prior to the publication of the Final Local Government Finance Settlement which is expected early in February 2025.

5 Implications (including financial implications)

Resources, Financial and Transformation

- 5.1 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

- 5.2 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).
- 5.3 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.
- 5.4 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.
- 5.5 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

- 5.6 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

- 5.7 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.
- 5.8 The most immediate risk was highlighted in the report to the Executive on 19th December in that the Provisional Local Government Finance Settlement had not been published. It was highlighted in that report that the assumptions would be revisited to identify any changes which need to be made, and prior to the final budget being proposed in February 2025. The Final Settlement is expected to be announced late January / early February.
- 5.9 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.
- 5.10 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 welcome's confirmation of a multi-year settlement, as indicated in the provisional local settlement for 2025-26. This will significantly assist with Medium Term Financial Planning.
- 5.11 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

- 5.12 Formal consultation on the Draft Budget proposals for 2025-26 commenced following the meeting on the Executive on 19th December 2024. The consultation will also include proposals set out in this report and the consultation will conclude on 24th January 2025 in preparation for the presentation of the final budget proposals to Executive and Council in February 2025.
- 5.13 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 6th February 2025. This does not predetermine any decision that the Council may make on 20th February 2025.
- 5.14 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.

5.15 The purpose of the consultation is to ensure that, when the Final Budget is considered by Council on 20th 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.

Consideration by Executive Advisory Panel

5.16 Not applicable

Consideration by Scrutiny

5.17 The 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.

5.18 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.

5.19 In order to assist in the scrutiny process, it was 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.
- 5.20 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.
- 5.21 This will include both the revenue budget and the capital programme for each of the main service areas.
- 5.22 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.
- 5.23 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.
- 5.24 The outcome from the scrutiny process will be fed back to the Executive at its meeting on 6th February 2025 to take into consideration when making its decisions on the budget to recommend to Budget Council on 20th February 2025.

Equality Impact Screening

- 5.25 There is no direct impact arising from this report – the Equality Impact Screening Assessments were set out in the draft budget proposals report to the Executive at the meeting on 19th December 2024.

Climate and Environment Impact

- 5.26 There is no direct impact arising from this report – the Climate and Environment Impact were set out in the draft budget proposals report to the Executive at the meeting on 19th December 2024.

Community Impact

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

Crime and Disorder Impact

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

6. Issues and Choices

- 6.1 The report provides an update on the draft budget proposals for 2025-26 and asks the Executive to approve a number of changes to the draft budget proposals which will then form part of the formal budget consultation process and the responses from the budget consultation will inform future reports

7. Background Papers

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

- **Executive Meeting (19/12/24)**
Draft Budget Proposals 2025-26 and Medium-Term Financial Plans
<https://northnorthants.moderngov.co.uk/documents/s27469/Draft%20Budget%20202526%20and%20Medium-Term%20Financial%20Plan.pdf>
- **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**