

EXECUTIVE 23rd December 2021

Report Title	Draft Budget 2022-23 and Medium-Term Financial Plan
Report Author	Janice Gotts Executive Director of Finance janice.gotts@northnorthants.gov.uk
Executive Member	Councillor Lloyd Bunday, Executive Member for Finance and Transformation

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

List of Appendices

- Appendix A – Budget Summary**
- Appendix B – Budget Change Proposals Listing**
- Appendix C – Fees and Charges Policy and Schedule (TO FOLLOW)**
- Appendix D – Dedicated Schools Grant**
- Appendix E – Initial Equality Screening Assessment**

1. Purpose of Report

- 1.1 This report sets out the Draft Revenue Budget for 2022-23 and the indicative Medium-Term Financial Plan for North Northamptonshire Council. It will form the basis of the budget consultation process which will commence once the draft budget has been approved. Residents, local partners and other stakeholders will have the opportunity to review the proposed budget and provide feedback during the five-week consultation period, which will commence following the Executive meeting on 23rd December 2021 and run until 28th January 2022. The draft budget will also be presented to the Finance and Scrutiny Committee for feedback.

- 1.2 Taking into account the comments from Finance and Scrutiny Committee and the wider consultation response, the Executive at its meeting on 10th February 2022 will consider the final draft budget proposals and the Council Tax Resolution report for 2022-23 for recommendation on to Council at its budget meeting on 24th February 2022. The Council Tax Resolution report will contain the final information from all the precepting authorities required to propose the Council Tax for all areas of North Northamptonshire.
- 1.3 The budget report sets out the latest estimated funding position, service budget pressures, key financial risks and challenges influencing the development of the Council's financial plans for 2022-23 and the ongoing financial impact of those plans, together with the longer-term estimates of funding and spending requirements.
- 1.4 The Revenue Budget 2022-23 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 2022-23 and the Capital Programme 2022-23 to 2024-25. These reports when taken together will provide a framework for revenue and capital planning for 2022-23 and into the medium term.

2. Executive Summary

- 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, the disposal and collection of waste, household waste recycling, economic development, housing and support for the homeless. The budget will underpin the priorities contained within the Council's Corporate Plan which was approved by Council at its meeting on 1st December 2021 and has the following six key thematic policy areas:
 - **Helping people to lead active, fulfilled lives** – helping people be more active, independent, and fulfilled
 - **Building better, brighter futures** – caring for young people, providing them with a high-quality education and opportunities to help them flourish
 - **Develop safe and thriving places** – enabling a thriving and successful economy that shapes great places to live, learn, work and visit
 - **Create a green, sustainable environment** – taking a lead on improving the green environment, making the area more sustainable for generations to come
 - **Build connected communities** – ensuring communities are connected with one another so they are able to shape their lives and areas where they live

- **Develop modern public services** – proving efficient, effective and affordable services that make a real difference to all our local communities
- 2.2 The budget is set in the context of an uncertain economic picture, predominantly due to the global and local challenges posed by the continuing pandemic which, at the time of writing the report, was becoming more concerning with the growth in transmission of the new Omicron variant.
 - 2.3 Unitarisation brought with it both opportunities and challenges. The opportunity to create a new single tier authority to work with residents, businesses, and other partners to help strengthen the local economy, create jobs, improve infrastructure and transport links, protect vulnerable people and improve life chances through education and training – supporting greater resilience within families and communities. Financially, the new Council could benefit from economies of scale, and, through the aggregation of the previous sovereign councils, it had the opportunity to streamline processes, consolidate and reduce the number of contracts, better manage assets for the benefit of the area and improve end to end service delivery.
 - 2.4 Transformation plays a key part in maximising those opportunities, helping to re-imagine the shape of the Council and how it interacts with the community and other stakeholders whilst recognising the need to ensure the Authority can demonstrate value for money, improve services and achieve efficiencies. Over time transformation can deliver real positive change, however, there is a need to first stabilise the position and create a solid foundation on which to build. Inevitably this takes time and is one of the major challenges facing new Councils such as North Northamptonshire.
 - 2.5 Whilst it is envisaged that stabilisation of the finances will continue into the second year of the Authority, the Council will bring forward a greater number of transformation opportunities - helping to create a strong and modern Council delivering quality, cost effective services for the benefit of its residents.
 - 2.6 The Council will continue to face financial challenges, risks, and uncertainties over the short and medium term, like many other Authorities. This is not only from the challenges brought about by COVID-19, but also the general upturn in demand for services which was taking place prior to the pandemic.
 - 2.7 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 Spending Review and Autumn Budget 2021 which was presented to Parliament on 27th October 2021. This 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 on 16th December.

2022/23 Budget Approach and Headlines

2.8 The main headline assumptions within the draft budget proposals are:

- A balanced budget for 2022-23
- Further net investment in services to both protect vital services and invest in service change of £8.2m, including removal of previous one-off funding predominantly related to COVID-19
- Efficiencies and income generation of £7.6m
- Investment in the Children's Trust to protect and increase the baseline funding from 2021-22 into 2022-23. Further to this there is potential additional one-off revenue and capital investment of £3.65m countywide (£1.6m from the North) to help deliver service improvements for some of our most vulnerable children and young people.
- Planned savings and pressures from previous Medium Term Financial Plans will remain to be delivered, unless there is a requirement to change the assumptions following review
- The use of reserves to support non-recurring investment in service improvement, fund time limited projects, pump-prime invest to save schemes and help manage risk.
- An investment of £1m spread over three years to forward fund initiatives to help address the climate crisis.
- Investment in Social Care to recognise the increase in the National Living Wage to £9.50 per hour and a 1.25% increase in national insurance contributions for care providers.
- An investment of £0.8m recurrently to consolidate the increase in pay for the Council's lower paid staff to the real living wage in 2021-22, together with improved incremental progression
- An increase in Council Tax consisting of 1.99% for the "core" council tax and 1% for the Adult Social Care precept, resulting in an average weekly increase in Council Tax of 88 pence for a Band D equivalent property.
- No change to the Local Council Tax Support Scheme which will continue at 25%.
- Inclusion of a contingency to mitigate against uncertainty.
- Officers will continue to seek efficiencies in order to help address the budget requirement from 2023/24.

2.9 **Appendix A** sets out the summary position.

2.10 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. These will also be scrutinised by the Finance and Resources Scrutiny Committee in accordance with the budget strategy paper that was presented to Executive on 18th November 2021.

2.11 As part of the 2022-23 Budget setting process a number of Budget Challenge Sessions were held to help inform the budget process, these consisted of Officers and Members and the objective of these sessions were as follows:

- To remind all Service areas of the financial position of the Council and the need to ensure Value for Money. Also, to understand the risks and pressures in the budget and identify any efficiencies to offset against these.
- To understand the Service position for 2021-22 in terms of finance, HR and performance.
- To review the existing MTFP for 2022-23 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 2021-22 monitoring to inform the budget planning for 2022-23.
- To understand the planned transformation projects and associated costs/benefits with timing – to include disaggregation and continuing aggregation/service improvement and the impact on the budget.

2.12 The outcome was to achieve an agreed way forward on the service proposals for 2022-23 and beyond for consideration as part of the Medium-Term Financial Plan and forms the basis of the contents of this report.

Funding Context

Government Grant

2.13 The Spending Review and Autumn Budget 2021 set out the funding for local government at a national level for 2022-23 to 2024-25. The following table provides a high-level summary of the main funding changes for Local Government (as indicated through changes to its Departmental Expenditure Limit¹ (DEL)). Further commentary on the Spending Review and Autumn Budget is set out in Section 4 of this report.

	2022-23	2023-24	2024-25	Total
	£m	£m	£m	£m
Local government funding (to be distributed in settlement)	1,500	1,500	1,500	4,500
Family help	40	70	90	200
Cyber resilience	12	13	13	38
Funding for social care reform	200	1,400	2,000	3,600
Unallocated	48	17	(3)	62
Cumulative increase in LG DEL	1,800	3,000	3,600	
Annual increase in LG DEL	1,800	1,200	600	

2.14 Whilst the additional funding is welcomed for Local Government, it is anticipated that some of it will come with further spend expectations and will not be available to underwrite existing spend pressures, indeed some changes may potentially

¹ The government budget that is allocated to and spent by government departments is known as the Departmental Expenditure Limit, or DEL. This amount, and how it is split between government departments, is set at Spending Reviews. The table illustrates the Local Government DEL (LG DEL).

create an additional financial requirement in excess of the funding received. On this basis the additional £200m funding for Social Care Reform has been matched with an equal anticipation of new spend and the funding for family help, cyber resilience and the unallocated sum totalling £100m has not been taken into account until further details are made available. Of the remaining £1.5bn uncertainty remains regarding its allocation and whether this will assume some offsetting against the additional social care grant of £300m that was included from 2021-22. Therefore, the allocations included within this report, and the Council's budget assumptions, remain as estimates until receipt of the Local Government Finance Settlement.

- 2.15 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 and Council Tax

- 2.16 The Spending Review and Autumn Budget remained generally silent on the detail of the Government's plans for funding reform within the Sector as part of the Review of Relative Needs and Resources (formerly the Fair Funding Review) and changes to the Business Rates Retention (BRR) system including the reset, both of which have been delayed several times since 2019-20. Whilst the Spending Review covers a three-year period, the Government has not officially indicated what period the Finance Settlement will cover for Local Government and whether it will be one-year or longer. Clarity is expected when the Finance Settlement is published later this month.
- 2.17 The Government has stated recently that it has abandoned its original plans to allow Councils to retain 75% of their growth in business rates as it is felt that it would conflict with the Government's 'levelling up' agenda. The Government will now look at the mechanism for redistributing funding to the authorities most in need. Since 2013-14 the majority of local councils have retained 50%² of business rates through the business rates retention scheme (and this is the position for North Northamptonshire Council). The government originally announced its intention to allow councils to retain 100% of business rates in 2015, in a bid to encourage them to boost economic growth, and this was subsequently reduced to a target of 75% retention. Currently only a small number of pilot authorities have 100% retention.
- 2.18 For 2022-23, the Government has indicated that Local Government will be able to increase Council Tax by up to 2% for core pressures, and a further 1% precept for Adult Social Care. The Government makes the assumption that Councils will raise their Council Tax by the maximum allowed when determining the Core Spending Power³ for Local Authorities.

² The 50% BR retention in NNC is split 49% to the Local Authority and 1% to the Fire Service

³ The Core Spending Power measures the core revenue funding available for local authority services, including Council Tax and locally retained business rates – essentially setting out the money that has been made available through the Local Government Finance Settlement.

- 2.19 To help maintain and protect levels of service provision it is proposed that the Council will consult on a core Council Tax increase of 1.99% 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 1% in full. An overall increase of 2.99% for 2022-23. This would contribute around £5.2m per annum towards service priorities and would represent a Band D level of Council Tax for North Northamptonshire Council of £1,578.73 which is an increase of £45.83 (equivalent to £0.88 per week) from the Band D Council Tax level of £1,532.90 in 2021-22. 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.
- 2.20 Following consultation, the Council made the decision last year to harmonise Council Tax levels across North Northamptonshire in a single year as part of the creation of the new Unitary Council from 1st April 2021. Therefore, there will be no further adjustments for Council Tax harmonisation in 2022-23.
- 2.21 Council Tax income remains the most stable form of income to the Local Government Sector, and it will continue to be key to the ongoing financial sustainability of the Council and the delivery of vital services to its residents, a number of which are vulnerable, alongside investment in its Neighbourhoods; this is particularly important when there is such significant uncertainty regarding the funding and pressures for local government services in future years.

The Overall Position 2022-23

- 2.22 The Council initially had a forecast funding gap of £18.5m for 2022-23 which included an estimate for the loss of income from funding reforms. Having incorporated the announcements made as part of the Autumn Budget, applying a Council Tax increase of 2.99% (including 1% for Adult Social Care) and revising the budget assumptions for 2022-23 including a number of new spend pressures and savings, the Council is now able to propose a balanced draft budget for 2022-23.
- 2.23 Whilst the budget is balanced for 2022-23, significant pressures remain in the medium term, most notably due to the assumed changes to Local Government funding following a Business Rates reset which will see the Council potentially lose a significant proportion of the Business Rates growth that it has benefited from over several years.
- 2.24 To help address the longer-term deficit the Council is continuing to review its service delivery for the future and has dedicated transformation resources working to deliver the changes required, bringing services together in to more efficient and effective operating models. This will help contribute towards the financial requirements of the Council over the Medium-Term. This includes reviewing how the Council interacts with its customers, residents, partners, and other stakeholders and will take into account service delivery, contractual arrangements, opportunities to expand and enhance the digital experience and realising property efficiencies, thereby reducing costs and improving services

going forward. There is a separate report on this agenda which outlines the transformation work.

Next Steps

2.25 Following the consultation on the draft budget the updated full suite of budget reports will be presented to the Executive on 10th February 2022. This will include

- the General Fund Revenue Budget 2022-23 and Medium-Term Financial Plan, including the Dedicated Schools Grant
- the Housing Revenue Account Budget 2022-23 and Medium-Term Financial Plan,
- the Capital Strategy and Capital Programme, and
- the Treasury Management Strategy.

2.26 The Draft Housing Revenue Account Budget 2022-23 will be considered by the Tenants representatives.

2.27 These reports together will provide a framework for revenue and capital planning for 2022-23 and into the medium term. The suite of budget reports, including the Council Tax Resolution will be considered by Council on 24th February 2022, following the recommendation of the Executive at its meeting on 10th February.

2.28 The budget timetable from the time of writing the report is set out in the table below.

Key Dates	Activity
16 th December	Local Government Finance Settlement expected (exact date to be confirmed)
23 rd December 2021 <i>(published 15th December 2021)</i>	Draft budget report 2022/23 presented to Executive for approval Formal consultation on the budget will commence following the meeting, and subject to Executive approval
January 2022	Finance and Resources Scrutiny Committee members scrutinise the individual Directorate budget plans, in advance of February Executive HRA rent increase consultation to Tenants representatives
13 th January 2022	Budget Update to Executive, if required, following the Local Government Finance Settlement
28 th January 2022	Budget consultation ends

Key Dates	Activity
10 th February 2022	Updated Budget report, including feedback from Scrutiny, presented to Executive for approval and recommendation on to Council
24 th February 2022	Setting of the Budget - Suite of Budget Reports presented to Council for approval

2.29 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.

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

3. Recommendations

3.1 It is recommended that the Executive:

- a) Approves for consultation the 2022-23 Draft Budget, which includes:
 - i. an estimated net revenue budget of £293.2m (£618.6m including the Dedicated Schools Grant) as set out in Appendix A, noting that this is subject to further update following the publication of the provisional Local Government Finance Settlement.
 - ii. An average Band D Council Tax of £1,578.73 for North Northamptonshire Council, representing a 1.99% increase in the 'core' Council Tax and a further 1% for the Adult Social Care Precept.
 - iii. Net Pressures of £8.2m, including adjustments for the reversal of one-off funding in 2021-22, and savings and income generation proposals of £7.6m as set out in Appendix B.
 - iv. the draft fees and charges proposed at Appendix C.
 - v. corporate budget requirements as set out in paragraph 8.1, including a contingency sum of £4.250m as set out in paragraph 8.2.
 - vi. the draft planned use of, contribution to, and movement in, reserves as identified in paragraph 5.54 and section 9 of the report, noting the

reserves will be reviewed again prior to the final budget proposals to consider the risk applying at that time.

- vii. the provisional dedicated schools grant budget of £325.4m for 2022-23, pending the Final Settlement, as detailed in Appendix D.
- b) For the Dedicated Schools Grant (DSG):
- i. Notes the provisional allocations of the increased funding for the Schools Block and High Needs Block for 2022-23 and reduced Central School Services Block for the Dedicated Schools Grant (DSG) allocations.
 - ii. Following consultation with the Schools Forum, delegates authority to the Executive Member for Children’s Services in consultation with the Executive Member for Finance and Transformation, Director for Children’s Services, and the Executive Director of Finance (S151 Officer) to determine the DSG 2022-23 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 13.13 to 13.17 which commences following the approval of the recommendations in this report.
- d) Notes that the funding allocations are estimates at this stage and will not be confirmed until the publication of the Local Government Finance Settlement.
- e) Delegates authority to the Executive Member for Finance and Transformation in consultation with the Executive Director of Finance (Section 151 Officer) to amend the draft budget following the publication of the 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 2022-23.*

4. Report Background

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

- The **General Fund** includes all revenue income and expenditure, including day to day running costs, financed from Council Tax, Business Rates,

government grants and fees and charges, excluding those related to council housing.

- The **Housing Revenue Account (HRA)** includes all revenue expenditure and income on activities related to being a housing landlord.
- The **Dedicated School Grants DSG** focuses on the funding for schools and Early Years settings as well as other specific Education related costs.
- The **Capital Programme** includes all capital expenditure and income, including the acquisition, replacement and enhancement of assets financed from government grants, external contributions, revenue contributions, capital receipts and borrowing.

4.2 This report focuses on the Council's General Fund budget and notes the planned use of the DSG for 2022-23 and into the medium-term. Reports containing full details of the proposed draft budgets for the Housing Revenue Account and the Capital Programme are included as separate reports to this meeting of the Executive.

National and Economic Context to the 2022-23 Budget

Economic Context

- 4.3 The Chancellor delivered his three-year Spending Review for 2022-23 to 2024-25 on 27th October 2021. The overall economic picture indicated was one of an improving fiscal position, recognising that this is from a very difficult place as the economy was emerging from the pandemic; also now recognising that this was prior to the most recent COVID variant (Omicron) being identified. At the time of the Chancellor's statement the Office for Budget Responsibility's (OBR) economic forecasts showed an improvement compared to those in March 2021. They are also forecasting that the pandemic will result in economic scarring equivalent to 2% of GDP (rather than the 3% forecast in March 2021).
- 4.4 Also stated at this time was that economic growth was forecast to be 6.5% in 2021, followed by 6.0% in 2022, 2.1% in 2023. However, from 2024 onwards, GDP is forecast to grow below its long-term trend of 2%.
- 4.5 Whilst there are still high levels of debt, this had also improved since the March forecast. The budget deficit was expected to reduce by almost half to £183bn in 2021/22 (£51bn lower than in the March forecast). Borrowing reached £320bn (15.2% of GDP) in 2020-21.
- 4.6 The forecast for inflation is probably of far greater relevance to the Council's budget for 2022-23 than it has been in previous years. The Consumer Price Index (CPI) dropped significantly in 2020 (during the pandemic), and has now bounced-back, with an expected peak of over 4% in the next six months. The OBR is expecting CPI inflation to reach 4.4% next year. The OBR forecasts that CPI will have returned to its target level (2%) by 2023.

- 4.7 The latest figures, as at the date of the Spending Review, show that the labour market has proven to be more resilient than was originally presumed and the unemployment rate, originally estimated at 7.6% for mid-2021, is only 4.5%. The economy is predicted to grow by 6.5% in the current year, 6.0% in 2022 and 2.1% in 2023.
- 4.8 The economic impact of the UK leaving the EU are still settling down, and more recently, disruptions to global supply chains and a shortage of labour in industries, such as haulage, hospitality and care, pose risks to the economic outlook. Rising inflation, linked in part to the supply shortages and increasing energy prices, present an additional problem for the economy heading into 2022. Indeed, the recent growth figures from October 2021, reported in December 2021, noted that the economy hardly grew in October as supply chain disruption affected activity and the positive rebound that had been seen previously had now stuttered
- 4.9 Full details of the Spending Review announced by the Chancellor are available using the link below. The paragraphs which follow summarise the main points for local government. It should be noted that the individual allocations to each council will only be confirmed as part of the Local Government Finance Settlement which is anticipated to be published around 16th December 2021.

<https://www.gov.uk/government/publications/autumn-budget-and-spending-review-2021-documents>

Local Government Finance Announcements

- 4.10 Core Spending Power (CSP) is a measure of the resources available to local authorities to fund service delivery. It sets out the money that has been made available to local authorities and is a combination of both central and local government decisions. For local authorities it is estimated that Core Spending Power will increase by an average of 3% in real terms each year over the three-year period. CSP is the Government's preferred choice for the measure of the resources available to councils and includes the estimated level of Council tax, assuming the full precepts are taken.
- 4.11 The core spending power increase includes:
- **£4.8bn** extra for Local government over the spending review period, with £1.6bn of new grant funding in 2022-23 followed by flat cash thereafter. The additional funding is expected to fund the increased national insurance costs that councils will face as an employer.
 - Over the three-year period this includes an additional **£300m** of which £200m has been allocated for the Supporting Families programme, and £38m funding to tackle cyber security challenges and invest in cyber resilience with a total of £62m still to be allocated
 - **£3.6bn** for the previously announced adult social care reforms, including the proposed cap on the cost of care.
 - It is not yet known how the funding will be allocated to individual councils.

- A council tax referendum limit of 2% and Adult Social Care precept of 1% per year.

4.12 The Local Government Departmental Expenditure Limit (LG DEL) will rise by £3.6billion by 2024-25, (an average annual real terms increase of 9.4% from 2021-22 to 2024-25). This includes £2bn in 2024-25 related to the income from the health and social care levy, intended to fund the reforms set out in the adult social care reform paper released in September 2021.

	2021-22 £m	2022-23 £m	2023-24 £m	2024-25 £m
Total LG DEL	9,100	10,800	12,100	12,700
Growth above 2021/22		1,800	3,000	3,600
This includes:				
Funding for social care reform		200	1,400	2,000
Other Funding		1,600	1,600	1,600

4.13 The following table helps to illustrate the detail of the changes:

	2022-23 £m	2023-24 £m	2024-25 £m	Total £m
Local government funding (<i>to be distributed in settlement</i>)	1,500	1,500	1,500	4,500
Family help	40	70	90	200
Cyber resilience	12	13	13	38
Funding for social care reform	200	1,400	2,000	3,600
Unallocated	48	17	(3)	62
Cumulative increase in DEL	1,800	3,000	3,600	
Annual increase in DEL	1,800	1,200	600	

4.14 The current budget makes no assumptions regarding the funding for family help and cyber resilience and whether this will be distributed amongst all authorities, or if it will be subject to separate allocations/bids. It is assumed that spend will need to increase to match any funding that is made available. Similarly, whilst the budget does allow for additional funding of £0.803m (as an estimated share of the £200m available for Social Care Reform), this is matched by a likely spend increase of a similar level.

Business Rates

4.15 The Chancellor announced that the Government would provide a package of business rates measures to support businesses in England. For 2022-23 this includes:

- A new relief for eligible retail, hospitality, and leisure properties with 50% relief on rates bills up to £110,000 per business.
- A freezing of the multipliers at 49.9p (small business multiplier) and 51.2p (standard multiplier).

- The extension of the current Transitional Relief and Supporting Small Business schemes.
 - The scope of the discount for 2022-23 will return to pre-Covid-19 eligibility for retail properties. Hospitality and leisure properties will continue to remain in scope.
- 4.16 Local Government will be reimbursed for the Business Rates reliefs through Section 31 grant. In addition, the government will provide New Burdens funding to cover items such as IT costs and additional staff costs.
- 4.17 The final report for the Review of Business Rates was also published at the Budget. The Budget and the Review commits, in the longer term, to making improvements to the business rates system, including:
- More frequent revaluations, moving to a three yearly cycle starting from the next revaluation in 2023.
 - New changes to support delivery of the more frequent revaluations, including new duties on ratepayers to provide the VOA with information.
 - A new relief to support investments in property improvements.
 - New exemption and relief to support green technologies.
- 4.18 Council Tax announcements are as follows:
- Core referendum limit will stay 2% a year.
 - Social care precept will be up to 1% per year.
 - Police and Crime Commissioners increase up to £10 per year.
- 4.19 In conclusion, additional government funding is welcome; however, it is not expected this will meet all the extra cost and demand pressures anticipated over the period, especially as there is no planned increase after 2022-23 and no explicit funding to address the existing pressures on adult social care services. With regard to the funding allocated to social care from the Health and Care Levy, it remains to be seen whether this will be sufficient to fund the planned reforms. Finally, there has been no increase in public health funding to address the health inequality issues highlighted by the pandemic.

Other Announcement from the Spending Review

- 4.20 For Education, there is an increase in the Core Schools Budget of £4.7bn over the Spending Review period, equivalent to a cash increase of £1,500 per pupil compared to 2019-20. Further to this, £2.6bn (capital) over the Spending Review period was announced for SEND, which is intended to provide 30,000 additional places. The COVID recovery funding has been extended by an additional £1.8bn, and of this £1bn will be provided to schools over the next two academic years (£145 per pupil in primary schools and more in secondary schools). The Holiday Activities and Food Programme has been extended, with £200m per year to continue the programme.
- 4.21 The Public Health Grant is expected to be maintained in real terms.

- 4.22 There was further investment announced for affordable housing, with £1.8bn added with the aim to deliver £10bn of investment during the life of the Parliament, including 1 million new homes in the Spending Review Period. £300m of this will be distributed to local authorities to support the development of smaller brownfield sites.
- 4.23 The Right to Buy regime has also been amended and Councils will now be allowed to spend over a longer time frame (five years instead of three years), to pay up to 40% of the cost of a new home (up from 30%) and allow them to be used for shared ownership and First Homes.
- 4.24 Funding of £38m will be available to support Councils with Cyber Security and £34.5m to “strengthen local delivery and transparency”, with some of this needing to be used to establish the new Audit Reporting and Governance Authority (ARGA) as a system leader for local audit.
- 4.25 Spending on rough sleeping increased to £639m per annum by 2024-25.
- 4.26 Specific announcements for Children and Families, the most significant being 'Start for Life' hubs.
- 4.27 Other Spending Review announcements which may impact on the Council’s budget include a number of changes that directly impact on household income and also the cost of services:
- National Minimum Wage to increase to £9.50 per hour
 - Public Sector pay freeze will end
 - Universal Credit Uplift – the taper will reduce from 63% to 55%. Claimants will be able to retain an additional 8p for every £1 of net income earned. A £500 per year increase to the amount that households with children or a household member with limited capability for work can earn before their Universal Credit award begins to be reduced.
 - Continuation of the temporary increase in the surplus earnings threshold to £2,500 for Universal Credit claimants until April 2023, when the threshold will reduce to £300.
 - Workers leaving the furlough scheme and making a Universal credit claim will be prioritised through the Job Finding Support Scheme.
- 4.28 In addition to the details contained from the 2021 Spending Review the Council’s budget in the medium term may also be affected by Government action on Levelling-up. The Government has delayed the publication of the levelling up white paper from the end of this year until January 2022. The paper is expected to set out in more detail the framework and next steps towards levelling up opportunities and boosting livelihoods across the country to address regional inequalities.

Funding for Adult Social Care Reform

- 4.29 On 1st December 2021, the Department for Health and Social Care published its long-awaited Adult Social Care (ASC) Reform White Paper entitled “People

at the Heart of Care”. The White Paper acknowledges the role of families and friends in caring for each other and supporting unpaid carers to achieve their own life goals. It includes the Government’s wish to help the ASC workforce to feel recognised and to have opportunities to develop their careers.

- 4.30 In summary, the government has set out its ten-year vision and three-year funding plans. It wants to better integrate social care with health and housing, and it intends for the Care Quality Commission (CQC) to independently review and assess each Council’s performance in delivering its ASC duties and to review how partners are working within ‘Integrated Care Board’ areas. Where the CQC identifies a serious and persistent risk, the Government’s priority will be to support Councils to lead their own improvement wherever possible, however, where a Council has not been able to tackle sustained problems, the Health and Social Care Secretary would be able to intervene.
- 4.31 The Care Act 2014 provides a strong foundation for the vision detailed in the White Paper. The paper also recognises that the Act requires additional strength (provided through measures currently in parliament). It includes three objectives as set out below with a focus on personalised care. There is recognition that this already exists in some areas, but the government wants to see it extended across the country:
1. People have choice, control, and support to live independent lives further.
 2. People can access outstanding quality and tailored care and support.
 3. People find ASC fair and accessible.
- 4.32 As announced by Government in September, £5.4bn of the new Health and Social Care Levy is being invested in Adult Social Care over the next three years. The White Paper includes proposals for supporting Councils, including a specific focus on strengthening market shaping and commissioning functions and plans for improved data that will allow understanding about how local areas are achieving the vision for reform, identifying strong performance, and spreading best practice. The paper highlights the commitment to:
- £3.6bn to pay for the cap on care costs, the extension to means test and support progress towards Councils paying a fair cost of care.
 - £1.7bn for social care improvements, including at least £500m workforce investment.
- 4.33 Within the spending review allocations announced in October, the £3.6bn to be allocated to Councils to reform the social care charging system has been set out. It is intended to enable all Local Authorities to move towards paying care providers a fair rate for care and to prepare local care markets for implementing reform. Self-funders will be able to ask their Local Authority to arrange their care for them from October 2023. Additional support for Councils includes specific assistance to strengthen their market shaping and commissioning capabilities. An increase in improvement funding of more than £70m between 2022–23 and 2024–25 is planned. Whilst the market shaping duty will remain with Councils, a more joined up approach across health, social care and housing and the wider community is being looked at.

- 4.34 It is currently assumed that the extra income from the Council's share of the £3.6bn funding over the next three years will be matched by an increase in expenditure.
- 4.35 Further announcements are awaited regarding the remainder of the funding for social care improvements and its allocation. However, it is anticipated that this will also require extra spend commitments, possibly resulting in a net additional burden, rather than solely meeting existing pressures.

Local Government Funding Context

- 4.36 Nationally, the future of local government funding remains uncertain with the position being made more difficult by the impact of COVID-19.
- 4.37 The Review of Relative Needs and Resources which would seek to rebalance the funding formula used to assess resource needs for local authorities, is now not expected to take effect until 2023-24 at the earliest, as the Treasury has indicated that it will prioritise the need for stability over calls for reform to distribution systems.
- 4.38 The Government issued a call for evidence on the reform of Business Rates during the Summer of 2021. In its final report on this the Government decided to not move forward with proposed reforms which could have seen the tax replaced with a levy based on the combined capital value of domestic land and property. Instead, in the Spending Review, the Treasury confirmed a 50% break for leisure, retail and hospitality businesses until March 2023, following on from reliefs given to help companies through COVID-19. To support all businesses in the short term the Government have frozen the business rates multiplier in 2022-23. Local authorities will be compensated for these measures through specific grants outside the settlement.
- 4.39 As previously stated, it is now unlikely that the proposed move towards 75% local retention of business rates will proceed, with an increase in the local share only potentially being pursued if this is consistent with the Government's levelling-up agenda. This adds to the uncertainty about the future levels of business rate funding for the Council, as the resetting of the base level will see the growth in business rates income, which has been significant over previous years for North Northamptonshire, being redistributed to areas deemed to be of higher need.
- 4.40 This partially accounts for the forecast budget gap for the Council from 2023-24 – 2024-25, as set out in the report. Whilst the Council's budget forecast anticipates that funding reforms could take effect from 2023-24, the timelines still remain challenging owing to the complexities of the national funding schemes, the consultation requirements and the need for exemplars, as well as the Government still negotiating through the effects of the pandemic.
- 4.41 Once further information is released regarding the impacts of the issues described above, finance officers will model this into the Medium-Term Financial Plan and provide Members with an updated position.

4.42 It is essential that the Council continues to seek further efficiencies, cost reductions and income generation over the medium term in order to balance the budget in future years. As a new Council there are some inherent difficulties in identifying savings while still in the first year of operation, however, the work has already begun to seek savings through transformation and service improvement reviews which will continue to be built on and further expanded. Directorates are also reviewing budgets with a view to accelerating savings in advance of 2023/24 where possible.

5. Council Funding

5.1 The following table provides a summary of the 2022-23 Budget and the Medium-Term Financial Plan and its proposed funding. This section provides narrative around each of these funding streams. Whilst the position is balanced for 2022-23, the gap in 2023-24 increases to £23.7m and in 2024-25 to £32.5m. Essentially the delay to the funding review has deferred the concerns regarding the loss of funding by a further year. This is predominantly as a result of loss of cumulative business rates growth.

	2022/23 £000	2023/24 £000	2024/25 £000
Base Budget (excluding DSG Funding)	293,164	306,510	321,475
Base Budget (DSG Funded)	325,429	325,429	325,429
Net Budget Requirement	618,593	631,939	646,904
Funded By:			
New Homes Bonus	(1,819)	0	0
Business Rates Funding Baseline	(84,403)	(66,005)	(67,187)
Business Rates Collection Fund	6,154	575	0
Council Tax	(178,408)	(180,192)	(181,993)
Council Tax Collection Fund	3,149	475	0
Revenue Support Grant	(4,756)	(4,756)	(4,756)
Social Care Grant	(7,678)	(7,678)	(7,678)
Improved Better Care Fund	(11,186)	(11,186)	(11,186)
Dedicated Schools Grant	(325,429)	(325,429)	(325,429)
Rural Services Delivery Grant	(35)	(35)	(35)
Transfer to / (From) Reserves	(7,357)	(2,470)	(2,270)
Other – Adults	(803)	(5,621)	(8,030)
Other - Additional Funding	(6,022)	(6,022)	(6,022)
Total Funding	(618,593)	(608,344)	(614,586)
Remaining Budget Requirement	0	23,595	32,318

Overview of Funding Assumptions

- 5.2 The Council's General Fund budget is funded from five main income sources which are Council Tax, Business Rates, government grants, fees and charges and, where needed, the use of reserves. The ability to grow and maintain resources raised locally, such as Council Tax, has become even more important for local authorities' financial sustainability, particularly when considered against the change in local government funding and short-termism of financial settlements which does not facilitate meaningful medium term financial planning.
- 5.3 The headline figures for local authorities were announced as part of the Autumn Budget, detailed funding allocations will be made available as part of the provisional Local Government Finance Settlement, which is expected around 16th December 2021 and therefore the figures remain draft at this stage.
- 5.4 The funding assumptions made in the Table at 5.1 are set out under the relevant headings below.

New Homes Bonus

- 5.5 New Homes Bonus was introduced in 2011 to encourage local authorities to grant planning permission for new houses in return for additional revenue. It is a grant paid by central government to local authorities to reflect and incentivise housing growth in their areas.
- 5.6 It is based on the amount of extra Council Tax revenue raised for new-build homes, conversions and long-term empty homes brought back into use and it is based on the national average for a Band D property. There is also an extra payment for providing affordable homes, which amounts to £350 per home. Payments are split 80/20 in two tier areas between Districts and Counties. In Unitary areas such as North Northamptonshire no split exists
- 5.7 Payments of New Homes Bonus were originally made for six years; however, payments were reduced to five years from 2017-18 and then to four years from 2018-19. A national baseline of 0.4% housing growth was also introduced, below which grants will not be made.
- 5.8 The payments for 2022-23 are based on the number of new homes delivered in 2019-20. The growth in tax base for North Northamptonshire based on a Band D in 2019-20 was 1,006 properties giving a grant of £1.682m. In addition to this the number of Affordable Homes bought back into use was 392 and for this we receive £350 per dwelling, therefore this element of the scheme amounts to £0.137m. The total payment is therefore £1.819m.
- 5.9 Central government have previously announced that New Homes Bonus payments will be phased out with 2022-23 being the final year of the scheme – it is anticipated that the Government will issue a consultation paper when it considers alternative schemes.

Business Rates Funding

- 5.10 The draft budget shows funding from Business Rates to be £84.4m, this includes the baseline funding, growth and S31 grants. North Northamptonshire has benefitted well under the present Business Rates Retention system due to an above average increase in business growth across its area.
- 5.11 The way that the business rate retention scheme operates in future years could have major financial implications for Councils. The Government have recently announced that they have abandoned plans to allow Councils to retain 75% of their growth in business rates as it would conflict with the government's 'levelling up agenda'. The government will now look at the mechanism for redistributing funding to the authorities most in need.
- 5.12 Since 2013-14 the majority of local government has retained 50 per cent of business rates through the business rates retention scheme. Some Council areas retain 100% following the introduction of pilot schemes several years ago.
- 5.13 The Government in its Autumn Budget announced that there would be a freeze in the National Multiplier (this is used to calculate the Business Rates paid by businesses by multiplying it to the Rateable Value of the property). The Councils will be recompensed for the loss in income through a S31 Grant. There will also be no reset of the Business Rates Baselines being the point from which growth is measured. Since 2013-14 the baselines have remained unchanged.
- 5.14 Any gains that are not lost through the economic slowdown could be lost following a reset. A reset could result in a significant proportion of the Council's increased Business Rates 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" introduced to protect those Councils that have lost a significant proportion of their funding.
- 5.15 The three key variables in any changes to the Business Rates System are as follows:
- The resetting of the Business Rates Baselines – the point from which growth is measured
 - Funding Levels
 - The Business Rates Yield
- 5.16 The Business Rates yield could be impacted by the following factors:
- The growth in businesses
 - The number of businesses that cease trading
 - Reduction in the collection rate.
- 5.17 Whilst the volatility is recognised, this will not directly impact the 2022-23 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.

- 5.18 The next Business Rates revaluation to review the rateable value of non-domestic properties will take place on 1st April 2023, this is a slight delay to the date originally proposed and is intended to better reflect the impact of COVID-19. It is intended that this revaluation will be based on property values as of 1st April 2021 as the basis for calculating what businesses rates should be paid by each hereditament⁴.
- 5.19 After the next revaluation in 2023, revaluations will take place every three years. The delay to 2023 of the next revaluation means that there is currently a gap in the Transitional Relief and Supporting Small Business schemes, and so these have been extended for 2022-23. A consultation on the Transitional Relief scheme for the 2023 revaluation will be carried out during 2022.

Business Rates Collection Fund

- 5.20 There was a significant change to business rates in 2020-21 in response to the pandemic, whereby the Government provided 100% Retail Relief to businesses in the retail, hospitality and leisure sectors. Government under Section 31 of the Local Government Finance Act 2003 made payments to authorities to recognise the reduction in the Business Rates yield owing to these reliefs.
- 5.21 In 2021-22 the Government followed a similar practice to that in 2020-21 whereby the Government for the first three months of the 2021-22 financial year (April to June) extended the 100% rate relief for properties in the retail, hospitality and leisure sectors. that was available throughout 2020-21. From July 2021, those properties will get 66% relief until March 2022.
- 5.22 The estimated impact of the extended retail relief in 2021-22 from Section 31 Grants is £6.585m the reliefs will be transferred to the Business Rates Reserve in 2021-22 which will then be used to fund the Collection Fund deficit of £5.579m in 2022-23.
- 5.23 The mechanics of the Collection Fund means that what is actually collected in 2022-23 will not impact on the 2022-23 budget, as the demands have been set for the year, however any changes in collection rates are accounted for in the following year. The implications of existing and future bad debts and appeals provisions will be closely monitored to assess the impact on future years.
- 5.24 The government amended secondary legislation, which allowed Authorities to spread the in-year estimated deficit on the 2020-21 Collection Fund in equal instalments over three years (2021-22 to 2023-24). The regulations to allow Collection Fund spreading became law on 1st December 2020. The Business Rates estimated deficit was £1.781m of which £56k related to prior years which were not able to be spread over 3 years meaning £1.725m could be spread equally over the three-year period 2022-23 to 2024-25. In accordance with

⁴ The term hereditament is used in local business rates taxation to refer to rateable units of property.

legislation £575k was spread in each of these years. The composition of the Business Rates Collection Fund is shown in the following table.

	2022/23 £000	2023/24 £000	2024/25 £000
Business Rates Collection Fund Deficit	5,579	0	0
Spreading Business Rates Deficit	575	575	0
Total Business Rates Collection Fund Deficit	6,154	575	0

Council Tax

5.25 Council Tax is the most stable, sustainable and significant source of income for North Northamptonshire Council representing around 60% of total funding in 2022-23, excluding the ringfenced Dedicated Schools Grant. The following could all impact the Council Tax Yield for 2022-23 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

5.26 The Taxbase for 2022-23 was reported to Council at the meeting on 1st December 2021, the Taxbase is based on a Band D and includes projected growth and an average collection rate of 98.5%. The tax base for 2021-22 was 111,892 and it is estimated that this will increase by 1,155 to 113,047 from 2022-23.

5.27 The Autumn Budget announcement indicated that the “core” Council Tax referendum threshold for 2022-23 would be 2%. Any increase in Council Tax of 2% or above would be subject to a local referendum. The Government also provided Councils with the ability to raise a further 1% through the Adult Social Care precept. For 2021-22 the levels were 2% ‘core’ (plus 3% for the Adult Social Care precept).

5.28 The Council will consult on a core Council Tax increase up to the level of the government limits, without triggering a referendum, of 1.99%, together with utilising the allowable adult social care precept increase of 1% in full. A total increase of 2.99%. This would result in the 2022-23 Band D Council Tax for North Northamptonshire Council (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) increasing by £45.83, from £1,532.90 to £1,578.73 which is equivalent to a weekly increase of £0.88 (88 pence).

5.29 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.

- 5.30 The Council Tax support scheme for 2022-23 was considered by the Executive at its meeting on 18th November 2021 and by Council at its meeting on the 1st December 2021 and the recommendation was to continue with the existing 25% scheme in 2022-23. The 2022-23 budget reflects this decision.
- 5.31 Any change in the scheme would impact on the Council's budget. Generally, a 1% movement in the minimum payment rate from the current scheme of 25% amounts to a change in the Council's budget of c£80k.

Council Tax Collection Fund

- 5.32 Due to the mechanics of the Collection Fund, it means that what is actually collected in 2022-23 will not impact on the 2022-23 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 2023-24 budget.
- 5.33 As with Business Rates the government amended secondary legislation to allow Authorities to spread the in-year estimated deficit for Council Tax on the 2020-21 Collection Fund in equal instalments over 3 years (2021-22 to 2023-24). The estimated Collection Fund deficit for Council Tax for 2021-22 is £2.674m, after taking account of spreading of the 2020-21 deficit of £475k, this increases the 2022-23 deficit to £3.149m. A final figure will be calculated by 15th January 2022 in accordance with The Local Authorities (Collection Fund: Surplus and Deficit) (Coronavirus) (England) Regulations 2020. The composition of the Council Tax Collection Fund estimated deficit is shown in the following table.
- 5.34 Other elements contributing to the deficit in 2022-23 include adverse movement on the carry forward deficit positions from the ex-sovereign Councils and an increase in the provision for bad debts due to the impact of COVID-19. Collection of historic debt has now resumed from May 2021 and this may see a reduced requirement for the bad debt provision, which will be taken into account in the financial position for 2023-24.

	2022/23 £000	2023/24 £000	2024/25 £000
Council Tax Collection Fund Deficit	2,674	0	0
Spreading Council Tax Deficit	475	475	0
Total Council Tax Collection Fund Deficit	3,149	475	0

Revenue Support Grant

- 5.35 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.
- 5.36 No announcements have been made regarding Revenue Support Grant for 2022-23, however, it is expected that payments will continue as part of a one-year roll over settlement. In 2021-22 a grant of £4.756m was received and it has been assumed that the same level of funding will be received in 2022-23 and subsequent years. The actual amount of funding will be confirmed as part of the Finance Settlement.

Social Care Grant

- 5.37 In the Spending Review of September 2019, the government announced an additional £1bn of funding for Local Authorities through a grant to be made available in 2020-21. Of this funding, £850m was allocated using Adult Social Care Relative Needs Formula (RNF), with the remaining £150m allocated based on Adult Social Care precept flexibility.
- 5.38 The 2019 Spending Review announcement also stated that existing £2.5bn of social care funding for 2019- 20 would continue for 2020-21 at the same level. These elements were all rolled up together into the Social Care Grant for 2020-21. The 2020-21 allocation for Northamptonshire in totality was £15.3m. The 2021-22 budget was broadly split 50/50 resulting in £7.678m being allocated to this Council.
- 5.39 The Spending Review announced on 25th November 2020 confirmed an additional £300m of funding nationally for Adult and Children's Social Care. This funding was distributed in accordance with the Adult Social Care Relative Needs Formula (RNF) adjusted for precept flexibility and resulted in this Council receiving a further £0.730m, making the total funding £8.408m.
- 5.40 It is unclear if the £300m will continue into 2022-23 and, therefore, at this stage it is not reflected in the budget assumptions.
- 5.41 The Autumn Budget announced that there would be further funding for Social Care reform made available over the next three years and that Local Government will receive £3.6bn over that period. The profile of this funding is £200m (2022-23) £1.4bn (2023-24) and £2bn in (2024-25). At this stage it is not known how the grant funding will be allocated, and for the purpose of medium term modelling a similar approach has been applied to that used in recent years and this funding has been separately shown in the Table at 5.1 – see funding line titled 'Other Adults'. It is also assumed that the funding will be matched by the need for new and additional spend within the Directorate Budgets.

Improved Better Care Fund (iBCF)

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

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

5.43 The improved Better Care Fund for 2022-23 will be confirmed in the Provisional Local Government Finance Settlement for 2022-23. Within the draft budget this funding is currently forecast to continue at existing 2021-22 levels of £11.186m.

Dedicated Schools Grant

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

5.45 The DSG consists of the following four blocks.

- **Schools Block** (age 5 to 16) based on the primary units of funding (PUF) and secondary units of funding (SUF), premises funding announced in July 2021 updated for the number of pupils in the October 2021 school census and growth funding.
- **Central School Services Block (CSSB)** based on the units of funding and total historic commitments funding announced in July 2021 updated for the number of pupils in the October 2021 school census.
- **High Needs Block** (age 0 to 24) based on the allocations announced in July 2021 with the basic entitlement element updated for the number of pupils in the October 2021 school census.
- **Early Years Block** based on the early years funding rates published in December 2021.

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

5.47 The individual school budgets for academies and funding for high needs 'places' in academies, free schools and FE colleges (set prior to the start of the academic year) are paid to academies directly by the Education Skills and Funding Agency (ESFA). The ESFA deducts this funding from the LA's

Dedicated Schools Grant before the grant is paid to LAs and is termed 'recoupment'.

- 5.48 Northamptonshire County Council's DSG was disaggregated for both North Northamptonshire Council and West Northamptonshire Council with the ESFA for 2021-22. Each Council will continue to receive their separate DSG allocations going forward.
- 5.49 The December DSG Settlement provides the final settlement figures for the DSG Schools Block and Central School Services Block based on October 2021 census. However, the Early Years Block is an indicative figure as it is based on the January census. The Early Years Block will be updated in July 2022 (to reflect the January 2022 census data) and will be further updated in July 2023 (to reflect January 2023 census data). The final settlement figure for the DSG High Needs Block is adjusted to reflect any further cross boundary pupil changes.
- 5.50 The following table sets out the indicative disaggregated DSG funding based on the provisional settlement:

DSG Blocks	Provisional 2022-23 NFF Allocation
	£m
Schools Block	250.38
Central School Services Block	3.55
High Needs Block	49.36
Early Years Block	22.14
Total DSG Allocation	325.43

Full details of the DSG are included in **Appendix D**

- 5.51 The draft budget papers estimate a DSG settlement of £325.43m. 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 2021-22 allocation and the draft 2022-23 budget position.

Dedicated Schools Grant	Schools Block	Central School Services Block	High Needs Block	Early Years Block	Total DSG Allocation
	£m	£m	£m	£m	£m
2021-22 DSG Allocation	244.81	3.91	45.50	22.14	316.36

Dedicated Schools Grant	Schools Block	Central School Services Block	High Needs Block	Early Years Block	Total DSG Allocation
Provisional 2022-23 NFF Settlement	250.38	3.55	49.36	22.14	325.43
Change from 2021-22	5.57	(0.36)	3.86	0.00	9.07
% Change	2.28%	(9.15%)	8.48%	0.00%	2.87%
<i>Note – The Central School Services Block has reduced by £0.36m this is the net reduction of which there is an estimated reduction of £0.45m relating to the historical commitments in the General Fund and £0.09m increase in funding which is reflected in the DSG.</i>					

5.52 North Northamptonshire Council, together with North Northamptonshire Schools Forum, has consulted with schools and academies on the options of transferring either 0.5% (£1.258m) or 1.31% (£3.297m) from the Schools Block to the High Needs Block to support demand pressures within High Needs. The actual amount transferred will be dependent on the October 2021 school census. The consultation ran from 5th November to 3rd December and the preferred option will require the agreement of Schools Forum. The option of 1.3% will also require the authorisation of the Secretary of State. Schools Forum will decide at its meeting on 16th December 2021 which option to adopt for the 2022-23 Schools Block DSG. There were 33 responses (out of 131 maintained schools and academies, c25% response rate) to the Schools Forum consultation, of which 30 responses preferred the option of transferring 0.5% from the Schools Block to the High Needs Block, and 3 responses opted to transfer 1.31%.

Rural Services Delivery Grant

5.53 There was an increase nationally of £4m for Rural Services Delivery Grant, from £81m in 2020-21, to £85m in 2021-22. No changes are expected for 2022-23 and North Northamptonshire Council's grant in 2021-22 totalled £35k; this remains unchanged and is reflected in the 2022-23 budget.

Transfers to / from Reserves

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

	2022/23* £m	2023/24 £m	2024/25 £m
Transfer to Reserves			
Business Rates s.31 Grant	2.043	0	0
Business Rates	0.776	0	0
Elections	0.150	0.150	0.150

Total to Reserves	2.969	0.150	0.150
Transfer from Reserves			
Business Rates Reserve – Movement for grant repayment to the Collection Fund	(6.585)	0	0
Transformation Reserve – funding for Transformation Team**	(2.170)	(2.170)	(2.170)
Smoothing Reserves – Regeneration	(0.200)	(0.200)	0.000
Smoothing Reserves - Climate Change	(0.500)	(0.250)	(0.250)
Smoothing Reserves - Pay and Grading review	(0.220)	0	0
Smoothing Reserves - ICT upfront disaggregation support costs	(0.100)	0	0
Smoothing Reserves - demobilisation of highways Contract	(0.201)	0	0
Risk Reserves (COVID) - Backlog fund for EHCP posts	(0.350)	0	0
Total from Reserves	(10.326)	(2.620)	(2.420)
Net Transfer to / (from) Reserves	(7.357)	(2.470)	(2.270)

**Currently this excludes the estimates one-off investment funding for the Children's Trust which will be subject to a separate business case.*

***the future funding for the team will be dependent upon the programme requirements*

- 5.55 There is a transfer to the Business Rates Reserve of £2.043m which reflects the timing issues relating to S31 for 2020-21 and 2021-22, together with a further £0.776m in relation to Business Rates growth.
- 5.56 There has been a transfer of £6.585m from the Business Rates reserve to fund the adjustment to the Business Rates Collection Fund as set out in paragraph 5.22 above.
- 5.57 To fund the ongoing commitment to the transformation program, there is a transfer from reserves each year of £2.170m to support this activity in helping the council achieving the savings targets required for future years.
- 5.58 Last year the Council committed to adding a further £200k per annum for a period of three years towards community and voluntary organisations, particularly as a number had been adversely affected by the COVID crisis.
- 5.59 In support of the council's commitment to climate change and moving forward towards achieving a carbon neutral organisation, £1m has been transferred from smoothing reserves over three years to provide pump priming to support this programme.

5.60 £0.521m has been brought into the revenue budget from earmarked reserves for one-off costs associated with the Pay and Grading Review, Demobilisation of the highways contract and ICT Service development work in relation to the disaggregation of this service from West Northamptonshire.

6. Fees and Charges

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 2022-23 focusing on the need to continue the harmonisation of charges across North Northamptonshire following Unitarisation. Further changes are proposed to the level and number of charges following a review by each service area, with the intention to produce a single charging schedule.

6.2 However, further work is needed in relation to the fees for Hackney Carriage and Private Hire Vehicles to allow for the appropriate policy development before new consolidated fees are proposed for consultation. This will follow a separate review as follows with the key stages being:

- New Taxi Licence policy drawn up for consultation
- 8-week consultation period with relevant stakeholder groups
- Subject to consultation, the planned adoption of new fees by October 2022

6.3 Alongside harmonisation, uplifts may be applied in line with inflationary increases, where applicable, or other guidance as appropriate.

6.4 The updated schedule of fees and charges is included at **Appendix C**.

7. Directorate Budgets for 2022-23

7.1 This Section provides an overview of the following main budget areas within the Council.

- Children's and Education
- Adults Communities and Wellbeing
- Place and Economy
- Enabling and Support Services

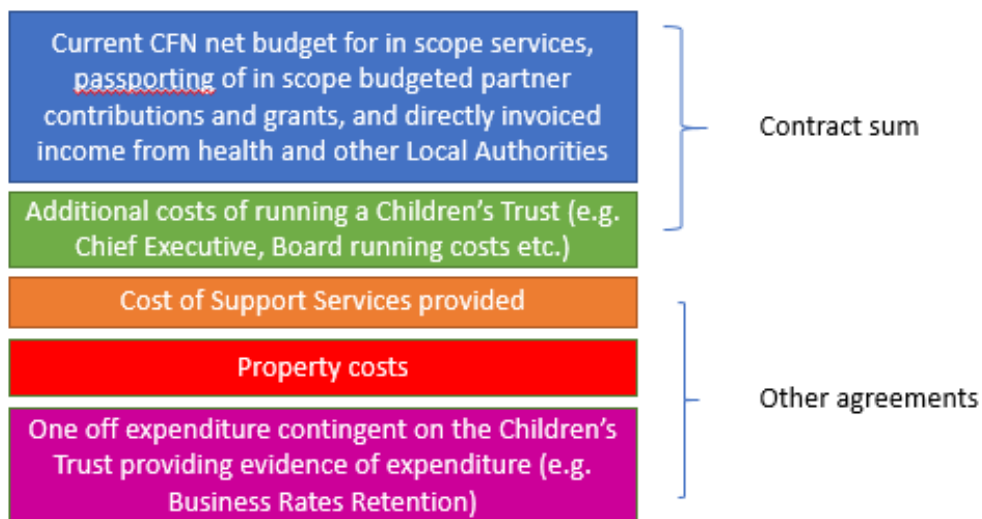
7.2 The following table provides a high-level summary of the draft 2022-23 budget proposals:

	Children's & Education	Adults, Communities and Wellbeing Services	Place and Economy	Enabling and Support Services	Corporate	Total
	£m	£m	£m	£m	£m	£m

Net Budget	61.5	116.5	55.3	33.8	26.1	293.2
------------	------	-------	------	------	------	--------------

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 2022-23; the net draft budget is £61.5m (2021-22 is £59.5m).
- 7.4 From 1st November 2020, the Northamptonshire Children's Trust delivered children's social care and targeted early help on behalf of Northamptonshire County Council, and from 1st April 2021 this was delivered on behalf of North Northamptonshire Council and West Northamptonshire Council. The Councils set the strategic outcomes and priorities and the Trust is responsible for delivering those outcomes.
- 7.5 The Children's Trust budget is made up of the following components:



*CFN = Children First Northamptonshire

- 7.6 Services provided by the Trust include:
- Targeted early help services to children and families
 - Front door and safeguarding services
 - Support and placements for Children in Care
 - Support and placements for Disabled Children
 - In house fostering and residential provision
 - Commissioning of external placements and contracts
 - Commissioned legal services and transport for children in care
- 7.7 Making a difference to children, young people and families is of high importance to both Councils as joint owners of Northamptonshire Children's Trust. The financial proposals contained within the NCT business plan build on the recent

Ofsted monitoring visit which was encouraging and highlighted the tangible progress being made and the 'relentless commitment' of colleagues at West Northamptonshire Council, North Northamptonshire Council and the Children's Trust working in partnership in improving services, alongside areas to focus on further development.

- 7.8 A proposed contract sum totalling £137.45m has been put forward for 2022-23 – a net increase of £0.3m, after savings from the prior year. This is indicative of the national picture of rising costs and demand for children's social care. The Council's share of this increase totals c£0.13m.
- 7.9 In order to achieve planned savings within the Children's Trust budget and improve the service offer, there are separate requests for one-off investment of £1.35m revenue across both Councils (£0.6m attributable to North Northamptonshire based on the proxy allocation) and £2.3m capital (£1.0m to North Northamptonshire). These requests will be subject to separate detailed business cases in accordance with each Council's governance process. The contribution to the revenue costs will be underwritten from the Council's reserves and the capital funding will be met through borrowing, in the absence of an alternative funding stream.
- 7.10 The Children's Trust Budget is monitored in year through regular meetings between officers of both North and West Northamptonshire Councils and the Trust.
- 7.11 The Children's and Education Services remaining with the Council includes the Intelligent Client Function (ICF) for the Northamptonshire Children's Trust and the Local Authority statutory education functions as follows:
- Education inclusion
 - Education Psychology
 - Support for children with Special Educational Needs and Disabilities (SEND)
 - School Improvement
 - Virtual Schools (lead in the North Northamptonshire Unitary Authority)
 - School admissions and school place planning
 - Early Education and Child Care
- 7.12 The Children's Directorate draft budget reflects pressures of over £1.8m the main pressures in addition to the increase in contract sum with the Children's Trust include a reduction in the historical funding for the Central Schools Block (£458k), additional resources to clear the backlog and meet the increasing demand on Education and Health Care Plans (EHCP) (£700k) of which £350k is currently assumed as time-limited in order to address the workload pressures created from COVID-19 and will be met from COVID-19 risk related reserves, a re-alignment from the DSG (£600k) to be funded from the General Fund and £72k to meet the increase in costs for safeguarding.
- 7.13 The Council has approved the creation of a separate Director of Children's Services post for North Northamptonshire, previously the post was shared

between North Northamptonshire and West Northamptonshire Council at an additional estimated cost of c£70k.

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

Adults, Communities and Wellbeing

- 7.15 The draft net revenue budget for Adults, Communities & Wellbeing includes Adult Social Services, Community Services and Public Health & Wellbeing. The draft net budget for 2022-23 is £116.5m (2021-22 is £120.6m). Details of the net budget and the adjustments for pressures and savings are set out in Appendix B.

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 promote wellbeing and helping people to stay independent and preventing or delaying the need for care.
- 7.19 The main proposals for the 2022-23 draft budget set out in the paragraphs which follow, and all are set out within Appendix B.
- 7.20 The projected inflation requirements of £5.198m are based on a number of factors. The most significant is a provision for the National Living Wage (NLW) to increase across the board by 6.6% in line with announcements by Government alongside changes to National Insurance as part of the Social Care Levy and other contractual obligations.
- 7.21 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 growth proposal of £1.6m for demographic growth of which £0.5m relates to Mental Health

Services; these are driven by the forecast number of additional clients requesting care. The past four years' growth in adult social care costs in Northamptonshire have tended to be driven by two factors, general market inflation (predominately wage related) and acuity of care needs of existing clients, rather than increased clients due to demographic changes, this is anticipated to continue into 2022-23, and beyond.

- 7.22 However, in line with a national ageing population Northamptonshire is projected to have an additional 14,900 (11%) residents aged 65 and older by 2025. It is therefore likely that additional pressures will result from demographic increases over the medium to long term planning period. The budget requirements for Adult Social Care will continue to be monitored with demographic trends and reflecting the on-going impact of external factors such as COVID-19 and the move toward a more integrated care system with Health partners.
- 7.23 COVID-19 has had a significant impact in Adult Social Care over the past two years, however these are now starting to stabilise with £3.4m of the original £3.9m relating to CCG discharges into care facilities as part of the original discharge process from hospital now reversed back out in 2022-23.
- 7.24 As mentioned earlier in the report, funding of £3.6bn has been made available by Government as part of the spending review to meet the costs of Adult Social Care Reform (£200m in 2022-23, £1.4bn in 2023-24 and £2.0bn in 2024-25). The budget assumes that additional costs equivalent to the level of funding in this area will be incurred. In 2022/23 this is expected to be £0.803m.
- 7.25 The existing savings programmes of previous years will continue into 2022-23 where applicable. These include savings proposals:
- Admissions Avoidance Service – a further saving of £0.6m in 2022-23. The Admission Avoidance care model focuses on people presenting at acute hospitals with relevant conditions who can be rapidly assessed, diagnosed and treated without being admitted to a ward, if clinically safe to do so. Currently the Crises Response Team supports the discharges at the acute hospitals, where Admission Avoidance will focus on the significant opportunity to provide care to avoid hospital admissions, additional care costs, and increases positive outcomes for people. This saving has proven difficult to achieve as a result of the impact of COVID-19 and whilst overall it is considered achievable by the Service, there is a Social Care reserve of £3.2m available to help underwrite any risk, alongside a generic risk reserve which recognises the challenges posed by the pandemic to the Council's finances.
 - Strength Based Working (SBW) – a further saving of £2.2m in 2022-23. SBW is the transformation of Adults Services pathways and processes to ensure focus on people's outcomes, supporting them to be connected to the people and communities that are important to them, independence, better decision making, and best practice approaches that reduce delays and spend. To date the savings have remained on track for delivery.

- 7.26 There are a number of pressures in relation to the disaggregation of contracts within adult services; £1.0m net in relation to the Shaw Private Finance Initiative (PFI)/Public Private Partnership (PPP) arrangements and £1.3m relating to community equipment services following the change in funding arrangements. However, there are various savings proposed to off-set this in improving efficiencies and utilising the placements within the Shaw PPP provision, generating an ongoing saving of £0.938m in 2022-23 and further savings of £3.562m in the subsequent two years. There is some investment required in order to achieve these savings, which is netted off within the savings figure.
- 7.27 Further savings are anticipated from changes to the front door service, encouraging wider use of local voluntary and community services (£110k), expansion of extra care (£180k) and contract review (£60k).

Housing and Communities

- 7.28 Housing and Communities incorporate a wide spectrum of services and functions including the Library Service, Community Safety, Chester House Estate, Community Leisure facilities and Homelessness support across the region of North Northamptonshire. Overall, the Service is showing a net reduction in the budget of £0.776m since 2021-22, however, this is predominantly down to a reversal of one-off COVID-19 funding of £0.962m as set out in the paragraph below.
- 7.29 Community services across the Council had been affected by the national response to COVID-19 over the past 18 months resulting in reduced opening hours and limits on the numbers of clients. This had impacted on income across services which had been mitigated using national one-off COVID funding targeted at income loss. This pressure from the loss of income for COVID of £0.962m has been reversed out of the budget for 2022-23, recognising that there are risks that remain as this is dependent on no further severe restrictions affecting the operation of these services, and also requires people's confidence in being able to take out memberships when their income may have been impacted throughout the pandemic.
- 7.30 The services continue to look at transformation to bring the previous functions of each sovereign Council together and realise the aggregation benefits of 'one council – one service'. It is expected that the resultant savings will materialise from this over the next two to three years, following an initial period of stabilisation. This will continue to be worked on and incorporated in the budget when available. If any savings can be accelerated in to 2022-23 then this action will be taken, which will assist future resilience.
- 7.31 During 2021-22 the Council saw the successful launch of the Chester House Estate (CHE) realising the cultural and community benefits of the project across the region. CHE has now been formally adopted and operated as a North Northamptonshire asset and the budget for 2022-23 reflects the latest business case modelling and the cessation of any future contributions towards the Estate

(except for the archives service) from West Northamptonshire Council resulting in a net budget requirement of £124k.

- 7.32 Other net changes amount to £62k covering increased demand for temporary accommodation (£80k), realignment of service/programme delivery (£80k) offset by a reduction in contract costs of £98k, which is a full year effect of a decision made in a previous year.
- 7.33 A significant proportion of the Housing and Communities Service supports the Housing Revenue Account which is the subject of a separate budget report elsewhere on this Agenda.

Public Health and Wellbeing

- 7.34 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.
- 7.35 Public Health Grant allocations are usually announced in the new year, at this stage no changes have been made to the grant assumptions, although it is anticipated that there will be a real terms increase to keep pace with inflation. The grant is ringfenced and any increase in funding will remain held against Public Health Service to fund additional costs of service priorities.
- 7.36 The Contain Outbreak Management Fund (COMF) and Test and Trace one-off grant funding of £6.6m was added to the budget for 2021-22 on a non-recurring basis. This has, therefore, now been removed for 2022-23. The position will be kept under review and monitored closely in line with Government guidance and national policies. At present the Government is proposing that the grant must be spent by 31 March 2022. There is also an adjustment of £0.6m in relation to a realignment of grant following disaggregation.
- 7.37 The Public Health Service for Northamptonshire is currently hosted by North Northamptonshire; however, the Council has approved that from 2022-23 the Service will be disaggregated between North Northamptonshire Council and West Northamptonshire Council, with each having their own Director of Public Health who will work closely with colleagues in the new Integrated Care System (ICS). Any associated costs associated with the changes will be met from within the ringfenced Public Health Grant.

Place and Economy

- 7.38 The draft net revenue budget for Place and Economy for 2022-23 is £55.2m (2021-22 is £54.6m). The changes proposed for the budget are set out in Appendix B.
- 7.39 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
- 7.40 The Directorate delivers a wide range of services and is organised into four functional areas as follows:
- 7.41 **Assets & Environment** which includes Facilities Management, Property Estate Management, Energy & Fleet Management, Grounds Maintenance, Parks & Open Spaces, On & Off-street parking enforcement. Services also includes Asset and Capital Management of the Council's corporate assets and capital programmes, together with the effective management of the Council's strategic assets and landholdings. Key income and cost drivers include footfalls to the high street for parking income, number of visitors to Parks & Heritage sites, demand for commercial rental spaces, use of office space and use of energy.
- 7.42 **Growth and Regeneration** which includes Planning Services, Economic Development, Growth & infrastructure, Regeneration, Digital Infrastructure, Climate Change and Flood & Water Management. Key income/costs drivers include local demand and volume of Planning services, including major development fees, availability of Planning resources e.g. Surveyors and demand for economic activities.
- 7.43 **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, existing conditions, and Investment on various highway assets, as well as the impact of extreme weather conditions, school age population for school transport and the agility of the older population for concessionary fares.
- 7.44 **Regulatory Services** includes Bereavement Services, Building Control, Emergency Planning, Environmental Health, Trading Standards 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.

7.45 Key current areas of risks within the Directorate include:

- Failure to maintain and invest in estates
- Planning fee income lower than anticipated
- Lack of funding and expertise to deliver major highways schemes
- Building Control fee income lower than anticipated

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

7.47 The Council continues its commitment towards climate change and the draft budget includes investment of £1m over the next three years to pump prime climate change initiatives. The budget includes £0.5m in 2022-23, and £0.25m in both 2023-24 and 2024-25.

7.48 The budget proposals also include provision for the client costs for the highways team following disaggregation from the Lead Authority arrangements, which over two years is expected to be in the region of £0.9m (£0.525m in 2022-23).

7.49 There are a number of service changes and developments which total £167k, including prior year net credit adjustments. Some of the most significant including the implementation of the Bus Services Improvement Plan for £245k and Active Travel £215k.

7.50 In total there is £2.007m for contract changes and other inflation which includes Home to School transport of £334k, Street Lighting PFI £107k, highways £455k, utilities £228k and other general contract inflation of £875k.

7.51 There is also a credit/saving of (£600k) following the disaggregation of concessionary fares.

7.52 For 2022-23, it was assumed that the adverse impact on commercial income would improve by £1m, it is now expected that this will be closer to (£0.737m) credit. Although not returning to the pre-pandemic levels the commercial income has generally held up well during the current financial year and in light of the challenges faced as a result of COVID-19. As would be expected, the longer-term impact of COVID-19 and the potential effect on the economic climate of new variants remains a concern. There is a further small adjustment of (£32k) credit in respect of the reversal of COVID pressures from 2021-22 for household waste collection (£25k) and building control income (£7k).

7.53 The Directorate has a number of demographic volume changes including changes to waste management costs and homes to school transport, these total a net (£224k) credit due to higher savings in waste management and increases

in trade waste income; it also includes a savings of £118k brought forward as part of a previous MTFP for concessionary fares.

- 7.54 Other changes relate to transformation, legislative and technical changes and total a net credit of (£0.990m), mainly due to transformation related savings in service redesign and improvement and reversal of prior year funding.
- 7.55 Full details of the 2022-23 budget and Medium-Term Financial pressures and savings are contained within Appendix B.

Enabling Services

Background

- 7.56 The draft net revenue budget for Enabling Services for 2022-23 is £33.8m (2021-22 is £33.8m). Full details for the service changes can be seen in Appendix B.
- 7.57 Enabling and Support Services consists of the following main grouping of services which also includes a number of corporate budget areas:
- Finance, Procurement and Revenues and Benefits Service
 - Human Resources, Legal and Democratic Services
 - Transformation, ICT and Customer Services
- 7.58 Additional one-off costs of £100k as part of the IT Service Development work have been included to contribute towards the disaggregation work of IT Services from the current joint arrangement with West Northamptonshire Council. Further to this there are costs in relation to IT licences and other savings considered non-achievable that were reported in 2021-22, and funded from contingency, which have now been realigned into the base budget from 2022-23. These total £1.41m. This has been offset in part by the reversal of one-off costs in 2021-22 for additional resources of £0.6m for year-end closedown and £449k for one of grant funding.
- 7.59 Savings of £264k credit are anticipated from service improvement and redesign supported by investment in the customer relationship management system and a new telephony system.
- 7.60 Other changes total £233k credit and include additional service pressures in relation to the costs of business support and additional costs for the IDOX system for ICT offset by additional income from housing benefit subsidy, funding for costs of collection and blue badge provision. This also includes the one-off investment requirement of £220k for the pay and grading review of staff as part of the changes required from LGR, alongside a number of smaller spend pressures and a reversal (credit) of COVID related pressures of £250k, which had previously been assumed for remote working, which is not considered to be required from 2022-23.

- 7.61 North Northamptonshire currently has a dedicated transformation team working to deliver the changes required in the North to bring services together effectively and move towards more efficient operating models for services. This will include reviewing how the Council interacts with its customers, residents, partners, and other stakeholders and will involve contractual arrangements, opportunities to expand and enhance the digital experience and realising property efficiencies, thereby reducing costs and improving services going forward.
- 7.62 As approved within the 2021-22 budget the transformation service continues to be, in the main, funded through a time limited contribution from reserves. It is currently forecast that the contribution from reserves towards the service can reduce from the £2.3m originally planned to £2.170m following service improvements. Any further variance against the budget, through amendments to the service delivery or other changes, will be met through an adjustment to the movement in reserves.

8. Corporate Resources

- 8.1 The draft net revenue budget for 2022/23 is £26.1m (£24m 2021/22) the composition of this budget for both 2022/23 and 2021/22 is shown in the following table:

Description	2022/23 Draft Budget £'000	2021/22 Original Budget £'000
Corporate Contingency	4,250	5,724
Treasury Management Costs	10,448	10,414
MRP	7,144	5,595
Revenue Contribution to Capital	0	2,217
Pay Contingency and recurring funding for pay increase to Real Living Wage in 2021-22 – held centrally until allocation confirmed	4,252	0
Total	26,094	23,950

- 8.2 The Council's Corporate Contingency Budget for 2022/23 has reduced from £5.724m to £4.250m a reduction of £1.474m recognising that risks remain in the financial position following the Unitarisation and that a number of the assumptions within the budget are subject to further decisions, such as the pay changes.
- 8.3 The Council's Treasury Budget consists mainly of two elements, external borrowing costs of £12.1m and Investment Income £1.7m. The external borrowing costs reflect the interest costs of the Council's loan portfolio. The Council's Treasury Budget has increased by £0.034m from £10.414m to £10.448m. The main changes are explained in the paragraphs below.

- 8.4 There is a forecast overspend of £0.5m for 2021-22 relating to pressures which have arisen following the disaggregation of the County Council's budget, the first is a budget for the capitalisation of interest of £282k and the second is interest on equities of £212k, both of which are no longer considered achievable and will become a pressure in 2021-22 and the longer term. There is also a £40k shortfall in the investment income forecast which assumes that the historically low interest rates will continue into 2022-23. These have all been reflected in the 2022-23 draft budget.
- 8.5 Work has been undertaken to mitigate budget pressures through reviewing the council's investment portfolio and alternative investment opportunities, such as property fund investments. These actions are estimated to mitigate the treasury pressures by around £0.5m for 2022-23.
- 8.6 The Minimum Revenue Provision (MRP) reflects the minimum amount a Council must charge to the revenue budget each year to set aside a provision for repaying external borrowing. The increase in the MRP provision of £1.549m for 2022/23 is to ensure the provision is aligned to the MRP policy moving into the medium term.
- 8.7 The Council identified a draft budget of £4.252m to reflect potential pay increases in 2022-23, this budget will be allocated in 2022-23 according to need. The sums included are as follows:
- Pay Award of 3% amounting to £2.821m
 - Increase in NI of 1.25% due to change in government policy £0.631m
 - National Living Wage £0.800m
- 8.8 Other Corporate budget movements relate to the reversal out of the base budget of the Council's Revenue Contribution to Capital, this amounted to £2.217m in the 2021-22 budget, this was to fund the Council's Customer and Digital Strategy and Community Projects Capital Schemes. There is currently no planned Revenue Contribution to Capital in the 2022-23 draft budget.
- 8.9 There is a further pressure of £40k in respect of the impact of continuing low interest rates on the budget for interest receivable.
- 8.10 Full details of the 2022-23 budget and Medium-Term Financial pressures and savings are contained within Appendix B.

9. Reserves

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

“Local government reserves play a crucial role in good public financial management. They exist so that a council can invest in service transformation

for the future or else allow them to respond to unexpected events or emerging needs.”

- 9.2 At this stage the levels of reserves for the Council are an indicative forecast based on the best information available at this time. There are also several significant uncertainties that need to crystallise before the level of reserves will be known, including the impact of COVID-19 and any other unexpected events on the outturn positions for the Council in 2021-22.
- 9.3 The position on all the ex-sovereign council reserves brought forward will be confirmed following the certification of each of the final audited accounts for all the sovereign councils for 2020-21 (and 2019-20 for Corby and East Northamptonshire).
- 9.4 The latest forecast for the level of general fund revenue reserves for North Northamptonshire Council available as at 1st April 2022, taking into account the assumed movement in reserves in 2021-22 is summarised in the table below. The forecast movement in reserves in 2022-23 is also summarised in the table below and is set out in section 5.54.

	Forecast Opening Balance 01.04.2022	Transfer to Reserve	Transfer from Reserve	Forecast Closing Balance 31.03.2023
	£000	£000	£000	£000
General Fund Balance	(24,170)	0	0	(24,170)
Earmarked Reserves				
Smoothing Reserves	(34,873)	(150)	1,371	(33,652)
Business Rates Retention	(32,161)	(2,819)	6,585	(28,395)
Transformation	(17,437)	0	2,170	(15,267)
Building Maintenance Reserves	(1,172)	0	0	(1,172)
Planning	(376)	0	0	(376)
Regeneration	(5,479)	0	200	(5,279)
Specific Reserves	(17,860)	0	0	(17,860)
Capital Programme Funding - GF	(1,878)	0	0	(1,878)
Insurance	(1,194)	0	0	(1,194)
Total Earmarked Reserves	(112,430)	(2,969)	10,326	(105,073)
Total Forecast General Fund Reserves and Balances	(136,600)	(2,969)	10,326	(129,243)

- 9.5 The estimated total level of general fund revenue reserves of £129.2m is made up of general balances and earmarked reserves set aside by sovereign councils at 31st March 2021. This balance includes Business Rates grants under S31 of the Local Government Finance Act 2008 received in 2021-22, which is budgeted to be drawn down in 2022-23 to fund the Business Rates Collection Fund deficit. Whilst the general reserves of £24.2m provide a working balance to help cushion the impact of unexpected events or emergencies, the

earmarked reserves balance reflects balances set aside for a specific purpose or risk which will include commitments into future years.

- 9.6 The reserves will be further risk assessed in advance of the February budget report to confirm the levels needed against each earmarked reserve.
- 9.7 The Reserves Strategy includes a range for the level of general fund balances to be at a minimum of 5% and a maximum of 10% of the net revenue budget. The level of reserves included in the budget are £24.2m which is c8.3% of the proposed net revenue budget of £293.2m.

10. Flexible Use of Capital Receipts

- 10.1 Certain costs can be funded through the Future Use of Capital Receipts. Qualifying revenue expenditure is time-limited expenditure incurred by the Council on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery in order to reduce costs or demand for services in future years.
- 10.2 Although set-up and implementation costs of any new processes or arrangements can be classified as qualifying expenditure, the ongoing revenue costs of the new processes or arrangements are excluded.
- 10.3 The decision to use capital receipts to fund transformational expenditure is one that will be considered by the full Council when considering the final budget proposals.
- 10.4 Using capital receipts to fund this type of expenditure provides greater flexibility in terms of how 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 Council is currently seeking confirmation of a capital direction for the costs associated with LGR and further transformation flowing from this. However, it is important that the Council also has the flexibility to also underwrite such costs from FUCR. Therefore, an updated strategy for 2021-22 and 2022-23 may be presented to February Council, the latter subject to Government confirmation that the scheme will be extended.
- 10.7 The policy does not dictate that capital receipts have to be used to fund these costs but provide the option to do so if that is deemed to be the most appropriate funding route in order to free up revenue resources and improve the general financial resilience of the Council.

11. Treasury Management

- 11.1 The purpose of the Treasury Management Strategy is to establish the framework for the effective and efficient management of the Council's treasury management activity, including the Council's investment portfolio, within legislative, regulatory, and best practice regimes, and balancing risk against reward in the best interests of stewardship of the public purse.
- 11.2 CIPFA consulted earlier in the year on the principles to support the changes to the Prudential Code for Capital Finance in Local Authorities (Prudential Code) and the Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes (Treasury Management Code). The consultation closed on 16th November 2021 and the outcome is expected to be published later this month or early in the new year. This will be considered when updating the Council's Treasury management Strategy for the reports to Executive and Council in February 2022.
- 11.3 On 30th November 2021, DLUHC issued consultation on changes to the capital framework for Minimum Revenue Provision (MRP) which seeks to better enforce the duty of local authorities to make prudent Minimum Revenue Provision each year. MRP is required to be set aside from the revenue account when local authorities borrow to finance capital spend. The outcome of the consultation is not expected to be implemented until April 2023 onwards.

12. CIPFA Financial Management Code

- 12.1 CIPFA published a Financial Management Code (FM Code) in October 2019, to be fully implemented in 2021-22. The FM Code 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 2022-23. 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 the 10th February once the budget consultation process has been concluded and the detail of the Finance Settlement is known.

13. Implications (including financial implications)

Resources and Financial

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

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.

Risks

- 13.6 The basis of the budget strategy will ensure that the Council delivers a balanced budget for 2022/23 in February 2022; however, there are risks that may cause expenditure to increase or income to reduce. Consequently, income and expenditure levels will be kept under review throughout the budget process.
- 13.7 It is recognised that as a new Council there will be inherent risks within the process. A significant proportion of the Council's budget in 2021-22 was prepared based on the disaggregation of County Council budgets, and this actual spend is likely to differ from this to some extent as spending patterns take shape that are specific to North Northamptonshire.
- 13.8 There are also several lead and host arrangements for which budgets need to be confirmed for future years alongside disaggregation of some services that were previously operated across Councils, most notably North Northamptonshire and West Northamptonshire.
- 13.9 It will not be possible to finalise funding in the budget until government announcements on future funding levels are published. The Chancellor's Autumn Budget 2021 and Spending Review took place on 27th October and set out planned public spending over the next three years, with the detailed Finance Settlement for Local Government expected by the middle of December.
- 13.10 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.
- 13.11 Significant risks for the 2022-23 budget includes the disaggregation of the County Council's service delivery budgets and balance sheet between the North and West, which could give rise to additional budget pressures and the ongoing impact of COVID-19 on the Council's resources and transformation programme.

13.12 Any risks or benefits crystallising in 2021-22 and 2022-23 will be managed within the wider budget and the Medium-Term Financial Plan will be updated accordingly.

Consultation

13.13 If the proposals set out in this report are endorsed, formal consultation on the proposals contained within the Draft Budget 2022/23 will begin on or immediately after 23rd December 2021, subject to Executive approval of the draft budget proposals for 2022/23. It will conclude on 28th January 2022 in preparation for the presentation of the final budget proposals to Executive and Council in February 2022.

13.14 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 10th February 2022. This does not predetermine any decision that the Council may make on 24th February 2022.

13.15 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.

13.16 The purpose of the consultation is to ensure that, when the Final Budget is considered by Council on 24th February 2022, 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.

13.17 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 respective Tenants Forum.

Consideration by Scrutiny

- 13.18 The Finance and Resources Scrutiny Committee has a critical role to play in scrutinising and reviewing the budget proposals, ensuring that they are subject to rigorous challenge. The Scrutiny Committee will provide recommendations back to the Executive on the proposals put forward.
- 13.19 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.
- 13.20 The scrutiny of the budget proposals will take place after the planned presentation of the 2022/23 budget to Executive on 23rd December 2021 and it will complete on 28th January 2022 to feed into the updated budget report to Executive on 10th February 2022.
- 13.21 In order to assist in the scrutiny process, it is proposed that separate scrutiny sessions take place across the main service areas of:
- Place and Economy
 - Adults, Communities and Wellbeing Services, including the HRA
 - Children's and Education Services – this will include the Children's Trust
 - Enabling and Support Services – Finance, Transformation and ICT, and Legal and Democratic (which includes HR).
- 13.22 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.
- 13.23 This will include both the revenue budget and the capital programme for each of the main service areas.
- 13.24 Each service area, as outlined above, will attend its respective scrutiny session to present its service and budget plans. The Finance and Resources Scrutiny Committee will scrutinise each plan and may request further details on a particular area, either to be discussed at that session or a subsequent follow up session.
- 13.25 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 Finance and Resources Scrutiny Committee to ensure that it has the required information necessary to adequately scrutinise the proposals and provide any subsequent recommendations to the Executive.

13.26 The outcome from the scrutiny process will be fed back to the Executive at its meeting on 10th February to take into consideration when making its decisions on the budget to recommend to Budget Council on 24th February.

Equality Impact Screening

13.27 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.

13.28 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)

13.29 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.

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

Climate Impact

13.31 North Northamptonshire Council has 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.

- 13.32 Significant progress has been made and reported into the Climate, Growth and Environment Executive Advisory Panel at regular intervals and in November the Climate Change Route Map was presented which detailed key actions that will be undertaken over the next 12 months. Further reports linked to elements of the Route Map will continue to be reported into the Advisory Panel throughout 2022.
- 13.33 The £1m pump priming investment proposed over the next three years will enable the council to develop a robust response to the impact of climate change including developing its own carbon management plan.
- 13.34 Among the Council's priorities will be putting in place carbon literacy training for elected members and staff, a management system to manage and monitor its own carbon footprint as well as plans to improve the local environment and sustainable travel.
- 13.35 The budget proposals in this report will be assessed against the Council's climate initiatives when they are available as we move forward into the delivery phase of the 2022-23 budget.

Community Impact

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

14. Background Papers

- 14.1 The following documents disclose important facts on which the report is based and have been relied upon in preparing the report.
- Spending Review Announcement 27th October 2021:
<https://www.gov.uk/government/publications/autumn-budget-and-spending-review-2021-documents>
 - Suite of Budget reports to North Northamptonshire Shadow Authority, 25th February 2021 (Budget Council):
<https://northnorthants.moderngov.co.uk/CeListDocuments.aspx?CommitteeId=138&MeetingId=109&DF=25%2f02%2f2021&Ver=2>
 - Suite of Budget reports to North Northamptonshire Shadow Executive Committee 10th February 2021:
<https://northnorthants.moderngov.co.uk/CeListDocuments.aspx?CommitteeId=139&MeetingId=120&DF=10%2f02%2f2021&Ver=2>