

Finance and Resources Scrutiny Committee 10 May 2022

Report Title	Indicative Budget Timeline 2023/24
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List of Appendices

Appendix A - Diagram of Financial Planning Cycle – 2023/24 Budget

1. Purpose of Report

- 1.1 This report sets out the draft annual budget process for 2023/24 and the medium term and covers the approval requirements for the Children’s Trust budget.
- 1.2 The Finance and Resources Scrutiny Committee is requested to note the report in relation to the budget process for the forthcoming financial year and consider how scrutiny will take place.
- 1.3 At the Council budget setting meeting in February 2023 the following reports will require approval:
 - The **General Fund** budget and the Council Tax levels for 2023/24 and the General Fund Medium Term Financial Plan.
 - The **Housing Revenue Account (HRA)** Budget for 2023/24 and the level of Housing Rents for 2023/24 and the Housing Revenue Account Medium Term Financial Plan.
 - The **Capital Strategy and Capital Programme 2023-26** for the both the Housing Revenue Account and the General Fund.
- 1.4 Prior to the reports being presented to Council, the financial position will require scrutiny by this Committee. This report sets out the proposed timeline to enable this Committee to consider the Scrutiny process for the 2023/24 budget.

2. Executive Summary

- 2.1 The report provides an overview to the Budget timeline for the 2023/24 budget process for the General Fund, the HRA and the Capital Programme. This includes consideration of the arrangements for scrutiny which the committee is requested to consider and comment on.

3. Recommendations

- 3.1 It is recommended that the Committee:
- a) Note the proposed timeline for the setting of the budget and that this may be subject to change in line with Government announcements or other factors.
 - b) Comment on the proposed scrutiny arrangements as set out in this report, see particularly section 6 of the report.
 - c) Note and comment on the current process for consultation as set out in Section 7 of the report.
- 3.2 Reason for Recommendations – To inform Scrutiny Members of the draft budget timeline for 2023/24 and determine the Finance and Resources Scrutiny arrangements.

4. Report Background

- 4.1 The budget for 2022/23 was set by Council at its meeting on 24th February 2022. This report sets out the indicative annual budget timeline leading to the setting of the 2023/24 budget and medium-term financial plan.
- 4.2 In setting the budget there are three main areas that are reported, namely:
- General Fund, including the Dedicated Schools Grant and funding for the Children’s Trust
 - Housing Revenue Account (HRA)
 - Capital Programme

The paragraphs below set out a summary of the requirements for each area.

General Fund

- 4.3 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.
- 4.4 In recent years as central government funding has reduced, business rates retention and the ability to grow and retain the amount of resources raised locally has become even more important for financial sustainability and it is integral to the Council’s financial planning.
- 4.5 Future funding remains uncertain. Whilst the Spending Review 2021 covered a period of three years, the Local Government Finance Settlement, which allocated the resources to each Council, was for a single year (2022/23).

- 4.6 The Local Government sector is still awaiting progress against the Local Government Fair Funding Review, which determines the distribution of funding amongst Councils, and the reform of business rates. These reforms had initially been pencilled in to commence from April 2023, however, there has been no further announcements from Government regarding the necessary consultation and whether the timeline remains as envisaged.
- 4.7 There are also direct service issues, for instance, the future arrangements for Adult Social Care in light of the proposals for reforms announced in September 2021, and which will come into effect from October 2023, require further analysis to confirm that these will be within the funding made available. Together with the wider economic challenges from external events, including higher and prolonged inflation, this adds to the uncertainty around the budget requirement.
- 4.8 Further information to inform the position will emerge throughout the year and this will be reported as part of the budget monitoring and/or budget setting process.
- 4.9 The Dedicated Schools Grant (DSG) is a ring-fenced grant that is presented to Schools Forum for consideration. The calculation of the overall DSG is determined by Government and the local distribution is subject to formula arrangements, which are consulted on with the Schools Forum.

Housing Revenue Account (HRA)

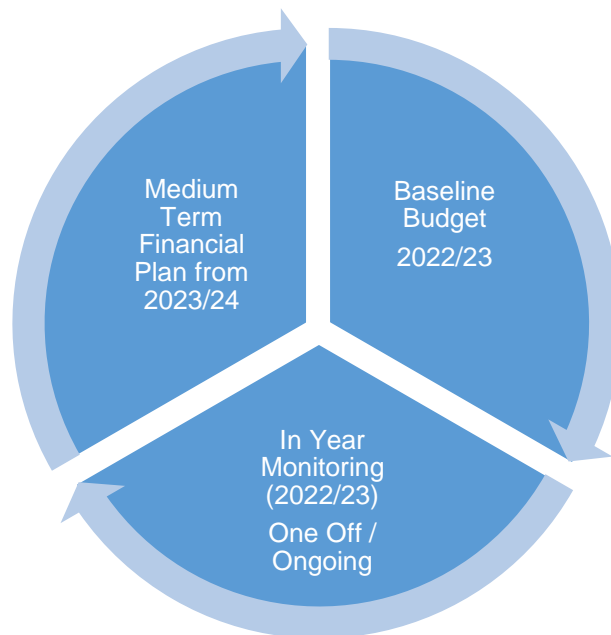
- 4.10 The HRA is a separate ring-fenced account within the Council for the income and expenditure associated with its housing stock. The HRA does not directly impact on the Council's wider General Fund budget or on the level of council tax. Income to the HRA is primarily received through rents and other charges paid by tenants and leaseholders.
- 4.11 Within North Northamptonshire there are currently two Neighbourhood Accounts, covering the former sovereign Councils of Kettering and Corby respectively. Whilst North Northamptonshire Council must only operate one HRA it will, for a limited period, operate two separate Neighbourhood Accounts for Corby and Kettering. The bringing together of the Neighbourhood Accounts requires further development of the HRA Business Plan and work with Government and outside bodies, such as CIPFA, regarding harmonisation and accounting requirements. The Business Plan will be informed by the housing strategy for North Northamptonshire which will consider the challenges faced by the Council across the local housing market and will set out measures to enhance housing options for local residents. This will form a key element of the overarching strategy for North Northamptonshire.
- 4.12 A key element of the HRA budget will be to determine and set the rent levels for 2023/24. The basis for calculating Housing Rent levels is determined by the Housing Rent Regulator and has been based on the CPI in September of the preceding each year plus 1%. A deviation from Government's policy on rents for social housing would require the Council to apply to the Secretary of State for agreement that it would be inappropriate to apply this policy. However, due to the current levels of inflation, there may be a need for this to be reviewed nationally.

Capital Programme

- 4.13 The Council will be required to approve a Capital Programme for the period 2023-26 for both the HRA and the General Fund and a Baseline Development Pool based on the Capital Strategy. The delivery of a Medium-Term Capital Programme which is affordable and sustainable, ensuring that the Council's internal resources and application of external borrowing are utilised to fund capital expenditure where it supports the delivery of the Council's financial sustainability and where there are statutory requirements such as health & safety.
- 4.14 The Capital Strategy should make explicit the links to, and integration with, the Council's other strategies - with new capital investment only being permitted if it contributes to the achievement of the Council's corporate priorities.

5. Budget Process 2023/24

- 5.1 The Budget Strategy provides the basis for the delivery of the 2023/24 Budget and for setting a robust Medium Term Financial Plan.
- 5.2 The robustness of both the budget pressures and savings are of equal importance when setting a balanced budget – the pressures need to reflect those that the authority is facing, and the savings must be deliverable.
- 5.3 As a general principle, the high-level strategy for setting the 2023/24 budget is illustrated in the diagram below. Information will be taken from the 2022/23 budget, amended for recurring issues identified through the budget monitoring process which cannot be mitigated against, together with any other known changes (savings/pressures) before coming to a balanced budget position for 2023/24. The Council has a statutory requirement to balance its budget.

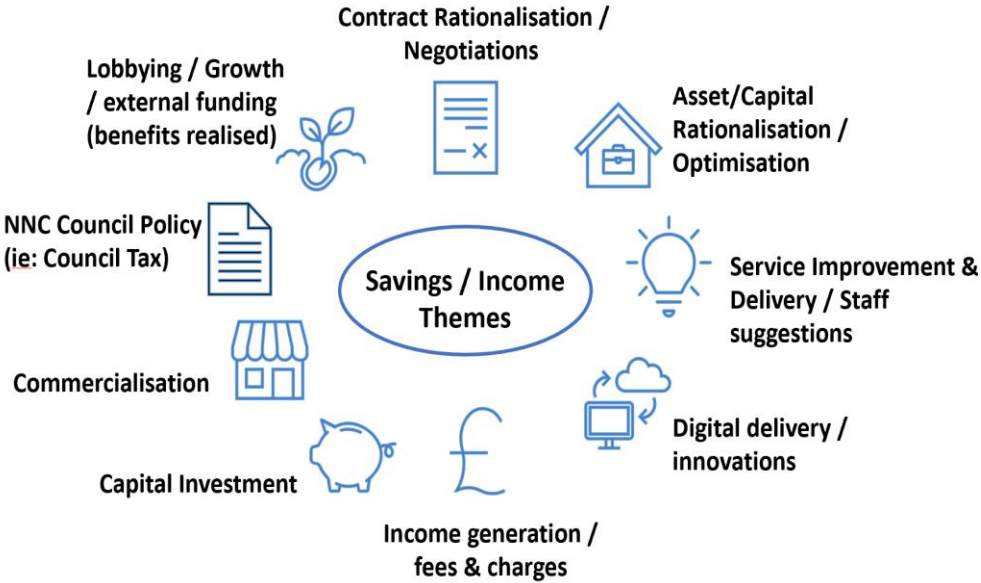


5.4 When the 2022/23 budget was set, there was an indicative financial gap over the following two years as set out in the table below. This was based on the best information available at the time, including the assumption that the funding regime for Councils would change from 2023/24, having been delayed from the previous year:

	2022/23 £m	2023/24 £m	2024/25 £m
Net Budget Requirement	628.169	639.032	653.997
Total Funding	628.169	613.840	620.084
Gap/Savings Requirement	0	25.192	33.913

5.5 The current forecast gap will require the Council to identify where business processes can be made more efficient and to establish opportunities to increase income. Where these are identified, and approval is given, then they will be reflected in the MTFP and, where appropriate, be included in the base budget for future years.

5.6 It is important budget managers scrutinise their budgets to ensure that services are delivered as efficiently as possible. To assist and provide additional focus in delivering a balanced budget the following areas will be considered as part of the budget process.



The Children’s Trust

5.7 There is a separate Children’s Trust which operates across Northamptonshire. The Trust provides Children’s Social Care support under contract to North Northamptonshire Council and West Northamptonshire Council. Each year the Councils consider the funding requirement for the Trust in line with the contract arrangements. The Council will include this sum as part of its budget requirements for approval.

5.8 With regard to the timeline for approval with the Trust, this is set out within the contract where it is required that on or before 30th November in each contract

year the Strategic Group shall meet to discuss and agree the proposed contract sum for the following year, which shall take into account a number of factors including the Trust's draft business plan. The Trust will also provide an estimate for future years as an indicative assessment based on the information that the Trust has available to it.

- 5.9 Each Council is required to seek internal approval of the provisional contract sum by 15th January for the forthcoming financial year. The Trust acknowledges that as part of the Council's approval process for approving the provisional contract sum, the Trust may be required to support the Director of Children's Services at any scrutiny meeting of the Council in accordance with the agreed governance arrangements set out within the contract.
- 5.10 Subject to Council approval, the provisional sum shall become the actual contract sum payable.

Risks in Preparation of the Budget

- 5.11 The basis of the budget strategy is to ensure that the Council delivers a balanced budget for 2023/24 to be presented to Council for approval in February 2023; however, there are inevitably risks that may cause expenditure to increase or income to reduce. Consequently, income and expenditure levels will be kept under review throughout the budget process.
- 5.12 It will not be possible to finalise funding in the budget until government announcements on future funding levels are published, which is expected to be later in the year. The Chancellor's Autumn Budget 2022 is likely to be around October/November 2022, with the detailed Finance Settlement for Local Government expected mid-late December.
- 5.13 The impacts of the changes in the funding regime or other external factors will be reported to Members once announcements are made and officers have understood the implications on the Council. Where appropriate, these will be included in the Council's updated medium term financial plan for 2023/24 onwards.

Timetable

- 5.14 The Council is required to set a Balanced General Fund Budget and the levels of Council Tax for 2023/24 at its budget meeting in February 2023. The Council is also required to set a Balanced HRA Budget and rent levels for 2023/24 along with a Capital Programme for both the General Fund and HRA.
- 5.15 The indicative summary timetable for the setting of the budget is as set out below, this is subject to amendment in light of government announcements and other potential changes:

Key Dates	Activity
<i>During Year</i>	<i>Budget Monitoring reports produced which will be presented to Executive and Finance and Resources Scrutiny.</i>

Key Dates	Activity
	<i>Await announcements regarding funding changes in light of proposed funding reforms.</i>
October	Scrutiny Committee to have dedicated session with Service Directors to understand the current in year position for the budgets (as at P5), which will inform the position for 2023/24.
Late October / Early November 2022	Chancellor announces Autumn Budget 2022
Late November / Early December 2022	Scrutiny of Children's Trust proposals led by the Director of Children's Services
December 2022	Draft budget report 2023/24 presented to Executive for approval Consultation on the budget will commence following the meeting and subject to Executive approval Draft Schools Budget (Dedicated Schools Grant) to Schools Forum Presentation to Scrutiny on the overarching draft budget proposals and scrutiny of individual service areas.
Mid-late December	Local Government Finance Settlement
By 15 th January	Latest date that the Council is required to seek approval of the contract sum
January 2023	HRA rent increase consultation to tenants' forums Budget Update following the Local Government Finance Settlement Budget consultation ends
February 2023	Updated Budget reports, including feedback from Scrutiny, presented to Executive for approval and recommendation on to Council Setting of the Budget - Suite of Budget Reports presented to Council for approval

6. Issues and Choices – Scrutiny Arrangements

- 6.1 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 Committee will provide recommendations back to the Executive on the proposals that have been put forward.
- 6.2 It is suggested that detailed scrutiny of the budget is carried out in two distinct phases. The first phase to be around September/October 2022 to look at the in-year position and the detail of the current budgets and activity as well as general pressures and opportunities. This will include any updates with regard to Government funding arrangements and any other proposals. It is intended that this will provide the groundwork for the scrutiny of the budget proposals when then is greater clarity of the potential funding and other budget requirements.

6.3 The second round of scrutiny will take place when the 2023/24 draft budgets proposals have been reported to Executive which is expected to be in December 2022. This will trigger the budget consultation and will represent the formal draft proposals. The Scrutiny process will complete in January 2023, to feed into the updated budget report to Executive in February 2023.

6.4 Similar to the process for 2022/23 it is proposed that the separate scrutiny sessions are split across the main service areas of:

- Place and Economy
- Adults, Communities and Wellbeing Services, including the HRA
- Children's and Education Services
- Enabling and Support Services – Finance, Transformation and ICT, and Legal and Democratic including HR.

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

6.5 Each service area will attend a scrutiny session to present their service and budget plans. The Finance and Resources Scrutiny Committee will be able to scrutinise each plan and may request further details on a particular area. 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.

6.6 Further to the above, Scrutiny will also receive a presentation on the overarching financial position to provide the context to the proposals.

6.7 The Committee are asked to consider the proposals outlined. A detailed timetable for the separate, dedicated scrutiny sessions can then be established in light of the comments from the Committee.

7. Implications (including financial implications)

Resources and Transformation

7.1 None specific to this report.

Legal

7.2 None specific to this report.

Risk

7.3 None specific to this report.

Consultation

- 7.4 Currently it is envisaged that the first public draft of the budget will be presented to the Executive at its meeting in December 2022. The Finance and Resources Scrutiny Committee will then have the opportunity during the budget process to make suggestions to the Executive prior to final budget approval by the Council.
- 7.5 This report sets out the terms of consultation that were in place for the 2022/23 budget proposals. The consultation will commence once the draft budget proposals have been agreed by Executive and will run until around the end of January, prior to the Executive meeting in February.
- 7.6 As for the 2023/24 consultation, 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 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
- 7.7 The purpose of the consultation is to ensure that, when the Final Budget is considered by Council, Members are aware of the outcome of the consultation and are in a position to take it into account when making final decisions.
- 7.8 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, and scrutiny will be advised on the mechanisms for this in the coming year.
- 7.9 Consideration of the draft budget proposals will be undertaken by the Finance and Resources Scrutiny Committee who will report their recommendations to the Executive meeting in February 2023. The Executive must then make recommendations on the final, scrutinised, budget and HRA rent proposals to Council for approval.
- 7.10 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.

Equality Impact Assessment (EIA)

- 7.11 In considering the budget for 2023/24 the Council must consider its ongoing duties under the Equality Act 2010 to have due regard to the need to eliminate discrimination and advance equality of opportunity between all irrespective of whether they fall into a protected category. Having due regard to these duties does not mean that the Council has an absolute obligation to eliminate discrimination but that it must consider how its decisions will contribute towards meeting the duties in light of all other relevant circumstances such as economic and practical considerations.
- 7.12 As part of the budget consultation process options put forward may require an Equality Impact Assessment (EIA) to be undertaken.

Climate Impact

- 7.13 None specific to this report, however, the Council has made a commitment to tackling the climate impact and spending decisions will take this into account.

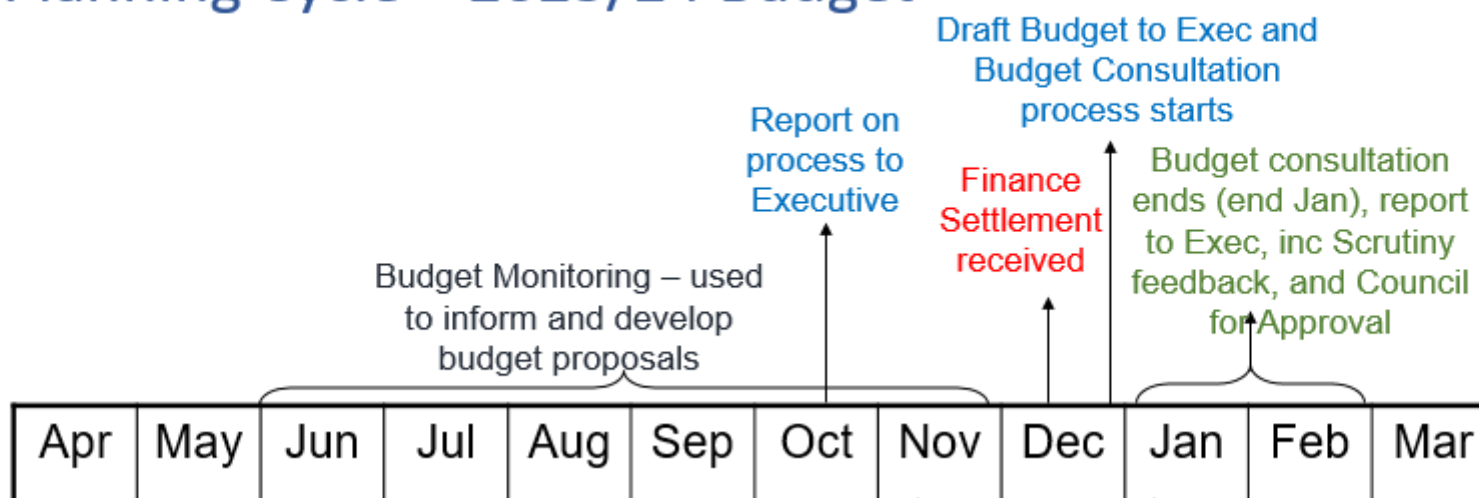
Community Impact

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

8. Background Papers

- 8.1 Suite of budget reports 2022/23 to Council, 24th February 2022.

Financial Planning Cycle – 2023/24 Budget



The 2023/24 Budget Cycle will be influenced by the Fair Funding Review and the resetting of the Business Rates Retention System – updates will be provided as any when announcements are made.

Budget planning for next year
Review P5 budget monitoring and performance including phase 1 scrutiny

Chancellor's Budget Statement

30th Nov - Final Date for Strategic Group to discuss and agree draft budget proposals for the Children's Trust

Scrutiny process for reviewing Draft Budget (phase 2)

Formal approval of budget by Full Council

Internal Approval for the Provisional Contract Sum for the Children's Trust (15th Jan)